NATIONAL DEPARTMENT OF TOURISM:

REPORT ON THE STATE OF TRANSFORMATION OF TOURISM ENTERPRISES IN 2010

Updated in April 2013

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Research Findings on:

The state of transformation of tourism enterprises in 2010

Revised in April 2013 to prepare report for publication

PREPARED FOR:

National Department of Tourism

17 Trevena Road, Tourism House

Sunnyside

Pretoria

0001

PREPARED BY:

Citizen Surveys

1st Floor, De Waal House

172 Victoria Road

Woodstock

Cape Town

8001

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South Africa
Inspiring new ways

SECTION ONE
Background and Purpose of the Study

Background and Purpose of the Study

- South Africa's tourism industry is committed to empowering employees and enterprises within the sector, in order to ultimately contribute to the growth and sustainability of this industry.

- The process of empowerment and transformation in the tourism industry is aligned to the government's policy to assist black people to migrate through the poverty barrier and access equitable economic opportunities.

- Specific transformation targets are contained within the Gazetted tourism charter, and these constitute a framework upon which B-BBEE is being implemented in the tourism industry.

- The purpose of this study was two-fold:
  - To investigate the state of transformation of South Africa's tourism industry in 2010.
  - To investigate how to accelerate transformation amongst all tourism enterprises.

- This research study was awarded to Citizen Surveys in 2010.

- Data collection took place between 11 November 2010 and 14 March 2011.

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SECTION TWO
Research Design and Methodology

Construction of the Sample Frame of Tourism Enterprises
Cleaning of the Tourism Enterprise Database

- The sample frame used for this study was based on the various databases of tourism enterprises provided by the National Department of Tourism.

- These databases consisted of self-completed entries inputted via a web front-end. As a result, the following types of errors occurred: duplicate entries; duplicate classification of categories; out-of-date entries (pre-April 2010); subsidiaries registering as their holding companies; branches registering as parent companies; franchisees registering as the franchisors; etc.

- Multiple tourism enterprise databases were merged and cleaned in a process that involved the:

  - Removal of non-tourism enterprises;

  - Removal of duplicate entries;

  - Removal of enterprises that were either branches or franchises of larger enterprises or entities that were not legally independent legal.

- Desktop research was conducted to verify the contact and demographic details of enterprises on the database.

- After six weeks of database cleaning and the removal of over 7,000 entries, the final number of enterprises listed on the Tourism Enterprise Database was 46,120 enterprises. This database of 46,120 enterprises was used as the sample frame.

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Construction of the Sample Frame of Tourism Enterprises
Categorization of enterprises for sampling purposes

- Where possible, the 46,120 enterprises were categorized according to turnover band, sub-sector and province of head office.

Turnover Band
Band 1   Annual turnover <R2.5million   *Exempt Micro Enterprises*
Band 2   Annual turnover between R2.5million and R35million   *Qualifying Small Enterprises*
Band 3   Annual turnover > R35million   *Generic Scorecard*

Sub-Sector
Accommodation
Hospitality and Related Services
Travel Distribution Systems

Province
Western Cape
Eastern Cape
Northern Cape
Limpopo
KZN
Gauteng
Mpumalanga
Northwest
Free State

- There were no variables to indicate the turnover, size and the exemption level of the enterprises within the databases.

- Furthermore, it was not practical to contact over 46,000 enterprises to verify turnover.

- It was therefore impossible to distinguish Band 1 and 2 enterprises from one another based on the information contained in the database.

- Desktop research was subsequently conducted to identify the Band 3 enterprises in the database - approximately 1,500 potential Band 3 enterprises were identified.

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Construction of the Sample Frame of Tourism Enterprises
Categorization of enterprises for sampling purposes

After cleaning and categorisation, the tourism enterprise database looked as follows:

Province	Band 1 + Band 2	Band 3	Total
EC	3,812	94	3,906
FS	1,475	37	1,512
GT	10,436	436	10,872
KZN	7,980	176	8,156
LP	1,203	76	1,279
MP	2,024	108	2,132
NC	934	33	967
NW	945	45	990
WC	15,816	490	16,306
Total	**44,625**	**1,495**	**46,120**

- The bands were defined as follows:
    - Band 1 = turnover < R2.5m;
    - Band 2 = turnover between R2.5m and R35m;
    - Band 3 = turnover greater than R35m)
- For reasons discussed previously, it was impossible to distinguish Band 1 and 2 enterprises from one another.

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Construction of the Sample Frame of Tourism Enterprises
Proportions of Band 1, 2 and 3 Enterprises in the Database

- The proportion of Band 1, Band 2 and 3 enterprises in the database was estimated, using the proportions of these enterprises as they occurred in the national economy.

Turnover	Company Size	Approximate percentage distribution
Band 1	Exempt Micro Enterprise (up to R2,5 million)	76%
Band 2	Qualifying Small Enterprise (R2.5 million to R35 million)	22%
Band 3	Generic Scorecard (R35 million and up)	2%

- Conducting a simple random sample of all the tourism enterprises would most likely have resulted in approximately 1,140 exempt micro-enterprises or EMEs (76% of 1,500) being contacted.

- From a sampling perspective, this would have resulted in an *'over-representation'* of Band 1 enterprises in the sample, and an *'under-representation'* of Band 2 and Band 3 enterprises in the sample.

- Therefore, in order to ensure a final sample that is representative, has a 95% confidence level and would provide large enough bases for analysis, a multi-stage stratified random sample design was used.

- The sampling process is explained overleaf.

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Sample Design and Methodology
Multi-stage stratified random sample

Step 1 — The first stage involved drawing the sample for Band 1 and Band 2 enterprises. Since turnover figures were not available for the enterprises in the database, we had to rely on other variables to differentiate between Band 1 and Band 2 enterprises before interviews were conducted. The only reliable variables available were *sub-sector* and *province*. These were used to stratify the tourism enterprises. This categorisation produced *27 clusters (3 sub-sectors x 9 provinces = 27 clusters).*

Step 2 — We then took 60% of the sample of 1,440 interviews and drew a random sample of 864 interviews, using the power (square root) allocation rule to determine the number of interviews per cluster. The power allocation improves precision at stratum level (reporting domain) by increasing the sample size/allocation to smaller strata and decreasing the sample size to larger strata.

Step 3 — Once the sample of 864 interviews was completed, we reviewed the findings to determine the distribution patterns of the incidence of Band 1 and Band 2 enterprises within each of the strata.

Step 4 — This algorithm was applied to the remaining 40% of the sample of Band 1 and Band 2 enterprises (i.e. 576 of the 1440 interviews). These 576 interviews were disproportionately allocated to strata that needed to be boosted in order to obtain sufficiently large enough samples within the Band 1 and Band 2 turnover bands for analysis and reporting purposes.

Step 5 — For the Band 3 enterprises (i.e. enterprises with a turnover of R 35 million and more), we drew a sample of 60 enterprises, proportionate by category from the 1,400 such enterprises listed on the TECSA database. A sample of 60 was considered to be scientifically viable for reporting on Band 3 enterprises.

This process resulted in a final sample of 60 Band 3 enterprises and 1,440 Band 1 and Band 2 enterprises. These numbers provided sufficiently large samples per turnover band and cluster to allow for meaningful analysis.

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Sample Design and Methodology
Drawn sample versus Obtained sample

The following table shows the drawn and obtained sample of the survey:

Turnover	Company Size	Drawn Sample	Obtained Sample
Band 1	Exempt Micro Enterprise (up to R2,5 million)	1,440	1,189
Band 2	Qualifying Small Enterprise (R2.5 million to R35 million)		
Band 3	Generic Scorecard (R35 million and up)	60	28
	Total	**1,500**	**1,477**

- All 1,400 of the Band 3 enterprises on the database were contacted – however, only 93 of these enterprises had an annual turnover in excess of R35 million in the current financial year, and were therefore eligible for Band 3 status.

- In other words, there were far fewer Band 3 enterprises in the tourism industry than anticipated.

- Citizen Surveys worked closely with the NDT to contact Band 3 enterprises. We liaised with the Tourism Business Council who assisted with contacting these enterprises and encouraging them to participate in the study.

- The fieldwork period was extended by three months in order to obtain the 60 interviews with Band 3 enterprises, but in the end only 28 of these enterprises submitted all the information necessary for the successful completion of the interviews.

- For reporting purposes, however, the final number of 28 Band 3 enterprises was considered to be statistically significant.

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Sample Design and Methodology
The final achieved sample

- A total of 1,477 interviews with achieved.

- This sample is significant with a 95% confidence level.

- The obtained sample was reweighted to enable reporting on the industry as a whole.

- The sample was drawn and reweighted in consultation with Dr. Ariane Neethling, who has been working with Citizen Surveys since 2001. She is one of South Africa's leading sampling specialists, a member of the International Association of Survey Statisticians (IASS) and she is an adviser to StatsSA on sampling methodology.

Band	Interviews
Band 1 enterprises	1,189
Band 2 enterprises	260
Band 3 enterprises	28
Total	**1,477**

Province	Interviews
Eastern Cape	153
Free State	89
Gauteng	308
KwaZulu-Natal	227
Limpopo	90
Mpumalanga	93
North West	78
Northern Cape	88
Western Cape	351
Total	**1,477**

Subsector	Interviews
Accommodation	804
Hospitality and Related Services	359
Travel Distribution Systems	314
Total	**1,477**

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Band 3 Enterprises
Status at end of interview process

Successfully Completed Interviews	Agreed to participate but did not submit completed interview	Refused to participate in the study
• Arabella Sheraton Grand Hotel South Africa Holding Pty Ltd • Arabella Western Cape Hotel & Spa • Astro Tours And Events • Cape Grace • Cape Town International Convention Centre (CTICC) • City Lodge Hotels • Cmh Car Hire • Constantia Uitsig Hotel • Grassroute Tours • ICC Durban (International Convention Centre) • Kapama Game Reserve • Legacy Hotels & Resorts • Mount Nelson Hotel • Phumelela Gaming & Leisure • Protea Hotels • Royal African Discoveries • Sandton Convention Centre • Saxon Boutique Hotel and Spa • Spur Group • Sun International • The Forum/ The Campus • The Peninsula All-Suite Hotel • The Twelve Apostles Hotel And Spa • The Vineyard Hotel& Spa • The Westcliff Hotel • Tourvest • Tower Bureau De Change • Ulusaba Private Game Reserve	• Atlantic Marina • Autopax • Cullinan Holdings • Kauai • Premier Hotels & Resorts • Raya Hotels • Sanbona Wildlife Reserve - Tilney Manor • The Don Group • The Grace In Rosebank • Wings Corporate Travel • Budget Car Rental • Buscor • Cape Royale • Champagne Sports Resorts • Club Mykonos Langebaan • Comair • Diemersfontein Country & Wine Estate • Dikhololo Game Lodge • Fairlawns Boutique Hotel & Spa • Featherbed Company The • Flight Centre Head Office • Fun Holidays • Hilton Durban • Imperial Car Rental (Europcar) • Kievits Kroon • Kloofzicht Lodge • L C I (Overseas Investments t/a Emerald Casino Resort • L'Ermitage Franschhoek Chateau and Villas • Mantis Collection • Msenge Bush Lodge at Pumba Private Game Reserve • Peermont Global • Pezula Resort Hotel and Spa • Recreation Africa Leisure Industries • The Birchwood Executive Hotel & Conference Centre • Tinga Legends Lodge • Tinga Narina Lodge • Tintswalo At Waterfall • Village & Life	• Colefax Trading • Forever Resorts South Africa • Holiday Tours • Karkloof Spa Wellness and Wildlife Retreat • Kat Leisure • King Consolidated Food Services • Kleine Zalze Wines • Little Jock Safari Lodge • Lone Creek River Lodge - Hotel • Morrells Boutique Venue • Mount Grace • Moyo at the Pier • One & Only Cape Town • Shumbalala Safari Lodge • Thanda Private Game Reserve • The Bloomberg Camps Bay • The Oasis Luxury Guesthouse • Tuningi Safari Lodge • Victoria & Alfred Waterfront • Westville Manor Boutique Hotel and Conference center • Witwater Safari Lodge & Spa • Woodall Country House & Spa • Zebula Country Club & Spa • Zorgvliet Vineyard Lodge

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Data Collection

- The questionnaire was designed in consultation with TECSA (now NDT: Sector Transformation) and TBCSA.

- Questions were developed to measure key indicators selected from the gazetted Codes of Good Practice on B-BBEE for the Tourism Industry.

- To ensure that each enterprise in the sample frame had an equal chance for selection, a random probability process was followed by contacting every 10th enterprise within a specific band, sub-sector or province.

- A successful hit rate of 1:7 was achieved; approximately 9,500 enterprises were contacted in order to achieve 1,500 successful interviews.

- Data collection took place between 11 November 2010 and 14 March 2011.

- Participation from Band 3 enterprises was poor despite NDT staff assisting in attempting to obtain the cooperation of these enterprises.

- Stringent quality controls were applied throughout the process and records of all processes and contacts were kept.

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Phases of the Project
An overview

1 Briefing session with NDT	**2** Desktop Research and Literature Review

1	2	3	4
Briefing session with NDT	Desktop Research and Literature Review	Database Cleaning	Drawing a Scientific Sample
5 Questionnaire Design and Piloting	**6** Interviewer Training	**7** Notification to Industry Stakeholders	**8** Data Collection
9 Quota Control	**10** Verification of Data Collected	**11** Data Processing	**12** Data Cleaning
13 Data Weighting	**14** Analysis and Report Writing		

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SECTION THREE
Main Findings of the Research Study

AUDIENCE CONSIDERATIONS

The following needs to be borne in mind when reading this report

Comparability with 2006 Baseline Study

- The targets in Gazetted codes had changed since 2006, therefore it was not feasible to compare the findings from this study with the 2006 study.

- Instead, it was decided to report on the 2010 findings in terms of the Gazetted 2012 and 2017 charter targets.

Difference between this Survey and a Formal B-BBEE Verification

- Since the purpose of this study was to measure the level of transformation in the industry, we focused on the gazetted charter indicators that could be realistically measured in a 45-minute telephonic interview.

- This is different from the process that is followed for a formal B-BBEE audit:

  - Some of the indicators measured in a B-BBEE verification were not included in this survey since they were too complicated to determine and/or measure (e.g. some preferential procurement indicators).

  - The verification process normally takes multiple days to complete.

- This reports shows the extent to which enterprises are achieving the targets for key indicators, which allows us to estimate the level of transformation in this industry.

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The following needs to be borne in mind when reading this report
Reporting against Charter Indicators

- There are two sets of indicators and targets in the Gazetted charter:

  - Indicators and targets for enterprises with annual turnovers between R2.5m and R35m (QSE scorecard); and

  - Indicators and targets for enterprises with annual turnovers > R35m (generic scorecard).

- For the purposes of this study, the QSE scorecard was used to measure the progress of Exempt Micro Enterprises towards transformation.

Band	Turnover	Classification	Target and Indicators
Band 1	<R2.5million	Exempt Micro Enterprises	QSE Scorecard Targets and Indicators
Band 2	R2.5million - R35million	Qualifying Small Enterprises	
Band 3	R35million+	Generic Scorecard	Generic Scorecard Targets and Indicators

- Note that some charter indicators apply only to Band 1 and 2 enterprises and not to Band 3 enterprises, and vice versa.

- For practical reasons, certain indicators contained in the tourism charter had to be simplified to enable information to be gathered from a 45 minute telephonic interview.

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How to read the graphs
Two types of graphs are used to report on charter indicators:

Type of Graph	Content of graph
Achievement of target	These graphs show in absolute terms whether the required 2012 and 2017 targets have been met. In other words, enterprises either achieved or failed to achieve these targets.
	Please note that this survey was conducted in 2010, which is two years before the 2012 target has to be met.
Distribution - showing progress towards achieving the targets	It is possible that an enterprise in 2010 is perfectly on track for achieving the 2012 target, but has not yet achieved this target. The 'distribution' graph therefore shows the progress that enterprises are making towards achieving the targets.

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How to Read the 'Achievement of Target' Graphs
Permanent Black Employees - % of Enterprises that Achieve Targets
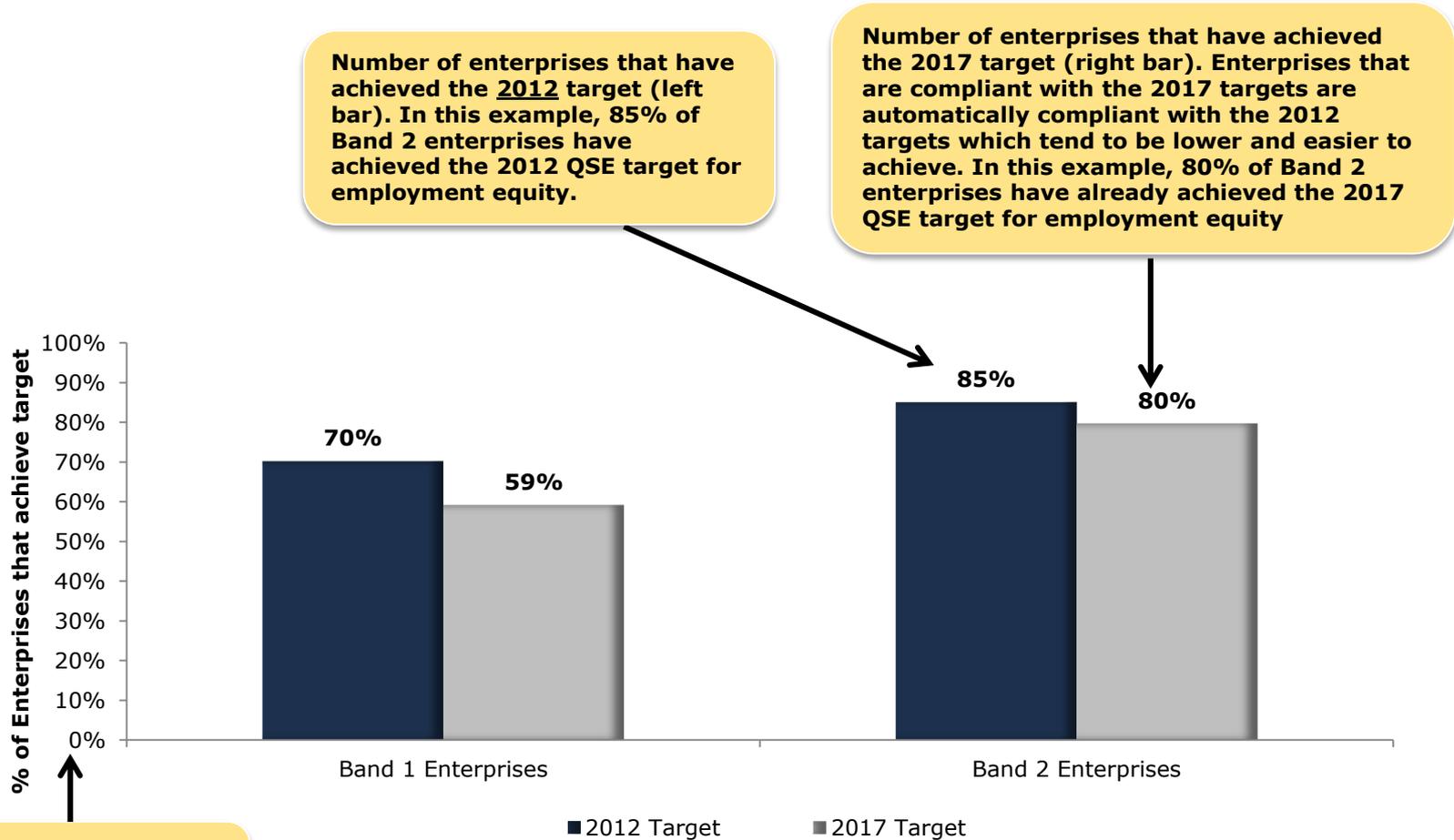
Number of enterprises that have achieved the 2012 target (left bar). In this example, 85% of Band 2 enterprises have achieved the 2012 QSE target for employment equity.

Number of enterprises that have achieved the 2017 target (right bar). Enterprises that are compliant with the 2017 targets are automatically compliant with the 2012 targets which tend to be lower and easier to achieve. In this example, 80% of Band 2 enterprises have already achieved the 2017 QSE target for employment equity

This axis shows the % of enterprises who have achieved the relevant target.

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How to Read the Distribution Graphs
Permanent Black Employees - % of Band 2 Enterprises that Achieve Targets
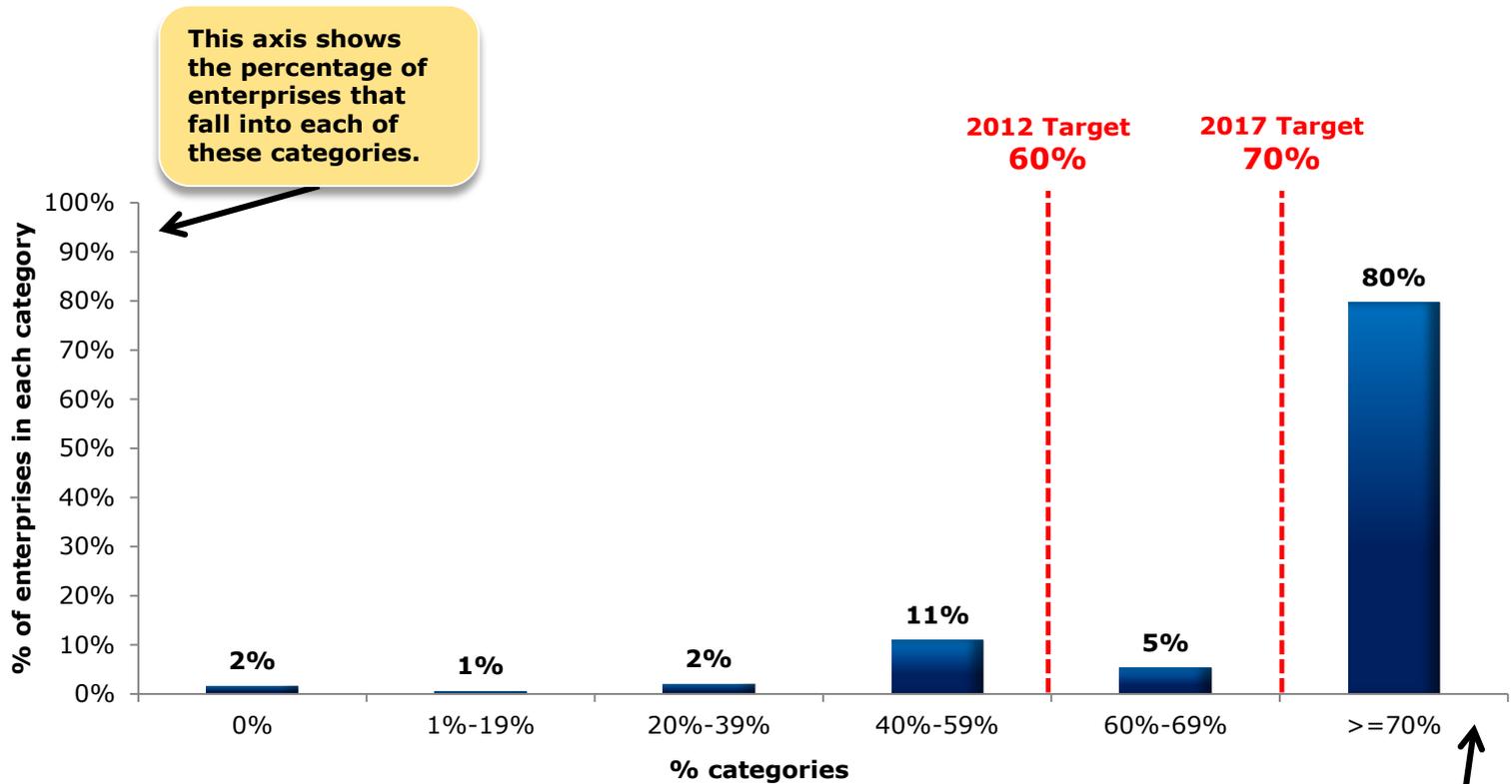
This axis shows the percentage of enterprises that fall into each of these categories.

2012 Target 60%

2017 Target 70%

% of enterprises in each category

% categories

In this example, more than 80% of Band 2 enterprises have already achieved the 2017 target for employment equity, and 85% (5% bar + 80% bar) have already achieved the 2012 target.

This axis shows the various reporting categories for selected indicator.

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EXECUTIVE SUMMARY

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Executive Summary
Broad overview

- The research findings show that tourism enterprises are making definite efforts to achieve the targets set by the Tourism Industry Charter.

- Overall, tourism enterprises expressed optimism about the future and their desire to obtain/improve their scorecards.

- Generally, Band 3 enterprises have undergone higher levels of transformation than the smaller enterprises. It must be borne in mind, however, that Band 3 enterprises need to comply with all seven codes and thus compliance is more of a business imperative.

- Credit must be given to enterprises for the excellent performance against employment equity targets. If these enterprises provide their employees with sufficient training, support and opportunities, it is expected that these employees will gradually start moving into higher level positions or could potentially start their own enterprises.

- The findings also identified the areas (e.g. skills development, preferential procurement and enterprise development) where the NDT and its partners need to provide tourism enterprises with additional support, if targets are to be achieved.

- The NDT and its partners will need to extend the communication campaign around the B-BBEE codes and the benefits of becoming B-BBEE compliant, as a number of enterprises do not have a clear understanding of the purpose and benefits of these codes. This campaign should focus predominantly on Band 1 and 2 enterprises.

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Executive Summary
Challenges of implementing transformation in Tourism Sector

- Business customers are largely the drivers of B-BBEE in other sectors through preferential procurement. However, most customers in the tourism sector are foreign and local tourists, who don't exert pressure on enterprises to be B-BBEE-compliant.

- Almost four-fifths (78%) of enterprises in this sector are Band 1 enterprises (e.g. guesthouses and restaurants) and are thus very small. These enterprises feel little pressure from government and larger enterprises to become B-BBEE compliant, particularly in light of their deemed status as either a Level 4 or 3 contributor.

- Transformation is more likely to be a priority when the economy is strong. This is not the case at present, despite the high levels of optimism in Band 1 and Band 2 enterprises.

- Levels of awareness of the B-BBEE legislation and its purpose and benefits are fairly low across the tourism industry.

- Due possibly to the high cost per scorecard point, the area of skills development has not been receiving sufficient attention, and this has hindered the recruitment and promotion of suitably-qualified candidates into management positions.

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Executive Summary
Positive signs of future change

- The year 2011 is the fourth year of the 10-year B-BBEE process. As a benchmark, one can expect that either enterprises are 40% on their way to achieving the targets, or 40% of enterprises have achieved the targets.

- The research results give an overall sense that the industry is steadily transforming, although there are specific areas, highlighted in this report, where enterprises will need additional support.

- The long-awaited alignment of the Preferential Procurement Policy Framework Act with the B-BBEE Act will add significant impetus to transformation in the tourism industry, as government tenders will be subject to the broad-based BEE status of applicants and not their HDI status. (This legislation has subsequently come into effect in December 2011).

- Levels of optimism are high among tourism enterprises, and particularly among enterprises with turnovers of less than R35million per year.

- Enterprises at all levels have excelled in the recruitment and employment of black employees, with large numbers of enterprises across all Bands intending to either obtain or improve their B-BBEE scorecard in the next 12 months.

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Executive Summary

Areas where enterprises have <u>*excelled*</u> at achieving industry targets

Area	Band 1	Band 2	Band 3
Black employees (Band 1 and Band 2)	✓	✓	
Black female employees (Band 1 and Band 2)	✓	✓	
Recruitment of inexperienced black recruits (Band 3)			✓

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Executive Summary
Areas where enterprises are _on track_ to achieve targets and need support

Area	Band 1	Band 2	Band 3
Black senior/top management			✓
Black middle/junior management			✓
Black female middle/junior management			✓
Black management		✓	
Black female management		✓	
Recruitment of inexperienced black recruits		✓	
Spend on B-BBEE accredited suppliers		✓	✓
Spend on enterprise development			✓
Spend on socio-economic development		✓	✓

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Executive Summary

Areas where tourism enterprises *are struggling* to achieve targets and need support

Area	Band 1	Band 2	Band 3
Black shareholding	✓	✓	✓
Black female shareholding	✓	✓	✓
Employee ownership schemes/co-operatives	✓	✓	✓
Black directorship			✓
Black female directorship			✓
Black senior/top management	✓	✓	
Black female senior/top management	✓	✓	✓
Black management	✓		
Black female management	✓		
Spend on learning programmes for black employees	✓	✓	✓
Black employees on learnerships			✓
Black female employees on learnerships			✓
Recruitment of inexperienced black recruits	✓		

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Executive Summary
Areas where enterprises *are struggling* to achieve targets and need support

Area	Band 1	Band 2	Band 3
Spend on B-BBEE accredited suppliers	✓		
Spend on black owned suppliers			✓
Spend on enterprise development	✓	✓	
Spend on socio-economic development	✓		

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Executive Summary
Non-target areas where enterprises need further education and support

Area	Band 1	Band 2	Band 3
Difficulty in finding skilled black employees			✓
Introducing an employment equity plan as required by law	✓	✓	
Verifying the B-BBEE Status of Suppliers	✓	✓	✓
Awareness of B-BBEE Codes	✓	✓	
Getting a valid B-BBEE scorecard	✓	✓	
Learning to prepare a less cumbersome B-BBEE accreditation process			✓
Understanding the future benefits of getting a B-BBEE scorecard	✓	✓	
Intention to obtain or improve B-BBEE scorecard	✓	✓	
Awareness of the Tourism Charter	✓	✓	
Awareness of relevant South African laws and policies	✓	✓	
Belief that the B-BBEE Codes should be applied to the tourism sector	✓	✓	
Understanding the purpose of the B-BBEE codes	✓	✓	✓

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Executive Summary
Drivers of enterprise transformation

- Three of the powerful drivers of widespread and genuine transformation are *skills development*, *preferential procurement* and *enterprise development* codes.

    - *Skills development* ensures that black employees have the skills necessary to move up the management ladder and ultimately own their own enterprises.

    - *Preferential procurement* uses supply chains as a pressure lever to bring about transformation of enterprises.

    - *Enterprise development* when working hand in hand with *preferential procurement* provides smaller black enterprises with the support structures necessary to survive and grow.

- It is believed that these three powerful drivers will then – over time – bring about changes in the areas of *ownership*, *management control* and *employment equity*. For example, the enterprise development programmes of the larger enterprises could be used to develop smaller black female-owned enterprises in their supply chains.

- However, the survey results show that although enterprises may be making gains in the areas of *ownership*, *management control* and *employment equity,* it is evident that many enterprises are struggling with *skills development*, *preferential procurement* and *enterprise development.* It is recommended that these drivers of change are the areas where these enterprises will need the greatest support from the NDT and its partners.

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Executive Summary
Drivers of enterprise transformation: focus on skills development

- A large proportion of Band 3 enterprises (large corporates) cited the inability to find suitably qualified and experienced black managers and black directors as one of the obstacles to achieving charter targets.

- Furthermore, enterprises across all turnover bands were struggling with the skills development element on the B-BBEE scorecard and felt that there were minimal learnerships offered in this sector.

- This problem may stem from a lack of lack of suitable courses available or that the availability of suitable courses is not being communicated. This is an issue which can be addressed either through communication or the co-creation of courses with relevant SETAs and educational institutions.

- It may be necessary for the target for skills development to be lowered as enterprises may be selecting other scorecard elements (e.g. socio-economic development) which are easier to achieve.

- Additional attention will need to be given to learnerships within the sector, and properly understanding why learnerships are being underutilized.

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Executive Summary
Drivers of enterprise transformation: focus on preferential procurement

- Effective preferential procurement requires that enterprises measure the B-BBEE status of their suppliers, and either seek out or actively cultivate suppliers with higher B-BBEE ratings.

  - The survey results, however, showed that less than two-thirds of Band 3 enterprises and a small proportion of Band 1 and Band 2 enterprises consistently verified the status of their suppliers.

- The survey results also showed that approximately one-fifth of Band 3 enterprises had achieved the 2012 target for spend on B-BBEE accredited suppliers. This demonstrates the magnitude of this developmental opportunity, which would occur should the remaining enterprises achieve this target.

- It is recommended that the NDT and its partners revise their communication with these enterprises to ensure that that enterprises understand the value of achieving the preferential procurement targets and of keeping updated records of the B-BBEE status of all suppliers.

- Enterprises may also need support with identifying alternative suppliers with the appropriate B-BBEE credentials or in pressuring their suppliers to improve their B-BBEE ratings.

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Executive Summary
Drivers of enterprise transformation: focus on enterprise development

- Although a substantial proportion of enterprises have already achieved the 2012 target, the majority of enterprises across all bands do not yet spend on enterprise development. The NDT and its stakeholders will need to work closely with these enterprises to help them: a) understand the benefits of enterprise development (e.g. in the supply chain); and b) identify suitable opportunities to invest in enterprise development.

- It is also recommended that the NDT and its partners focus on cultivating links between enterprises across the different bands.

- Band 2 and Band 3 enterprises should be actively encouraged to use black-owned Band 1 enterprises not only as service providers to their business, but also as enterprise development beneficiaries. Guidance regarding the benefits of pursuing this should also be provided.

- The aforementioned enterprises will also assist smaller enterprises to become more sustainable, and allow the Band 2 and Band 3 businesses to comply with two scorecard elements viz. *preferential procurement* and *enterprise development*.

- These small Band 1 enterprises could then also have the potential of becoming equity partners as a result of the business relationship that would have developed between the parties.

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OVERVIEW OF TOURISM ENTERPRISES

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Overview

- The Western Cape has the largest number of tourism enterprises, followed by Gauteng and KZN. Together, these three provinces account for 76% of the total tourism enterprises.

- The vast majority (78%) of enterprises are Band 1 enterprises, with annual turnovers of less than R2.5 million per year.

- The 'Accommodation' and 'Hospitality & Related Services' sub-sectors account for the vast majority of enterprises.

- B&Bs and guesthouse establishments fall into the 'Accommodation' category. These businesses are generally small and privately-or family-owned. Their focus on B-BBEE and transformation can generally be expected to be low.

- Large Band 3 enterprises employ substantially more people than Band 1 and 2 enterprises.

- Enterprise leaders were generally optimistic about the future of both their enterprises and of the tourism industry as a whole.

- However, it was evident that levels of optimism were lower amongst leaders of Band 3 enterprises and higher amongst owners of Band 1 and Band 2 enterprises.

- The results also suggest a correlation between being optimistic about one's own business and optimism about the industry as a whole and vice versa.

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Distribution of Tourism Enterprises
by Province and Sub-Sector

The Western Cape has the largest number of tourism enterprises, followed by Gauteng and KZN. These three provinces account for more than three quarters (77%) of the total number of tourism enterprises.
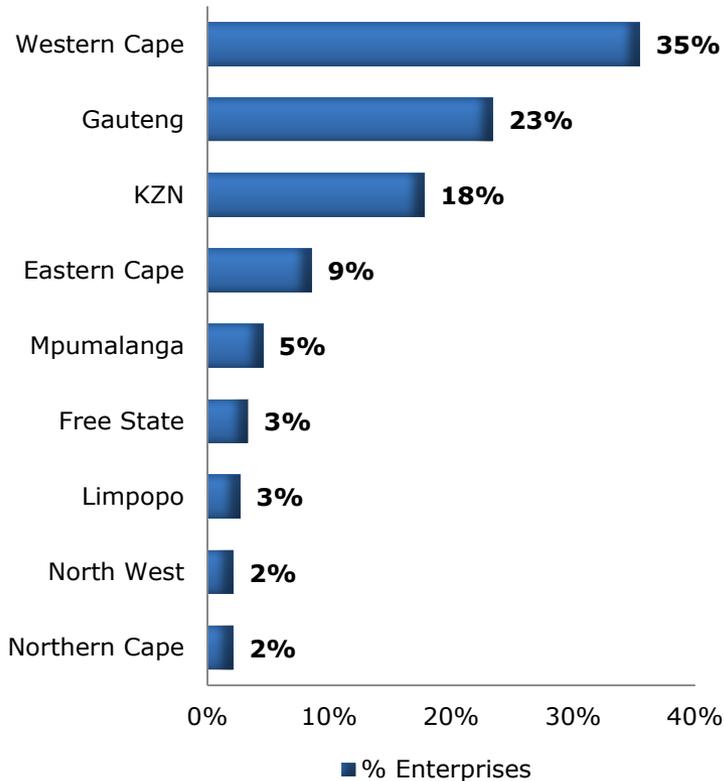
The Accommodation and Hospitality & Related Services Sub-sectors account for the vast majority of enterprises. B&Bs and guesthouse establishments fall into the latter category.

Chart 1 — % Enterprises by Province

Province	% Enterprises
Western Cape	35%
Gauteng	23%
KZN	18%
Eastern Cape	9%
Mpumalanga	5%
Free State	3%
Limpopo	3%
North West	2%
Northern Cape	2%

■ % Enterprises

Chart 2 — Sub-Sector

Sub-Sector	%
Accomodation	48%
Hospitality and Related Services	51%
Travel Distribution Systems	9%

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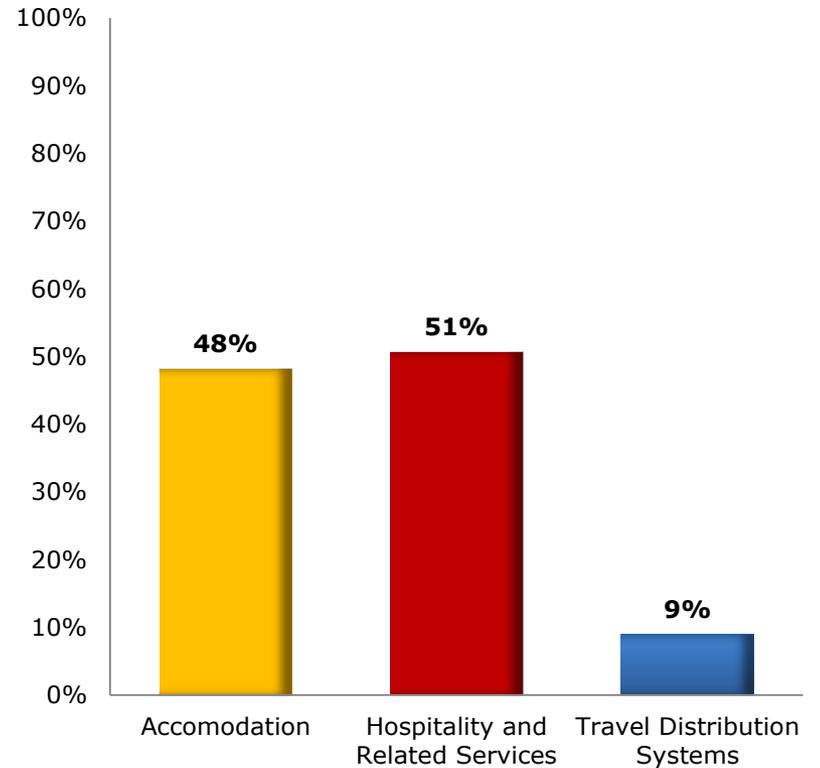
Distribution of Tourism Enterprises
By Turnover Band and Number Of Employees

The vast majority (78%) are Band 1 enterprises (annual turnover less than R2.5 million per annum

On average Band 3 enterprises employ substantially more people than Band 1 and Band 2 enterprises.

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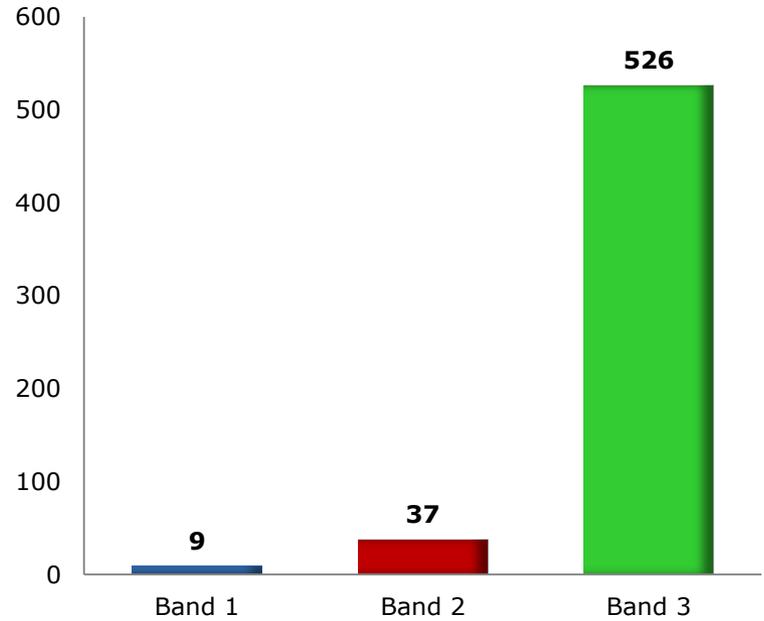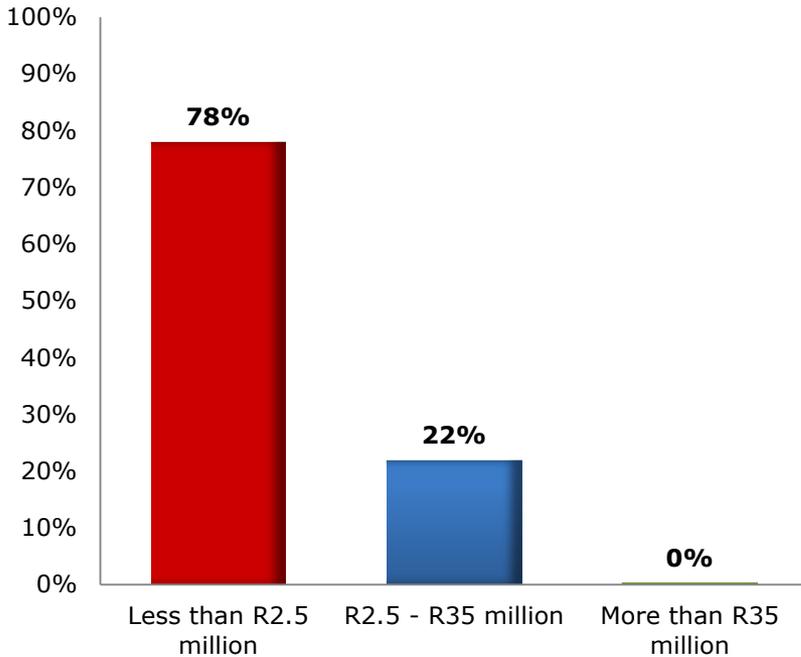
Optimism in the Tourism Industry

- Enterprise leaders were generally optimistic about the future of both their enterprises and of the tourism industry as a whole.
- These findings are a positive indicator for future growth and transformation in the tourism industry.
- However, it was evident that levels of optimism were lower amongst leaders of Band 3 enterprises and higher amongst owners of Band 1 and Band 2 enterprises.
- These results suggest a correlation between being optimistic about one's own business and optimism about the industry as a whole and vice versa.

Future of your own business

Band	Worse / Much Worse	Same	Better / Much Better
Band 1	8%	25%	67%
Band 2	6%	29%	66%
Band 3	28%	22%	50%

Future of the tourism industry

Band	Worse / Much Worse	Same	Better / Much Better
Band 1	7%	31%	62%
Band 2	5%	29%	66%
Band 3	22%	32%	46%

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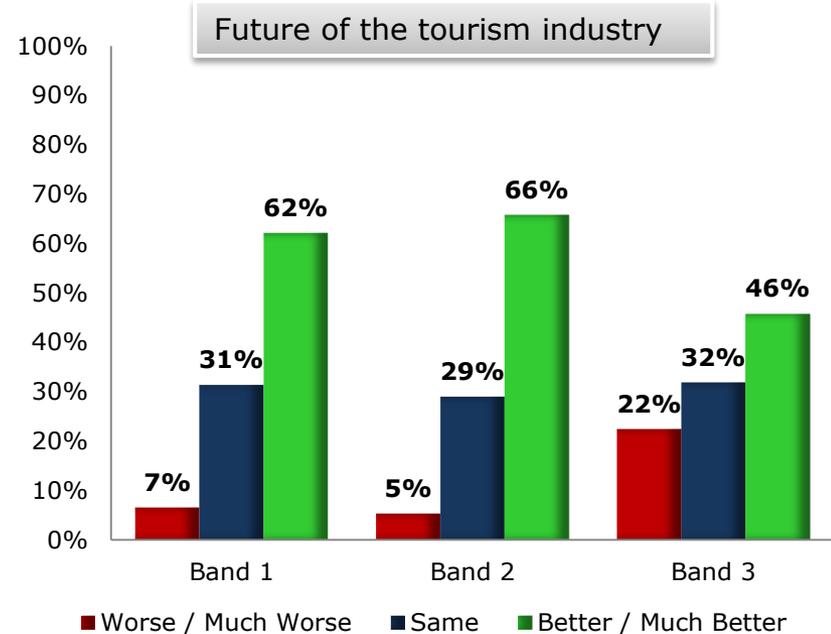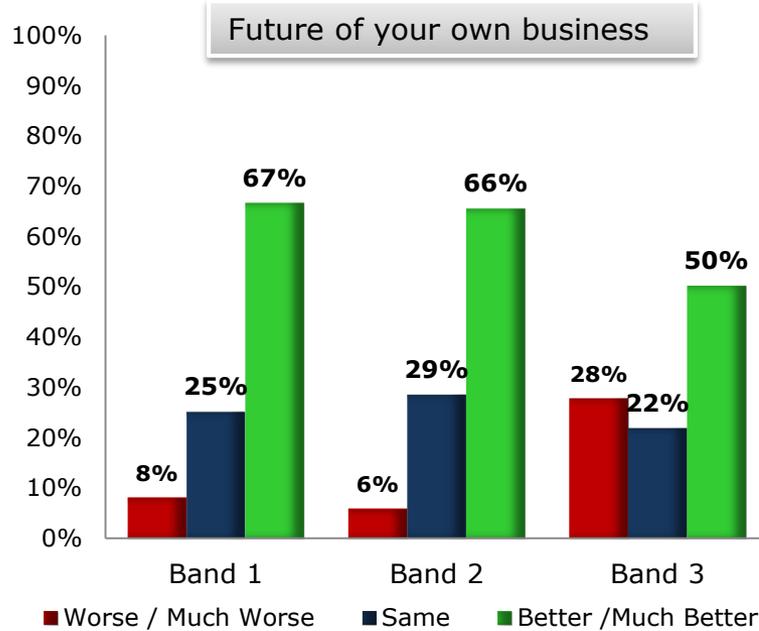
CODE 1: OWNERSHIP
BLACK SHARE-HOLDING

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Overview: Black Shareholding

- In 2010, approximately one-fifth of all enterprises had already achieved 2012 targets for black shareholding.

- The results for Band 1 and Band 2 enterprises are polarized, suggesting that these enterprises each have a single owner, who is either white (in the majority of instances) or black.

  - It is recommended that Band 3 enterprises focus their enterprise development programmes on developing smaller black-owned enterprises.

- Band 3 enterprises have been making much better progress towards transforming their shareholding than Band 1 and Band 2 enterprises. This is probably a result of them being measured against all 7 scorecard elements including ownership. Band 3 enterprises have also struggled to find suitable investors with the required profile, and this is something that the NDT and partners can assist with.

- Approximately one-fifth of Band 3 enterprises said they intend to improve their ownership profile over the next 12 months. If these enterprises act upon their intention and this intention remains consistent, then substantial transformation in the ownership of these enterprises is likely to occur by 2012.

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Black Shareholding
% Achieved Target

In 2010, approximately one-fifth of enterprises in each of the turnover bands had already achieved the 2012 targets for black shareholding.

Size	2012 Target	2017 Target
Band 1 & 2 (QSE Target)	21%	30%
Band 3 (Generic Target)	21%	30%

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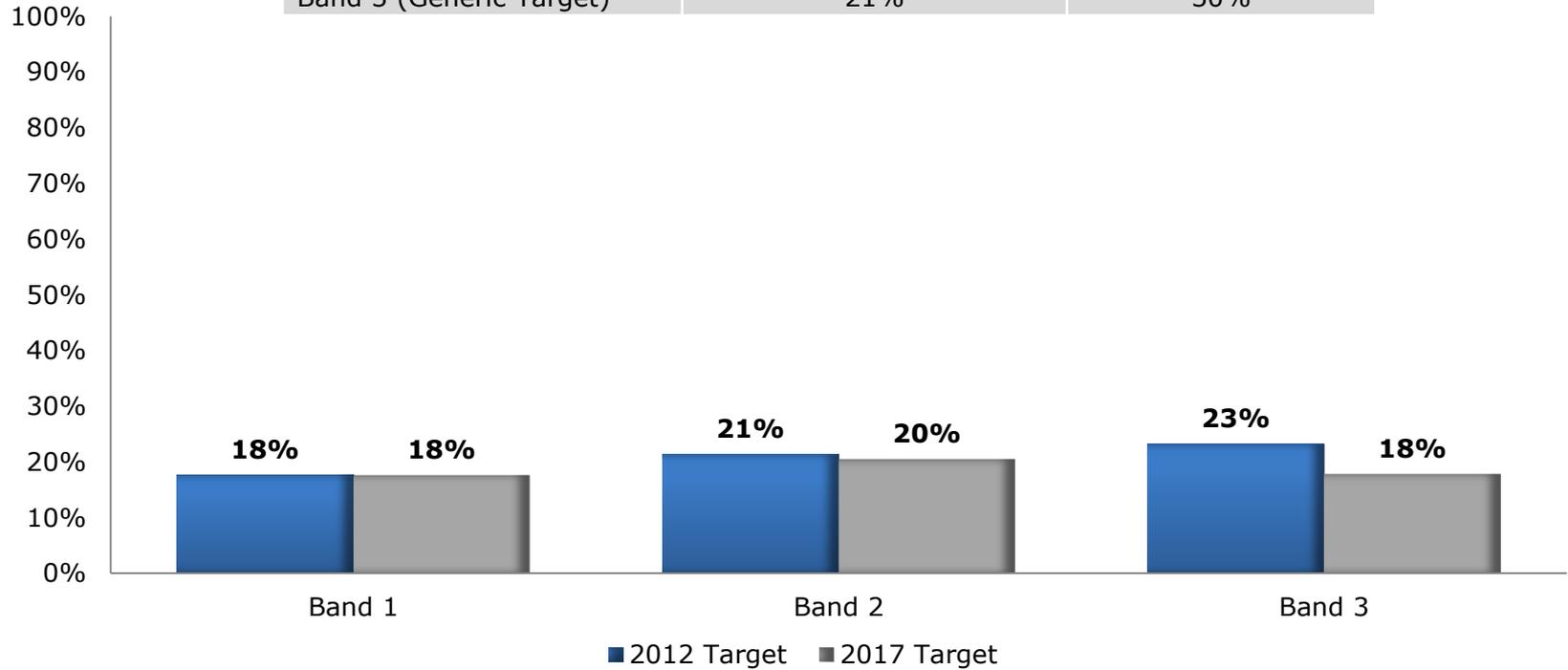
Black Shareholding: % Achieved Target
By Sub-Sector and Province

Achievement of the 2012 target for black shareholding was highest in the 'Travel Distribution Systems' sub-sector (27% achievement) and in KZN (28%), Limpopo (25%) and Gauteng (23%). It is concerning to note that whilst the Western Cape boasts the highest number of tourism enterprises, only one-in-ten had achieved the black shareholding target.

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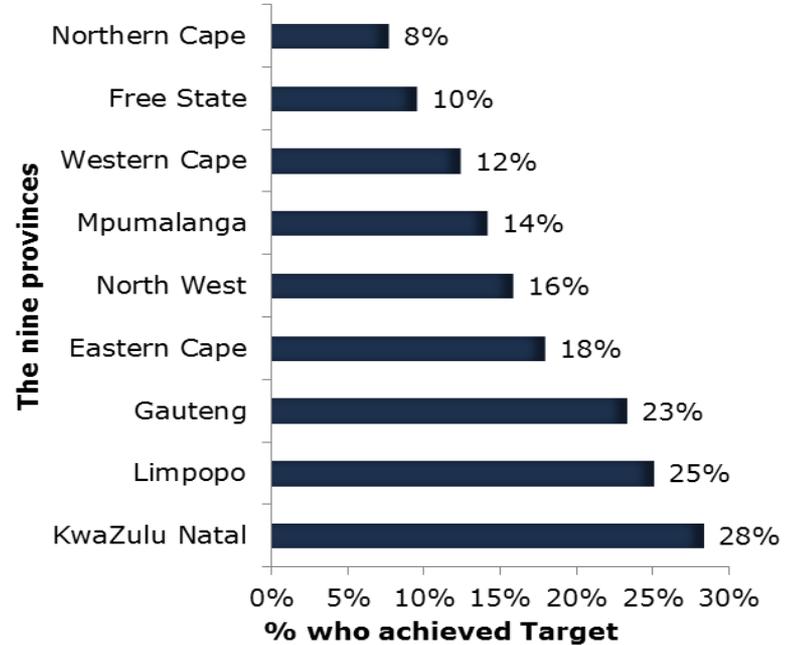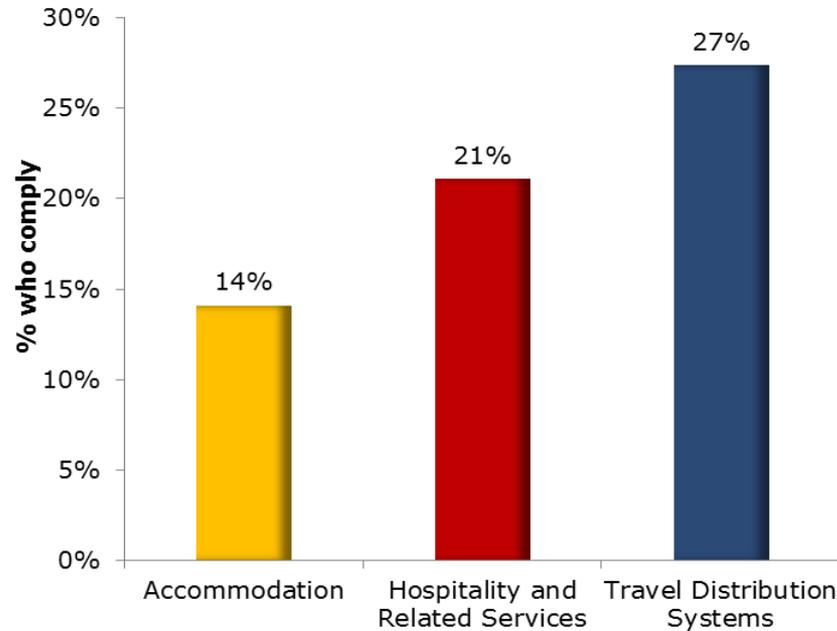
Black Shareholding: Distribution of Scores
Band 1 Enterprises

About one-fifth (18%) of Band 1 enterprises had more than 30% black shareholding – the 2017 target. The majority of Band 1 enterprises (82%) had no black shareholding. A possible explanation for the polarization in results is that these enterprises generally tended to have a single owner, who was either white (in the majority of instances) or non-white.

The only way that these smaller enterprises are likely to change their ownership profile would be to bring in a black business partner or sell their enterprise to a black investor. For many enterprises these options are unlikely. A better option would be to rely on enterprise development by larger enterprises to create increased numbers of black-owned Band 1 enterprises.

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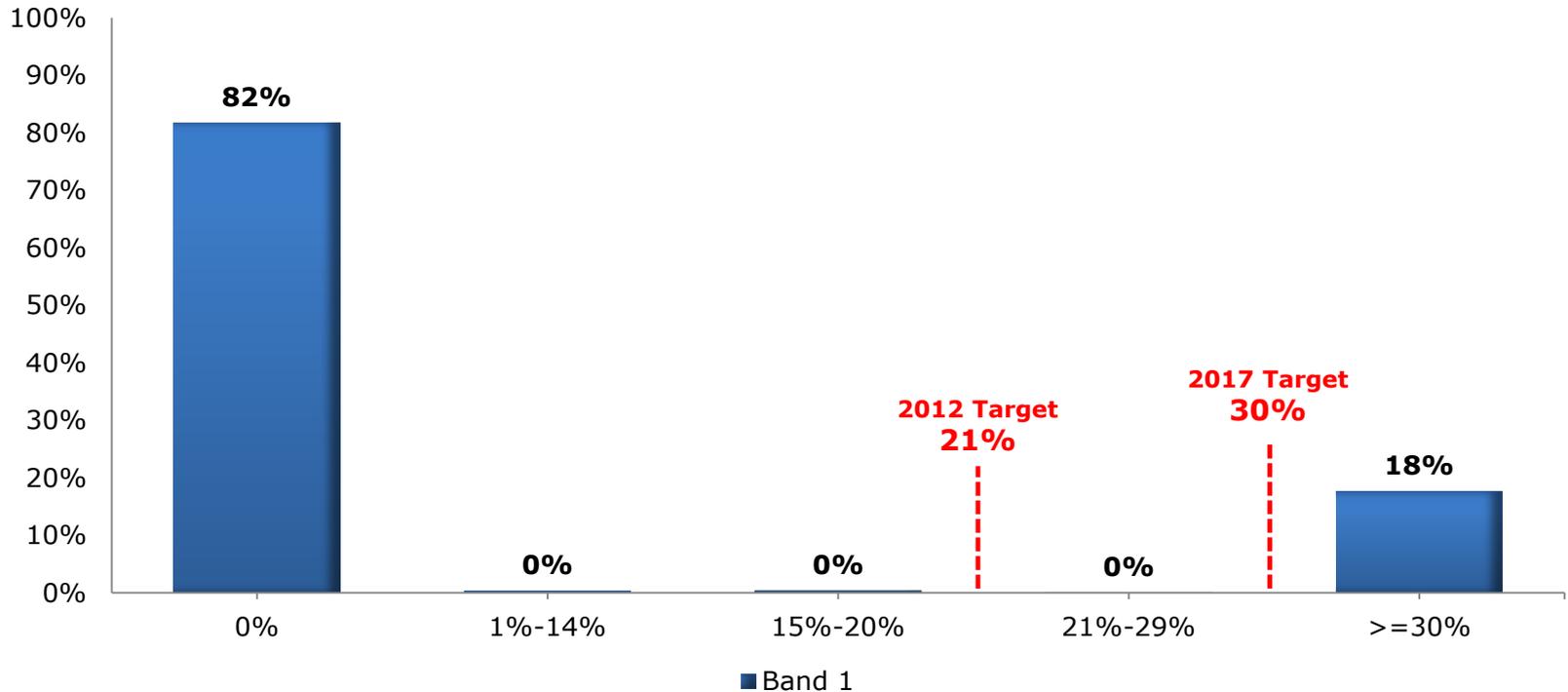
Black Shareholding: Distribution of Scores
Band 2 enterprises

About one-fifth (20.5%) of Band 2 enterprises had more than 30% black shareholding – the 2017 target. Again it should be noted that most Band 2 enterprises also tended to have a single owner, who was either white (in the majority of instances) or non-white. Although these enterprises are more likely to be able to bring in black businesses or investors than the smaller Band 1 enterprises, many will still not choose to make this move. Furthermore, these enterprises can choose to comply with the B-BBEE codes without changing their ownership profile.
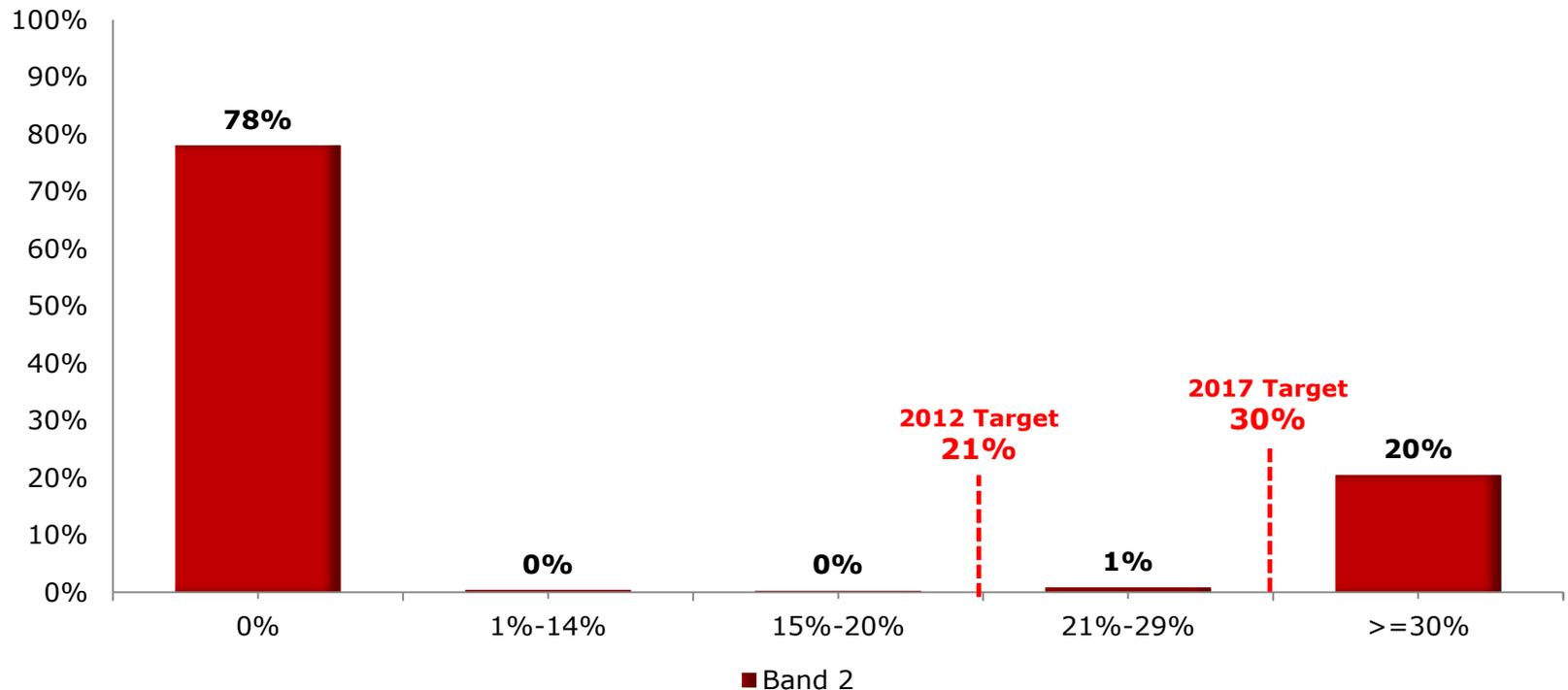
Chart data:

Category	Band 2
0%	78%
1%-14%	0%
15%-20%	0%
21%-29%	1%
>=30%	20%

2012 Target 21%

2017 Target 30%

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Black Shareholding: Distribution of Scores
Band 3 enterprises

Band 3 enterprises have been making positive progress towards transforming their shareholding, and over one-fifth have already achieved the 2012 target of 21% black ownership. Furthermore, an additional small but significant group of enterprises have brought in black investors. However, over two-thirds (68.5%) of Band 3 enterprises still said they had no black shareholders. One possibility is that these enterprises have been struggling to find suitable investors with the required profile, and this is something that the NDT and partners can assist with. Another possibility is that potential investors do not currently believe that the tourism industry is a good investment (as a result of the recession) and need to be persuaded otherwise.

Chart: Black Shareholding distribution for Band 3 enterprises

- 0%: 69%
- 1%-14%: 5%
- 15%-20%: 3%
- 21%-29%: 5%
- >=30%: 18%

2012 Target 21%
2017 Target 30%

Band 3

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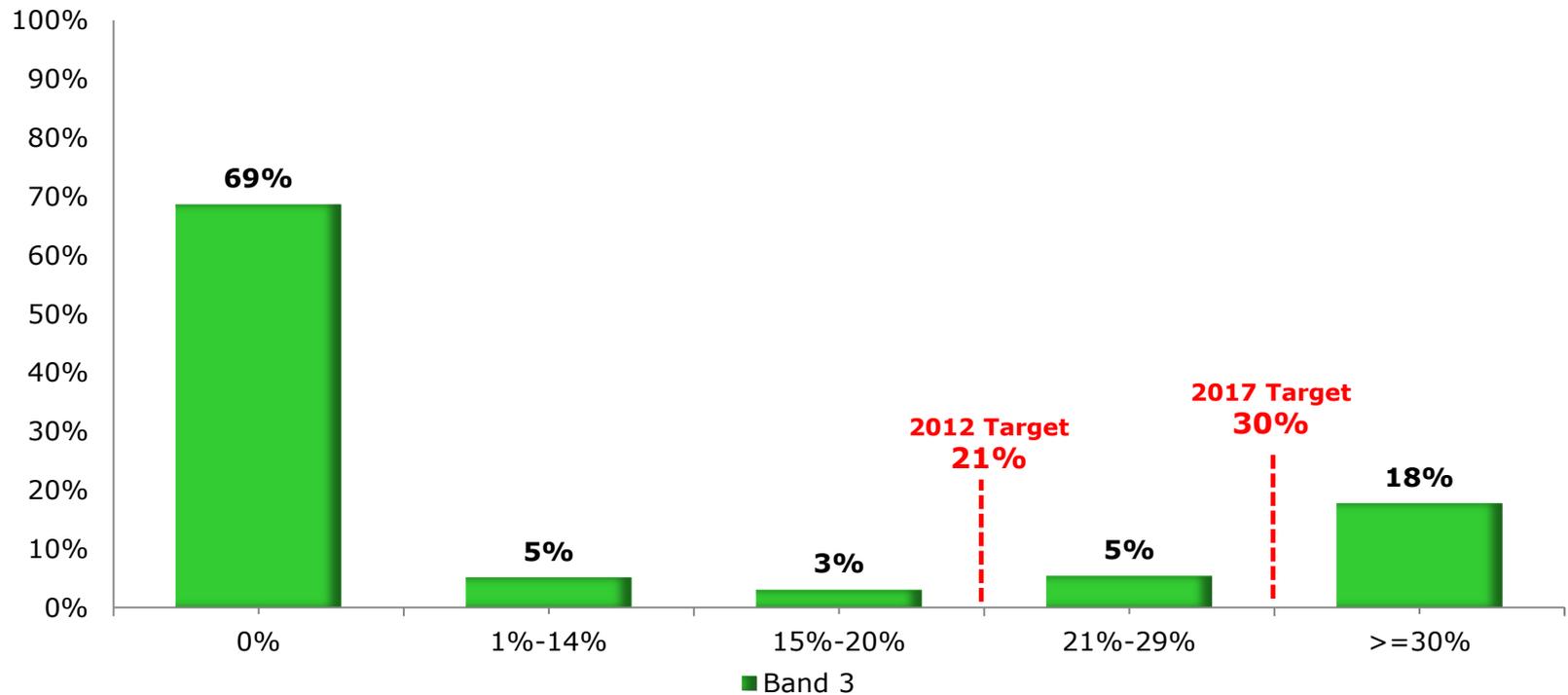
Intention to Change Black Ownership Profile in next 12 months

Approximately one-fifth (22%) of Band 3 enterprises said that they intended to transform their ownership profile over the next 12 months. If these enterprises act upon their intention and this intention remains consistent, then substantial transformation in the ownership of these enterprises is likely to occur by 2012 and 2017. Band 1 and 2 enterprises indicated that their ownership profile would be more likely to remain unchanged, and there are two reasons for why this has most likely occurred. Firstly, these enterprises may have single private owners who are unlikely to issue shares and bring on investors. Secondly, these enterprises are only required to comply with four of the codes in order to become B-BBEE accredited, and this reduces the incentive to change their ownership profiles.

Legend: Decrease (red), Stay the same (dark blue), Increase (grey)

Band	Decrease	Stay the same	Increase
Band 1	0%	94%	6%
Band 2	0%	94%	6%
Band 3	2%	76%	21%

49
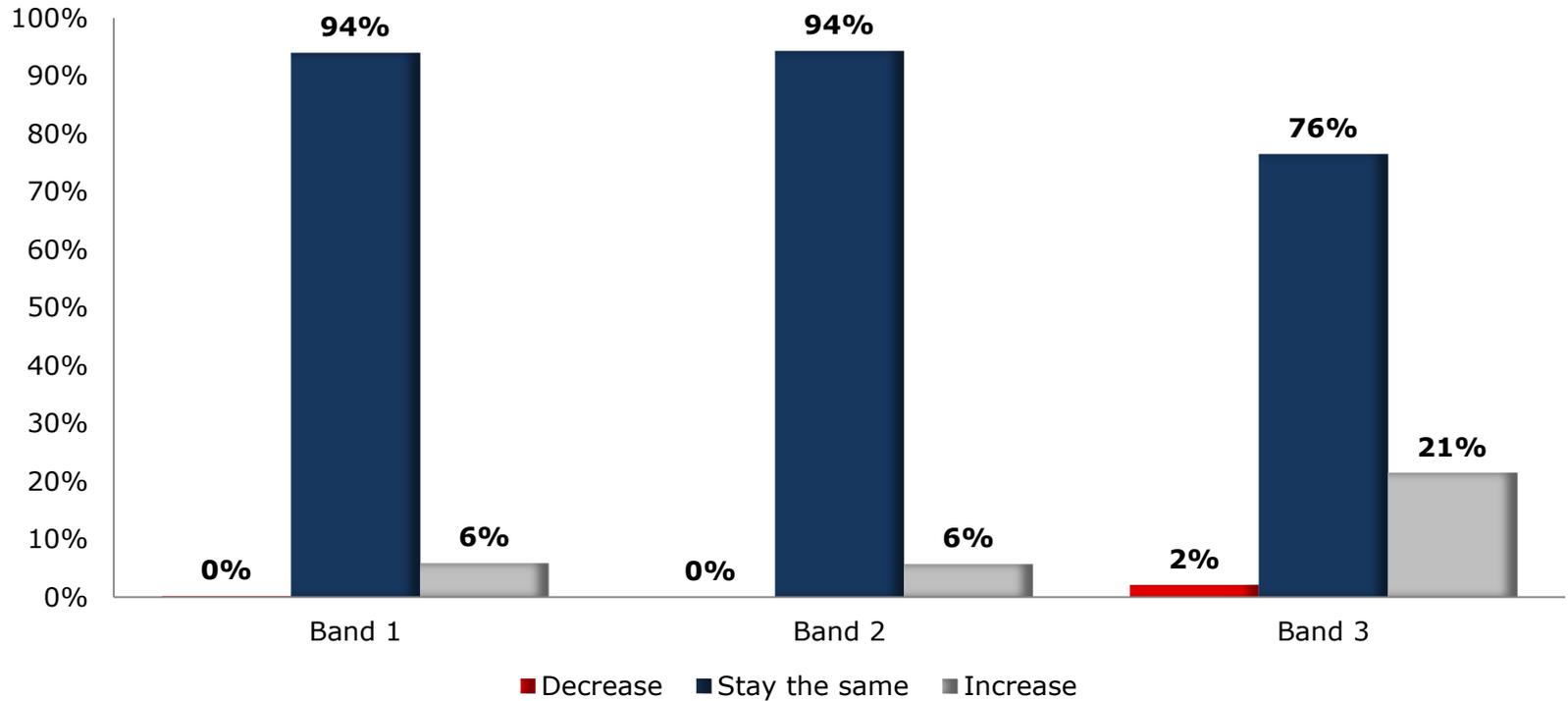
CODE 1: OWNERSHIP
BLACK FEMALE OWNERSHIP

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Overview: Black Female Shareholding

- Approximately one-tenth of all enterprises have achieved the 2012 target for black female shareholders.

- The vast majority of enterprises had no black female shareholding in 2010.

- One possibility is that these enterprises need more support in identifying suitable shareholders, or helping potential shareholders with the correct profile find the required finance.

- Another possibility would be to encourage larger enterprises to use their enterprise development programmes to develop smaller black female-owned enterprises.

- Band 3 enterprises will need to be reminded that they can earn 4 valuable scorecard points if they achieve the 10% target for black female shareholding. In Band 2, the incentive is slightly lower with two bonus points that can be potentially earned.

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Black Female Shareholding: % Achieve Target
All enterprises

In 2010 about one-tenth of all enterprises had already achieved the 10% target for black female shareholders.

Size	2012 Target	2017 Target
Band 1 & 2 (QSE Target)	10%	10%
Band 3 (Generic Target)	10%	10%

Chart:

- Band 1: 2012 Target 11%, 2017 Target 11%
- Band 2: 2012 Target 12%, 2017 Target 12%
- Band 3: 2012 Target 10%, 2017 Target 10%

Legend: ■ 2012 Target ■ 2017 Target

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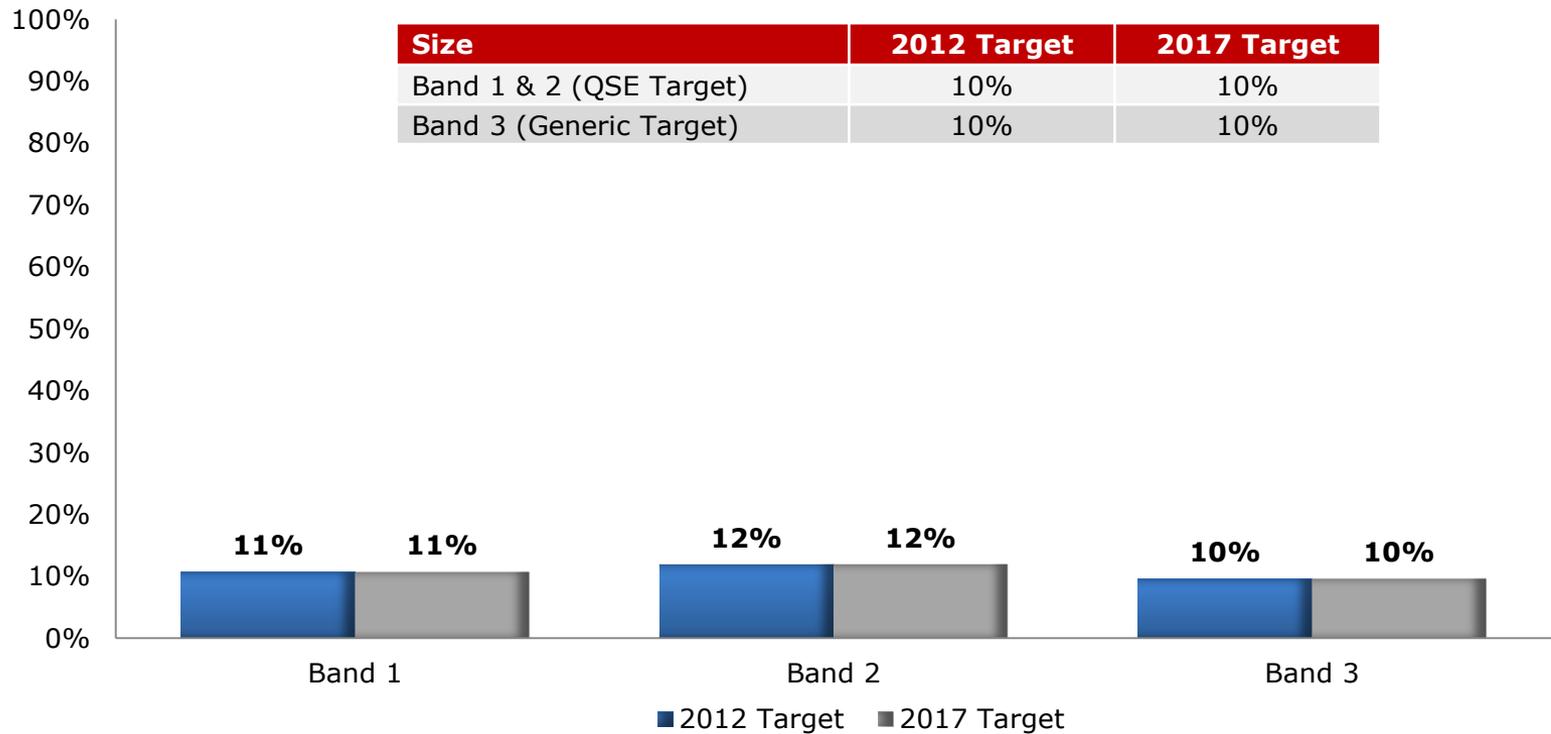
Black Female Shareholding: Distribution of Scores
Band 1 enterprises

Over one-in-ten (11%) of Band 1 enterprises have already achieved the future 2012/2017 target for black female shareholding. However, the vast majority (89%) of Band 1 enterprises have no black female shareholders. This is because these most of these enterprises have a singe white owner.

The only way that these smaller enterprises are likely to change their ownership profile would be for them to bring in a black female business partner or sell their enterprise to a black female investor. For many enterprises these options are unlikely since they only need to comply 4 of the codes. A better option would be to rely on enterprise development by larger enterprises to create increased numbers of black female-owned Band 1 enterprises.

Band 1 Enterprises

% of enterprises in each category

- 0%: 89%
- 1%-9%: 0%
- 10%-24%: 1%
- 25%-49%: 2%
- >=50%: 7%

2012/2017 Target 10%

% categories

53

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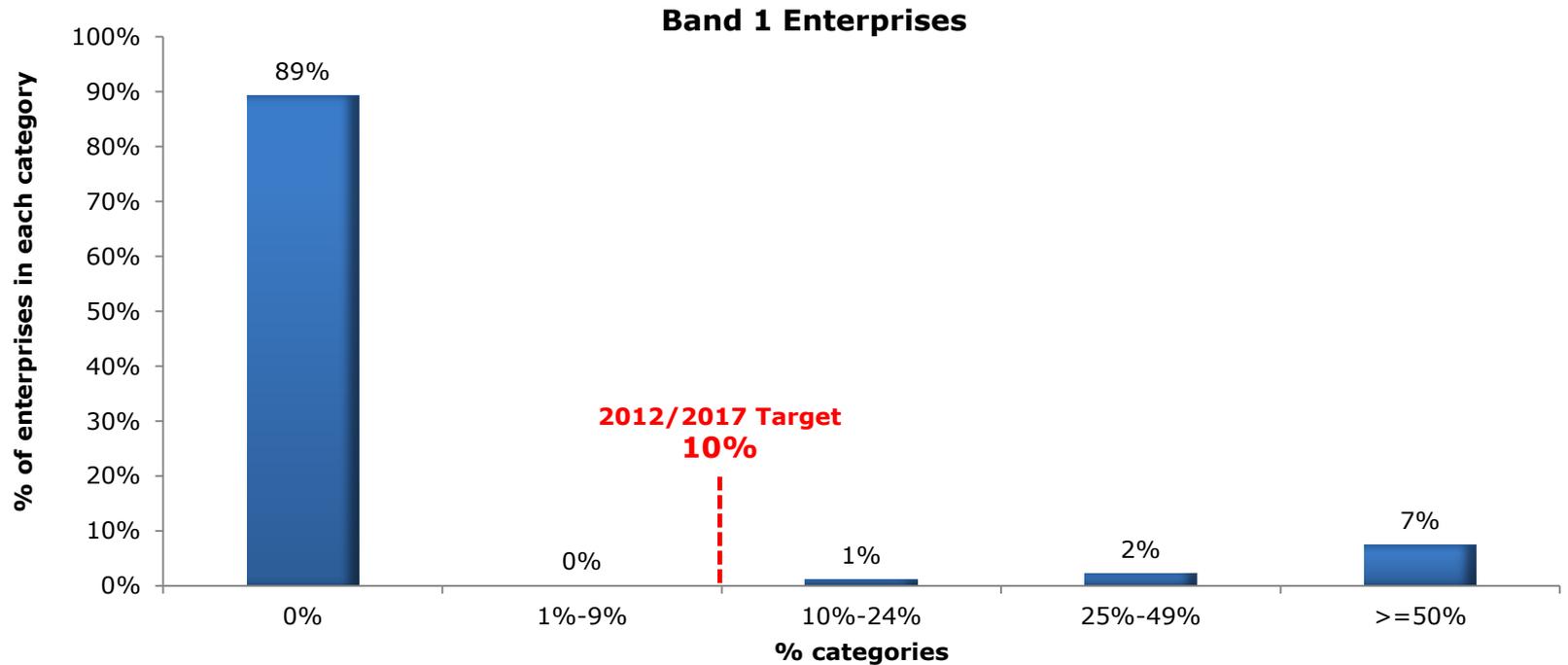
Black Female Shareholding: Distribution of Scores
Band 2 enterprises

Over one-in-ten (12%) of Band 2 enterprises have already achieved the future 2012/2017 target for black female shareholding. However, the vast majority (88%) of Band 2 enterprises have no black female shareholding. Most likely these enterprises have single white owners.

The only way that these smaller enterprises are likely to change their ownership profile would be for them to bring in a black female business partner or to sell their enterprise to a black female investor. For many enterprises, these options are unlikely since they only need to comply with 4 of the codes. A better option would be to rely on enterprise development by larger enterprises to create increased numbers of black female-owned Band 2 enterprises.

Band 2 Enterprises

% of enterprises in each category

- 0%: 88%
- 1%-9%: 0%
- 10%-24%: 2%
- 25%-49%: 3%
- >=50%: 7%

2012/2017 Target **10%**

% categories

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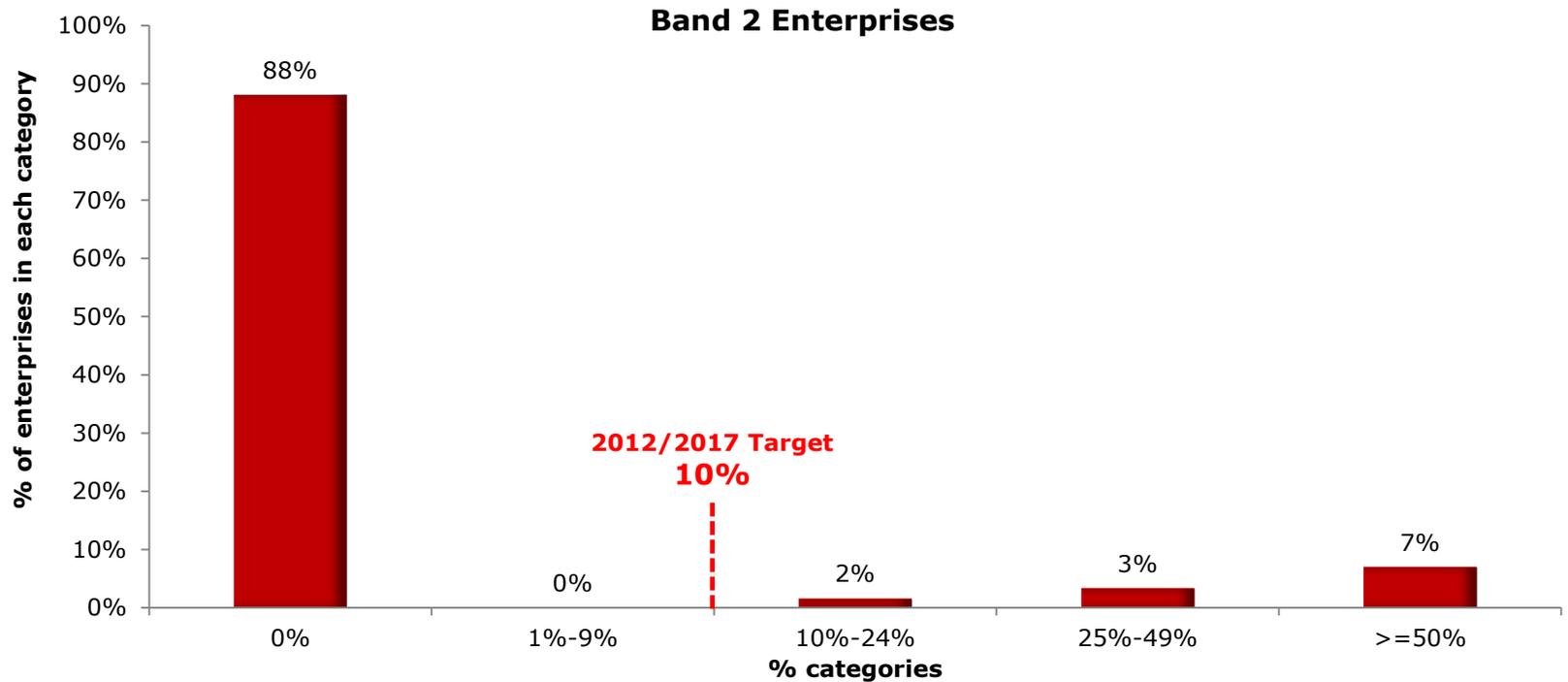
Black Female Shareholding: Distribution of Scores
Band 3 enterprises

Currently one-tenth (10%) of Band 3 enterprises have already achieved the 10% target and another 5% have started making some progress. These enterprises will most likely need support from the NDT to find suitable black-female shareholders.

Band 3 Enterprises

Chart: % of enterprises in each category

- 0%: 85%
- 1%-9%: 5%
- 10%-24%: 10%
- 25%-49%: 0%
- >=50%: 0%

2012/2017 Target 10%

Legend: ■ Band 3

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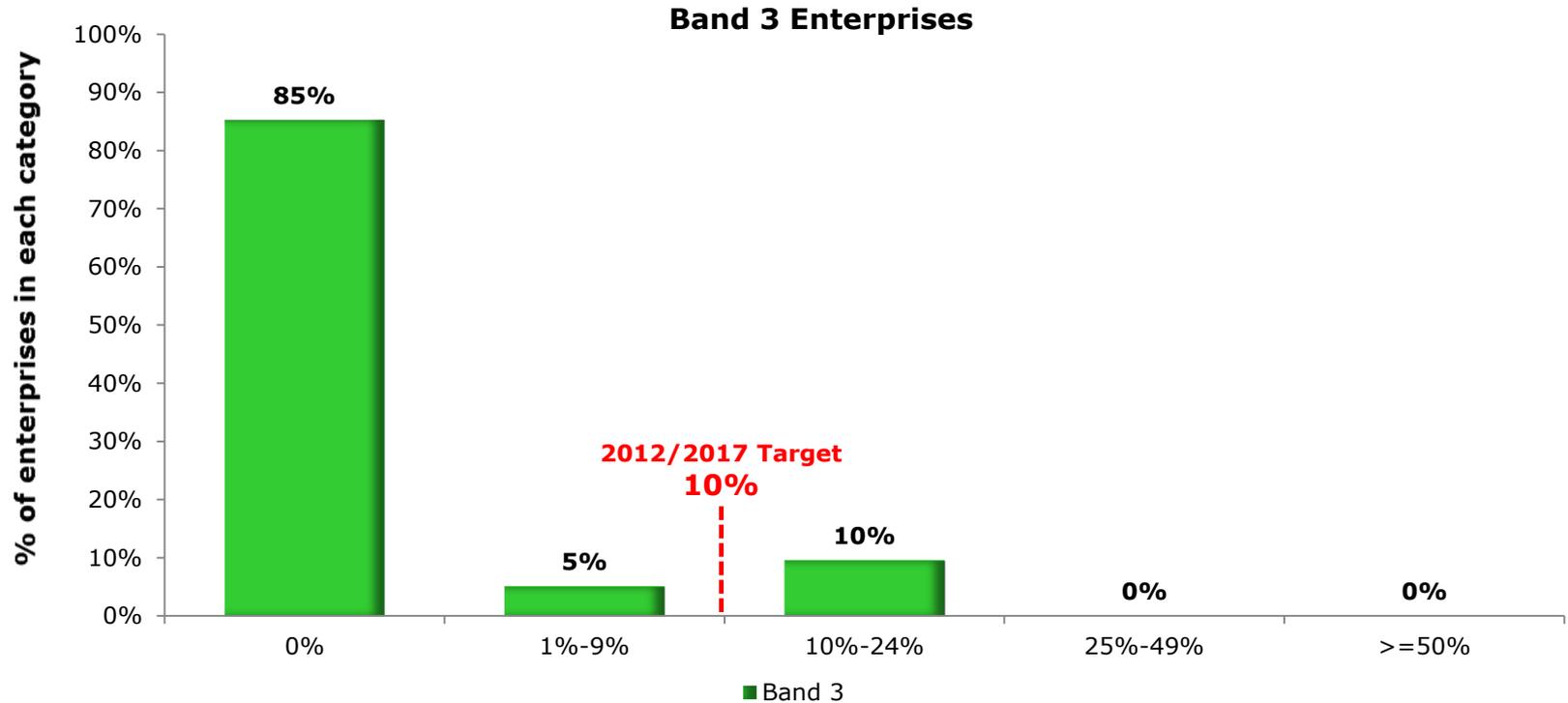
CODE 1: OWNERSHIP

OWNERSHIP BY COOPERATIVES AND EMPLOYEES

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- Overall, Band 3 enterprises appear the most committed to transforming their ownership structures to be more representative. This is a positive indicator of future change.

- A small number of Band 3 enterprises are pioneers in the field of employee ownership and have already met the future 2012 targets.

- All enterprises - but especially Band 2 and Band 3 enterprises - would benefit from more support, training and communication on how to establish employee ownership schemes/cooperative, and the benefits thereof.

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Shareholding through Employee Ownership : % Achieve Target
All enterprises

A small number of Band 3 enterprises are pioneers in the field of employee ownership and have already met the future 2012 targets. All enterprises – especially those in Band 1 and Band 2 – could benefit from more support, training and communication on how to establish employee ownership schemes/cooperative and the benefits thereof.

Size	2012 Target	2017 Target
Band 1 & 2 (QSE Target)	10%	10%
Band 3 (Generic Target)	2.5%	2.5%

% of Enterprises that achieve target

- Band 1 Enterprises: 2012 Target 0.5%, 2017 Target 0.5%
- Band 2 Enterprises: 2012 Target 1.3%, 2017 Target 1.3%
- Band 3 Enterprises: 2012 Target 7.6%, 2017 Target 7.6%

■ 2012 Target   ■ 2017 Target

58

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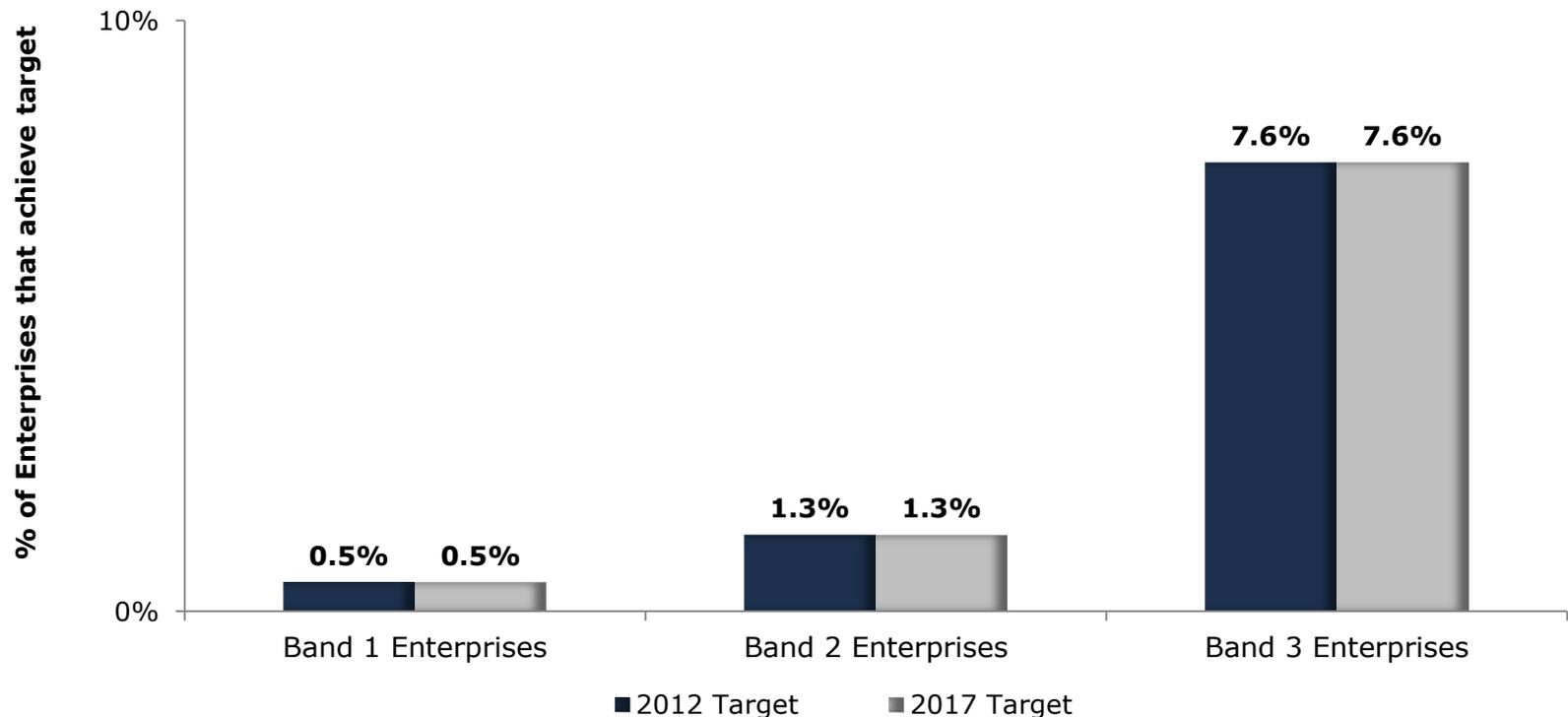
CODE 2: MANAGEMENT CONTROL

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Measuring and Reporting on Layers of Management

- Many enterprises in Bands 1 and 2 are managed by their owners, and consequently they do not have any senior, middle or even junior managers.

- Of those who do have a distinct layer of management, many have very flat structures and therefore don't differentiate between the four management layers mentioned in the industry charter.

- The lack of certain managerial layers, and the lack of differentiation between the layers, was also evident in some of the Band 3 enterprises surveyed.

- To address this challenge, the following policies were implemented:

  - Layers of management were grouped into top/senior management and junior/middle management.

  - If an enterprises had no senior/top management layer, then the profile of the directors (companies) or owners (CCs and partnerships) of the enterprise were used as a proxy for counting towards these scores.

  - Results for middle/junior management were only calculated for enterprises that had this layer of management.

- The tourism charter may need to be updated to reflect the flatter organizational structure that is more prevalent within the tourism industry.

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CODE 2: MANAGEMENT CONTROL
DIRECTORS

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Overview: Black Directors

- The target for black Directors and black female Directors is only applicable to Band 3 enterprises.

- In 2010, approximately one-tenth (12%) of Band 3 enterprises had already achieved the 50% target for black directorship, while 4% had achieved the 25% target for black *female* directorship.

- Almost one-fifth of Band 3 enterprises (19%) are on track to achieve the future targets for black directorship and black female directorship, provided they continue to make their current progress.

- These enterprises will need support to recruit or groom suitable black Directors and black female Directors to join their boards.

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Black Directors and Black Female Directors: % Achieve Target
Band 3 Enterprises

Approximately one-tenth (12%) of Band 3 enterprises had already achieved the 50% target for black directorship, while 4% had achieved the 25% target for black *female* directorship.

Size	2012 Target	2017 Target
Band 3 black directors (Generic Target)	50%	50%
Band 3 black female directors (Generic Target)	25%	25%

63

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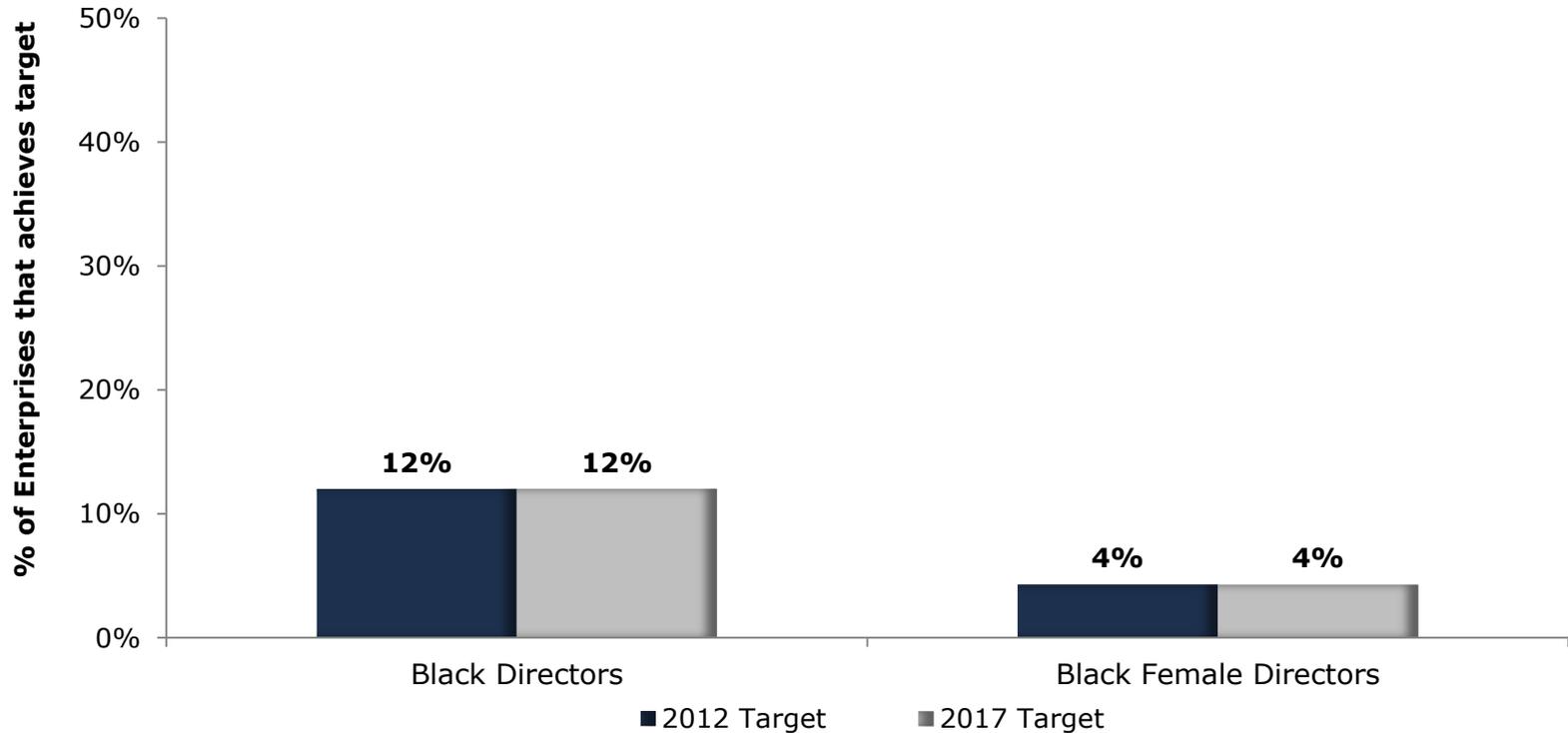
Black Directors and Black Female Directors: Distribution of Scores
Band 3 Enterprises

The two graphs below show that about two-in-ten Band 3 enterprises (19%) are on track to achieve the targets for black directorship and black female directorship, provided they continue to make progress. These enterprises will need support to recruit or groom suitable black Directors and black female Directors to join their boards.

Black Directors

Black Female Directors

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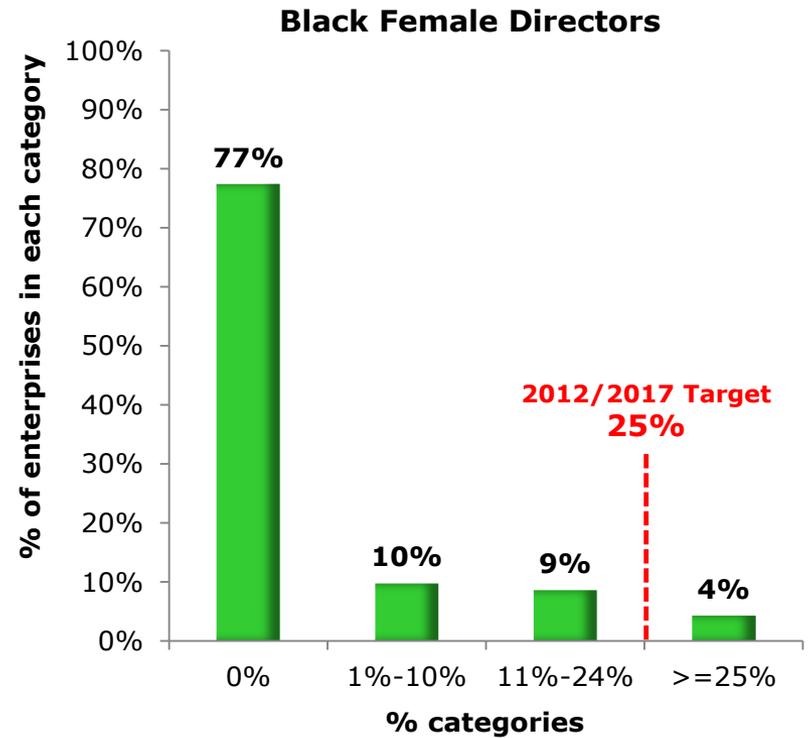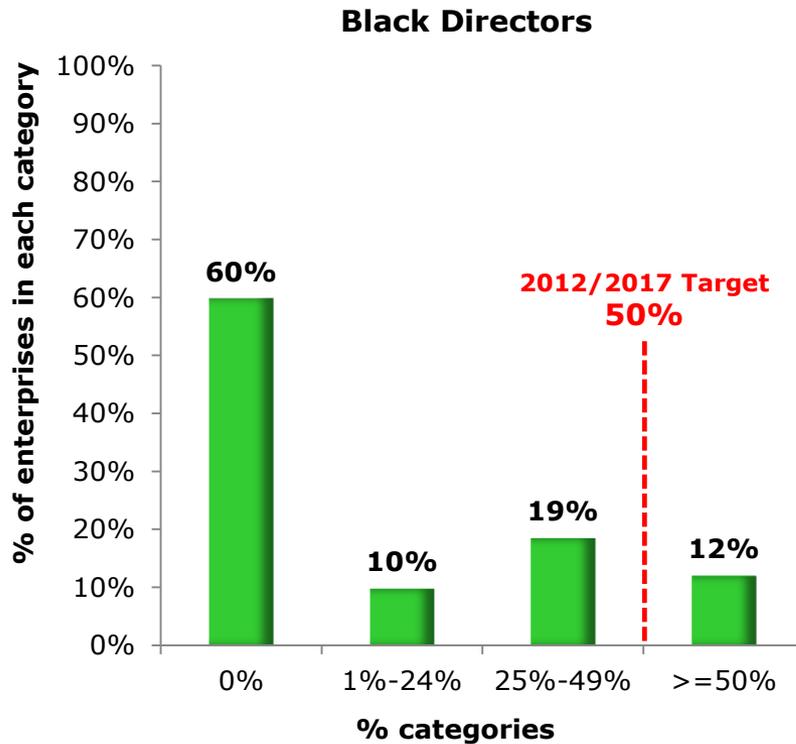
CODE 2: MANAGEMENT CONTROL
COMPOSITION OF SENIOR/TOP MANAGEMENT

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Overview: Black Senior/Top Management

- In 2010, more than a third of Band 1 and 2 enterprises had already achieved the 2012/2017 targets for black senior/top management. This is a very positive sign.

- The proportion of Band 3 enterprises that had achieved this target was somewhat lower, and hopefully rapid progress will still be made in this area.

- A significant number of Band 1 and 2 enterprises (27% and 35% respectively) had already achieved the 2012/2017 targets for black *female* senior/top management. This result was also influenced by the ownership profile of these enterprises (e.g. a black owner managing their own enterprise) and the means by which this particular indicator was calculated.

- The proportion of Band 3 enterprises that have already achieved this target is somewhat lower (10%). However, it should be borne in mind that it takes longer to transform a layer of management in a larger enterprise.

- Secondly, the results have already shown that although the majority of Band 3 enterprises have not yet achieved this target, they are nevertheless making greater progress towards transforming this particular layer of management than the other Bands.

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Black Senior/Top Management: % Achieve Target
All enterprises

More than a third of Band 1 and 2 enterprises had already achieved the 2012/2017 targets for black senior/top management. The proportion of Band 3 enterprises that have achieved this target is somewhat lower. However, it needs to be borne in mind that the level of transformation of ownership influenced the level of transformation for senior/top management as the profile of the directors or owners were used in our calculations where an enterprise did not have such a management layer in place (mainly Band 1 and Band 2 enterprises.)

Size	2012 Target	2017 Target
Band 1 & 2 (QSE Target)	50.1%	50.1%
Band 3 (Generic Target)	40%	40%

Chart: % of Enterprises that achieve target

- Band 1 Enterprises: 2012 Target 38%, 2017 Target 38%
- Band 2 Enterprises: 2012 Target 39%, 2017 Target 39%
- Band 3 Enterprises: 2012 Target 5%, 2017 Target 5%

Legend: ■ 2012 Target ■ 2017 Target

67

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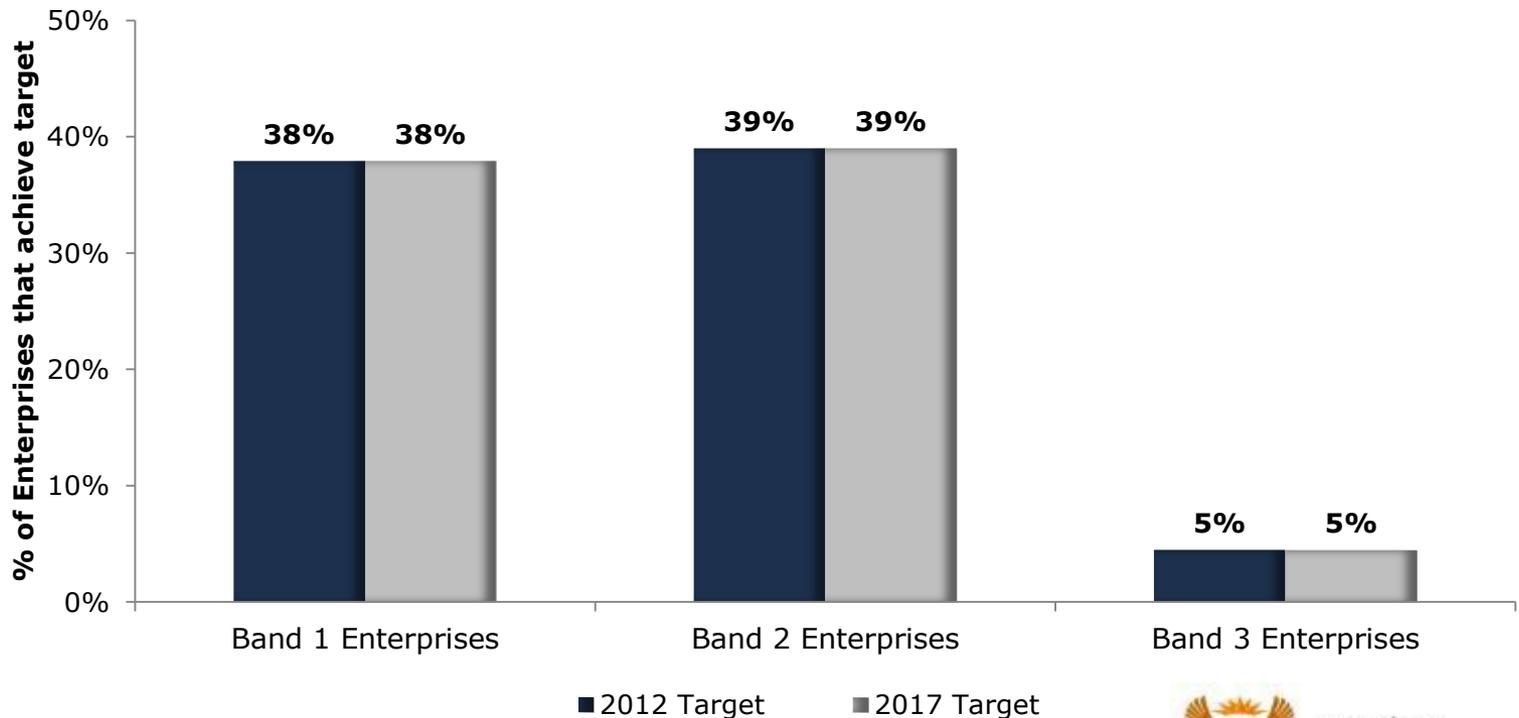
Black Senior/Top Management: Distribution of Scores
Band 1 enterprises

These findings mirror the ownership results of Band 1 enterprises; this is not surprising, given that many of the owners of these enterprises are also the senior/top managers of the business.

While a significant number (55%) of these enterprises have either achieved the 2012/2017 target or are making progress towards this target, a substantial proportion (45%) currently have no black senior/top management.

Band 1 Enterprises

Chart — % of enterprises in each category vs % categories:
- 0%: 44.9%
- 1%-19%: 2.0%
- 20%-39%: 6.7%
- 40%-50%: 8.6%
- 2012/2017 Target 50.1%
- 51%-75%: 5.6%
- >75%: 32.3%

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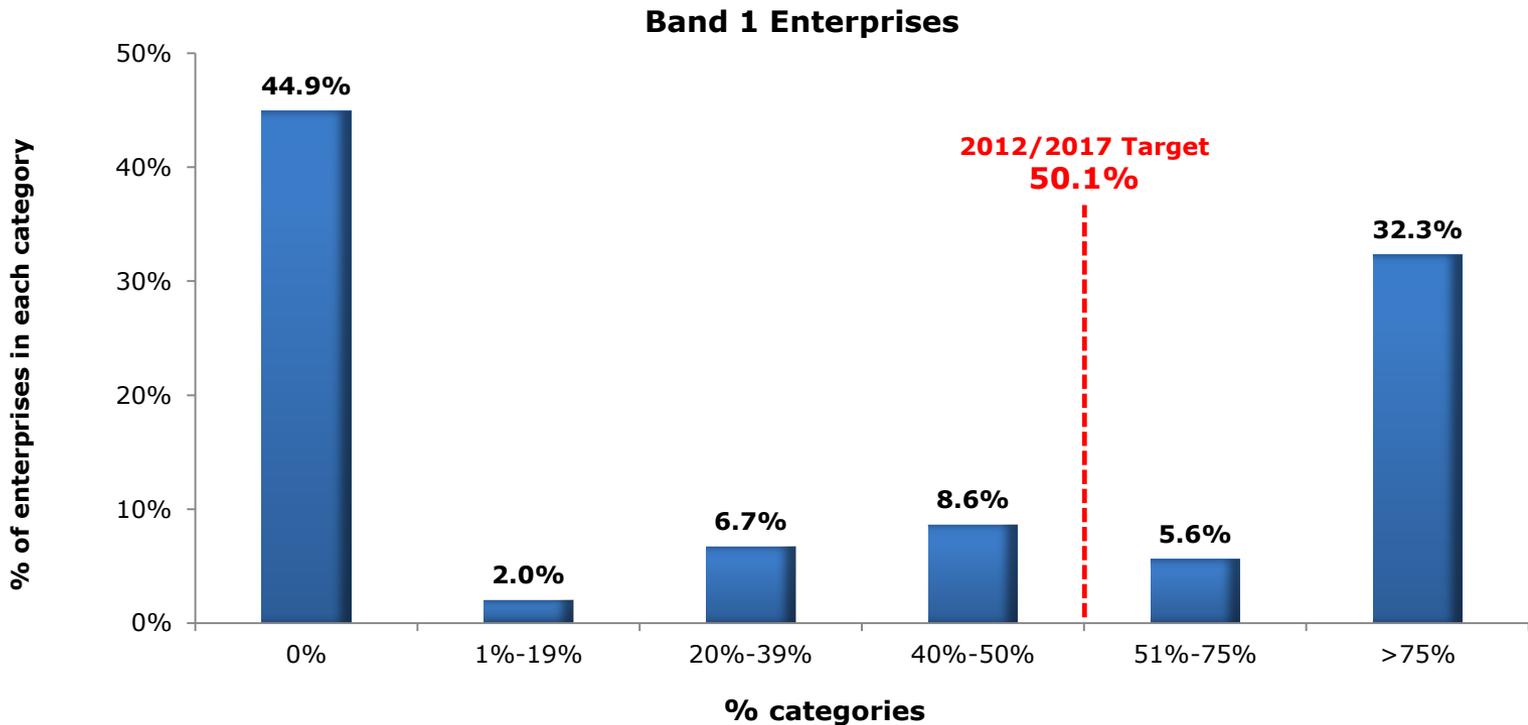
Black Senior/Top Management: Distribution of Scores
Band 2 enterprises

Transformation of black senior/top management is less polarized for Band 2 enterprises than for Band 1 enterprises. This is reasonable, given that these organizations tend to be somewhat bigger than Band 1 enterprises and their owners are more likely to have employed staff to help manage the enterprises. Over two-thirds (70%) of these enterprises have either achieved the 2012/2017 target, or are making progress towards achieving these targets.

Band 2 Enterprises

2012/2017 Target
50.1%

% of enterprises in each category

- 0%: **30.4%**
- 1%-19%: **0.6%**
- 20%-39%: **9.6%**
- 40%-50%: **20.4%**
- 51%-75%: **13.3%**
- >75%: **25.7%**

% categories

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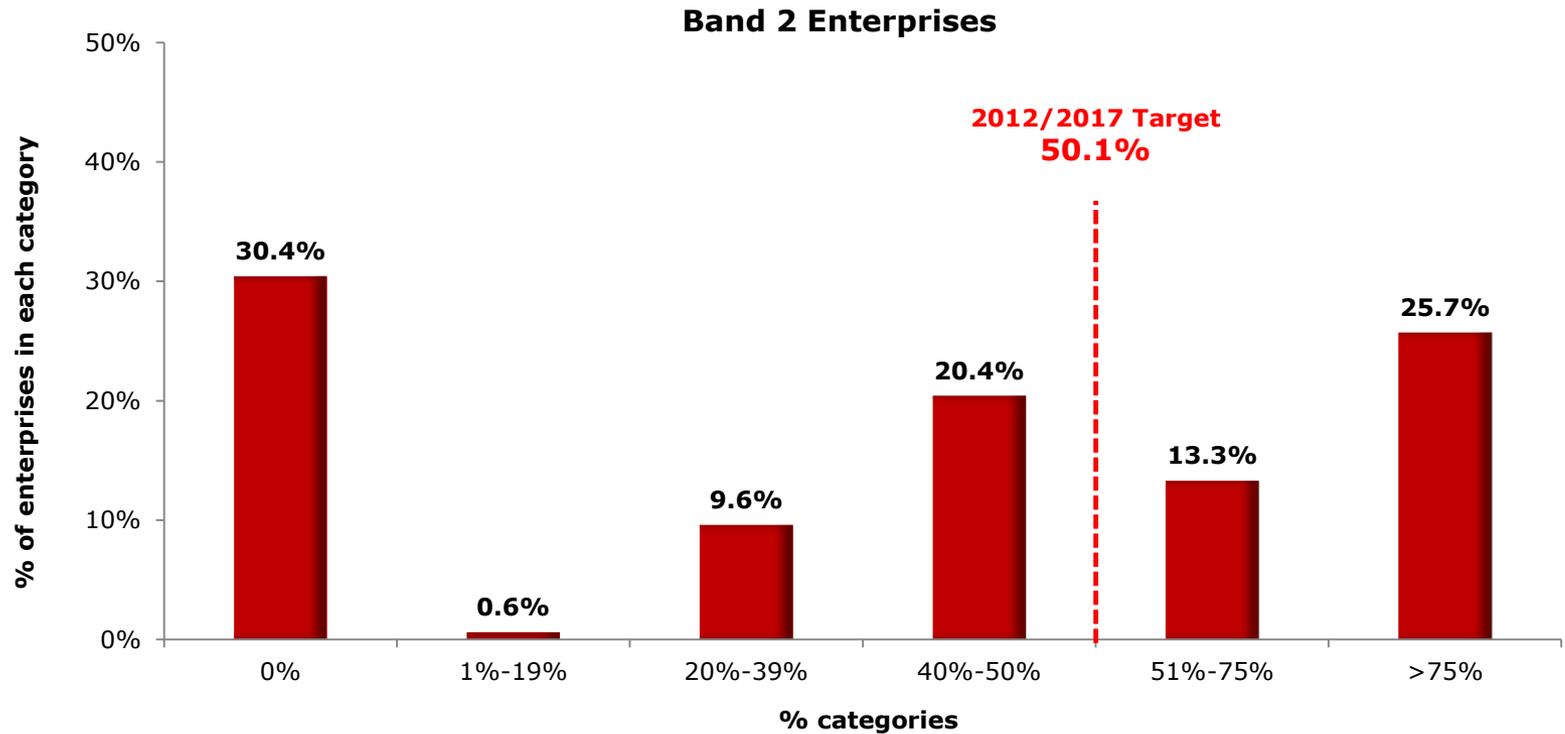
Black Senior/Top Management: Distribution of Scores
Band 3 enterprises

While only a few Band 3 enterprises have achieved the future 2012/2017 target for black senior/top management, it is clear that substantial progress is being made in this regard: the vast majority (86%) of these enterprises have started transforming this management layer, and with the right effort and support, they should be able to achieve the prescribed target.

Band 3 Enterprises

Bar chart — % of enterprises in each category (y-axis, 0%–50%) vs % categories (x-axis):
- 0%: 9%
- 1%-19%: 42%
- 20%-39%: 44%
- 40%-50%: 2%
- >50%: 2%

2012/2017 Target 40% (indicated by dashed red line)

70

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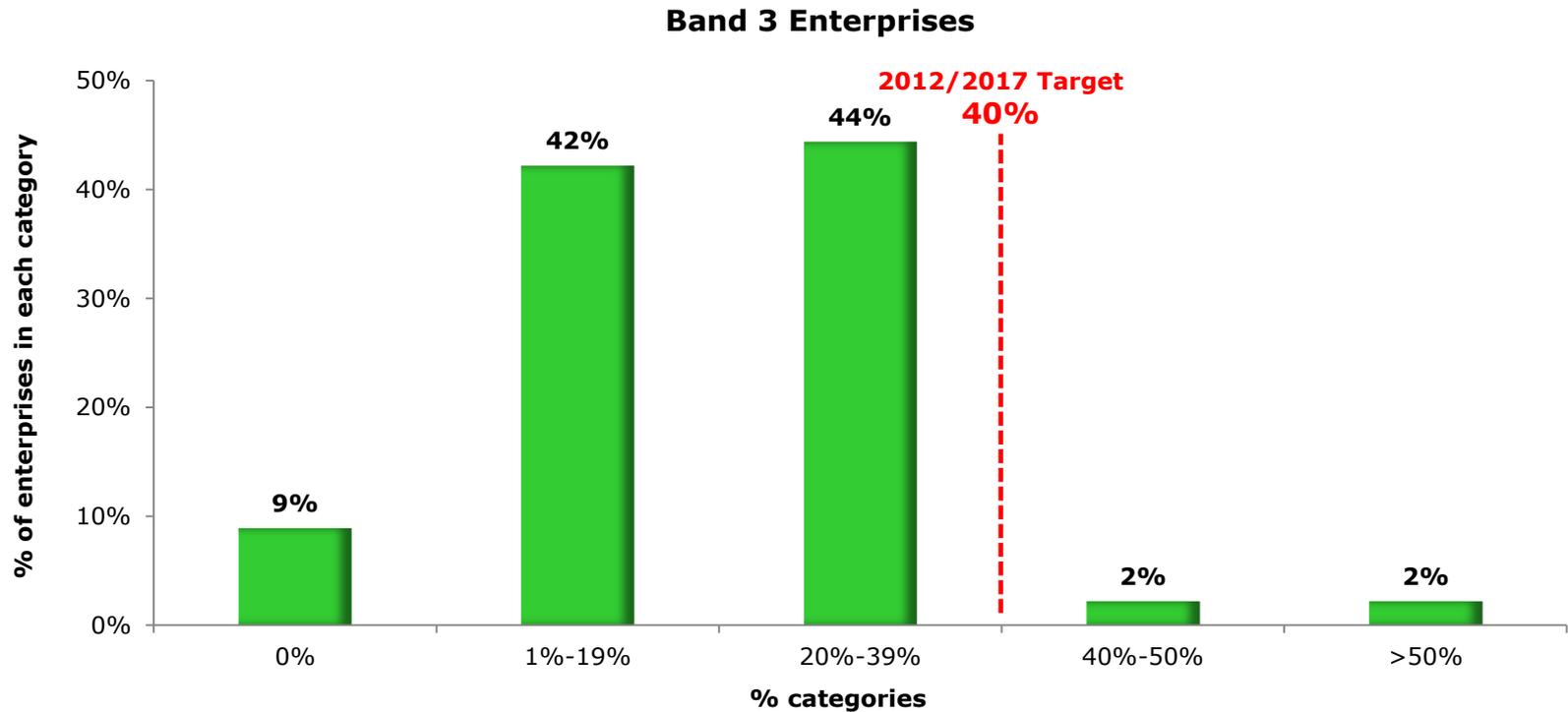
Black Senior/Top Management: % Achieve Target By Sub-Sector and Province
Band 1 and Band 2 enterprises

Band 1 and 2 enterprises that achieved the future 2012/2017 target were spread across all sub-sectors and mainly based in the Free State, Limpopo and KZN.

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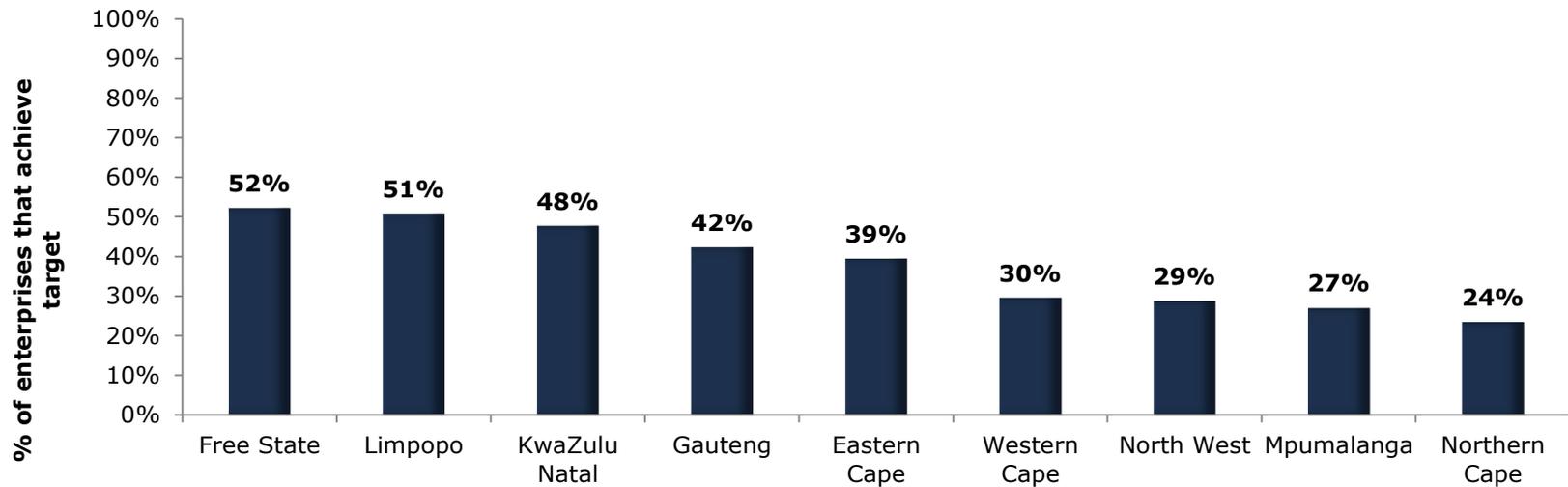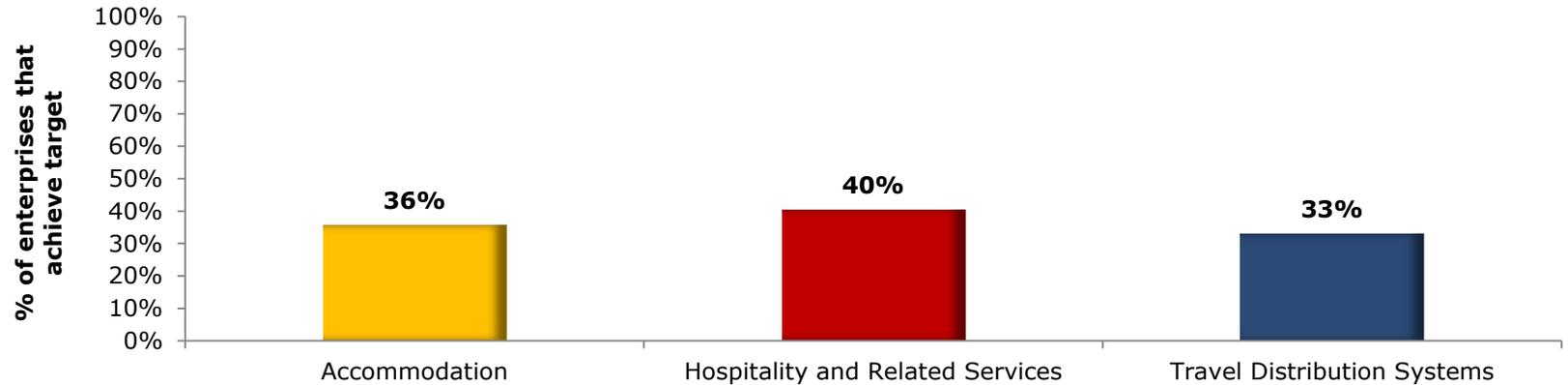
Black Female Senior/Top Management: % Achieve Target
All enterprises

A significant number of Band 1 and 2 enterprises (27% and 35% respectively) had already achieved the 2012/2017 targets for black *female* senior/top management. This result was also influenced by the ownership profile of these enterprises (e.g. a black owner managing their own enterprise) and the means by which this particular indicator was calculated. The proportion of Band 3 enterprises that have already achieved this target is somewhat lower (10%). However, it should be borne in mind that it takes longer to transform a layer of management in a larger enterprise. Secondly, the results have already shown that although the majority of Band 3 enterprises have not yet achieved this future target, they are nevertheless making greater progress towards transforming this particular layer of management than the other Bands.

Size	2012 Target	2017 Target
Band 1 & 2 (QSE Target)	25%	25%
Band 3 (Generic Target)	20%	20%

Chart: % of Enterprises in Compliance

- Band 1 Enterprises: 2012 Target 27%, 2017 Target 27%
- Band 2 Enterprises: 2012 Target 35%, 2017 Target 35%
- Band 3 Enterprises: 2012 Target 10%, 2017 Target 10%

Legend: ■ 2012 Target ■ 2017 Target

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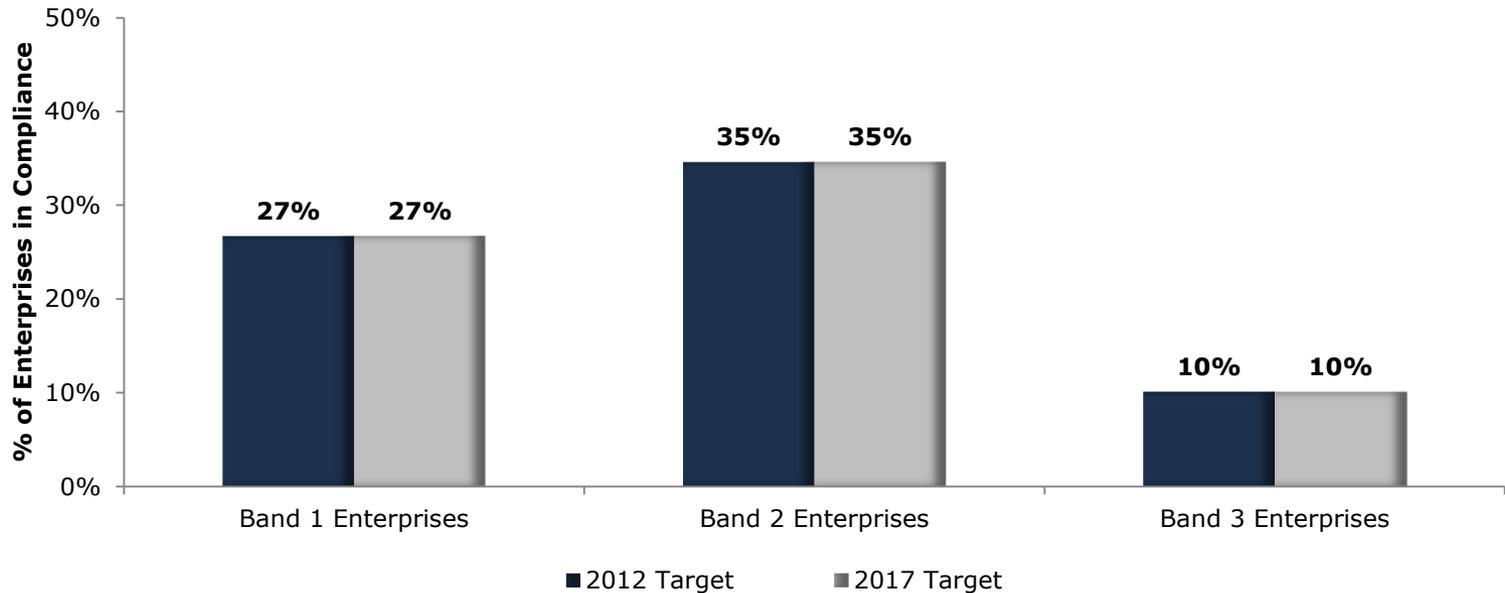
CODE 3: EMPLOYMENT EQUITY
MIDDLE AND JUNIOR MANAGEMENT

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Overview: Black Middle/ Junior Management in Band 3 enterprises

- These results show that middle/junior management layer of Band 3 enterprises is in the process of steady transformation.

- In 2010, almost half of the Band 3 enterprises had already achieved the 2012 target for black middle/junior management, while the remainder had started making progress towards achieving this target.

- Furthermore, approximately one-fifth (21%) of Band 3 enterprises had already achieved the 2012 target for black *female* middle/junior management.

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These targets are only applicable to Band 3 enterprises. More than four-in-ten Band 3 enterprises had already achieved the 2012 target for black middle/junior management. Furthermore, about two-in-ten of these enterprises had achieved the target for black *female* middle and junior management. It is crucial to note that these proportions were only calculated out of those enterprises that had this particular management layer.

Size	2012 Target	2017 Target
Band 3 Black middle/junior management (Generic Target)	63%	75%
Band 3 Black Female middle/junior management (Generic Target)	32.5%	37.5%

% Achieve Targets

Chart: % of Enterprises that achieve target

- Black middle/ Junior Management: 2012 Target 43%, 2017 Target 19%
- Black Female middle/ Junior Management: 2012 Target 21%, 2017 Target 15%

■ 2012 Target   ■ 2017 Target

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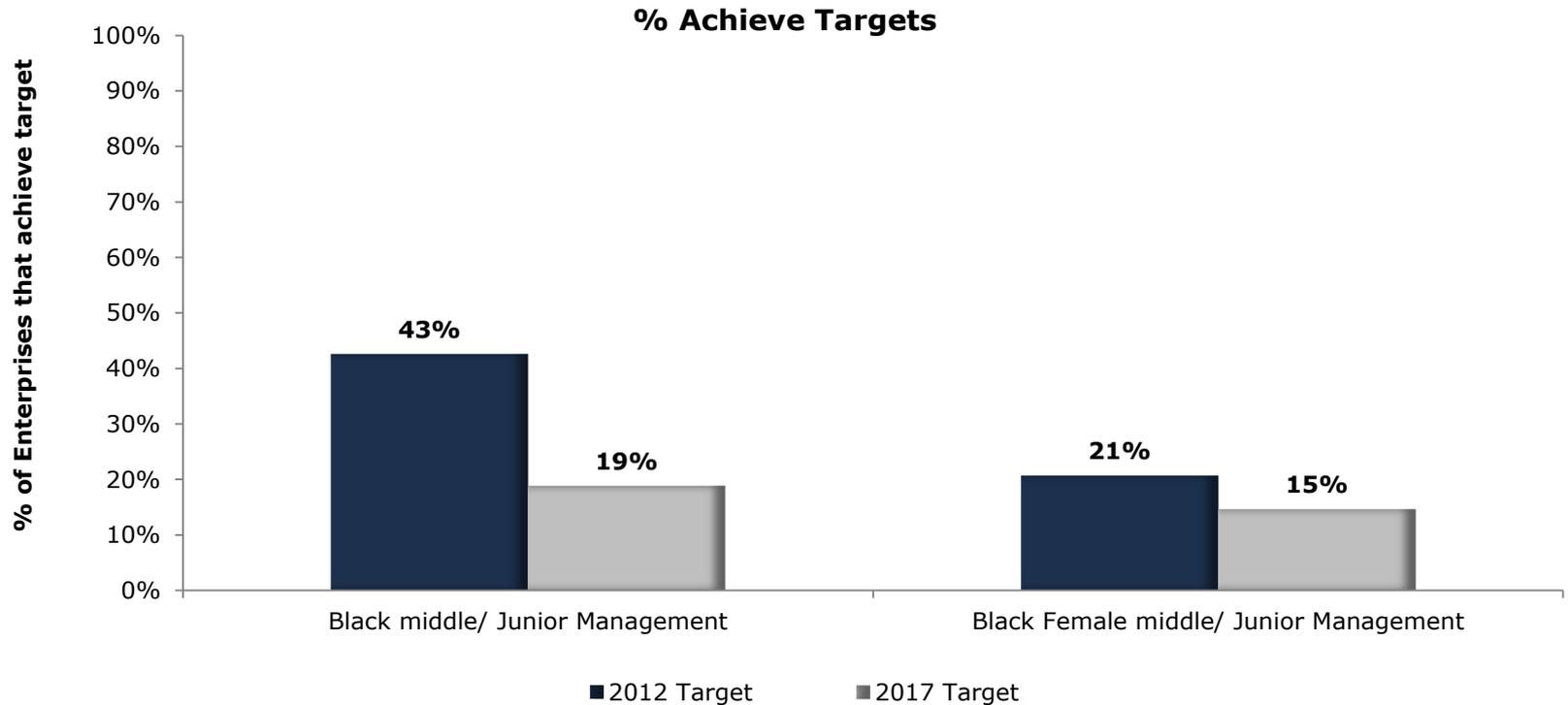
Black Middle/Junior Management

A large number (43%) of Band 3 enterprises had already achieved the 2012 target for black middle/junior management, while the remainder had started making progress towards achieving this target. These results show that middle/junior management layer of Band 3 enterprises is in the process of steady transformation.

Black middle/ junior management

Chart showing % of enterprises in each category:
- 0%: 4%
- 1%-20%: 15%
- 21%-40%: 20%
- 41%-62%: 20%
- 2012 Target 63%
- 63%-80%: 27%
- >80%: 16%

X-axis: % enterprises

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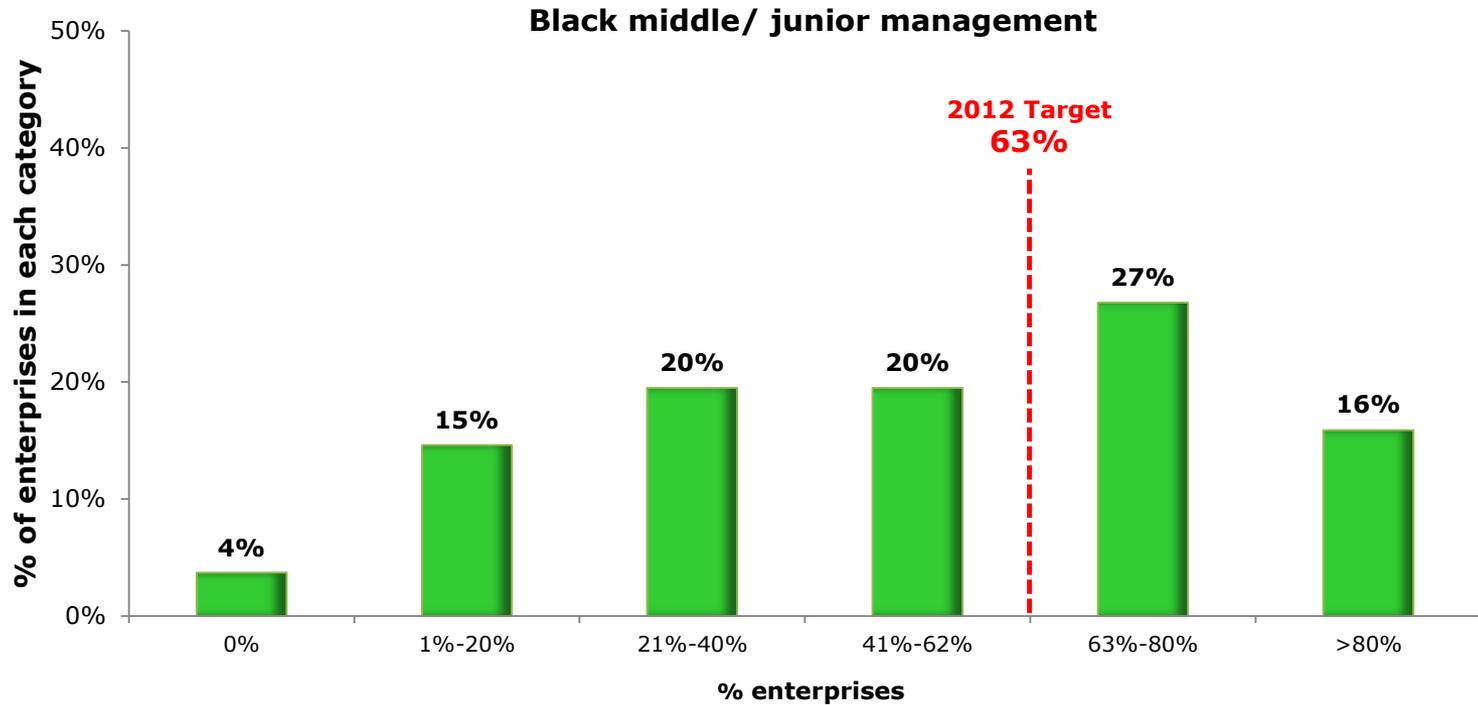
Black Female Middle/Junior Management

Approximately one-fifth (21%) of Band 3 enterprises had already achieved the 2012 target for black *female* middle/junior management. A positive sign is that the majority of these enterprises have started making progress towards achieving this target, and with the right efforts this target will be achieved.

Black female middle/ junior management

77
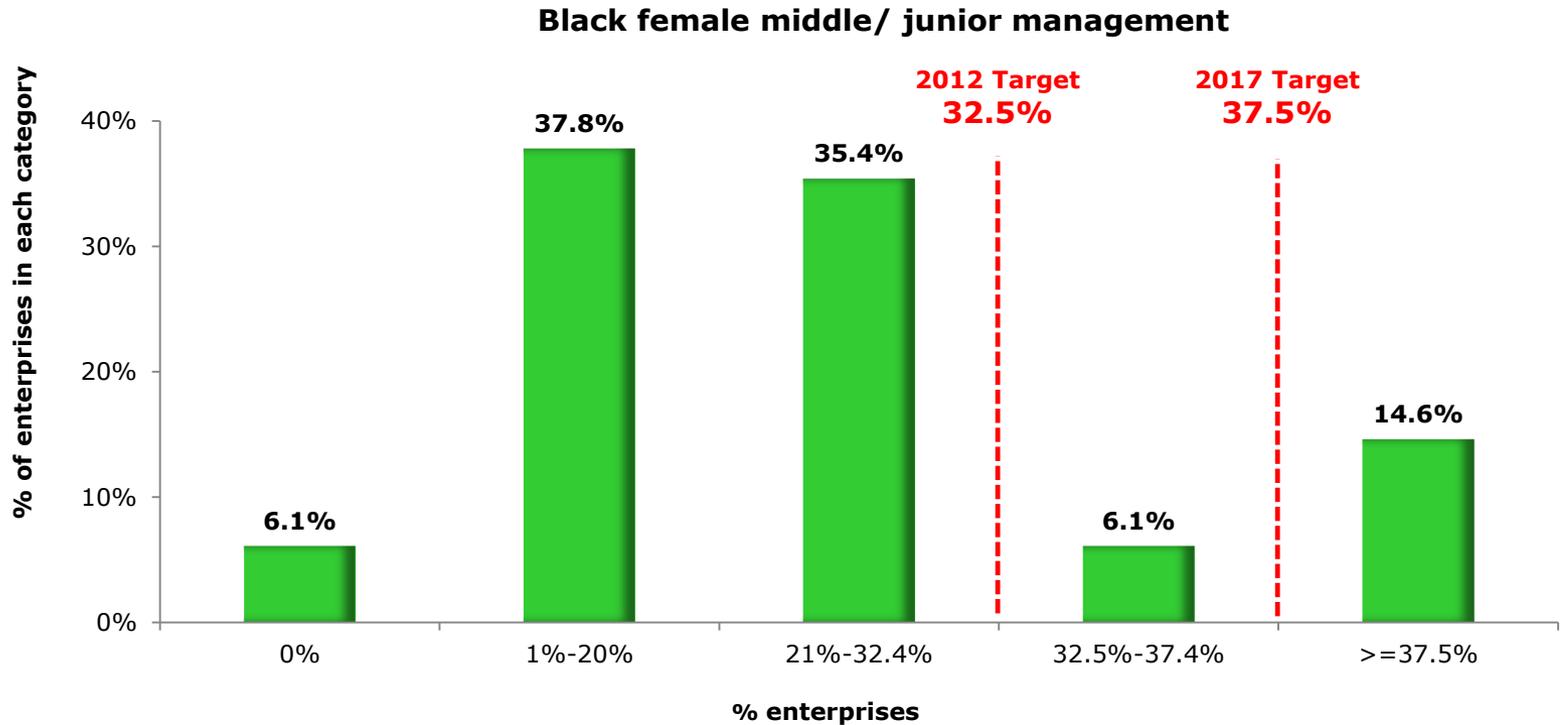
CODE 3: EMPLOYMENT EQUITY
MANAGEMENT OVERALL

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Overview: Black Management in Band 1 and 2 Enterprises

- These targets are only applicable to Band 1 and Band 2 enterprises.

- Levels of transformation in the management of Band 1 enterprises were influenced by the management profile of the business, which was in turn affected by the profile of the owner(s).

- Band 1 enterprises tended to have either met the targets already (28%) or not employ any black management at all (69%).

- Substantial transformation has already occurred amongst Band 2 enterprises: the majority (54%) of these enterprises have already achieved the 2012 target for black management.

- Band 1 and Band 2 enterprises should be further encouraged to develop the skills of their staff, with a view to accelerating internal promotion of suitable candidates into managerial positions.

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Black Management: % Achieve Targets
By Band 1 & 2 Enterprises

These targets are only applicable to Band 1 and Band 2 enterprises. Almost one-third (28%) of Band 1 enterprises have already achieved the future 2012 target for black management. Band 2 enterprises had performed even better, with more than half (54%) of these enterprises achieving the 2012 target.

Size	2012 Target	2017 Target
Band 1 & 2 (QSE Target)	40%	60%

% of Enterprises that achieve target

- Band 1 Enterprises: 2012 Target **28%**, 2017 Target **22%**
- Band 2 Enterprises: 2012 Target **50%**, 2017 Target **32%**

Legend: ■ 2012 Target ■ 2017 Target

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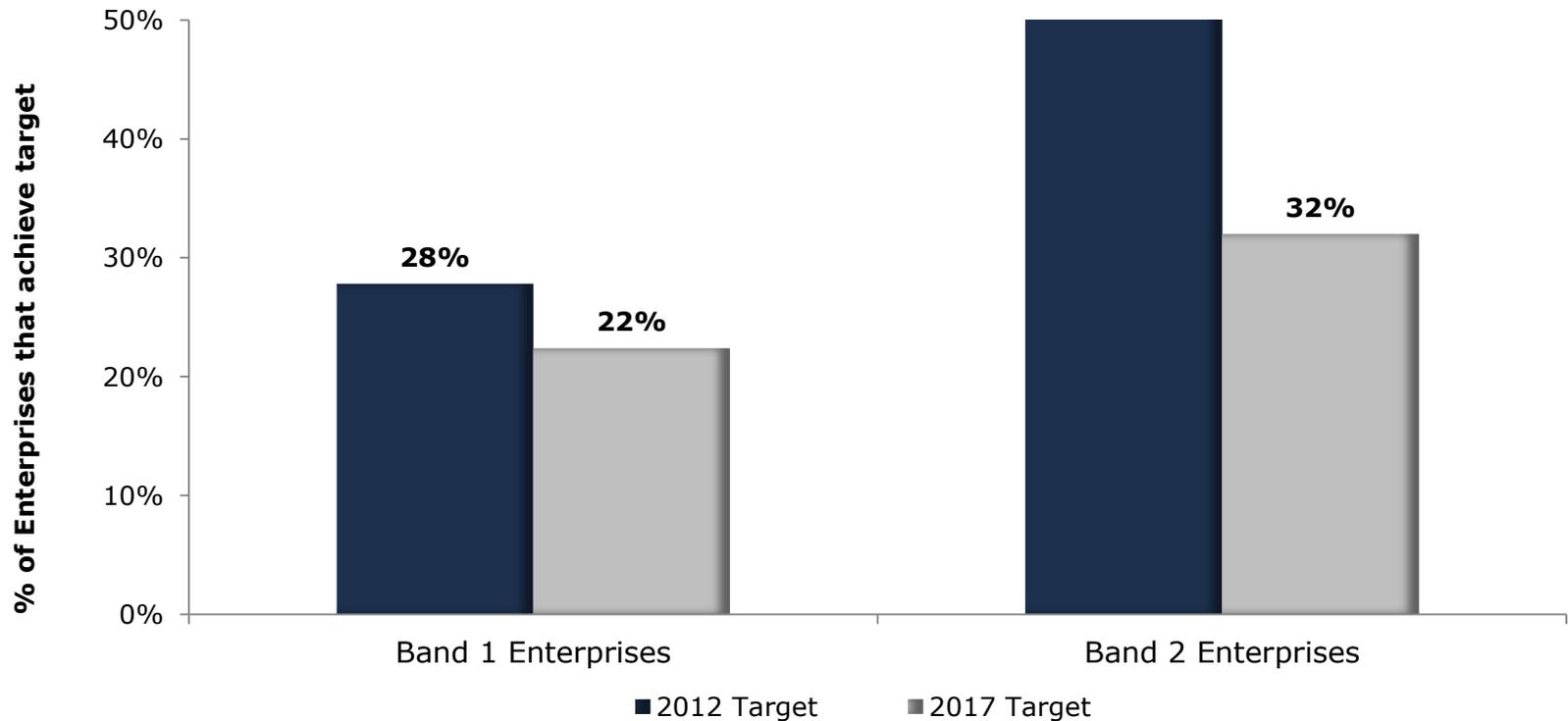
Black Management: Distribution of Scores
By Band 1 Enterprises

Levels of transformation in the management of Band 1 enterprises were polarized in manner encountered before. Enterprises tended to have either met the targets already (28%), or not employ any black management (69%). The results were influenced by the ownership profile of these enterprises, and the recommendations to improve levels of management transformation are the same as those to improve the ownership profile of these enterprises.

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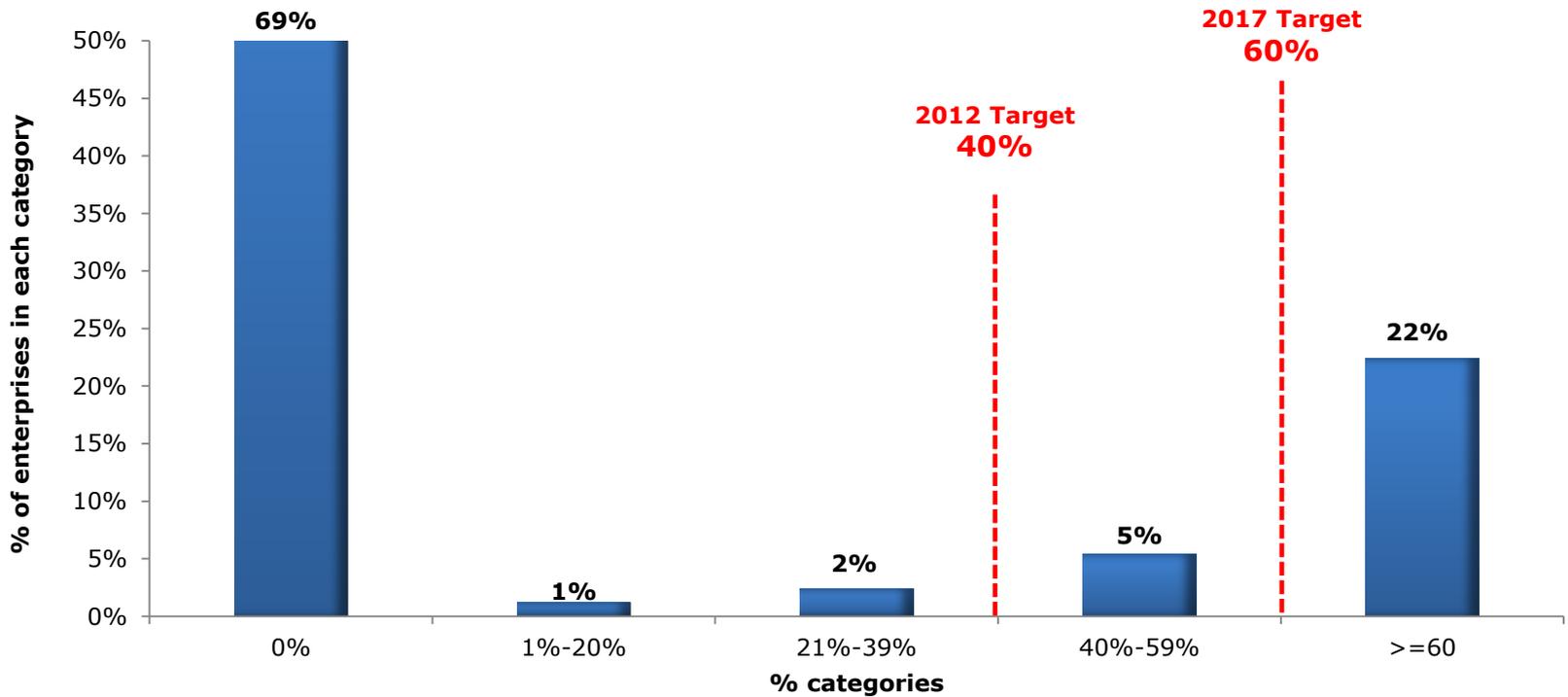
Black Management: Distribution of Scores
By Band 2 Enterprises

In 2010, substantial transformation had already occurred amongst Band 2 enterprises: the majority (54%) of these enterprises had already achieved the future 2012 target for black management. More than one-third (39%), however, had not yet made any progress in this regard and were in need of further encouragement to start developing and recruiting black managers.

Band 2 Enterprises

Chart: % of enterprises in each category vs % categories

- 0%: 39%
- 1%-20%: 3%
- 21%-39%: 5%
- 40%-59%: 22%
- >=60: 32%

2012 Target 40%
2017 Target 60%

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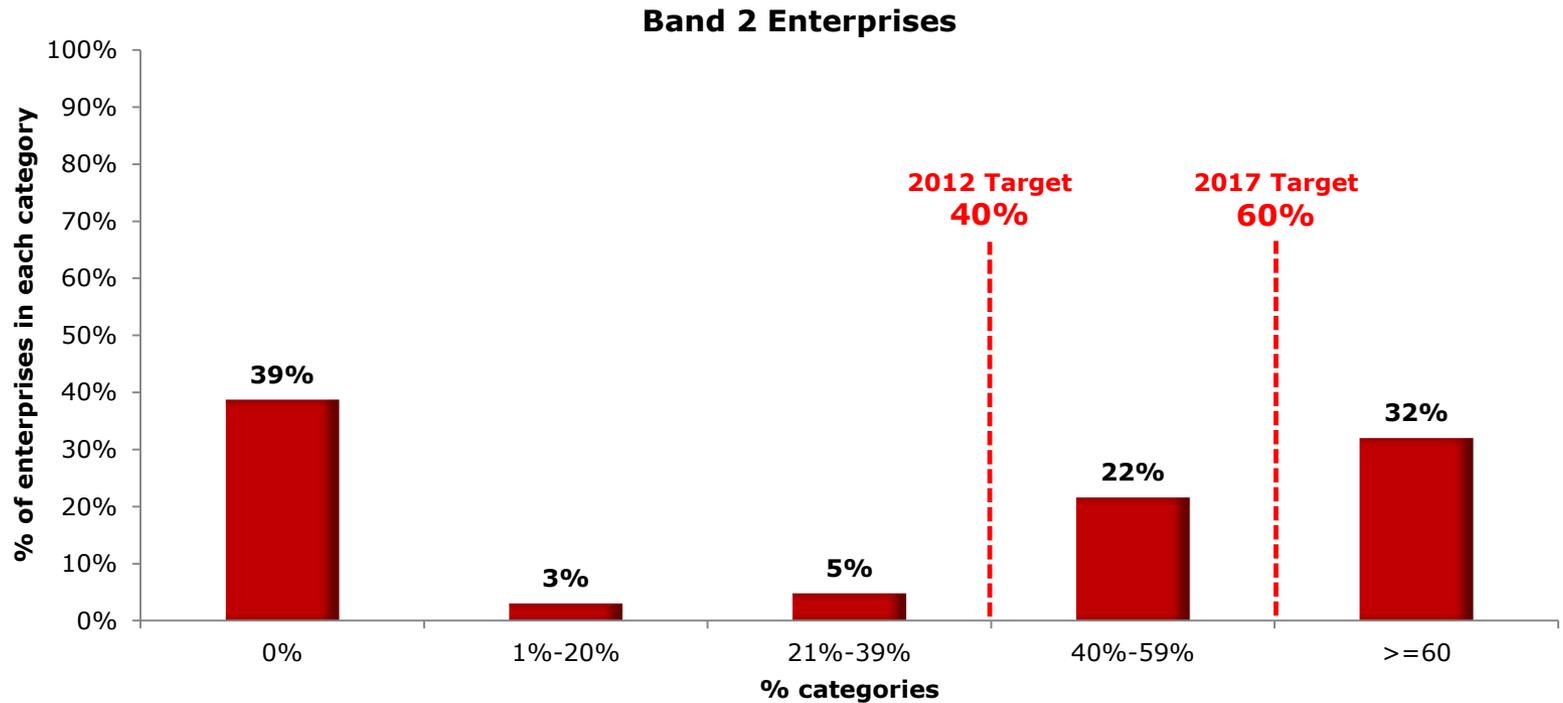
Black Management:
By Sub-Sector and Province

Band 1 and Band 2 enterprises that had achieved the future 2012 target were spread across all sub-sectors but most prevalent in the Limpopo and Gauteng provinces.

% of enterprises that achieve % of enterprises that achieve target

- Accommodation: **29%**
- Hospitality and Related Services: **39%**
- Travel Distribution Systems: **29%**

% of enterprises that achieve % of enterprises that achieve target

- Limpopo: **47%**
- Gauteng: **46%**
- North West: **39%**
- Eastern Cape: **34%**
- Free State: **32%**
- KwaZulu Natal: **32%**
- Northern Cape: **30%**
- Western Cape: **27%**
- Mpumalanga: **22%**

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CODE 3: EMPLOYMENT EQUITY
BLACK FEMALE MANAGEMENT

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Overview: Black Female Management in Band 1 and 2 Enterprises

- Given that the vast majority (80%) of Band 1 enterprises said that they did not have any black *female* managers, there was little indication that progress was being made.

- Band 2 enterprises had made more progress towards employing black female managers. Over one-third of Band 2 enterprises had already achieved the 2012 target for black *female* management, while some were making some progress towards achieving this target.

- Although Band 2 enterprises have made excellent progress employing black managers, they may need further encouragement and support to develop or recruit black *female* managers.

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# Black Female Management: % Achieve Targets
By Band 1 & 2 Enterprises

These targets are only applicable to Band 1 and Band 2 enterprises. Over one-third (36%) of Band 2 enterprises have already achieved the 2012 target for black *female* management. This level of achievement is almost double that of the smaller Band 1 enterprises, where approximately one-fifth (18%) have so far achieved this target.

Size	2012 Target	2017 Target
Band 1 & 2 (QSE Target)	20%	30%

86

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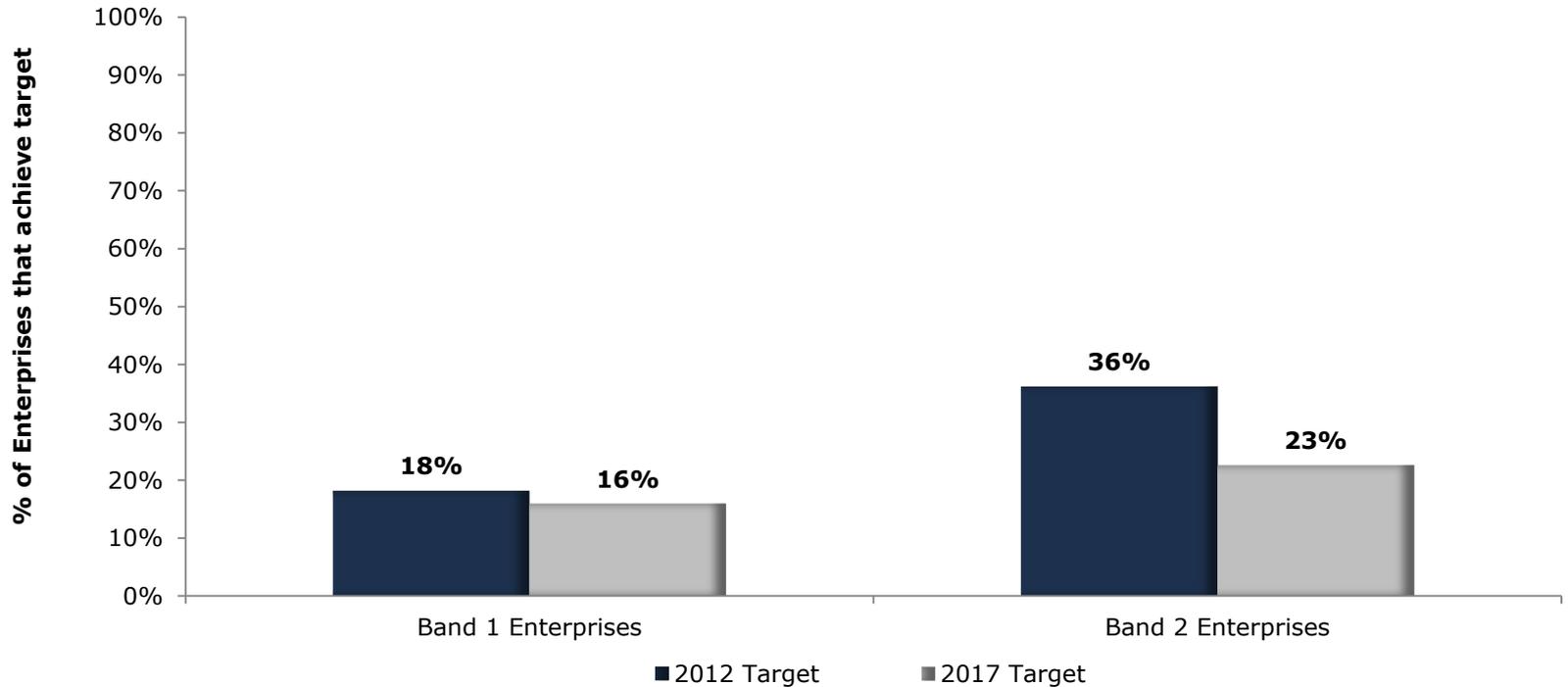
Black Female Management: Distribution of Scores
Band 1 Enterprises

The vast majority (80%) of Band 1 enterprises said that they did not have any black *female* managers. Many of the small Band 1 enterprises (e.g. guest houses) were owner-managed, and over four-fifths (81%) of Band 1 enterprises had no black shareholding.
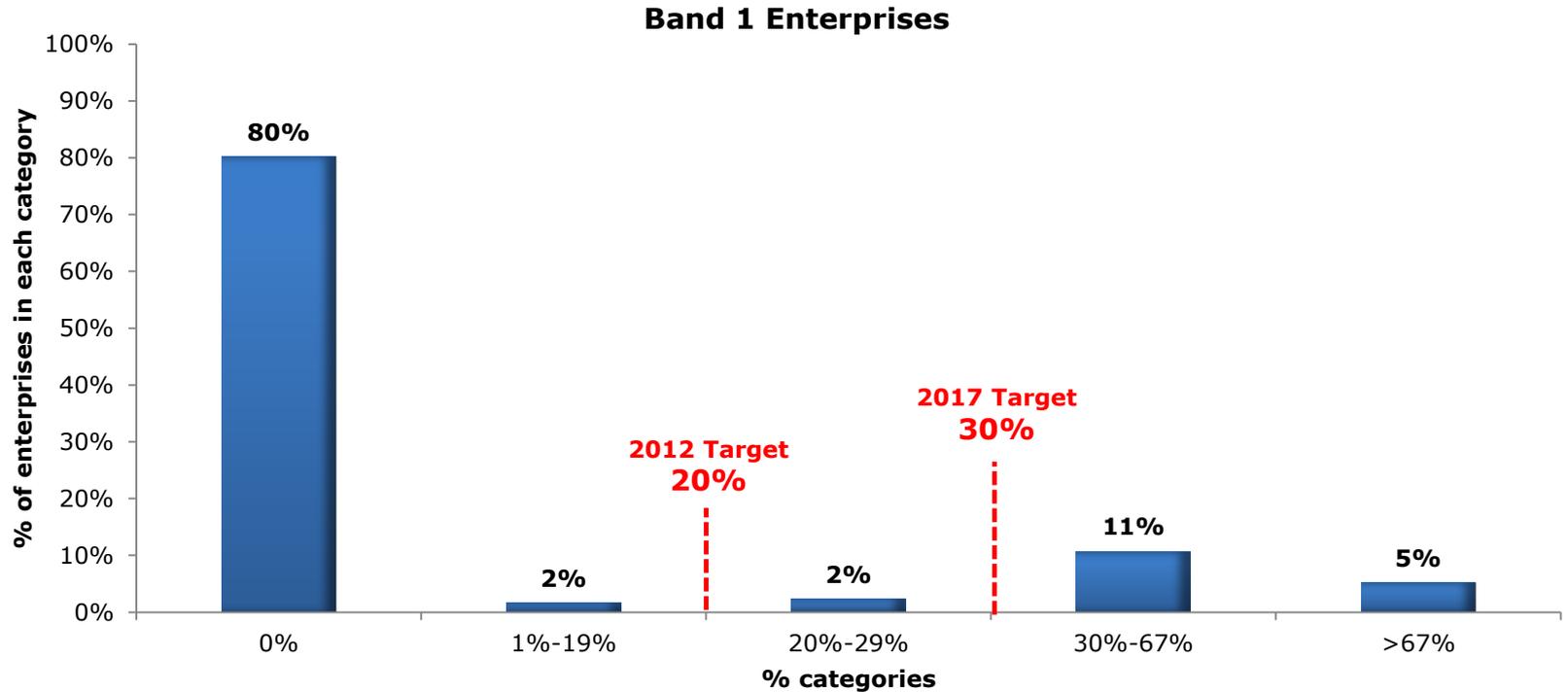
Band 1 Enterprises

Chart — % of enterprises in each category vs % categories:
- 0%: **80%**
- 1%-19%: **2%**
- 20%-29%: **2%**
- 30%-67%: **11%**
- >67%: **5%**

2012 Target **20%**
2017 Target **30%**

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Black Female Management: Distribution of Scores
Band 2 Enterprises

Over one-third (36%) of Band 2 enterprises had already achieved the 2012 target for black *female* management, and another 8% had begun making some progress towards achieving this target. Of concern, however, is that about half (56%) of these enterprises reported having no black *female* managers.

Band 2 Enterprises

Bar chart showing % of enterprises in each category:
- 0%: 56%
- 1%-19%: 8%
- 20%-29%: 14% (2012 Target 20%)
- 30%-67%: 17% (2017 Target 30%)
- >67%: 5%

X-axis: % categories

88

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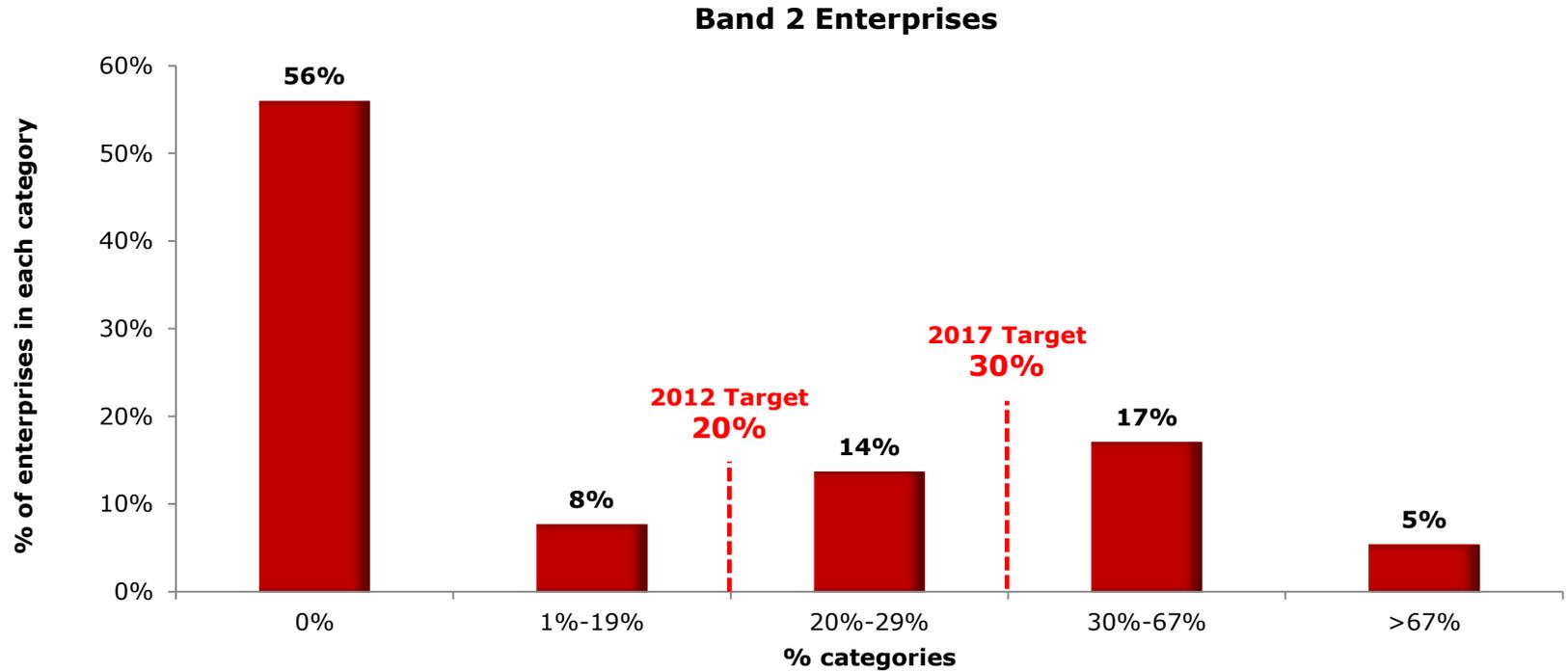
CODE 3: EMPLOYMENT EQUITY
BLACK EMPLOYEES

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Black Employees (Permanent): % Achieve Targets
By Band 1 & 2 Enterprises

These targets are only applicable to Band 1 and Band 2 enterprises. Both Band 1 and Band 2 enterprises have made significant progress towards achieving the 2012 target for black employees. Seven-in-ten Band 1 enterprises and almost nine-in-ten (85%) of Band 2 enterprises had already achieved this future target.

Size	2012 Target	2017 Target
Band 1 & 2 (QSE Target)	60%	70%

Chart: % of enterprises that achieve target

Band 1: 2012 Target 70%, 2017 Target 59%
Band 2: 2012 Target 85%, 2017 Target 80%

Legend: ■ 2012 Target ■ 2017 Target

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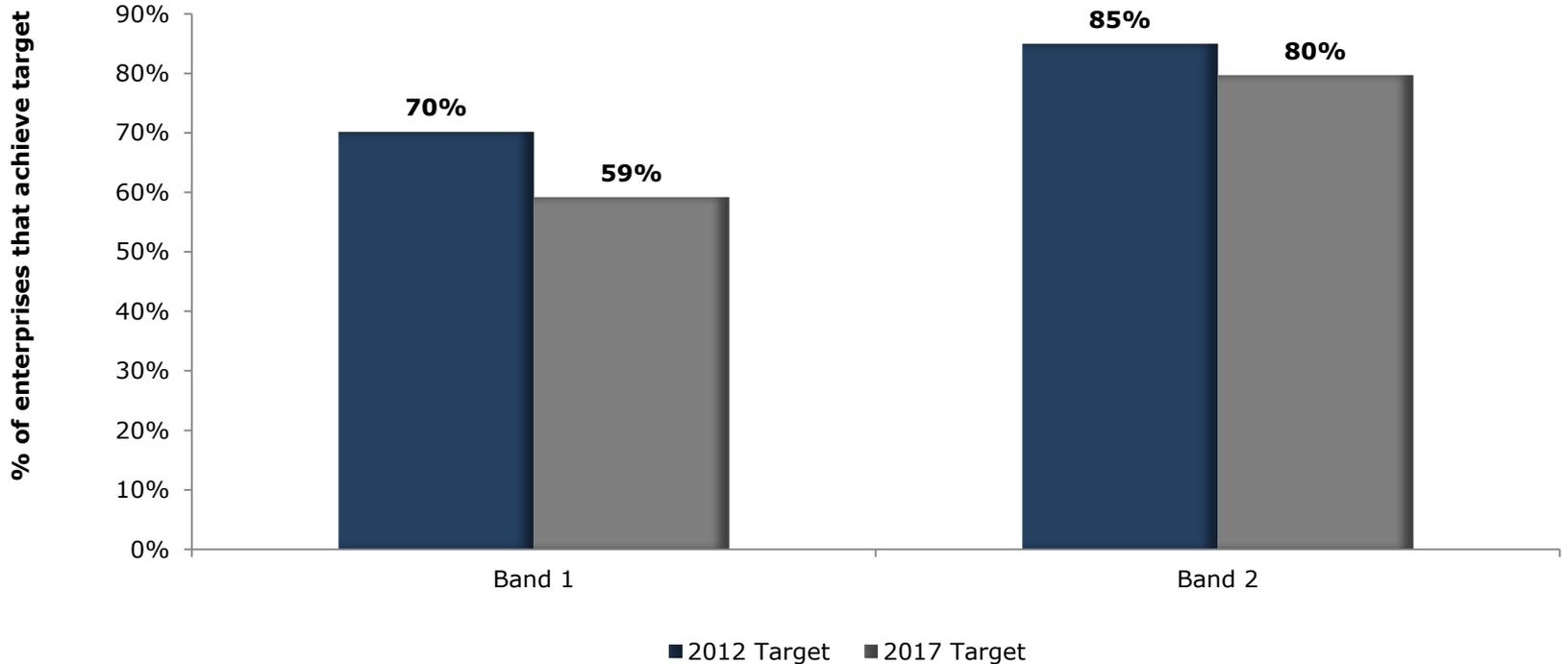
Overview: Black Employees

- Both Band 1 and Band 2 enterprises have made significant progress towards achieving the 2012 target for black employees.

- Seven-in-ten Band 1 enterprises and almost nine-in-ten Band 2 enterprises have already achieved this future target. These enterprises require encouragement to further develop the skills of their black staff members, and thus facilitate the promotion of suitable employees into managerial positions within companies.

- Band 1 and 2 enterprises that have achieved the future 2012 target for employment equity were primarily from the 'Accommodation' and 'Hospitality and related services' sub-sectors. Transformation of the work force in the 'Travel distribution' sub-sector was lower, with only 38% of enterprises having achieved the target.

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Total Black Employees: Distribution of scores
By Band 1 Enterprises

> With the right encouragement and support, a further 17% of Band 1 enterprises have a good chance of achieving the 2012 target. These results also demonstrated the high proportion of black employees working in this sector.
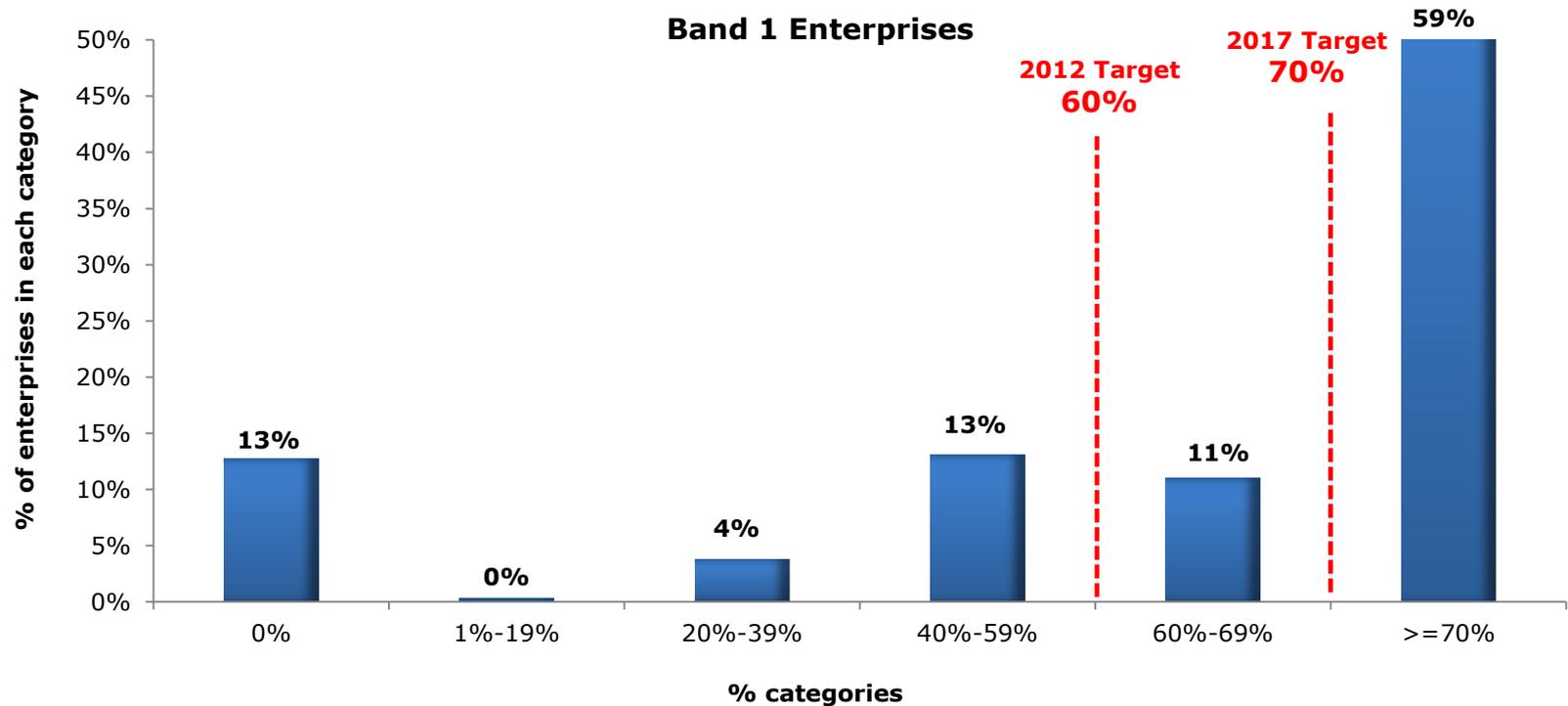
92

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Total Black Employees: Distribution of scores
By Band 2 Enterprises

Band 2 enterprises have made excellent progress towards transforming the profile of their employees. An additional 11% of these enterprises appear to be likely to achieve this target by 2012.

Band 2 Enterprises

2012 Target 60%

2017 Target 70%

% of enterprises in each category

Category	Value
0%	2%
1%-19%	1%
20%-39%	2%
40%-59%	11%
60%-69%	5%
>=70%	80%

% categories

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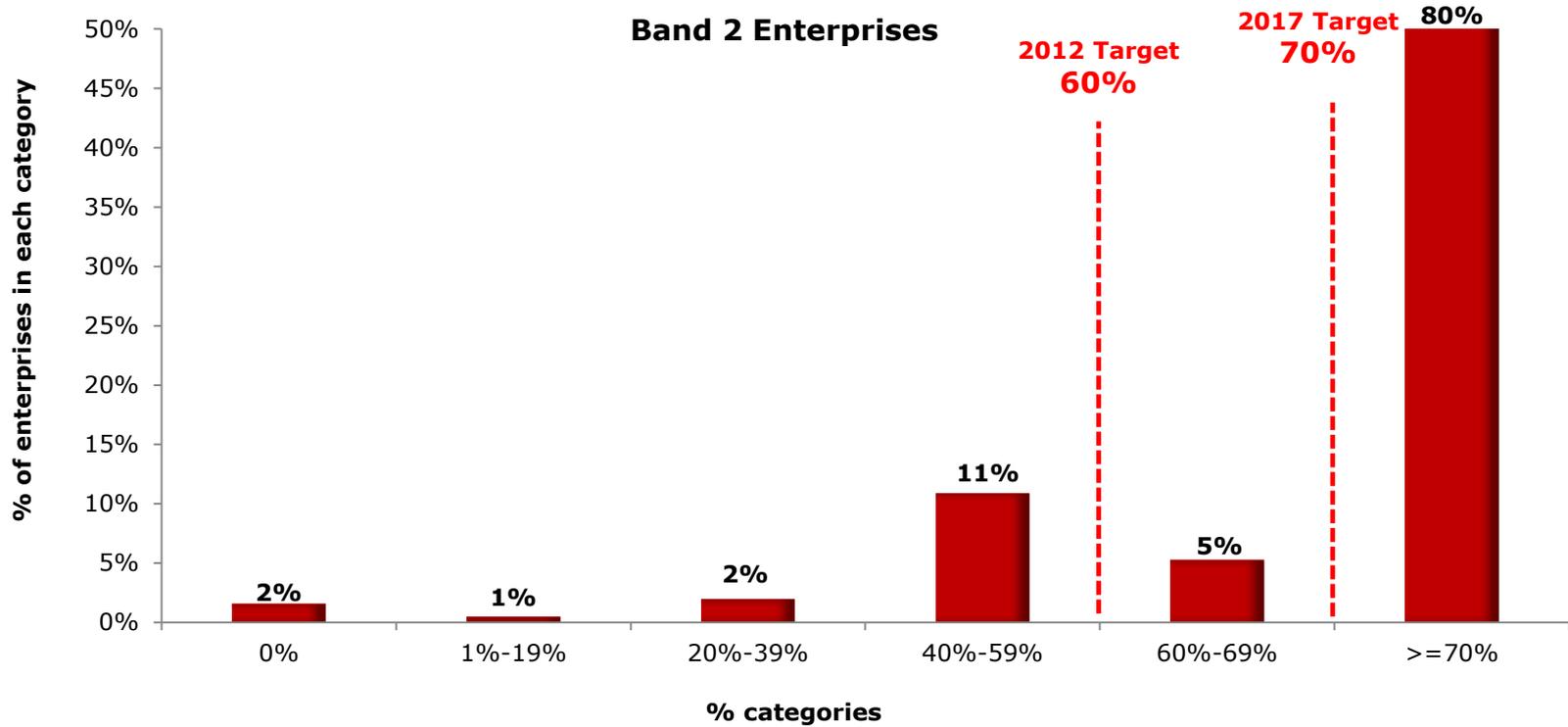
Black employees: % Achieve Targets
By Sub-Sector and Province

Band 1 and 2 enterprises that had achieved the 2012 target for employment equity were primarily from the 'Accommodation' and 'Hospitality & related services' sub-sectors and spread across all provinces.
Transformation of the work force in the 'Travel distribution' sub-sector however was noticeably lower at 38%.

94
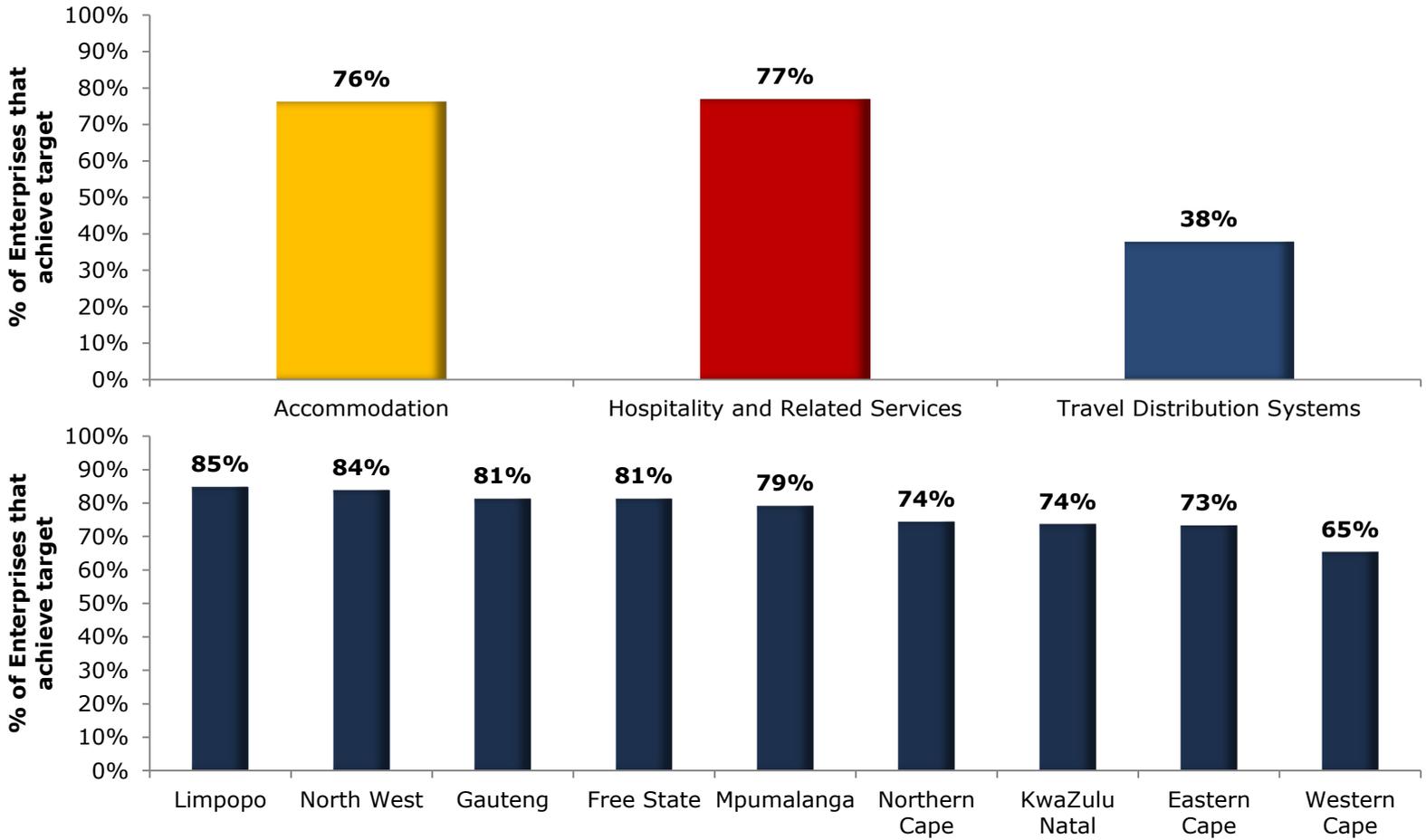
CODE 3: EMPLOYMENT EQUITY
BLACK FEMALE EMPLOYEES

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Overview: Black Female Employees

- Both Band 1 and Band 2 enterprises have made significant progress towards achieving the 2012 target for black *female* employees.

- Almost three-quarters of Band 1 enterprises (70%) and Band 2 enterprises (73%) had already achieved this future target - a very positive finding.

- With proper mentorship and training, these black *female* employees will become eligible for management positions, and in the long term, some may establish their own tourism enterprises.

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All Black Female Employees (Permanent): % Achieve Targets
By Band 1 & 2 Enterprises

These targets are only applicable to Band 1 and Band 2 enterprises. Both Band 1 and Band 2 enterprises have made significant progress towards achieving the 2012 target for black *female* employees. Almost three-quarters of Band 1 enterprises (70%) and Band 2 enterprises (73%) had already achieved this future target - a very positive finding.

Size	2012 Target	2017 Target
Band 1 & 2 (QSE Target)	30%	35%

% of Enterprises that achieve target

Band 1 Enterprises: 70% (2012 Target), 61% (2017 Target)
Band 2 Enterprises: 73% (2012 Target), 68% (2017 Target)

■ 2012 Target   ■ 2017 Target

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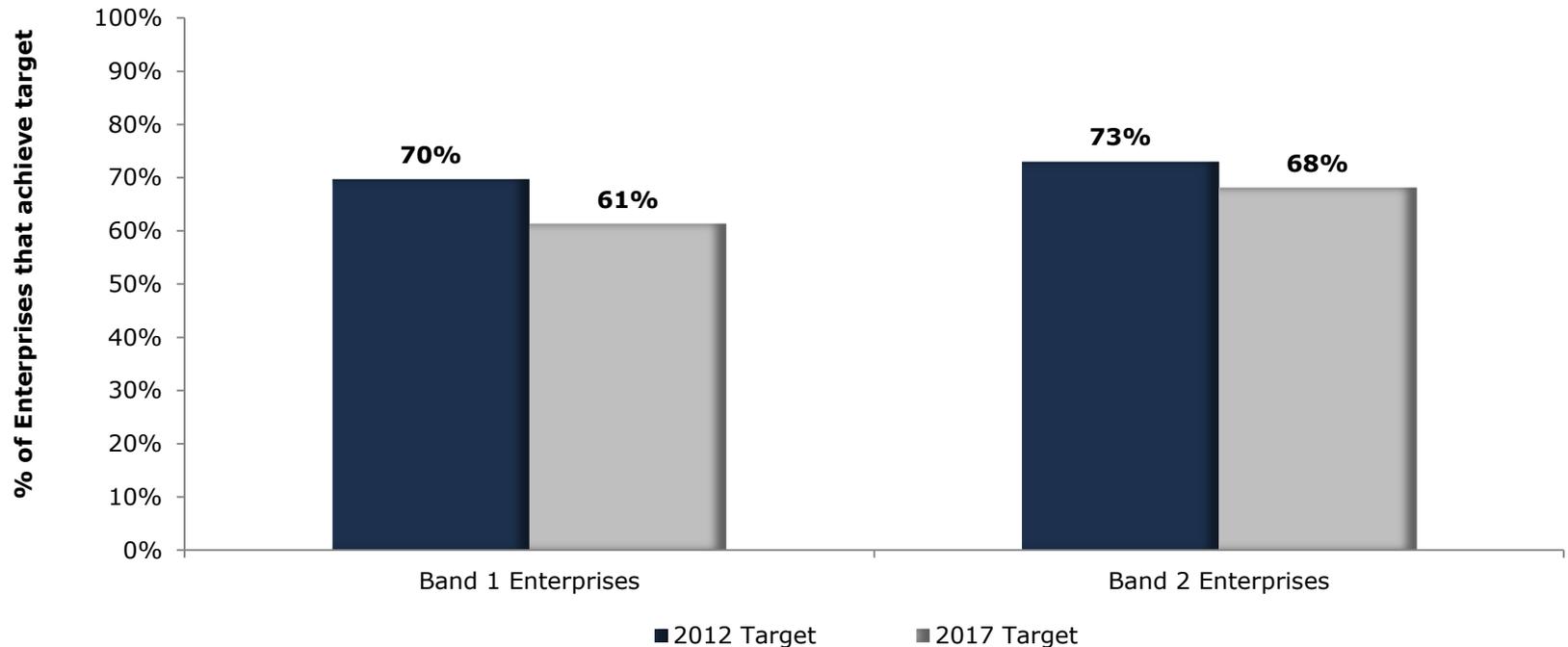
Black Female Employees: Distribution of Scores
Band 1 Enterprises

While 70% of Band 1 enterprises had already achieved this future target, a further one-in-ten (10%) of Band 1 enterprises were making progress towards this target.

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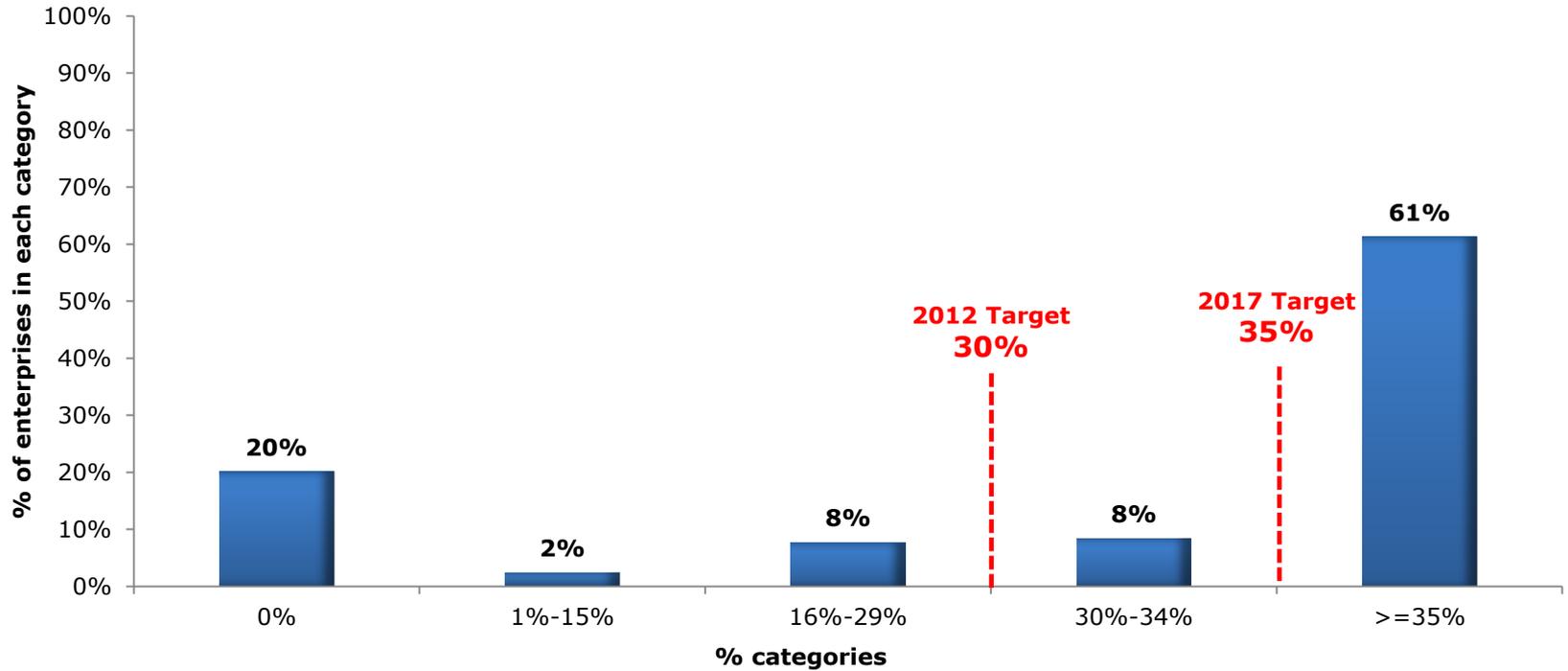
Black Female Employees: Distribution of Scores
Band 2 Enterprises

Almost three-quarters (73%) of Band 1 enterprises had already achieved the future targets. This shows that transformation is in progress, and these are positive findings overall. With proper mentorship and training, these black *female* employees will become eligible for management positions, and in the long term, some may establish their own tourism enterprises.

% of enterprises in each category

- 0%: 3%
- 1%-15%: 11%
- 16%-29%: 12%
- 30%-34%: 6%
- >=35%: 68%

2012 Target 30%
2017 Target 35%

% categories

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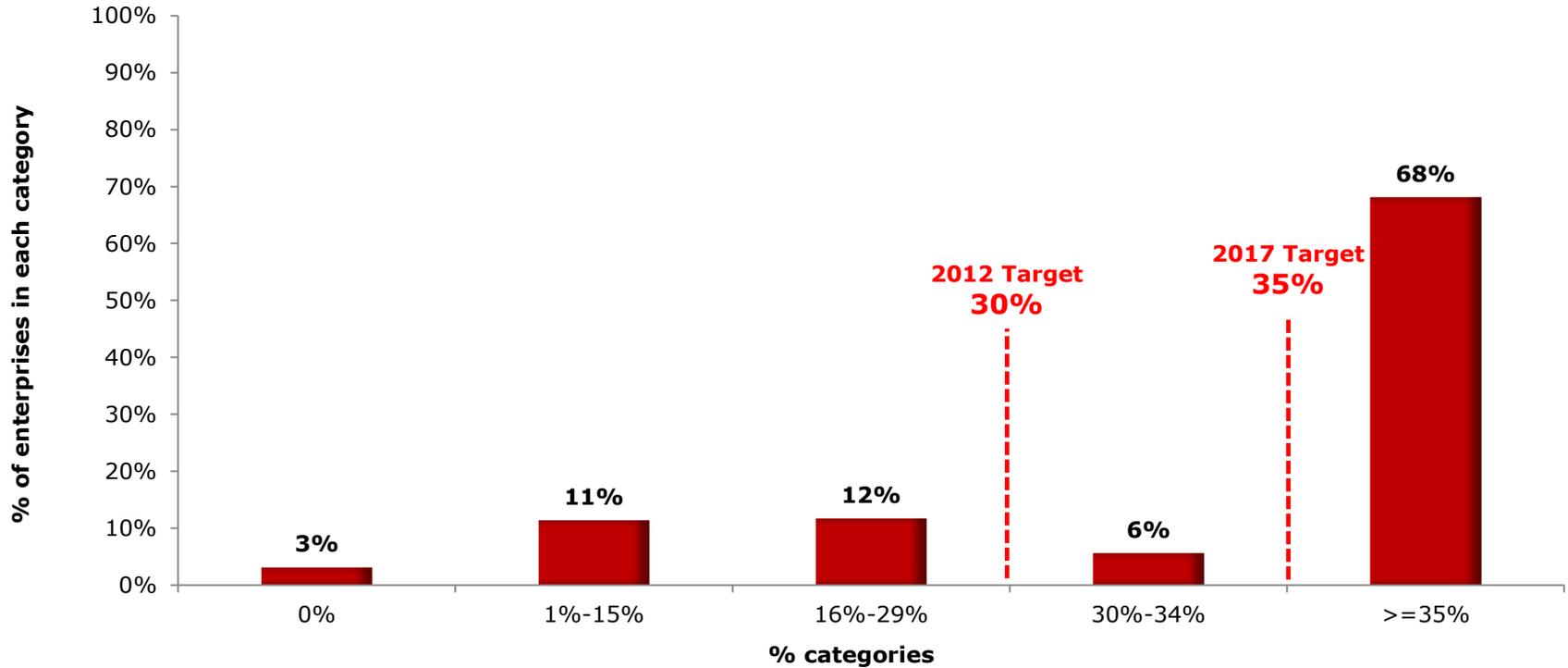
CODE 3: EMPLOYMENT EQUITY

PERCEPTIONS AND PLANNING AROUND EMPLOYMENT EQUITY

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Overview: Employment of Staff and Employment Equity Plans

- Approximately one-quarter of Band 3 enterprises said they intend to increase the proportion of black people who work in their enterprises over the next 12 months. However, this disappointing figure may simply be symptomatic of the currently depressed state of the economy with enterprises generally being averse to recruiting any new staff.

- Larger enterprises said that it was difficult to employ suitable black staff. This is an area where the NDT may need to intervene, and assist these enterprises to place the appropriate staff training and mentorship programmes in place. There may also be a need to market and/or improve existing training courses in this sector.

- As expected, the larger enterprises were more likely to have an employment equity plan, with almost all of Band 3 enterprises saying that they had an employment equity plan in place.

- Approximately one-third of Band 1 and Band 2 enterprises did not have an employment equity plan in place although they are required by law to do so. This issue should receive attention since they are non-compliant with EE legislation.

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Intention to Increase/Decrease Employment of Black People
All enterprises

Although one-quarter (25%) of Band 3 enterprises said that they intended to increase the proportion of black people who worked in their enterprises over the next 12 months, the majority of enterprises across all bands indicated that they did not intend to transform their workforces over the next 12 months. However, this may simply be symptomatic of the currently depressed state of the economy, with enterprises generally being averse to recruiting any new staff.

Band1: Decrease 0%, Stay the same 91%, Increase 9%
Band 2: Decrease 0%, Stay the same 93%, Increase 7%
Band 3: Decrease 2%, Stay the same 73%, Increase 25%

Legend: ■ Decrease ■ Stay the same ■ Increase

Y-axis: % of Enterprises

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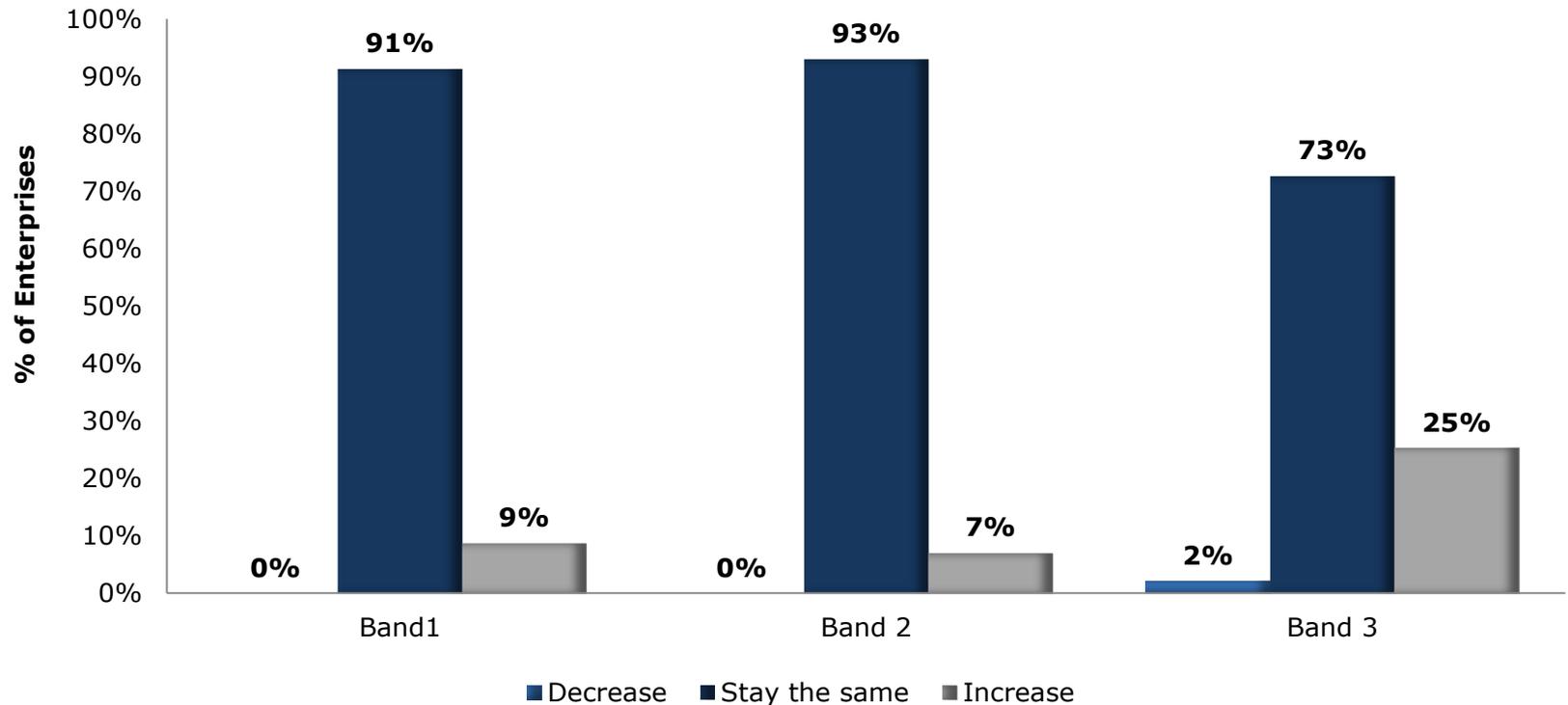
Easy/Difficult to Find Suitable Black Staff
All enterprises

Larger enterprises find it more difficult to employ suitable black staff, as evidenced by over two-thirds (70%) of Band 3 enterprises giving this response. A possible reason may be the need to employ staff members with more specialized skillsets. This finding also helps explain why Band 3 enterprises are finding it difficult to achieve their management targets. This is an area where the NDT may need to intervene, and assist these enterprises to place the appropriate staff training and mentorship programmes in place. There may also be a need to market and/or improve existing training courses in this sector.

Chart: Easy/Difficult to Find Suitable Black Staff by enterprise band

- Band 1 Enterprise: Difficult / Very Difficult 21%, Neutral 50%, Easy / Very Easy 29%
- Band 2 Enterprises: Difficult / Very Difficult 34%, Neutral 39%, Easy / Very Easy 27%
- Band 3 Enterprises: Difficult / Very Difficult 70%, Neutral 24%, Easy / Very Easy 6%

Legend: ■ Difficult / Very Difficult ■ Neutral ■ Easy / Very Easy

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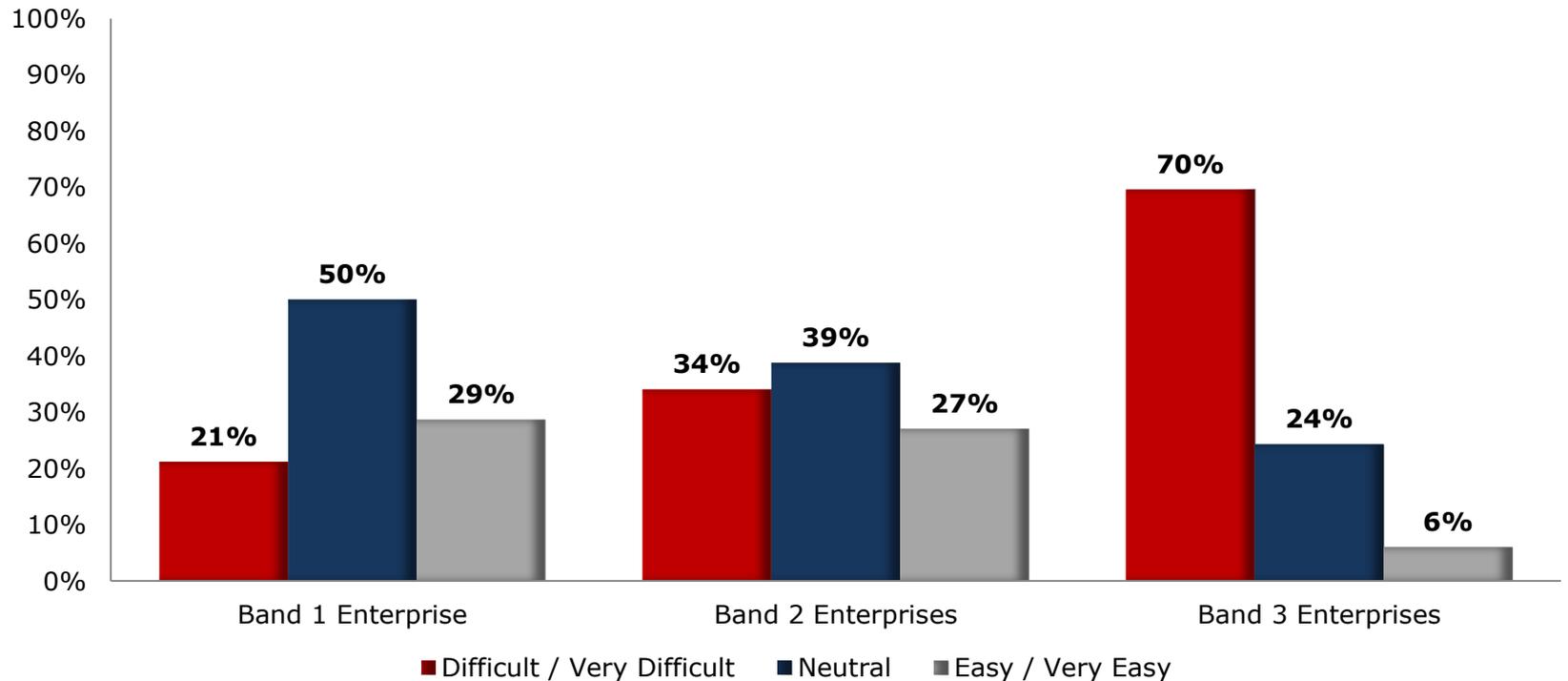
Employee Equity Plan in Place
All enterprises

As expected, the larger enterprises were more likely to have an employment equity plan. Almost nine-in-ten Band 3 enterprises (86%) said that they had an employment equity plan in place.

Where the law requires enterprises to have an employment equity plan, there is also an increased level of compliance as is evident from the graph (below right). However, approximately one-third of Band 1 and Band 2 enterprises do not yet have an employment equity plan in place (which they are required by law to do, based on their number of staff). This issue should receive attention, since they are not complying with employment equity legislation. This non-compliance may also, however, be due to businesses crossing the turnover or staff thresholds without realizing the implications thereof.

Enterprises that have introduced an Employment Equity Plan
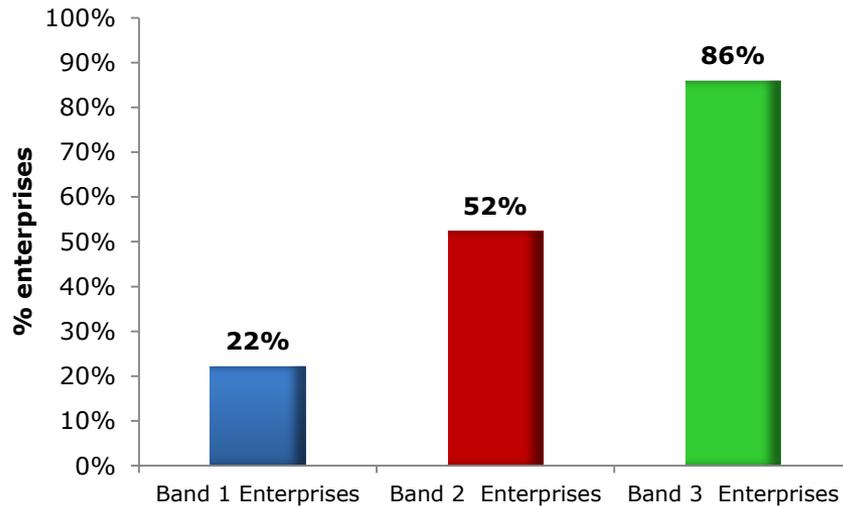
Enterprises that have introduced an Employment Equity Plan of those that are mandated to do so

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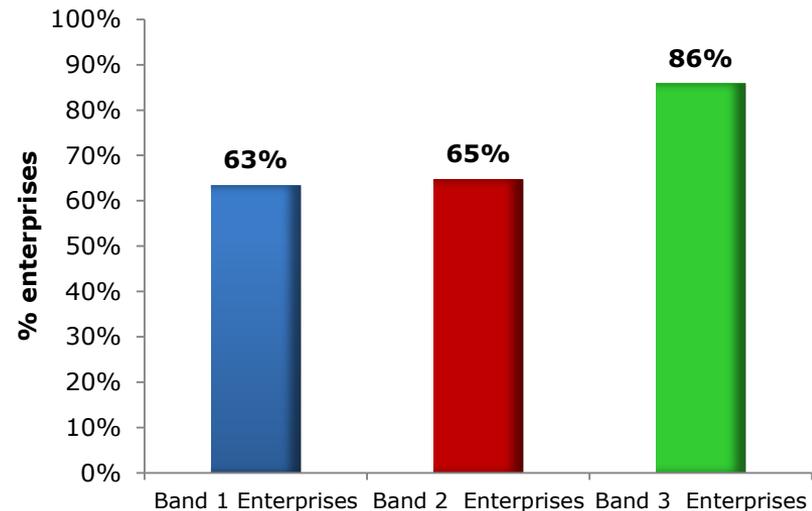
CODE 4: SKILLS DEVELOPMENT
LEARNERSHIPS

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Overview: Skills Development

- A low proportion of enterprises (less than 10% across all Bands) had achieved the future 2012 target for spend on learning programmes for black employees. With a target of 2-3% of payroll, staff training is one of the most expensive elements with which to achieve compliance. The high target may also be acting as a disincentive.

- One-in-ten Band 3 enterprises had already achieved the 2012 target for learnerships for black employees, while one-in-six had achieved the target for learnerships for black *female* employees.

- Almost two-thirds (62%) of Band 3 enterprises had already achieved the future target for the recruitment of inexperienced black recruits.

- These findings may have a long-term influence against several other elements of the B-BBEE scorecard such as employment equity, management control and ownership since insufficient effort is being spent on developing black employees.

- The NDT and its various partners may need to ensure that there are suitable learning programmes (e.g. learnerships, degrees, short practical courses) for enterprises, and that these enterprises are aware of these programmes.

- It is also recommended that the NDT and its partners focus on identifying and communicating suitable learnership opportunities to these enterprises.

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Spend on Learning Programmes for Black Employees: % Achieve Target
All enterprises

A low proportion of enterprises (<10% across all Bands) had already achieved the charter target for spend on learning programmes for black employees. These findings may have a long-term influence against several other elements of the B-BBEE scorecard such as management control and ownership.

Size	2012 Target	2017 Target
Band 1 & 2 (QSE Target)	2% Payroll	2% Payroll
Band 3 (Generic Target)	3% Payroll	3% Payroll
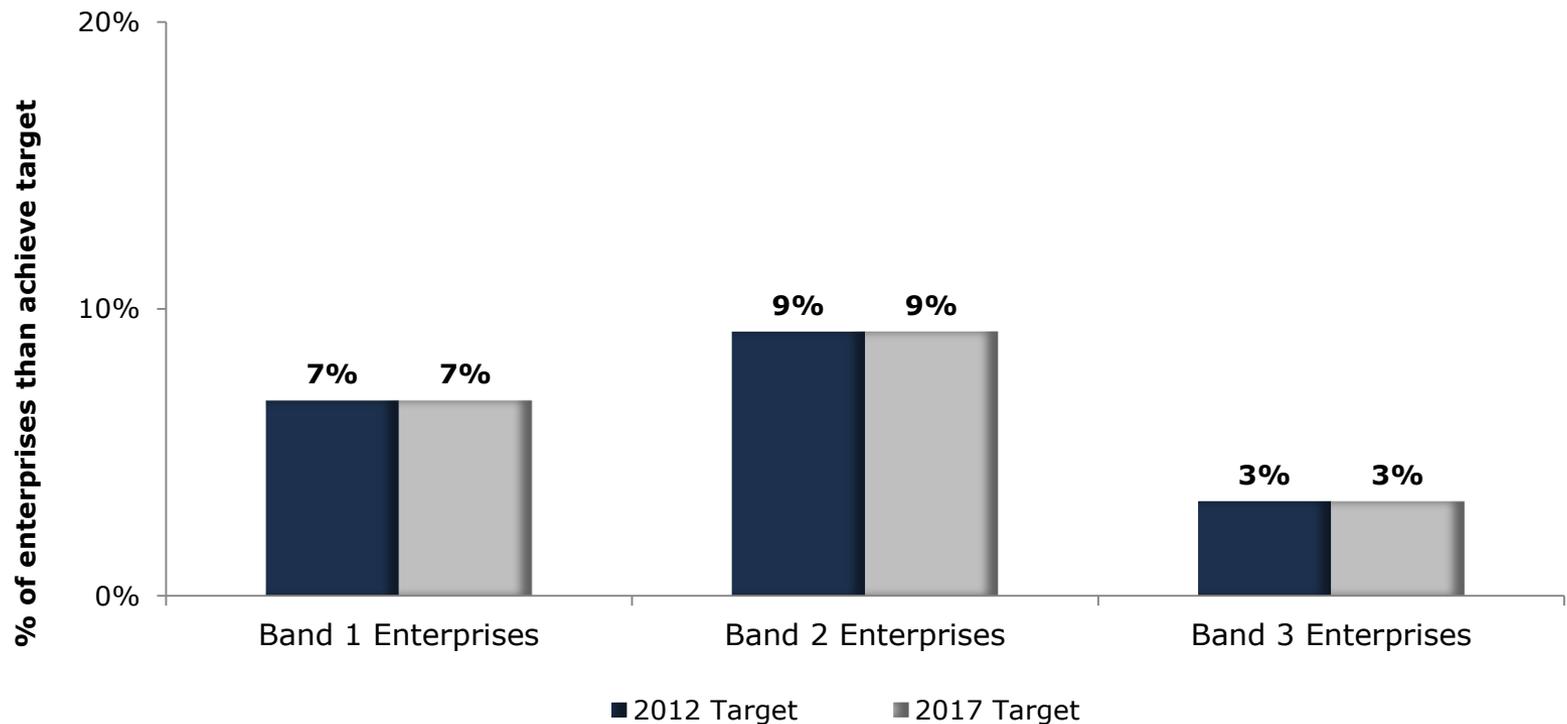
107

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Black Employees on Learnerships: % Achieve Target
By Band 3 Enterprises

This target is only applicable to Band 3 enterprises. One-tenth (10%) of Band 3 enterprises had already achieved both the 2012 and 2017 targets for learnerships for black employees.

Size	2012 Target	2017 Target
Band 3 Enterprises (Generic Target)	5% of total permanent staff	5% of total permanent staff
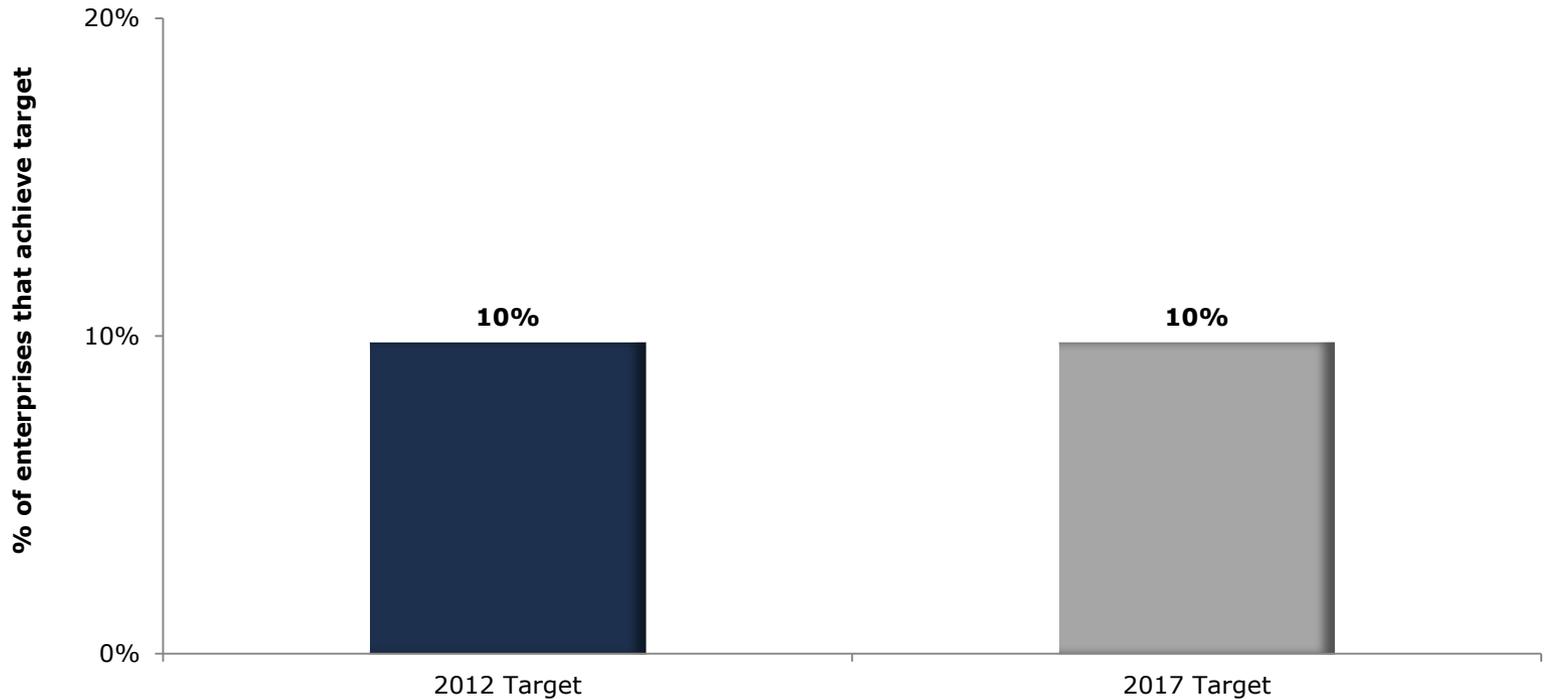
108

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Black Female Employees on Learnerships: % Achieve Target
By Band 3 Enterprises

This target is only applicable to Band 3 enterprises, where 15% of these enterprises had already achieved the target for learnerships for black *female* employees. It is recommended that the NDT and its partners focus on identifying and communicating suitable learningship opportunities to these Band 3 enterprises.

Size	2012 Target	2017 Target
Band 3 Enterprises (Generic Target)	2.5% of total permanent staff	2.5% of total permanent staff

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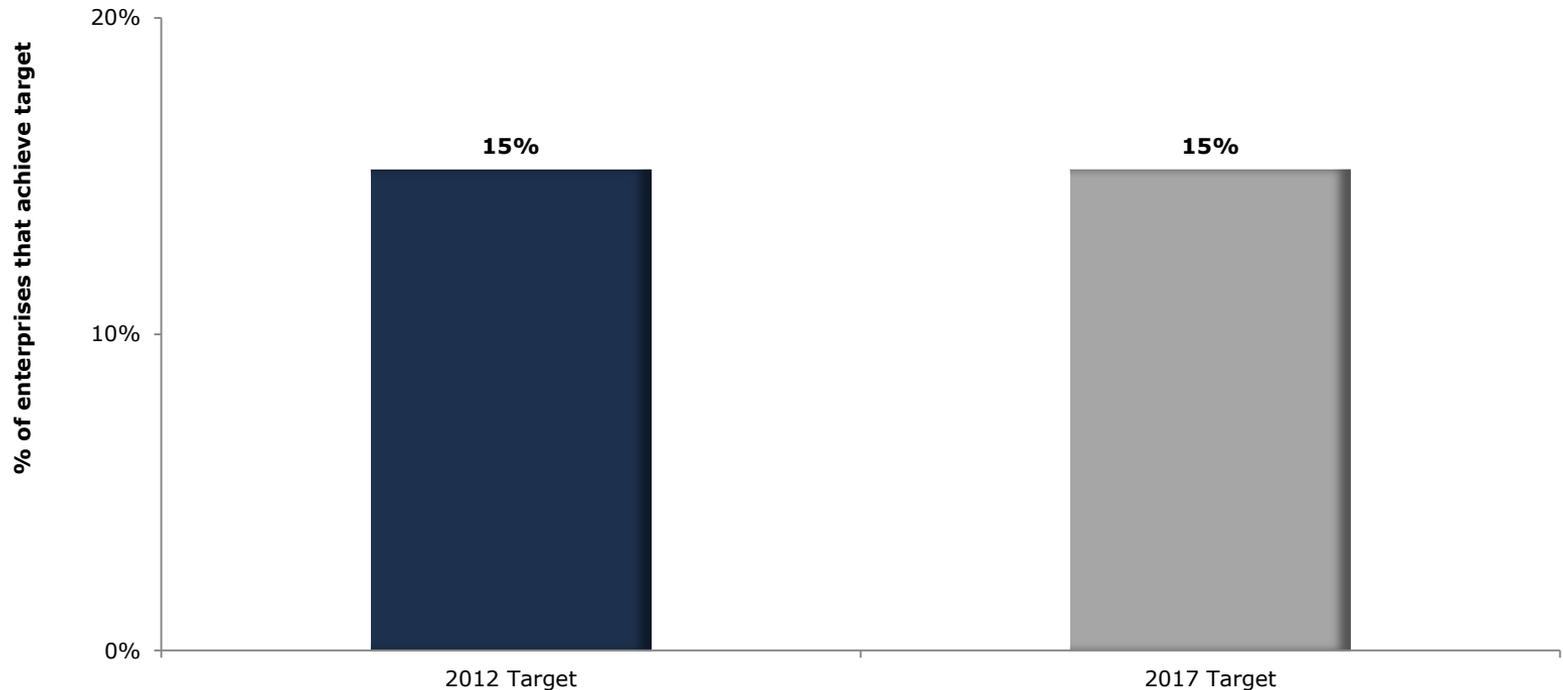
Recruitment of Inexperienced Black Recruits: % Achieve Target
All enterprises

The industry charters specify targets for the recruitment of inexperienced black recruits. The findings show that Band 3 enterprises were doing well in this regard: almost two-thirds (62%) of these enterprises had already achieved both the 2012 and 2017 targets. The smaller enterprises were lagging behind in this respect, but this may be due to them having smaller workforces and lower staff turnovers.

Size	2012 Target	2017 Target
Band 1 & Band 2 Enterprises (QSE Target)	10% of total inexperienced recruits	10% of total inexperienced recruits
Band 3 Enterprises (Generic Target)	10% of total inexperienced recruits	10% of total inexperienced recruits

Band 1: 2012 Target 14%, 2017 Target 14%
Band 2: 2012 Target 29%, 2017 Target 29%
Band 3: 2012 Target 62%, 2017 Target 62%

■ 2012 Target   ■ 2017 Target

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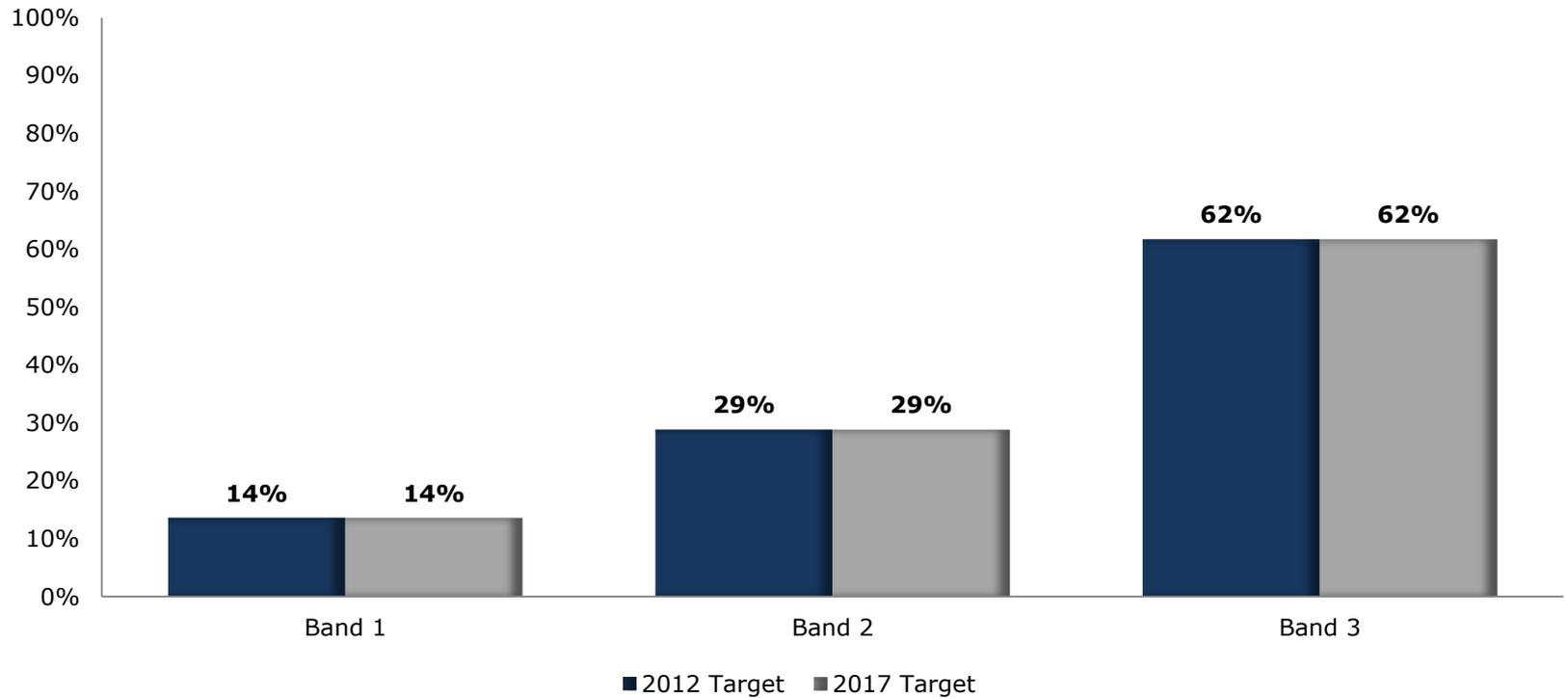
SETAs that Tourism Enterprises have chosen
All enterprises

Approximately two-thirds (65%) of enterprises that are members of SETAs have chosen to belong to the THETA SETA (Tourism and Hospitality SETA).

THETA SETA (Tourism and Hospitality) — **65%**
FOODBEV SETA (Food and Beverage Manufacturing Industry) — **17%**
TETA SETA (Transport) — **4%**
SERVICES SETA (Services) — **4%**
ESETA SETA (Energy) — **3%**
FIETA SETA (Forest Industry) — **3%**
AgriSETA (Agriculture) — **1%**
LGWSETA (Local Government, Water and Related Services) — **0%**
Other (specify) — **13%**

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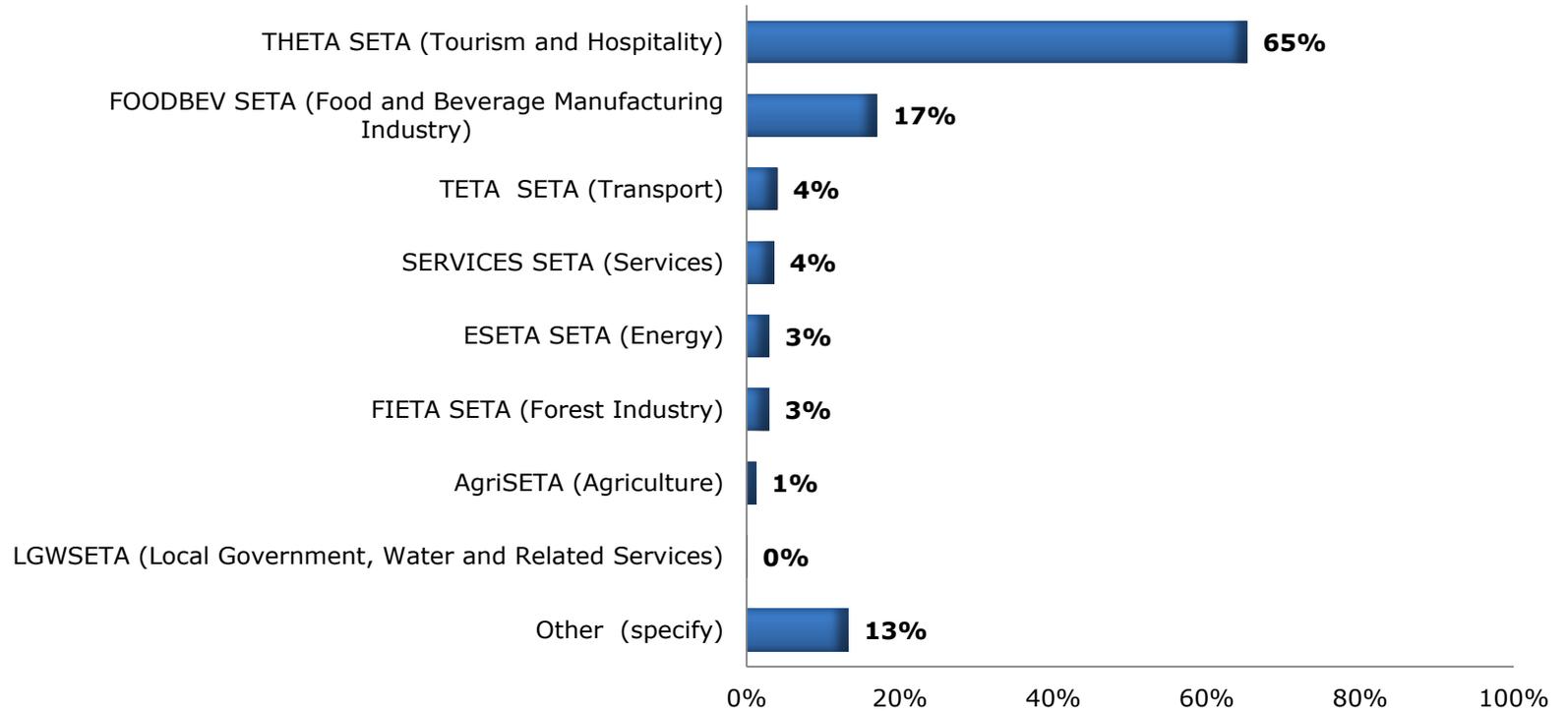
CODE 5: PREFERENTIAL PROCUREMENT
VERIFYING STATUS OF SUPPLIERS

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Overview: Verifying B-BBEE Status of Suppliers

- While only a small number of Band 1 and Band 2 enterprises verified the status of their suppliers, this practice was much more common (60%) amongst Band 3 enterprises.

- This practice will ultimately need to become more commonplace – particularly amongst Band 2 and 3 enterprises – in order to achieve preferential procurement targets. It should also be an area of focus in the future, as preferential procurement can result in valuable BEE scorecard points being scored without any incremental spending by enterprises.

- The NDT may seek to further educate the larger enterprises of the value of preferential procurement as a 'non-disruptive' or inexpensive method of gaining scorecard points.

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Enterprises that Verify the B-BBEE Status of Suppliers
All enterprises

All Enterprises

- Sometimes 0.2%
- Yes 7%
- No 93%

Verification of B-BBEE status of suppliers was very low amongst Band 1 and 2 enterprises and predictably much higher (60%) amongst Band 3 enterprises.

Band 1
- Yes 5%
- No 95%

Band 2
- Yes 14%
- No 86%

Band 3
- Sometimes 4%
- No 36%
- Yes 60%

Band 1 Enterprises	Band 2 Enterprises	Band 3 Enterprises
34,870 (78%)	9,755 (21.8%)	92 (0.2%)

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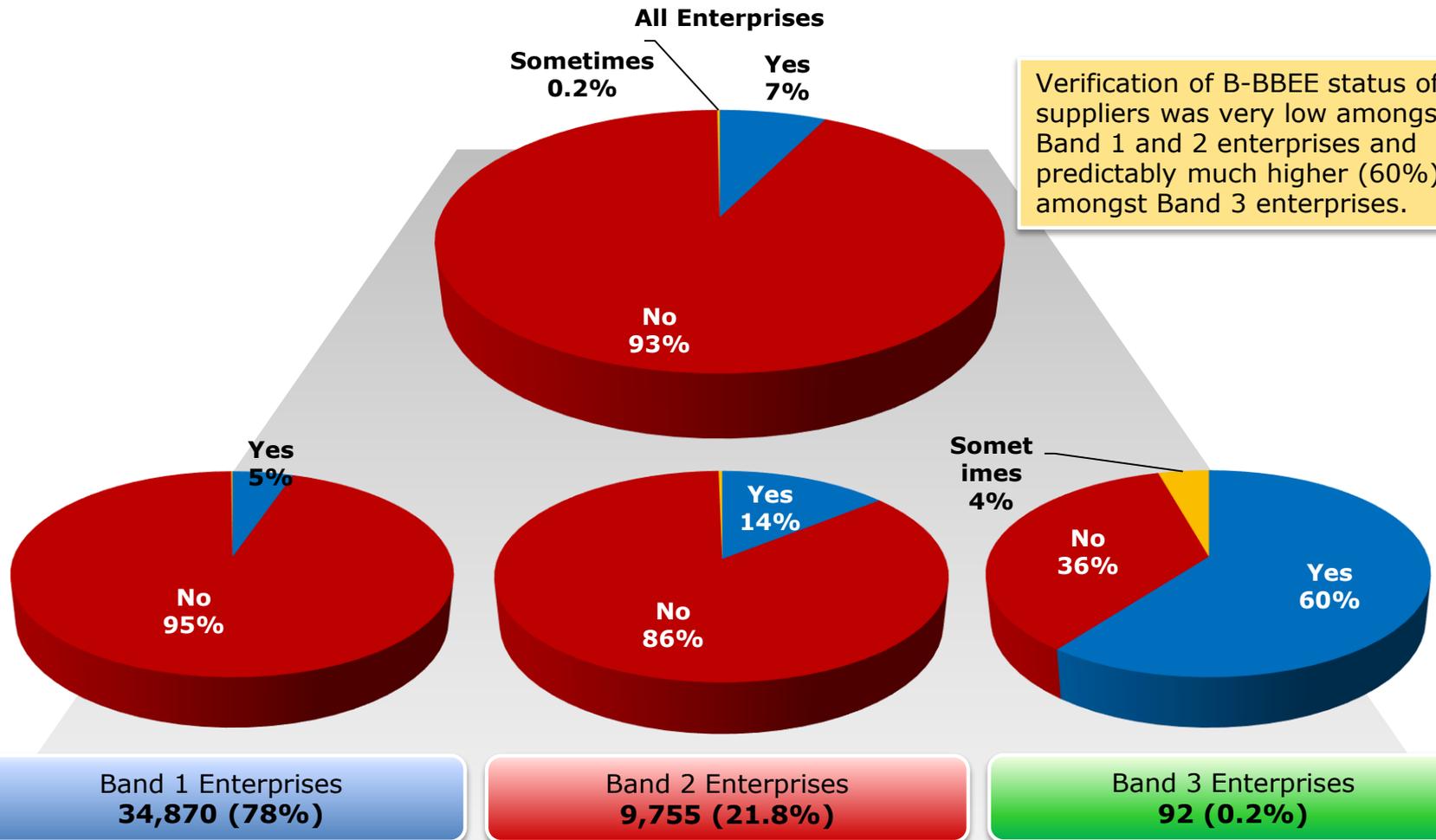
CODE 5: PREFERENTIAL PROCUREMENT
SPEND ON B-BBEE SUPPLIERS

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Overview: Spend on B-BBEE Accredited Suppliers

- Approximately 21-33% of enterprises, depending on the Band, have already achieved the future 2012 target for spend on B-BBEE accredited suppliers.

- The proportion of enterprises that have already achieved the 2012 target was highest amongst Band 1 and Band 2 sectors. However, this may be because: a) their suppliers are more likely to be Band 1 'exempt' enterprises; and b) estimates were used to calculate the B-BBEE status of their suppliers.

- In contrast, estimates by Band 3 enterprises were likely to be more accurate, since the majority of them already keep formal records of the B-BBEE status of their suppliers.

- The NDT will need to encourage enterprises – particularly Band 3 enterprises, given their larger purchasing power and supply chains – to realize the benefits of spending on B-BBEE compliant suppliers and the value of monitoring and encouraging B-BBEE compliance of their suppliers.

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Spend on B-BBEE Accredited Suppliers: % Achieve Target
All enterprises

An enterprise's spend on its top three suppliers was used to construct this graph. Scores were calculated based on whether these top three suppliers were judged to be 'partially compliant', 'fully compliant' or 'exempt' suppliers. These methods of calculation, which were most appropriate for the type of data that was gathered, should be used as a rough indicator of progress and not an absolute statistic. The proportion of enterprises that had already achieved the target was highest amongst Band 1 and Band 2 sectors.

Size	2012 Target	2017 Target
Band 1 & Band 2 Enterprises (QSE Target)	40% of Total Procurement	50% of Total Procurement
Band 3 Enterprises (Generic Target)	50% of Total Procurement	70% of Total Procurement

% Spend by enterprises on B-BBEE accredited suppliers

Bar chart — % of enterprises that achieve target:
- Band 1 Enterprises: 2012 Target 31%, 2017 Target 27%
- Band 2 Enterprises: 2012 Target 33%, 2017 Target 27%
- Band 3 Enterprises: 2012 Target 21%, 2017 Target 16%

Legend: ■ 2012 Target ■ 2017 Target

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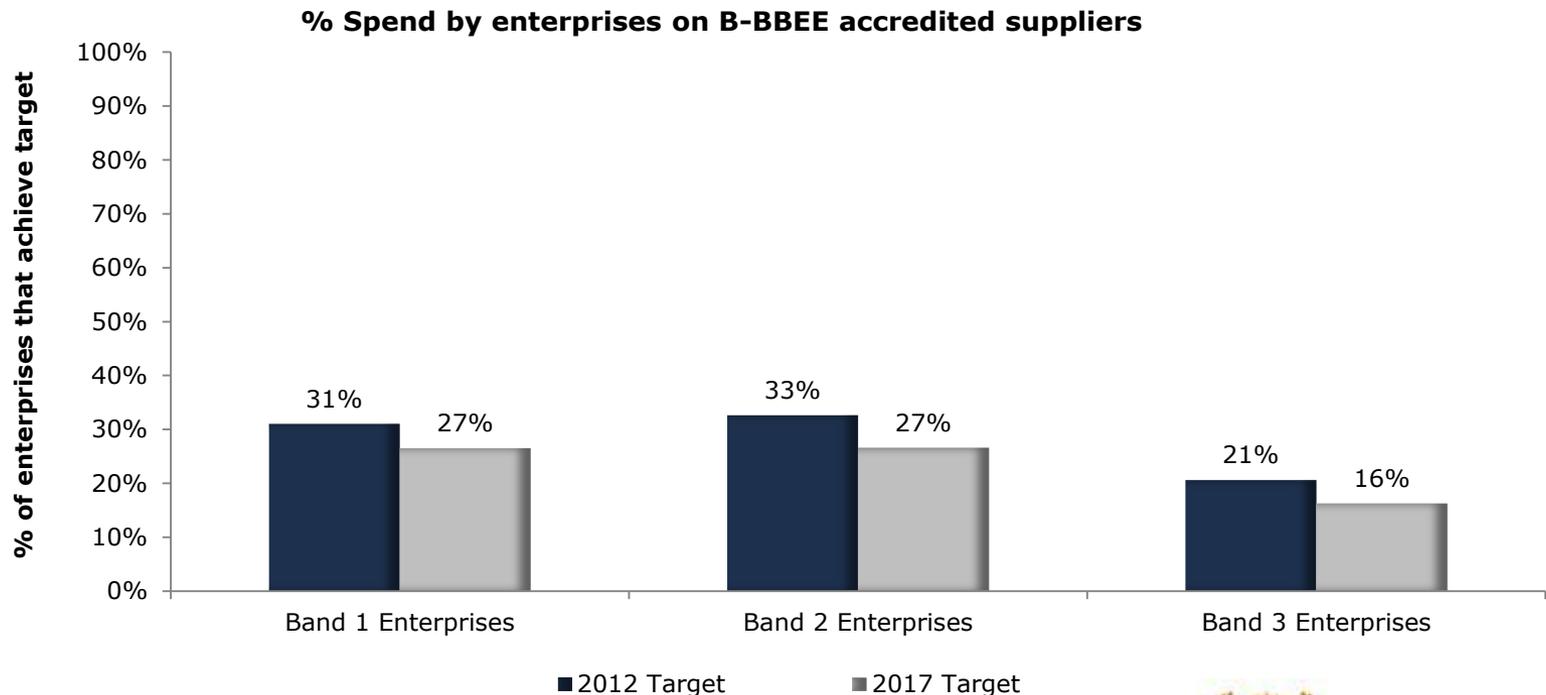
Spend on B-BBEE Accredited Suppliers: Distribution of Scores
Band 1 enterprises

Three-in-ten Band 1 enterprises had either already achieved the 2012 target while another two-in-ten were making good progress towards achieving this target. The remainder were either spending on smaller unaccredited suppliers, or on suppliers whose accreditation status was unknown.
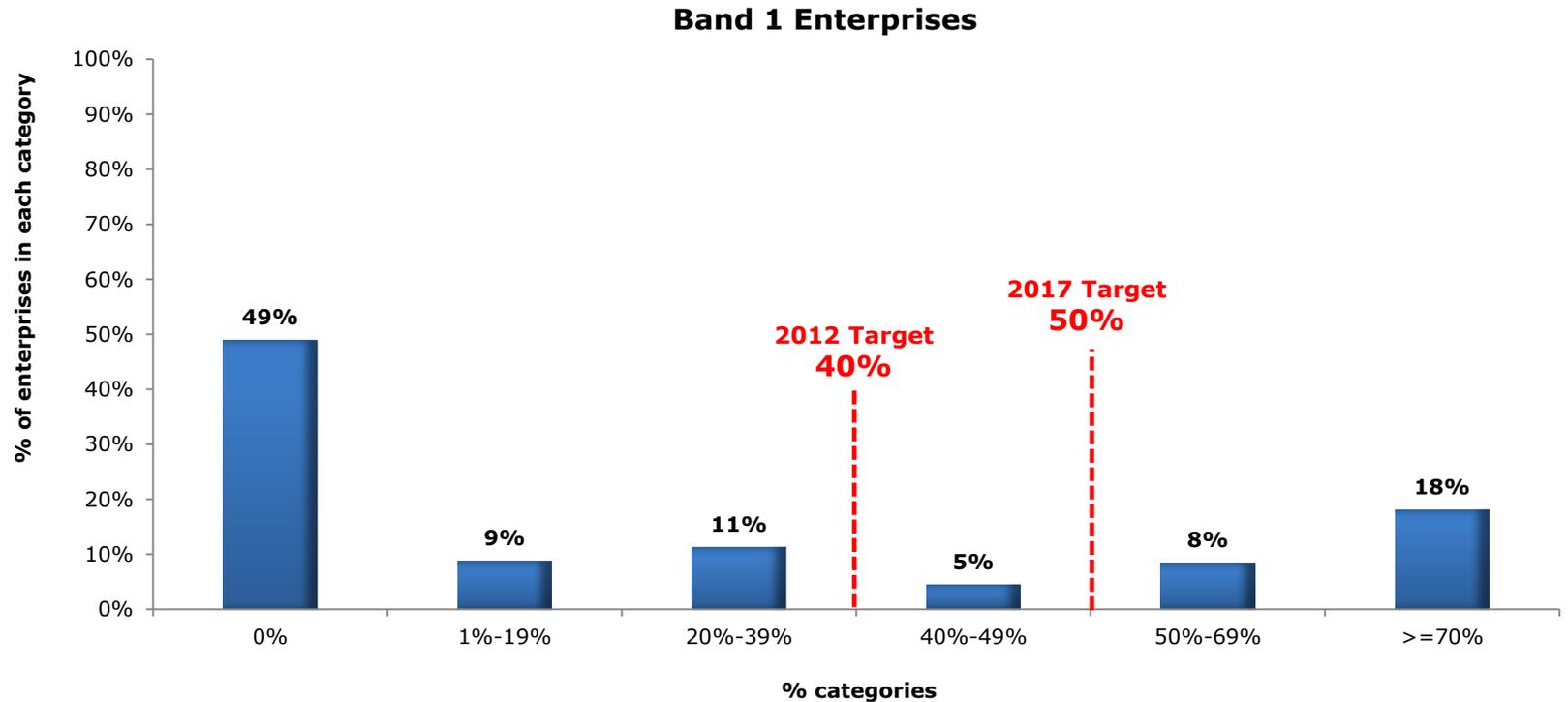
Band 1 Enterprises

Chart: % of enterprises in each category (y-axis) vs % categories (x-axis)

- 0%: 49%
- 1%-19%: 9%
- 20%-39%: 11%
- 40%-49%: 5%
- 50%-69%: 8%
- >=70%: 18%

2012 Target 40%

2017 Target 50%

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Spend on B-BBEE Accredited Suppliers: Distribution of Scores
Band 2 enterprises

Almost one-third of Band 2 enterprises had already achieved the 2012 target.

Band 2 Enterprises

51% — 0%
8% — 1%-19%
9% — 20%-39%

2012 Target 40%

6% — 40%-49%

2017 Target 50%

8% — 50%-69%
18% — >=70%

Y-axis: % of enterprises in each category
X-axis: % categories

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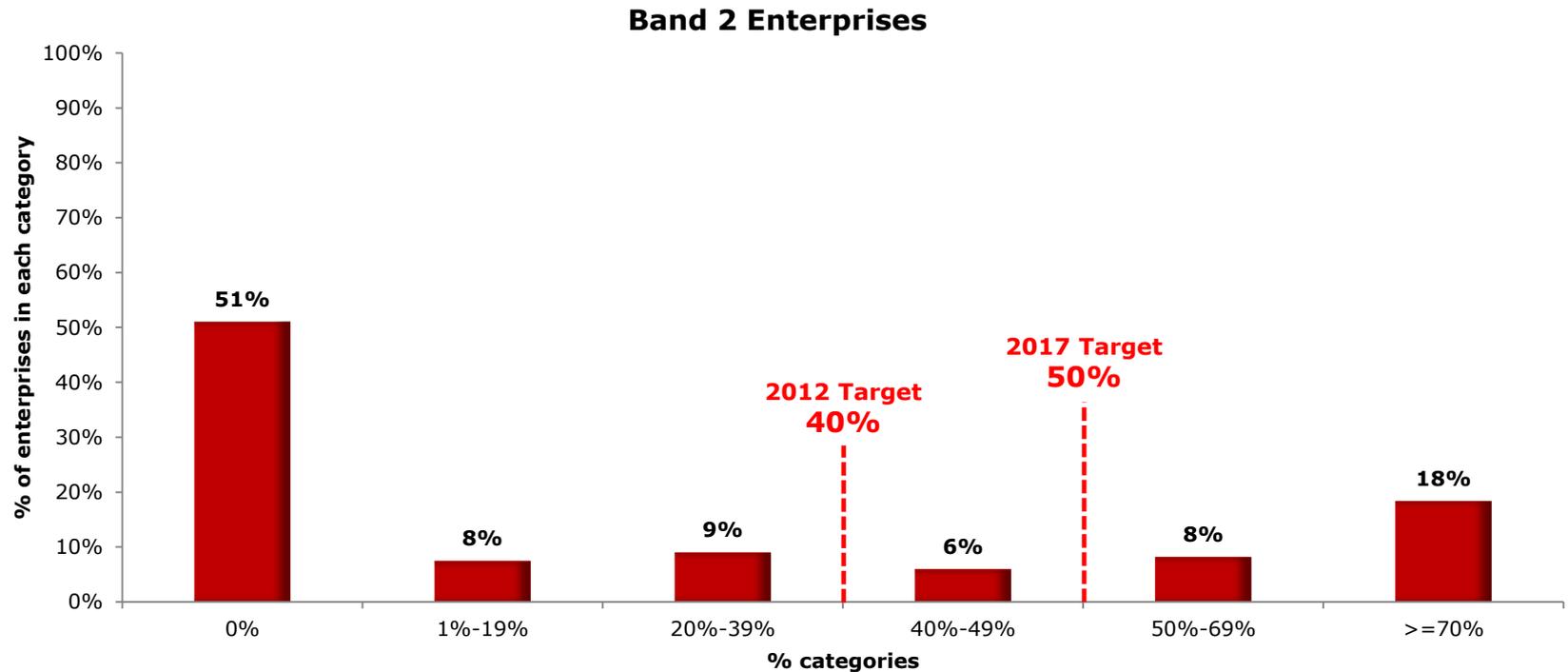
Spend on B-BBEE Accredited Suppliers: Distribution of Scores
Band 3 enterprises

Two-thirds of Band 3 enterprises had either achieved the future 2012 target for spending on B-BBEE accredited suppliers, or were making good progress in this regard. However, about one-third (34%) of these enterprises were using suppliers who were either unaccredited or of an unknown accreditation status.

Band 3 enterprises should formally record the B-BBEE status of their suppliers in order to calculate their scorecards. The NDT will need to encourage enterprises - particularly Band 3 enterprises, given their larger purchasing power and supply chains, and therefore their greater potential influence on Band 1 and 2 enterprises - to realize the benefits of spending on B-BBEE suppliers and the value of gathering appropriate records.

Band 3 Enterprises

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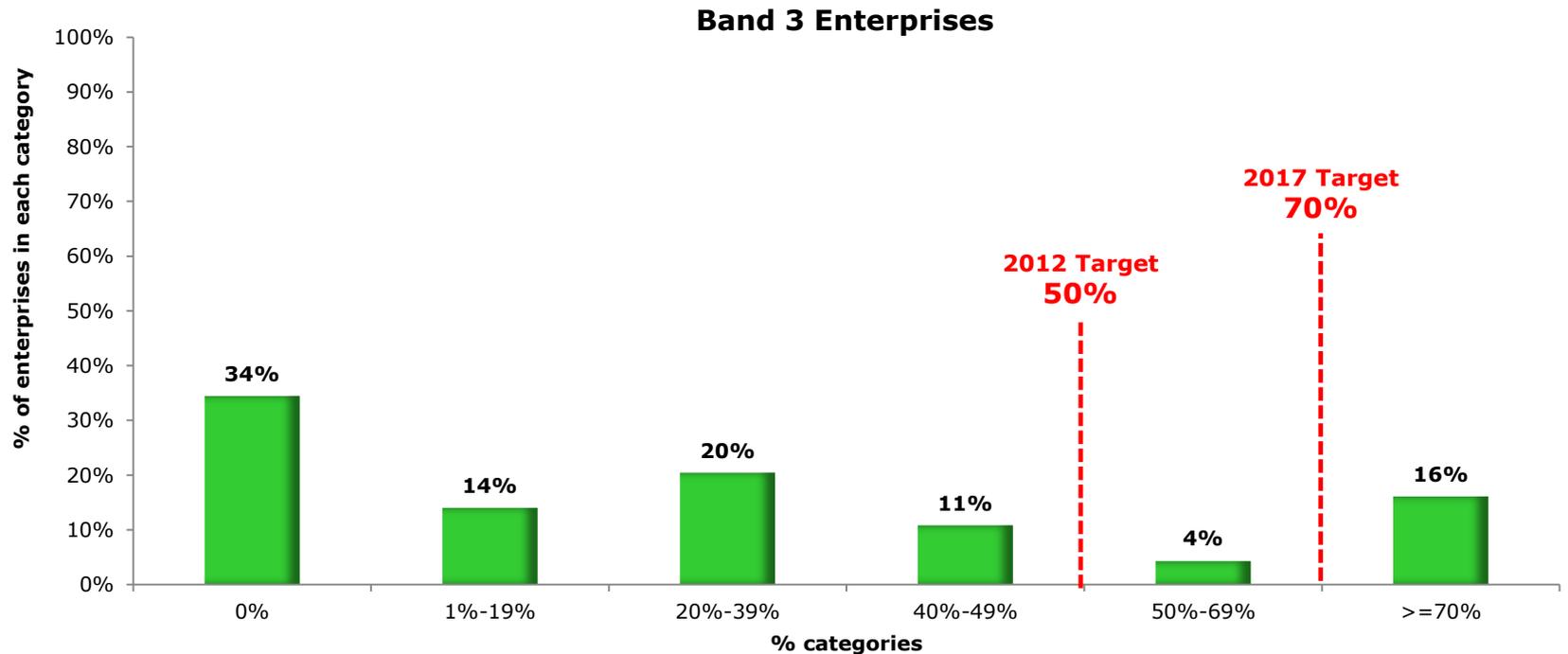
CODE 5: PREFERENTIAL PROCUREMENT
SPEND ON BLACK OWNED SUPPLIERS

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Spend on B-BBEE Accredited Suppliers: Distribution of Scores

- Approximately 10% of Band 3 enterprises had already achieved the 2012 target for procurement spend on black-owned suppliers.

- The vast majority (90%) of Band 3 enterprises said that they did not spend a significant proportion of their procurement budget on black-owned enterprises. This is most likely because:

  - Band 3 enterprises rather focus on establishing the B-BBEE rating of their suppliers and procuring from such suppliers; and

  - There may be a lack of suitable black-owned suppliers for Band 3 enterprises.

- The NDT could also consider facilitating better links between black-owned suppliers and the Band 3 enterprises.

- As there is a lack of suitable black suppliers from whom businesses can purchase more specialized/technical goods and services, the NDT should focus on promoting supplier development programmes that will increase the number and expertise of black suppliers.

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Spend on Black-Owned Suppliers: % Achieve Target
By Band 3 Enterprises

This target is only applicable to Band 3 enterprises, where one-in-ten (10%) of Band 3 enterprises have already achieved the 2012 target for procurement spend on black-owned suppliers.

Size	2012 Target	2017 Target
Band 3 Enterprises (Generic Target)	15% of Total Procurement	20% of Total Procurement

% of enterprises that have achieved target

- 2012 Target: 10%
- 2017 Target: 8%
- Don't Know: 3%

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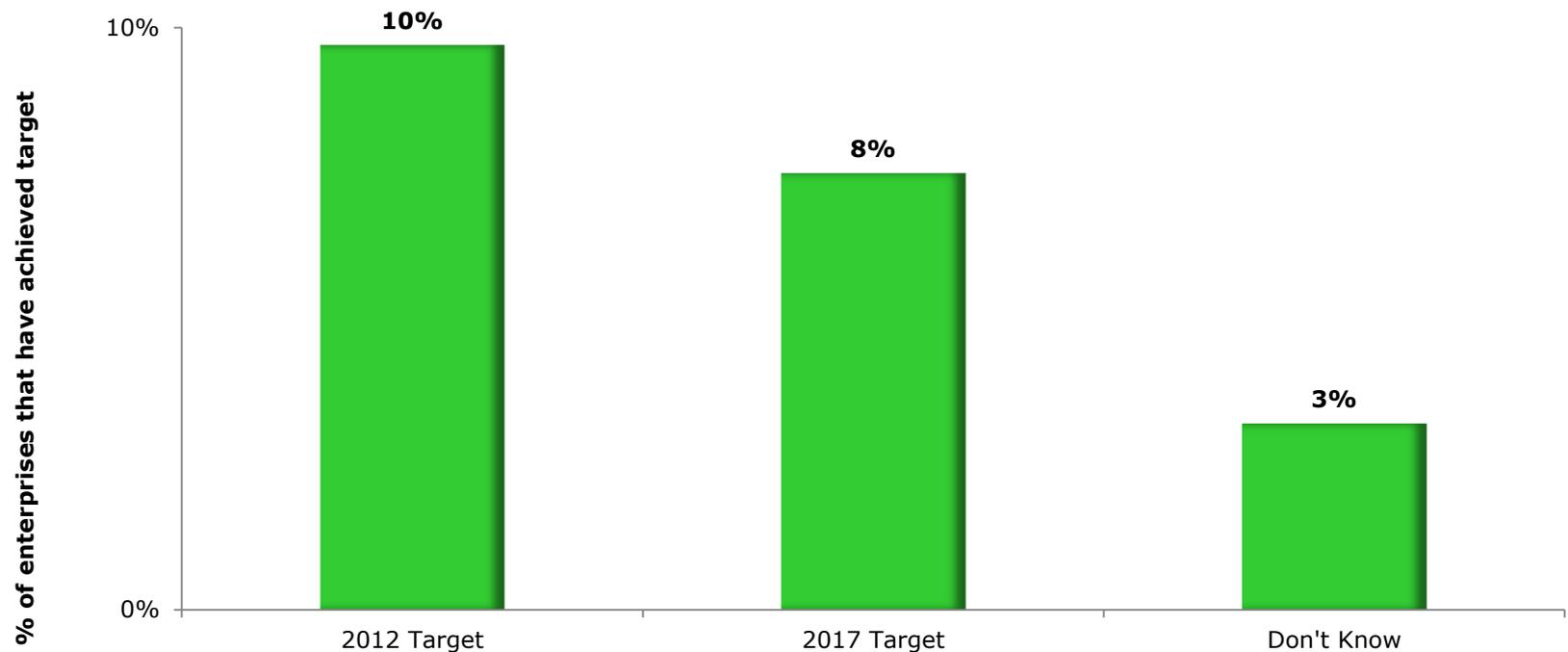
Spend on Black-Owned Suppliers: Distribution of Scores
By Band 3 Enterprises

This target is only applicable to Band 3 suppliers, where the vast majority (90%) of Band 3 enterprises said that they do not spend a significant proportion of their procurement budget on black-owned enterprises.

% of enterprises in each category

- 0%: **90%**
- 1%-14%: **0%**
- 15%-19%: **2%**
- >=20%: **8%**

2012 Target 15%

2017 Target 20%

% categories

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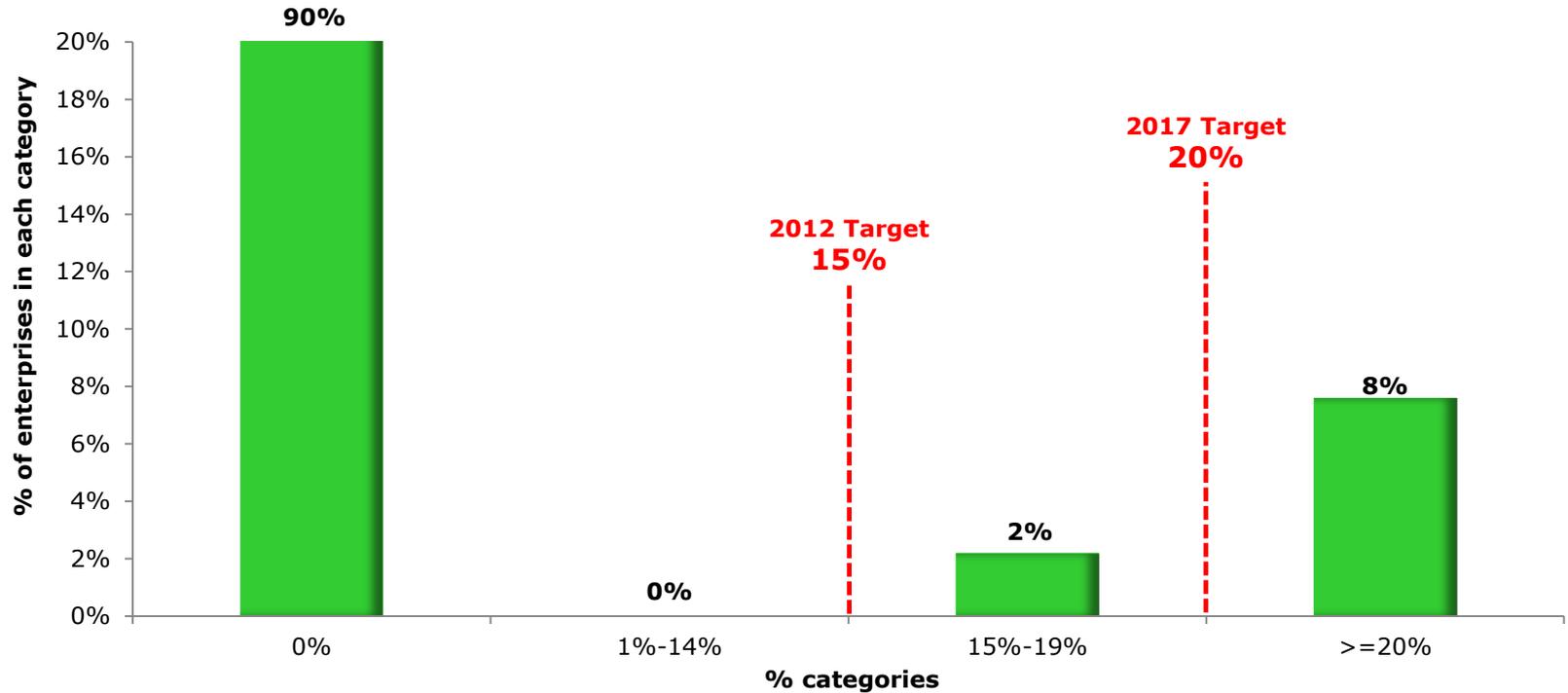
CODE 6: ENTERPRISE DEVELOPMENT

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Calculating Net Profit After Tax (NPAT)

- Where enterprises claimed to have made a zero NPAT, or loss, in the financial year of the survey, their Enterprise Development and Socio-Economic Development targets were based on the prescribed 'Indicative NPAT margin' formula.

- The Indicative NPAT margin percentage within the different sectors and Bands was as follows:

Deemed NPAT	Band 1		Band 2		Band 3	
	Average	Average /4	Average	Average /4	Average	Average /4
Accommodation	16.1%	4%	15.1%	3.8%	13%	3.2%
Hospitality and Related Services	19.9%	5%	14.9%	3.7%	16.8%	4.2%
Travel Distribution Systems	14.9%	3.7%	15.7%	3.9%	4.1%	1%

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Overview: Enterprise Development

- Approximately one-in-ten Band 1 and Band 2 enterprises had already achieved the 2012 target for spend on enterprise development.

- Band 3 enterprises had done better in this regard, with almost one-fifth of them having already achieved this future target.

- Two-fifths of Band 3 enterprises spent funds on enterprise development. This expenditure is likely to have positive knock-on effect within the tourism industry (e.g. as small enterprises are nurtured in the supply chains of larger enterprises).

- The NDT and its stakeholders will need to work closely with three-fifths of Band 3 enterprises who do not yet spend on enterprise development, in order to assist them to understand the benefits of enterprise development (e.g. with supply chain) and help them identify suitable opportunities to invest in enterprise development.

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Spend on Enterprise Development: % Achieve Target
All enterprises

Approximately one-in-ten Band 1 and Band 2 enterprises and two-in-ten Band 3 enterprises (22%) had achieved both the 2012 and 2017 targets for spend on enterprise development.

Size	2012 Target	2017 Target
Band 1 & Band 2 Enterprises (QSE Target)	2% NPAT	2% NPAT
Band 3 Enterprises (Generic Target)	3% NPAT	3% NPAT

% of enterprises that achieve target

Band 1 Enterprises: 8%, 8%
Band 2 Enterprises: 11%, 11%
Band 3 Enterprises: 22%, 22%

■2012 Target ■2017 Target

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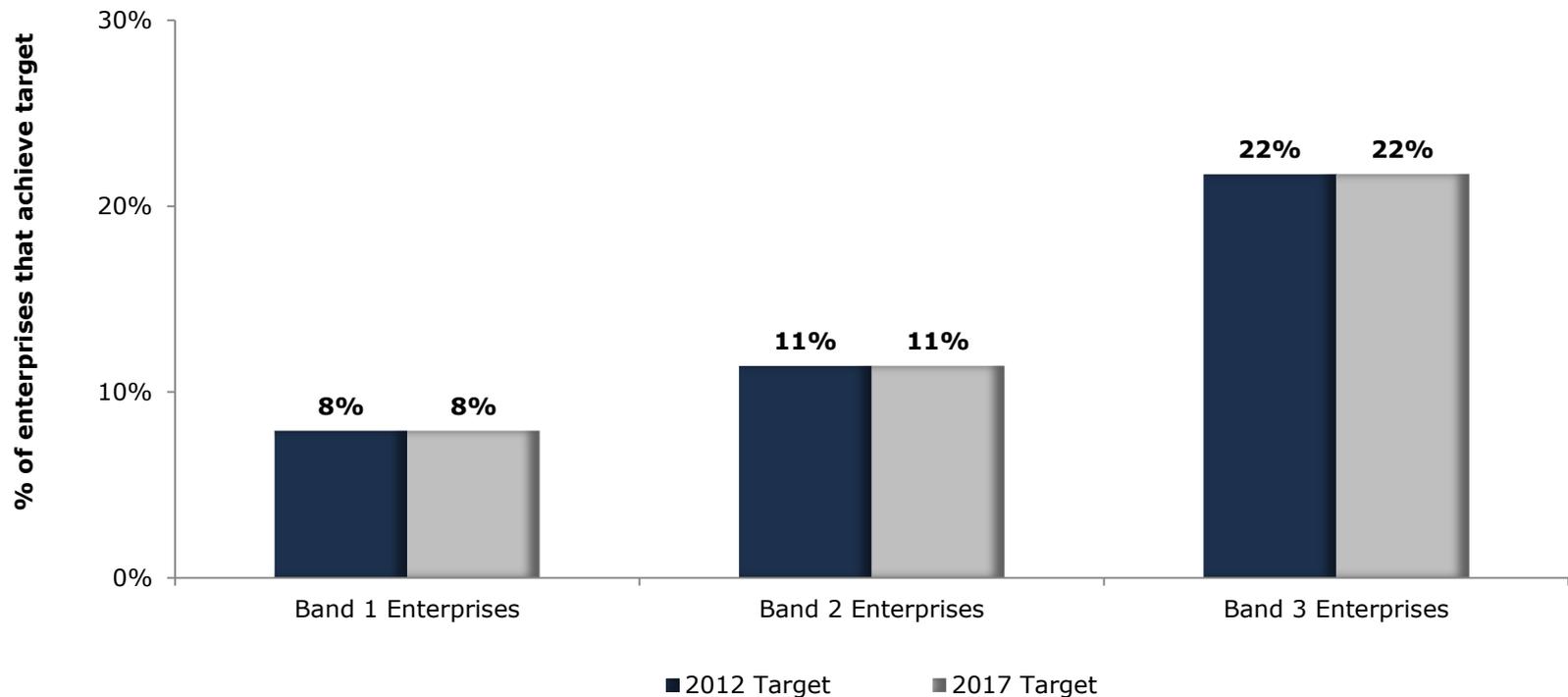
Spend on Enterprise Development: Distribution of Scores
Band 1 enterprises

The majority (92%) of Band 1 enterprises did not yet invest in enterprise development.

Band 1 Enterprises

Chart showing % of enterprises in each category by % categories:
- 0%: 92%
- 1%-1.9%: 1%
- >=2%: 8%

2012/2017 Target 2%

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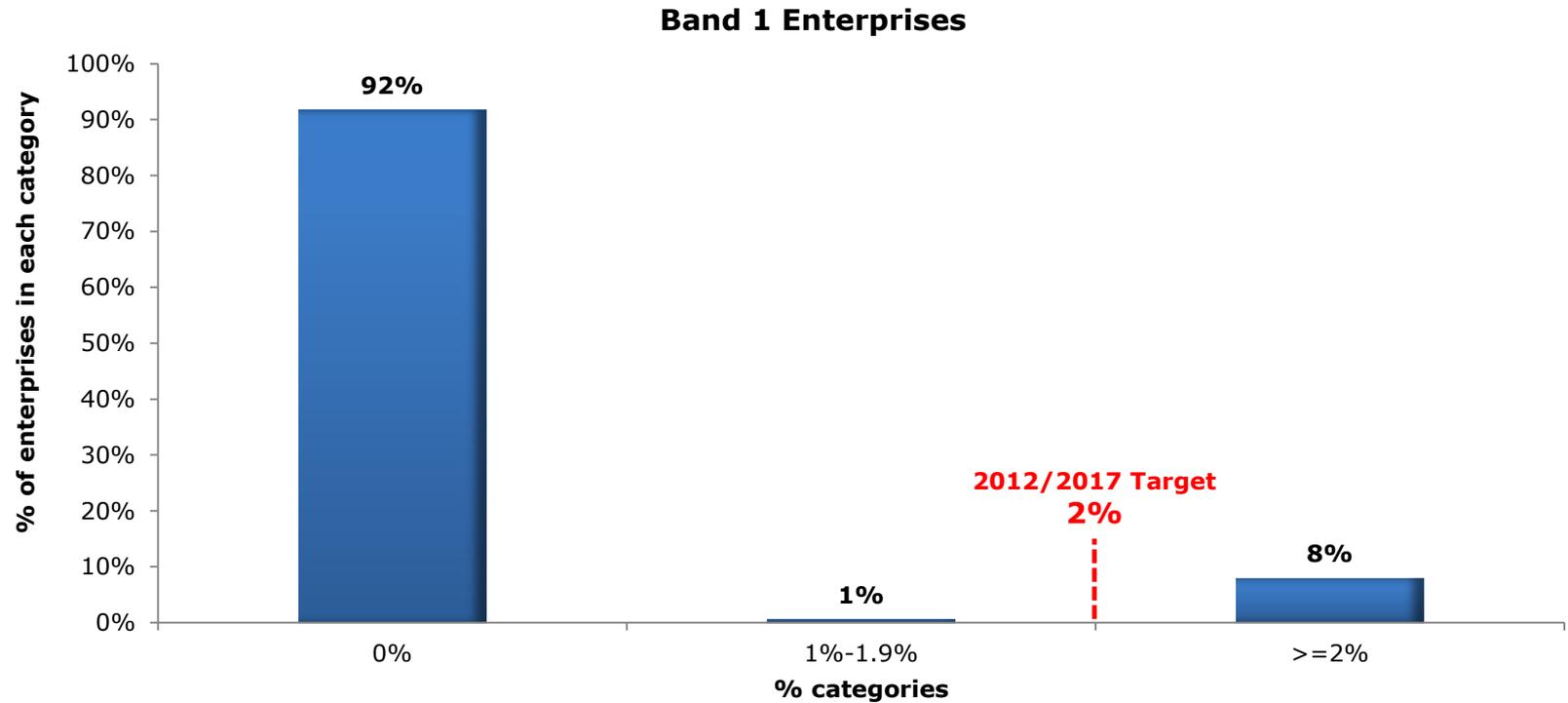
Spend on Enterprise Development: Distribution of Scores
Band 2 enterprises

The results for Band 2 enterprises were marginally better than the results for Band 1 enterprises, with 11% having achieved the targets for both 2012 and 2017.

Band 2 Enterprises

Chart: % of enterprises in each category target vs % categories

- 0%: 87%
- 1%-1.9%: 1%
- 2012/2017 Target 2%
- >=2%: 11%

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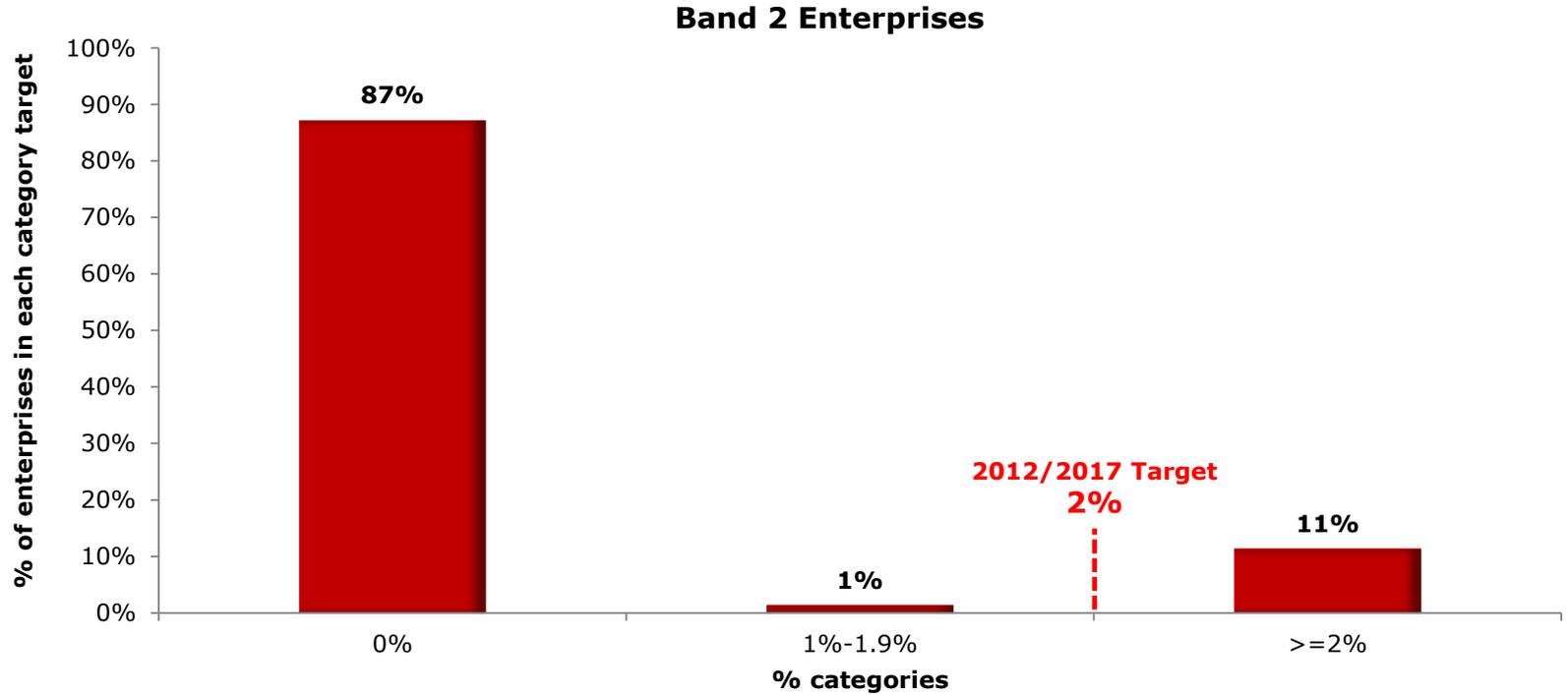
Spend on Enterprise Development: Distribution of Scores
Band 3 enterprises

Four-in-ten Band 3 enterprises spent funds on enterprise development, and had either achieved the target (22%) or were on track to achieving this target (19%). This expenditure is likely to have positive knock-on effect within the tourism industry (e.g. as small enterprises are nurtured in the supply chains of larger enterprises).

Band 3 Enterprises

% of enterprises in each category

- 0: 60%
- 1%-2.9%: 19%
- >=3%: 22%

2012/2017 Target 3%

% categories

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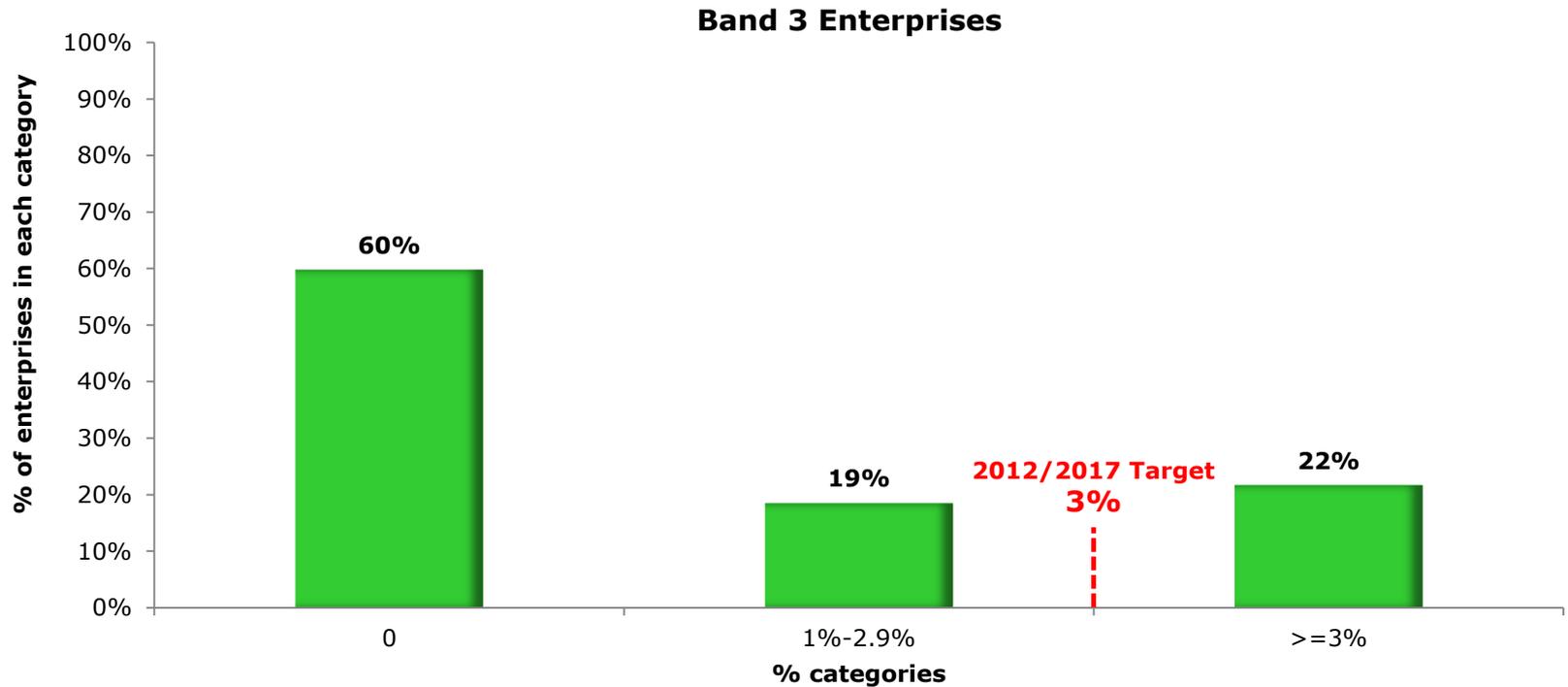
CODE 7: SOCIO-ECONOMIC DEVELOPMENT

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Overview: Socio-Economic Development

- A substantial proportion of enterprises (36-53%) across all Bands had already achieved the 2012 target for spend on socio-economic development. There are two possible reasons for so many enterprises having met this target:
  - Firstly, these enterprises may be genuinely concerned with the social development needs of their communities and are investing accordingly; and
  - Secondly, the socio-economic development code is one of the easiest and least disruptive to comply with.

- Enterprises that are not yet investing in socio-economic development will need to understand the benefits of investing in socio-economic development and developing a socially-responsible brand.
  - There is also a possibility that some enterprises are simply not yet aware of good opportunities for socio-economic development within their communities or the broader tourism industry.

- Enterprises across all Bands expressed their intention to spend more on socio-economic development over the next 12 months, with this intention being strongest amongst Band 3 enterprises. Additionally, enterprises across all three bands also expressed their intention to spend a greater proportion of their socio-economic budgets in the next 12 months on causes and charities that serve black people.

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Spend on Socio-Economic Development: % Achieve Target

A substantial proportion of enterprises across all Bands had achieved the 2012 and 2017 targets for spending on socio-economic development.

Size	2012 Target	2017 Target
Band 1 & Band 2 Enterprises (QSE Target)	1%NPAT	1%NPAT
Band 3 Enterprises (Generic Target)	1%NPAT	1%NPAT
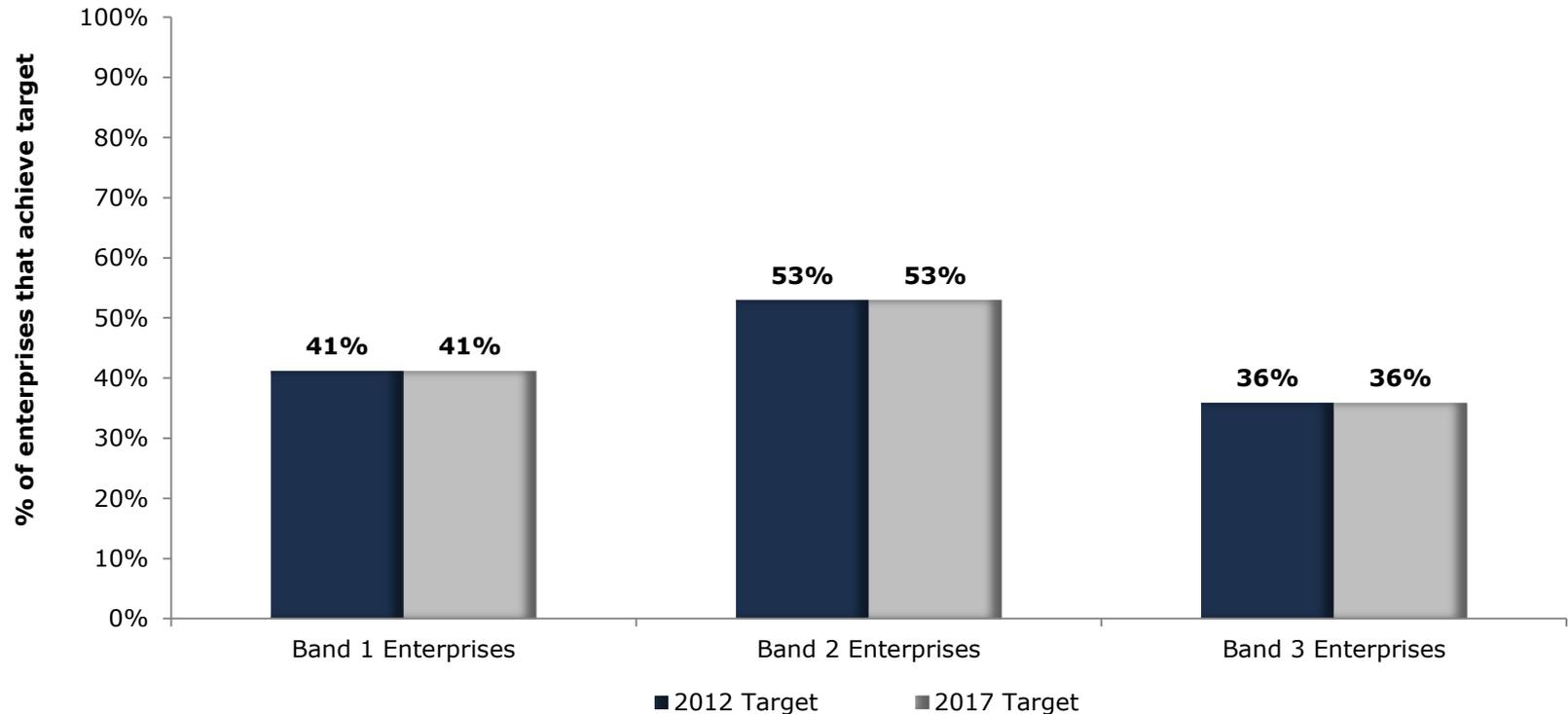
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Spend on Socio-Economic Development: Distribution of Scores
Band 1 enterprises

Over two-thirds (41%) of Band 1 enterprises had achieved both the 2012 and 2017 targets for spend on socio-economic development.

Band 1 Enterprises

2012/2017 Target 1%

Category	%
0%	58%
0.1%-0.9%	1%
1%-24%	17%
25%-49%	8%
>=50%	16%

% of enterprises in each category

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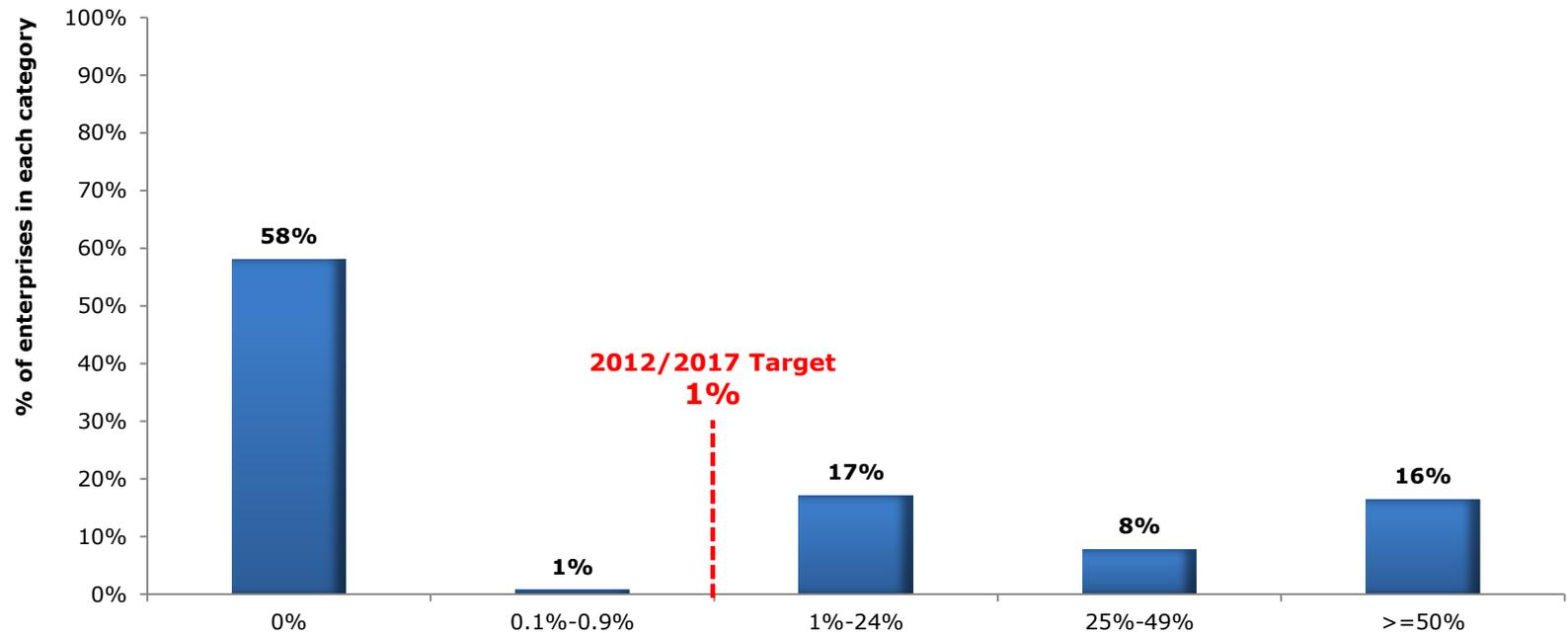
Spend on Socio-Economic Development: Distribution of Scores
Band 2 enterprises

An overwhelming 53% of Band 2 enterprises had already achieved the 2012 target for spend on socio-economic development, while a further one-tenth (9%) were on track to meet the target.

Band 2 Enterprises

Chart: % of enterprises in each category

- 0%: 38%
- 0.1%-0.9%: 9%
- **2012/2017 Target 1%**
- 1%-24%: 44%
- 25%-49%: 5%
- >=50%: 5%

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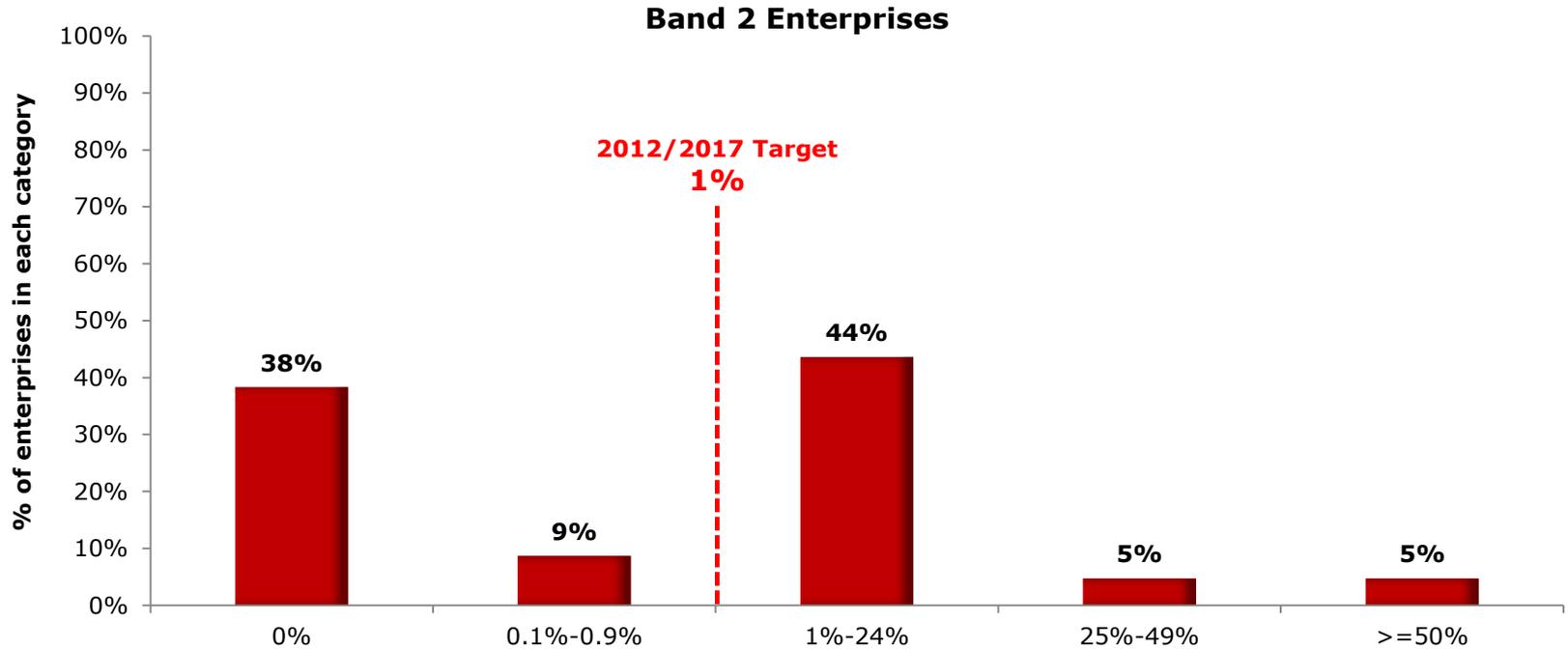
Spend on Socio-Economic Development: Distribution of Scores
Band 3 enterprises

About one-third of Band 3 enterprises (36%) had achieved the 2012 target for spend on socio-economic development, and a further 10% were on track to meet the target.

Band 3 Enterprises

% of enterprises in each category

- 0%: 54%
- 0.1%-0.9%: 10%
- 1%-24%: 28%
- 25%-49%: 2%
- >=50%: 5%

2012/2017 Target 1%

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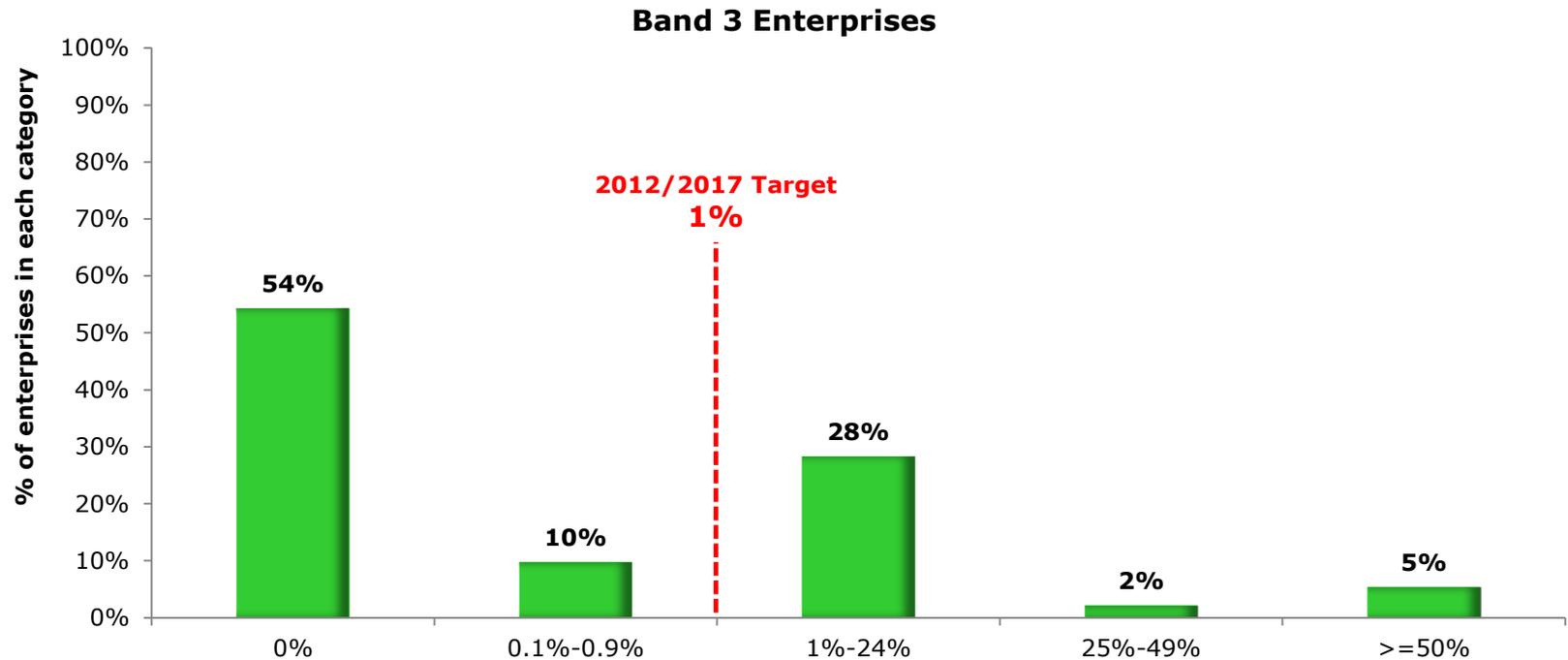
Intention to adjust expenditure on socio-economic development
All enterprises

Almost half of Band 3 enterprises indicated that they were intending to increase expenditure in this area.

Chart legend: ■ Decrease ■ Stay the same ■ Increase

- Band 1: Decrease 1%, Stay the same 75%, Increase 24%
- Band 2: Decrease 1%, Stay the same 67%, Increase 32%
- Band 3: Decrease 5%, Stay the same 48%, Increase 46%

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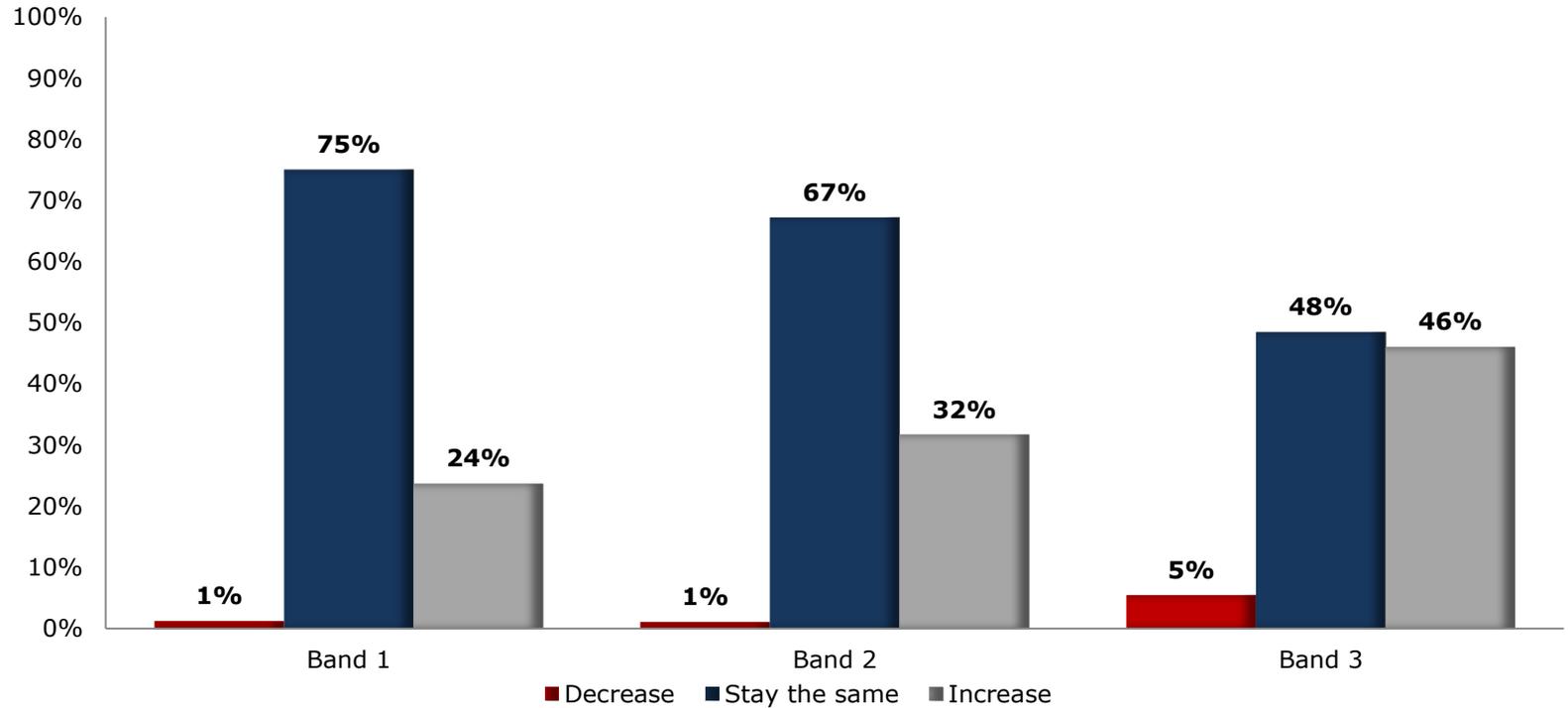
Intention to focus socio-economic expenditure on certain causes
All enterprises

Enterprises across all Bands expressed their intention to spend a greater proportion of their socio-economic budgets in the next 12 months on causes and charities that serve black people.

Legend: ■ Decrease ■ Stay the same ■ Increase

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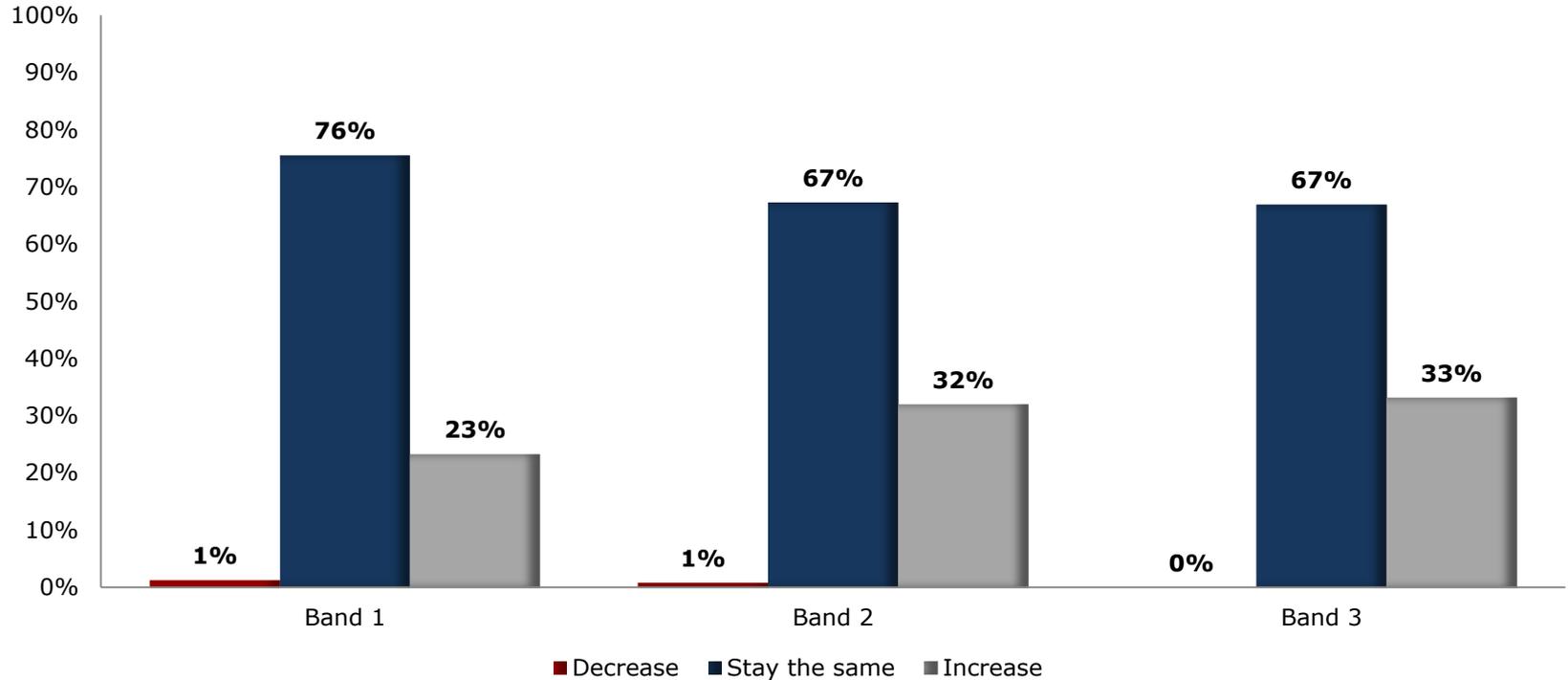
B-BBEE CODES AND SCORECARDS
AWARENESS AND PERCEIVED PURPOSE OF THE CODES

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Overview: Awareness and Perceived Purpose of B-BBEE codes

- Awareness of B-BBEE codes were generally high across all three bands and sub-sectors.

- While two-thirds of Band 3 enterprises said that the B-BBEE codes should be applied in the tourism sector, a smaller number of Band 1 and Band 2 enterprises agreed with this.

- Enterprises believed that the purpose of the codes was to encourage black economic empowerment, uplift black businesses, increase employment equity, empower previously-disadvantaged people and to employ black people or previously-disadvantaged people.

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Awareness of B-BBEE codes
All enterprises by band

Awareness of B-BBEE codes was high amongst tourism enterprises.
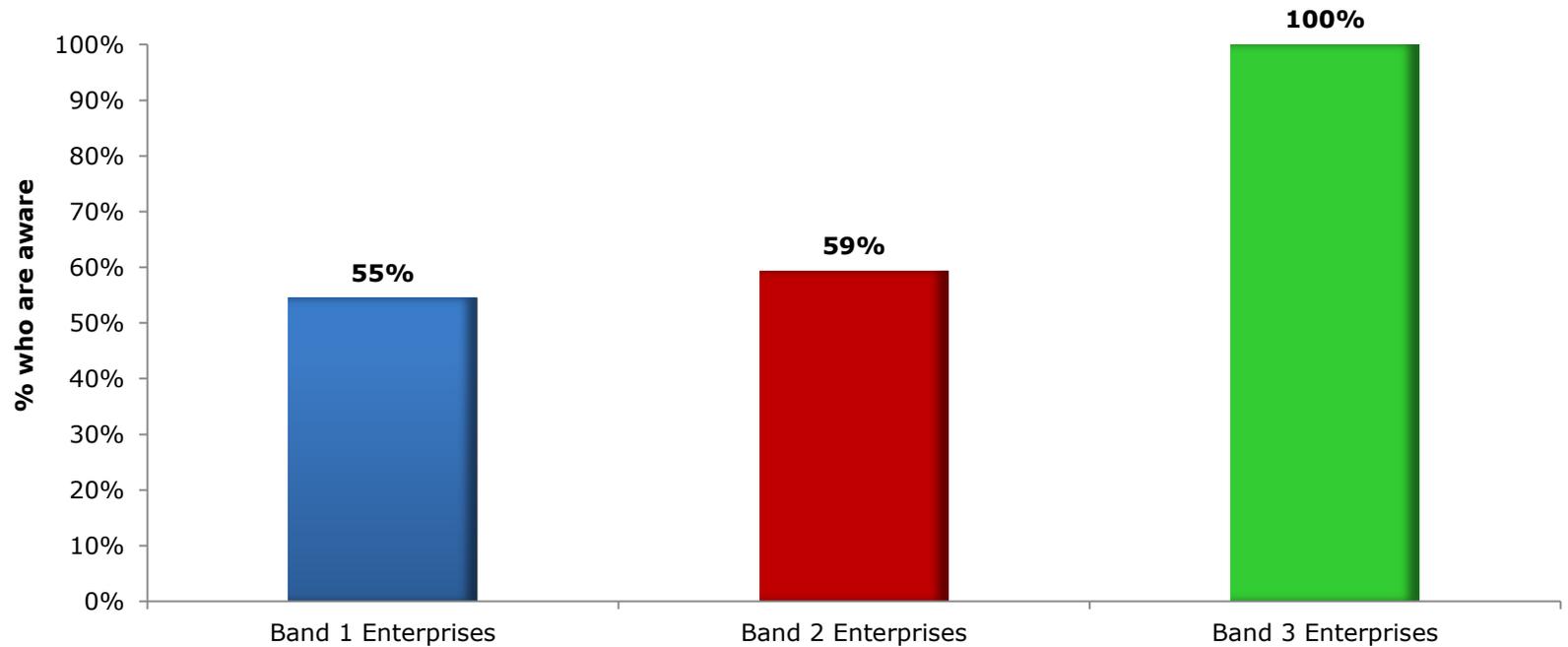
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Awareness of B-BBEE Codes:
All enterprises by Sub-Sector and Province

Levels of awareness of the B-BBEE codes were distributed fairly evenly across all provinces and sub-sectors.

% who are aware (by sub-sector):
- Accommodation: 57%
- Hospitality and Related Services: 54%
- Travel Distribution Systems: 57%

% who are aware (by province):
- Mpumalanga: 64%
- Gauteng: 60%
- KwaZulu Natal: 57%
- North West: 57%
- Western Cape: 55%
- Eastern Cape: 52%
- Northern Cape: 50%
- Limpopo: 47%
- Free State: 37%

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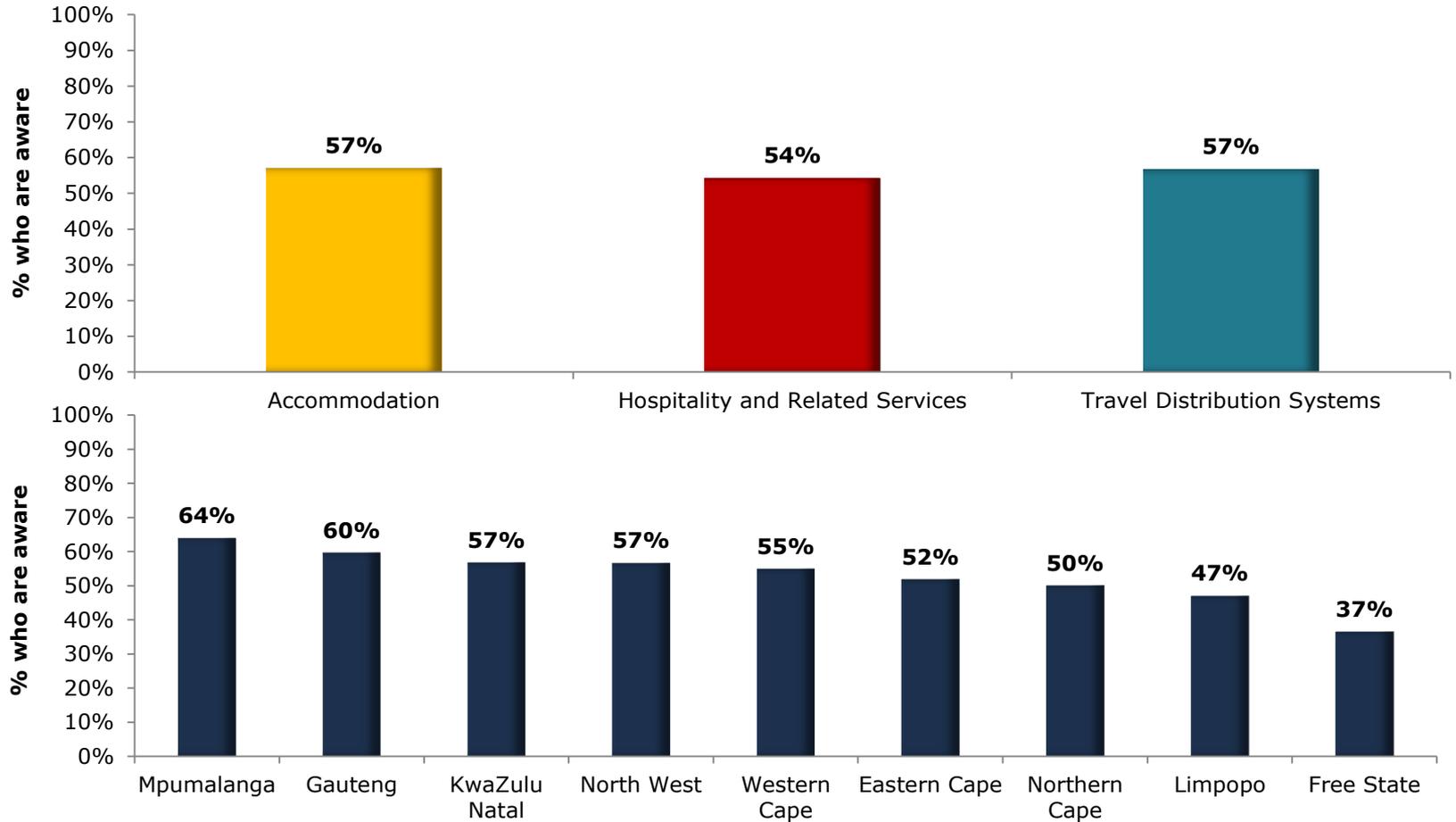
B-BBEE Codes should be Applied in Tourism Sector
All enterprises by band

Two-thirds (64%) of Band 3 enterprises said that the B-BBEE codes should be applied in the tourism sector. In contrast, around a quarter (22%-26%) of Band 1 and Band 2 enterprises agreed with this belief.

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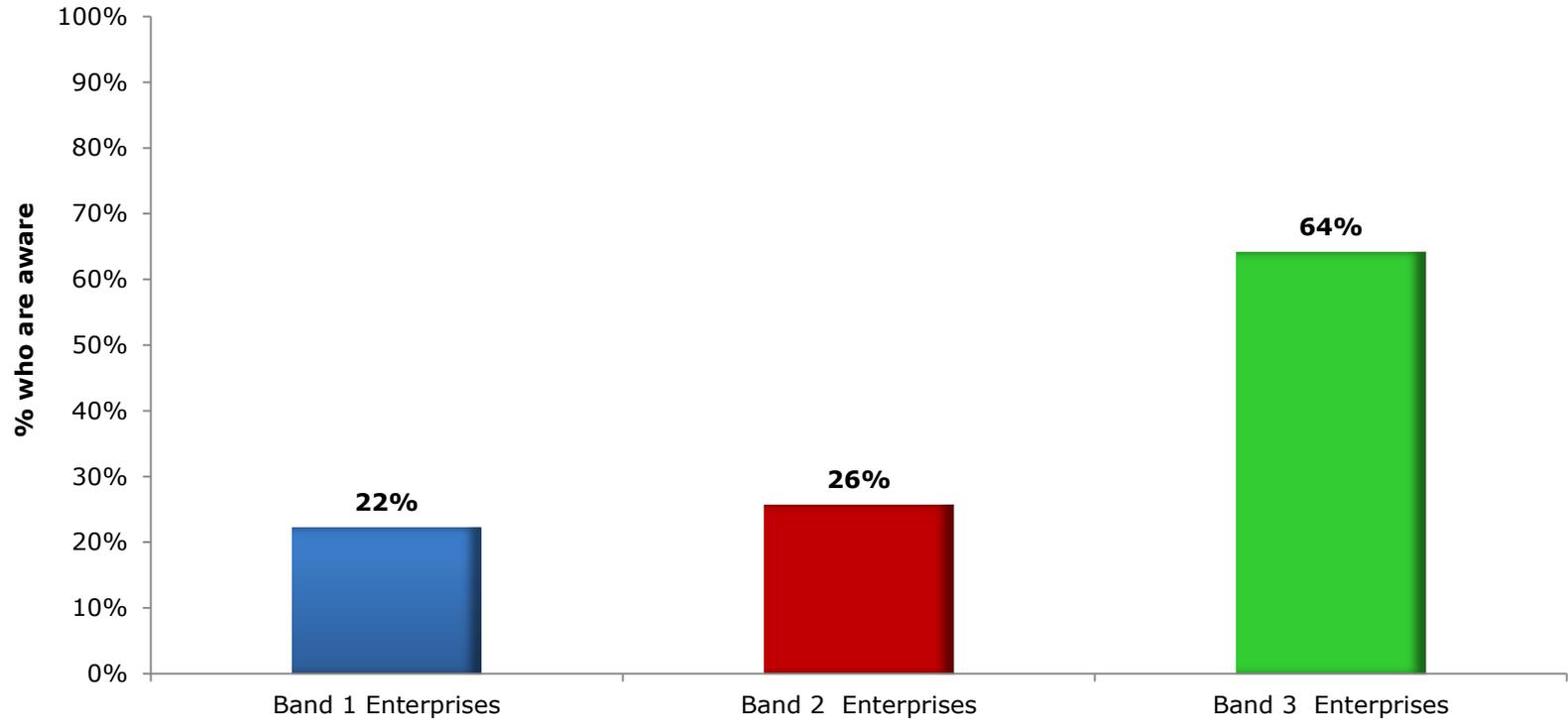
Perceived Purpose of the B-BBEE Codes
(Top 5 by Band)

Respondents perceived the purpose of the B-BBEE codes as being to encourage black economic empowerment and to promote employment equity.

Other
- 7% (Band 1)
- 7% (Band 2)
- 17% (Band 3)

To increase black ownership of businesses
- 5% (Band 1)
- 5% (Band 2)
- 2% (Band 3)

To uplift black businesses
- 10% (Band 1)
- 13% (Band 2)
- 12% (Band 3)

To increase employment equity
- 6% (Band 1)
- 8% (Band 2)
- 21% (Band 3)

To empower previously disadvantaged people
- 14% (Band 1)
- 18% (Band 2)
- 15% (Band 3)

To employ black people or previously disadvantage people
- 13% (Band 1)
- 8% (Band 2)
- 9% (Band 3)

To encourage Black Economic Empowerment
- 23% (Band 1)
- 28% (Band 2)
- 23% (Band 3)

To get businesses to have a certain quota of black, coloured and indian staff
- 10% (Band 1)
- 4% (Band 2)
- 2% (Band 3)

■ Band 1   ■ Band 2   ■ Band 3

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B-BBEE CODES AND SCORECARDS
ENTERPRISES WITH A VALID SCORECARD

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Overview: Enterprises with a valid B-BBEE Scorecard

- Less than half (45%) of the Band 3 enterprises said that they had valid B-BBEE scorecards/certificates.

  - This is a surprisingly low figure: it was expected that the vast majority of these enterprises would all already have B-BBEE certificates.

  - This proportion was also much lower amongst Band 2 enterprises and Band 1 enterprises.

- Enterprises that said they had a valid scorecard existed across all sub-sectors and provinces.

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Enterprises with a Valid B-BBEE Scorecard/Certificate
All enterprises

Almost half (45%) of the Band 3 enterprises had valid B-BBEE scorecards/certificates. This proportion was much lower amongst Band 2 enterprises and Band 1 enterprises.

% with valid scorecard

Band 1 Enterprises — D/K 9%, No 88%, Yes 3%
Band 2 Enterprises — D/K 21%, No 66%, Yes 13%
Band 3 Enterprises — D/K 3%, No 52%, Yes 45%

Legend: ■ D/K   ■ No   ■ Yes

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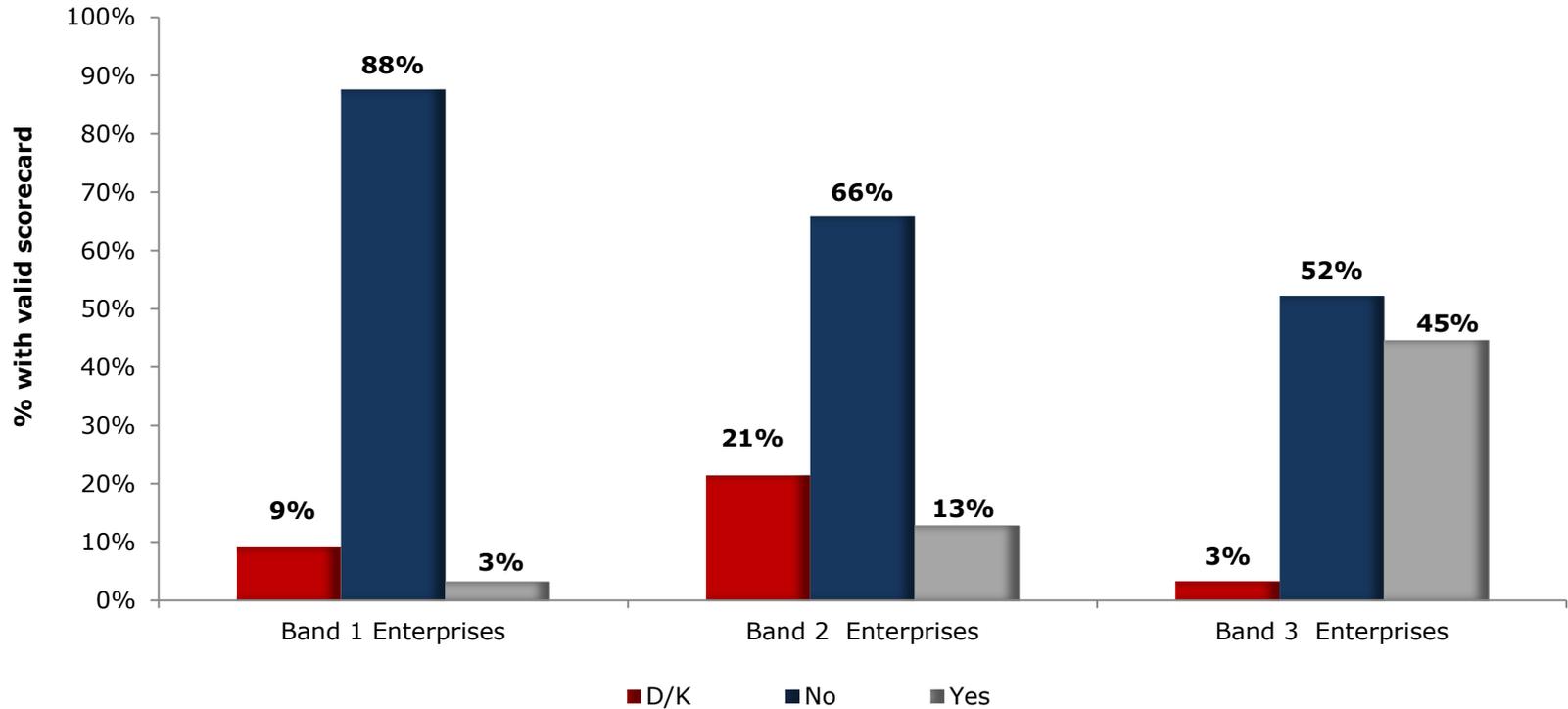
Enterprises with a Valid Scorecard
All enterprises by sub-sector and province

> The proportion of enterprises with a valid scorecard was low across all sub-sectors and provinces.

Valid scorecard by Sub-Sector

% with valid scorecard

- Accommodation: 4.5%
- Hospitality and Related Services: 5.8%
- Travel Distribution Systems: 9.0%

Valid scorecard by Province

% with valid scorecard

- Limpopo: 8.7%
- Western Cape: 6.7%
- KwaZulu Natal: 5.8%
- Eastern Cape: 5.4%
- North West: 4.6%
- Gauteng: 4.4%
- Free State: 3.7%
- Mpumalanga: 2.8%
- Northern Cape: 1.1%

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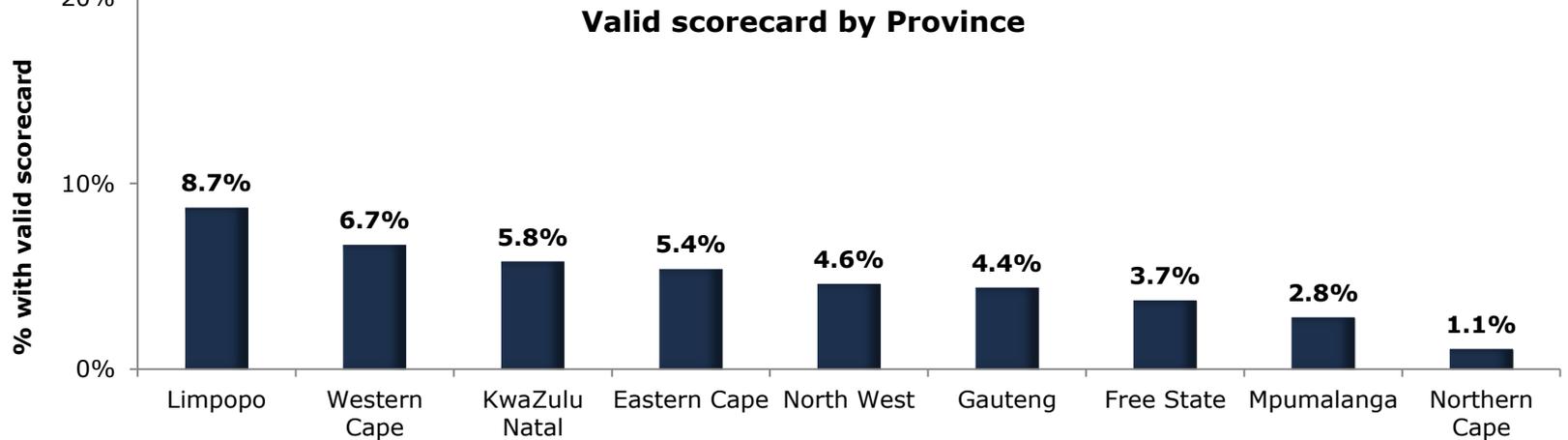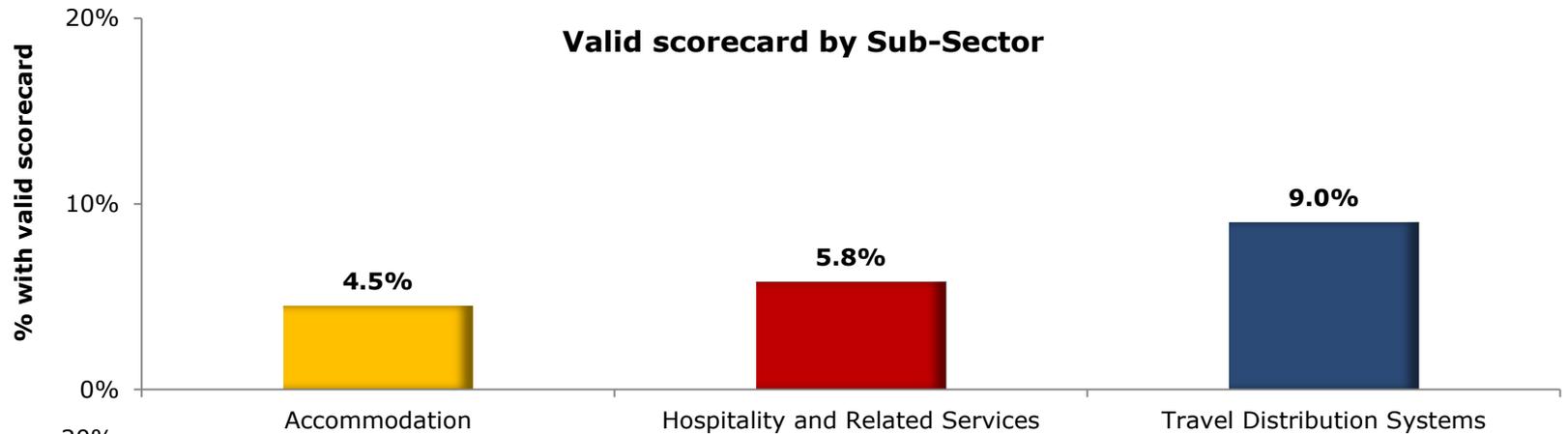
B-BBEE CODES AND SCORECARDS
LEVEL OF B-BBEE CONTRIBUTION

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Overview: Level of B-BBEE Contribution of enterprises with valid scorecards

- The vast majority of Band 1 and Band 2 enterprises with valid scorecards are level 1-4 contributors. This is because Band 1 enterprises can all obtain a minimum (i.e. deemed) level 4 status.

- Fewer than half of Band 3 enterprises were level 1-4 contributors. This is most likely because of the stricter criteria (e.g. compliance with all seven codes) that Band 3 enterprises need to meet in order to get a scorecard.

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Level of B-BBEE Contribution: By Enterprises with Valid Scorecard
All enterprises with valid scorecards by band

The vast majority of Band 1 and Band 2 enterprises with valid scorecards were level 1-4 contributors. This is because a minimum of level 4 status is granted to all Band 1 enterprises undergoing the accreditation process. In contrast, less than half (45%) of Band 3 enterprises are level 1-4 contributors.

What is interesting is that Band 3 enterprises were more likely to have scorecards, yet tended to have scorecards with poorer ratings than the Band 1 or 2 enterprises with scorecards. This is most likely because of the stricter criteria (e.g. compliance with all seven codes) that Band 3 enterprises need to meet in order to get a scorecard.

Level	Band 1	Band 2	Band 3
Non-Compliant <30 points	3%	1%	5%
Level Eight =30 but <40 points		4%	5%
Level Seven =40 but <45 points	2%	6%	9%
Level Six =45 but <55 points		7%	12%
Level Five =55 but <65 points		8%	24%
Level Four =65 but <75 points	60%	49%	5%
Level Three =75 but <85 points	19%	11%	22%
Level Two =85 but <=100 points	14%	10%	7%
Level One >100 points	3%	5%	12%

■ Band 1 ■ Band 2 ■ Band 3

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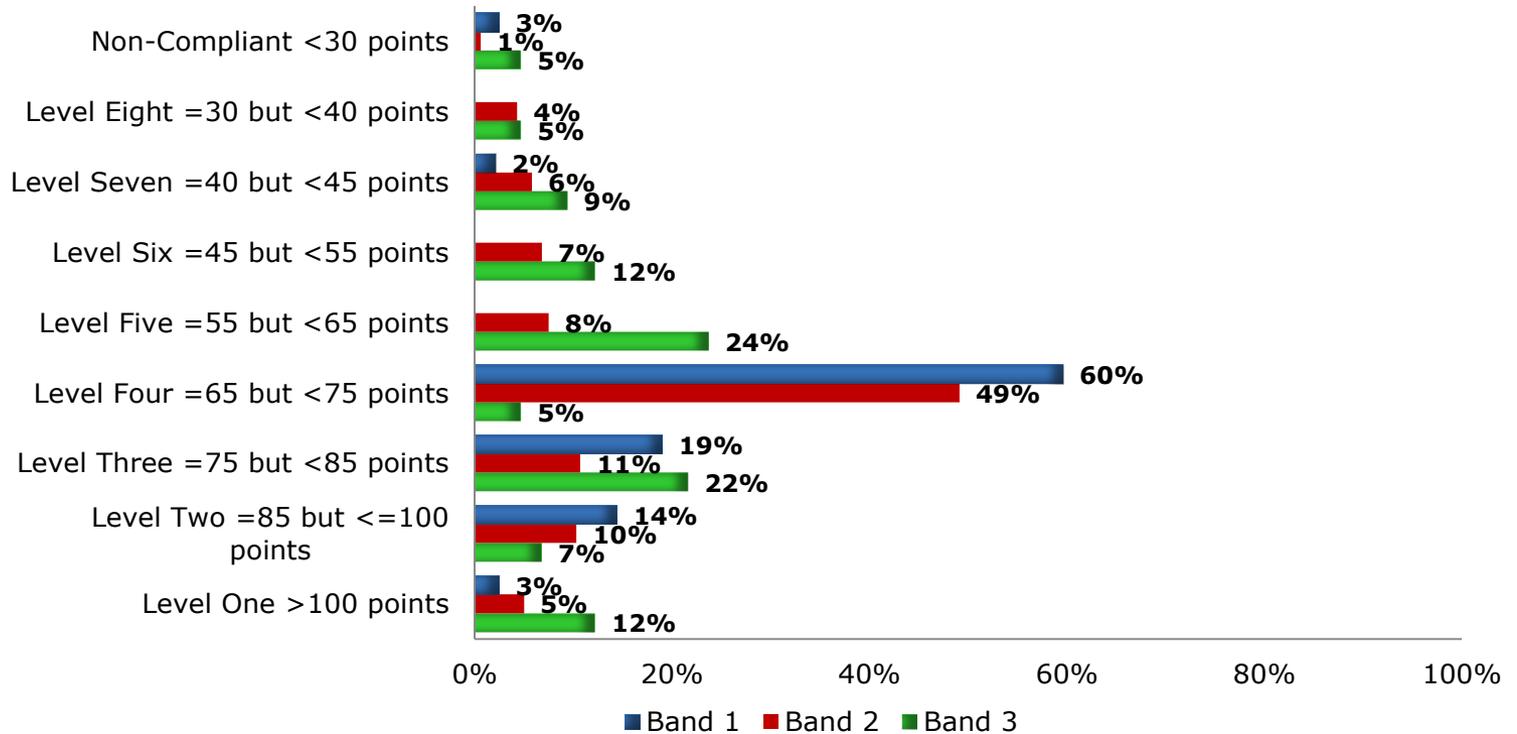
B-BBEE CODES AND SCORECARDS
METHODS AND EASE OF OBTAINING A B-BBEE SCORECARD

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Overview: Methods and Ease of obtaining a B-BBEE Scorecard

- In terms of acquiring a scorecard, the following findings were found:
  - Band 3 enterprises clearly preferred dealing directly with an accreditation agency in order to prepare their B-BBEE scorecard.
  - Band 1 and Band 2 enterprises tended to use either a consultant or an accreditation agency to help them prepare their scorecard for auditing.
  - Band 1 and Band 2 enterprises experienced an easier process to obtain scorecards than Band 3 enterprises.
  - Band 3 enterprises had the most faith in the benefits of obtaining a B-BBEE scorecard that is understandable since it is more of a business imperative for this Band.

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Methods of Preparing B-BBEE Scorecard for Auditing by a Verification Agency

All enterprises with valid scorecards by band

Enterprises with valid scorecards were asked who they sought assistance from in order to prepare their scorecards. The findings showed that Band 3 enterprises preferred to deal directly with an accreditation agency, while Band 1 and Band 2 enterprises tended to use either a consultant or an accreditation agency to help them prepare their scorecard for auditing.

Prepare your own scorecard

- Band 1 Enterprises: 8%
- Band 2 Enterprises: 20%
- Band 3 Enterprises: 0%

Employ a B-BBEE Consultant to prepare your scorecard

- Band 1 Enterprises: 38%
- Band 2 Enterprises: 33%
- Band 3 Enterprises: 12%

Contract an accredited agency to prepare the BEE certificate

- Band 1 Enterprises: 54%
- Band 2 Enterprises: 46%
- Band 3 Enterprises: 88%

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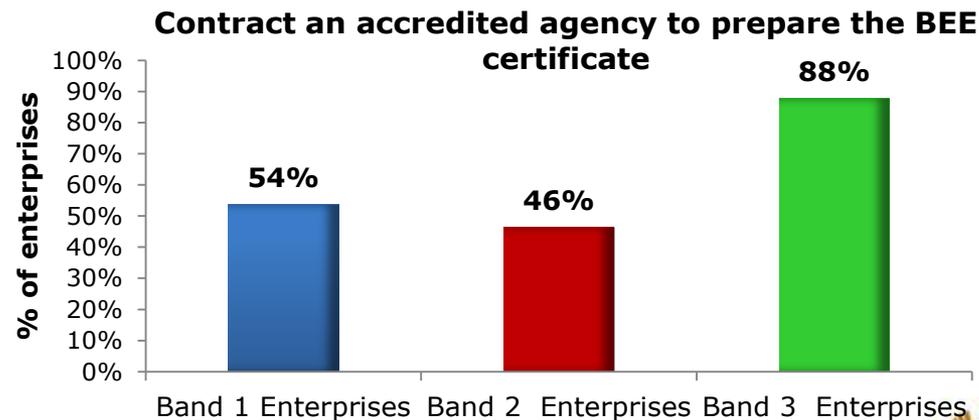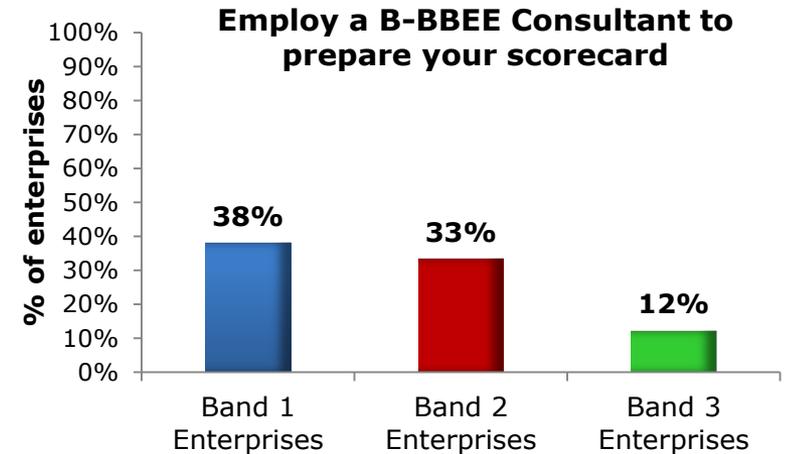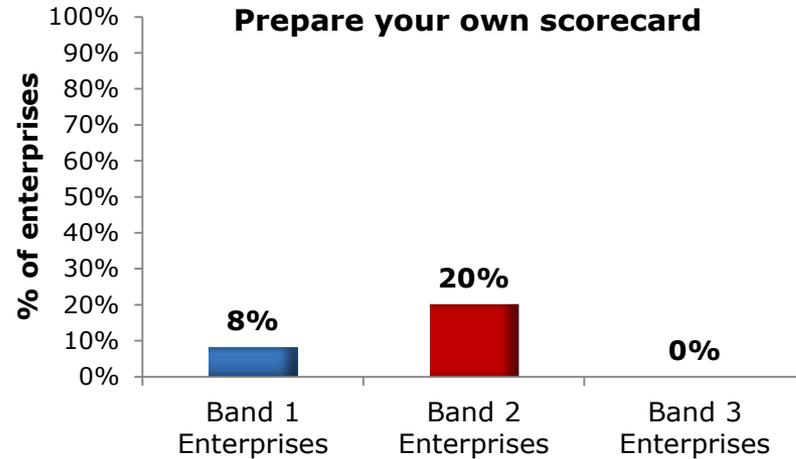
Ease of Obtaining a B-BBEE Scorecard
All enterprises with valid scorecards by band

Band 1 and Band 2 enterprises experienced an easier process to obtain scorecards than Band 3 enterprises.

Legend: ■ Difficult / Very Difficult ■ Neutral ■ Easy / Very Easy

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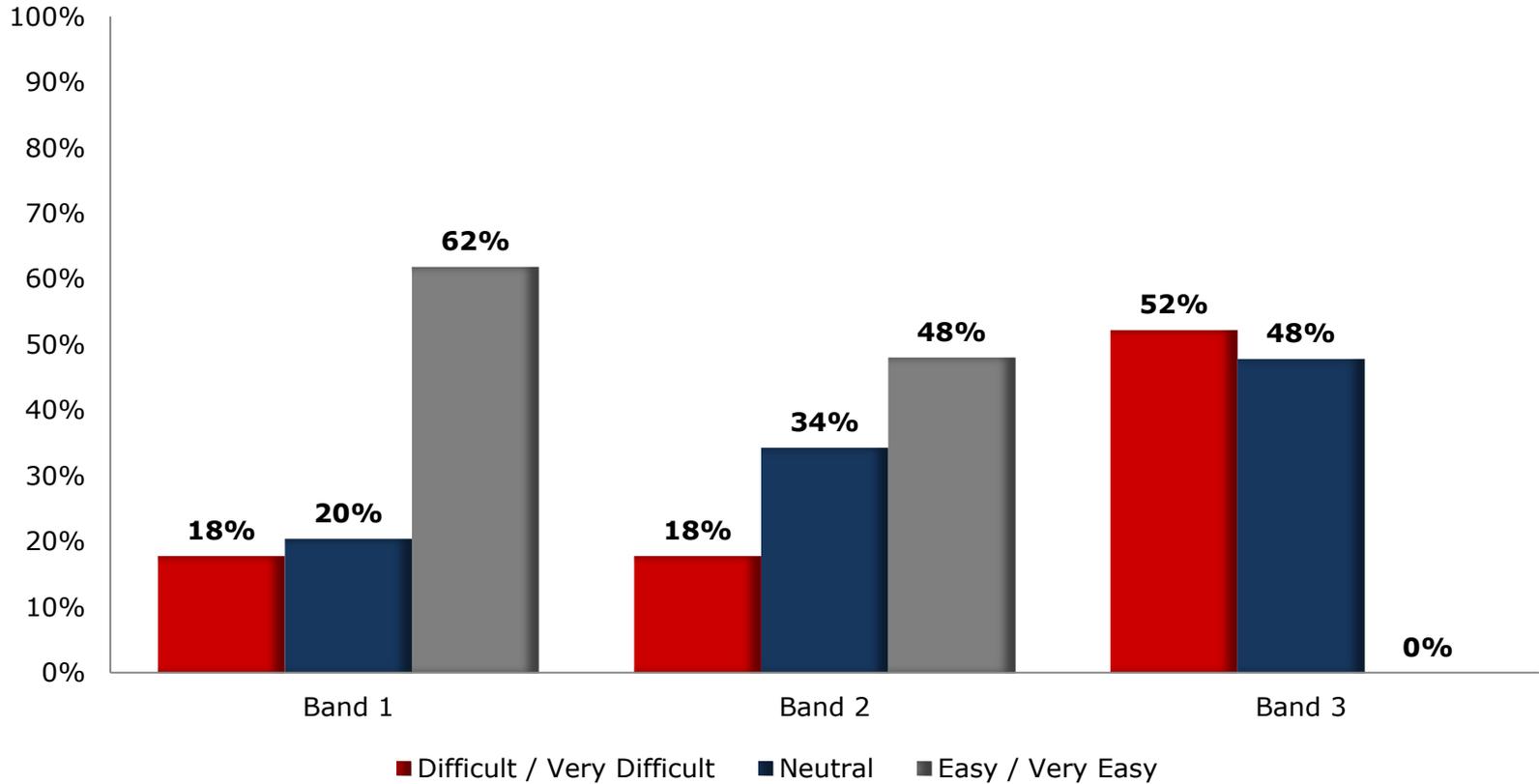
Expected Benefits of Obtaining a B-BBEE Scorecard
All enterprises with valid scorecards by band

Band 3 enterprises were generally more confident in their knowledge of the benefits of obtaining a B-BBEE scorecard than the smaller enterprises. The Band 3 enterprises were also the most likely to believe that obtaining the scorecard would help them in applying for tenders, improving their business image or profile, and attracting new customers and investors.

Applying successfully for tenders — Band 1: 51%, Band 2: 69%, Band 3: 95%

Improving the business image or profile — Band 1: 52%, Band 2: 78%, Band 3: 100%

Increasing business performance — Band 1: 43%, Band 2: 55%, Band 3: 58%

Attracting capable staff — Band 1: 39%, Band 2: 60%, Band 3: 41%

Attracting new investors — Band 1: 51%, Band 2: 59%, Band 3: 67%

Attracting new customers — Band 1: 54%, Band 2: 64%, Band 3: 93%

■ Band 1   ■ Band 2   ■ Band 3

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B-BBEE CODES AND SCORECARDS
INTENTION TO IMPROVE SCORECARD

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Overview: Intention to Improve Scorecard

- The vast majority of Band 3 enterprises expressed the intention to either obtain or improve their B-BBEE scorecard. This intention was expressed by a smaller proportion of Band 1 and Band 2 enterprises.

- The largest proportion of enterprises said that they wanted to do so in order to attract capable staff, new investors and new customers.

- There was a distinct difference between the attitudes of Band 3 enterprises and the attitudes of Band 1 and Band 2 enterprises.

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Intention to Obtain/Improve B-BBEE Scorecard
All enterprises by band

The vast majority of Band 3 enterprises (82%) expressed the intention to either obtain or improve their B-BBEE scorecard. A smaller proportion of Band 1 and Band 2 enterprises agreed to do so.

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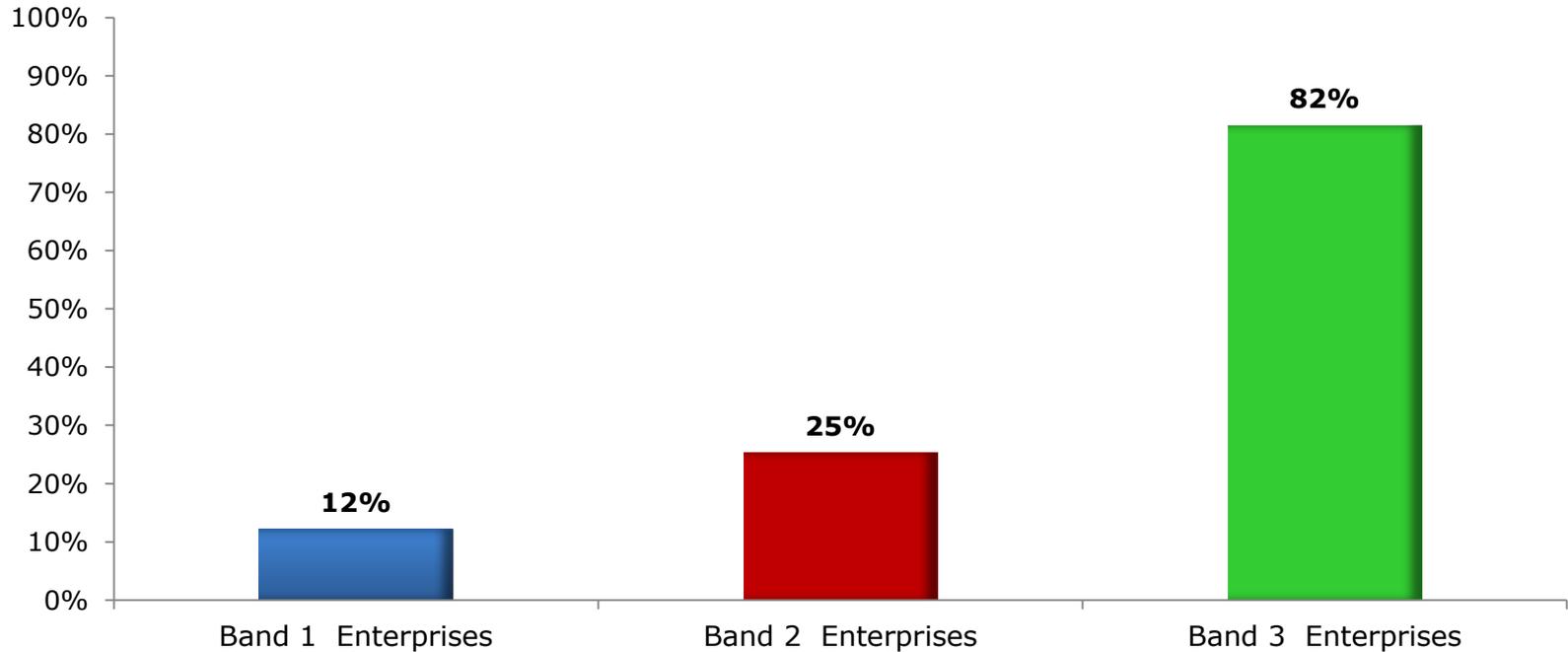
Intention to Obtain/Improve Scorecard
All enterprises by sub-sector and province

The intention to improve/obtain a scorecard was low amongst enterprises across all sub-sectors and provinces.

% who intend to obtain/improve scorecard

Sub-sector	%
Accommodation	15.0%
Hospitality and Related Services	15.2%
Travel Distribution Systems	15.7%

% who intend to obtain/improve scorecard

Province	%
Free State	22.1%
Limpopo	20.5%
Gauteng	19.3%
North West	17.9%
Northern Cape	15.2%
Eastern Cape	14.3%
Mpumalanga	13.2%
KwaZulu Natal	13.0%
Western Cape	12.8%

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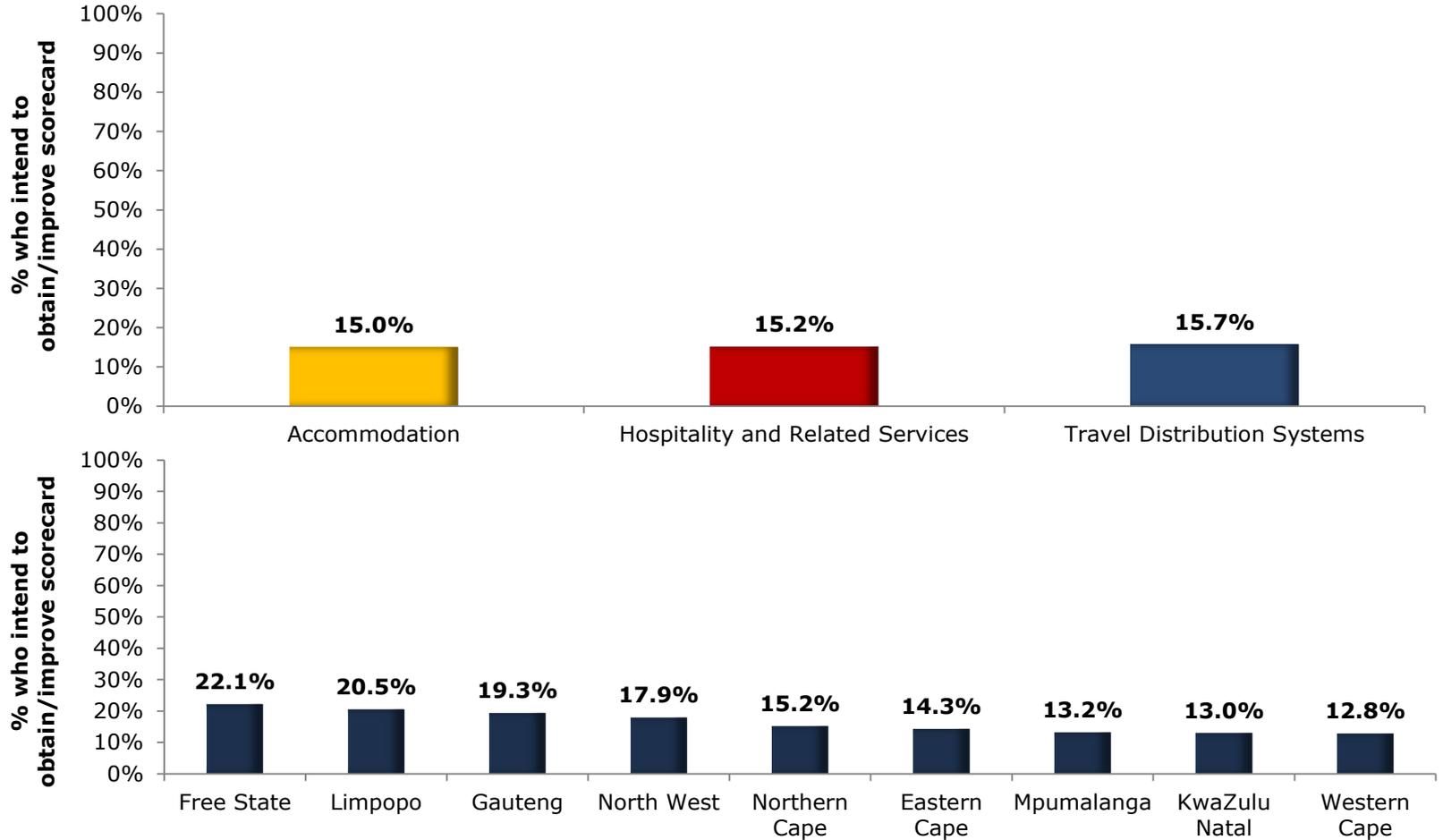
Reasons for Wanting to Improve B-BBEE Scorecard
Enterprises that intend to obtain/improve their scorecard by band

The largest proportion of enterprises said that they wanted to obtain/improve their scorecard in order to attract capable staff, new investors and new customers.

Chart: Reasons for wanting to improve B-BBEE scorecard by band

Reason	Band 1	Band 2	Band 3
Other (specify)	1%	0%	3%
Comply with industry legislation	7%	27%	27%
Comply with industry standards	19%	30%	29%
Improve the business image or profile	26%	38%	43%
Increase business performance	35%	35%	18%
Attract capable staff	71%	69%	61%
Attract new investors	74%	49%	60%
Attract new customers	66%	50%	61%

■ Band 1   ■ Band 2   ■ Band 3

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B-BBEE CODES AND SCORECARDS
ATTITUDES TOWARDS B-BBEE COMPLIANCE

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## Overview: Attitudes Towards Improving B-BBEE Compliance

- There is a distinctive difference between the attitudes of Band 3 enterprises with the attitudes of Band 1 and 2 enterprises:

  - Almost half of the Band 3 enterprises said that compliance is a financial burden, whereas this perception was expressed by only a quarter of Band 1 and Band 2 enterprises.

  - Band 3 enterprises were also more likely to say that it was difficult to secure and retain skilled black employees in order to comply with the codes.

  - On the other hand, enterprises in Bands 1 and 2 were far more likely to find the codes unclear and confusing, while Band 3 enterprises were far less likely to feel this way.

  - Interestingly, all three Bands felt that compliance was only useful for undertaking business with government.

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Attitudes Toward Achieving or Improving B-BBEE Compliance
Enterprises that intend to obtain/improve B-BBEE compliance by band

Respondents attitudes towards achieving or improving B-BBEE Compliance were assessed. A number of Band 3 enterprises viewed compliance as a financial burden, while some Band 1 and Band 2 enterprises found the codes to be unclear and confusing. *Continued…*

Becoming compliant means losing control of your business — Band 1: 10%, Band 2: 9%, Band 3: 4%

Becoming compliant is only useful for gaining business from government — Band 1: 25%, Band 2: 26%, Band 3: 22%

Compliance means your business is less competitive in a global economy — Band 1: 13%, Band 2: 20%, Band 3: 10%

Compliance is a financial burden — Band 1: 25%, Band 2: 28%, Band 3: 48%

The codes are unclear or confusing — Band 1: 23%, Band 2: 28%, Band 3: 9%

B-BBEE is too vague and ill-defined — Band 1: 14%, Band 2: 20%, Band 3: 20%

■ Band 1 ■ Band 2 ■ Band 3

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Attitudes Toward Achieving or Improving B-BBEE Compliance
Enterprises that intend to obtain/improve B-BBEE compliance by band

There was also a distinctive difference between the attitudes of the different Bands with regard to the difficulty in securing and retaining skilled black employees: Band 3 enterprises expressed this view far more often than Band 1 and 2 enterprises did. This is most likely due to Band 3 enterprises – by virtue of their size, nature and market(s) – having a greater need for candidates with specialist skillsets.

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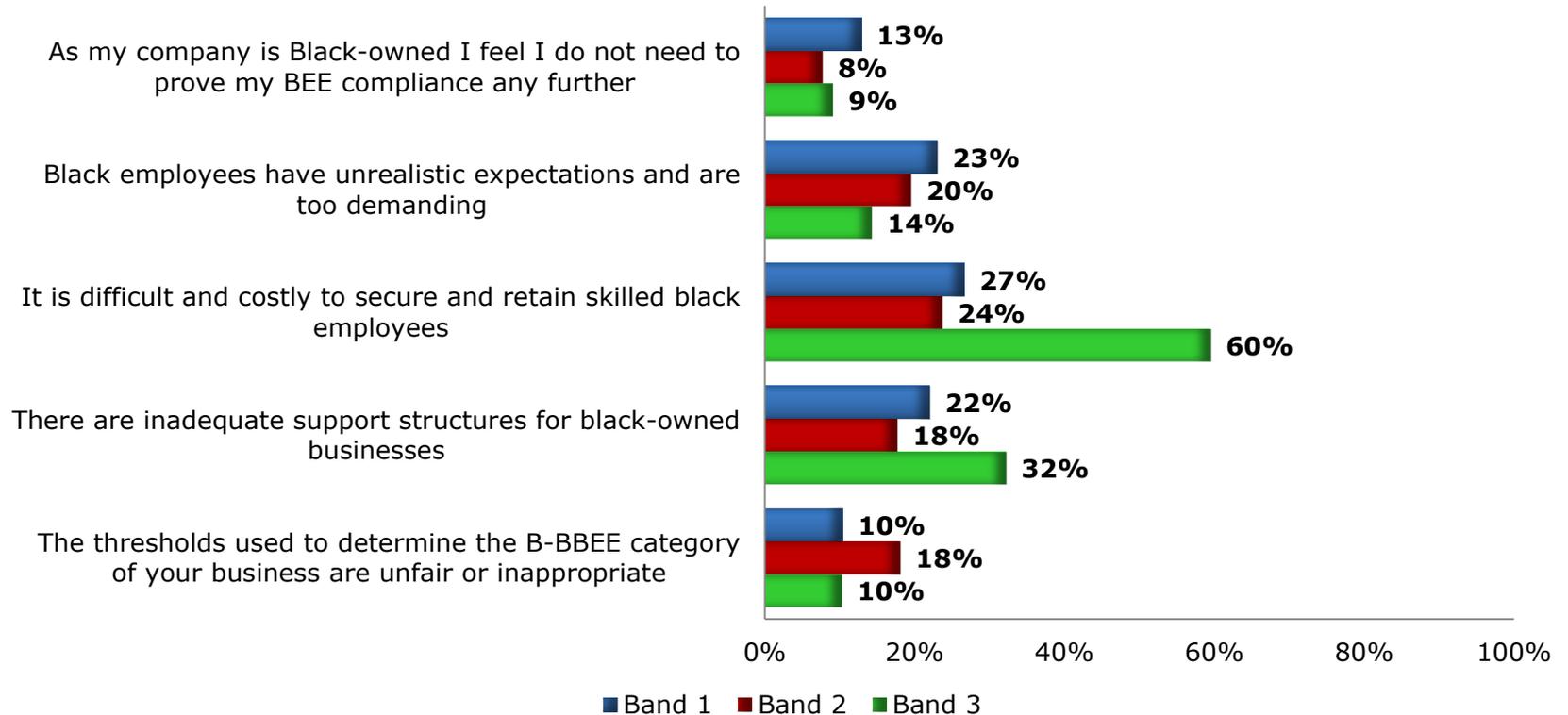
PERCEPTION OF TECSA AND THE TOURISM CHARTER

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## Overview: Perception of TECSA and Tourism Charter

- The majority of Band 3 enterprises were aware of the Tourism Charter. In contrast, there were very low levels of awareness amongst the other Bands.

- There was a low awareness of TECSA across all enterprise Bands. (We recognize that TECSA has now become the NDT: Sector Transformation UNIT).

- Band 3 enterprises were also the most critical of TECSA's performance.

- The majority of Band 3 enterprises said that they were accredited as TOMSA levy collectors, while a far smaller proportion of Band 1 and Band 2 enterprises said they were registered.

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# Awareness of Tourism Charter
All enterprises by band

Over two-thirds of Band 3 enterprises were aware of the Tourism Charter, with lower levels of awareness evident amongst Band 1 and Band 2 enterprises.

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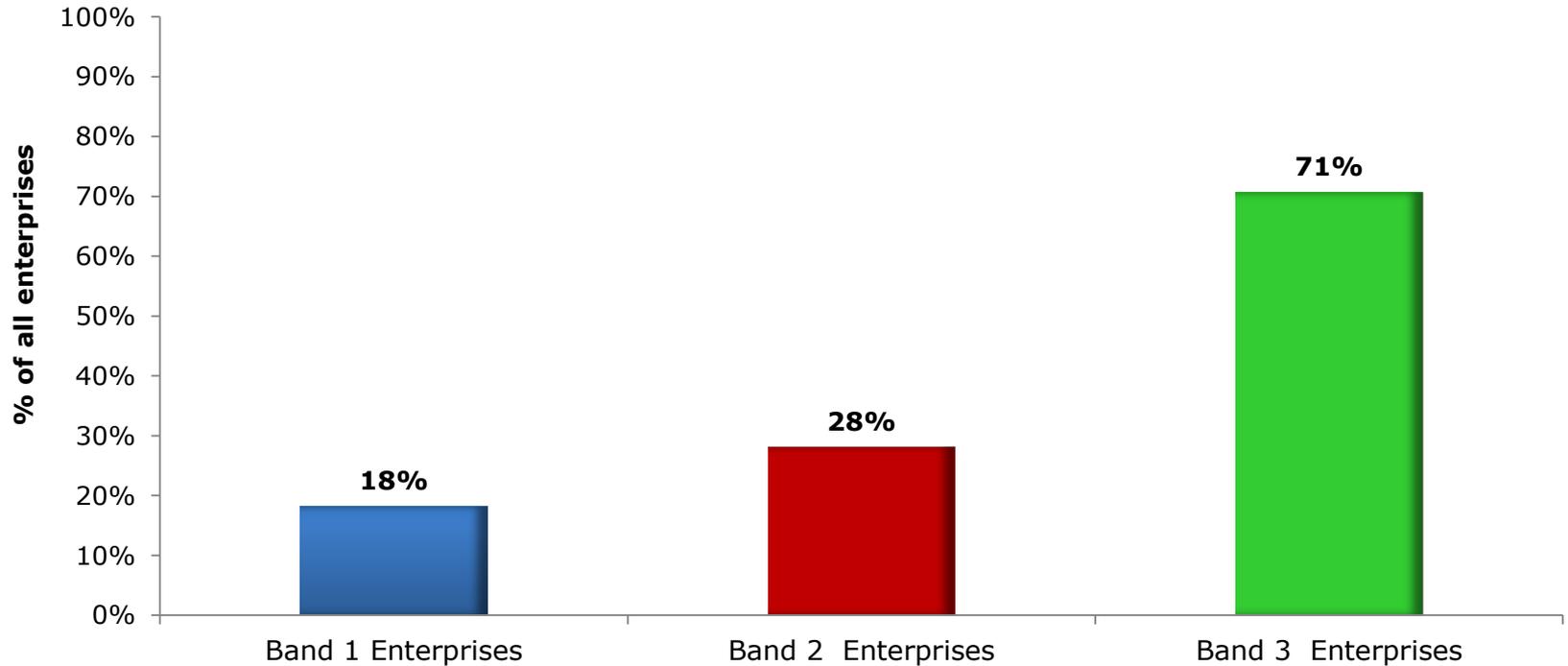
Awareness of Tourism Charter
By Sub-Sector and Province

Levels of awareness of the Tourism Charter were fairly similar across all sub-sectors and provinces.

Awareness of Tourism Charter by Sub-Sector

% who are aware

Accommodation	Hospitality and Related Services	Travel Distribution Systems
21%	20%	25%

Awareness of Tourism Charter by Province

% who are aware

Eastern Cape	Limpopo	Free State	Western Cape	KwaZulu Natal	Mpumalanga	Gauteng	North West	Northern Cape
26%	25%	24%	23%	21%	18%	17%	14%	12%

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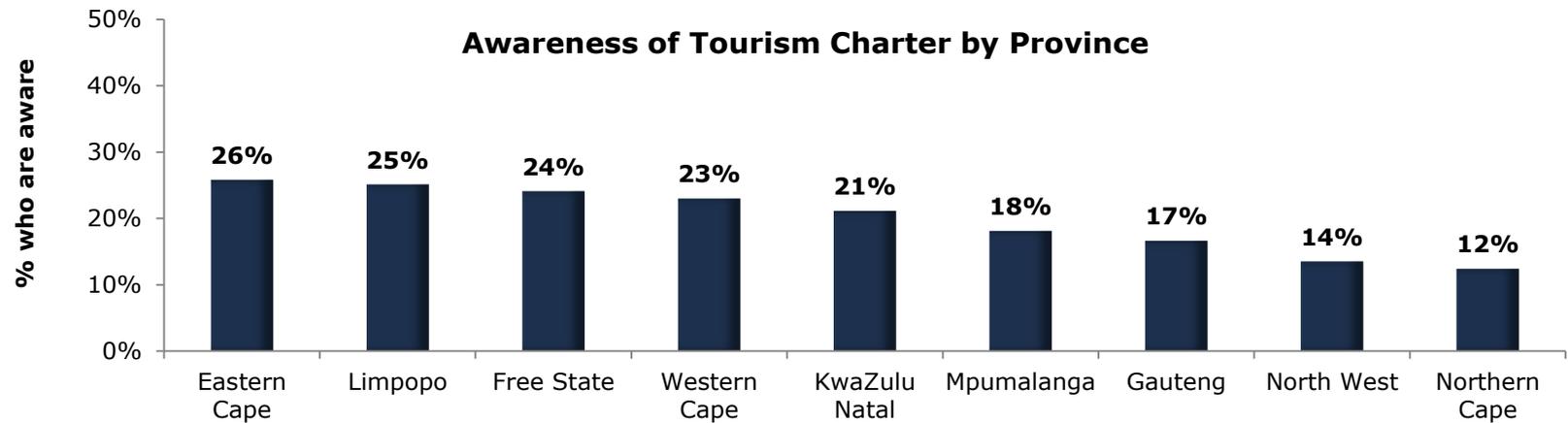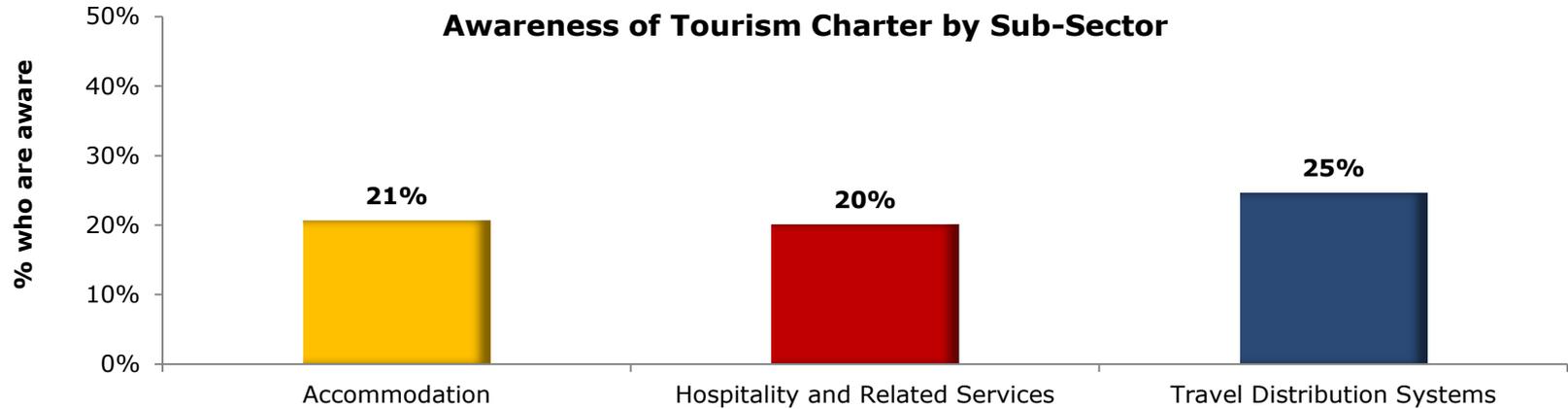
Awareness of TECSA
All enterprises

Enterprises were asked whether they had heard anything or read anything about the Tourism Empowerment Council of South Africa (TECSA), which has since been integrated into the National Department of Tourism. A quarter (25%) of Band 3 enterprises said that they had heard or seen something about TECSA, while a smaller proportion of Band 1 and Band 2 enterprises agreed with the statement.

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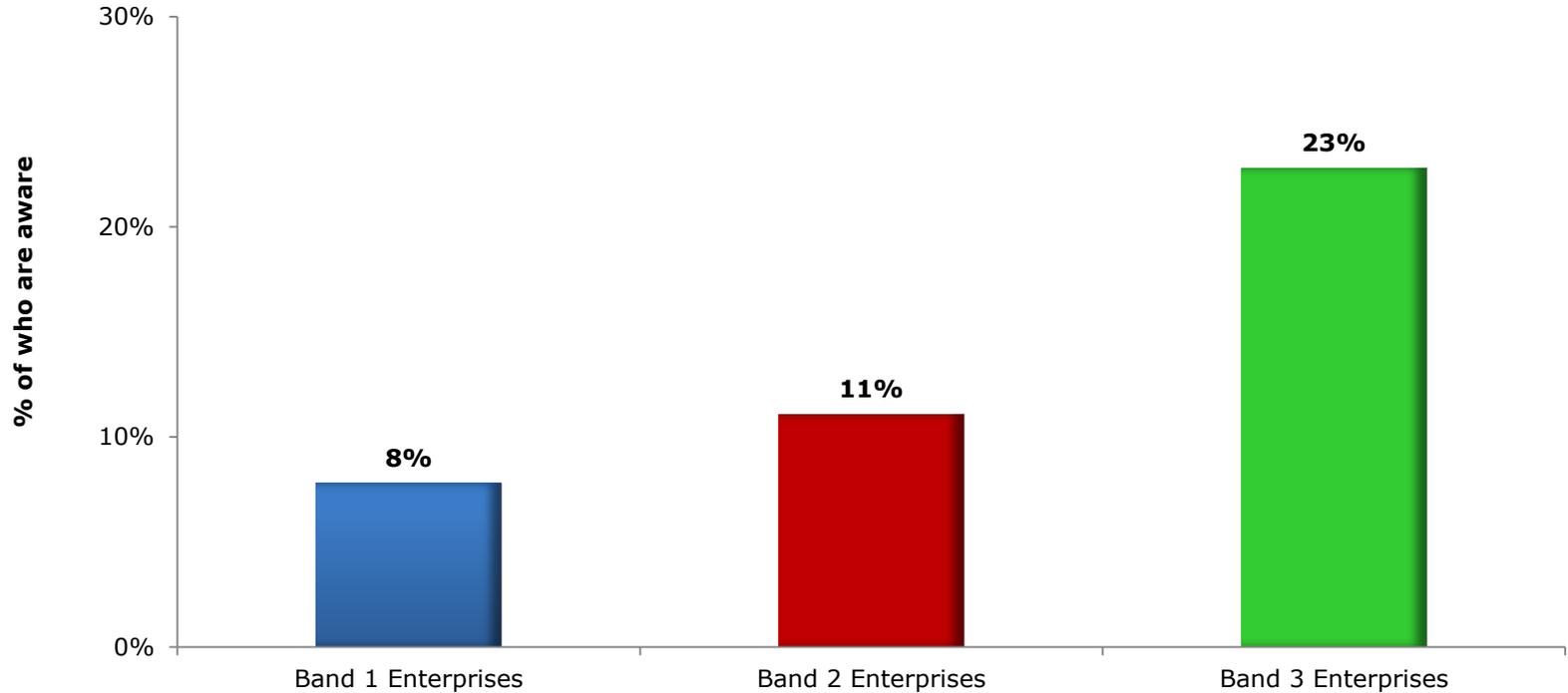
Perceived Effectiveness of TECSA
All enterprises that said they were aware of TECSA

Enterprises who said that they were aware of TECSA were asked how effective they believed TECSA had been at fulfilling its role. The findings showed that Band 3 enterprises were the most critical of TECSA's performance.


Legend: ■ Not effective　　■ Neutral　　■ Effective/ Extremely Effective

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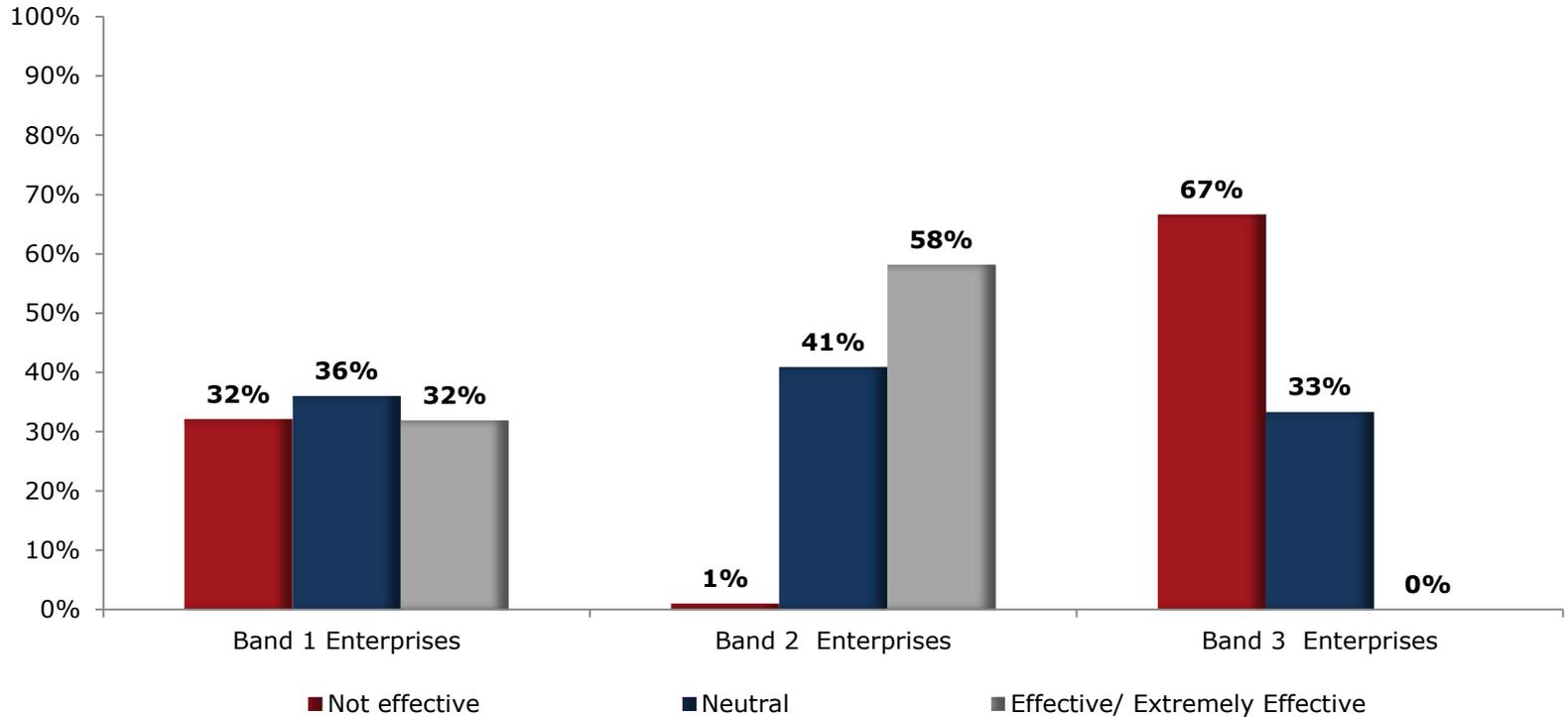
Accredited as TOMSA Levy Collector by All Enterprises
All enterprises by band

The majority (60%) of Band 3 enterprises were accredited as TOMSA levy collectors; a far smaller proportion of Band 1 and Band 2 enterprises said that they were registered.

TOMSA is the 'Tourism Marketing Levy of South Africa'. This levy is administered by the Tourism Business Council of South Africa, and is ultimately spent on promoting South Africa and various tourism products.

% of enterprises that are accredited

	2012 Target	2017 Target
Band 1 Enterprises	11%	11%
Band 2 Enterprises	18%	18%
Band 3 Enterprises	59%	59%

■2012 Target ■2017 Target

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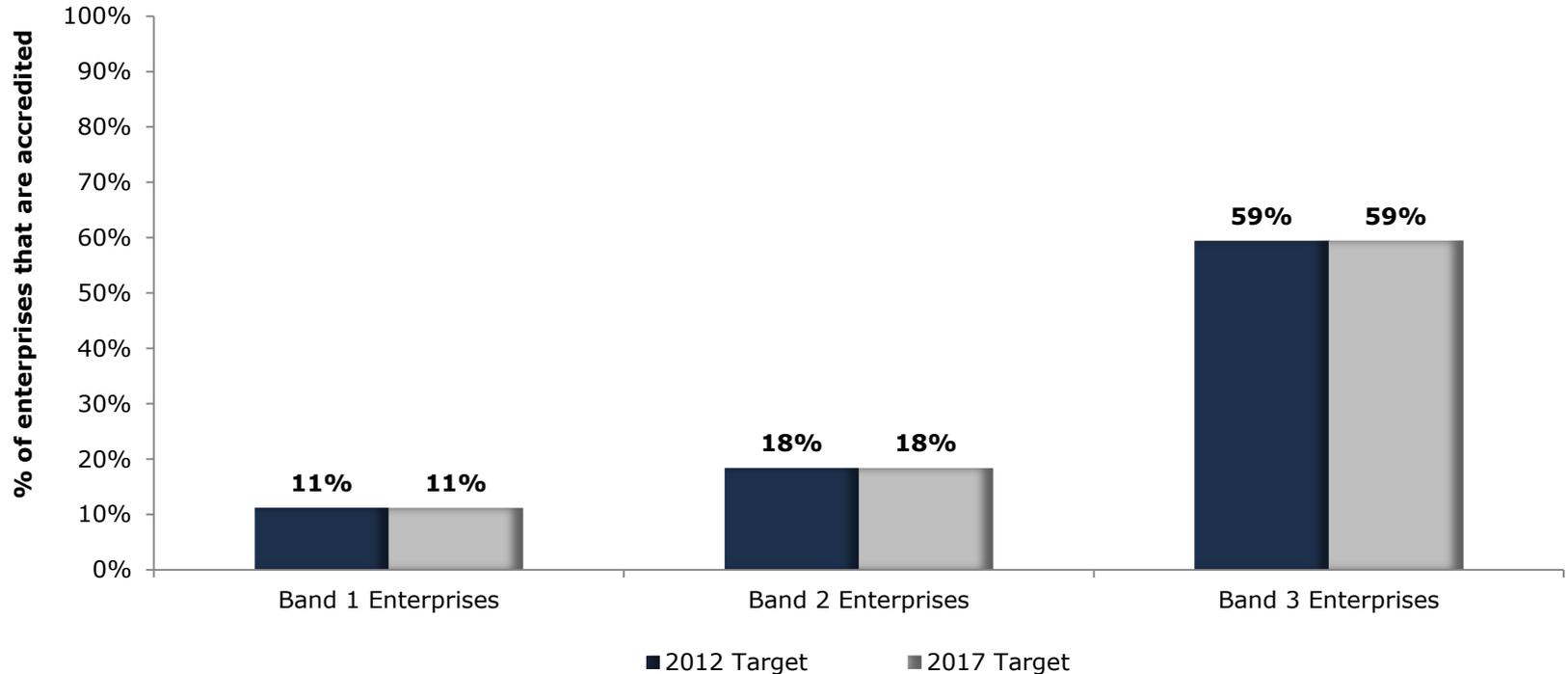
AWARENESS OF SOUTH AFRICAN LEGISLATION

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Overview: Awareness of South African Legislation

- Levels of awareness of various laws and policies tended to be higher among Band 3 enterprises and lower among Band 1 enterprises.

- Fewer than half of Band 1 and Band 2 enterprises said that they were aware of the B-BBEE codes of good practice and the B-BBEE act, while more than four-fifths of Band 3 enterprises said that they were aware of the B-BBEE codes and B-BBEE Act.

- These findings seem to indicate that the larger an enterprise is, the more aware of relevant laws and policies it is.

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Awareness of South African Laws and Policies
## All enterprises by band

The extent to which the enterprises were aware of various laws and policies is shown in the graph below. Levels of awareness of the Employment Equity Act, the SA Constitution and the Promotion of Equality and the Prevention of Unfair Discrimination Act was high across all enterprises.

National Empowerment Fund Act — Band 1: 37%, Band 2: 55%, Band 3: 47%

Employment Equity Act — Band 1: 71%, Band 2: 87%, Band 3: 100%

Restitution of Land Rights Act — Band 1: 51%, Band 2: 59%, Band 3: 83%

Extension of Security of Tenure Act — Band 1: 24%, Band 2: 29%, Band 3: 29%

Promotion of Equality and Prevention of Unfair Discrimination Act — Band 1: 62%, Band 2: 79%, Band 3: 98%

Reconstruction and Development Programme (RDP) — Band 1: 59%, Band 2: 76%, Band 3: 77%

South Africa's new Constitution — Band 1: 74%, Band 2: 84%, Band 3: 93%

■ Band 1 ■ Band 2 ■ Band 3

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Awareness of South African Laws and Policies
All enterprises by band

Overall, awareness was low amongst Band 1 enterprises.
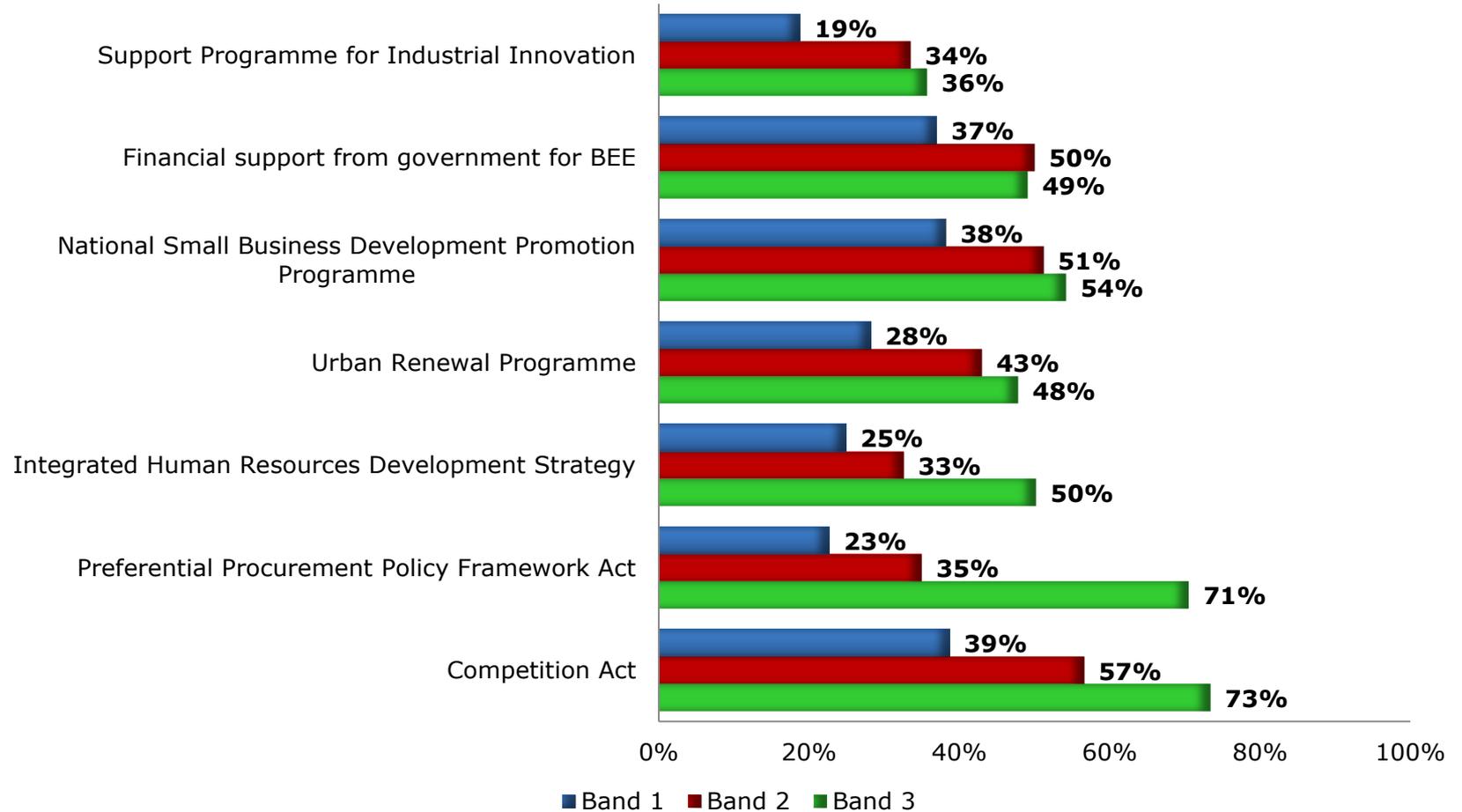
Programme	Band 1	Band 2	Band 3
Support Programme for Industrial Innovation	19%	34%	36%
Financial support from government for BEE	37%	50%	49%
National Small Business Development Promotion Programme	38%	51%	54%
Urban Renewal Programme	28%	43%	48%
Integrated Human Resources Development Strategy	25%	33%	50%
Preferential Procurement Policy Framework Act	23%	35%	71%
Competition Act	39%	57%	73%

■ Band 1 ■ Band 2 ■ Band 3

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Awareness of South African Laws and Policies
All enterprises by band

The extent to which the enterprises were aware of various laws and policies is shown in the graph below. Levels of awareness tended to be greater among Band 3 enterprises, and lower among Band 1 enterprises.

Fewer than half of Band 1 and Band 2 enterprises said that they were aware of the B-BBEE codes of good practice and the B-BBEE Act. On the other hand, more than four-fifths of Band 3 enterprises said that they were aware of the same codes and Act.

	Band 1	Band 2	Band 3
B-BBEE Codes of Good Practice	31%	41%	81%
B-BBEE Act	36%	45%	84%
Micro Enterprise Support Programme	23%	37%	39%
The Empowerment Investment Grant	21%	33%	26%
Sector Partnership Fund - Linkage Programme	13%	23%	25%
Export and Marketing Investment Assistance	23%	36%	41%

■ Band 1 ■ Band 2 ■ Band 3

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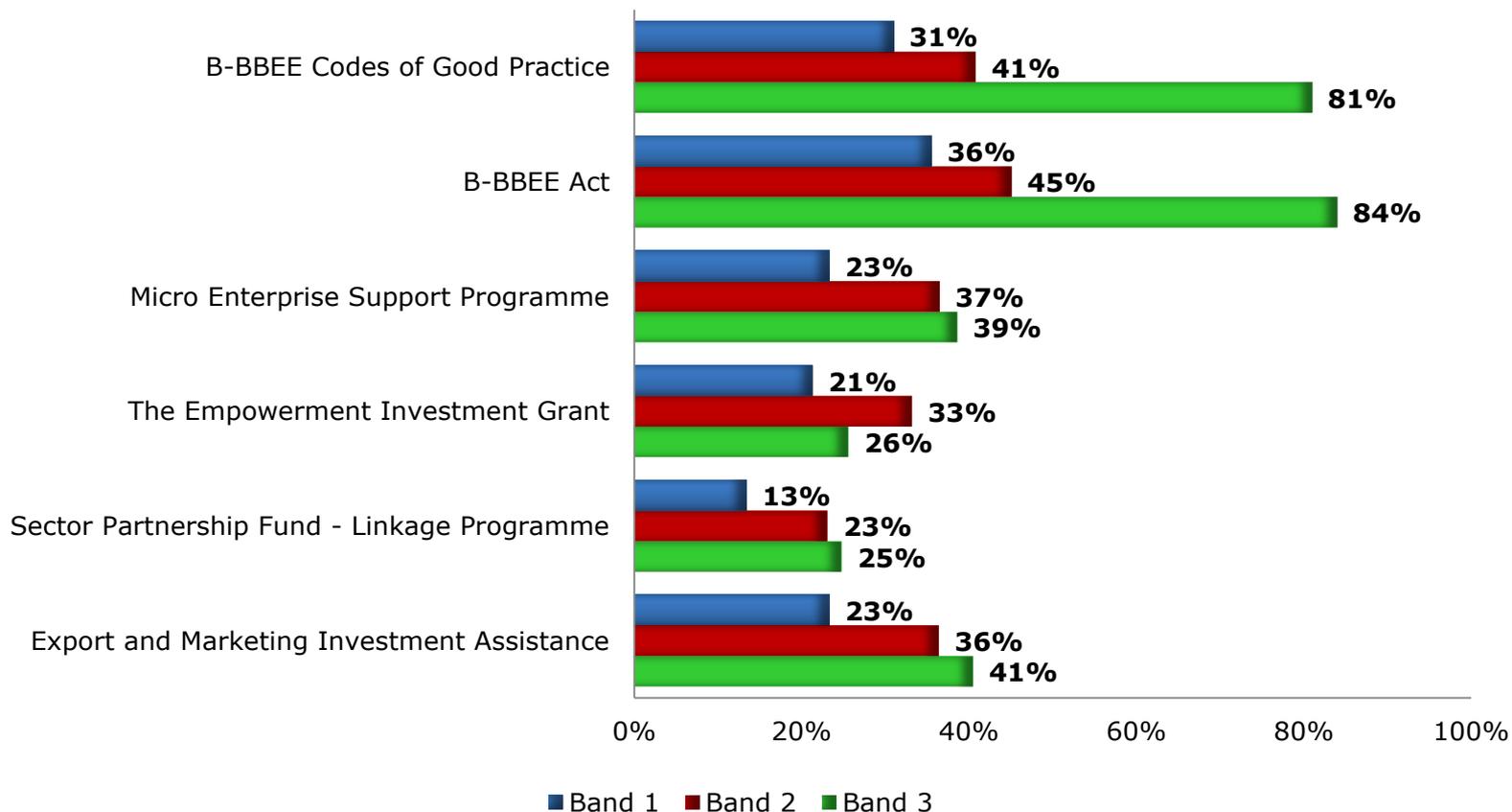
SECTION FOUR
Conclusions and Recommendations

Conclusions

- The research findings show that tourism enterprises are making definite efforts to achieve the targets set by the Tourism Industry Charter.

- Band 3 enterprises have generally undergone higher levels of transformation than the smaller enterprises. However, it must be borne in mind that Band 3 enterprises need to comply with all seven codes and thus compliance is more of a business imperative.

- The tourism industry has performed best against employment equity targets. Furthermore, large numbers of inexperienced black employees are being drawn into the industry, and with the appropriate support these employees can ultimately move into management levels or potentially become owners of tourism enterprises.

- In order to maximize long-term and genuine transformation in the tourism industry, it is suggested that the NDT and its partners focus on three areas: *skills development*, *preferential procurement* and *enterprise development*. These are the three areas where enterprises also need support.

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Recommendations

Overall Strategy:

- The NDT and its partners are encouraged to focus their efforts on helping enterprises succeed in the areas of *skills development*, *preferential procurement* and *enterprise development*, as it is anticipated that such interventions will drive transformation in other areas.

Code 1 - Ownership:

- The NDT and its partners could assist Band 3 enterprises in finding suitable investors with the required profile. Approaching investment companies to highlight the value of investing in the tourism industry – despite the global economic turbulence – may also be required.

- The NDT and its partners should provide additional support, training and communication regarding how to establish employee ownership and its benefits.

Code 2 - Management Control:

- The NDT and its partners should consider helping Band 3 enterprises to find suitable black Directors and black female Directors to join their boards.

- The tourism charter needs to be updated in line with the flatter organizational structure that is more prevalent within the tourism industry.

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Recommendations

Code 3 - Employment Equity:

- Communication regarding the requirements for enterprises to establish an employment equity plan should be facilitated.

Code 4 - Skills Development:

- There needs to be sufficient skills development programmes (learnerships, degrees, short practical courses) in the tourism sector and that these opportunities have to be properly communicated throughout the industry.

- It may also be necessary for the NDT to co-create such courses with relevant SETAs and educational institutions.

- Furthermore, it may be worthwhile to enhance bursary or scholarship opportunities for employees to attend such courses.

- The NDT and its partners might need to establish why learnerships in the sector are being underutilized.

- With a target of 2-3% of payroll, skills development is one of the most expensive elements to achieve compliance. The high target may be acting as a disincentive. The NDT needs to review this target to make skills development more attractive to enterprises.

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Recommendations

Code 5 - Preferential Procurement:

- The NDT and its partners could consider finding ways to support Band 3 enterprises in developing alternative suppliers with the appropriate B-BBEE credentials, or in pressuring their suppliers to improve their B-BBEE ratings.

- Larger enterprises would value from education on the value of preferential procurement as a 'non-disruptive' or inexpensive method of gaining scorecard points.

- Enterprises need to be encouraged to monitor and boost B-BBEE compliance of their suppliers.

Code 6 - Enterprise Development:

- The NDT and its stakeholders will need to work closely with the Band 3 enterprises who do not yet spend on enterprise development, in order to assist them to understand the potential benefits of enterprise development (e.g. strengthening one's supply chain) and help them identify suitable opportunities to invest in enterprise development.

- Furthermore, it is recommended that Band 3 enterprises are encouraged to use their enterprise development programmes to develop smaller black-owned (and black female-owned) enterprises in their supply chains.

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Recommendations

Code 7 - Socio-economic Development:

- The NDT and its partners should consider profiling successful socio-economic development programmes (CSI programmes) in the tourism industry and encouraging other enterprises to co-invest in, or replicate, such programmes.

Awareness of Policies and Legislation:

- The NDT and its partners will need to improve levels of awareness of the B-BBEE legislation and the benefits of getting a B-BBEE scorecard and achieving B-BBEE compliance.

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