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“Transformation” and Tourism Small Firm Development in South Africa: Evidence from Eastern Cape Province

Abstract. Since democratic change South Africa has pursued a series of programmes which are targeted at empowering groups and individuals who had been disadvantaged under apartheid. In the tourism sector government initiatives for “transformation” include a commitment to promote new entrepreneurship opportunities for Black-owned small medium or micro-enterprises. This article examines the challenges facing transformation through a study of the constraints operating on Black-owned tourism enterprises in South Africa’s Eastern Cape province. The research is situated within the international literature on small firms in tourism and specifically of the challenges of small tourism entrepreneurs in the Global South. The analysis draws from a survey of 79 Black-owned accommodation establishments as well as semi-structured interviews with tourism entrepreneurs. The results reveal a range of constraints. In this resource-constrained environment several challenges around transformation relate to finance, human resources and knowledge which have been identified as limiting tourism small firm development both in the Global North and South. Other constraints speak to the specificities of the South African experience. Tourism entrepreneurs must confront historical legacies of the apartheid past as well as corruption practices which are widespread in the local tourism economy and must be acknowledged as obstacles for the advancement of transformation.

Keywords: tourism small firms; transformation; South Africa; Black Economic Empowerment

1. Introduction

Over recent years the “transformation” of tourism has been a hotly debated topic in international tourism scholarship and most especially in the wake of the COVID-19 pandemic (Buhalis, 2022; Higgins-Desbiolles & Bigby, 2022). The central focus of discussion surrounds changes in travel behaviour and, for many observers,

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the “re-setting” of tourism and its reshaping into a potentially more sustainable, inclusive and caring industry in the post-pandemic period (Smith, 2017; Ateljevic, 2020; Brouder, 2020; Cheer, 2020; Lew et al., 2020; Rogerson & Baum, 2020; Sigala, 2020; Rogerson & Rogerson, 2021a; Higgins-Desbiolles & Bigby, 2022). In South Africa, however, the term “transformation” has an alternative and more widely understood meaning. The persistence of historical economic inequalities means that the majority of South Africans “still exist in a position of relative disempowerment” (van der Watt, 2022, p. 90). Since democratic transition in 1994 the South African government has pursued a series of programmes targeted at empowering groups and individuals who had been disadvantaged under apartheid (Ponte, Roberts & van Sittert, 2007; Nomnga, 2021). Changing the racial complexion of the ownership of enterprises and patterns of economic participation is seen as critical for the structural transformation of the post-apartheid South African economy (Vilakazi & Bosiu, 2021). The “transformation” of the national economy in South Africa therefore refers to central government commitments to confront the apartheid legacy of the exclusion of Black communities from participation as entrepreneurs in the mainstream economy (Rogerson, 2004; Abrahams, 2019; Rogerson & Rogerson, 2019).

The post-1994 policy agenda seeks “to right imbalances and advance just development through equitable participation of black persons in the economy” (van der Watt, 2022, p. 90). It is argued that South Africa’s emphasis on racial transformation as an integral part of economic policymaking is “similar to the context of affirmative action and indigenization policies in other countries addressing a colonial legacy, such as Malaysia” (Vilakazi & Bosiu, 2021, p. 191). More broadly, it is observed that policies for transformation and Black Economic Empowerment are “not that different from many policies in other countries that are designed to improve the economic position of marginalized groups, including South Africa’s apartheid-era policies for the empowerment of Afrikaners” (Vilakazi & Bosiu, 2021, pp. 191–192). The policy goal of national government concerning transformation targets equitable participation in all economic activities, including tourism. In addressing the historical legacy South Africa’s national tourism strategy calls for a broadening of the economic beneficiaries of tourism development (Department of Tourism, 2018a). Historically, South Africa’s tourism economy emerged with the domination and control by White-owned businesses (Rogerson & Rogerson, 2021b). The policy document stresses the need to attract and support the involvement of more Black entrepreneurs in the tourism sector (Department of Tourism, 2018a, 2018b; Abrahams, 2019). One avenue of “transformation” and for the achievement of greater inclusivity in South Africa’s tourism economy is through the promotion of new entrepreneurship opportunities for Black-owned small me-

dium or micro-enterprises (SMMES) (Kirsten & Rogerson, 2002; Rogerson, 2004; Giddy, Idahosa & Rogerson, 2020). Strategic initiatives have included expanding finance support for Black entrepreneurs, targeted promotion of specific forms of niche tourism (most notably of township tourism), the launch of business incubators, and the leveraging of public procurement to advance business opportunities for Black tourism entrepreneurs (Rogerson, 2008; Abrahams, 2019; Giddy, Idahosa & Rogerson, 2020; Rogerson, 2020a; Nomnga, 2021; Quesada & Boekstein, 2021). Issues around small enterprise development represent one of the essential “knowledge domains” and strands of writing concerning sustainable tourism in South Africa (Rogerson, 2020b) as well as a vibrant focus for recent research by the country’s tourism geographers (Rogerson & Visser, 2020).

It is against the above backdrop that this paper investigates the challenges that face transformation initiatives through the lens of the constraints operating on the development of Black-owned tourism SMMES in South Africa’s Eastern Cape province. The research is situated within the international literature and theoretical moorings on small firms in tourism and more specifically of the challenges of small tourism entrepreneurship in the Global South. Two major sections of material follow. The next section reviews the progress of international research on tourism small firms and of debates concerning constraints on their growth in literature relating to the Global South. This leads to the discussion and analysis of the South African case study of Eastern Cape province. Results are presented from a survey undertaken in 2018–2019 of the business challenges and constraints on enterprise growth of a total of 79 Black-owned small accommodation businesses. These findings are supplemented by a set of semi-structured interviews conducted with select accommodation providers.

2. Research on Tourism Small Firms and Their Challenges

According to Jonathan Yachin (2020, p. 17) one of the most distinguishing characteristics of the tourism industry “is that it is composed of small-scale enterprises”. Among others Álvaro Dias (2021, p. 14) argues therefore that “the study of small business is crucial due to their share in the total numbers of tourism firms”. The group of small and medium-sized enterprises have exerted a long-standing numerical dominance of the tourism industry (Shaw & Williams, 1994; Getz & Carlsen, 2005; Nordbø, 2009). Yet for Stephen Page, Pip Forer and Glenda Lawton (1999) it was observed that with certain exceptions the domain of entrepreneurship and small business development was still *terra incognita* in tourism. A decade later only

limited progress seemingly had been made with Ingeborg Nordbø (2009, p. 15) pointing out that within mainstream tourism scholarship “small and micro-sized businesses are not a highly prioritized theme and in most cases only sporadically addressed” (Nordbø, 2009, p. 15). An increase in research on aspects of tourism small firms has been observed since 2010 and is evidenced within a number of recent reviews which have been undertaken on the state of the art of tourism studies concerning entrepreneurship and small firms (Işik et al., 2019; Yachin, 2020; Dias, 2021; Trip et al., 2021). Gaps persist and particularly with regards to research and theorisation concerning small tourism firms in resource-scarce contexts such as the Global South (Saarinen & Rogerson, 2021; Sixaba, 2023). For example, it was recorded that despite the importance of small firms for tourism development across Africa only “limited analysis about the role and challenges faced by entrepreneurs within the tourism sector has been conducted” (Mantey, 2021, p. 7).

The development challenges of tourism small firms have been the focus of considerable scholarship and international debate (Fu et al., 2019; Isik et al., 2019; Rosalina, Dupre & Wang, 2021; Giddy, Rogerson & Rogerson, 2022). In the environment of the Global North strategic internal weaknesses of tourism small firms have been identified. These include lack of financial resources, poor marketing, weak human resources, limited application of new technologies, limited access to business skills and knowledge of the business environment, and constraints on networking. Much scholarship argues that small firm entrepreneurs require institutional help to overcome these intrinsic managerial disadvantages in the internal operational environment (Yachin, 2020). In an early contribution Jovo Ateljevic and Stephen Doorne (2004) direct attention beyond the internal characteristics and managerial weaknesses of small tourism firms and focus attention also on the constraints in the external institutional environment. Key identified issues include policy infrastructure, government support, the regulatory environment, and relationships with the financial sector. In addition, another of the core questions facing tourism and hospitality small firms as noted by Rhodri Thomas, Gareth Shaw and Stephen Page (2011) is integrating into the hyper-competitive framework of the globalized economy.

As a whole, the international literature indicates the central constraints are a highly competitive environment amongst small firms; lack of market demand; high expenditure on operational costs; high interest rates; lack of skilled employees; and, competition of large businesses (Ateljevic & Doorne, 2004; Rosalina, Dupre & Wang, 2021). Issues of seasonality were also revealed as a further major developmental constraint to especially the cohort of rural SMMES in remote areas (Yachin, 2020). Lack of finance is a critical development constraint for SMMES especially in the start-up phase (Ateljevic & Doorne, 2007). Shortages of finance as well as of skilled employees can hinder innovation and new product developments

(Yachin, 2019). For tourism firms “innovations are means of creating a meaningful contribution to customer experience and a key to success and survival in a highly competitive global market” (Yachin, 2019, p. 47). In addition, Ateljevic and Doorne (2004) showed that enhanced marketing was an issue for tourism small firms. For other contexts in the Global North red tape and bureaucracy was viewed a hindrance on business performance (Ateljevic & Doorne, 2007). The COVID-19 pandemic has highlighted questions surrounding crisis management in tourism small businesses (Durst, Dinler & Ulvenblad, 2022). Since the outbreak of the COVID-19 pandemic an emerging scholarship examines the adaptive responses undertaken by tourism small businesses (Booyens et al., 2022).

As tourism small firms assume a critical role in rural development for many parts of the Global North the particular challenges that confront lifestyle entrepreneurs and tourism small development in rural areas are the focus of much attention (Rosalina, Dupre & Wang, 2021). In an influential contribution Stephen Page and Donald Getz (1997) identified several constraints on tourism rural businesses. These include access to businesses in remote areas, the embeddedness of tourism businesses into the locality, seasonality, the high operational costs of running a business, labour, retaining authenticity by preserving rural ambience, and infrastructural issues in terms of both quantity (limited electricity or water) or of quality (poor roads, internet connection). Internal challenges can concern limitations of internal resources, poor planning and management resulting in an inability to capitalise local assets and absence of marketing strategies, inadequate financial support, limited physical amenities, and absence of sustainable strategies (Rosalina, Dupre & Wang, 2021). External challenges relate to “unstable tourism demand, threats from competitors and potential conflict with external resources, such as investors outside the destination” (Rosalina, Dupre & Wang, 2021, p. 141). For the success of rural tourism small businesses Jonathan Yachin (2021) stresses the significance of personal relationships and local networks. Indeed, for tourism small firms in rural areas “networks constitute a potential to pursue opportunities and compensate for lack of resources, missing skills and relevant education” (Yachin, 2021, p. 319). As a whole, therefore, networks and their functioning are a significant theme in the mainstream of international research on tourism small firms centred on the Global North (Łobejko, 2022).

The literature on tourism small firms in the Global South began to evolve in the late 1990s and early 2000s with the appearance of influential studies produced by Heidi Dahles and her colleagues (Dahles & Bras, 1999; Dahles, 2000; Dahles & Kuene, 2002), Mark Hampton (2003) and William Gartner (2004). Several scholars drew attention to tourism small firms as contributing to pro-poor approaches towards tourism development and the making of a more inclusive development

trajectory (Rogerson & Saarinen, 2018). Research in Indonesia demonstrates how small tourism enterprises can offer a resilient pathway to sustainable development (Dahles, Prabawa & Koning, 2020). Nevertheless, in terms of policy frameworks, it was argued that governments in many countries fail to acknowledge small businesses as a critical component of national economic development and often view the operations of small business in a negative light (Dahles & Bras, 1999; Akama & Kieti, 2007). The presence of “tourism enclaves” can lead further to the marginalization of small local entrepreneurs and positioning them as the “other” in their places of origin (Shaw & Shaw, 1999). As a whole the state across much of the Global South therefore prioritises the needs and support for large scale tourism enterprises over those of small businesses. A cluster of challenges for small firms in tourism environments of the Global South relate to their subordinate and dependent role in the economy as compared to the power of large enterprises.

With the weakness of government mechanisms and an institutional environment to support the development of tourism small businesses across many countries in the Global South the issue of networks and networking becomes of critical significance. For the resource-scarce contexts of the Global South business and structural resources are shown positively related to the success of tourism small firms and point to the need to nurture social networks and ties to offset the lack (or weakness) of government support (Campbell & Kubickova, 2020). Many challenges faced by tourism small business entrepreneurs in the Global South parallel those with reference to countries in the Global North such as lack of access to finance, minimal support services as well as inefficient institutions and low skills of the workforce (Hampton, 2003; Njinyah & Pendati, 2021). In Ghana the greatest difficulties of tourism small entrepreneurs for their operations occur when seeking grants, funds or incentives to aid business development (Mantey, 2021). Key business challenges of tourism entrepreneurs in the Central Region (Cape Coast) of Ghana related to low patronage, financial constraints, high competition for limited numbers of customers, high government taxes and high interest rate charges by institutions that provide loans to business operators (Mantey, 2021). In many countries the majority of small business entrepreneurs do not own the land or building from which they operate businesses (Abdul, Awang & Zaiton, 2012). Isaac Mantey (2021, p. 24) points to another difficulty experienced by small tourism firms in Ghana, namely “the inability to practice the best international practices in tourism operation”. In an earlier Ghana study by Joseph Mensah-Ansah (2011) the constraints facing small tourism accommodation service providers related to weaknesses in the institutional environment and poor physical infrastructure with unstable power supplies, inadequate water systems and telecommunication networks. Such infrastructural shortcomings are widespread problems that limit

tourism small firm development in many parts of the Global South including South Africa (Rogerson & Sixaba, 2022).

Beyond the common issues of securing funding for their business, government regulations, and minimal government support women entrepreneurs confront the issues of playing multiple roles with household and business responsibilities (Kimbu & Ngoasong, 2016). Another challenge troubling to women tourism entrepreneurs is the fear of harassment and of gender-based violence (Nomnga, 2021). In sub-Saharan Africa Michael Ngoasong and Albert Kimbu (2019) point out that extended family and relationships connected to tribal and religious groups can be an additional constraint for women entrepreneurs in a sense that it may lead to expectations of financial contributions amongst these members and the fear of these women entrepreneurs being perceived (or labelled) as unwilling to help or as “selfish” people. Issues of corruption are also a hindrance for business development of women tourism entrepreneurs (Ngoasong & Kimbu, 2019). Arguably, whilst corruption practices that impact tourism are not confined to the Global South there is evidence from studies in Nigeria and South Africa of the negative impacts of corruption for small tourism entrepreneurs (Rogerson & Rogerson, 2020; Alola et al., 2021; Andzenge, 2021; Osinubi et al., 2022). One finding is that South African local municipalities can be a breeding ground for corruption and that tourism as an economic activity can be a basis for corrupt practices particularly if connected to land issues around tourist development (Giddy, Rogerson & Rogerson, 2022).

3. The Eastern Cape Study

The research setting of the Eastern Cape is the poorest of South Africa’s nine provinces. Arguably, it would be described in a parallel with other African studies of what is termed as a “resource-scarce” or “resource-constrained” environment (Ngoasong & Kimbu, 2019; Dayour, Adongo & Kimbu, 2020). The province provides an instructive case study in “transformation” of the South African tourism sector as the first Black-owned hotels in the country were established during the late 19th century by local entrepreneurs in towns that form part of modern-day Eastern Cape (Sixaba & Rogerson, 2019). The province of Eastern Cape was constituted only in 1994 at the time of South Africa’s democratic transition. Its largest urban centres are Gqeberha (former Port Elizabeth), East London and Mthatha, the “capital” of the former Transkei. In terms of economic and social development much of the province would be classed as a “distressed” region and especially the rural areas of the former Transkei and Ciskei Bantustans which make-up a large

share of the land of the province. These areas are observed as the location for the largest clusters of Black-owned tourism establishments within the province (Rogerson & Sixaba, 2021). An understanding of this particular geographical concentration of Black-owned accommodation businesses must be rooted in the historical constraints imposed on Black entrepreneurship in urban areas during the apartheid era when these areas were seen as exclusively “White spaces” for business development (Hart, 1971). The acceptance of a bogus “independence” by the administrations of Transkei (1976) and Ciskei (1981) created a changed policy environment for the establishment and ownership of tourism businesses by Black entrepreneurs in these spaces (Rogerson, 2022).

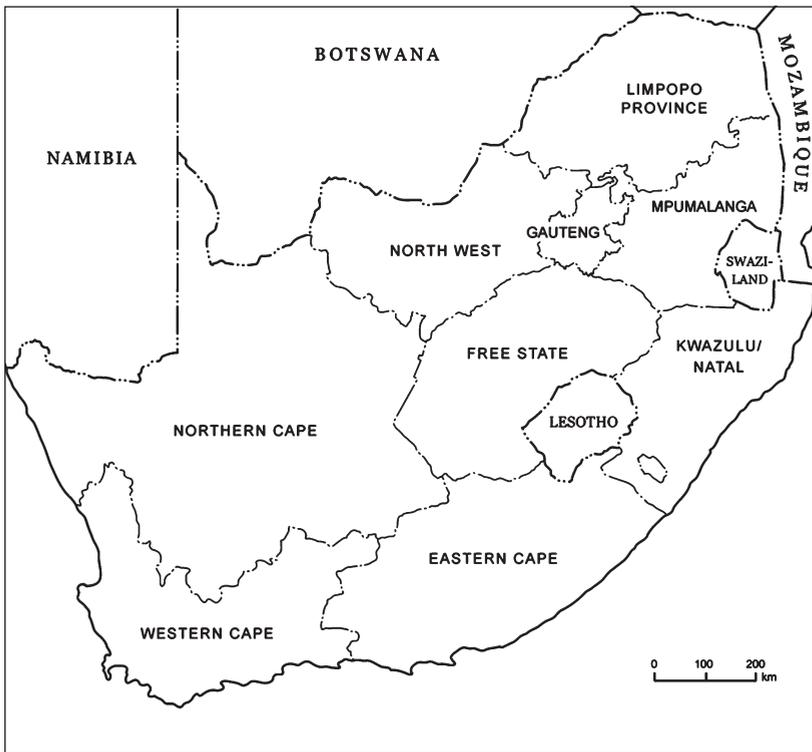


Figure 1: South Africa's nine provinces 1994
Source: Authors

This study analyses the findings from a structured questionnaire survey that was undertaken in 2018–2019 with 79 Black-owned tourism enterprises across the Eastern Cape (Figure 1). The specific focus was upon small accommodation establishments and issues of focus in the survey encompassed a profile of tourism entrepreneurs and their businesses, the motivations for business start-up, and

operational constraints or challenges for the enterprises. All interviews were conducted in-person. In addition to the survey a set of detailed semi-structured interviews were pursued with a selection of the accommodation providers variously in Bisho (AC1), King Williams Town (AC2), East London (AC3, AC4), Gqeberha (AC5) and Lusikisiki (AC6). The interviews with small accommodation providers were a subset of a larger group of qualitative interviews that included government officials and NGOs in the Eastern Cape; full details of these interviews and research methods are provided by Sixaba (2023).

The qualitative material was analysed through content thematic analysis and key responses are given with the code of each respondent. Based on the survey responses Table 1 gives a summary profile of the Black-owned accommodation entrepreneurs and enterprises in the Eastern Cape.

Table 1: Profile of Entrepreneurs and Enterprises

Characteristic	Key Finding
Gender	81 percent women
Age	85 percent over 40 years and 53 percent over 50 years
Education	Relatively well-educated — 57 with tertiary qualifications in terms of degree/diploma
Tourism Enterprise	44 percent bed and breakfast operations, 32 percent guest houses, 10 percent homestays
Size	70 percent less than 10 rooms
Employees	72 percent less than 5 employees — nearly all establishments would be classed as micro-firms
Start-Up Capital	Majority from own savings, or funds from friends and family
Period in Business	77 percent more than 6 years
Motivation for start-up	Desire for self-employment, own boss, economic freedom — lifestyle considerations of minor significance

Source: Own Elaboration

A central aspect of the survey was to identify and rank the challenges which confront the development of these mainly women-owned tourism SMMES operating in Eastern Cape province. These development challenges must be read as a set of issues which confront the transformation of the tourism industry in this part of South Africa. It should be noted the timing of the survey and interviews and the results reflect a pre-COVID-19 situation. Based upon a literature survey of business constraints/ challenges identified in international and local research, the respondents were asked to rate the relative importance according to a Likert scale of 1–5 for the different challenges to their business development. The results are shown in Table 2.

Table 2: Challenges of Small Firm Tourism Business Development

Challenges	1	2	3	4	5	Mean
Funding (N=76)	6	3	5	8	54	4.33
Competition from large business (N=75)	12	9	16	11	27	3.43
Lack of skilled employees (N=77)	5	7	19	18	28	3.74
Income flow (N=76)	6	5	13	22	30	3.86
Lack of government support (N=78)	4	5	8	15	46	4.21
Off peak (N=77)	7	9	15	14	32	3.71
Historical (N=76)	9	4	13	18	32	3.79
Resources (N=74)	5	4	11	15	39	4.07
Bureaucracy (N=78)	6	5	13	18	36	3.94
Business environment (N=76)	8	10	20	16	22	3.45
Gender (N=77)	21	13	21	10	12	2.73
Training (N=77)	7	4	16	21	29	3.79
Awareness (N=77)	6	8	19	18	26	3.65
Market access (N=77)	5	7	14	18	33	3.87
Marketing (N=78)	3	4	17	20	34	4.00
Infrastructure (N=76)	7	7	6	18	38	3.96
ICT (N=78)	4	13	13	19	29	3.72
Experience (N=78)	7	11	18	17	25	3.54
Crime (N=77)	3	6	15	18	35	3.99
Mentoring (N=77)	7	4	9	23	34	3.95

Source: Own Elaboration based on author survey

Note: Likert Scale in Degree of Importance 1–5 with 5 Very Important; N=number of responses

Several themes emerged as leading constraints. As a whole, the survey disclosed the most pressing challenges as relating to funding and resources with the lack of or insufficient government support (Table 2). Overall the respondents scored most highly the challenges of funding (4.33), government support (4.21), lack of resources (4.07), marketing (4.00), crime (3.99) and infrastructure (3.96). By contrast, the challenges which ranked as the least significant surrounded gender (2.73), competition from larger enterprises (3.43), the business environment (3.45) and entrepreneur's lack of experience (3.54). The qualitative responses received in the semi-structured interviews provided further insight into the mean scores generated by using the Likert-scale. Applying content thematic analysis to the qualitative findings, seven groups of constraints on the operations of tourism entrepreneurs were discerned. These relate to funding, government, human resources, limited knowledge, historical legacies, gender issues, and crime/corruption. Each will be discussed in turn.

Finance

In the Eastern Cape the financial challenges of tourism small businesses are associated with four major issues, namely, funding support, access to finance, financial institutions, and, cash flow or money management. In terms of funding support a large segment of respondents highlighted the minimal financial support from government was a major constraint upon business development. A guest house owner asserted how lack of access to capital is a constraint: “When you are running a business it is the problem of access to capital. You will find out that with our white counterparts, they always have someone. They have got access to money they can borrow you know, unlike us, we mostly reliant on banks you know more than family and friends” — AC1. Most accommodation providers admitted that government funding is a challenge, “I think that funding has got to be more open. I know places that do assist with funding but what is really sad is that it is always about who you know because most people would love to be in business but they do not have the funds to start the business” — AC4. Access to funding from commercial banks posed obstacles to entrepreneurs in terms of collateral requirements: “The biggest problem is that you go to a commercial bank and they want collateral. They want a rand for rand collateral so if you were to borrow from them 7 million they want 7 million collateral somewhere, you know.” — AC1. In relation to cash flow, a bed and breakfast entrepreneur explained how they experience difficulties in managing the operational costs of the business “The cash flow becomes a problem...I operate on a very limited cash flow.” — AC2. Further, entrepreneurs indicated cash flow problems that arose with delays in payment for services rendered for government departments:

The state does not pay well, it does not pay on time, for the type of business we are in if you do not get paid this month, we might end up next month not being able to accommodate other people because we have run out of things. Look, in our business the reason we like people who enter the through the door is the fact that they give us money, directly to you. Cash flow is there so you can do daily expenses...Now the government states in its bylaws or what not that you should be paid at least in 30 days of service rendered which never happens, there are always delays” — AC3.

Delayed payments was not, however, an issue confined simply to government clients: “Cash flow sometimes is a huge challenge because you will get travel agents that say give us 30 days to pay, then they will end up paying after like 60 or 80 days, so meanwhile, you still have costs that you must cover. You must buy groceries, you must repair lights, salaries and whatever else.” — AC4. Overall, this first cluster of

finance challenges impact the development of these small tourism businesses and of transformation in the Eastern Cape tourism economy.

The Role of Government

Several constraints exist on the development prospects of Black-owned tourism SMMEs in the Eastern Cape because of a range of problems associated with government actions or inaction. These challenges relate to lack of support from government and inadequate understanding of the needs of small businesses, bureaucratic processes and failure of government to supply or maintain basic infrastructure essential for the functioning of tourism small businesses.

The accommodation owners stressed continually how the group of emerging black entrepreneurs are marginalised and how their needs are not addressed particularly by the local tier of government: “The black-owned SMMEs are way behind. So we still need to catch up, so the system is not assisting us to catch up. They say they will do programmes but I find that the programmes that they offer do not really assist us where we need assistance.” — AC4. The respondents highlighted a lack of understanding and support from the local municipality in terms of providing initiatives that support their businesses. The institution of local government was accused in particular of lack of support implementation: “Look, strategically those things are there, if you look at most institutions they got brochures that say this and that, but when it comes to implementation it does not happen.” — AC2. The absence of a tourism department within local municipalities was a reason for the limited understanding by local government of the business challenges of emerging entrepreneurs. Accommodation entrepreneurs often had no sense of direction as to whom or where the owners can seek support from or report their business challenges. A guest house owner identified this as a major constraint “There are challenges, lots and lots, firstly we are situated around a municipality that is not us... The infrastructure is very bad. It is not our fault it is the municipality that is supposed to look at that, and they do not have a tourism section within the municipality itself.” — AC6.

The bureaucratic procedures that are posed by the government on small businesses negatively impact development, specifically the regulations on protocol and process. The challenges that were pointed out by the owners relate to the lack of urgency or action from government departments when seeking support and inflexibility when dealing with processes and regulations. Regarding the delays and time it takes to process requests from accommodation owners one asserted as follows: “For the government to do simple things it just takes too long, like this thing of grading fees, I mean this thing I have submitted like six months ago

and they said they are going to pay us and they have not done it and then when you ask them the lady says she does not know, or the payment is with her bosses and they have to make a decision and yes the money is there but she does not know when the payment will be made...that is another thing about the government that can get frustrating...” — AC1. Further, government bias against small businesses and a preference for larger enterprises was raised as a matter of concern. Respondents consider that policy tends to favour big businesses rather than SMMES: “The policies should start with SMMES. The bigger enterprises are already established...but I think at the end of the day it all boils down to who brings in more money...and right now policy is prioritising the bigger fish because they want a bigger cut” — AC3.

Infrastructural challenges emerged as a further problem in relation to inaction by local government or its failure to maintain infrastructure. Although this is a province-wide issue the infrastructural issues are particularly acute in certain coastal settlements and rural areas of Eastern Cape. Asked to elaborate on these challenges they indicated that the roads have deteriorated and have not been maintained. Additional issues surrounded the cleanliness of towns and shortcomings of municipal services delivery which were a major hindrance to the business. One entrepreneur explained how infrastructural shortcomings by local government impacted their tourism business: “We are situated in a municipality that does not support us... The gravel roads — when our guests come here they complain a lot... and the problem of water, scarcity of water it is a problem because you cannot run a business without water... Our water is managed by the municipality and anytime they want to switch it off they just do that and without even telling us, so that is the challenge we are facing because our guests need water to bath.” — AC6.

Human Resources

The survey respondents identified lack of access to training in professional skills, mentoring programmes and the lack of skilled employees as human resource barriers to development (Table 2). As regards training programmes four key issues were identified as challenges to small businesses. These comprised the need for training, the costs for training employees, the irrelevance of content provided within government training programmes, and time limitations. With respect to the need for training it was highlighted as follows: “We need support in terms of training programmes done by Buffalo City Municipality” — AC3. This said, the costs for external employee training are a problem: “I think we did in-house training solely because at the time the business could not afford to go and train employees, and we still did not afford to get one who is already trained, so we needed to use our own

skills that we have learnt through the years to actually train our employee.” — AC3. Entrepreneurs flagged as another human resource issue the nature of the content provided in government training programmes. The question was raised whether the training programmes address the needs of accommodation business owners: “We really do not go out for training, We have not found anything that I feel is suitable. They [Government] do not offer what we need. For example, they will say they have got training and then you find it is so basic. It is stuff that people already know, so you want something that will take these skills up. But we are not getting this from the government, and I think they need to find out more from us what is it that we need if they want to assist us.” — AC4.

The business owners also pointed to time constraint issues and not having the time to attend training because their business operations would be neglected during the period they attend training sessions and with lack of personnel to manage the business for that duration. Indeed, in terms of skilled employees, a major constraint is the lack of workers with the necessary skills to assist in operating the business. For instance, relating to the lack of skilled employees an east London guest house entrepreneur stated: “Human capital is an issue, because there are so many people that are unemployed but you struggle to find good quality people that are willing to work.” — AC4. Employee retention was another related problem: “Staffing issues. Like let us say a housekeeper just decides today that she is quitting. Then you are left with a big gap because you are not going to cope, and then you must try to recruit someone, which is not an easy process because you must interview them and be satisfied before you let them in, so that is a huge challenge.” — AC4. Concerning mentoring what emerged from the research is both the lack of productive mentoring programmes and that the actual mentors facilitating these mentoring programmes lack quality standards. As a consequence it was reported that “We were part of some mentoring programme, but you just find that even these mentors, they sort of give you handout and they feel like that’s it.” — AC4.

Limited Knowledge and Access

An understanding of the tourism industry and being aware of the surroundings is an important factor to help enhance the business and to meet the needs of the tourists. An East London based accommodation provider commented on how limited knowledge can be a barrier to business development “We had a Russian who was staying here...I told him where to go, where to eat and everything...that was something very new and we are not exposed and that is also one of the things that is holding us back as Black business is that we are exposed to the same culture. So you end up focusing on giving a certain service to a certain people only to find

out there is a whole other world.” — AC3. The interviews reveal a lack of awareness about operating and managing a tourism business which is associated with limited access to information and information-providing platforms. The bed and breakfast entrepreneur emphasised: “So the access to information we do not have. None of the Eastern Cape websites work, and if you check their website the information was last updated in 2012” — AC3.

In addition, the barriers associated with the marketing of the business contribute to limiting business progress for emerging Black tourism entrepreneurs. The interviews provided insight into marketing challenges experienced by these entrepreneurs: “I think firstly just general knowledge on how to market an accommodation establishment, because it is not like any of us went to do the guesthouse course. Just that information on how to market a place.” — AC3. Another constraint mentioned was costs of marketing: “I think it goes back to getting resources to actually do some of these things because marketing can be cheap but very expensive as well...marketing in newspapers, magazines is costly.” — AC3.

The Legacy of the Past

The critical argument can be made that the current challenges which are faced by Black-owned tourism SMMES in the Eastern Cape cannot be fully understood without an historical perspective and in particular of the impact of apartheid (Rogerson & Sixaba, 2021). The legacies of the past were recognised and raised by interviewees in various ways including issues around sense of ownership, land, inequality, and racial perceptions and attitudes. In addition, the historical legacies underpin the market dominance of established White-owned tourism businesses in several parts of Eastern Cape.

At least one interviewee recognised how apartheid legislation affected black entrepreneurs in terms of mental state, ability to have a sense of ownership and to freely participate in the economy “I would say even apart from talking about the land issue, I think there is a deeper problem of confidence and self-esteem, I think if I can mention in my view I think the apartheid laws had taken away the confidence and self-esteem of black people because when you are in a business, you need to believe in what you are doing” — AC1. Additionally, the accommodation business owners conveyed their experiences on the perception and attitude that society has of Black-owned businesses and pointed particularly at racist attitudes. A King Williams Town based bed and breakfast entrepreneur reflected: “There are some people like those government officials that without even coming to the place .. They say no its black-owned and have got the perception that it would not be up to standard...it is those stereotypes” — AC2. An East London guest house owner

indicated that acts of racism also have a harmful role to the business: “This [tourism] industry is still new to us because we are only having the confidence and the finance now, so we still have a long way to go because definitely those laws still are affecting us now. Even sometimes you will find that someone will come, a white guest and the minute they see they see it is black-owned they sort of start to have an attitude without having any bad experience. It is the legacy of apartheid, so we still living with that most definitely” — AC4.

Land issues were critical in a province that is mainly rural. The land question has been a feature in government policy for many years since democratic change in 1994 and several entrepreneurs expressed their challenges with acquiring property: “Land is the most essential thing in my particular business which is accommodation. You have to have land to build a house...Land is not on our side as black people, so you always find that there is less black people with homes that are big enough to have a B&B, there is less black people that have been given loans to buy properties where they can renovate and develop into a guesthouse and lodges.” — AC3. Further the entrepreneurs also pinpointed historical inequalities of resources and opportunities in terms of economic participation and the marginalisation of Black entrepreneurs: “The Black B&Bs came much later stage in business, you will find the oldest one is probably like only 10 or 12 years, but the oldest white establishment B&B in East London could be something like 60 years and at a higher level.” — AC3. It was pointed out that Black entrepreneurs are relatively new in terms of participation in the tourism economy, and the majority of the businesses were established post-1994. On that basis a guest house owner flagged a lack of opportunities for black entrepreneurs and expressed the difficulties of exclusion within the tourism economy “You will find white-owned guesthouses they have been doing it for 20, 30 or whatever years so their systems are established, even business names are established. Also, when you are approaching the travel agents for business, there are still a lot of white-owned travel agencies, so you find that they are able to penetrate a lot easier or a lot quicker and also, they just have more capital than we do” — AC4.

Competition from existing businesses also can be viewed as a legacy of past policies. The historical development of tourism in major centres of the Eastern Cape was associated with white entrepreneurs establishing businesses which dominate the local tourism industry. These white-owned businesses were initiated at a time when apartheid legislation largely blocked any participation of Black entrepreneurs in South Africa’s tourism economy (Hart, 1971). The results of the interviews indicated that large businesses are a major competitor: “The hotels here in King Williams Town have more rooms, now they are our competitors in unimaginable ways and the challenge were are experiencing is pricing, because they have got

quite a lot of rooms right so their prices are lower.” — AC1. A further signal of the competition from established enterprise was given by a bed and breakfast operator as follows: “The large hotels have been in the industry for too long...and they have that added advantage of becoming cheaper on pricing because they have got their deals, they have negotiated rates whereas when you come as a young entrepreneur like me, they would not even entertain the chance of negotiating, they will just give me a flat rate.” — AC2.

Gender

As Lukhona Mdluli (2020) points out in South Africa female entrepreneurship in tourism has been constrained not only by discriminatory apartheid legislation but also as a result of gender oppression rooted in patriarchy which has disempowered Black women. In the Eastern Cape, South African women entrepreneurs are still confronted with socio-cultural challenges because of “the traditional role of women being identified primarily by the family purely for domestic responsibilities due to socially constructed norms of the place of women in society” (Mdluli, 2020, p. 12). Nevertheless, it was striking that the mainly group of female respondents ranked gender issues as the least significant of their multiple challenges for developing their tourism accommodation businesses (Table 2). Even excluding the responses of all the group of male tourism entrepreneurs the average score for gender issues was only 3.00 (n=64) which remains the lowest of all the 20 issues that were addressed to respondents in the survey.

A follow-up question was posed, however, to the 64 female respondents concerning whether there were any specific issues that they confronted as women tourism entrepreneurs. The theme that attracted the highest proportional share of responses relates to the safety and security of women entrepreneurs in running their business. In particular, with late-night bookings, women entrepreneurs risk falling victim to gender-based violence and crime. This problem was followed by concerns of being “disrespected” and of male dominance within the small business sector. Several women considered that female entrepreneurs in tourism were viewed as inferior to their male counterparts and that the local tourism industry was patriarchal in character and with unequal business opportunities as preference in terms of support was given to male-owned businesses. Overall, a lack of commitment by government to support the implementation of women’s empowerment in tourism was also viewed as of concern by female respondents.

Crime and Corruption

Crime has a negative impact on the image of tourist destinations and affects small businesses in the Eastern Cape as is the case for all of South Africa. Among the 79 survey respondents crime was rated highly as a major constraint on business development (Table 2). Typically, one entrepreneur in the small town of Lusikisiki stated how crime impacted their business as follows: “Another thing is the crime, it is not normal. People in our area — they are doing crazy things and things we cannot think of doing. It was last year when we had that thing of Amavondo. It was killing of people that were associated with witchcraft. It was all over the news. It hit at our business hard because our guests, they were so afraid to come to Lusikisiki, the business was shaken.” — AC6.

Beyond crime equally significant is the pervasive impact of corruption in the business environment of tourism small businesses in the Eastern Cape. Corruption has been identified as among the most critical barriers to the development of entrepreneurial ecosystems in South Africa (Madzikanda, Li & Dabuo, 2022). Several aspects of corruption conducted by individuals in positions of power were identified as negatively affecting the growth of the businesses of tourism entrepreneurs. The interviewees showed considerable insight about corruption that takes place around the accommodation sub-sector and expressed the impact it has on their business. The phenomenon of corruption occurs mainly through government procurement processes. It involves department heads or government officials and travel agencies that demand rewards for providing business in the form of guests or clients to the accommodation establishment. The individuals involved in this illegal activity are known to refer to the reward as “idrink”, “uku-khapha” or “unyoba”, which can be interpreted as a bribe. A Bisho guest house owner contended: “There is a lot of corruption that is another bad thing about this province. People are employed to work as supply chain officers at different levels and somehow they think that because they give you business therefore you owe them money... They feel that you have to give them some sort of reward and they call it “idrinki”... They say do not forget about that idrink... they call it all sorts of names.” — AC1. Travel agencies are also involved in these illegal activities and play a part in coercing the establishment owners to give them money: “You are already paying commission to the travel agent, now the consultant wants to get paid and she even says you must pay me R 50 per person that I am giving you.” — AC4.

One entrepreneur in Bisho provided details of how a government official approached their accommodation establishment in the persuasion of providing guests in exchange for a sum of money: “Well there was a guy that came here with people from the Department of Public Works, so he said he wanted a bribe for each

one of them. There were about five people, so he is going to organise for me to get money straight from the travel agent and so when I get that money he wants his portion for himself then I said no I cannot and obviously I lost that business." — AC1. In addition, other entrepreneurs signalled their fears associated with this type of corruption and that their business would not receive future guests from the government if they did not participate: "Sometimes they will sabotage you and not give you the business because you are not doing it." — AC4. Another aspect of corruption is price fixing amongst the owners. This involves accommodation establishment owners agreeing on certain prices for their service in order for one of them to secure a government contract for guests. It was explained how this illegal activity takes place: "There is also other stuff in terms of collusion in pricing. For example, I am a B&B and there is two other B&Bs and I hear that there is a department that wants a quotation, then I go and collude with my other B&Bs then say okay I am going to make the price for my B&B to be R 1 200 and to another B&B please make it R 1 300, and another B&B make R 1 400... This happens a lot, it is called "ukukhapha." — AC1.

An added corruption-related issue which is a burden for the accommodation owners is government officials demands that they exchange meal vouchers for cash. This impacts the profits of the tourism establishments. A guest house owner described how government visitors demand money from them: "There is this new thing that they do now where they book a person at a B&B and when they arrive the first thing that they do is to cancel all their meals and want a refund of all meals. So in other words if they are booked here and costs them R 900, then say my home is R 700 or R 650, then the R 250 goes towards the meals and they want that cash. I have complained about it because the government contract I entered into did not stipulate that agreement" — AC1. Further corruption is recorded as entrepreneurs who have connections with family and friends within the government receive more business due to these networks and associations. Several of the tourism entrepreneurs are affiliated to the ruling African National Congress (ANC) and secure business based on those political connections. In addition, municipal linkages can be important: "So there are establishments here in Lusikisikithey get more business because the father from the establishment is linked with the municipality." — AC6. When the owners were asked if within their associations they engage and discuss how they can combat corruption, one Bisho-based respondent stated: "It is going to be difficult because some of these accommodation owners are involved in it." — AC1. In terms of reporting corrupt activities, it was made clear that no one attempts to report such incidents. Indeed, when one entrepreneur wrote a formal letter to the Chief Financial Officer of the Premier no response was received from the government regarding the complaint regarding corrupt practices.

4. Conclusion

The society and economy of modern-day South Africa bears the scars of its colonial and apartheid past dominated by a sustained process of systematic empowerment which created a fundamentally unjust and unequal society (van der Watt, 2022). During the period of apartheid, entrepreneurship by Black South Africans and engagement in tourism was discouraged by legislation. Since 1994 as part of broader planning for Black Economic Empowerment a major focus in government tourism policy has been upon “transformation” in the sector. The results of this research undertaken in South Africa’s poorest province isolated a range of constraints upon the advancement of Black-owned accommodation enterprises. In this resource-constrained environment several transformation challenges are shown to relate to issues such as finance, human resources and knowledge which have been identified as constraints on tourism small firm development in many studies both in the Global North and South. Other constraints, however, speak to the specificities of the South African experience. It was shown tourism entrepreneurs must confront certain historical legacies of the colonial and apartheid past. In addition, the study reveals the workings of a number corruption practices which are widespread in the local tourism economy and must be acknowledged as obstacles for the advancement of transformation. Overall, in terms of international scholarship around tourism small firms the South African record is of special interest because of the national government’s commitment to its policies of transformation and the upliftment measures for Black entrepreneurs in the country’s tourism economy.

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„Transformacja” i rozwój małych firm turystycznych w RPA na przykładzie prowincji Eastern Cape

Streszczenie. Od czasu przemian demokratycznych Republika Południowej Afryki realizuje szereg programów, których celem jest wzmocnienie pozycji grup i jednostek, mających w okresie apartheidu ograniczone prawa i możliwości. W sektorze turystycznym rządowe inicjatywy na rzecz „transformacji” obejmują zobowiązanie do wspierania możliwości działania średnich, małych i mikroprzedsiębiorstw należących do osób czarnoskórych. Autorzy analizują wyzwania związane z transformacją, zwracając uwagę na ograniczenia, z jakimi borykają się przedsiębiorstwa turystyczne należące do osób czarnoskórych w prowincji Eastern Cape w RPA. Badanie wpisuje się w nurt lit-

eratury międzynarodowej dotyczącej małych firm w turystyce, a konkretnie wyzwań stojących przed małymi przedsiębiorcami turystycznymi w krajach globalnego Południa. Analiza opiera się na danych z badania 79 obiektów noclegowych należących do osób czarnoskórych oraz na informacjach uzyskanych podczas częściowo ustrukturyzowanych wywiadów z przedsiębiorcami turystycznymi. Wyniki ujawniają szereg trudności. Działając w środowisku o ograniczonych zasobach, przedsiębiorcy mają problemy m.in. z uzyskaniem środków finansowych, odpowiednich pracowników oraz wiedzy. Te same czynniki ograniczają rozwój małych firm turystycznych zarówno w krajach globalnej Północy, jak i na Południu. Inne ograniczenia wynikają ze specyfiki doświadczeń RPA. Tamtejsi przedsiębiorcy turystyczni muszą się mierzyć z historycznym dziedzictwem apartheidu oraz praktykami korupcyjnymi, które są szeroko rozpowszechnione w lokalnej gospodarce turystycznej i które należy uznać za przeszkody w postępie transformacji.

Słowa kluczowe: małe firmy turystyczne, transformacja, RPA, wzmocnienie ekonomicznej pozycji osób czarnoskórych



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