BLACK ECONOMIC EMPOWERMENT AND LOCAL ECONOMIC DEVELOPMENT IN THE ACCOMMODATION SECTOR: THE CASE OF CLARENS, IN THE FREE STATE PROVINCE

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A DISSERTATION SUBMITTED IN FULFILMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTERS OF TECHNOLOGY

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DECLARATION

I, Nyane Macdonald Mofokeng, hereby declare that the dissertation entitled “Black Economic Empowerment and local economic development in the accommodation sector: The case of Clarens, in the Free State Province” is my own work and has not been submitted for any other degree at a university. Furthermore, it represents my own opinions and not necessarily those of the Durban University of Technology.

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NYANE MACDONALD MOFOKENG

Date
DEDICATION

This study is dedicated to my family, my father, Kgosi Mofokeng, my mother, Rose Mofokeng, and my sister, Cecilia Mofokeng, for constant support and motivation for me to complete this study. You are dearly loved.

To you, Pap’s, I say thank you for your insistence on education. I hope this dissertation shows that your tireless work in getting me and Cece educated has paid off, I hope I’ve made you exceedingly proud.

To you, Tsump, I will always remember our very long conversations on the phone that were and are always filled with a lot of laughter. They made my day and allowed me to see the rainbow at the end of this study.

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## ACRONYMS

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<th>Description</th>
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<tr>
<td>ANC</td>
<td>African National Congress</td>
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<tr>
<td>B-BBEE</td>
<td>Broad-Based Black Economic Empowerment</td>
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<tr>
<td>BEE</td>
<td>Black Economic Empowerment</td>
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<tr>
<td>CATHSSETA</td>
<td>Culture, Art, Tourism, Hospitality, and Sport Education and Training Authority</td>
</tr>
<tr>
<td>CGE</td>
<td>Commission for Gender Equality</td>
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<tr>
<td>COSATU</td>
<td>Congress of South African Trade Unions</td>
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<td>DEAT</td>
<td>Department of Environmental Affairs and Tourism</td>
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<td>DTI</td>
<td>Department of Trade and Industry</td>
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<tr>
<td>EEA</td>
<td>Employment Equity Act</td>
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<td>EME</td>
<td>Exempted Micro-Enterprise</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>HSRC</td>
<td>Human Sciences Research Council</td>
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<tr>
<td>JSE</td>
<td>Johannesburg Stock Exchange</td>
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<td>LED</td>
<td>Local Economic Development</td>
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<td>LSM</td>
<td>Living Standard Measure</td>
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<tr>
<td>NDT</td>
<td>National Department of Tourism</td>
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<tr>
<td>QSE</td>
<td>Qualifying Small Enterprise</td>
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<tr>
<td>THETA</td>
<td>Tourism, Hospitality &amp; Sport Education Training Authority</td>
</tr>
<tr>
<td>SAB</td>
<td>South African Breweries</td>
</tr>
<tr>
<td>SAIRR</td>
<td>South African Institute for Race Relations</td>
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<tr>
<td>SALGA</td>
<td>South African Local Government Association</td>
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<tr>
<td>SEDA</td>
<td>Small Enterprise Development Agency</td>
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<td>SMME</td>
<td>Small, Medium and Micro Enterprises</td>
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<td>STATSSA</td>
<td>Statistics South Africa</td>
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ABSTRACT

In South Africa, the tourism industry has been identified as one of the key drivers for economic development and transformation of the country. Although South Africa joined the world tourism stage since democracy, the country still contends with issues linked to apartheid, such as poverty, inequality and transformation. More specific and related to this study is the transformation of the tourism industry. In this regard, an overwhelming majority of tourism enterprises are still under the ownership of the White minority. With the post-apartheid transition, the national government recognized that the unequal ownership structure within the tourism sector (as with most of the other economic sectors) needed to be addressed through a programme of transformation. Hence, the transformation programme introduced to counter the current dominance of the economic sector was called Black Economic Empowerment (BEE), followed by Broad-Based Black Economic Empowerment (BBEE); the programme aimed at redressing inequalities that were linked to the legacy of apartheid.

The study employed both qualitative and quantitative data collection methods. A semi-structured questionnaire was used to gather in-depth information from respondents, based on their accommodation establishment. The data collected from the responses were analysed using Microsoft Excel.

This study revealed that the accommodation sector is struggling to keep up with the 2014 transformation target of thirty percent. Incidentally, transformation as noted by the National Department of Tourism, within the industry currently stands at less than 3 percent and will struggle to meet the amended target of thirty percent in respect of the transformation targets set for 2017. Although the government has introduced many initiatives to promote Black participation within the accommodation sector, transformation has remained stagnant and Black ownership of accommodation establishments is almost non-existent.

The study results have found that there are no Black business that operate within the CBD of Clarens and that businesses that operate in Clarens even though wholly White-owned, are indeed compliant with the Tourism BEE charter in spite of the
results noting that no transformation has taken place. This is due to the issue of automatic compliance afforded to businesses based on their annual turnover.
CHAPTER ONE
BACKGROUND TO THE STUDY

1.1 Introduction

Since 1994, South Africa has been on a path towards transformation, more particularly the transformation of the economy. This study aimed to determine how transformation and Black participation have progressed within the accommodation sector. To improve transformation and increase Black participation in the economy, the government promulgated a policy called Black Economic Empowerment (BEE), which was improved upon and later called Broad-Based Black Economic Empowerment (B-BBEE). The tourism industry in 2004 began work to establish a sector specific guideline towards transformation and Black participation in the form of the Tourism Charter. The charter set transformation targets it hoped it would achieve, first in 2009, then in 2014 and, lastly, in 2017. Tourism has been identified by the government as a catalyst to achieving poverty alleviation and increasing job creation and has thus been included as a core pillar in the national development plan which is the government’s development blueprint for the country.

Clarens was chosen to be the focus area for this study as it is the primary tourism node in the Free State province of South Africa. Clarens is a small town situated in the foothills of the Maluti Mountains in the Free State Province of South Africa. The town derives most of its Gross Domestic Product (GDP) from tourism and tourism related activities (Clarens Tourism 2011). Clarens is rapidly becoming one of South Africa’s favourite tourist destinations and the local government has been taking initiatives to develop tourism in the Free State Province (Clarens Tourism 2011).

The study surveyed business owners and managers of accommodation establishments as individuals responsible for transformation within their respective businesses so as to identify whether the accommodation sector was complying with the targets set out in the Tourism Charter.
This chapter will look at BEE within the context of the South Africa tourism industry, as well as discuss BEE and the Tourism Charter as mechanisms in place to bring about transformation within the industry.

1.2 Background and context

The tourism industry has experienced a steady increase in tourism numbers since South Africa had its sanctions lifted in 1994 (SA DEAT 1996; George 2008: 5). According to the National Department of Tourism (SA NDT 2011: 2), the tourism industry in South Africa had grown immensely since the country’s first democratic elections in 1994. The number of foreign tourist arrivals increased from 3 million in 1993 to 9.9 million in 2009. According to Bloem (2014), more recent statistics from Statistics South Africa (StatsSA) show that international tourist arrivals to South Africa had reached 14 860 216 in 2013. This amounted to a 10.5% increase in international arrivals compared to 2012 (Bloem 2014). In 1996, the Department of Environmental Affairs and Tourism (DEAT) published the White paper titled “The development and promotion of tourism in South Africa, placing tourism as a key development tool for the country” (SA DEAT 1996). This very sentiment was once again echoed by President Jacob Zuma in his 2012 State Of The Nation Address (Zuma 2012). He predicted that tourism would increase the socio-economic wellbeing of South Africans and, as such, tourism was incorporated as a critical focus industry in the government’s national economic development plans (Zuma 2012).

Since democracy, the national government recognized that the unequal ownership structure within tourism needed to be addressed through a programme of transformation and consolidated support for the development of Black-owned tourism enterprises (SA DEAT 1996). In 2005, the DEAT stated that they recognise that the tourism industry, like the rest of South African society, remains characterised by large disparities in access to opportunities and benefits, and, in particular, to opportunities and benefits for Black people (SA DEAT 2005: 1).
1.2.1 Conceptualising Black in the context of transformation

The political label ‘Black or previously disadvantaged’ initially referred to the three ‘non-White’ groups of people (Blacks, Indians and Coloured’s), in recognition of their common discriminated status during South Africa’s apartheid era (Bladini 2001: 10). In 2008, a landmark ruling in the Pretoria High court grated Chinese South Africans the right to be classified as Black as they were considered Coloured and, as such, discriminated against by the apartheid regime (English People 2008).

The DEAT also noted that the tourism sector was largely White-owned and that the legacy of apartheid remained apparent in some of the tourism sector's associations and bodies and, therefore, acknowledged the need for transformation, so that these entities may become truly representative and reflective of a South African society (SA DEAT 2005: 1).

There have been many studies (Shome and Hamidon 2009; Lee 2010 and Nell 2011) that have examined the role of transformational polices that seek to address past injustices that affected groups of people on the basis of their racial make-up across the world. Globally such transformational polices are referred to as Affirmative Action policies (Lee 2010: 297).

The transformation programme introduced by the South African government was called Black Economic Empowerment (BEE), followed by Broad-Based Black Economic Empowerment (B-BBEE) as well as the B-BBEE codes of conduct. The programme and its subsequent amendments aimed at redressing (at all sectors of the economy) inequalities that were the legacy of apartheid by affording previously disadvantaged South African citizens economic privileges which were previously not available to them (Department of Trade and Industry (DTI) 2003 and SA DEAT 2005: 1).

The launch of the BEE programme was aimed at redressing the impacts of apartheid and bringing about transformation. This study, therefore, endeavours to determine whether transformation within the accommodation sector in Clarens is materialising.
1.3 Rationale for the study

The rationale behind BEE and the move towards transformation can be traced back to the apartheid era, i.e., the period which was sustained by the previous White government. The apartheid government maintained the economic status of Black people at a level below that of White people in South Africa (Dlanga 2013). Essentially, the apartheid policy was actually Black people disempowerment; it was devised in such a way that Black people were destined to provide the cheap labour, a process that resulted in the deliberate denial of entrepreneurship development (Dlanga 2013). The disparities in entrepreneurship development between White and Black people were the consequence of the earlier economic policies. Redressing of the racial economic disparities has continued since the advent of a new South Africa. BEE and its related programmes emerged as solutions to the lack of essential resources for the economic development of Black people (Empowerdex 2013: 15).

The study will look at whether the implementation of BEE has led to any significant changes in the tourism industry with regards to Black participation and what the levels of Black participations currently indicate. There are also many (Shome and Hamidon 2009; Lee 2010 and Nell 2011) examples of the application of transformational policies around the world and the study will within the literature, look at how such policies were applied in developing countries such as Malaysia and Brazil, countries with politically dominant but economically segregated groups, so as to inform the best direction local policy makers can take to better address transformation in the South African context.

According to Robinson (2005), cited in Biyela (2007: 3), only ten percent of the nation's 45 million people comprised White people and they continued to dominate the ownership of the economy. The BEE Charter (SA DEAT 2005: 1), noted that, in the tourism sector, fewer Black people own tourism enterprises. There are various factors that were found to be limiting Black participation in the tourism sector such as poor infrastructure, lack of access to financial resources, and lack of expertise that is crucial in the planning, implementation, and management of tourism businesses (Biyela 2007: 48). The situation demanded an urgent commitment by the tourism industry stakeholders towards promotion of entrepreneurship among the previously disadvantaged population groups. The government laid out as part of the BEE
programme initiatives to promote entrepreneurship amongst the previously disadvantaged.

According to Rogerson (2004: 273), NDT (SA NDT 2012b) and Giampiccoli and Mtampuri (2014: 91), White people own a large majority of South African businesses and the narrative remains the same within the tourism industry. Access to opportunities and benefits of tourism favoured White people and the lack of Black ownership meant that there was skewed racial participation in the tourism industry (Rogerson 2004: 273; Biyela 2007: 3).

It is for this reason that the Tourism BEE charter was enacted in 2005 in order to address the skewed state of business ownership within the tourism industry. A decade later one looks at how far the industry has come with respect to the transformation targets that were set.

1.4 Problem statement

The study seeks to understand whether The White Paper on the Development and Promotion of Tourism in South Africa (SA DEAT 1996) and the National Tourism Sector Strategy (2012a) on the development and promotion of tourism state that communities need to participate and play a vital role in the development of tourism as well as share in the distribution of benefits. The industry is, however, largely White-owned and, as a result, opportunities and benefits of the tourism sector are, therefore, not filtered to Black South Africans and, hence, the need for transformation (Rogerson 2004: 273; SA DEAT 2005: 4; SA NDT 2012b).

New legislations adopted since 1994 has shed light on and provided direction on the need to empower Black communities. Despite these initiatives, transformation and economic development remain a challenge, thus leading to the question: Have BEE led policies and initiatives led to transformation and economic development for Blacks within the accommodation sector?
1.5 Aim and objectives of the study

The aim of this study is:

The aim of this study is to determine how transformation and Black participation has progressed within the accommodation sector of Clarens.

The aim of study is linked to the following objectives:

1) To determine the level of transformation in terms of ownership within the accommodation sector in Clarens;
2) To determine the level of compliance of the tourism accommodation establishments in Clarens towards BEE Charter and scorecard and B-BBEE codes of conduct; and
3) To determine the level of compliance in respect of transformation of the accommodation sector in Clarens against the 2014 transformation target set out in the Tourism Charter, and whether the industry will meet the 2017 target set out in the Tourism B-BBEE Sector Code.
4) To determine whether there has been any local economic development spurred on by Black businesses operating within the accommodation sector.

1.6 Limitations of the study

This study was geographically limited to the town of Clarens. Due to time constraints, this study was based only on the town of Clarens and establishments that were within the borders of the central business district and did not include neighbouring farms or establishments outside a 5 kilometre radius.
1.7 Benefits of the study

The study will help identify how much progress the accommodation sector made towards transformation and Black participation since the launch of the Tourism Charter, by surveying Clarens, a primary tourism node in the Free State Province of South Africa. The study will also provide insights into the perceptions businesses have towards the BEE policy, which will enable the government to make informed decisions based on the finding regarding how to reduce the bottlenecks stalling transformation and Black participation in this sector. Lastly, the study will provide recommendations on some of the practical steps that can be taken to improve Black participation in the accommodation sector.

1.8 Definition of concepts and terms

Black - refers to 'non-White' groups of people (Blacks, Indians and Coloured’s), in recognition of their common discriminated status during South Africa’s apartheid era, and in a 2008 landmark ruling the definition of Black was amended to also include Chinese South Africans (Bladini 2001: 10 and English People 2008).

Black Economic Empowerment – refers to a set of policies that are designed to promote the inclusion of all individuals from historically disadvantaged groups, and at the same time address the issue of Black participation within the economy by achieving an equitable representation of the historically disadvantaged groups (South Africa 2004: 2).

Black businesses – refers to businesses with 50% of it's ownership held by Black directors (Van Scheers 2010: 148).

Local Economic Development - refers to an approach to economic development, by focusing on the importance of economic activities taking place in a localized region e.g. city, region or district (World Bank 2016).

Transformation within the BEE context – refers to the representation of the previously disadvantaged groups in sectors of the economy/positions which are predominately occupied by White people (South Africa 2004: 2).
1.9 **Structure of the dissertation**

This thesis is structured in five chapters:

**Chapter One** - introduces the study and presents the research problem.

The chapter outlines the problem statement which is the foundation on which the study is based. The significance of undertaking the study is highlighted in the chapter. The background of the study and the research objectives of the study are explained.

**Chapter Two** - discusses the literature regarding Black Economic Empowerment and transformation. Chapter two explores the literature relating to Black Economic Empowerment and the transformation of the South African tourism sector.

**Chapter Three** - discusses the research methodology and design. Focus is on the organization and design of the questionnaire, the methods of data collection and data analysis techniques employed in the study.

**Chapter Four** – presents the results of the study which examines transformation within the accommodation sector in Clarens.

**Chapter Five** – discusses the results of this research and proposes recommendations to accelerate transformation and improve on the performance of Black Economic Empowerment in light of the findings.
1.10 Conclusion

The chapter outlined the purpose of the research and laid out the context regarding the progress of transformation within the South African tourism industry. Since 1994 the South African government has prioritised the transformation of its economy by promulgating policies and implementing programmes of redress to achieve economic transformation. The tourism sector was one such sector that needed transformation. The Tourism Charter was the legislative framework used to set transformation targets for the tourism industry. With the use of the Tourism Charter the study aims to determine the transformation of the accommodation industry in Clarens.

The next chapter focuses on the relevant literature review of this study.
CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

The purpose of this study is to determine how transformation and Black participation have progressed within the accommodation sector and, by so doing, help understand and reduce the bottlenecks stalling transformation and Black participation in this sector. Making use of the Tourism Charter, Scorecard, BEE and B-BBEE framework to determine the level of compliance, the researcher sought to evaluate the transformation of the accommodation sector in Clarens.

The previous chapter provided the background of the study and outlined the research problem, aim, objectives, rationale and provided a synopsis of the structure of the dissertation. This chapter provides an overview of the tourism industry in South Africa and situates transformation within this context. Therefore, this review of the literature focuses on transformation within the South African tourism industry and accommodation sector. Pertinent issues relating to transformation and progress made on the economic redress within the tourism industry in relation to the previously marginalised South African population will be discussed.

2.2 Tourism

Tourism per se can be defined as “the activity of persons travelling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business or any other purpose not related to the exercise of an activity remunerated from within the place visited” (UNWTO 2011a: 1). In the beginning, even before the term tourism was coined, tourism had already existed (Gyr 2010). According to Gyr (2010) ancient Egyptians were already travelling for purposes of trade and the nobility for the purpose of leisure and relaxation. This form of travel, however, was small and limited in nature. It is only in the later parts of the 18th century, when travel expanded to what we today know as mass tourism, largely due
to the industrial revolution, which was brought about rail transportation (Gyr 2010). Today, tourism is recognised as a significant industry both in poor and wealthy countries due to its impact on the economy, host community livelihoods as well as its socio-cultural contributions (Rahman 2010: 5). Tourism is seen by governments globally as a catalyst for economic growth and a tool to be used to aid development. For example, governments in poverty-stricken countries, such as Ghana and the Maldives, use tourism as a tool for poverty reduction and social change (Rahman 2010: 5). Tourism is globally considered as the industry with the highest growth rate and the industry with the greatest potential for job creation. Thus, many countries align their policies so that they may enjoy its economic spinoffs (Shaw, Saayman and Saayman 2012: 190). This chapter will look at how South Africa, a developing country, has also identified tourism as a catalyst for development and economic growth (DEAT 1996; Zuma 2012).

2.3 The history of tourism in South Africa

According to Lubbe (2003: 26) since the early 1700’s, there have been various written accounts of people traveling in and to South Africa for the purpose of exploration, expedition, anthropological studies as well as missionary travel. In the 19th century the country earned a reputation as a health resort and was soon marketed in London as the “health resort of Europe”. Domestic tourism also developed around this time as British civil servants would vacation around the country traveling by ox-pulled wagons. The South African Railways was the main tourism body in the country and remained so till 1938, when the Tourism Development Corporation was established and was then responsible for the marketing and promotion of tourism. On the 1st of October 1983, the tourism branch of the Department of Trade, Commerce and Industry merged with Satour and the Hotel Board to form what is know today as South African Tourism. During this period the apartheid regime strangled the growth and development of tourism in South Africa due to the international boycotts and negative publicity it received for its implementation of racially divisive laws. The segregation policies also severely hampered the development of tourism markets for previously disadvantaged groups.
This unfair political history in South Africa led to its demise when the international community placed sanctions against the country in 1986 (Laverty 2007: 1; George 2008: 3). South Africa faced economic sanctions, expulsions from international organizations, and the divestment of foreign companies and, as a result, the tourism industry was stagnant and was stifled in terms of growth until 1994 (Laverty 2007; George 2008: 3). It was only after democracy that South Africa re-entered the world tourism stage and benefited from its contribution as an economic activity (Jugmohan 2009: 2).

The question that remained to be answered is who actually benefited from tourism since post-apartheid? However, Zuma indicated that, in South Africa, the tourism industry has been targeted as one of the key drivers for economic development and transformation (Rogerson 2004: 273; Zuma 2012). Structurally, South Africa's tourism economy is dominated by a small group of locally-owned multinational tourism organizations (Rogerson 2004: 273; Abor and Quartey 2010: 218). Nevertheless, a special feature of the South African tourism economy is the overwhelming majority of tourism enterprises that are under the ownership of the White minority (Rogerson 2003: 108; DEAT 2004).

It is important to note that the position of the White Paper on Development and Promotion of tourism in South Africa (1996) recognised the inequality within the tourism industry and concluded:

*That the unequal ownership structure within tourism needed to be addressed through a programme of transformation and consolidated support for the development of Black owned tourism enterprises (SA DEAT 1996).*

The transformation programme was later tabled and called BEE, which is an all sector programme, and, from this programme, the Tourism Charter was developed. The Tourism Charter was the country’s action plan to deal with the imbalances highlighted in the White Paper of 1996 regarding the challenges faced by the tourism industry (SA DEAT 2005: 2). The Tourism Charter was initiated for the following reasons:
• To create awareness and access of the tourism industry among Black South Africans;
• To develop and advance the tourism sector initiatives including empowerment of Black South Africans;
• To advance the objectives of the B-BBEE Act; and
• To provide a framework and principles outlining how BEE would be implemented within the tourism industry.

After the Tourism Charter was officially launched in 2006, many other strategic documents, plans and sector codes were formulated and enacted to achieve the goals set out in the charter, such as the B-BBEE Codes of Good Practice, the National Tourism Sector Strategy and the Enterprise Development Programme but the results yielded by these programmes to date were still less than satisfactory (SANDT 2012b).

2.4 The history of tourism in Clarens

Clarens is located 35 kilometres from Bethlehem in the eastern Free State, and was established in 1912 for farming purposes and subsequently developed as a retirement town for farmers in the area. Real changes to the character of Clarens occurred in 1990 when the Lesotho Highlands Water Scheme required the construction of a tunnel from Katse Dam in Lesotho to the Ash River just outside Clarens. Hence, the living quarters for the teams involved in the construction of the tunnel were built in Clarens (Hoogendoorn and Visser 2004: 105).

This resulted in the construction of formal housing and more extensive infrastructure, including well-designed tarred roads connecting Clarens to a better water supply, electricity and telecommunication systems (Hoogendoorn and Visser 2004: 106). A further contributing factor was the large number of foreign contractors who took up residence in Clarens, including international workers and engineers. This also resulted in a sharp growth of Kgubetswana (the town’s Black township) between 1985 and 1991.
This large contingent of foreign contractors led to the development of restaurants and taverns to service the leisure needs of these workers (Marais 2004: 423). The completion of the Lesotho Highlands Water Project in 1994 inevitably meant that international workers left Clarens, plunging the town into recession mainly because its extended economic infrastructure had largely been developed around the needs of the international labour migrants (Marais 2004: 423). However, this temporary crisis led entrepreneurs to develop Clarens as a leisure destination. Hence, the development of bed-and-breakfast and self-catering establishments started to develop (Marais 2004: 423). However, these enterprises were owned by the White minority.

2.5 Local Economic Development and its purpose

Local Economic Development (LED) is an approach to economic development, by focusing on the importance of economic activities taking place in a localized region (city, region or district). The purpose of LED is to accumulate the economic capability of a local area to advance the future of its economy and the quality of life for all. It is a process by which public, business and nongovernmental sectors, partner to work communally to create favourable conditions for economic growth and employment generation (World Bank 2016).

LED offers local government, the private and non-profit sectors as well as local communities the platform to work jointly in improving the local economy. It focuses on enhancing competitiveness, increasing sustainable growth and ensuring that growth is inclusive. LED encompasses a range of disciplines including physical planning, economics and marketing. It also incorporates many local government and private sector functions including environmental planning, business development, infrastructure provision, real estate development and finance.

The practice of local economic development can be undertaken at different geographic scales. A local government pursues LED strategies for the benefit of its jurisdiction, and individual communities and areas within a local government's jurisdiction can also pursue LED strategies to improve their economic
such approaches are most successful if pursued in partnership with local government strategies. led is thus about communities continually improving their investment climate and business enabling environment to enhance their competitiveness, retain jobs and improve incomes (HRSC 2003: 4).

2.6 Tourism in the framework of local economic development context

led has become a global subject. The concept of led involves different themes, role-players involved and there is no single definition which may help to understand in synthesis what local economic development is. For the single territory or area, it is the means of enhancing prosperity and well-being (pike, Rodriguez-Pose and tomaney 2010: 87) or the development of local territory with the aim of stimulating the local economy for growth and job creation (Ntonzima and Binza 2011: 658). For a Nation as a whole, a chance of development on a global scale starts from the local one. However, there is not a clear or single strategy or program to develop local economic development. Following the simple model shown by pike, Rodriguez-Pose and tomaney (2010: 87) (see figure 2.1), it highlights what may happen when the local policy fails in the development of an area. The four axes on which local economic development may begin with are local firms, inward investment, infrastructure and labour skills. All these four elements are crucial for the development of an area. In the absence of one or more of the axes there may be jeopardy in the long term sustainable development of the area. Ntonzima and Binza (2011: 659) denote that the success of led rests on local partnerships between local government, other spheres of government, civil society sectors and local communities. Pike, Rodriguez-Pose and tomaney (2010: 87) indicate that a fault in the local industrial tissue could lead to the lack of attraction of other firms which may enforce the local industry through spill-over, knowledge diffusion and investment in the local area. Investments are necessary for the development of the area, both from inside and outside the territory. Education and skills among local people and community are the dynamic factor both for the social and human capital involved in the local economic structure (pike, Rodriguez-Pose and tomaney 2010: 87). Local skills are linked to the local labour force. Accessibility and infrastructure represent another axe on which the local and regional economic development is found. In
areas with inadequacies in suitable infrastructure and where there is not an institutional and political will to build them, an industry may not be supported enough to develop the specific local territory (Pike, Rodriguez-Pose and Tomaney 2010: 88).

Figure 2.1 The bases and risks of local development strategies. Source: Pike, Rodriguez-Pose and Tomaney 2010: 88.

Local economic development encompasses different strategies and issues, first of all, the relationship between the private and public sectors in the development of an area. The institutional framework and rules and standards involved are essential for the proper governance of an area (North 1990). Martini (2005) on the other hand denotes that, the local context and community and the partnership between private and public sector are essential for the development of all aspects and strategies involved. In addition, the cause of failure in traditional policies is the tendency to duplicate standardized policies in different areas without a comprehensive analysis of the local economic, social and institutional context. Moreover, traditional policies typically address the promotion of specific industrial sectors, however local policies may focus more on the development of networks and values chain in different sectors.
Martini also states that another characteristic associated with local economic development, is the territorial competition. Territories compete to attract labour and investments, which creates competitive assets for the local development. Moreover, territories may compete to invite foreign firms in order to invest in local businesses. For the single enterprise, the territory may be used as a resource, from which inputs and skills for its activity are obtained (Martini 2005). The area in which an enterprise is located is not just considered the location, but also a place where elements like institutions, social relations, capabilities and culture is integrated.

Tourism is fundamentally an economic activity which helps local areas to develop towards tourism destinations. According to the World Tourism Organization (UNWTO 2011: 2), tourism is the movement of people from one place to another for more than one night for various reasons (personal or business). From this movement of people, many effects may arrive. Some of them are quite linear consequences (e.g. the birth of hospitality and travel industry) whereas many of them are indirect effects also on local community (Franch 2010: 280). The positive effects may for example be the enhancement of well-being and the growth of the local economies. Local firms induced by tourism are not only the direct ones, but also the induced economies which obtain new customers, although indirectly (Franch 2010: 280). Other effects concern the environment and the socio-cultural context which may be affected by the arrival of new cultures and styles of life, but also an overcrowding in the local area and therefore the pollution and disruption of the territory and the local natural life. In the case of tourism, territorial competition concerns with competition among destinations (Franch 2010: 280). Territories which have a tourism inclination contest on the attraction of new tourists towards a destination. The strategies may be different, from promotion to new attractions (Franch 2010: 280).

Within a tourism destination, enterprises have different intentions and strategies. The systemic vision of the area and the involvement of all stakeholders therefore make it quite challenging. There must be strategies and policies in the economic development of an area, which aim at the local strategic governance and territorial systemic view. Figure 2.2 shows the territorial systemic strategy (Martini 2005).
The territorial systemic strategy has to be derived from a government institution which has the power to address the local involvement guidelines, through incentives to local aggregations, direct involvement on the territory and the creation of organization aimed at the local economic development. In this sense, there is a kind of meta-management or destination management. In this context, decisions on local economic development must be received from institutions together with all parties involved, such as associations, enterprises, etc. In the local community there may be also some changes in the local culture and traditions due to the contact with tourists (Martini 2005).

These are the three main features in a tourism destination. Firstly, the intricacy of the local system of supply has to be examined. There are different enterprises with different purposes, which may not have the same concept of what the tourism destination is and how to improve it. The second important factor to be considered is the relationship with the territory. The main attraction for tourists is the natural environment, together with the social and cultural one. The third characteristic
concerns with the seasonality and all economic, social and cultural problems (Martini 2005).

Rogerson (2015) outlines the successful implementation of tourism-based LED as having the following criteria:

- A need for realism by policy-makers as to whether tourism is a viable option for particular localities, whether in urban or rural areas;
- A critical look at economic development and the realization that it cannot be divorced from environmental, and particularly social development;
- The successful implementation of LED should result in tangible benefits for poor communities. This means that in developing economies, LED must be firmly linked to a commitment to pro-poor tourism policies;
- Tourism should not be looked at in isolation but should form part of all the economic sectors within a locale;
- Development must be led by both small and large businesses, with an emphasis on encouraging participation from small businesses especially in developing economies;
- Growth needs to be led to maximise local impacts and not only for the increase in visitor numbers;
- Research and monitoring systems need to be established; and
- There is need for good governance because tourism-led development cannot succeed in an environment of inefficient local government, corruption and over-regulation.

From a tourism-led LED perspective, institutions have to be aware of the problems and risks of a not well organized and sustainable program of intervention within a locale. Government intervention has to declare routes for local economic development, especially concerning sustainable development and must clearly understand how to develop and lead the implementation of tourism-led LED strategy (Martini 2005).
2.7 LED in the South African context – Pro-growth vs Pro-poor

The framework for LED was introduced in the 1998 White Paper on Local Government then termed “developmental local government”. The White Paper looked at how local economies can be sustainably developed to meet the needs of the community. Much of the context for the White Paper was focused on LED for the purpose of poverty alleviation (Qongo 2013: 18).

According to Rogerson (2006: 230) mainstream LED planning in South Africa is led by the markets which in turn seek high and sustainable economic growth rates. The bedrock of LED activities is sound governance of resources which enables the local community to pursue greater developmental goals. The existing planning and interventions regarding LED in South Africa has been in support of building local competiveness, with the ultimate aim being to support the the growth potential of small businesses. In this context pro-growth refers to strategies undertaken by the government in order to stimulate economic growth. Across South Africa’s major cities there is growing acknowledgement of the importance to respond to week demands and microeconomic challenges placed on local productivity by creating a business friendly environment so as to spur on growth. Microeconomic reforms designed to make local economies more productive have been a strong focus for LED interventions across all municipalities even though urban municipalities are the ones better placed to make or take advantage of these reforms (Rogerson 2006: 230).

Without taking away the pro-growth strategy path the government has sought to pursue, Rogerson (2006: 232) argues that it is evident that priority of the national government is to address severe problems of unemployment, inequality and poverty. LED policy developed as a form of addressing poverty alleviation centred around regulatory frameworks, municipal service delivery, and issues of employment creation by means of stimulating the local economy. The government had noted that a means to curb poverty alleviation would be through the immergeence and development of businesses from the previously marginalised groups, the training of entrepreneurs through incubators, creation of support advice centres and by making use of public sector procurement to support Black-owned enterprises. This path has however been criticised for not being managed properly and has ultimately been
accused for being anti-growth and not delivering measurable impacts in terms of increased local productivity (Cetin and Ozgur 2012: 4).

In South Africa there is a strong divide between where government should place its focus. Given South Africa’s historical context pro-poor initiatives compete strongly with pro-growth/economic growth strategies. It is widely considered that South Africa is largely focusing on poverty alleviation and conceptualising LED as a social policy which inadvertently diverts attention from business development. The more pertinent issue is not to be thinly defined by the two positions but rather how South African municipalities can individually as well as a collective, achieve a pro-poor growth path that operates in unison to achieve the desired goals of economic growth, competetiveness and poverty reduction (Rogerson 2006: 230).

The government proposed BEE as a programme of redress to tackle both concepts by trying to incorporate the previously disadvantaged groups into the fabric of South African economy, at the same time hoping this would address the the issue of pro-poor and pro-growth. With the understanding that when the economically marginalised become economically active, poverty alleviation can begin to be address and this would inadvertently grow the economy.

2.8 Black Economic Empowerment in South Africa

The BEE concept has various definitions. However, a working definition is necessary to understand the concept in the context of transformation in South Africa. The SA DEAT (2005: 2) defines BEE as:

An integrated and coherent socio-economic process that directly contributes to the economic transformation of South Africa and brings about significant increase in the country’s economy, as well as significant decreases in income inequalities.

The DTI defines B-BBEE as “a specific government policy to advance economic transformation and enhance the economic participation of Black people in the South African economy” (DTI 2013a: 6). It is clear that BEE, under the legislative framework of the Broad-Based Black Economic Empowerment Act (2003) and the
2007 B-BBEE Codes of Good Practice, has evolved to become an important part of South Africa’s business landscape.

The Strategy for B-BBEE (which preceded the promulgation of the B-BEE Act) provides details of the transformation rationale, its purpose in terms of overcoming the economic legacy of apartheid, and includes the B-BBEE strategy. B-BBEE is measured by means of a balanced scorecard and includes scores for direct empowerment, human resource development and indirect empowerment (South Africa 2004: 4). Officially, in terms of the Broad-Based Black Economic Empowerment Act, B-BBEE, therefore, means “the economic empowerment of all Black people including women, workers, youth, people with disabilities and people living in rural areas through diverse but integrated socio-economic strategies” (South Africa 2004: 4). By implementing BEE, government strived to pull poor people into the mainstream economy of South Africa in an attempt to make them benefit from the country’s wealth (Vivian 2011: 73).

Authors, such as Magi (2010: 123), argue that the current BEE philosophy was developed from the backdrop of the Reconstruction and Development Programme (RDP). The more recent BEE policy is known to have sponged off numerous portions of the post-apartheid legislation aimed at correcting past prejudices and disparities, namely, the Skills Development Act of 1998; Employment Equity Act of 1998; National Empowerment Fund Act of 1998; Skills Development Levies Act of 1999; Preferential Procurement Policy Framework Act of 2000; and this later led to the formation and promulgation of the B-BBEE Act of 2003.

The initial challenges noted in the BEE framework was recognised as the lack of representation of the broader society, hence, the formation of B-BBEE in an attempt to make BEE more inclusive (DTI 2004: 4). In 2003, the B-BBEE Act (South Africa 2004: 2) was enacted in order to expedite BEE on a macro level. The main goal of the act was to establish a legislative framework for the promotion of Black economic empowerment and to set-up mechanisms that could achieve this goal.
The objectives of the B-BBEE Act (South Africa 2004: 4) were as follows:

- Promoting economic transformation in order to enable meaningful participation of Black people in the economy;
- Achieving a substantial change in the racial composition of ownership and management structures and in the skilled occupations of existing and new enterprises;
- Increasing the extent to which communities, workers, cooperatives and other collective enterprises own and manage existing and new enterprises and increasing their access to economic activities, infrastructure and skills training;
- Increasing the extent to which Black women own and manage existing and new enterprises, and increasing their access to economic activities, infrastructure and skills training;
- Promoting investment programmes that lead to broad-based and meaningful participation in the economy by Black people in order to achieve sustainable development and general prosperity;
- Empowering rural and local communities by enabling access to economic activities, land, infrastructure, ownership and skills; and
- Promoting access to finance for Black economic empowerment.

These codes were applicable to the following entities (DTI 2004: 4):

- All public entities;
- Any public entity that undertakes any business with any organ of state, public entities or any other enterprise;
- Any enterprise that undertakes any business with any organ of state or public entity; and
- Any other enterprise that undertakes any business (directly or indirectly) which is subject to measurement as specified above and which is seeking to establish its own level of B-BBEE compliance.
For all practical purposes, the B-BBEE Codes of Good Practice in South Africa thus apply to all government departments, NGOs (Non-Governmental Organisations), all public and private companies, close corporations, Article 21 (non-profit) companies, incorporated companies, external companies, sole proprietors and partnerships.

In order to ensure measurable development, businesses are required to have a BEE certificate which includes a number of criteria that need to be adhered to in order to be lawfully certified.

Liebenberg (2013a) points to the fact that distinctions have been made between exempted micro-enterprise (EME) with a total revenue of R5 million or less; a qualifying small enterprise (QSE) with total revenue of between R5 million and R35 million; and a start-up enterprise, which is measured as an EME for the first year of formation or incorporation. Liebenberg (2013a) posits that in line with the government’s focus on job creation and small business development goals, businesses with annual turnovers of less than R5 million are exempt from B-BBEE and are automatically deemed to be “Level 4” contributors. Black-owned small businesses (entities that are more than 50% Black-owned) are classified as “Level 3” contributors.

On the 11th of October 2013, new B-BBEE amendments were gazetted (but only came into effect in November 2014, a year after being gazetted in order to provide businesses with an opportunity to align their B-BBEE strategies with the new amendments). Before the new amendments come into effect, a QSE could select any four of the seven elements of the scorecard for measurement to determine its compliance (Liebenberg 2013b). Measurement of an enterprise as a ‘contributor’ in terms of the generic scorecard determines its B-BBEE status on the basis of the qualification in terms of points scored, including its B-BBEE recognition level.

According to Liebenberg (2013b), the introduction of new B-BBEE codes will require businesses to conform to the following measures:

- A reduction in the number of B-BBEE pillars from 7 to 5 with the combining of management control and employment equity as well as procurement and enterprise development;
• A QSE no longer has a choice in the selection of pillars and must be scored on all five pillars;
• Priority pillars are stipulated and an organization’s B-BBEE level would be discounted if targets were not met; and
• Large enterprises have to comply with all elements. QSEs have to comply with ownership as a compulsory element and either Skills Development or Enterprise and Supplier development.

To implement the BEE policy, the government has chosen a strategy in which BEE compliance would enable companies to win government contracts, licenses to operate and their goods or services procured by government departments. To measure the extent of BEE compliance, industry specific charters incorporating a balanced scorecard have been developed. To ensure a consistent approach to BEE across all sectors, government introduced a balanced scorecard for B-BBEE (Bosman and Oosthizen 2007)

According to Dunnigan, Fazaeli and Spies (2005: 4) the scorecard is meant to measure three core elements of BEE. These core elements are represented in Table 2.1 as follows:
Table 2.1: Core elements of BEE

- Direct empowerment through ownership and control of enterprises and assets.
  - Control is meant to emphasize active ownership where Black owners participate in the management and decision making of the enterprise.
  - However, there is also an important role for passive ownership of assets through pension and provident funds, unit trusts, and other collective investment plans.

- Human resource development and employment equity.
  - Development of the employees, which includes accelerated skills and advanced professional skill development to address the legacy of systematic labour market discrimination and inferior education.
  - Employment equity in all occupations and at all levels of the organization.

- Indirect empowerment through preferential procurement and enterprise development.
  - Preferential procurement is aimed at providing Black enterprises with opportunities to expand their output.
  - Enterprise development can take two forms:
    - Investment in Black-owned and Black-empowered enterprises
    - Joint ventures with Black-owned and Black-empowered enterprises that result in substantive skills transfer.

Source: adapted from Dunnigan et al., (2005: 4)

2.9 Effectiveness of BEE

Structurally, and in-terms of policy, BEE makes a lot of sense but it’s arguable as what those very policies have resulted in for the common man on the ground, for whom these very policies were structured to aid (Dunnigan et al. 2005: 5).

Vivian (2011: 74) denotes that there has been little change in the overall inequality and wealth distribution in South Africa and, as a result, Black people have remained
in poverty and marginalized from ownership, control and management of economic activities in the country. The result has led to a very small inclusion of Black people, a marginalization of the majority and the growth of a small group of Black elite.

Vivian (2011: 74) argues that a broader definition of BEE focuses on the fact that a majority of Black people are still excluded from financial and economic resources and that only a few Black people, the rich Black elite, have benefitted with regards to corporate ownership, leadership positions in the private and public sectors along with property ownership. Furthermore, Vivian (2011: 74) contends that a huge gap exists between the top quintile of Black people and the lowest two quintiles. This is substantiated by findings that there is a 60 times differential between the top 10% of Blacks and the poorest 10%. Jack (2007: 1) concurs that Black capitalists were so interested in profits that they did not speed up transformation beyond their immediate circles, thus creating a negative perception amongst Black South Africans. To address this disparity a broader definition of BEE should rather focus on the increased access of Black people to the productive assets of the country and at the same time retain their productivity. BEE should, therefore, include job creation, empowerment of Black women, poverty alleviation, land ownership, access to finance, education and skills development, rural development as well as urban renewal.

Vivian (2011: 74) claims that one of the reasons why citizens of Barbados were disenfranchised was due to exclusionary practices such as not owning property or collateral, and, therefore, undermining Black entrepreneurs to gain access to capital for business start-ups and expansions. A similar situation existed in South Africa where the Department of Trade and Industry commissioned studies, consultative processes and reviews to determine the systemic constraints that prevent Black-owned small businesses to grow and develop. The findings are incorporated in the Strategy for Broad-Based Black Economic Empowerment and points to “access to finance” as the core problem (DTI 2003).

BEE has also been criticised, for example, by Ramphele Mamphele (2008: 71), who argues that BEE is a form of tokenism and transformation and that it represents a way of compensating previously disadvantaged people, rather than creating
opportunities for all citizens to contribute their talents and energies to the process of developing the country.

Furthermore, Ramphele (2008: 71) believes that:

**BEE is meant to give those previously excluded a chance to participate in wealth creation. It is not meant as a reward for being Black, a woman or disabled, entitled to benefit without adding any value. BEE is about broadening the base of participation in growing the economy to enlarge the economic cake that can be shared more equitably. As a country we should not confuse ends and means.**

Another critic of the BEE concept contends that “…BEE strikes a fatal blow against the emergence of black entrepreneurship by creating a small class of unproductive but wealthy black crony capitalists comprised of ANC politicians, some retired and others not, who have become strong allies of the economic oligarchy” (Mbeki 2009: 61). Hellen Zille (2013), the leader of the official opposition party in South Africa, also criticises the BEE concept, arguing that “…there is growing consensus that BEE which focuses primarily on the transfer of ownership enterprises has achieved very little with regards to the economic emancipation of the majority of people disadvantaged by apartheid”. According to Kruger (2011: 212), BEE has not made sufficient progress in rectifying the legacies of apartheid although poverty, unemployment, housing and basic services, inequality and HIV/AIDS are still prevalent. Kovacevic (2007: 6) also observes that BEE has not succeeded in eradicating poverty, increasing employment or fostering economic growth.

### 2.10 BEE and its implementation in South Africa

Although BEE is well conceived in theory, its implementation has been plagued by a number of challenges such as cadre deployment, skills mismatch in critical state entities and corruption (Mbeki 2009: 61).

The policies, scorecard and sector charters, discussed in the previous section, demonstrate that government’s approach to BEE is theoretically sound in the sense that it emphasizes broad involvement, and introduces a framework for measuring the important aspects of BEE and flexibility, which allow for tailoring each charter to the
specific industry. However, in the implementation of the policy, a number of issues have arisen. Dunnigan et al. (2005: 8) highlight two scenarios regarding the implementation of BEE:

Scenario One

According to a report by Dunnigan et al. (2005: 8) R42.2 billion (US$6.5 billion) worth of BEE deals were concluded in 2003. However, the report shows that the beneficiaries of these deals belonged largely to the politically well-connected elite. Of the R42.2 billion ($6.5 billion) worth of BEE deals concluded in 2003, 60% or R25.3 billion ($3.8 billion) accrued to the companies of two men: Patrice Motsepe and Tokyo Sexwale.

Scenario Two

The largest BEE deal of 2003 illustrated the lack of broad-based empowerment. The deal was between ARM Gold and Avmin for R10.6 billion. Analysis revealed that at least 72% of the total deal value benefited six of the narrow-based Black consortia (these are consortia with very few politically well-connected beneficiaries), namely, ARM Gold (60% owned by Motsepe family trust), Mvelaphanda, Shanduka, Safika, Kagiso and Tiso.

Dunnigan et al. (2005: 8) argue that the balanced scorecard lacks sufficient application at a company level. Moreover, the classification of companies is based on share of Black ownership only. For example, a company with 26% Black ownership is an 'Empowering company'; and a company with 50% Black ownership is an 'Empowerment company'. Irrespective of their performance on other dimensions, these companies become eligible for government contracts and purchases from these companies count toward the BEE procurement score. For example, one of the largest deal-making companies, Mvelaphanda, was 100% owned by Tokyo Sexwale, while nearly all-senior management were White.

An emerging challenge of the BEE policy is the practice of ‘fronting’. Fronting is defined as a deliberate circumvention or attempted circumvention of the B-BBEE act and codes (DTI 2013b). Fundamentally, it is the appointment of Black managers or directors with no decision rights or management responsibilities. Such appointments are largely becoming widespread, as indicated in Table 2.2 which relates to Black
directorship on the Johannesburg Stock Exchange (JSE). For example, of all the Black directors on JSE listed companies, only 62 held executive positions, compared to 305 non-executive directors (Trailblazer Report 2012: 1).

Table 2.2 looks at directorships of JSE listed companies from 2006-2012
Table 2.2: JSE Black directorships analysis (2006-2012)

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<td>Total number of JSE listed Black Directorships</td>
<td>485</td>
<td>620</td>
<td>714</td>
<td>951</td>
<td>1035</td>
<td>1046</td>
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<td>Black Male Directorships</td>
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<td>457</td>
<td>510</td>
<td>652</td>
<td>714</td>
<td>702</td>
<td>23%</td>
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<td>Black Female Directorships</td>
<td>114</td>
<td>163</td>
<td>205</td>
<td>299</td>
<td>321</td>
<td>344</td>
<td>43%</td>
<td>83%</td>
<td>46%</td>
<td>7%</td>
<td>15%</td>
</tr>
<tr>
<td>Total number of Black Executive Directors on the JSE</td>
<td>93</td>
<td>96</td>
<td>100</td>
<td>157</td>
<td>152</td>
<td>177</td>
<td>3%</td>
<td>64%</td>
<td>57%</td>
<td>-3%</td>
<td>13%</td>
</tr>
<tr>
<td>Black Male Executive Directors</td>
<td>82</td>
<td>83</td>
<td>87</td>
<td>125</td>
<td>127</td>
<td>142</td>
<td>1%</td>
<td>51%</td>
<td>44%</td>
<td>2%</td>
<td>14%</td>
</tr>
<tr>
<td>Black Female Executive Directors</td>
<td>11</td>
<td>16</td>
<td>13</td>
<td>32</td>
<td>25</td>
<td>35</td>
<td>45%</td>
<td>100%</td>
<td>146%</td>
<td>-22%</td>
<td>9%</td>
</tr>
<tr>
<td>Total number of JSE listed Black Non-Executive Directorships</td>
<td>392</td>
<td>509</td>
<td>596</td>
<td>703</td>
<td>883</td>
<td>869</td>
<td>30%</td>
<td>38%</td>
<td>18%</td>
<td>26%</td>
<td>24%</td>
</tr>
<tr>
<td>Total number of JSE listed Black Male Non-Executive Directorships</td>
<td>289</td>
<td>362</td>
<td>408</td>
<td>434</td>
<td>587</td>
<td>560</td>
<td>25%</td>
<td>20%</td>
<td>6%</td>
<td>35%</td>
<td>29%</td>
</tr>
<tr>
<td>Total number of JSE listed Black Female Non-Executive Directorships</td>
<td>103</td>
<td>147</td>
<td>188</td>
<td>269</td>
<td>296</td>
<td>309</td>
<td>43%</td>
<td>83%</td>
<td>43%</td>
<td>10%</td>
<td>15%</td>
</tr>
</tbody>
</table>

Source: Empowerdex (Trailblazer Report 2012)
2.11 Role of Black directors employed in listed companies

The Trailblazer Report (2012: 1) indicated that, in 1992, South Africa had 15 Black directors of listed companies and, in 1997, the number of Black directors had increased to 98. In 2003, the number had tripled to about 307 and, by 2012, the number of Black directors in listed companies had escalated to 1 046. The growth of Black directors is positive, however, a closer examination reveals a different view. Based on Table 2.2 above it is clear that Black directors are still lagging behind and taking more non-executive directorship positions. Of the total 1 046 directorships, 869 are non-executive positions, which translate to 83% of the total number of directorships. The report compares the two types of directorship and concludes that the non-executive director position lacks decision making within a company and does not wield the same kind of control and authority as compared to that of an executive director, especially when it comes to decision making within the company. Hence, the less experienced non-executive has far less knowledge of the internal workings of the company (Trailblazer Report 2012: 1). Additionally, while the impact of BEE is evident. Black control of market capitalisation remained at 3% in 2003 on the JSE (Dunnigan et al. 2008:5).

Industry charters display the following difficulties (Dunnigan et al. 2008: 5):

- They demand collective accountability across the different sectors, with lack of individual company accountability to institute change;
- No cap on indicators such as ownership, which means that overall targets could be fulfilled by focusing on ownership and neglecting other elements of broad-based empowerment;
- Progress on certain indicators are difficult and costly to measure, for example, determining what income group people belong to so an accurate measure of the extent of banking access to Blacks in the income categories LSM1-5 (Living Standard Measure) can be obtained; and
- Targets are often too ambitious, not taking into account the lack of available skills.
2.12 B-BBEE success and challenges

B-BBEE has had some level of success. BEE deals conducted in 2004 indicated a complete shift to include more broad-based groups as beneficiaries. These broad-based groups include groups such as the Mineworkers Investment Trust, which directly benefit lower level mineworkers. Additionally, companies have increasingly moved to involving employees in these transactions. Zille (2013), noted the following successes in respect of B-BBEE:

- Multichoice’s Black empowerment vehicle called Phuthuma Nathi; and
- The South African Breweries’ (SAB) Zenzele empowerment deal involved the transfer of shares to SAB employees, retailers and the SAB Foundation. The deal also allowed 30 000 tavern owners to be fully licensed business owners operating within the parameters of the law.

2.13 BEE/Affirmative Action a global context

BEE and Affirmative action (AA) are similar policies of redress for marginalised communities used by government across the global spectrum. In South Africa the programme of redress is known as BEE and globally it is known as AA. AA was essentially used as a term in 1961 when the United States of America President John F, Kennedy issued an executive order which stated that contractors must not discriminate against any employee or applicant on the basis of race, creed, colour, or national origin. The executive order enforced that contractors would take affirmative action, to ensure that applicants would be employed and treated fairly without any form of discrimination (Cahn 2013: 9). India though, can be regarded as the first country to introduce affirmative action policies after it extended special treatment to its untouchable Castes after gaining independence in 1947 (Shome and Hamidon 2009: 39).

Globally the term AA effectively refers to steps taken to eradicate widespread practices of racial, religious and ethnic discrimination with the goal being that of
equal opportunity in employment for all. We analyse the impact of AA polices in two developing countries countries namely; Malaysia and Brazil.

Nel (2011: 142) denotes that the Malaysian historical background saw the segregation of its indigenous people and made it possible for Chinese and Indians, citizens and non-citizens alike, to prosper economically, predominantly due to overall Malayan inexperience and the lack of education in economically lucrative circles. After gaining independence in 1957 Malaysia experienced rapid growth and in 1969 developed an AA policy due to riots brought on by large-scale Malay discontent due to economic clampdown and political turbulence. Locals had been reduced to working in rural areas and were economically suppressed at the expense of Chinese and Indian settlers who profited in the urban areas. The economic policy was known as the New Economic Policy and had the objective of creating national unity through a special focus on social integration and more equitable distribution of income and opportunities (Nel 2011: 142). The policy was designed as a mechanism for economic reform so that the country’s Malay population can enjoy a greater share of the economy (Shome and Hamidon 2009:42). However, the ultimate goal was to ensure that the local Malayan people known as the Bumiputras would have a 30% share of corporate ownership by 1990 a 20 year target the government had set for themselves. This policy was later amended after the 20 year lapsed and called the National Development Policy and this programme had its fair share of success and failures namely (Nel 2011: 145):

- An extensive increase in local Malaysians who form part of the middle-class;
- The reduction of poverty among locals;
- The locals received a good quality education which allowed them to compete with the elite Chinese and Indian settlers in economic matters;
- Eliminated race exclusions that existed by addressing the race issue as a precondition to employment and increased local representation within the public sector;
- Protected the private sector and allowed it to grow which spurred on economic growth;
- The policy did not achieve its 30% target, however, it managed to achieve 20% ownership by local people within the policies 40 years of existence;
- The policy was plagued by issues of fronting;
• Cronyism was also problematic and saw the elite getting richer, while the poor struggled economically; and
• The policies also resulted in a brain drain which economically affected the country.

Lee (2010: 282) denotes that there are challenges with the equal distribution of benefits among those classified as beneficiaries. In Malaysia the unequal distribution is between Malay and non-Malay Bumiputras and in South Africa it is within the composite classification of Black people, namely; Indians, Colored’s, Africans and between ethnic groups that constitute the African category. According to Shome and Hamidon (2009: 38) the failure to achieve a 30% Malay ownership was attributed to the governments failure to develop a sufficient number of Malay entrepreneurs with the necessary skills to attain their set target. As is Similar in South Africa, investors found it hard to reserve shares for preferential partners due to the scarce ability of private individuals to raise capital. This led to the draining of funds from government departments and government led funding agencies in order to facilitate equity purchases so that corporate ownership targets could be met (Shome and Hamidon 2009:38). By and large though the implementation of AA in Malaysia could be considered as relatively successful in spite of the challenges that have plagued it.

In the Brazilian context, Nel (2011: 154) highlights that the government structure operates as a federation meaning that the various states within its borders are entitled to enact and enforce their own legislation and policy, which however must be in line with the Brazilian constitution. Due to this Brazil has various policies regarding AA measures that are applicable. Brazil gained independence in 1882 from Portugal but only achieved democratic status in 1985. Subsequently, the Brazilian constitution found its footing in 1988. Prior to the solidification of the 1988 constitution there were several policies and practices that saw to the discrimination of people of colour. During the emergence of Afro-Brazilian movements the Brazilian government declared that it would adopt affirmative action measures to enable Black Brazilians adequate representation in higher education and public employment. The results from the implementation of AA revealed the following (Nel 2011: 160):
• There introduction of AA quotas within the Brazilian higher education system has led to more people of colour being able to access a tertiary education. However the entrance exams to universities reveal that those who do not gain acceptance through favourable legislation are far more prepared for university life because of the quality of their standard of secondary schooling.

• There was only a small impact with respect to the increase in the Afro-Brazilians wages but a huge wage disparity remained in place against their White counterparts even after completing a tertiary qualification.

• The policy faced some opposition from Afro-Brazilians who felt the policy being in place insinuated that they are incompetent.

• Effective implementation of the AA policy became challenging to implement in Brazil due their fluidity of race. The determination of Blacks who were needy became a challenge as being Black was a criteria merely judged on appearance and less on racial make-up as Brazilians have various colour shades and are left to decide for themselves which racial group they identified with.

According to Tells and Paixao (2013: 2) there has been limited AA policies imposed in the labour market in Brazil and this has led to the wage gap for the previously disadvantaged remaining very low in comparison to their White counterparts, even though the number of university graduates has increased. And in South Africa although the wage disparity between qualified Black professionals and their White counterparts still exists, it has decreased over the last decade (Lee 2010: 278).

Nell (2011: 160), Telles and Paixao (2013: 1) agree that Brazil needs a policy that can tackle its hyper inequality with race-conscious affirmative action that can adequately address the issues faced by Afro-Brazilians whilst growing a competitive economy. Massive reductions in racial inequality can be achieved in Brazil but would require the implementation of not only AA policies but universal race-based policies or both, however, they need to extend beyond the universities in order to create an inclusive country for the previously disadvantaged Afro-Brazilian community (Telles and Paixao 2013: 2). AA in Malaysia has no doubt worked far better than it has in Brazil. As developing markets, they bare similar characteristics to South Africa. The shared desire is to transform discriminatory environments and to create a more
inclusive economic dispensation that can improve the lives of the previously disadvantaged.

**2.14 Transformation of the tourism industry**

Transformation in the tourism industry still remains a challenge. The tourism industry is disjointed when compared to other industries such as mining and manufacturing since it is made of multiple small and large businesses. According to George (2008: 6) the tourism industry is fragmented as it lends itself to many other industries. In South Africa, most of the tourism businesses are small to medium enterprises and unions are commonly found within large multi-nationals, thus making the tourism industry a large unregulated and unorganised sector, which can lead to a protracted transformative process (Tourism Union of South Africa 2013). According to Zuma (Zuma 2012), the tourism industry has been targeted as one of the key drivers for economic development and transformation of the country. Thus, the effective implementation of BEE is critical to achieving transformation and, therefore, greater focus needs to be given towards its correct implementation.

The South African Institute of Race Relations (SAIRR 2012) highlights that, in 2010, the former and now re-instated finance minister, Pravin Gordhan, noted that BEE had not worked. The minister argued that BEE policies favoured a small minority of elitists. In 2011, Zuma echoed the same sentiments and expressed concern that BEE had not yet benefited a wide enough segment of society. The president also lamented the lack of visible Black industrialists despite more than a decade of BEE-based interventions. In 2012, Vavi, the general secretary of COSATU, criticized the policy and reiterated that only a narrow ‘Black elite’ had managed to gain entry via ‘dirty’ BEE ownership deals (SAIRR 2012).

**2.15 BEE and transformation of the tourism sector**

Opportunities and benefits for Black people in the tourism industry were noted as negligible (SA DEAT 2004). Hence, Steyn and Spencer (2011: 188) reiterate the suggestion in the White Paper on the Development and Promotion of Tourism that
Black people should benefit equally from the tourism industry. Furthermore, point 3.3 of the White Paper on the Development and Promotion of Tourism emphasises the need to create entrepreneurial opportunities for the previously disadvantaged groups. An unpublished strategy document ‘Towards a strategy to transform tourism in South Africa’, by Pillay (2000) defines transforming tourism as ‘changing the nature of the South African tourism industry from White-owned to one that is owned equitably by majority of South Africans’. Similar sentiments are echoed in the National Tourism Sector Strategy (SA NDT 2011: 51) implying that the industry only records few Black entrants and White dominance of the industry still prevails.

Two targets were set as transformation indicators, namely, a 2009 milestone to be used during the first five years of implementation, ending on 31 December 2009 and a 2014 target, ending on 31 December 2014. In 2009, the NDT launched the sector codes on Broad-Based Economic Empowerment for the tourism industry.

During the conception of the Tourism Charter in 2004, less than 20% of the industry establishments were owned by Black people and the target set for 2009 was for 21% of all tourism establishments to be Black owned and, by 2014, a target for 30% of tourism establishments to be Black owned (SA DEAT 2005: 1). In 2009, with the realisation that the industry was not transforming at the desired rate, the Tourism B-BBEE Sector codes were introduced and the targets were amended to 20% Black ownership by 2012 and 30% Black ownership by 2017 (SA NDT 2009: 26).

2.16 BEE led transformation within the small tourism sector

In 2012, a parliamentary committee on transformation in the tourism sector, chaired by Ms D Gumede, was briefed by the NDT regarding the state of tourism transformation in the country. Government committees in South Africa are established, amongst other activities, to monitor and oversee work done by national government departments and hold them accountable (South Africa 2014). The delegation from the NDT requested to appear before parliament to answer questions regarding transformation within the tourism industry. The committee comprised of Tharage, Deputy Director General- Policy, Research, Monitoring & Evaluation, Ramphele, Deputy Director General- Domestic Tourism Management, Mathibela
Director- Sector Transformation and Mposupye, Chief Director- Tourism Management. The briefing was aimed at explaining the BEE concept, transformation and the challenges faced with BEE-led transformation. According to the NDT (SA NDT 2012b), the findings and deliberations included the following:

- The enactment of the 2003 B-BBEE Act No 53;
- Issues concerning the Tourism BEE Charter;
- The alignment of the Tourism Charter to the B-BBEE Codes of Good Practice;
- The Tourism Sector Code and it being binding on all stakeholders operating in the sector;
- The problem related to monitoring as well as reporting;
- The question regarding ‘good enough’ incentives to encourage the private sector and other role players to transform the sector;
- The Committee on transformation expressed interest in knowing how many hotels, restaurants and cruise ships Blacks owned and whether government played its role in encouraging transformation in the sector;
- The committee noted that tourism businesses with an annual turnover of zero to R2.5 million were exempt from B-BBEE requirements;
- The committee argued that tourism SMME’s should still comply with transformation requirements even though they are exempt;
- The committee acknowledged that government could not act alone regarding transformation and should apply to those who benefitted previously and are still in control;
- The committee also noted that transformation was not taking place at the intended pace;
- Major pitfalls included minimal transformation in rural areas, which stood at 2% to 3%; and
- It was also reported that Black tourism entrepreneurs did not receive assistance or monitoring of projects that were financed because many of the projects started in the country were white elephants.
Mathibela (SA NDT 2012b) also reiterated that the objective of the Tourism Sector Charter and Scorecard was to enhance transformation of the sector. The committee reviewed the seven elements of B-BBEE and the set targets as the 2014 milestone was approaching along with the proposed amendments for 2017, while maintaining the need for transformation of the sector as a background (SA NDT 2012b). Having heard the information presented to them, the committee concluded that the Tourism Charter and BEE Codes of Good Practice were good initiatives designed to promote Black participation in the tourism section and needed to be better implemented as transformation was lagging severely behind (SA NDT 2012b).

The 2014 Tourism Scorecard target on weighting points and the newly amended 2017 targets is reflected in Tables 2.3 and 2.4.
Table 2.3: Tourism Scorecard 2012 target on weighting points

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2012 Weightings</th>
<th>Sub-weighting</th>
<th>Indicators to measure BEE achievement</th>
<th>2012 Milestones</th>
<th>Source: The Tourism Scorecard (SA NDT 2009)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ownership</td>
<td>25</td>
<td>12</td>
<td>Exercisable voting rights in the enterprise in the hands of Black people</td>
<td>21% +1 vote</td>
<td></td>
</tr>
<tr>
<td></td>
<td>13</td>
<td>13</td>
<td>Economic interests of Black people in the enterprise</td>
<td>21%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>0</td>
<td>0</td>
<td>Realization points: Ownership fulfillment</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td></td>
<td>0</td>
<td>0</td>
<td>Net Value</td>
<td>Refer to codes</td>
<td></td>
</tr>
<tr>
<td></td>
<td>0</td>
<td>0</td>
<td>Bonus: Black women participation</td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>0</td>
<td>0</td>
<td>Bonus: Broad-Based scheme/Esops</td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td>Management Control</td>
<td>25</td>
<td>25</td>
<td>Black representation at top management</td>
<td>50.1%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>2</td>
<td>Black women representation at top management</td>
<td>25%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>10</td>
<td>10</td>
<td>Black employees as a % of total staff</td>
<td>60%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>2</td>
<td>Bonus point for meeting or exceeding the EAP targets in each category</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employment Equity</td>
<td>25</td>
<td>15</td>
<td>Black employees in management as % of all managers</td>
<td>40%</td>
<td></td>
</tr>
<tr>
<td>Skills Development</td>
<td>25</td>
<td>25</td>
<td>% of payroll spent on skills development Black employees using the Adjusted Recognition for Gender</td>
<td>2%</td>
<td></td>
</tr>
<tr>
<td>Preferential Procurement</td>
<td>25</td>
<td>25</td>
<td>B-BBEE procurement as % of total measurable procurement</td>
<td>40%</td>
<td></td>
</tr>
<tr>
<td>Enterprise Development</td>
<td>25</td>
<td>25</td>
<td>Average annual value of qualifying Enterprise Development contributions</td>
<td>2% of NPAT</td>
<td></td>
</tr>
<tr>
<td>Socio-Economic Development &amp;Industry specific factors</td>
<td>25</td>
<td>9.5</td>
<td>Average annual value of qualifying socio-economic development contributions</td>
<td>1% of NPAT</td>
<td></td>
</tr>
<tr>
<td></td>
<td>6</td>
<td>6</td>
<td>% of new recruits with no prior work experience as a % of all new recruits</td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>9.5</td>
<td>9.5</td>
<td>Status of TOMSA levy collector</td>
<td>Yes</td>
<td></td>
</tr>
</tbody>
</table>
Table 2.4: Tourism Scorecard 2017 target on weighting points

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Weighting</th>
<th>Sub-weighting</th>
<th>2017 Milestones</th>
<th>2017 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ownership</td>
<td>25</td>
<td>6</td>
<td>Indicators to measure BEE achievement</td>
<td></td>
</tr>
<tr>
<td></td>
<td>9</td>
<td></td>
<td>Exercisable voting rights in the enterprise in the hands of Black people</td>
<td>30% +1 vote</td>
</tr>
<tr>
<td></td>
<td>1</td>
<td></td>
<td>Economic interests of Black people in the enterprise</td>
<td>30%</td>
</tr>
<tr>
<td></td>
<td>9</td>
<td></td>
<td>Realization points: Ownership fulfillment</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td></td>
<td>Net Value</td>
<td>Refer to codes</td>
</tr>
<tr>
<td>Management Control</td>
<td>25</td>
<td>25</td>
<td>Black representation at top management</td>
<td>50.1%</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td></td>
<td>Black women representation at top management</td>
<td>25%</td>
</tr>
<tr>
<td>Employment Equity</td>
<td>25</td>
<td>15</td>
<td>Black employees in management as % of all managers</td>
<td>60%</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>10</td>
<td>Black employees as a % of total staff Bonus point for meeting or exceeding the EAP targets in each category</td>
<td>70%</td>
</tr>
<tr>
<td>Skills Development</td>
<td>25</td>
<td>25</td>
<td>% of payroll spent on skills development Black employees using the Adjusted Recognition for Gender</td>
<td>2%</td>
</tr>
<tr>
<td>Preferential Procurement</td>
<td>25</td>
<td>25</td>
<td>B-BBEE procurement as % of total measurable procurement</td>
<td>50%</td>
</tr>
<tr>
<td>Enterprise Development</td>
<td>25</td>
<td>25</td>
<td>Average annual value of qualifying Enterprise Development contributions</td>
<td>2% of NPAT</td>
</tr>
<tr>
<td>Socio-Economic Development &amp; Industry specific factors</td>
<td>25</td>
<td>15</td>
<td>Average annual value of qualifying socio-economic development contributions</td>
<td>1% of NPAT</td>
</tr>
<tr>
<td></td>
<td>2.5</td>
<td></td>
<td>% of new recruits with no prior work experience as a % of all new recruits</td>
<td>10%</td>
</tr>
<tr>
<td></td>
<td>7.5</td>
<td></td>
<td>Status of TOMSA levy collector</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Source: The Tourism Scorecard (SA NDT 2009)
Although the committee in 2012 had noted that transformation was moving at a slow pace, transformation targets set out in the Tourism Scorecard (SA NDT 2009), for the years 2012 and 2017 were quite ambitious as indicated by Tables 2.3 and 2.4.

2.17 The Tourism Charter and Tourism BEE scorecard

The Tourism Charter and Tourism BEE scorecard (SA DEAT 2005: 1) was developed to address the lack of transformation within the tourism sector and to implement measurable targets to track transformation. These targets are reflected in Table 2.5 and are referred to as indicators. This research will focus on three elements. These elements are:

Ownership;

Strategic representation; and

Preferential procurement.

Table 2.5: Tourism Charter indicators

<table>
<thead>
<tr>
<th>Ownership</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic representation</td>
</tr>
<tr>
<td>Employment equity</td>
</tr>
<tr>
<td>Skills development</td>
</tr>
<tr>
<td>Preferential procurement</td>
</tr>
<tr>
<td>Enterprise development</td>
</tr>
<tr>
<td>Social development and industry specific</td>
</tr>
</tbody>
</table>

Source: Tourism Charter (SA DEAT 2005: 4)

2.18 Participation of Black people in the tourism industry

The tourism charter and B-BBEE aimed to involve Black people through various strategic levels such as ownership, management, employment equity, skills development, preferential procurement, enterprise development, and corporate
social investment (SA DEAT 2005: 4). Furthermore, the White Paper on the Development and Promotion of Tourism in South Africa (SA DEAT 1996) acknowledged that there were hindrances regarding the full involvement of Black people in the tourism industry. In addition, the BEE initiative that was developed experienced major challenges soon after its inception, and required further development to be more inclusive. Moreover, findings related to the Tourism Charter and Tourism BEE Scorecard (SA DEAT 2005: 1) also indicated that that the BEE policy had not adhered to the aims of its inception, noting little involvement of Black people in tourism businesses. Hence, it is important to reiterate the expectations of BEE in terms of meeting its objectives. These objectives are aimed at (South Africa 2004: 4):

- Promoting economic transformation in order to enable a meaningful participation of Black people in the economy;
- Achieving a substantial change in the racial composition of ownership and management structures and in the skilled occupations of existing and new enterprises;
- Increasing the extent to which Black women own and manage existing and new enterprises, and increasing their access to economic activities, infrastructure and skills training;
- Promoting investment programmes that lead to broad-based and meaningful participation in the economy by Black people in order to achieve sustainable development and general prosperity;
- Empowering rural and local communities by enabling access to economic activities, land, infrastructure, ownership and skills; and
- Promoting access to finance for Black economic empowerment.

According to the Tourism Charter (SA DEAT 2005: 1), B-BBEE is viewed as a more inclusive and sustainable economic empowerment of Black workers, promotion of tourism entrepreneurship and self-employment among Black people. The B-BBEE main objective was poverty alleviation through promotion of involvement of Black
people into new income generating tourism products (SA DEAT 2005: 1). One example is the preferential allocation of wildlife concessions to operators with strong economic empowerment proposals that focus on uplifting marginalized and historically disadvantaged people (Spenceley 2003: 2). On the contrary, problems that plague the BEE Act of 2003 are fronting and hiring Black people that only occupy junior positions within organisations (Dunnigan et al. 2005: 9)

2.19 Ownership of tourism businesses

In terms of the B-BBEE Act of 2003 (South Africa 2004: 4), ownership emphasizes on the inclusion of women and the disabled. The Act stresses the importance of promotion and substantial involvement of women and the disabled in the management and business ownership. In summary, it is important to understand the position of the B-BBEE Act of 2003 in relation to ownership.

According to the Broad-Based BEE Act, ownership stands as one of the most important components of Black Economic Empowerment. A tourism Company compliance with BEE can be measured in terms of the percentage of Black people involved within its ownership. Black people ownership is thus one of the various complementary focus areas of BEE. However, ownership cannot be used as the sole measure of BEE, but together with other factors can be used to assess the progress of Black people’s participation and with the evaluation of all those factors it can be determined whether the transformation targets had been met.

2.19.1 Defining Black ownership of a company

According to Van Scheers (2010: 148), Black ownership within a company is defined as the percentage of shares owned by Black people within that company. Table 2.6 shows the ownership categories in respect of the BEE policy.
Table 2.6: Category of Black ownership in the context of the BEE policy

<table>
<thead>
<tr>
<th>Ownership</th>
<th>Percentage of ownership</th>
</tr>
</thead>
<tbody>
<tr>
<td>Black enterprise</td>
<td>50 percent owned and managed by Black people</td>
</tr>
<tr>
<td>Black-empowered enterprise</td>
<td>25 percent owned and managed by Black people</td>
</tr>
<tr>
<td>Black-influenced enterprise</td>
<td>5 and 25 percent owned and managed by Black people, respectively</td>
</tr>
<tr>
<td>Engendered enterprise</td>
<td>at least 30 percent representation of Black women within the Black equity and management portion</td>
</tr>
<tr>
<td>Community or broad-based enterprise</td>
<td>Has an empowerment shareholder who represents a broad base of members</td>
</tr>
</tbody>
</table>

Source: adapted from Van Scheers (2010: 148)

2.19.2 Black businesses’ ownership constraints

It is clear that South Africa faces a huge challenge in fostering and developing an ownership and entrepreneurial culture of companies among Black people (Zuma 2013). Other constraints include skills shortage to occupy top positions on the side of Black people (Biyela 2007: 34). In addition, some foreign companies believe that there is a lack of suitable Black empowerment companies to form partnerships (Biyela 2007: 35). Foreign companies require partnerships with local empowerment companies with an excellent record of accomplishment and finance. So far, there are relatively few Black empowerment companies able to meet these conditions. The shortage of BEE companies hampers many willing foreign investors to meet the terms of BEE (Biyela 2007: 35).

Similarly, a study conducted by Biyela (2007: 35) to identify constraints towards BEE ownerships reflects the following results:

- The negative attitude of Black people towards the tourism sector. Tourism is considered as a “White peoples’ thing”;
- Lack of entrepreneurial skills;
- Access to finance remains a challenge;
- The material resources required to acquire ownership are expensive;
• Literacy level among Black people is low;
• Access to opportunities benefit politically connected Black people; and
• Corruption within the tourism industry.

Lee (2010: 273) also notes this challenge to include a high industrial concentration of powerful White-owned conglomerates and an economic system dominated by White bureaucracy.

Although B-BBEE aimed to ensure that the business environment provides an enabling environment to encourage Black-owned businesses to develop without major challenges and setbacks, the success of these activities will only be evident through poverty alleviation, a diversified tourism industry, and socio-economic improvements in favour of all race groups (Vivian 2011: 74).

2.19.3 Employment equity

The DTI defines equity as any form of enterprise whereby the members have a share of the enterprise (DTI 2004: 63). Employment equity means balanced non-discriminatory representation in terms of gender, race, ability and other physiological features making each group unique (DTI 2004: 15). Tucker and Ludi (2012: 5) state that equity also means that all people should have equal access to skills development and economic opportunities and that these include access to social and political opportunity as well as access to justice and the rule of law. Black people within the enterprise must be allowed to develop a potential to become independent entrepreneurs (DTI 2004: 15).

Manyi (2013) refers to employment equity as the representation of Black people just below the executive, and that this element of the B-BBEE strategy has been the reason behind the rapid growth of the Black middle class. This does, therefore, lead to the belief that equity is the actual empowerment of those who were previously disadvantaged.
The Employment Equity Act 55 of 1998, henceforth (EEA), an all sector inclusive legislative act, recognizes that disparities in employment exist as a result of apartheid and other discriminatory laws and practices (Department of Labour 1998). Therefore, the purpose of this Act was to achieve equity in all sectors of the economy, tourism included, by promoting equal opportunities and fair treatment in employment through the elimination of unfair discrimination. In addition, the EEA focused on implementing affirmative action measures to redress the drawbacks in employment experienced by designated groups in order to ensure equitable representation in all occupational categories and levels in the workforce (Department of Labour 1998). This Act provides for additional reporting requirements for employers with the additional burden of submitting an employment equity report (Department of Labour 1998). The inequalities in employment, occupation and income within the South African labour market put Black people at a disadvantage. The EEA thus endorses that inequalities be addressed by the constitution. Disparities restrict the exposure of Black people to critical business opportunities and skills (Empowerdex 2013).

The practices of enterprises that form part of this study must be aligned with the recommendations of the Department of Trade and Industry, which specifies that all entities are required to adhere to the provisions of the EEA (Department of Labour 1998). Adherence to the EEA has a great potential of providing equitable opportunities to Black people at all occupational and skill levels within organisations. The fundamental and driving principle of the EEA is to promote the transfer of skills in order to attain adequate involvement of Black people in the operational, professional and executive decision-making processes in their entities of employment (Department of Labour 1998). Allowing active involvement of Black people in management fosters racial diversity and the introduction of novel and innovative business ideas (Smit, Cronje and Brevis 2011: 268).

The DTI issued the conditions for which employers must be acquainted in order to conform to the EEA and ensure that its guidelines are implemented in an appropriate manner. The EEA is guided by the following conditions (Department of Labour 1998):
Employers must take steps to promote equal opportunities in the tourism workplaces by eliminating unfair discrimination;

Prohibition of any form of discrimination on the grounds of race, gender, disability, religion, HIV status and language;

Affirmative action should be designed to ensure that suitably qualified individuals from previously disadvantaged groups have equal employment opportunities and are equally represented in all occupations; and

An employer must prepare and implement an employment equity plan.

According to Oosthuizen and Naidoo (2010), there has, however, been criticism and reluctance to adhere to the EEA. The EEA is meant to guarantee macro justice, meaning justice between groups of people, but opposition frequently arises because of concerns about micro justice, regarded as justice for individuals (Oosthuizen and Naidoo 2010). The blame repeatedly levelled at employment equity is that it is a form of reverse discrimination, that employment equity appointees are less competent than some of the other applicants. According to Oosthuizen and Naidoo (2010), attitudes of employees at management level towards employment equity is that it is a sound strategy that seeks to achieve equity in the workplace. However, the system falls victim to abuse by the authorities because of comradeship under the pretext of employment equity in the sense that unqualified people fill positions where they are inept in dealing with the tasks required for those positions. Lee (2010:272) also Argued that, the governments programme faces the pitfalls of trying to rapidly advance the previously disadvantaged, by placing undue weight on racial representation which leads to the hiring of unqualified or underqualified individuals and the grievance of those that are overlooked simply because they fall outside the the designated group.

It is these realities and attitudes that see many organizations battle the conflict of adhering to the EEA and striving for business productivity. In 2012, the Department of Labour (2012) released the first ever amendment bill to the EEA since its inception in 1998, upon realisation that the labour market in South Africa wasn’t transforming at the desired pace. The new amendments lay out stricter laws for designated employers to adhere to or face fines for non-compliance.
The bill describes a desired employer as one who employs 50 or more staff members or whose annual turnover is more than that set down in Schedule 4 of the act and the figures vary, depending on the nature of the industry (Brand South Africa 2013).

Table 2.7 presents a comparative analysis of how the classification of businesses based on turnover has changed since 1998 to 2012.

Table 2.7: Schedule 4 – Turnover threshold applicable to designated employers

<table>
<thead>
<tr>
<th>Sector or subsectors in accordance with the Standard Industrial Classification</th>
<th>Total annual turnover</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1998</td>
</tr>
<tr>
<td>Agriculture</td>
<td>R2 M</td>
</tr>
<tr>
<td>Mining and Quarrying</td>
<td>R7,50 M</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>R10 M</td>
</tr>
<tr>
<td>Electricity, Gas and Water</td>
<td>R10 M</td>
</tr>
<tr>
<td>Construction</td>
<td>R5 M</td>
</tr>
<tr>
<td>Retail and Motor Trade and Repair Services</td>
<td>R15 M</td>
</tr>
<tr>
<td>Wholesale Trade, Commercial Agents and Allied Services</td>
<td>R25 M</td>
</tr>
<tr>
<td><strong>Catering, Accommodation and other Trade</strong></td>
<td><strong>R5 M</strong></td>
</tr>
<tr>
<td>Transport, Storage and Communications</td>
<td>R10 M</td>
</tr>
<tr>
<td>Finance and Business Services</td>
<td>R10 M</td>
</tr>
<tr>
<td>Community, Special and Personal Services</td>
<td>R5 M</td>
</tr>
</tbody>
</table>

Source: Department of Labour (2012: 11)

The new amendments expect desired employers to achieve employment equity within their businesses and employers are expected to draw up an employment equity plan by analysing their workforce profile and clearly outlining their measures to achieve employment equity over the next 5 years (Brand South Africa 2013). According to the Department of Labour (2012), stricter penalties were introduced to
monitor compliance across all sectors of the South African economy. Lee (2010: 289) however, argues that although the employment equity programme strives for workplace transformation and cross-racial integration, that the government cannot enforce meaningful racial integration and that compelling firms to hire Black people will result in hardened racial perceptions and stereotypes.

Tables 2.8 and 2.9 illustrate the difference between the amount businesses could be fined for non-compliance under the Employment Equity Act of 1998 and how much they will now be fined under the newly amended Employment Equity Act of 2012, respectively.

Table 2.8: Schedule 1 – Maximum permissible fines that may be imposed for contravening the Employment Equity Act of 1998

<table>
<thead>
<tr>
<th>Previous Contravention</th>
<th>Contravention of any Provision of Sections 16, 19, 20, 21, 22 and 23</th>
</tr>
</thead>
<tbody>
<tr>
<td>No previous contravention</td>
<td>R500 000</td>
</tr>
<tr>
<td>A previous contravention in respect of the same provision</td>
<td>R600 000</td>
</tr>
<tr>
<td>A previous contravention within the previous 12 months or two previous contraventions in respect of the same provision within three years</td>
<td>R700 000</td>
</tr>
<tr>
<td>Three previous contraventions in respect of the same provision within three years</td>
<td>R800 000</td>
</tr>
<tr>
<td>Four previous contraventions in respect of the same provision within three years</td>
<td>R900 000</td>
</tr>
</tbody>
</table>

Source: Department of Labour (1998: 25)
Table 2.9: Schedule 1 – Maximum permissible fines that may be imposed for contravening the Employment Equity Act of 2012

<table>
<thead>
<tr>
<th>Previous Contravention</th>
<th>Contravention of any Provision of Sections 16 (read with 17), 19, [20, 21.] 22, 24, 25, 26 and [23] 43(2)</th>
<th>Contravention of any Provision of Sections 20, 21, 23 and 44(b)</th>
</tr>
</thead>
<tbody>
<tr>
<td>No previous contravention</td>
<td>R1 500 000</td>
<td>The greater of R1 500 000 or 2% of the employer’s turnover</td>
</tr>
<tr>
<td>A previous contravention in respect of the same provision</td>
<td>R1 800 000</td>
<td>The greater of R1 800 000 or 4% of the employer’s turnover</td>
</tr>
<tr>
<td>A previous contravention within the previous 12 months or two previous contraventions in respect of the same provision within three years</td>
<td>R2 100 000</td>
<td>The greater of R2 100 000 or 6% of the employer’s turnover</td>
</tr>
<tr>
<td>Three previous contraventions in respect of the same provision within three years</td>
<td>R2 400 000</td>
<td>The greater of R2 400 000 or 8% of the employer’s turnover</td>
</tr>
<tr>
<td>Four previous contraventions in respect of the same provision within three years</td>
<td>R2 700 000</td>
<td>The greater of R2 700 000 or 10% of the employer’s turnover</td>
</tr>
</tbody>
</table>

Source: Department of Labour (2012: 10)

According to Donnelly (2012), the new amendments to the EEA of 1998, illustrated in Table 2.9, will severely punish companies that lag behind on transformation by means of fines. However, the new bill does not take into account the following challenges that employers face:

- The available number of suitably qualified people from which the employer can choose;
- The economic and financial conditions of the industry under which the employer operates; and
- The employer's economic and financial state of affairs.
These challenges feed into the premise of Oosthuizen and Naidoo (2010) that equity appointees lack essential skills and are merely appointed to their positions to either fill quotas, front or for window dressing. Oosthuizen and Naidoo (2010) denote that employment equity infers inferiority and stigmatises its beneficiaries because the belief is that their appointments were based on preferential treatment and not on merit. Even though there are mechanisms in place to punish non-compliant firms, government departments lack the crucial data and analysis to set-achievable targets and to adjudicate compliance in order to punish non-compliant businesses (Lee 2010: 311).

In South Africa, with the legacy of apartheid still entrenched in the minds of leadership, management and workers of most organisations are trapped in the first paradigm of managing diversity (Smit et al. 2011: 268). The emphasis is on the discrimination-and-fairness perspective or what can be termed as ‘right the wrongs’. The legal mandate, as expressed in the EEA, had led to conflict and dissension since virtually every organisation in South Africa is under pressure to transform its worker and leadership profiles rapidly (Smit et al. 2011: 268).

Organisations in South Africa have generally not been highly successful in managing cultural diversity in the workplace. Proof of this is the fact that Black people are clustered at the lower management levels. This indicates that they are not progressing and that their full potential is not being utilized. Managing issues of diversity and multiculturalism is crucial to organisational success (Smit et al. 2011: 268).

A report by Taal (2012: 12), for the Labour Research Service, focussing on the Hospitality sector, corroborates Smit’s sentiments and Table 2.10 provides clarity regarding how diversity according to employment is being implemented in South Africa.
Table 2.10: Distribution of employment by race

<table>
<thead>
<tr>
<th></th>
<th>White</th>
<th>African</th>
<th>Indian</th>
<th>Coloured</th>
<th>Total (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managers</td>
<td>78%</td>
<td>13%</td>
<td>3%</td>
<td>5%</td>
<td>100%</td>
</tr>
<tr>
<td>Craft workers</td>
<td>12%</td>
<td>67%</td>
<td>4%</td>
<td>17%</td>
<td>100%</td>
</tr>
<tr>
<td>Admin</td>
<td>39%</td>
<td>26%</td>
<td>14%</td>
<td>20%</td>
<td>100%</td>
</tr>
<tr>
<td>Technical</td>
<td>8%</td>
<td>78%</td>
<td>9%</td>
<td>5%</td>
<td>100%</td>
</tr>
<tr>
<td>Unskilled</td>
<td>2%</td>
<td>83%</td>
<td>1%</td>
<td>15%</td>
<td>100%</td>
</tr>
<tr>
<td>Other</td>
<td>7%</td>
<td>70%</td>
<td>14%</td>
<td>9%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Race employment level in the hospitality sector in South Africa (Taal 2012: 12)

It is this very picture, drawn by Taal’s (2012: 12) study, that the EEA tries to rectify across all sectors of the economy, including the tourism sector. According to Solidarity (2008: 6), affirmative action or employment equity in South Africa has a serious flaw. The way in which affirmative action has been defined in South Africa does not help to achieve this objective. Since its inception, it has defined the group that must be helped by affirmative action, not as the poor, but along racial lines and according to the principle of representation.

The result is that correction is only made on job levels where Whites have been over-represented. Solidarity argues that there is, in fact, such a seriously small number of Whites in the workplace relative to the larger designated group in South Africa that, it would make little difference to simply correct the over-representation of White people. As indicated by Table 2.10 above, Solidarity (2008: 7) insists that White people are only over-represented on management level jobs, which means that correction would mainly be focussed on managerial positions. Solidarity (2008: 7), notes that affirmative action, on the other hand, is based on designating certain people as groups that must get preference in certain areas, while designating others as groups that must not receive preference. According to Solidarity (2008: 7), it is in this scenario alone where affirmative action can exist because if the “other” category falls away, affirmative action has no effect, as everyone is then included in the
“preferred” group. Defining Whites as the “other” group is problematic, because this group is too small. The Solidarity report of 2008 (2008: 7) denoted that all White people, as a percentage of the total population of the then 48 million, made up around only 9.2%. That meant that only 4.5% of the positions in the South African labour market would be available for people of the designated group in South Africa, if all White people were to be removed from the labour market. This would result in only a small percentage of the designated group actually benefiting.

Thus, the Solidarity report (2008: 7) denotes that affirmative action is an effective instrument in helping a minority, but it would be an extremely inefficient instrument when it comes to helping the majority. If 4.5% of the population is expected to correct 95.5% of the population, it would lead to feelings of alienation within the minority along with feelings of unfulfilled expectations among the majority. According to Solidarity (2008: 7), simply put, affirmative action, in its current form, would fail because there’s a small population of White people to discriminate against. The potential for increasing Black people in areas where they were previously under-represented rests with the development in education rather than with employment equity legislation especial within the private sector (Lee 2010: 312).

In a landmark affirmative action case, the Supreme Court of Appeal struck down the use of racial quotas in determining job appointments, finding that it was unfair to attempt to achieve employment equity through the rigid application of a numerical formula (Paton 2013). Thus, it is crucial for employers to incorporate various elements of BEE to achieve equity. Employers, in this discussion are therefore, considered as the key role players in attaining equity and achieving transformation.

Along with employment equity and redressing issues of past inequality comes the plight of women, who were previously disadvantaged but now are currently bypassed for leadership positions simply because of their gender. This has led to the formation of the Commission for Gender Equality (CGE) and laws such as the Gender Equality Bill in order to protect women and promote the participation of women in the job market.
2.19.4 Gender Equity

The CGE defines gender equality as a constitutional value that refers to a substantive and non-discriminatory relationship between women and men in society and it defines gender equity as the equal distribution of opportunities, of access to resources and of decision-making power between men and women in society (CGE 2008).

The Government has recently approved a bill referred to as the Women Empowerment and Gender Equality Bill (Republic of South Africa 2013). This bill has far reaching implications and affects all sectors of business. According to the Department of Women, Children and People with Disabilities (Republic of South Africa 2013), the proposed legislation does not aim to create new anti-gender discrimination legislation; however, its aim is to introduce measures and targets to strengthen existing legislation on the promotion of women empowerment and gender equality. The proposed legislation carries forward the constitutional vision of equality by requiring the development and implementation of plans and measures to redress gender imbalances.

*The objectives of the act are to* (Republic of South Africa 2013):

1. Give effect to the letter and spirit of the Constitution, in particular:

   - The equal enjoyment of all rights and freedoms by every person;
   - The promotion of equality, specifically gender equality; and
   - The values of non-racialism and non-sexism;

2. Facilitate compliance by designated public bodies and designated private bodies, with the country’s commitments to international agreements;

3. Align all aspects of the laws and the implementation of the laws relating to women empowerment and the appointment and representation of women in decision-making positions and structures;

4. Facilitate the development and implementation of plans and strategies by designated public bodies and designated private bodies for the promotion of women
empowerment and gender equality, and the submission of those plans and strategies to the Minister for consideration, evaluation and guidance;

5. Provide for the implementation of measures to achieve a progressive realisation of a minimum of 50 per cent representation and meaningful participation of women in decision-making structures including Boards by designated public bodies and designated private bodies;

6. Provide for the implementation of gender mainstreaming by designated public bodies and designated private bodies; and

7. Provide for the development and implementation of public education programmes on practices that unfairly discriminate on grounds of gender in order to promote gender equality and social cohesion.

The Women Empowerment and Equality Bill is segmented to address a number of problem areas and regarding equal representation and participation. The bill outlines the following (Republic of South Africa 2013):

(1) Despite any other law, designated public bodies and designated private bodies must, within their ambit of responsibilities and available resources, develop and implement measures, in order to achieve the progressive realisation of a minimum of 50 per cent representation and meaningful participation of women in decision-making structures including Boards, which must include:

- Building women’s capacity to participate;
- Enhancing the understanding and attitudes of communities to accept the capabilities and participation of women as their equals;
- Developing support mechanisms for women; and

(2) Despite any other law, all political parties must develop and implement measures for the progressive realisation of a minimum of 50 per cent representation and meaningful participation of women in decision-making positions and structures.

Inequality in terms of gender still prevails in the work-place; males dominate most of the senior positions. The Trailblazer Report of 2012 on the JSE echoed the same
sentiments (Empowerdex 2012). Statistics SA (2011: 26) indicated in a study that, within each population group, a smaller proportion of women than men are employed and a larger proportion of women than men are not economically active. Among both men and women, the percentage employed is highest for Whites and lowest for Black Africans. The Labour Research Service Report (Taal 2012: 12) on the hospitality industry has also indicated that the industry is dominated by young, female workers who are insufficiently skilled and are underpaid.

The government has begun implementing tough laws in order to enforce gender transformation compliance in the private and public sectors. Under the new legislature (as indicated above), government departments and companies will be required to fill a minimum of 50% of all senior and top management positions with females (Goko 2013). According to Thoko Mpumlwana, deputy chairwoman of the GCE (Goko 2013), businesses have forced government’s hand by not taking gender transformation seriously.

The Women Empowerment and Equity Bill of 2013 emphasises on the participation and inclusion of women in all areas of life. The promotion of women involvement evolved from the notion that despite the achievement records in history, women are not given the rightful place in the development of our society. Biyela (2007: 37) emphasises that, for the healthy growth of a society, the participation of women is necessary in all fields. Women play a leading role in sustaining livelihood in societies. Biyela (2007: 37) repeatedly sheds light on the important facts related to the role of women in all spheres of life. Women are more concerned about the environment, the managing of domestic work, and they generate income, which is mainly spent on the needs of the family. Gender equity enables the empowerment of women who, in turn, improve the standard of living in households and society.

2.19.5 Preferential procurement

Preferential procurement is defined as the use of measured entities, of Black-owned professional service providers and entrepreneurs as suppliers (Shandukablackpages 2014). Preferential procurement is one of the seven indicators used in the Tourism Charter for achieving transformation within the tourism sector. Preferential
procurement is aimed at providing Black enterprises with opportunities to expand their output and it also seeks to further extend the B-BBEE benefits by requiring business to procure their goods and services from BEE compliant suppliers (Dunnigan et al. 2005: 4).

Figure 2.1 depicts procurement levels as indicated in the Tourism Charter and scorecard of 2004. Figure 2.1 indicates the desired money the government expects business to spend on BEE compliant suppliers.

The Tourism Charter not only urges business to be part of the transformation process but to also to transform their existing suppliers. The Charter urges businesses to exert pressure on suppliers to improve their BEE scores so that their business may benefit from a higher preferential procurement score (Tourism Charter 2005: 9). A higher preferential procurement score is most beneficial to businesses that intend to do work with the government.
There are, however, a number of challenges associated with preferential procurement. Acemoglu, Gelb and Robinson (2007: 22) believe that BEE has the effect of reducing competition and increasing costs to government. Acemoglu et al. (2007: 23) denote that, due to the fact that small firms (in terms of turnover) are exempt from BEE, this could act as a deterrent to the expansion of small firms. The deterrent is significant because small firms are critical for innovation and the emergence of new ideas along with industries (Acemoglu et al. 2007: 23). Lastly, one crucial area of consideration is foreign direct investment. Although foreign firms are exempt from the ownership part of the BEE scorecard, they do have to be BEE compliant in that they do have to procure from BEE accredited firms, and, if this proves to be costly, it would hamper investor investment (Acemoglu et al. 2007: 23).

Furthermore, Hlakudi (2012: 60) indicates that there are other factors affecting emerging enterprises in participating in government procurement opportunities and these factors range from unclear communication, ambiguous tender criteria, inadequate finance and poor competition. Other factors that reduce SMME growth are inadequate business support services, lack of access to finance, and the lack of premises from which the businesses operate (Hlakudi 2012: 61). Due to the challenges mentioned above, SMME’s in South Africa fail to maintain their existence in the mainstream economy over an extended period and, consequently, many firms have suffered financial ruin and bankruptcy because of delays or the lack of payments by government (Hlakudi 2012: 61).

Preferential procurement is one of the pillars for achieving transformation in all sectors, including the tourism industry, and all stakeholders need to make sure it’s properly implemented if any benefits are to be noticeable on a broad scale.

2.20 LED and BEE within tourism: a summative context of the literature

The literature above has looked at the definition of LED, BEE, tourism and the impacts and challenges that characterise these concepts within the transformation pursuit in South Africa.
According to The South African Local Government Association (SALGA) (Parliamentary Monitoring Group 2011) LED is comprised of initiatives and programmes implemented in a locale for the purpose of development and creating an environment for businesses to thrive and BEE is a national policy designed for the empowerment of the previously disadvantaged and economically excluded. LED and BEE are policies that can be implemented to work parallel to one another. In LED terms, the ‘L’ in local represents municipalities. Municipalities are at the forefront of LED, they are faced and understand the practicalities of policy implementation because they are rightfully placed where implementation actually takes place. SALGA has criticized provincial and national government departments for not considering what municipalities are informing them of, as practical implementable policies because their policy view is mostly theoretical. Because of this SALGA has felt that LED needs to be taken more seriously and highlighted the following (Parliamentary Monitoring Group 2011);

- LED is still project driven;
- Government should refrain from setting unrealistic targets;
- There is very little monitoring and evaluation of LED;
- LED policy integration at district, provincial and national planning level was limited;
- There is limited political support to pursue LED;
- LED strategies are not grounded in solid economics;
- Programmes are poorly integrated; and
- There is little differentiation on a local level for policies. The government applies a “one size fits all” approach.

The Human Sciences Research Council (HSRC 2003: 4) tabled a report evaluating LED in the Free State Province and found that;

- The most successful LED projects are driven by the private sector/community sector and not by the public sector;
• There was little evidence that municipalities were making a substantial contribution to LED. In many cases the study found that municipal actions were in fact impeding LED’s from properly operating and eventually cause divestment;
• Municipalities have poor business skills and management systems;
• Municipalities have financial management difficulties;
• There is little evidence of partnership formations which is a critical component of LED internationally;
• The most successful projects were the ones driven by tourism, which had linkages to international markets; and
• Many LED projects in the province have either not reached their desired goal or they only provided temporary relief.

The governments inability to coordinate, consolidate and effectively execute policy is what strains its policy successes and reduces the prospects of development, the development of entrepreneurs and job creation. The implementation of BEE in the tourism industry is also hampered due to the fact the government departments lack the data and analysis to effectively monitor the industry as well as to enforce compliance (Lee 2010: 311). BEE in the tourism industry has not performed as expected either, with transformation said to be quite low and with Black professionals largely occupying lower management positions (Taal 2012: 12; and NDT 2012b).

In essence the government has laid out empowerment policies and development strategies for the inclusion of Black entrepreneurs in the tourism industry however these are not implemented in a manner that complements each other due to the lack of resources faced by municipalities, the huge amounts of legislative regulations officials have to comply with and the lack of skills by government officials for what the task requires. The government needs to effectively implement and monitor its policies so that in can ensure a large distribution of benefits reach the desired targets and target groups.
2.21 Conclusion

The first part of this chapter began by giving a historical background of South Africa and the area of Clarens. The chapter went on to discuss literature around Black Economic empowerment, charters and initiatives relating to tourism as well as a comparative case study outlining its implementation. The chapter also discussed literature on local economic development and the framework surrounding it.

This chapter demonstrated how BEE has been implemented in South Africa. It has been hailed as a progressive way of addressing past injustices of the apartheid regime levelled against Black people in South Africa. The chapter sheds more light on how BEE has had its fair share of detractors, who believe that, even though conceptualised with good intentions, the programme is being abused to enrich a small group of elites with political connections under the guise of being previously oppressed whilst the true intended beneficiaries experience very little of the redress.

The chapter also demonstrated how other countries namely Malaysia and Brazil had implemented similar transformational polices to deal with years of economic segregation for indigenous groups based on their race, and what those policies had thus far delivered.

A look into transformation within the tourism industry revealed that, even though government had created many initiatives such as the Tourism Charter and the Tourism Sector Codes for Good Practice and promulgated new laws to speed up transformation with the sector, such as the EEA of 2012, the sector was lagging behind in transforming.

With specific reference to the hospitality and accommodation sector, the literature indicates that the industry does employ a large number of Black people. However, employment inequality within the workforce still prevails. This is due to the fact that most top management jobs are occupied by White people whilst the sector, even though having a high concentration of young, Black female workers, employs them at lower management positions which are low skilled and low paying.

The government notes that transformation within the tourism sector is far from the desired target and it will tighten its monitoring processes to ensure transformation is
rapidly speeded up and non-compliant businesses may be faced with hefty fines for not transforming. However, the chapter revealed attitudes towards transformation are increasingly hardening as long as employment equity candidates are seen to be appointed on colour and not on merit.

Lastly the chapter looked at how LED and BEE policies are implemented in a local area by the municipal authority responsible for the running and promotion of tourism and realised that the challenge that impedes progress lies with the management of municipalities. The study examined how private tourism organisations and community tourism organisations have been able to spur on and lead LED within their locale far better than when the municipalities are involved.

In conclusion it is important to note that a lot has been done for the promotion of transformation and the desire to increase Black participation within the economy. However, Shome and Hamidon (2009: 50) highlighted a Malaysian scenario that maybe reflective of the current South African reality when they indicated that in modern Malaysia, Malayan businesses remained small and traditional. They were drawn into the kind of productive services that guaranteed employment as opposed to the risk and uncertainty that comes with being entrepreneurial. This meant that people would rather open up traditional business like selling produce and products for everyday use or be an employee rather than venture into the uncertainty of running a business. A scenario that may reflect why Black people are not venturing into tourism businesses especially in small towns.

The next chapter presents the area under study and the methods used to obtain the empirical data relating to the study.
CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction

The previous chapter reviewed literature regarding the transformation within the South African accommodation sector using the Tourism BEE Charter and scorecard and B-BBEE code of conduct. Chapter three commences with an overview of Clarens which is the geographic area under study. In addition, the methods used to collect data are outlined. This chapter will further elaborate on the research design encompassing both the qualitative and quantitative approaches. The challenges encountered during the course of data collection are also stated herein. This chapter extensively explains the methods applied to obtain data that is crucial for addressing the following objectives:

- To determine the level of transformation in terms of ownership within the accommodation sector in Clarens;
- To determine the level of compliance of the tourism accommodation establishments in Clarens towards BEE Charter and scorecard and B-BBEE codes of conduct; and
- To determine the level of compliance in respect of transformation of the accommodation sector in Clarens against the 2014 transformation target set out in the tourism charter, and whether the industry will meet the 2017 target set out in the Tourism B-BBEE Sector Code.

According to Phillimore and Goodson (2004: 4), there is an on-going need for statistical insights in tourism research, but qualitative approaches offer a great deal of potential in understanding actions, problems and processes. The authors (Phillimore & Goodson 2004: 4) argue that one of the strengths of tourism research is that it is not bound to fixed disciplinary boundaries with their associated methods,
and is, therefore, free to combine a range of approaches and even research paradigm to give a more fluid approach to research.

3.2 The area under study

The Dihlabeng Local Municipality is situated within the boundaries of the Thabo Mofutsanyane District Municipality in the eastern Free State. The geographical area consists of the towns of Bethlehem, Clarens, Fouriesburg, Paul Roux and Rosendal (Statistics SA 2011). Clarens has a total population of 6 379 inhabitants (751 in the suburb of Clarens and 5 628 in Kgubetswana) since the last national census of 2011 (City Population 2013).

Clarens has a greater abundance of trees than most towns in the Free State, making it an ideal destination boasting scenic beauty and tranquillity. The town is popular for the many Art and Craft shops offering a wide range of curios and authentic artwork. The many sandstone buildings also add to the picturesque atmosphere of Clarens (Zululand Tourism 2013). Within close proximity to Clarens is the Golden Gate National Park which attracts many visitors. Clarens has become a preferred getaway for city dwellers, drawing its markets from South Africa’s biggest cities such as Johannesburg, Bloemfontein and Durban (Zululand Tourism 2013). The town has recently been acclaimed as the best trout fishing waters in South Africa.

There are various establishments offering accommodation, including bed and breakfast, self-catering, lodge, backpackers and farm guest houses in the surrounding area (Zululand Tourism 2013). Activities that visitors can undertake when visiting Clarens include horse riding, abseiling, hiking, fly fishing, fossil hunting, white water rafting and golf (Clarens Tourism 2006).

Figures 3.1 and 3.2 displays maps of Clarens and surrounding areas.
Map of Clarens and surrounding areas

Figure 3.1 Map of Clarens and surrounding areas  
Source: Google Maps (2013)
Map of Clarens and the CBD

Figure 3.2 Map of Clarens and the CBD

Source: Google Maps (2013)
3.3 Research design

The research design is a description of how the researcher structures the process of analysis in order to solve the problem under study (Gripsrud and Silkoset 2007: 158). The research design is crucial in enabling the researcher to identify and employ appropriate research methods which will maximize the validity of the eventual findings. Research objectives act as drivers of the study and they need to be attained at the stipulated period of time (Harwell 2011: 148). A design gives structure to the research and clearly shows the link and relation of all major parts of the research project in addressing the research questions and objectives (Polit, Hungler and Beck 2001: 167).

3.4 Qualitative research design

This study combined qualitative and quantitative methods to collect data. According to Niewenhuis (2010: 78), qualitative research follows a naturalistic approach in which case the researcher seeks to understand the phenomena in real world settings. For the purpose of this study, the qualitative methods addressed the research aim which was to determine the level of transformation within the accommodation sector in Clarens using the Tourism BEE Charter and scorecard and B-BBEE code of conduct. According to Punch (2006: 26), qualitative research is suitable for obtaining insight into the attitudes, behaviours, value systems, concerns, motivations and aspirations of people. Punch (2006: 26) further states that, though focus groups, in-depth interviews and content analysis are applied, qualitative research also involves the analysis of unstructured questionnaires. Qualitative research, thus, addresses the ‘how’ in relation to the research aim through the use of unstructured questionnaires.
3.5 Quantitative research design

Quantitative research tends to focus on measurement and proof; its key characteristics are numerical data that permit a range of statistical analyses, and whereby inferential statistics are frequently used to generalize what is found in the sample of the study (Punch 2013: 206). Quantitative research generates statistics through the use of large-scale survey research. Holiday (2002: 51) and Patton (2002: 38) argue that the strength of these studies is in the use of a small sample size. This type of research reaches a lot of people, but the contact with those people is much quicker than it is in qualitative research (Silverman 2005: 94). Stake (2010:11) acknowledges that qualitative research generally takes longer to conduct but it is a more personal experience between researcher and the respondent.

3.6 Population and sampling

Bless, Higson-Smith and Kagee (2006: 34) define population as the entire set of objects or people which is the focus of the research and about which the researcher wants to determine some characteristics. Clarens and its surrounding areas has a total of 220 accommodation establishments (Clarens Tourism 2006). The population for this study comprised of business owners/managers actively operating registered tourism accommodation establishments in the Clarens Tourism database. This study mainly focused on accommodation establishments concentrated within the central business district of Clarens. The researcher selected a maximum of 10 accommodation establishments within each of the 6 categories identified in the tourism charter, namely; hotel, resort and timeshare, bed and breakfast, game lodge, guesthouse and a backpacker. However, in cases where there were less than 10 accommodation establishments in any of the specific category, the maximum number of available establishments were used.
3.7 Sampling

Babbie and Mouton (2003: 148) define sampling as the process of selecting observations. According to Paton (2002: 242) there are no rules for sample size in qualitative research and this depends on the purpose and ensuring credibility of the study. Creswell (2003: 154) agrees that, in qualitative research, sample size can be small and range between 15-20 and 20-30 participants. It is also argued that collecting more data does not necessarily lead to more information (Mason 2010). The final sample size for this research was twenty two.

The researcher approached Destination Clarens to obtain the database of registered accommodation suppliers. Destination Clarens is a popular supplier of tourism accommodation information in Clarens. The database was extensive and contained several categories not relevant to the study. For this reason the researcher selected participants based on categories within the Tourism Charter. The researcher purposively selected accommodation suppliers from the database. According to Welman and Kruger (2001: 63), researchers sometimes rely on their intuition to deliberately obtain units of analysis that are representative of the relevant population. The study only focused on accommodation establishments that fell under the categories stipulated under the Tourism Charter which are hotels, resort properties and timeshare, bed and breakfasts, guesthouses, game lodges and backpacker hostels. Table 3.1 shows the type of establishments selected from the database, the target population and the actual sample size for each category that took part in the study.

Table 3.1 shows the sample numbers of establishments for each category that took part in the study.
### Table 3.1: Number of establishments surveyed

<table>
<thead>
<tr>
<th>TYPE OF ESTABLISHMENT</th>
<th>TARGET POPULATION</th>
<th>ACTUAL SAMPLE SIZE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hotel</td>
<td>10</td>
<td>1</td>
</tr>
<tr>
<td>Resort and Timeshare</td>
<td>10</td>
<td>0 (Not Available)</td>
</tr>
<tr>
<td>Bed and Breakfast</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Guesthouse</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Game Lodge</td>
<td>10</td>
<td>0 (Not Available)</td>
</tr>
<tr>
<td>Backpacker</td>
<td>10</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>60</strong></td>
<td><strong>22</strong></td>
</tr>
</tbody>
</table>

### 3.8 Data collection

Data collection is a critical element of research. It enables the researcher to access data necessary to address the research aim and objectives, respectively (O’Leary, 2004). Data are obtainable through various relevant methods, including interviews, surveys, social interactions and questionnaires. This study used a semi-structured questionnaire to access information from the respondents.

A questionnaire is a means of provoking the feelings, beliefs, experiences, perceptions, or attitudes of sample individuals selected for a study. It is a form of a data collection instrument and it could be structured, unstructured or semi-structured. (Key 2013). A questionnaire is most frequently a very brief, pre-planned set of questions designed to obtain specific information to meet a particular requirement for research information in relation to the research aim. The research data are obtained from respondents normally from a related interest area (James 2012). Questionnaires are restricted to two basic types of questions, that is, a closed-ended question is a question in which the researcher provides a suitable list of responses, for example, yes or no. This produces mainly quantitative data. An open-ended question is where the researcher doesn’t provide the respondent with a set answer from which to choose. Rather, the respondent is asked to answer in his/her own words and state his/her own views and perceptions. This type of response produces
mainly qualitative data (Sage 2013). In designing the questionnaire, pre-coded closed questions and open-ended questions were used to obtain the information.

3.9 Data analysis

The questionnaires/surveys were analysed using Microsoft Excel. This programme was used to provide graphical analysis and tables based on questionnaires that were administered. Interpretive analysis was used to analyse the qualitative data using thematic groupings from the analysis as sub-headings. Qualitative data were analysed as per responses by individuals participating in the study.

3.10 Reliability

Reliability refers to the application of a valid measuring instrument to different groups under different sets of circumstances and should lead to the same observations (Amrein-Beardsley 2014: 133). However reliability is difficult to achieve in the social sciences especially when dealing with human beings in constantly changing environments (Veal 2011: 46). In order to improvise for this gap, researchers should explain their processes and procedures used to collect and interpret data and these steps can be followed by other researchers. For this study, the questionnaire was used to collect data during the face-to-face interviews with business owners/managers of accommodation establishments. The data collected were analysed using Microsoft Excel. The data were triangulated and included the results from the interviews, notes from informal conversations with the owners/managers with the intention to strengthen the findings of the study.

3.11 Validity

Validity deals with the extent to which the researcher observes and measures what is supposed to be measured (Zohabi 2013: 258). The researcher has taken steps to ensure that the findings are convincing and noted any negative or inconsistent
findings to support the credibility of the study. The researcher also had the questionnaire reviewed by peers and the supervisors to ensure suitability, thus confirming content validity.

3.12 Ethical considerations

The respondents who completed the questionnaires were informed about the purpose of the study prior to taking part in the study. The respondents were notified that taking part in the study was completely voluntary and that they could choose to not participate in the study at any time. Before commencing with the actual interviews, the researcher re-clarified the purpose of the research and provided each respondent with a letter of informed consent (see Appendix A). The researcher ensured that all respondents gave their consent to participate in the study. The researcher assured respondents that their information would be kept confidential and their anonymity guaranteed. Therefore, no respondents names were used in this study.

3.13 Limitations of the study

The following have been classified as the limitations of the study:

- The research study, due to time constraints and the limitation of resources focused on accommodation establishments in close proximity of Clarens and did not include any surrounding areas;

- The total sample size was 22, as indicated in Table 3.2, compared to the original target of 60 respondents. This was due to the lack of available number of establishments as per the 6 accommodation categories described in the Tourism Charter. The researcher was unable to reach the sample size of 10 in the categories indicated in Table 3.2. There are three hotels in the immediate area of Clarens but the researcher was unable to get information from two. Reason for the non-participation included unwillingness by one establishment, while the other establishment did not participate because the establishment was in the process of selling its stake to an international hotel.
group. There was only one Backpacker and there were no Game Lodges within the study area;

- The Tourism Charter focuses on seven indicators, but this research only focused on three, namely; Ownership, Employment Equity and Preferential Procurement; and
- The sample size was not large enough to make generalisations outside of the context of this study.

3.14 Conclusion

For this study, owners or managers formed part of the study population. Accommodation establishments under different categories were selected for the research from a database. The accommodation establishments were purposely selected on the premise that the respondents from these establishments will be able to contribute by answering questions that are relevant to the aim and objectives of this research. The Tourism BEE Charter and scorecard and the B-BBEE code of conduct was used to measure transformation within the South African accommodation sector using Clarens as the area of study. The question of transformation within the tourism industry inspired the researcher to proceed with this study.

Data collection approaches included in-depth interviews, informal discussions and a semi-structured questionnaire. The first part of this chapter described the geographical area under study. The research methodology included a mixture of both qualitative and quantitative data collecting techniques. The next chapter discusses the results of the study.
CHAPTER FOUR
PRESENTATION, INTERPRETATION AND DISCUSSION OF FINDINGS

4.1 Introduction

The purpose of this study is to determine how transformation and Black participation has progressed within the accommodation sector. The previous chapter explained the methodological framework used to guide the research process. This chapter will present the key findings obtained from the interviews with a sample of owners/managers of accommodation establishments in Clarens. The discussion in this chapter addresses key questions raised in this study, namely, whether transformation within the accommodation sector in Clarens, is on track towards meeting transformation targets set out in the Tourism Charter and the Tourism B-BBEE sector codes.

4.2 Descriptive statistics

This section presents the frequency statistics in respect of the demographics of the respondents including a discussion on the level of transformation in terms of ownership within the accommodation sector in Clarens, the level of compliance of the tourism accommodation establishments in Clarens towards BEE Charter and scorecard and B-BBEE codes of conduct, the level of compliance in respect of transformation of the accommodation sector in Clarens against the 2014 transformation target set out in the Tourism Charter, and whether the industry will meet the 2017 target set out in the Tourism B-BBEE Sector Code.
4.3 Biographical Data

This section outlines the biographical characteristics of the respondents. It constitutes the profile of the owners/managers of the accommodation establishments.

![Gender of Participants](image)

Figure 4.1: Gender of participants

The results for gender show 12 of the 22 respondents were female and 10 of the 22 were male. From the results presented it is noticeable that a higher representation of females were involved in the accommodation businesses in Clarens. This is in line with the terms of the B-BBEE Act of 2003 which stipulates that ownership must include women and the disabled.

4.4 Place of birth

In Figure 4.2, the results for the place of birth of the respondents show that 82% of the respondents were from other provinces in South Africa, 13% were from the Free
State, 5% were from outside the country (Kenya) and none of the respondents were from the area of Clarens.

![Figure 4.2: Place of birth](image)

It is significant to note that 18 of the 22 respondents were born in other provinces and 1 respondent was a foreigner. Hence, most of the business owners/managers are not from Clarens. This also means that most of the respondents are not local people.

**4.5 Race and current nationality of respondents**

According to Figure 4.3, the results for race and current nationality indicate that 20 of the 22 respondents were White South Africans. Only 1 of the 22 respondents was a Black South African. The results also show that 1 of the 22 respondents was foreign. This is an indication that transformation within the tourism industry is not taking place.
4.6 Position in the company

In terms of occupational position held within the accommodation establishments, Figure 4.4 shows that 14 of the 22 respondents are managers, 4 of the 22 own the establishments and the remaining 4 respondents own and manage their establishments. The results are congruent with the results of Figure 4.3 indicating that 21 out of 22 White South Africans are either owners or managers of these accommodation establishments. The results also show a lack of equitable opportunities for Black people at management levels.
Figure 4.4: Occupational position of responsibility

4.7 Length of business operation

The results show in Figure 4.5 that 9 of 22 businesses were in operation between 1 to 5 years, 7 of 22 were in operation between 5 to 10 years, while 6 of 22 businesses were in operation for longer than 10 years. Thus, the results indicate that more than half of the businesses were established after the BEE policy had been passed.

Figure 4.5: Operation of the establishment in years
Furthermore, the results in Figure 4.5 also show that the majority of the businesses were established after or around the same time the Tourism Charter was launched. It is also clear that there is lack of Black participation in tourism businesses in spite of a decade of government interventions since the launch of the Tourism Charter.

4.8 Type of business ownership

The results for types of ownership in Figure 4.6 indicate that 13 of 22 businesses are registered as sole traders, 8 of 22 are registered as close corporations, and 1 of the 22 businesses is registered as a private company.

![Figure 4.6: Type of ownership](image)

The breakdown in the forms of ownership, as indicated by Figure 4.6, shows that business ownership favoured the sole trader and close corporation structures. Since a sole trader is the most basic form of business and is established by a single individual, it means that more than half of the businesses surveyed are likely not to have any strategic management structure, as defined by the Tourism Charter. The inference from the statistics would mean that Black participation at management levels will be really low. This would also mean that transformation within the businesses surveyed will be low.
4.9 Ownership of the accommodation establishment

The results for ownership by race of the accommodation establishments in Figure 4.7 show that White people owned all the establishments. Figure 4.7 also indicates that there is no ownership diversification reflecting the racial composition of the South African demographics. This means that, of the establishments surveyed, there was no Black participation in terms of business ownership.

Figure 4.7: Ownership by race

Table 4.1 complements Figure 4.7 and shows a breakdown of the ownership structure of the accommodation establishments in Clarens. The finding is a clear indication that transformation in the accommodation industry is not taking place in spite of interventions and policies by the national government to remedy the situation.

The ownership structure of the establishments is broken down as follows in Table 4.1
Ownership structure

One hundred percent (100%) White female owned means that the accommodation establishments were fully owned by a White female.

One hundred percent (100%) White male owned means that the accommodation establishments were fully owned by a White male.

Fifty percent (50%) White female owned and fifty percent (50%) White male owned means that the established had a shared ownership structure.

Table 4.1: Ownership structure breakdown

4.10 Staff complement by occupation type

Figure 4.8 shows a breakdown of the total workforce by occupational category. The combined workforce of the establishments surveyed is 139 staff.

Figure 4.8: Staff complement by occupation type

The results in Figure 4.8 show that 65 (cleaners) and 46 (maintenance) of the 139 staff employed in the accommodation establishments surveyed occupied low skilled roles.
positions. These occupations are filled by Black staff, while the overall management positions 18 of 139 are occupied by White staff. This is a clear indication that the low employment positions occupied by Black people are not in line with the Tourism Charter and the B-BBEE policy which aimed to involve Black people through various strategic levels such as ownership and management.

4.11 Understanding of Black Economic Empowerment

According to the results shown in Figure 4.9, 20 of the 22 respondents said they fully understood the meaning of BEE. One of the respondents said “it means I must have a Black partner in business” whilst another respondent stated that “businesses with Government as a client are required to have a percentage of Black ownership if the business turnover is more than a certain amount per year”. Only 2 of the 22 respondents reported that they do not understand what BEE is all about.

![Figure 4.9: Respondents understanding of BEE](image)

Figure 4.9 also shows that the majority of the accommodation businesses surveyed understand the meaning BEE. However, exemptions and the fact that BEE is a
voluntary programme are reasons why businesses are not obliged to comply. Hence, there is no need to comply with the BEE policy.

4.12 Procurement from BEE compliant suppliers

According to the results shown in Figure 4.10, the majority of the respondents reported that they do procure from BEE complaint suppliers while 9 of the 22 respondents stated that they do not procure from compliant suppliers. Preferential procurement is one of the seven indicators used in the Tourism Charter for achieving transformation within the tourism sector. The 9 establishments that do not procure from compliant suppliers are limiting Black enterprises with opportunities to expand their output.

![Figure 4.10: Procurement from BEE compliant suppliers](image)

Figure 4.10: Procurement from BEE compliant suppliers

A lack of literature exists that clearly explains these statistics but a possible reason for positive procurement figures could be related to many accommodation establishments purchasing their goods and services from major retailers who are
BEE compliant. Furthermore, the competitive nature of the hospitality industry requires cost cutting to remain successful as a business.

4.13 Business support of the B-BBEE programme

Figure 4.11 shows that 13 of the 22 respondents agreed that their businesses support the B-BBEE programme, whereas 9 of the 22 respondents indicated that they do not support the programme. One of the reasons given by businesses that do support the programme was that “there is no reason not to support the initiative because it seeks to advance the country” and “if it is done right it would benefit the less privileged”. Reasons reported by business that do not support the programme were: “it is biased and it is not skills orientated but rather race orientated”; and “it is not a good idea to base employment and ownership on race”.

Figure 4.11: Sector support of the B-BBEE programme

Figure 4.11 also shows that business owners surveyed are divided in respect of support of the B-BBEE programmes. The results are congruent with the results on understanding BEE, as indicated in Figure 4.9, where the majority of the
respondents indicated that they understand the principles of BEE, however, their compliance was low.

4.14 Effectiveness of B-BBEE

A question about the effectiveness of B-BBEE put to respondents revealed diverse views, as illustrated in Figure 4.12. A total of 15 out of 22 respondents disagreed that B-BBEE worked. Their responses indicated that “BEE is not doing what it was initiated for”, and “it has been abused by a few politically connected individuals”, “the best people for the job are not getting the placements”, “only a small minority are benefitting” and “it is not being implemented for its intended purposes”. A total of 6 of the 22 respondents agreed that B-BBEE is working. Their responses indicated that B-BBEE has done what it was initiated for because “more Black people have increasing wealth” and “it has given more Black people a chance to participate in the economy”. Only 1 of the 22 respondents reported that they do not know if B-BBEE is working.

Figure 4.12: Perceptions regarding the viability of B-BBEE
These contradictions indicate that, as long as the concepts of BEE and B-BBEE remain voluntary, it will not fully meet its desired intentions. Furthermore, the fact that the tourism businesses are mainly small and family-owned also compounds the problem and will be difficult to enforce even if these concepts become mandatory through legislation.

### 4.15 Government mechanisms for fair transformation

A question about government mechanisms for fair transformation revealed several mixed responses, as shown in Figure 4.13. A total of 17 of the 22 respondents disagreed that transformation mechanisms implemented by government are fair and believe that they are not working. Their responses were as follows: “the programme thus far has only benefited fewer individuals and not the broader community; the government is a perfect example of it not working; transformation will take place when essentials such as education are improved; and transformation is biased towards a race group and not skills”. Only 5 of the 22 respondents agreed that the mechanisms implemented by government allow for fair transformation to take place as “it allows people to have access to opportunities and funding”.

![Figure 4.13: Views on government mechanisms for transformation](image)

Figure 4.13: Views on government mechanisms for transformation
The results in Table 4.13 indicate that differing views exist regarding government mechanisms for transformation. These diverse views are an indication that while many transformation policies exist on paper, they are very difficult to implement in reality. Unless proper incentives are available to attract small businesses to the transformation agenda, the Tourism Charter’s goals will be difficult to achieve.

### 4.16 Linkage between employment equity and preferential treatment

A comparison between employment equity and preferential treatment indicates some notable differences. Figure 4.14 shows that 17 of the 22 respondents consider employment equity to be preferential treatment, whilst 5 of the 22 respondents support employment equity. Respondents that do not support employment equity echo the following view: “people should hold positions based on their merit and not their racial composition”, whereas respondents that supported employment equity expressed the following view: “employment equity is necessary to address the past injustices of racial exclusion”.

Preferential treatment and employment equity are contentious issues within the employment agenda of a country such as South Africa which is composed of people who...
with inequitable resources, diverse socio-economic and educational backgrounds. It is this diversity that continues to affect employment equity. It is one of the reasons cited in the literature as problematic when attempting to implement transformation mechanisms, specifically in the tourism industry. All businesses are driven by profit and employ people in strategic positions to meet targets. Unfortunately, this is what affects the good intentions of various policies that are implemented to meet transformation targets.

4.17 Transformation targets set in the Tourism Charter

Table 4.2 provides a visual comparison of the transformation targets set in the Tourism Charter and the Tourism B-BBEE sector codes and also indicates whether targets were met and the targets set for 2017.

Table 4.2: Tourism Charter 2014 target, the Tourism B-BBEE sector codes and 2017

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Indicator to measure achievement</th>
<th>2014 Target</th>
<th>Was the target met</th>
<th>2017 target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ownership</td>
<td>% share of economic benefits as reflected by direct shareholding by Black people</td>
<td>30.00%</td>
<td>No</td>
<td>30.00%</td>
</tr>
<tr>
<td>Strategic representation</td>
<td>Black people as a % of Board of Directors</td>
<td>50.00%</td>
<td>No</td>
<td>50.00%</td>
</tr>
<tr>
<td></td>
<td>Black women as a % of Board of Directors</td>
<td>25.00%</td>
<td>No</td>
<td>25.00%</td>
</tr>
<tr>
<td></td>
<td>Black people as a % of executive management</td>
<td>50.00%</td>
<td>No</td>
<td>50.00%</td>
</tr>
<tr>
<td></td>
<td>Black women as a % of executive management</td>
<td>25.00%</td>
<td>No</td>
<td>25.00%</td>
</tr>
<tr>
<td>Employment Equity</td>
<td>Black people as a % of management</td>
<td>50.00%</td>
<td>No</td>
<td>60.00%</td>
</tr>
<tr>
<td></td>
<td>Black women as a % of management</td>
<td>25.00%</td>
<td>No</td>
<td>25.00%</td>
</tr>
<tr>
<td></td>
<td>Black people as a % of supervisors, junior &amp; skilled employees</td>
<td>65.00%</td>
<td>No</td>
<td>70.00%</td>
</tr>
<tr>
<td>Preferential Procurement</td>
<td>Spend on BEE compliant companies as a % of total procurement spend</td>
<td>50.00%</td>
<td>Yes</td>
<td>50.00%</td>
</tr>
</tbody>
</table>

The data presented in Table 4.2 indicate how the accommodation sector, in general, is faring in terms of the transformation targets set out in the Tourism Charter a decade ago. Overall, the information in Table 4.2 shows that the indicators to
measure achievement in respect of the Tourism Charter 2014 target and the Tourism B-BBEE sector codes have not been met. The only indicator that seems to be doing well is the preferential procurement indicator and this is largely due to the fact that establishments purchase their goods from BEE compliant suppliers in the form of larger retailers and not necessarily small Black-owned business.

4.18 Conclusion

This chapter has examined the results from the field study and provided literature to support the findings. The chapter also provided and analysis of the qualitative and quantitative data collected from the fieldwork. The questions focused on the following central themes:

- To determine the level of transformation in terms of ownership within the accommodation sector in Clarens;
- To determine the level of compliance of the tourism accommodation establishments in Clarens towards BEE Charter and scorecard and B-BBEE codes of conduct; and
- To determine the level of compliance in respect of transformation of the accommodation sector in Clarens against the 2014 transformation target set out in the Tourism Charter, and whether the industry will meet the 2017 targets set out in the Tourism B-BBEEE Sector Code.

The data presented here clearly indicate that there is a clear disjuncture between transformation and polices including implementation within the accommodation sector investigated in this study. The results also indicate that Black staff make up a large portion of the unskilled tourism workforce in the accommodation sector compared to their White counterparts. The results also show that Blacks are neither owners nor managers of accommodation establishments in the area investigated. The majority of the respondents were clear about BEE. However, the absence of enforced legislation for businesses to comply with the concept impacts negatively on the aims of the BEE policy as most businesses surveyed do not comply. The results also show that there is lack of Black participation in tourism businesses in spite of a decade of government interventions since the
launch of the Tourism Charter. Overall, it appears that the relaxed legislation on BEE and B-BBEE compliance affect transformation in the tourism industry. The next chapter will discuss the conclusion and recommendations of the study.
CHAPTER FIVE
CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This study sought to explore whether transformation is taking place within the accommodation sector. Twenty two participants were interviewed comprising business owners/managers operating registered accommodation establishments in the central business district of Clarens in the Free State Province.

The primary aim of this study was to use the Tourism BEE Charter, sector scorecard and B-BBEE codes of conduct to determine the level of transformation within the accommodation sector in Clarens. This chapter will provide a summary of the findings in respect of transformation within the tourism sector. The chapter concludes with a set of recommendations on how transformation can improve within the accommodation sector in Clarens.

5.2 Overview

Owners and managers of accommodation establishments formed the sample and respondents. The literature shows that there is a lack of transformation within the tourism industry although government has implemented many policies to promote transformation. The majority of the tourism businesses are owned by White people and access to opportunities and benefits of tourism favoured White people. Hence, Black ownership participation in tourism industry was limited. Furthermore, management positions are dominated by Whites, whereas Blacks held low skills positions. However, the literature point to constraints that include skills shortage faced by Blacks and is cited as a reason why they do not occupy top positions. While an understanding does exist in respect of BEE and B-BBEE, conflicting views exist in terms of implementing these policies. Therefore, a need exists to collectively identify reasons why transformation is not taking place, in spite of the efforts of government. Hence, this study was based on the following objectives:
1) To determine the level of transformation in terms of ownership within the accommodation sector in Clarens;

2) To determine the level of compliance of the tourism accommodation establishments in Clarens towards BEE Charter and scorecard and B-BBEE codes of conduct; and

3) To determine the level of compliance in respect of transformation of the accommodation sector in Clarens against the 2014 transformation target set out in the Tourism Charter, and whether the industry will meet the 2017 target set out in the Tourism B-BBEE Sector Code.

4) To determine whether there has been any local economic development spurred on by Black businesses operating within the accommodation sector.

5.3 Achievement of study objectives

The findings in respect of objectives 1, 2, 3 and 4 are summarised and presented in this section:

5.3.1 Objective 1

To determine the level of transformation in terms of ownership within the accommodation sector in Clarens.

Overall, there was some disagreement that transformation mechanisms implemented by government were working. Respondents believe that transformation is biased because it focuses on race and not skills. This implies that transformation in respect of management positions can only take place if Black people are capacitated through upskilling. Another finding showed some level of agreement that transformation can take place. However, this was not evident among the respondents interviewed, as most of the respondents were either White managers or owners of the accommodation establishments. Furthermore, the findings also indicated that transformation within the accommodation sector in Clarens is stagnant. Therefore, the BEE envisaged transformation is not taking place within the accommodation sector in Clarens.
5.3.2 Objective 2

To determine the level of compliance of the tourism accommodation establishments in Clarens towards the BEE Charter and the Tourism Scorecard and B-BBEE codes of conduct.

There were mixed responses regarding level of compliance in respect of the BEE Tourism Charter, Scorecard and B-BBEE. Although the majority of the respondents understood the principles of these initiatives, none of the businesses voluntarily complied. It was found that many of the respondents surveyed believed B-BBEE has not worked and has not met its intended purposes. Although there was some agreement that B-BBEE has worked, these respondents referred to general success of B-BBEE and have not been part of the process. However, a closer examination for non-voluntary compliance indicates that the majority of these businesses are small businesses with a turnover of less than R2.5 million which, according to the charter, are exempt and given automatic BEE status based on their annual turnover. Based on the nature of businesses and the scale of these establishments, they are regarded automatically compliant.

5.3.3 Objective 3

To determine the level of compliance in respect of transformation of the accommodation sector in Clarens against the 2014 transformation target set out in the Tourism Charter, and whether the industry will meet the 2017 target set out in the Tourism B-BBEE Sector Code.

The findings regarding the indicators to measure achievement of transformation of the accommodation sector in Clarens were negative in respect of the Tourism Charter 2014 target and the Tourism B-BBEE sector codes. Preferential procurement was the only target that was met. However, closer examination showed that respondents did procure from BEE compliant companies. Unfortunately, these companies were large retailers and not necessarily small Black-owned businesses. The chance of meeting 2017 targets may be less as long as BEE is a voluntary
programme and businesses are not obliged to comply. Hence, there is no need to comply with the BEE policy.

5.3.4 Objective 4

To determine whether there has been any local economic development spurred on by Black businesses operating within the accommodation sector.

There hasn’t been any local economic development in Clarens that was spurred on by the development of Black businesses operating within the accommodation sector and this is backed up by the findings contained in figure 4.5 and figure 4.7. Figure 4.5 indicated that 9 of the surveyed business had been established within the last 5 years however figure 4.7 indicated that all of the surveyed businesses were white owned, thus meaning there has been no establishment or development of Black businesses amongst those surveyed.

5.4 Conclusions

The aim of this research was to find out whether transformation is taking place within the accommodation sector in Clarens. A sample of respondents who were either managers or owners of the accommodation establishments participated in the study. The central theme of the study concentrated on compliance in respect of the BEE Charter and the Tourism Scorecard and B-BBEE codes of conduct. The following conclusions are drawn from the study:

5.4.1 Conclusions related to the level of transformation in terms of ownership within the accommodation sector in Clarens

The major finding for this category is that transformation is not taking place within the accommodation sector in Clarens. The conclusion that can be drawn from this finding is the relaxed compliance principles of the BEE Charter and the Tourism
Scorecard and B-BBEE codes of conduct. The lack of enforced legislation will impede the goals of transformation. Moreover, it is not sufficient to have transformation policies in place that continue to favour people that have been historically advantaged and continue to do so instead of enforcing a policy that makes amends to assistance to those who have been the disadvantaged.

5.4.2 Conclusions related to compliance of the tourism accommodation establishments in Clarens in respect of the BEE Charter and the Tourism Scorecard and B-BBEE codes of conduct.

The findings in this category revealed that compliance of the tourism accommodation establishments was not met. Most respondents understood matters related to BEE and B-BBEE, and were also aware that they did not have to comply because they were exempt. In summation, the policies implemented by government favoured the owners/managers of the accommodation establishments. A conclusion that can be drawn from this finding is that, in the absence of legislation that forces business to comply, transformation in the tourism industry will remain stagnant.

5.4.3 Conclusions related to compliance of the tourism accommodation establishments in Clarens in respect of meeting the Tourism Charter 2014 target and the Tourism B-BBEE sector codes.

The findings in this category suggest that owners/manages were only compliant in one category (preferential procurement) by default and have not necessarily procured from small Black businesses. The following indicators have not been met: ownership; strategic representation; and employment equity. A conclusion that can be drawn from this finding is that owners and managers are aware that they did not have to meet the 2014 Tourism targets and the Tourism B-BBEE sector codes. A related conclusion to be drawn from this finding is the chance of meeting the 2017
targets could be negative, since no policy forces these owners/managers to concede.

5.4.4 Conclusion relating to the determination on whether there has been any local economic development spurred on by black businesses operating within the accommodation sector.

The findings in this category suggest that there are no Black owned accommodation establishments in Clarens. The conclusion drawn from this is that Black people are either not interested in opening accommodation establishments in Clarens or that the barriers to entry for potential Black business owners are just too high. The other reason can be extrapolated from Shome and Hamidon (2009: 50) in the literature when they highlighted that Malayans and in this context Black South Africans are more drawn into the kind of economic activity that guarantees employment as opposed to the risk and uncertainty that comes with being entrepreneurial especially in a small town such as Clarens.

5.5 Recommendations

The research offers recommendations based on the findings and conclusions of the study. The recommendations that follow are linked to the three objectives.

5.5.1 Recommendations for improving transformation in the accommodation industry

Considering the current state of transformation within the accommodation sector, it appears that the policies implemented by government seem to be ineffective. Hence, taking into account governments ‘exemption clause’ in the BEE Charter and the Tourism Scorecard and B-BBEE codes of conduct, it is unlikely that any business will
comply. This is an indication of a ‘gap’ in the policy that impacts on transformation. The recommendations to improve the situation is as follows:

5.5.2 Policy

Since the implementation of the White Paper on the Development and Promotion of Tourism in South Africa (1996), government continued to develop policies to enhance tourism development in the country. B-BBEE was one such policy developed to transform ownership structures in the tourism industry (Varghese 2008:81). However, flaws in the policy made it difficult for transformation to take place effectively. Therefore, it is recommended that government review these policies, with the intention of making them more enforceable rather than accepting its overly relaxed approach.

5.5.3 Capacity Building

Skills transfer is essential for the promotion of equity. According to Bulelani (2006: 87), the South African government failed to recognize how Malaysians used education in empowering its people. Bulelani (2006: 87) denotes that South Africa’s empowerment strategy did not include adequate education programmes to ensure that the majority of Blacks are equipped with the necessary education and skills to ensure proper participation in the mainstream economy. The state of South Africa’s primary and secondary education is poor and this exacerbates the current situation of an unemployable workforce. Business and financial education needs to be made compulsory to all students, irrespective of career choice. Such compulsion could reduce the number of businesses that fail and increase Black ownership and equity within businesses. Many studies have found that the demise to most companies was due to the lack of capital, inability to raise sufficient start-up finance, book keeping, and budgeting (Bulelani 2006: 87). This could help instil the desire for entrepreneurship, which would ultimately help improve the rate of transformation in the South African tourism sector.
5.5.4 Procurement Policy

The procurement policy needs to be amended to improve the level of procurement from not only Black businesses within the accommodation sector but to include a range of small Black-owned businesses. This amendment needs to be encouraged so that the failure that plagues SMME’s may be reduced.

5.5.5 Funding

Financial aid is important for business. Government has to play a role in funding the development of Black businesses. A facilitative role needs to be undertaken with a stricter monitoring process that will ensure that deserving businesses receive funding and are sustainable.

5.5.6 Improvement of the BEE policy

1. The South African government needs to focus on the development of new entrepreneurs if it wishes to realize their transformation and ownership targets. The development of new entrepreneurs and not the mere replacement of White entrepreneurs with Black ones.

2. BEE as it currently stands is battling to empower the large majority of previously disadvantaged groups as a result should adopt more of a broad-based job creation approach, this would automatically address the issue of transformation as well as empowerment.

3. The implementation of the BEE Act and policies within the various government departments should not be limited to a small group of elite Blacks but should be extended to those who need a helping hand out of poverty so as to avoid the current situation of enriching a small group of Elite urban Blacks, whilst the majority of Black people remain entrenched in a cycle of poverty.
4. A serious criticism of BEE over the years has been the enforced employment of Black people in positions where their skills did not match the position occupied. The South African government needs to however focus on providing quality education and upskilling young people so that they may add value to the positions they occupy. A great example is the way Malaysia upskilled and grew their economy by educating a large part of the previously disadvantaged and marginalised groups.

5. BEE needs to also pay attention towards creating opportunities at lower and middle management, allowing Black people to progress within the organization and this would address the issue of up-skilling of Black professionals as opposed to the current focus on top management whereby the skills required are said to be difficult to find as such professionals are to thinly spread.

6. One of BEE’s increasing problems is that of fronting. Fronting makes it difficult for procurement objectives to be met and provides a distorted view regarding transformation. This challenge can be overcome by making the tender process that currently exist transparent and open to public scrutiny. This will allow for proper verification and vetting by the public and interested institutions. The secrecy behind tender processes and awarding has resulted in officials abusing this facility to engage in the illegal awarding of tenders and the wastage of state resources.

7. A suggestion on how empowerment can also be accelerated is to pursue the enforcement of equal pay for the same job, irrespective of gender and race. Government has in the area of equal pay been doing fairly well but however the private sector has been found wanting in this regard. The government needs to look into the issue of fair pay, in many cases women are remunerated less for the same type of job as their male counterparts and studies have found that Black people are paid less for the same type of job as their White counterparts within the same organisation. Employees who occupy the same position need to be on the same pay scale but this does not mean that they have to be on same pay grade (notch) within the pay scale due to certain aspects such as experience, expertise and qualifications.

8. Finally the government will need to look into setting a timeline as to when they plan to eradicate the BEE policy. The main reason for this is to ensure that the
country will move away from race based employment policies and shift towards skills based employment policies. This will also signal the fact that government is cognisant of what it wants to achieve and not allow for the current policy to be in-place indefinitely, which would indirectly begin to discriminate against White South Africans and will harden racial perceptions and stereotypes as opposed to building and inclusive society.

5.6 Recommendations for further research

The following recommendations for future research are based on the findings of this study:

- Further research should focus on how the newly launched B-BBEE codes will impact on transformation of accommodation establishments within the tourism industry and whether or not penalties imposed on non-compliant businesses will have improved the business compliance levels within the accommodation sector; and

- Since the dynamics of this study resulted in the survey of businesses making a turnover below R5 million, a study of transformation within large multinationals could shed broader information on transformation within the sector.

5.7 Final comments

This chapter presented the conclusions based on objectives set out in the beginning of this study, including recommendations. The research set out to determine the level of compliance of the accommodation sector in Clarens in respect of the Tourism Charter and the Tourism B-BBEE Sector Codes. Overall, the research revealed that transformation with the tourism industry, as a whole, was still very low and that many of the initiatives the government had put in place have been ineffective. The largest criticism levelled against BEE are perceptions that it has only
benefited a small group of politically connected elites, and not all the intended beneficiaries.

Therefore, reviewing of BEE and B-BBEE policies by government is recommended. Avoiding this critical step will hamper transformation within the tourism industry. It is very clear that more still needs to be done to facilitate the increase of Black participation and Black ownership within the tourism industry.

Transformation in South Africa is being looked at very seriously. Hence, various policies have been introduced to address the impacts from years of economic segregation that applied only to certain race groups. The tourism industry has been identified as one of the catalyst industries for fast tracking transformation in the country. Targets were set out in the Tourism Charter to measure transformation in the tourism sector since the adoption of the charter in 2005. Now, a decade later, transformation is considered stagnant and set to be only in its infancy. It is very clear that more still needs to be done to facilitate the increase of Black participation and Black ownership within the tourism industry.
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PcDr_k0VsI (Accessed 07 December 2013).

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Appendix A

Respondents letter of consent

Durban University of Technology
School of Tourism and Hospitality

MTech Research Project
Researcher: Nyane Mofokeng (076 633 2070)
Supervisor: Dr. Andrea Giampiccoli (031 373 5508)

Dear Respondent,

I, Nyane Mofokeng am an mtech student, at the graduate school of tourism and hospitality, of the Durban University of Technology. You are invited to participate in a research project entitled: Black Economic Empowerment, local economic development and transformation in the South African accommodation sector: The case of Clarens, in the Free State province.

Your participation in this project is voluntary. You may refuse to participate or withdraw from the project at any time with no negative consequence. There will be no monetary gain from participating in this survey/focus group. Confidentiality and anonymity of records identifying you as a participant will be maintained by the Durban University of Technology, School of Tourism and Hospitality.

If you have any questions or concerns about completing the questionnaire or about participating in this study, you may contact me or my supervisor at the numbers listed above.

The survey should take you about 10-15 minutes to complete. I hope you will take the time to complete this survey.

Sincerely

Investigator’s signature ___________________________ Date_________________

This page is to be retained by participant
Appendix B

Researchers letter of consent

Department of Hospitality and Tourism
MTech Research Project
Researcher: Nyane Mofokeng (076 633 2070)
Supervisor: Dr. Andrea Giampiccoli (031 373 5508)

CONSENT

I……………………………………………………………………… (Full names of participant) hereby confirm that I understand the contents of this document and the nature of the research project, and I consent to participating in the research project.

I understand that I am at liberty to withdraw from the project at any time, should I so desire.

________________________________________  __________________________
SIGNATURE OF PARTICIPANT               DATE

This page is to be retained by researcher
**Appendix C**

**Questionnaire**

Please answer the following questions

1. Gender

<table>
<thead>
<tr>
<th>Male</th>
<th>Female</th>
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</table>

2. AGE? ......................

3. Where were you born?

<table>
<thead>
<tr>
<th>Clarens</th>
<th>Free State</th>
<th>South Africa</th>
<th>Other Country</th>
</tr>
</thead>
</table>

If other country please specify............................................................

4. Race and Current Nationality

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<thead>
<tr>
<th>Race</th>
<th>South African</th>
<th>Foreign</th>
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<tbody>
<tr>
<td>Black</td>
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<td>White</td>
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<td>Indian</td>
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<tr>
<td>Coloured</td>
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<tr>
<td>Other</td>
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</table>

5. What position do you hold in the company?

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<thead>
<tr>
<th>Owner</th>
<th>Manager</th>
<th>Both Owner &amp; Manager</th>
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6. How long has the business been in operation?

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<tr>
<th>Less than 1 year</th>
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<tr>
<td>More than 1 year and less than 5 years</td>
<td></td>
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<tr>
<td>More than 5 years and less than 10</td>
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<tr>
<td>More than 10 years</td>
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</table>
7. What form of company is the business registered as?

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<th>Form of Company</th>
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<tr>
<td>Sole Trader</td>
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<td>Partnership</td>
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<td>Close Corporation</td>
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<td>Private Company</td>
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<td>Public Company</td>
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If not listed above please specify..............................................................................................................

8. What is your turnover per annum?

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<th>Turnover Range</th>
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<tbody>
<tr>
<td>Below R2.5 Million</td>
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<tr>
<td>Above R2.5 Million but less than R5 Million</td>
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<tr>
<td>Above R5 Million but less than R35 Million</td>
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<tr>
<td>Above R35 Million</td>
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</tbody>
</table>

9. How is the ownership percentage of the business shared?

*M=Male and F=Female

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<thead>
<tr>
<th>Race</th>
<th>10% M</th>
<th>10% F</th>
<th>20% M</th>
<th>20% F</th>
<th>30% M</th>
<th>30% F</th>
<th>40% M</th>
<th>40% F</th>
<th>50% M</th>
<th>50% F</th>
<th>60% M</th>
<th>60% F</th>
<th>70% M</th>
<th>70% F</th>
<th>80% M</th>
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<th>90% F</th>
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<td>White</td>
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If not listed above please specify..............................................................................................................

10. Strategic representation in the business

<table>
<thead>
<tr>
<th>Percentage</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage of Black people as board of directors</td>
<td></td>
</tr>
<tr>
<td>Percentage of Black Women as board of directors</td>
<td></td>
</tr>
<tr>
<td>Percentage of Black People as executive management</td>
<td></td>
</tr>
<tr>
<td>Percentage of Black women as executive management</td>
<td></td>
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</tbody>
</table>
11. How many workers does the business employ?

<table>
<thead>
<tr>
<th>Job Position</th>
<th>Black</th>
<th>White</th>
<th>Indian</th>
<th>Coloured</th>
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</thead>
<tbody>
<tr>
<td>Management</td>
<td></td>
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<tr>
<td>Sales and Reservation</td>
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<td>Reception/Clerk</td>
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<td>Cleaner</td>
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<td>Maintenance</td>
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If not listed above please specify race and number of employees
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12. Do you fully understand what Black Economic Empowerment is?
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13. Does the business procure its goods from BEE compliant suppliers?

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
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14. If you answered yes to question 13 then what is the percentage of Goods procured from BEE compliant suppliers?

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<th>10%</th>
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<td>30%</td>
<td>80%</td>
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<td>50%</td>
<td>100%</td>
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If not listed above please specify..............................................................................................................................

15. Does the business support the B-BBEE programme and why?
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16. Do you think that B-BBEE is working to fulfil the purpose it was initiated for and why?
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17. Do you think that the government mechanisms in place allows for fair transformation to take place and why?
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18. Do you support employment equity or do you think its preferential treatment?
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