A tourism theoretical gap: the case of the Northern Cape Province in South Africa

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Abstract

Tourism is a largely favoured economic development tool in many countries owing to its ability to boost the economic confidence of a country. Fragmentation and weak relationships between the various institutions and key role players affect the economic contribution of the tourism sector. These are some of the primary challenges affecting the positive economic impact of the sector. The implementation of the top-down planning approach within the tourism industry has led to decision making that is “predominantly based on the interventions of government agencies and large tourism firms”, (Telfer and Sharpey, 2008: 205). The adverse effect has resulted in the dominance of external, often foreign capital and the marginalisation of local people. Research conducted by the Small Enterprise Development Agency (SEDA) on the Performance of the Services Sector in South Africa (2012: 51), indicated that the Northern Cape Province received the lowest share of total domestic arrivals and revenue from domestic travel.

This research paper seeks to make use of a theoretical explanation to contextualize the effect of the tourism industry in the Northern Cape Province, as the least tourism contributing province in South Africa. With the use of various economic theoretical approaches such as the Neo-Classical approach, Keynesianism theory, Game theory and the Tourism Supply Chain Management, the paper aims to offer a suitable understanding of the tourism industry as a developmental tool in the Northern Cape. The intention is to contribute towards informing strategic plans concerning the inclusion of supply chain management in the tourism industry.

Keywords: Tourism Supply Chain Management, Keynesianism, Game theory, Neo-Classical Theory, South Africa, Northern Cape

Introduction

This paper focuses on theoretically defining the effects of the tourism industry in the Northern Cape by utilizing various economic theoretical approaches, to attempt to contextualize the Northern Cape Province as the least contributing destination to the South African tourism industry. In this regard, it is contended that the implementation of an effective Tourism Supply Chain Management may be a solution to help a province such as the Northern Cape to improve their contribution in the tourism sector. The Tourism Supply Chain Management offers a suitable understanding of the Northern Cape tourism industry, as opposed to the Neo-Classical theory, Keynesianism theory and Game theory approaches.

The South African Government has identified the tourism industry as a critical sector that can boost economic development and reduce national unemployment (Binns and Nel, 2002). By thoroughly studying the distinct features of the Northern Cape Province, this paper intends to contribute towards informing the strategic plans concerning the inclusion of supply chain management within the tourism sphere of influence, thereby strengthening regional, national, provincial and local partnerships in a country. Although ways of achieving such engagements may differ in various countries owing to the ways in which the country handles its operational issues.

Background of the Northern Cape Province

The Northern Cape Province is said to be the largest province in South Africa that occupies nearly a third of South Africa's land area. However, the population size is considered to be one of the smallest, with little over 1-million people, in comparison with other Provinces in the country (http://www.southafrica.info/about/geography/northern-cape.htm). The Province is positioned in a desolate area surrounded by Atlantic Ocean in the west, Namibia in the north, Botswana in the northeast and Western Cape Province in the southern part of the continent. Kimberley being the Capital city, the Province’s is divided into five regional areas namely; Lower Orange District Council, Diamantveld District Council, Hantam District Council, Brandvlei, Kalahari District Council, Namaqualand District Council and Upper Karoo District Council.

The Northern Cape is the home to one of the longest rivers in South Africa known as the Orange river which forms part of the international border between neighbouring countries Lesotho and Namibia. The Northern Cape Province plays a very important role in the South African economy through its work in the alluvial diamond industries. For example, the Northern Cape was leading when it comes to the GDP, employment growth rates and percentage contributions for the first quarter in 2013 (Eastern Cape Socio Economic Consultative Council, ECSECC: 2013). The figures indicated the high GDP growth in Northern Cape (4.8%) and North West (3.5%); and the negative growth in Mpumalanga (-2.7%) below the 0.9% growth achieved in the country as a whole (ECSECC, 2013).

One of the unique features such as the world's largest telescope at Carnarvon known as the Square Kilometre Array (SKA), the Kalagadi Transfrontier Park in Upington, the Tankwa Karoo National Park, Mokala National Park, Augrabies Falls National Park, the Eye of Kuruman and the Big Hole in Kimberly are ideal as the tourist attraction. The Province is also a home to five of the countries natural biomes and possesses rich biodiversity of the parks that ranges from unique natural landscapes including wildflowers, desert and the Orange River, etc.

The Province prides itself with a variety of out-of-doors and adventure activities. Moreover, the Province earned an accolade of being the best naturalistic destination in 2009/ 2010 (Northern Cape Tourism Annual report, 2009/ 2010: 3). The largest astronomical observatory found in Sutherland site of the southern hemisphere is also one of the “unique
endowment that is multinational-sponsored and is known as the Southern African Large Telescope (SALT) "(http://www.southafrica.info/about/geography/northern-cape.htm#). However, the Province remains the least tourism contributor in the economy of South Africa. For example, figure 1 indicated that Northern Cape Province received the low share when it comes to foreign tourists.

FIGURE 1: Provincial distribution – Share of foreign tourists

![Provincial distribution – Share of foreign tourists](image)

Source: South African Tourism (2011)

Northern Cape was the province that attracted the lowest number of domestic arrivals in 2010 (SEDA, 2012). Foreign tourists spent most of their nights in Gauteng and Western Cape. Nights spent in Gauteng, KwaZulu-Natal, Mpumalanga, Limpopo, North West and Free State increased compared to 2010, while the number of nights spent in the Eastern Cape and Northern Cape remained constant over the period under review. Even though the number of trips increased in the Northern Cape from 0.2% in 2010 to 0.4 in 2011, the Province remained as the least contributor to the tourism industry in the country (South African Tourism, 2011). Figure 2 indicates the share of bed nights in different Provinces from the period of 2009-2011.
SAT Annual Tourism Report (2011, p. 55)

Could it be an issue of marketing the Province to both domestic and international market? Or is it the nature of fragmentation that exists within various institutions and players in the tourism industry? One may argue that the reason behind such performance can be an issue of tourism supply chain management among prominent tourism stakeholders that is not effective. All the above questions and concerns may arise due to the underprivileged tourism status in the area, particularly, the Northern Cape Province.

**Literature regarding tourism fragmentation and diversity**

There is plethora of literature in the field of tourism indicating tourism as a diverse industry (Timothy, 2002: 162; Nordin, 2004: 50; Vellas & Becherel, 1995; Nickson, 2013: 3). The offerings within the industry are characterised by natural and man-made attractions, facilities, accommodation, transportation, destination marketing organizations and restaurants (Nickson, 2013: 3). There is an acceptance by scholars that tourism is a global phenomenon that makes a critical contribution to the development of growing economies (Kastarlak and Barber, 2012: 131; Nieman and Nieuwenhuizen, 2009: 43; Liu, Tzeng & Lee, 2001: 413; Cukier, cited in Sharpley & Telfer 2002: 169). In this regard, there seem to be an undisputed point that there are benefits that could be derived from the tourism sector which could encourage development (William and Shaw, 1991: 1-3; Du Rand, Heath and Alberts 2003: 100; Ford and Peeper, 2008; Williams and Shaw, 1992: 32; Sharpley 2002: 20). Thus, tourism is identified as increasingly becoming a global force for economic and regional development (Carlisle, Kunc, Jones & Tiffin 2013, p, 59). Dwyer, Forsyth and Dwyer (2010, p, 41), make an interesting note that seems to point to a reciprocal relationship between the development of the country and the tourism sector. They argue that “when the economic and social welfare of a country improves, the travel and tourism industry naturally increases as it becomes more important to the government and its leaders”. However, “fragmentation and weak relationships between the various institutions and players” is seen as a challenge towards economic development (National Tourism Sector Strategy; 2011).
Such challenge affects the economic contribution of the tourism sector. In this regard, Scheyvens (2002, 2008) and Sharpley (2009) challenge governments and the private sector to collaborate more effectively to maximise the benefits of tourism in local economic developing countries.

**Neo-Classical Approach, Game Theory and Keynesianism Theory applied in the case study**

According to Bless et al (2006: 12), there is a fundamental relationship between the facts about the world, that are defined as empirically verifiable observations and theory as the explanatory framework. Following this line, one would contend that theory provides a platform for explanation of an observed phenomenon. In this regard, four theories were considered for the purpose of this paper; namely, Neo-Classical Approach, Game theory, Keynesianism theory and Tourism Supply Chain Management. However, out of the four theories, only Keynesianism theory and Supply Chain Management seems to offer a better explanation and contextualisation of the study.

Proponents of Neo-Classical Approach, argue that the Neoclassical economic policies and theory criticize government’s interference (Sharpley and Telfer, 2002: 62) and ‘treats people as atomistic individuals who are bound together only through market forces’ (Sharpley and Telfer, 2002: 44). Espinosa and Russell (1997: 18), sum it up by stating that Neo classical economics is based on the classical assumption that individual households and firms make decisions that maximise their wellbeing. They further contend that a key principle of Neo Classical economics is that, in order to determine an economic impact of a hypothetical change in government policy, it is necessary to consider the possibility that individual households may react to such change by altering the ways in which they make their economic decisions. Schoolers acknowledge the usefulness of this approach; even though other researchers state that this approach has not been widely used in analysing the behaviour of tourism firms (Espinosa and Russell, 1997). Neo Classical approach is purported to neglect socio-cultural and political relations, environment and sustainability issues, and the intersubjective realm of meaning and values of development (Sharpley and Telfer; 2002: 44). The contention on Neo Classicalists is that of a free market approach with no government interference. In other words, they advocate for laisser-faire. This theory provides a better understanding of how the tourism industry should work. In the context of the study it would mean that out of nine Provinces of South Africa, each Province must do whatever it can to survive. To be specific in this regard, it means that the Northern Cape Province must do whatever it takes to improve the tourism status regardless of government interventions. It would also mean that at no stage the government would be expected to play a role, lest it be accused of undue interference.

Let us examine a possibility of the Northern Cape Province employing the supply and demand approach to alleviate its challenges within the tourism sector following the Neo Classical assumption of laisser fair and the determination to maximise profit. In this scenario, it has been observed that the Northern Cape tourism sector is the least contributor to the economic growth of the country. The supply and demand approach would contends that the economic activities are governed by the interaction of forces of supply and demand This interaction determines the price of goods and the profit a company makes (Conway, 2009: 10). In the case of Northern Cape, an assumption could be that there is little demand for the tourism goods and services that are supplied by the tourism sector in the Province. Hence, there is little profit. Cooper et al (2008: 248), indicate that when the demand for goods and services is low, there is no incentive for entrepreneurs to invest in additional productive capacity. Similarly they argue
that from a supply side, low income level present few opportunities for saving and little capital to invest in productive capacity. This would be an example of how the Neo Classical theory would expect NC to behave. However, this approach would therefore fall short of explaining the governments’ prioritisation of tourism through the National Development Plan as well as on the other tourism strategic initiatives such as the policies (1997 White Paper, Industrial Policy Action Plan (IPAP), New Growth Path, Accelerated and Shared Growth Initiative for South Africa (AsgiSA) (2006), Tourism Bill, the National Tourism Sector Strategy (NTSS) etc. Researchers also acknowledge government’s involvement in the tourism sector. According to Rogerson (2001), pro-poor local economic development initiatives must seek to expand the participation of poor people in the tourism economy “by addressing the barriers they face and maximising a wide range of employment, self-employment and informal sector opportunities” (Ashley et al., 2000: 5). By virtue of government prioritising the tourism sector, it is evident that there is an expectation that it will play a critical role in ensuring the success of the sector. Therefore, given that the government has set to take the lead in the development of the tourism sector in South Africa, the Neo-Classical Approach proves to be inadequate for this paper.

Game Theory Aspect

Another theory that is often preferred by the researchers in the Tourism Supply Chain field, is the Game theory which according to Conway (2009: 190), is the science behind human strategy. Game theory rests on the notion of individuals or firms second guessing each other’s actions and predicting the ultimate consequences. According to Case and Fair (2007: 314-315), game theorists believe that if two or more people or organizations pursue their own interests and in which no one of them can dictate the outcome, they are playing a game. Song et al. (2012: 1662) state that “the game-theoretical approach has been employed to study the interactions among tourism supply chain members and their strategic options”. They further maintain that the game theoretical approach is useful for analysing the strategic decisions of firms within the same industry. Xianjin and Mi (2014: 1162) further argue that such collaboration and cooperation is always aimed at increasing the economic benefits by each party. In the tourism sector, there is general acknowledgement that the game theory is most suitable in the explanation of competitive or collaborative behaviour among supply chains. For instance a self-interested entity such as tourism business in a tourism supply chain may exhibit behaviour that prevents or hinders other members from achieving their goals (Song, 2012: 48). According to Yang, Huang, Song, & Liang, 2009; Cachon and Netessine, 2003), they state that “a normal game consists of three components: (1) player, (2) strategies available to each player, and (3) payoffs received by each player. In their study, McGuigan, Moyer and Harris (1999:540), intricate the game approach by including players, actions, information sets, payoffs, an order to play, focal outcomes of interest, and equilibrium strategies. Therefore, this theory provides an explanation regarding the strategic manoeuvres of competing sectors or entities. It offers a better understanding of the extent in which competing entities would embark in outwitting each other for the sake of getting a competitive edge. However, this theory does not seem to consider an “invisible hand” of government. Thus, there is no clarity on what would happen if the government is the referee. In this instance it could be argued that the game theory may not be sufficient in explanation of the tourism activity that is bound by the rules, legislation and policies of government. It is therefore, not positioned to provide an explanation on the government’s role to revive the tourism sector of the Northern Cape Province.

Keynesianism Theory Aspect

Out of the four theories, the theory of Keynesianism could serve a better platform in explaining government’s
prioritisation of the tourism sector. It also justifies the intervention of government in the tourism sector through the provision of leadership. According to Conway (2009:38), the key to Keynes argument rests on the idea of the government being responsible for the economy. In his argument, Keynes purports that the extra cash spent by government would filter through the economy (Case and Fair, 2007: 683). Thus, the key to Keynes’ argument is the idea of the multiplier effect (Conway, 2009: 39).

Using the Keynesianism in relation to the South African tourism industry which is government-led, one of the primary roles of local government is to ensure local economic development (LED). The nature and the status of the tourism industry in South Africa is that it is a public sector led, private sector driven and follows a community based approach (SALGA no date). Therefore, the South African government spend money in the structures, development and promotion of the tourism to ensure a multiplier effect in the county. Furthermore, South African government develops tourism policies, strategies and practices that foster economic development. Then again, being government-led in terms of policies and strategies, it could be argued that the government utilizes its strategies and policies to address its economic and development programs and thereby keeping the economy afloat.

One may raise a question as to how can one pronounce on something of which they are not going to be in charge of the outcome? In other words, if South African government has identified tourism as one of the sectors that will challenge unemployment whilst boosting economic growth; how can that venture be left in the hands that have nothing to do with government? How can one make a determination of a particular sector that they are not in charge of? How is it possible to monitor and evaluate the progress of the set objective in the National Development Plan? Even worse, if it so happen that you identify critical challenge towards the achievement of the set objective how will you make meaningful invention to redirect the set objective to the right path? Therefore, the encouragement for laissers faire as neoliberalists and economists purport, minimal or no state intervention may not yield the desired outcome for the South African government to make the tourism sector a major player in economic development, curbing unemployment and in alleviating poverty. As a result, to better clarify the concepts, the Tourism Supply Chain Management is discussed.

**Tourism Supply Chain Management Aspect**

The notion of fragmentation in the tourism sector is generally noted by academics and other tourism stakeholders. This fragmentation is also seen as posing a challenge and thereby serving as a stumbling block towards the growth of the sector. In this context, others have even likened (though in directly) fragmentation to adversarial relationships (Zhang, Song & Huang, 2009:345). The government is by no means unaware of this challenge, hence, NTSS notes that “fragmentation and weak relationships between the various institutions and players” are a critical challenge to the tourism sectors’ contribution to the economic development (National Tourism Sector Strategy; 2011). However, there is no clear evidence of public private partnership approach to deal with this challenge. It is against this backdrop that one views Tourism Supply Chain Management as a potential panacea to the looming tourism sector malaise. It is crucial to note that this paper is not proposing that the tourism supply chain management will bring about homogeneity. Instead it lays an emphasis on the role of tourism supply chain management in encouraging coordination and coherence. The study of tourism supply is often seen as a theoretical economic concept and difficult to visualize (Page et al; 2006:90).

In the available literature, the subject of supply chain management has not featured prominently in the study of tourism. Zhang el al (2009: 345), argue
that the supply side of the tourism industry has largely been neglected particularly due to the fact that many tourism researchers have focused on a systematic approach that is based on marketing perspective to investigate tourism distribution channel. Piboonrungroj and Disney (2009: 132), add to this notion by stating that the tourism supply chain management research is rather immature and very limited. They point out that the available literature on tourism supply chain management is relatively new with most publications having emerged between 2008 and 2009. Moreover, they state that although the first stage of tourism supply chain management research appears to have started before 2007, such work is often limited to conceptual framework papers and not empirical studies. Zhang et al (2009) are often credited as torch bearers in the study of tourism supply chain management. Their work published under the title ‘tourism supply chain management: a new research agenda’ is seen as ground breaking in the tourism supply chain management research (Piboonrungroj and Disney, 2009: 133).

In the nutshell, there is an emerging consensus that the study of tourism should include supply chain management considering the growing view of the need to analyse the tourism industry in terms of ‘chains’ (Buhalis, 2001, 2003a, 2003b; Van der Duim & Caalders, 2013, p, 149; Song et al, 2012). Another view is that tourism supply chain management is critical due to the fact that there is an inherent relationship between tourism and supply chain, and that the performance of one service provider in the tourism supply chain depends on the performance of the other (Yang, Huang, Song, & Liang; 2009; Swaminathan, Simith and Sadeh, 1998). However, academics vary on the main focus points for tourism supply chain. While others advocate for the tourism supply chain, particularly in the relationship between the suppliers, the demand and the production side of tourism; others mainly focus on cooperation and competition (Song, Yang, & Huang, 2009, see also Huang, Chen, Song, & Zhang, 2010). Tapper and Font (2004: 3), highlights six main points of consideration in the tourism supply chain, and these are accommodation, transport, ground handlers, excursions and activities, food and craft. Font, Tapper and Cochrane (2006: 53), further advice that three steps should be taken if one wants to achieve a successful supply chain relationship between companies and their suppliers.

- Establishing a sustainable supply chain policy and management systems,
- Support suppliers in reaching sustainability goals, including raising awareness on sustainability issues among suppliers and demonstrating why sustainability performance is important;
- Integrate sustainability criteria into suppliers’ contracts and preferentially contract suppliers that meet those criteria.

Although not opposed to the main focus areas of Tapper and Font (2004), Zhang et al (2009: 347) puts an emphasis on seven key tourism supply chain issues, namely; demand management, two-party relationships, supply management, inventory management, product development, tourism supply chain coordination and information technology. It is believed that these principles may contribute positively towards fragmentation and challenges facing coordination in the industry.

As noted earlier, tourism is seen as inherently complex. Nonetheless, Piboonrungroj and Disney (2009: 142) agree that the general consensus that a single company can no longer compete but its supply chain, suggest that tourism is also a business that inevitably has to consider SCM. Zhang et al (2009: 347), add that tourism products are heterogeneous consisting of many different service components including accommodation, transportation, dining, shopping and sightseeing. This fragmentation aspect is attested to by Keyser (2009: 203; Cooper et al (2008: 522). In this regard, Zhang et al (2009: 8.
348) believe that the highlighted seven critical aspects of tourism supply chain management could significantly address fragmentation and remove uncertainty. It is this approach that attracts one’s attention and triggers a particular interest to explore tourism supply chain management aspects of the Northern Cape Province.

Essentially, the point being put across is that tourism supply chain management as a set of approaches that are utilised to effectively integrate and manage the network of tourism organisations that supply different components of tourism products and services for the distribution and marketing of final tourism at a specific tourism destination could go a long way in improving the tourism sector of the Northern Cape Province. In this context, Zhang et al (2009: 347) highlights seven key tourism supply chain management issues (figure 1), (Song: 2012).

**Tourism Supply Chain Management**

![Tourism Supply Chain Management](image)

The proposed central role of tourism supply chain management is not necessarily new in the academic arena. Therefore, this paper contribute to the existing body of knowledge a tourism supply chain management and it introduces an angle that can be explored in the South African context through the utilisation of the Northern Cape Province experience. It is hoped that the proposal of a tourism supply chain management approach would encourage a seamless and value added process of delivery of the Northern Cape tourism product rather than the prevalent status core where such products are delivered through a fragmented arrangement

**Limitations**

Unfortunately, there is little or no variety of literature in the field of tourism supply chain in the South African context. Equally, there is little that is written about
Northern Cape tourism sector in the academic arena. The available information is mostly found in the statutory documents namely, the Northern Cape Provincial government official tourism policy known as “White Paper”, the 2012 South African Tourism Bill, the current Tourism Act, 1993, White Paper on Development and Promotion of Tourism in South Africa, 1996 and the National Tourism Sector Strategy. Therefore, this paper will significantly contribute to the academic debate about tourism supply chain in the South African context, particularly the Northern Cape Province. It could also stimulate an interesting debate on the justification of governments to rely on tourism sector for economic development, albeit, not aware or concerned about fundamental fragmentation character of the industry.

Conclusion

This paper provides an insight for South African tourism industry, specifically, the Northern Cape Tourism Authority, Department of Economic Development and Tourism, Northern Cape Development Agency, South African Tourism (SAT) and National Department of Tourism (NDT) as the prominent stakeholders promoting tourism for South Africa through a variety of duties, activities and instruments. These stakeholders realize the powerful contribution the tourism sector to the national economy and towards the employment creation. In order for the tourism industry to prosper in Northern Cape, the tourism supply chain management is recommended to help identify the problem areas limiting tourism success in the province.

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