Factors inhibiting large enterprises from establishing sustainable linkages with black-owned tourism SMMEs in South Africa

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Abstract

South African policy has identified the need for the tourism sector to undergo transformation, especially in relation to the black ownership of tourism companies. However, in reality the above has not taken place at the pace that the government desired, owing to various challenges. Of particular concern has been the uncertain nature of the effective linkages between large enterprises and smaller, black-owned enterprises, in relation to the opportunities that the large enterprises present for mutual benefit and participation in the tourism value chain. The current study aims at determining the main factors that inhibit large enterprises from establishing such long-lasting business linkages with black-owned SMMEs, for the sustainable development of South Africa's tourism industry. A qualitative research design was adopted in conducting the study. Through a series of interviews with large tourism enterprises, the study reveals a number of factors that impede cooperation between large and small tourism enterprises. Among others are the negative perceptions that are held by large businesses regarding the capacity and resourcing of small black enterprises, as well as the lack of access between the two, linked to the procurement patterns of large enterprises, in particular. The study, therefore, proposes some potential strategies for nationwide adoption, which might serve to improve cooperation between the large and small enterprises for the overall benefit of the South African tourism industry, thereby forming sustainable linkages between the dominant large enterprises and the smaller, black-owned tourism SMMEs.

Keywords: Tourism, SMMEs, linkages, sustainability, B-BBEE, South Africa

Introduction

Tourism in the developing world context has been dubbed the solution to economic growth and development by many authors (Kirsten & Rogerson, 2002; Mofokeng, Giampiccoli & Jugmohan, 2018; Nyikana & Tichaawa, 2018; Tassiopoulos, De Coning & Smit, 2016; Thomas-Francois, 2016), with the industry presenting many opportunities for business linkages across sectors and between business enterprises, whether large, medium, micro, or small (Ndege, 2015; Thomas-Francois, 2016). The tourism industry is a leading sector in the South African economy in the post-apartheid era (Rogerson, 2008b), and, recently, has been flagged as a leading sector in the promoting of economic growth, the creating of employment, and the contributing to poverty alleviation (Mokoena, 2017; Thomas-Francois, 2016). The above has been evidenced by the statistics from the South African tourism industry, which indicated that, in 2015, the sector created 32 186 new jobs and raised the tourism workforce to 711 746 individuals (Mofokeng et al., 2018). However, despite the above, the tourism industry, especially the travel subsector of the industry, seems to be controlled by large enterprises in South Africa (Rogerson, 2005, 2007, 2013), which, in many instances, has led to the crowding out of small, medium and micro enterprises (SMMEs) from the industry (Rogerson, 2008c).

Due to the tourism industry being service-driven and being characterised by such diversity, it lends itself to the creation of business linkages with SMMEs from different sectors, like agriculture and manufacturing (Daly & Gereffi, 2017; Thomas-Francois, 2016). The number of tourism SMMEs that exist has been estimated at being around 50 000 (Rogerson, 2008a). However, of the estimated 50 000 enterprises, many distinctions can be drawn, based on their ownership, size and whether they are part of the formal or informal economy (Rogerson, 2008a). The number of large enterprises in the tourism industry that are dominant versus the number of tourism SMMEs that are not integrated into the industry is, therefore, imbalanced. The imbalance could stem from a variety of systemic issues affecting SMMEs, leading to large enterprises not being able to establish sustainable business linkages with black-owned tourism SMMEs in South Africa. Therefore, the purpose of the research is to examine, critically, the factors inhibiting large enterprises from establishing sustainable business linkages with black-owned tourism SMMEs in South Africa. Unpacking such factors could be useful for policy re-examination and enactment, as well as for informing the cogent strategies that could open up such linkages and opportunities going forward.

The next section provides a nexus between tourism and transformation in the South African context, followed by a review of the existing policy considerations, set within the background of tackling transformation in the democratic South Africa and other relevant literature review. The above is followed by the study method, results and discussion, in turn. The paper concludes by making general observations regarding the identified factors.

Overview of tourism and transformation in South Africa

Transformation in the South African context has unique ties to issues of race and historical policies (Mofokeng et al., 2018; Sanchez, 2011), with it ultimately being related to issues of inclusive growth within the tourism industry. As was previously mentioned, the tourism industry, which is primarily service-driven, is characterised by the presence of a large number of SMMEs (Thomas-Francois, 2016). However, a definite imbalance exists in the industry, with the SMMEs not being integrated into the industry, due to the industry not yet having been adequately transformed. Such lack of transformation has been recognised by the government as being a primary factor inhibiting large enterprises from establishing sustainable linkages with black-owned SMMEs in the tourism industry, with it having sought to be addressed through the implementation of a policy framework, such as Black Economic Empowerment (BEE), the Tourism BEE Charter and the Tourism BEE Sector Codes of good practice, which are all aimed at bringing about structural transformation and inclusivity in the tourism industry (Mofokeng et al., 2018).

Sustainable business linkages in the tourism industry are also informed by many of the Sustainable Development Goals (SDGs) that are linked to the issue of responsible tourism development (World Tourism Organisation & United Nations Global Compact Network Spain, 2016).Through the implementation of the aforementioned transformation policy frameworks, the South African tourism industry could contribute to the achievement of SDG 1 (no poverty), SDG 4 (quality education) and SDG 8 (decent work and economic growth) (Bramwell, Higham, Lane & Miller, 2017), through the creation of sustainable linkages between large dominant enterprises in the tourism industry and the emerging black-owned SMMEs.

Through such linkages, large enterprises could provide skills training and entrepreneurial experience to the SMMEs (SDG 4), through the aforementioned BBBEE scorecard system. The above would contribute to poverty alleviation (SDG 1), and to the creation of decent work (SDG 8) within the tourism industry, as the SMME owners would gain the much-needed skills, as well as be able to maintain critical relationships with large enterprises in the tourism industry.

Policy considerations

According to Rogerson (2007, 2013), the South African government has put great focus on transforming the tourism industry, especially through BEE. The BEE looks at improving the previously limited role that black entrepreneurs have played in the national tourism economy. Ingle (2014) contends that, for South Africa to revitalise its economy, certain policy changes need to be made, and, as such, the National Development Plan (NDP) is one policy that has looked at igniting the country's lacklustre SMME sector, for example. Booyens and Visser (2010), as well as Koens and Thomas (2015), posit that, in an effort to heighten economic prosperity and improve destination competitiveness, the national government policy response to global and local contexts has been implemented to place great emphasis on transformation, especially SMME development.

The BEE programme was intended to facilitate, and to speed up, the integration of previously disadvantaged groups into the mainstream economy, as well as to empower them to start up their own businesses, through such SMME development (Ingle, 2014; Rogerson, 2004, 2007). The authors argue that such programmes are designed to improve on the current limited role that is played by black entrepreneurs within the national tourism economy. In the national tourism planning initiatives of the South African government, transformation of the tourism industry is, thus, seen as a critical vehicle for improving upon product innovation, while encouraging an enhanced spread and leveraging of tourism benefits to the general populace.

From the general realisation of the need for fast-tracking the pace of transformation in the tourism industry of South Africa, a number of specific policies, guidelines, support programmes and strategies have been developed and adopted to set the vehicle of transformation into motion (Booyens & Visser, 2010; Rogerson, 2007, 2013). For example, in unveiling the Tourism BEE Charter and Scorecard, the government came to be seen as enablers of the greater accessibility of the tourism sector by all members of the South African community. In the year 2009, the government launched the New Growth Path (NGP), which aimed at economically including those who had previously been excluded from meaningful economic activity, and at addressing the skewed concentration of economic growth in the country, resulting from apartheid (Rogerson, 2015). Consequently, a number of specific policies and strategies were adopted, including the tourism Black Economic Empowerment (BEE) Charter, the Tourism Sector Codes of Good Practice, the Youth Enterprise Development Strategy of 2013–2023, the tourism support programme (TSP), and the tourism Broad-Based Black Economic Empowerment (B-BBEE) Sector Codes, among others (Jugmohan et al., 2017). The authors identify the emphasis of the B-BBEE as being lain on the collective commitment by all role players in the tourism sector to ensure the empowerment of black South Africans, and, as such, transforming the industry and, subsequently, leveraging the benefits from tourism to black South Africans. In the above regard, and in the context of the current paper, the argument is that the policies that are created to achieve transformation should encourage large tourism enterprises to work towards creating, and, more importantly, sustaining, mutually beneficial linkages with the relatively small black-owned tourism enterprises.

The major criticism of the above-mentioned initiative, though, is that, since South Africa's post-apartheid tourism boom, very few black-owned SMMEs have capitalised on the available opportunities, or have made sustainable use of the benefits of the transformation initiatives, leading to the perception that such programmes have been a failure (Ingle, 2014; Rogerson, 2004). While many reasons exist for the above, Ingle (2014) identifies institutional weakness as being one of the more prominent ones, linked to the fact that many entrepreneurs, especially emerging black ones, are unaware of the government-sponsored programmes that are in place to assist them, and the limited few who have applied for such assistance or funding have often encountered complications and frustrations, and subsequently given up. Hussain, Bhuiyan, Said and Halim (2017) affirm that, often, government policies do not achieve their desired effect in terms of development, especially in regard to entrepreneurial activities, on

the basis that the recipients of the programmes often do not derive maximum satisfaction from the policies and programmes concerned.

Factors limiting the success of SMMEs

In the developing world context, tourism SMMEs face numerous challenges in the industry, many of which lead to the eventual failure of some SMMEs. Anderson and Juma (2017:28) cite "poor infrastructure, poor product development and management, poor linkages within the local economy, poor institutional and technical capabilities and shortage of appropriate and specialised core and skilled personnel", as some of the most commonly found obstacles. Within the South African context specifically, common factors preventing SMMEs from succeeding in various industries link to issues relating to a lack of funding, education, experience, and entrepreneurial skills, among others (Ingle, 2014). As Ndege (2015:75) notes, "at the national level, South African small and medium enterprises in all economic sectors are characterised by an acute shortage of entrepreneurial and technical skills and difficulty raising finance from micro-lending institutions at a favourable rate." Many of the challenges are indicative of an environment that impedes the growth of SMMEs.

Rogerson (2005) notes that the tourism industry in South Africa is characterised by a hierarchy of three groups of enterprises, namely, large enterprises; established SMMEs and emerging SMMEs. The large enterprises form the top tier, while the established and the emerging SMMEs fall to the bottom, despite representing the largest proportion of the hierarchy (Rogerson, 2005). As SMMEs are regarded as "major drivers of economies and a source of employment in developing countries" (Abou-Shouk, Lim & Megicks, 2016:327), it is imperative that the SMMEs that fall to the bottom of the hierarchy be promoted, in terms of providing an enabling environment, with support programmes helping them to grow and develop, so as to ensure economic sustainability. As Booyens and Visser (2010) note, the development of SMMEs is a key concern for the future development of the tourism industry. In the South African context, it is essential that SMMEs, especially emerging ones, are effectively linked to the large enterprises that dominate the South African tourism industry, as it will allow them to overcome many of the challenges that they face. It will also, ultimately, lead to the formation of sustainable linkages and inclusive growth within the travel subsector of the tourism value chain.

Linking large enterprises with emerging black-owned SMMEs

Linking large enterprises with emerging, black-owned SMMEs has been encouraged by The Tourism BEE Charter, which was "developed to advance the objectives of the Broad-based Black Economic Empowerment (BBBEE) Act, no. 53 of 2003." (South Africa. DEAT, 2005:1). The Charter extended certain criteria that companies could use for creating linkages with emerging black-owned SMMEs in the industry, with each of the criteria carrying a certain weighting (Sanchez, 2011). The criteria and weightings were all reflected in the government-provided BEE Scorecard (Sanchez, 2011). The criteria included ownership, strategic representation, employment equity, skills development, preferential procurement, and enterprise, social and industry-specific development (South Africa. DEAT, 2005). Through such criteria, the emerging black owned enterprises should be exposed to, inter alia, opportunities for mentorship, skills development and procurement, thereby creating sustainable linkages between large dominant enterprises and emerging black-owned ones (Hiam, Eshghi & Eshghi, 2017).

The above is an especially important point to consider, especially since the emerging SMMEs tend to service a different niche market, compared to the mainstream market that the large enterprises tend to service (Ndege, 2015). Hussain, Bhuiyan, Said and Halim (2017:46) echo such sentiments, stating that SMMEs "will grow along with large enterprises (Les) because of

their increasingly important production linkages with Les in the form of subcontracting". Furthermore, as Sanchez (2011:8) notes, "the scorecard approach has encouraged the voluntary development of industry transformation charters across a wide range of sectors", and the "companies that do not achieve good BEE scores will struggle to secure contracts to supply the state with goods and services".

Another important consideration is to ensure that SMMEs have access to the tourism value chain, specifically in terms of the travel subsector of the industry, thus enabling SMMEs to benefit from participating in the tourism industry in South Africa. Spencer, Safari and Dakora (2014:576) note various methods of enhancing the inclusive growth of the tourism industry, through interventions in the tourism value chain, including the creating of intersectoral linkages between SMMEs and the dominant institutions in the tourism industry; the providing of information on market requirements to SMMEs, enabling them to provide goods and services that meet the required standards; ensuring that adequate funding and financial opportunities are made available to SMMEs for their own growth and development; and making sure that there are accessible platforms for communication between dominant large enterprises in the tourism industry value chain and the SMMEs. The above-mentioned researchers further state that the enhancement of the tourism value chain will serve as a means of removing barriers to entry for SMMEs, thus opening up the industry to their participation as well.

Methodology

The current study employed a qualitative research design. Creswell (2013) describes such a design as being one that best enables the selected issue to be comprehensively interrogated. In terms of the sampling approach, large tourism enterprises, particularly in the subsector that is comprised of travel agents and inbound tour operators, were targeted. Face-to-face in-depth interviews and telephonic interviews were conducted on a one-on-one basis to complete the research. In terms of the sampling approach, the respondents were purposively approached, based on their classification as 'large enterprises' in the travel subsector of the tourism industry. Primarily, the interviews were conducted with the senior representatives (typically the chief executive officer [CEO] and the human resource directors) from each participating enterprise.

The representatives of five (5) large enterprises, with a strong presence across the travel subsector of the South African tourism industry, were of interest. Of the five respondents, four were women. Four interviewees held senior Human Resources positions, while the fifth was a CEO. All five large enterprises, which operate nationally within South Africa, had been in operation for more than 15 years, thus contextualising their credibility and dominance within this subsector of the tourism industry. The type of businesses operations included travel management services, retail travel branches, franchisees, shareholders or independent retail business owners, and tour operations.

The interview schedules were used to facilitate the interviews with the respondents. Open-ended questions relating to the transformation plan of the enterprise, the procurement patterns within the enterprise and the challenges faced by the enterprise with regard to transformation and the establishing of linkages with black-owned SMMEs were the key variables examined. A typical interview lasted for between 45 and 60 minutes. The interviews were recorded with a device, and later transcribed verbatim.

The content of each interview was then analysed and categorised into themes. Besides the interview process, the data were also supplemented with a comprehensive examination of the policy and strategy documents linked to the subject under investigation, as mentioned above. Key themes that emerged from the data, which are presented below, include the perceptions of the capacity and of the resourcing of small black- owned enterprises; the (lack of) access to SMMEs; and the procurement patterns of large enterprises.

Results and discussion

The current section discusses the key themes identified as factors that inhibit large enterprises from creating and maintaining sustainable business linkages with black-owned tourism SMMEs. The table below outlines the main themes that emanated from the data analysis of the large enterprise interviews, and they will be further discussed below.

Key theme	Subthemes
Company transformation policy	• Non- and delayed compliance with transformation policies
Perceptions of the capacity and resourcing of small black enterprises	• Lack of appropriate skills and formal training • Shortage of assets (example: vehicles) • SMME risk: inability to access adequate finance
Access to SMMEs	• Absence of an accessible tourism (travel subsector) SMME database • The promotion of SMMEs as credible suppliers
Procurement patterns of large enterprises	• Procurement of tourism-related products and services from SMMEs

Table 1: Synopsis of key thematic units: large enterprises

Company transformation policy

Non- and delayed compliance with transformation policies – a costly exercise
The large enterprise approach to engaging with black-owned SMMEs appeared to suggest a limited, yet in-depth involvement with a few black-owned SMMEs. The large enterprises explained that they undertook detailed investment to ensure the success of the individuals, or the SMMEs, that they developed. They also explained that enterprise development was a costly investment, despite acknowledging the need for such development. Sanchez (2011:12) echoes the aforementioned sentiments, stating that large enterprises "battle to set aside time and resources to comply with this task". In the few examples where there was cooperation, it was also evident that the examples provided were of recent (six years or less) engagement, or that they represented futuristic plans yet to be implemented.

Examples mentioned in the interviews of the initiatives to assist black-owned SMMEs included:

• procurement of office stationery
• mentorship of subsidiary black-owned travel agencies
• provision of SMMEs with online access to booking platforms.

The evidence obtained from the data suggests that the transformation-led initiatives selected and implemented by the large enterprises appeared to be narrow in scope and application, and involved only a few SMMEs. Such is a trend that has been noted in the existing literature, where "high scores can be achieved through a firm's procurement and skills development decisions" (Hiam et al., 2017). Furthermore, most of the initiatives appeared to be relatively recent in nature, in comparison to the institution of the BBBEE policy framework, or else to be reflected plans for future rollout. The above could signal non-compliance with the national transformation agenda, or, at least, delayed compliance with it, triggered by the large enterprises being unable to tender for contracts in the public sector (Sanchez, 2011).

Furthermore, the extent and depth of large enterprise initiatives, and engagement with the development of black-owned SMMEs, appeared to be limited in terms of the number of SMMEs engaged. Although the large-enterprise respondents indicated an awareness of the need for large enterprises to comply with BBBEE policy on enterprise development, dating

back several years, their actions taken to initiate, and to implement, transformation appear to have been few and limited in scope, as evidenced by the above-mentioned examples.

Perceptions of the capacity and resourcing of small black enterprises

The challenge of the capacity and resourcing of black-owned SMMEs in tourism is well documented (Mofokeng et al., 2018; Mukata & Swanepoel, 2017; Nyikana & Sigxashe, 2017; Rogerson, 2008b). Large enterprises in the context of the current study identified the key challenges related to the perception of SMMEs, in terms of their ability to conduct professional and reliable business within the travel subsector of the tourism industry. The above was mainly linked to a lack of appropriate skills and formal training, a shortage of assets to effectively run their businesses, and a lack of access to an adequate supply of resources, like finances. The aforementioned issues are further explored below.

Lack of appropriate skills and formal training
The concerns with the personal capacity of black-owned SMMEs relate to the knowledge and business acumen of small black enterprises. The large-enterprise respondents indicated that they did not believe that the black-owned SMMEs had an adequate grasp of the travel management process, which the respondents described as complex. Such complexity is due to the customer value chain, from the booking to the completion of a trip, including several steps, like car hire, airline travel, touring, use of the airport shuttle, and the confirmation of dates, times and places. The respondent's view was that the black-owned SMMEs lacked such critical knowledge. When they were quizzed to provide the possible factors, the reasons cited for the limited knowledge of black enterprises was the [lack of] quality of education, the lack of communication skills, and the generally limited ability to grasp the meaning of concepts. The above seems to be a common deficiency among black-owned SMMEs, especially within the 'survivalist' SMMEs (Rogerson, 2008b), where individuals tend to lack the required skills to run a business enterprise effectively and efficiently (Sibanda, 2013).

The most common challenge appeared to be the general deficiency in basic education, which manifested itself in the workplace, where black candidates appeared to struggle with the application of concepts and soft skills (Ingle, 2014; Rogerson, 2008b; Sibanda, 2013). One respondent explained:

> It really comes down to starting with education … um, I feel there is a lack of understanding of the complexity of the travel industry … Quite simply, the communication skills are not there. The understanding of certain concepts has [i.e. has] to be actually taught ... so it requires a certain level of education and skill, um, and that is the biggest challenge I think regarding transformation.

Shortage of assets
One concern that was expressed regarding the resource capacity of SMMEs related to the number and quality of the tour vehicles operated. One respondent stated that the number of vehicles that were operated by black-owned SMMEs was inadequate for the potential volume of business from the large enterprises. Another stated that SMMEs were unable to meet the transport regulations, in terms of both vehicle specifications and licensing. The above is in keeping with the literature, in terms of which Ingle (2014) identified a lack of transport, and an inability to meet certain criteria, as a few of the main factors leading to the failure of SMMEs in South Africa. As an example of the challenge, a respondent stated that their organisation predominantly engaged large suppliers, because small enterprises lacked the capacity to fulfil volume requirements.

> While it's ideological for us to then utilise small black-owned enterprises, in most cases, they are unable to meet the customer's requirements, we are talking about large volumes.

SMME risk: the inability to access adequate financing
Another concern with the resource capacity of SMMEs is related to financial resourcing. Access to adequate amounts of financial support has been cited as being a major stumbling block for many black-owned SMMEs (Ingle, 2014; Kirsten & Rogerson, 2002; Rogerson, 2004, 2008b). In the above-mentioned case, the large enterprises stated that they were aware of the limited financial capability of the SMMEs. Such [lack of] capability affected the ability of the black-owned SMMEs to remain actively in business, and resulted in high levels of business failure (Ingle, 2014). One factor contributing to the lack of capitalisation was government departments not paying on time for the services provided, given the complex nature of the government procurement processes. Large enterprises were aware of the potential cash flow challenges faced by the SMMEs. Consequently, large enterprises were cautious about engaging with black-owned SMMEs, as they were not assured of their continued reliability and availability, thus presenting a risk to the large enterprises (Ingle, 2014). Typically, one respondent explained the risk involved in engaging with small black-owned SMMEs in the following way:

> What is the risk to our business? We deal with customers. We sell 40 000 airfares a month, so we need to make sure that our service delivery – because we are going to be the kind of go-between – we need to make sure that our service delivery to the customer is 100%.

Another also reiterated the importance of client management in their industry:

> We struggle to explain to the media. They keep on saying, but this guy has got qualifications, he had [i.e. has] got this business practice, but when it comes to the nitty-gritty with the client, that's where the interface needs to be solidified.

The foregoing discussion alludes to a general sentiment relating to a lack of faith in the business aptitude of black-owned SMMEs. The large enterprises evidently found black-owned SMMEs to be ineffective as suppliers, hence associating them with risk to a business organisation, which might account for the low level of engagement of the black-owned SMMEs. What the evidence suggests is the adoption of an historical approach to small enterprise development in tourism, in terms of which all black-owned SMMEs are regarded as unsustainable and unreliable. The factors contributing to the limited capability of small enterprises emphasized the frequent challenges of inadequate education, limited access to opportunity, and an absence of business skills among the tourism enterprises concerned. However, in analysing the trend, it would appear that the negative categorisation of all black-owned SMMEs suggests a convenient way of avoiding engagement with such SMMEs in the travel subsector of the tourism industry.

Access to SMMEs

Absence of an accessible tourism (travel subsector) SMME database
Large enterprises expressed concern about their inability to access centralised databases containing the contact details of reliable black-owned SMMEs, which could be viewed as an endorsement of their credibility. Two of the large enterprises appeared to struggle to identify credible black-owned SMMEs with which they could work. Due to concerns relating to the reliability and capacity of black-owned SMMEs, the large enterprises indicated that they were not able to identify the right candidates with whom to work. Furthermore, the large enterprises felt that it was risky to engage with black-owned SMMEs without prior recommendation, or some form of endorsement. As one respondent explained:

> We don't (have business linkages) … we are busy looking for them. I think that is also something that is quite difficult to get our hands on, as we are trying to find suppliers and people that are truly local, and if you can tell me where to find that, [then] that would be amazing, because I don't think we are getting enough of that

> information. I don't think these businesses are exposed enough … a database would
> be amazing. We have battled.

The promotion of SMMEs as credible suppliers
Regarding the potential promotion of SMMEs as suppliers, one respondent explained that a
database would assist large enterprises in building relationships and in coming to understand
the business goals of SMMEs. They supported the idea of an SMME database to ensure that
large enterprises engaged with credible suppliers. As she explained:

> If there was [to be] a database … it is an excellent idea, because sometimes people
> don't quite know where to look, but if there is [i.e. were to be] a database with a list
> of credible suppliers on board, yes, we will [i.e. would] embrace that.

Only one respondent mentioned the Tourism Enterprise Programme (TEP), which has
achieved some success in linking SMMEs with larger organisations. The programme "sought
to promote diversity in the tourism sector by supporting opportunities primarily (but not
exclusively) for the country's historically disadvantaged black entrepreneurs" (Rogerson,
2007:10). The efforts engaged in by large enterprises to identify credible SMME suppliers and
partners appeared to be limited. A related factor was the attractiveness of the travel sector for
SMMEs. The travel sector did not appear to be attracting black persons who were passionate
about travel, reflecting an industry trend, in terms of which the tourism industry is challenged
in attracting and retaining staff (Baum, 2008). As a respondent stated:

> We are not attracting the right people into our business as well. I am not only
> speaking from a supplier perspective, but I also think that people wanting to develop
> themselves and work in the industry is step number one.

Another respondent expressed a similar view regarding the attractiveness of the travel sector.
She observed how college students with the potential to become senior managers and owners
of businesses were not choosing to stay in travel and tourism, because the industry was not
as profitable as were the other sectors, in their view. As the respondent explained:

> It seems that most of the students and graduates who eventually would become
> directors and owners of their own businesses are not favouring this sector ... and,
> again, it is a sector [in which] you have to look at the margins and the profitability.

At the same time as the above, black-owned SMMEs should increase their sense of self-
reliance in terms of the existing business models. According to the respondents, the solutions
for black-owned SMME success tend to lie in adopting a multipronged approach to growing
their small businesses. Engagement with large enterprises should be only one of several
different solutions. One respondent suggested that black-owned SMMEs need to diversify
their business operations, so that they can survive even when there is no business flow from
the large enterprises, given the seasonal nature of tourism arrivals. Another suggestion was
that SMMEs in the travel agency business join a consortium, as doing so would increase their
buying power and ability to work with large enterprises, which is a view supported by Booyens
(2011).

Procurement patterns of large enterprises

Procurement of tourism-related products and services from SMMEs
The findings indicated that company procurement with the black-owned SMMEs was occurring
at head office level. Procurement decisions are guided by the need to apply the economies of
scale, centralised procurement, and the leveraging of buying power in supplier transactions
(Clancy, 1998). At the same time, the findings indicated that the large enterprises did not
appear to drive procurement behaviour among their multiple units. The findings also indicated
that the large-enterprise procurement was channelled to equally large suppliers, because of

the volumes of business involved, and because of customer preference. The main beneficiaries of large enterprise procurement were airlines, hotels, car rental enterprises, and guest houses. The finding confirms that procurement patterns reflect 'enclave behaviour', whereas the supplier channels tend to be controlled by the large organisations (Lapeyre, 2011; Mbaiwa, 2005). The majority of travel agency business was with the airlines. The fact precluded the engagement of large travel companies with small enterprises. As one respondent explained:

> …about 70% of our sales is airfare driven ... but [with] airlines being owned by different countries; it is not possible [to channel procurement to SMMEs].

Another interviewee explained further that large enterprises tended to engage with suppliers who could guarantee the service and partnerships that their customers required. As the respondent explained:

> Customers are quite open, they like [to] choose. The customers are coming to us as the experts we are … recommending our specific suppliers, and selling those specific suppliers. So what we are doing currently as a company is that we have got top suppliers that we support ... and there are really great partnerships, and we drive those companies and those suppliers…

One respondent emphasised the importance of meeting customer needs when selecting suppliers:

> We are an agent, so we procure travel services on behalf of the end customer. So we would be procuring services from the airlines, buying the airline seats, we would be buying hotel beds, so it's an almost at-a-length procurement exercise, and that procurement is driven by the customer's requirements.

As a result, the large-enterprise procurement from the black-owned SMMEs was often limited to secondary services, being those not directly related to the travel subsector of the tourism industry, thus preventing the establishment of sustainable business linkages between the large enterprises and the black-owned tourism SMMEs. The preferential procurement element on the BEE scorecard that has been adopted by large enterprises allows them to procure any product or service from black-owned SMMEs, so as to gain points (Sanchez, 2011), with, not necessarily, a tourism-related product or service. The above was evidenced by the two respondents, who stated that they secured office supplies from black-owned SMMEs. As the respondent explained:

> So, it's going to be on a very specific, much smaller scale, because we don't do major procurement from such (small) suppliers, but, morally, we are committed to the development of those suppliers.

Unlike with other tourism subsectors, the specialised nature of the travel services subsector limits the avenues for procurement. Travel partners – airlines, hotels and car hire – can be influenced by customer choice, thereby limiting the intervention of the travel intermediary. The transformation model that appears to be effective entails the empowerment of subsidiary travel branches. Travel procurement is, therefore, possibly one area where opportunities for black-owned SMME engagement might remain limited. At the same time, opportunities still exist in such travel subsector areas as airport shuttle and tour operations.

Conclusion and recommendations

The above discussion identified the factors inhibiting large enterprises from establishing and/or sustaining linkages with black-owned SMMEs. The main challenges were identified as falling under four key themes that emerged from the research: the company transformation

policy; the perceptions of the capacity and resourcing of small black enterprises; the access to SMMEs; and the procurement patterns of large enterprises. Each of the key themes further interrogated the subthemes emanating from the research, including, but not limited to, the non- and delayed compliance with transformation policies; the SMME risk; the promotion of SMMEs as credible suppliers; and the procurement of tourism-related products and services from SMMEs.

Although many countries within the developing-world context face challenges with regard to the growth and development of their tourism industries, the case of the South African tourism industry is unique, in terms of the challenge of transformation that it faces. As was previously discussed, transformation in the South African context has unique ties to race and historical policies going back many decades (Mofokeng et al., 2018; Sanchez, 2011), as compared to other developing countries. Therefore, the uniqueness of the present article lies in the articulation of the transformation of the tourism industry, in the South African context, with a specific focus on the strategic (and sustainable) creation of linkages between the large and small black-owned tourism enterprises, and the associated limiting factors in the above regard. Despite the existence of a policy framework for pushing the transformation agenda in the tourism industry in South Africa, it is evident that much still has to be done to achieve the desired goals and objectives in such regard.

The present article has been written primarily from the perspective of the dominant large enterprises within the travel subsector of the South African tourism, with such views being largely uncontested. A need exists for further research into the perspective of black-owned SMMEs to gain a holistic understanding of the factors inhibiting the establishment of sustainable business linkages between large enterprises and black-owned SMMEs in the travel subsector of the tourism industry.

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