



JUNE 2019

B-BBEE 2018/19 SURVEY REPORT

Assessment of Level of Compliance with the Tourism B-BBEE Sector Code gazetted in May 2009 and the Amended Tourism B-BBEE Sector Code gazetted in November 2015

NATIONAL DEPARTMENT OF TOURISM



tourism

Department:
Tourism
REPUBLIC OF SOUTH AFRICA

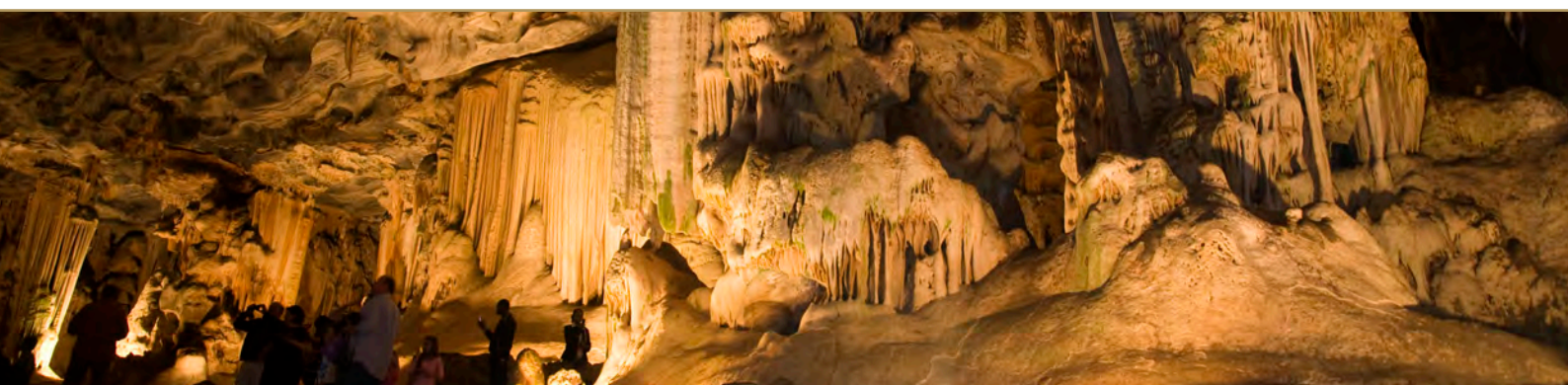




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GLOSSARY OF ACRONYMS

B-BBEE	B road- B ased B lack E conomic E mpowerment
BBC	B lack B usiness C ouncil
BEE	B lack E conomic E mpowerment
CATHSSETA	C ulture, A rt, T ourism, H ospitality and S port S ector E ducation and T raining A uthority
CSI	C orporate S ocial I nterest
DEDAT	D epartment of E conomic D evelopment and T ourism
DFI	D evelopment F inance I nstitution
DOL	D epartment of L abour
DTI (dti)	D epartment of T rade and I ndustry
EAP	E conomically A ctive P opulation
EBITDA	E arnings B efore I nterest, T ax, D epreciation and A mortisation
EEA	E mployment E quity A ct
EME	E xempt M icro E nterprise
ESD	E nterprise and S upplier D evelopment
ESOP	E mployee S hare O wnership P lan
FAQ	F requently A sked Q uestion
FSC	F inancial S ector C ode
GCGP	G eneric C odes of G ood P ractice
GDP	G ross D omestic P roduct
KZN	K wa Z ulu- N atal
LE	L arge E nterprise
NDT	N ational D epartment of T ourism
NPAT	N et P rofit A fter T ax
PESTEL	P olitical, E conomic, S ocial, T echnological, E nvironmental and L egal
QSE	Q ualifying S mall E nterprise
SANAS	S outh A frican N ational A ccreditation S ystem
SASDC	S outh A frican S upplier D iversity C ouncil
SED	S ocio- E conomic D evelopment
SETA	S ector E ducation and T raining A uthority
SOE	S tate- O wned E nterprise
SMME	S mall, M edium and M icro E nterprise
TBCSA	T ourism B usiness C ouncil S outh A frica (TBCSA)
TOMSA	T ourism M arketing S outh A frica



DEFINITIONS

Accredited BEE verification agency	An enterprise that has been accredited by SANAS on behalf of the dti, which meets the minimum technical and black economic empowerment criteria for rating agencies and whose main role is to provide an independent opinion on the B-BBEE status of an enterprise.
Amended Tourism B-BBEE Code (refer to 2015 Sector Code)	The Code that is legally binding on all entities in the tourism sector from 20 November 2015.
Associated enterprise	An enterprise with which another enterprise has concluded a qualifying transaction.
B-BBEE enterprise	An enterprise whose B-BBEE score in terms of a sector scorecard- which has been issued as a code of practice or in terms of the dti's generic scorecard - is greater than or equal to 30% and has been verified by an accredited verification agency.
Benefit scheme	A broad-based ownership scheme in which more than 50 natural persons are intended to benefit from an economic interest received by the scheme or by the fiduciaries of the scheme, where the economic benefits paid from the economic interest received is not distributed but rather applied for the benefit of the scheme's deemed participants
Black aged people	Black people who are also aged people as defined in the Aged Persons Act 81 of 1967, as amended or substituted.
Black designated groups	Black workers, black unemployed people, black youth, black aged people, black disabled people and black people living in rural areas.
Black disabled people	Black people who also satisfy the criteria in the definition of "persons with disabilities" set forth in paragraph 5.1 of the "Code of good practice on the employment of people with disabilities", as amended or substituted.
Black new entrants	Black participants (including, without limitation, black participants in broad-based ownership schemes) holding in aggregate in excess of 5% of the total voting rights and economic interest in a measured enterprise who have not, prior to their acquisition of their equity interest in the measured enterprise, concluded similar transactions in respect of any other enterprise which in aggregate have a cumulative value of R20 million measured in accordance with an acceptable valuation standard.
Black people/Blacks	Africans, Coloureds and Indians in terms of the B-BBEE Act 53 of 2003 and read in conjunction with the definition in the dti's Codes of Good Practice.
Black unemployed people	Black people who are unemployed, are not attending or are not required by law to attend an educational institution and who are not awaiting admission to an educational institution.
Black women	Black people who are women.
Black workers	Black people who are also employees as defined in the Employment Equity Act but specifically excluding senior managerial staff as contemplated in section 78 of the Labour Relations Act 66 of 1995, as amended or substituted.
Black youth	Black people who are also youth as defined in the National Youth Commission Act 19 of 1996, as amended or substituted.

Broad-Based Black Economic Empowerment/B-BBEE	<p>The economic empowerment of all black people including wom-en, workers, youth, people with disabilities and people living in rural areas through diverse but integrated socio-economic strate-gies that include but are not limited to:</p> <ul style="list-style-type: none"> • Increasing the number of black people who manage, own and control enterprises and productive assets; • Facilitating ownership and management of enterprises and productive assets by communities, workers, co-operatives and other collective enterprises; • Targeted procurement and investment in enterprises that are owned or managed by black people; • Human resources and skills development; • Achieving equitable representation in all occupational cate-gories and levels in the workforce; • Facilitating the acquisition of additional skills by black em-ployees at all levels in the workforce.
Broad-based ownership scheme	A collective ownership scheme constituted to facilitate the participation of specified natural persons in the benefits flowing from the ownership in that scheme or an equity interest in an enterprise by its fiduciaries.
Code of Good Practice	A guide for employers and workers on key aspects of promoting equal opportunities for and fair treatment of people with disabili-ties. The objective of the code is to provide guidelines for good practice in terms of the requirements of the Employment Equity Act.
Co-operative	As defined in the Co-operatives Act of 2005, a co-operative in-cludes, without limitation, any of the specific types of co-operatives specified in Schedule I of that Act.
Corporate social investment (CSI)	CSI projects are aimed primarily at black groups, communities and individuals who contribute towards transformation and have a strong developmental approach.
Deemed participant	A natural person member, shareholder, beneficiary or other natural person entitled to receive a distribution or a benefit from a broad-based ownership scheme or a trust. The terms “distribution” and “benefit” should be interpreted with reference to the definitions provided in respect of broad-based ownership schemes.
Disabled person	An individual who has a disability and as a result suffers from loss or limitation of opportunity to take part equally with others or to contribute in equivalent measure to such opportunity, in the context of any activity relating to the execution of a contract or the services to be provided thereunder.
Distribution scheme	A broad-based ownership scheme in which more than 50 natural persons are intended to receive distributions from the scheme which are payable from the economic interest or by the fiduciaries of the scheme.
EBITDA	Earnings before interest, tax, depreciation and amortisation.
Economic interest	A participant’s claim against a measured enterprise which represents his/her return on his/her ownership in that measured enterprise as recognised using the flow-through and modified flow-through principles.
Element	The measurable quantitative or qualitative elements of BEE compliance specified in Code 000, Statement 000 of the dti’s Codes of Good Practice.
Employee scheme	A broad-based ownership scheme in which a group of employees representing more than 90% of the employees of an enterprise or 90% of the employees in a particular occupational category(ies) (as referred to in form EEA9 of the Employment Equity Act) within an enterprise. Employee schemes may have the characteristics of benefits schemes or distribution schemes, or hybrids of both.

Employment equity	As defined in the Employment Equity Act (1998), it means to promote equal opportunity and fair treatment in employment through the elimination of unfair discrimination and the implementation of affirmative action measures to redress the disadvantages in employment experienced by designated groups, in order to ensure their equitable representation in all occupational categories and levels of the workforce. It obliges employers with over 50 employees to prepare employment equity plans and re-report on an annual or bi-annual basis to the Department of Labour (DOL).
Enterprise	A natural or juristic person, or any form of co-operative, conducting a business, trade or profession in the Republic of South Africa.
Enterprise development	The establishment of and/or support for existing and new micro enterprises and small enterprises which have a minimum B-BBEE accreditation of 50%, through investment, joint ventures, skills development and infrastructural support.
Equity interest	The collective term referring to the entitlement of a participant to receive an economic interest and to exercise voting rights in an enterprise provided that, to the extent that the provisions of paragraphs 18-22 (of Code 100, Statement 100 of the dti's Codes of Good Practice) provide further definition as to the nature of an equity interest in an enterprise other than a company having share capital, those provisions are read in conjunction with this definition in relation to such enterprises.
Exercisable voting right	<p>A voting right of a participant that is fully exercisable without any limitation upon that right. To avoid uncertainty, where a black participant, having a voting right in a measured enterprise, is:</p> <ul style="list-style-type: none"> not permitted to exercise that voting right by reason of some condition or circumstance relating to the terms upon which the participant's acquisition of the equity interest to which the voting rights attach was financed or to the provisions of any agreement concluded between the participants in the measured enterprise, the participant shall be deemed for the purposes of measurement under this statement to have no exercisable voting rights; and prohibited from appointing directors (or similar, owner-appointed management) to the enterprise in which he/she enjoys his/her voting rights in number, pro rata to his/her entitlement to voting rights, the participant shall be deemed for the purposes of measurement under this statement to have no exercisable voting rights.
50% black-owned	An enterprise in which more than 50% of voting rights and more than 50% of the economic interest is held by black people and more than 50% of the net equity value has been realised.
Flow-through principle	<p>The principle that determines the entitlement of black people, black women and black designated groups to exercise voting rights in an enterprise or to share in the economic interest of an enterprise. Sole regard is given to the voting rights and/or economic interest to which black people, black women and black designated groups (as the case may be) who are natural persons, are entitled. In cases where an entitlement to voting rights and/or economic interest is held by juristic persons, regard will be given to the voting rights and/or economic interest to which black people, black women and black designated groups (as the case may be) who are natural persons are entitled, in that juristic person.</p> <p>The same principle will apply throughout the chain of ownership by juristic persons, until such time as that chain terminates in a natural person who is a black person, or who represents black women or black designated groups (as the case may be). The natural black person(s) shall be entitled to such voting rights and/or economic interest.</p>
Independent non-executive board member	A member of the board who falls within the definition of executive director as specified in the King Report.
Joint venture	A venture that is normally formed in an ad hoc manner for a specific project in which two or more parties share the obligations, risks and rewards. It is normally an unincorporated body, regarded in law as a partnership in which the partners are jointly and severally liable for the acts, omissions and areas of neglect in the partnership
King Report	The King Report on Corporate Governance for South Africa 2002 by the King Committee on Corporate Governance of the Institute of Directors in Southern Africa.

Learnership	A skills development programme approved by the relevant SETA that has jurisdiction over each of the measured entity's spheres/areas of operation and which is fully certified in accordance with the National Qualifications Framework maintained in terms of the South African Qualifications Authority Act.
Management	<ul style="list-style-type: none"> Executive management comprises those managers who play a significant leadership role in the enterprise, have control over day-to-day operations, have high-level decision-making powers and report directly to the chief executive officer, managing director and/or equivalent, or the board of directors; Senior management comprises the heads of major functions not represented on the main board or among executive management and who are responsible for programming decisions; Middle management comprises the professionally qualified and experienced specialists in an enterprise who are responsible for interpretive decisions; Junior management comprises the skilled, technical and academically qualified employees, supervisors, foremen and superintendents who make routine and process decisions.
Measured entity	An entity, including organ of state or public entity, subject to measurement under the Codes.
Participant	A natural person holding rights of ownership in a measured entity
Original Tourism B-BBEE Sector Code (refer to 2009 Sector Code)	A broad-based black economic empowerment scorecard that was gazetted on 22 May 2009. Compliance with the Sector Code was mandatory for all stakeholders operating in the tourism sector.
Other top management	Employees of an enterprise, other than senior top management, who are appointed by or upon the authority of the board of the enterprise to undertake the day-to-day management of the enterprise and who are actively involved in the development and/or implementation of the enterprise's strategy.
Ownership	Ownership of an equity interest together with control over all of the voting rights attaching to that equity interest.
Ownership fulfilment	<p>A situation where a black participant has been completely released from all third party legal or commercial rights designed to reserve for any third person or to withhold, defer or restrict the enjoyment by that participant of the benefits of that economic interest, whether generally or specifically, or for a fixed period, or until or upon the occurrence of some event.</p> <p>To avoid uncertainty, a "third party legal or commercial right" shall be limited to rights created primarily as a means to secure for a lender the payment of a loan or similar/ equivalent financing arrangement advanced to the participant for the purpose of acquiring an instrument to which the affected economic interest attaches.</p>
Qualifying Small Enterprise	An enterprise that qualifies for measurement in terms of the B-BBEE scorecard (or in the interim a 50% black-owned small enterprise).
SANAS	South African National Accreditation System..
Scorecard	Guidelines to gauge a company's empowerment score.
Sector Code	A code that is applicable to a particular sector.
Senior top management	Employees who are appointed by or upon the authority of the board of that enterprise to undertake the day-to-day management of the enterprise and who have individual responsibility for the overall management and for the financial management of the enterprise and who are actively involved in the development and/or implementation of the enterprise's strategy.
SETA	A Sector Education and Training Authority established in terms of section 9(1) of the Skills Development Act 97 of 1998.

Skills development spend	The amount of money that a measured entity spends on skills development over and above the skills development levy which is payable in accordance with the Skills Development Levies Act and determined in accordance with the provisions of the Fourth Schedule to the Income Tax Act.
SMME	A small, medium and micro enterprise, as defined in the National Small Business Act 102 of 1996..
Total measured procurement spend	<p>All goods and services procured that comprise the cost of sales of the measured entity, including operational and capital expenditure and procurement:</p> <ul style="list-style-type: none"> • from organs of state and public entities, monopolies; • on behalf of a third party or a client, where the cost is included as an expense in the annual financial statements; • from independent contractors and labour brokers for services provided by individuals who are not employees of the measured entity; • procured for the purpose of implementing B-BBEE initiatives including, without limitation, those related to skills development, enterprise development and residual elements of B-BBEE; • from non-South African sources and all imported goods and services; • from subsidiaries or holding companies of the measured entity. <p>The only permissible exclusions are:</p> <ul style="list-style-type: none"> • lawful taxes or levies imposed by an organ of state duly authorised to impose such tax or levy, e.g. municipal rates but not electricity, water or similar services; • any amount payable as an element of a basic salary or wage, including pension and provident funds and other post retirement investments; • funding schemes, medical aid or insurance products paid on behalf of employees; • any emolument or similar payment paid to a director; • goods and services procured on behalf of a third party, where such procurement is not represented as an expense in the annual financial statements of the measured entity, provided that any excluded procurement items be included in the total measured procurement spend of the third party; • investments in or loans to an associated enterprise; • investments in or loans qualifying for recognition under any statement under Code 600; • donations, investments or loans qualifying for recognition under any statement under Code 700. <p>The above are subject to a maximum level of exclusion which by value is equivalent to 25% of total procurement after exclusion of permissible items, imported capital goods or components for value-added production in South Africa, provided that: there is no existing local production of such capital goods or components, and the importation of such capital goods or components facilitates further value added production in South Africa.</p>
Voting rights	<p>The votes attaching to an instrument owned by a black participant or held on behalf of a black participant which may be exercised at a general meeting of the shareholders of a company having share capital or any similar rights in any other form of enterprise, measured in accordance with the flow through principle or the control principle, provided that:</p> <ul style="list-style-type: none"> • to the extent that the provisions of paragraphs 18-22 of Code 100 Statement 100 provide further definition as to the nature of voting rights in an enterprise other than a company having share capital, those provisions should be read in conjunction with this definition in relation to such enterprise; and • voting rights exercised on behalf of a participant by another natural person who acts in a fiduciary capacity or in terms of a specific mandate or proxy, shall be deemed to be exercised by that participant



I. EXECUTIVE SUMMARY

The Tourism B-BBEE Charter Council has a mandate to monitor and evaluate transformation in the tourism sector, while also providing guidance and sharing information on matters affecting, impairing and also promoting transformation in the sector. In performing its mandate, the Council has implemented a number of surveys.

In 2010, the Department of Tourism initiated citizen surveys to investigate: 1) the state of transformation in South Africa's tourism sector; and 2) how to accelerate transformation among all tourism enterprises.

One of the actions in the Tourism B-BBEE Charter Council's plan for the 2016-2019 period was to establish a new baseline study whose objectives were to:

- 1) Determine the current state of transformation in the tourism sector; and
- 2) Set a baseline for the Amended Tourism B-BBEE Sector Code of 2015.

The most recent study was the one conducted in 2018, which also set out to establish the general level of compliance with the B-BBEE Tourism Sector Code in line with the mandate of the Tourism B-BBEE Charter Council. **Zevoli Consulting** has just completed the work on this latest survey, having been commissioned to carry out the survey by the Department of Tourism.

This 2018 survey was very different to previous surveys as it aimed to measure compliance with both the original Tourism B-BBEE Sector Code of 2009 and the amended Tourism B-BBEE Sector Code of 2015. Unlike previous studies, it required tourism companies to submit data covering nine reporting periods

I.1 PROJECT OBJECTIVES

The project was driven by the following objectives:

- i) Determine the extent to which tourism enterprises have implemented the Tourism B-BBEE Sector Codes gazetted in 2009 and 2015;
- ii) Conduct a comparative analysis of the extent of implementation of the Tourism B-BBEE Sector Codes of 2009 and 2015;
- iii) Identify both the failures and successes experienced by tourism enterprises in implementing the different elements of the Tourism B-BBEE Sector Codes of 2009 and 2015;
- iv) Recommend programmes that will enhance the successful implementation of the Tourism B-BBEE Sector Code by tourism enterprises;
- v) Develop a forecasting tool to measure the pace of transformation going forward on an annual basis.

In order to deliver on the abovementioned objectives, Zevoli needed to do the following:

- i) Understand the barriers to success that emerged in previous surveys: Our approach to this project was guided in part by the outcomes of previous surveys. This was to ensure that similar pitfalls and obstacles could be anticipated and avoided.
- ii) Understand the similarities and differences in compliance requirements between the original Sector Code gazetted in 2009 and the amended Sector Code gazetted in 2015: This was vital for the success of the project. We analysed the organisation and structure of the scorecards pertaining to each Sector Code. This included the wording, weighting points and sub-elements. We also identified the relevant milestones to track in the original 2009 Sector Code. A comparative performance analysis of the two Sector Codes required that we develop a basis for such comparison as the original 2009 Sector Code consists of seven elements while the amended 2015 Sector Code comprises only five elements.
- iii) Collect compliance performance data relating to the original 2009 Sector Code (for the period 2009-2015) and the amended 2015 Sector Code (for the period 2016-2018): To address the project objectives, we had to ensure that the data covered the nine years, with sufficient granularity in relation to the structure of each scorecard.
- iv) Analyse the annual B-BBEE points obtained across all scorecard elements. This was done with two scorecards that were somewhat different from each other, reflecting a different number of elements, different weighting points and a different number of years in which the scorecard was in force.
- v) Represent the annual results and trends numerically and graphically. The results had to be presented in a simplified manner but which nonetheless was not overly simplistic.
- vi) Identify what drives and hinders compliance.

In our view, the above actions were critical for the development of the forecasting tool. There are several forecasting approaches, but the choice of the most appropriate one depends on the natural influence and inter-dependencies of various factors driving the issue being forecast. This is because the forecasting output is used to recommend programmes to facilitate compliance in the sector. Programmes and policies are specific by nature and therefore a thorough investigation into and identification of drivers of compliance was necessary.

1.2 OUR APPROACH: QUANTITATIVE RESEARCH

The process involved collecting data directly from operating entities and also included other measures, such as risk mitigation. Key considerations were: i) online reporting by registered tourism companies; ii) identification of other data sources; iii) consolidated databases. The targeted data had been verified by each tourism company's B-BBEE verification agency. An aggressive interrogation of accuracy was not necessary as a thorough audit would have been done, with a B-BBEE certificate and B-BBEE verification report having been issued.

Voluntary submission through online reporting tool

For ease of submission and consistency of annual trend analysis, the data collection approach was based on a quantitative survey aimed at limiting the required information to that which was readily available in companies' annual B-BBEE certificates and B-BBEE verification reports. This would promote uniformity of submitted information across companies and the measurement period, as well as enable impartial trend analysis.

In addressing the above requirements, **Zevoli Consulting** designed a secure web application to facilitate the secure, consistent, objective and impartial collection of the required data for the period 2009-2018. The web application would also enable the Department to easily manage and report on the array of data from all participating tourism companies for the envisaged nine-year period.

Each company was required to submit its respective years' reports in the format of the online reporting tool. The web application facilitated the capturing and reporting of defined company details and scorecard data from reporting entities. It also made use of user authentication methods, with a username and password being required to access the electronic reporting form.

A combined total of two hundred and forty-two (242) companies, mostly EMEs, registered to participate in the survey. As this number was unsatisfactory, some of the submitted information could not be verified. **Zevoli Consulting** therefore considered other avenues.

Capturing publicly available B-BBEE certificate data

To augment the B-BBEE information supplied by companies that voluntarily participated in the survey, **Zevoli Consulting** also sourced B-BBEE certificates from Beagle and other online sources. The certificate data captured and used in the analyses is shown in the diagram below.

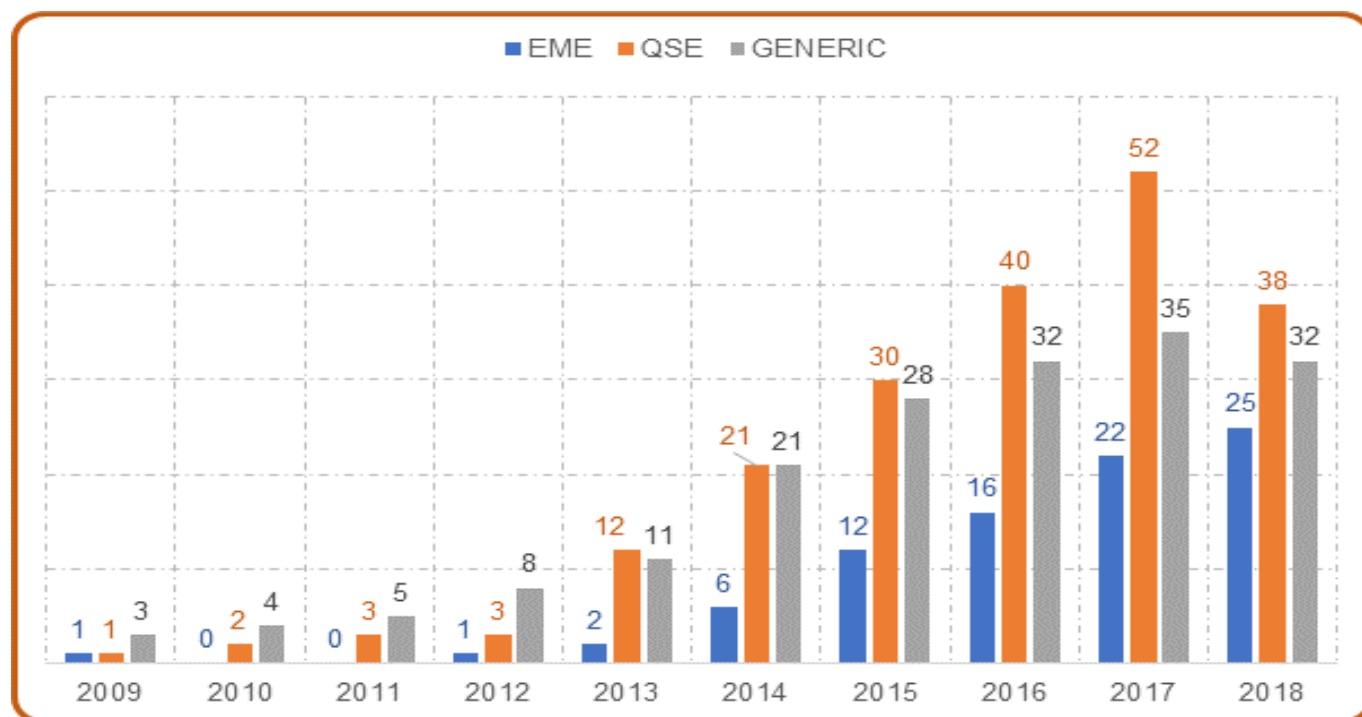


Figure 0.1: B-BBEE certificate data from online databases

Further actions taken to drive participation

Based on previously acquired insights into response levels to surveys, attempts were made to leverage other available avenues to encourage tourism companies to participate in the survey. In this regard, we adopted a multi-pronged approach:

- i) Designing and disseminating the following:
 - Infographics with the relevant messaging on the Department of Tourism's various social media platforms;
 - A banner under the email signatures of the Department's employees;
 - Rotating banners on the Department's website home page;
- ii) Attending stakeholder workshops hosted by the national and provincial tourism departments to inform potential participants about the survey;
- iii) Sourcing B-BBEE certificates from online B-BBEE certification databases;
- iv) Sending out and tracking open and click rates of weekly emails and linking to the web portals of all contactable companies to encourage and remind them to participate;
- v) Engaging the following national and provincial entities to disseminate weekly emails to companies on their databases:
 - Tourism structures; and
 - Development Finance Institutions (DFIs) and development agencies;

- vi) Regularly contacting Large Enterprises (LEs) and Qualifying Small Enterprises (QSEs) to encourage and remind them to participate;
- vii) Requesting authorisation to source B-BBEE information from tourism companies and B-BBEE verification agencies, and capturing this information on their behalf; and
- viii) Where authorised, engaging the reporting entity's B-BBEE verification agency to source the relevant years' B-BBEE certificates and B-BBEE verification reports.

1.3 OUR APPROACH: QUALITATIVE RESEARCH

As mentioned in section 1.1, a necessary condition was to understand the drivers of compliance. One route to achieving this would have been to conduct primary qualitative research. However, this was not part of the scope of the project. Instead, **Zevoli Consulting** conducted secondary or desktop research, with the literature review focusing on:

- i) Published independent surveys;
- ii) Department of Tourism-commissioned B-BBEE surveys;
- iii) Publicly available research.

Some of the consulted sources included:

- i) Relevant articles from the African Journal of Hospitality, Tourism and Leisure;
- ii) B-BBEE Commission's National Status and Trends on B-BBEE;
- iii) KPMG 2012 and 2013 B-BBEE studies;
- iv) 2018/19 CATHSETA Strategic Plan;
- v) Department of Tourism publications, including:
 - 2010 B-BBEE survey (updated 2013)
 - 2018 B-BBEE baseline study on the state of transformation in the sector;
 - Transformation strategy for the tourism sector (September 2018) .

1.4 OUR APPROACH: FORECASTING TOOL

The following is a brief description of forecasting which influenced our approach to the development of the tool.

"A statistical technique for making projections about the future which uses numerical facts and prior experience to predict upcoming events. The two main types of quantitative forecasting used by business analysts are the explanatory method that attempts to correlate two or more variables and the time-series method that uses past trends to make forecasts" (Wikipedia).

Given the context for developing and applying the tool, we expect that the output will be used to ultimately inform policy and programmes aimed at influencing the rate of transformation in the sector. It was therefore necessary to identify the factors that drive compliance with the Tourism B-BBEE Sector Code so that specific programmes will address the transformation imperative.

Given the definition of forecasting above, we have discounted the use of the time-series approach. This is because the compliance environment in which the tool will be applied is not static and past trends that influence compliance can be changed through appropriate policies. Additionally, one needs to fully understand this environment at its most fundamental level in order to be able to influence it.

We have therefore adopted the explanatory approach in which we have defined key drivers of compliance with the Tourism B-BBEE Sector Code and used these drivers to estimate the level of adoption of the Sector Code.

The simplified diagram in Figure 0.2 depicts the full context in which the forecasting tool has been developed and will be used.

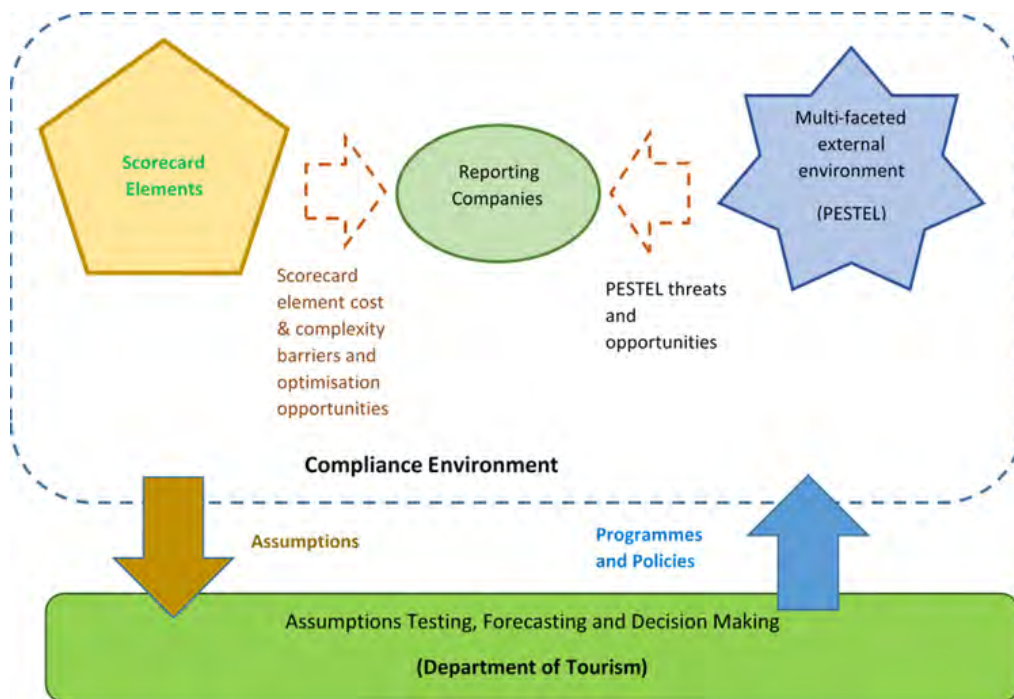


Figure 0.2 : Compliance environment and the forecasting tool

Figure 0.2 places reporting tourism companies in the centre of the diagram. Following this approach, Large Enterprises (LEs) and Qualifying Small Enterprises (QSEs) are positioned between their external business environment and the requirements of the scorecard. The external environment exerts economic pressures on the tourism companies and/or presents them with opportunities. At the same time, the scorecard requires a particular threshold of barriers to be overcome for companies to score a certain number of points. In this forecasting approach, the Department of Tourism is positioned on the outside of the compliance environment, looking in, and is able to influence the industry through interactions and information flows.

Figure 0.3 takes a granular look at the forecasting environment. The image to the left of the green arrow consists of the following:

- i) **Structure of the each scorecard:** This is the core of the scorecard. The structure does not only impose the target; the makeup of each element represents the ease or difficulty of achieving those points.
- ii) **Scorecard element integration:** The extent of relatedness between the different elements will determine the ease or difficulty with which the whole scorecard is implemented. A high level of integration means that one or a group of activities may contribute to compliance with other parts of the Sector Code.
- iii) **Availability of company resources:** Scarce resources will always be deployed to areas that will benefit the most. Compliance with the Sector Code is not mandatory and to direct resources in that direction could be problematic during tough economic times.
- iv) **Perception of sector prospects in the future:** This is related to iii) above. Depending on companies' profitability outlook, relevant programmes may either be curtailed or actively promoted.
- v) **Opportunities or threats presented by the wider national and international environments:** Companies operate within national and international contexts, which are subject to much change and uncertainty. Any events that change perceptions of the risks to which their businesses are exposed will eventually have an impact on compliance outcomes.

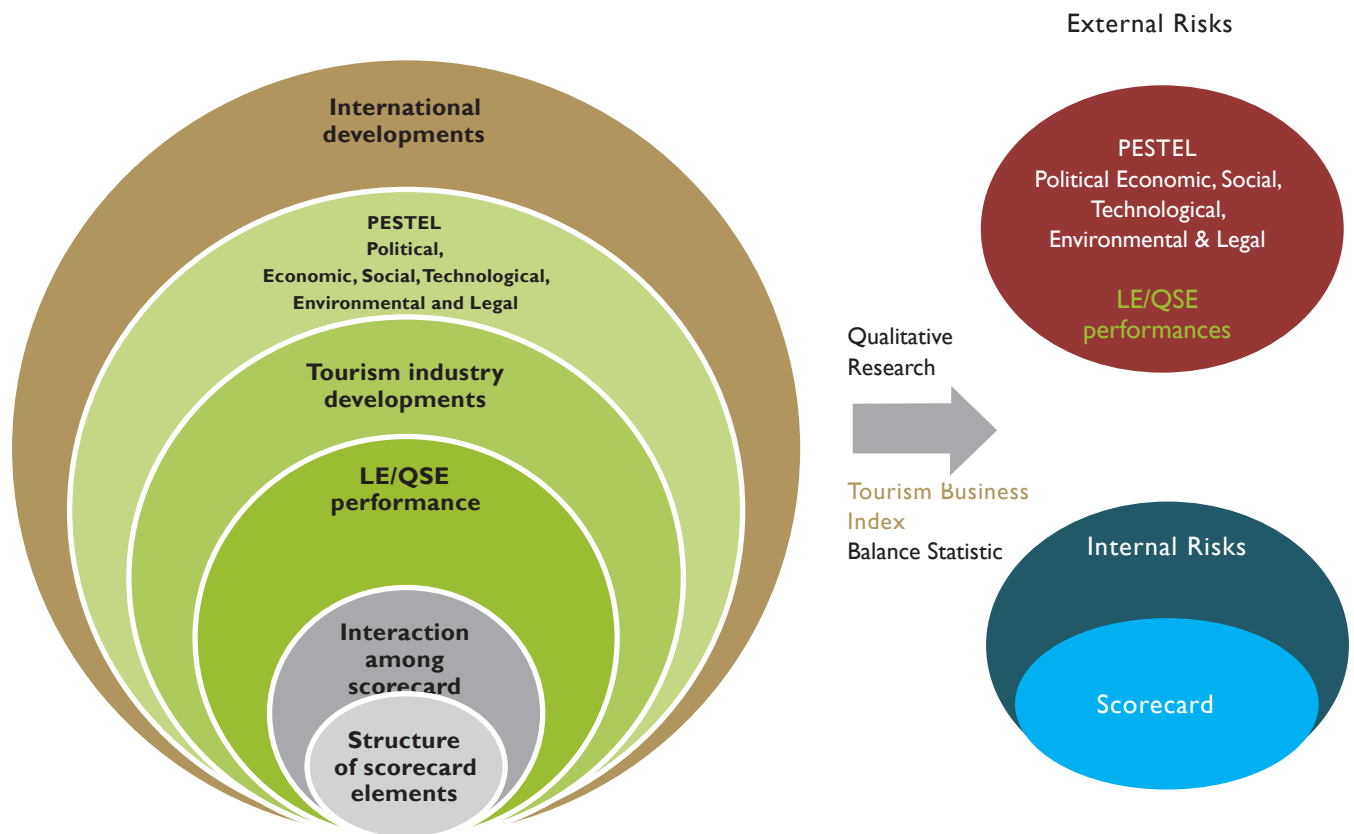


Figure 0.3: Forecasting tool framework

Key barriers in the scorecard are the costs and complexity associated with the implementation of each element. These are both referred to as internal risks to compliance. The basis for their quantification and thus likelihood has been defined in the tool itself.

Our approach also takes into account the quantification of all identified factors, including those external to the scorecard. The use of the Balance Statistic estimated as part of the Tourism Business Index is appropriate as it captures most of the forecasting aspects external to the scorecard. This separation of external and internal risks is shown on the right-hand side of the diagram in Figure 0.3.

Basic structure of the forecasting tool

The forecasting tool is composed of two modules. The output of the first module is used to refine the model constants in the second module, which is where the forecasting estimates are performed. The second module does the forecasting based on the fundamental drivers of compliance, which are risk based.

This approach has the following distinct attributes:

- i) It utilises best practice in a combination of at least two approaches to produce a forecast;
- ii) It is aligned to the Department's ongoing data collection surveys which integrate the latest data to inform future compliance developments;
- iii) It incorporates the regular surveys performed by the Department's key stakeholder, the Tourism Business Council of South Africa (TBCSA).

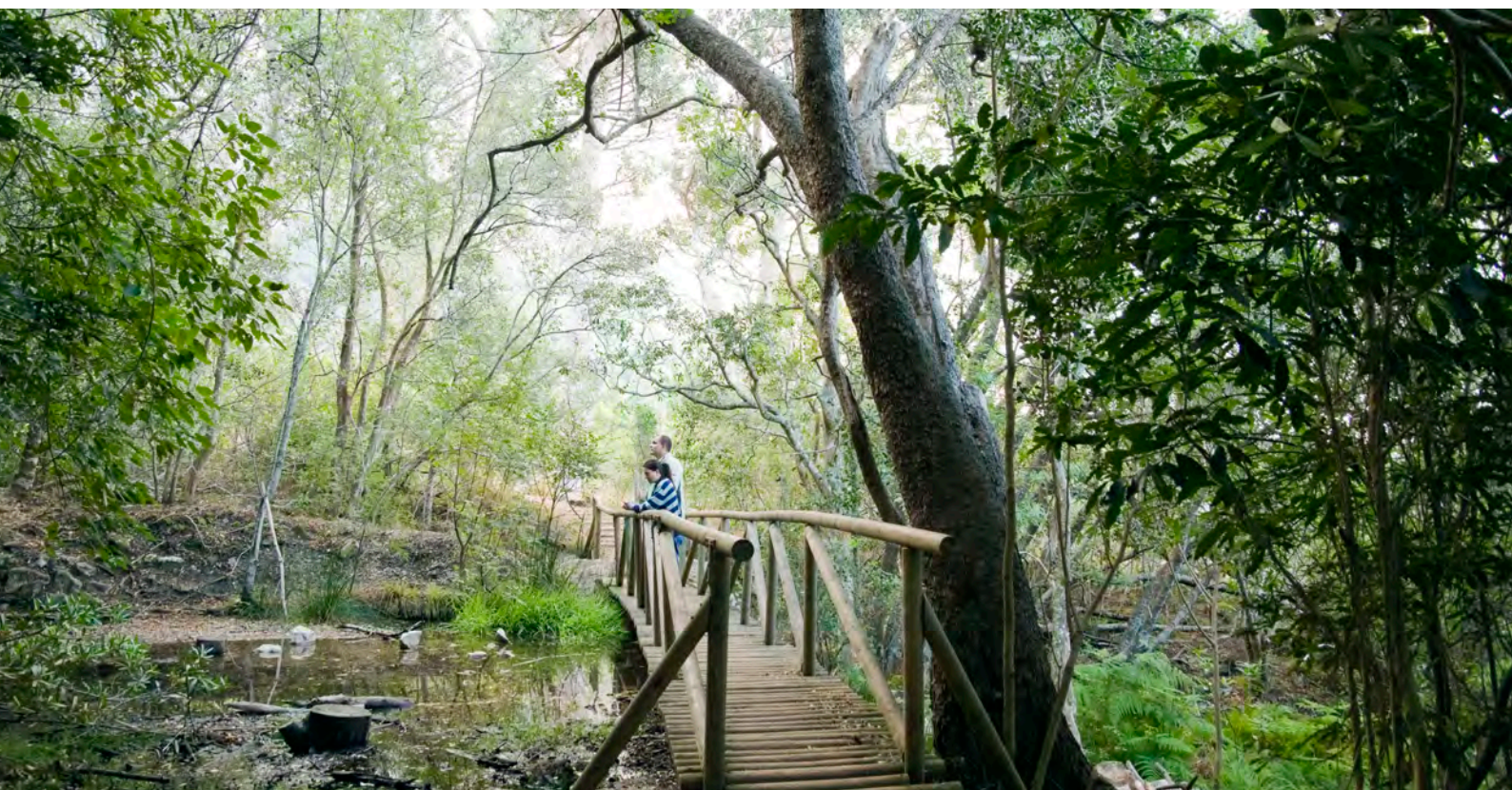
The first module uses collected, actual quantitative data to estimate the distribution of past compliance by tourism companies. It runs a simulation based on this distribution to estimate compliance levels of the entire population of Large Enterprises (LEs) and Qualifying Small Enterprises (QSEs) in the tourism sector.

Results of this simulation are used in the second module to quantify the following:

- a) The major compliance risks related to both the scorecard and the external environment;
- b) The scorecard elements to which these risks relate and the impact on each element;
- c) How these risks can be estimated to consistently produce compliance forecasts.

1.5 PROJECT RESULTS: QUALITATIVE

One of the key findings from the study is that until recently, the implementation of and adherence to B-BBEE were thought to have been fully driven by government. A recurring theme in the past studies is that this is not quite the case. Customers exert pressure on companies to be compliant. In addition, companies that are sufficiently concerned about their public image tend to be driven into compliance. It is easier for companies in industries other than tourism to be compliant as their main customers are also entities that wish to climb up the transformation ladder.



This does not appear to be the case for tourism, a sector that has many direct customers who are free to make personal decisions about the tourism services that they wish to use. This issue will require special attention from the Department which will need to find innovative ways of driving up compliance.

Another finding that may pose a second set of barriers to compliance in the sector is that all priority elements have a cost component and a high level of implementation complexity. For example, skills development is regarded as the costliest element to implement, while the ownership element is similarly regarded as expensive to comply with.

This may further deter the realisation of high scores against any prevailing scorecards by companies that are already unwilling to participate. We have made a number of recommendations, such as exploring ways of optimising the implementation of the scorecard to make it easier to achieve the set targets and encourage greater compliance.

The reporting of the results is aided by the identification of key trends in the results, which point to various underlying issues. These identified trends are as follows:

1. Down-Up trend

This is a performance trend whereby the scores decrease and move away from the target as the years in the assessment period go by. This trend is characterised by the attainment of a minimum score in a particular year, after which performance improves. The improvement in performance is reflected in an increase in scores following the year in which the minimum score is obtained.

The implication of this trend for compliance is that the sector starts the period with some poor performance, which then deteriorates until conditions are reached in which only the minimum score can be attained. These conditions, however, subsequently change or organisations manage to find better ways of implementing the Sector Code, with the result that there is a gradual improvement in organisations' scores.

2. Up-Down trend

This is the opposite shape of that described above. It represents situations in which companies start off poorly, with low scores, and then gradually improve. This improvement reaches its best level with the attainment of the highest score possible in one of the intervening years. This represents the highest score ever achieved by the sector, after which a period of declining performance commences. The rest of the performance assessment period is characterised by decreasing scores.

In our view, there are circumstances in the compliance environment that provide organisations with opportunities to improve their scores. The peak score, however, indicates that this favourable environment is either short-lived or the compliance-improvement plans implemented by the organisations are not sustainable. This results in the decline in performance following the year in which the highest points are achieved.

3. Range-bound trend

This is a variation of the combination of the Up-Down and Down-Up trends, joined side by side. The scores fluctuate between a defined maximum and minimum during the period under review.

When elements exhibit this trend, it indicates that general performance is confined to a certain band of scores as the years go by. Thus performance moves up and down within a given range in the period covered by the Sector Code.

4. Downward trend

This is a directionally clear trend in which the scores decline as the years go by. This trend does not have any periods of sustained movements in the opposite direction. The recorded scores move from a maximum to a minimum during some of the years in the assessment period. This represents a failure of the adopted implementation strategies. It may, for example, indicate some loss of control over the implementation of the scorecard or challenges in finding the right solutions in the prevailing circumstances.

5. Upward trend

This is the opposite trend to that described above and indicates that performance starts with low scores and then increases with the passing of the years. Therefore, organisations start off at a disadvantage from a compliance perspective and then implement improvement strategies to better their scores.

The overall assessment of performance in terms of implementation is based on the following:

- i) The trend type represents the bulk of the successes or failures of implementation of each element.
This trend represents how the sector has managed conditions in its compliance environment.
- ii) The actual change in deviations between the first and the last year of implementation represents the balance of the performance measurement.

The trend summaries for the different elements for QSEs and LEs are indicated in Table 0.1 and Table 0.2 below against the 2009 Sector Code and the 2015 Sector Code, respectively. The trends relate to the trajectories of the actual scores attained against target.

Table 0.1: QSE performance against the 2009 Sector Code

Trend	Element
Down-Up	Socio-economic development
Up-Down	Ownership
Range-bound	Enterprise development, preferential procurement, skills development employment equity management control
Upward	No element in this category
Downward	No element in this category

QSEs generally performed badly against the 2009 Sector Code. Performance in terms of most elements was range-bound, indicating some established constraints that could not be resolved.

Table 0.2: QSE performance against the 2015 Sector Code

Trend	Element
Down-Up	Socio-economic development, enterprise and supplier development, management control
Up-Down	No element in this category
Range-bound	No element in this category
Upward	Ownership, skills development
Downward	No element in this category

Performance in terms of most elements under the 2015 Sector Code showed the Down-Up trend. This suggests some initially poor performance followed by a decline, after which a turnaround was experienced. This reflects a generally good performance as a bad situation was reversed.

Table 0.3: LE performance against the 2009 Sector Code

Trend	Element
Down-Up	Ownership
Up-Down	No element in this category
Range -bound	Employment equity, preferential procurement enterprise development, socio-economic development
Upward	Management control, skills development
Downward	No element in this category

Under the 2009 Sector Code, LEs performed well in terms of management control and skills development as there was a clear upward movement towards the target. They performed poorly in employment equity, preferential procurement, enterprise development and socio-economic development. Here organisations appeared to divert resources away from tackling barriers or constraints, resulting in a Range-bound trend

Table 0.4: LE performance against the 2015 Sector Code

Trend	Element
Down-Up	No element in this category
Up-Down	No element in this category
Range-bound	No element in this category
Upward	Ownership, skills development, enterprise and supplier development, socio-economic development
Downward	Management Control

Under the 2015 Sector Code, LEs' performance in terms of the majority of elements exhibited an Upward trend, with only management control showing a downward trend. Overall, LEs performed well against the 2015 Sector Code.

Table 0.5 offers a numerical performance comparison in terms of the scores attained for each element against the original Sector Code of 2009 and the amended Sector Code of 2015.

Table 0.5: LE comparative performance against the 2009 and 2015 Sector Codes

Element	2009 Sector Code % deviation	2015 Sector Code % deviation	% change in deviation
Ownership	25	29	+4
Management Control	39	33	-6
Skills Development	43	25	-18
Enterprise and Supplier Development	13	22	+9
Socio-economic development	45	-15	-60

The percentages represent deviations of each score from the target for a particular element. Each percent deviation is the average for all companies over all the years that each Code was in force. How companies performed against the various targets is shown in the first two columns. The last column containing the % change in deviation, indicates that a change from a lower to a higher percentage signifies poorer performance while a change from a higher to a lower percentage indicates better performance. This is because a positive number means that deviations from target increased whilst a negative number means that deviations from target decreased.

LEs' performance was closer to target in terms of more elements under the 2015 Sector Code than under the 2009 Sector Code. The elements showing improved performance were management control, skills development and socio-economic development. These companies seem to have implemented the 2015 Sector Code more successfully than the 2009 Sector Code.

Table 0.6: QSE comparative performance against the 2009 and 2015 Sector

Element	2009 Sector Code % deviation	2015 Sector Code % deviation	% change in deviation
Ownership	55	25	-30
Management Control	46	-19	-65
Skills Development	84	37	-47
Enterprise and Supplier Development	48	11	-37
Socio-economic development	57	-20	-77

In general, QSEs were more successful in implementing the 2015 Sector Code than the 2009 Sector Code. This is evidenced in the deviations from target being much smaller in respect of all the elements in the 2015 Sector Code.

I.6 PROJECT RESULTS: FORECASTING

Table 0.7 and Table 0.8 below show comparative results from the two modules of the model that we have developed. As stated earlier, this is in line with best practice where a model uses two different approaches for validating and checking the reliability of the forecasts.

The first module, Simulations Based on Survey Data, is used to handle tourism performance data from surveys or relevant historical results. It performs simulations of the entire population and generates as much information as possible to establish robust performance patterns from large quantities of sector data. The output from this module is used as a validation of key assumptions made in the second module, the Risk Based Forecasting Tool. This validation is performed by comparing results from both modules.

The simulated forecasts from current survey results and forecasts based on cost and complexity estimates are shown side by side for ease of comparison. These are presented for LEs and QSEs, respectively.

Table 0.7: LE performance forecasting

Elements	Measure	Simulations Based on Survey Data	Risk- Based Forecasting
Ownership	Average Score	18	21
	Actual Score<Average	45%	45%
Management Control	Average Score	13	17
	Actual Score<Average	53%	47%
Skills Development	Average Score	14	13
	Actual Score<Average	46%	45%
Enterprise & Supplier Development	Average Score	30	24
	Actual Score<Average	46%	47%
Socio- Economic Development	Average Score	4	4
	Actual Score<Average	40%	26%

Table 0.8: QSE performance forecasting

Elements	Measure	Distribution of Actual Points (Model 1)	Risk- Based Model (Model 2)
Ownership	Mean	16.43	19
	Actual Score<Mean	46%	50%
Management Control	Mean	13.10	13
	Actual Score<Mean	28%	55%
Skills Development	Mean	12.4	8
	Actual Score<Mean	50%	49%
Enterprise & Supplier Development	Mean	22.1	24
	Actual Score<Mean	45%	46%
Socio- Economic Development	Mean	3.16	4
	Actual Score<Mean	46%	24%

One of the reasons for the comparisons shown in Table 0.7 and Table 0.8 is that quantitative performance data collected through surveys is not always accompanied by qualitative data which provides deep insights into the factors underlying the observed quantitative performance. The development and maintenance of a forecasting approach requires that these factors be isolated and quantified, and also that their exact influence on compliance be determined. This was not the case in the survey data just finalised by **Zevoli Consulting**.

We have designed this system for immediate and future use by the Department and also because it reflects best practice. The recommended approach to developing forecasting models is for two different approaches to be used and the results to be compared. This is for the purposes of validation and regular updating of assumptions, such as the value of the risks associated with the complexity of implementing the scorecard.

Table 0.7 and Table 0.8 do the aforementioned comparison and validation. The results obtained from the two approaches are quite close, except for socio-economic development. This main discrepancy in the results for Socio-economic development is on the point regarding the probability of organisations that received a score less than the average.

The results of both models are generally quite close but differ in respect of the following:

- i) QSE: Management control and socio-economic development;
- ii) LE: Socio-economic development.

This implies that, in both cases, adjustments need to be made to assumptions about cost levels and the risk of implementation complexity.

We draw the following key conclusions from the project:

- 1. Organisations generally failed to comply with the original Sector Code of 2009.
- 2. The amended Sector Code of 2015 was generally more successfully implemented

We ascribe this to two factors, as evidenced from the study:

- i) Complexity of the 2009 Sector Code compared to that of the 2015 Sector Code: The amended 2015 Sector Code broke down the sub-elements into much clearer, more detailed aspects for the purpose of compliance, whereas these were more concentrated in the original 2009 Sector Code and therefore more complex to implement.
- ii) Familiarity with the scorecard structure and compliance requirements: This had grown among the reporting organisations by the time the amended Sector Code of 2015 was introduced.

A comparison of the two modules of the forecasting tool reveals that the assumption that cost and complexity risks are major factors in the forecasting is directionally correct. Thus further work is warranted in this area to confirm the levels of these two risks in the current amended Sector Code and all future Tourism B-BBEE Sector Codes.

Based on the outcomes of the study, we make the following key recommendations:

- i) All future Tourism B-BBEE Sector surveys should involve both quantitative and qualitative research.
- ii) The Department of Tourism should undertake a specific study on the structure of the prevailing scorecard to estimate the absolute levels of intrinsic risk associated with the cost and complexity of implementation.
- iii) Results should be used to:
 - Update the relevant assumptions made in the forecasting tool;
 - Obtain further insights from the tourism sector regarding this and other barriers to compliance.
- iv) Various avenues should be explored for optimising scorecard implementation in the face of all identified barriers.
- v) There should be regular and formal gathering of information on (what we have termed) external risks in Figure 0.3. This information should be used as inputs in regular forecasting.



2. INTRODUCTION

2.1 B-BBEE CODES OF GOOD PRACTICE

In 2003, the Department of Trade and Industry (the dti) published the Broad-Based Black Economic Empowerment (B-BBEE) Strategy to outline government's approach to defining and measuring B-BBEE as well as the policy instruments that would be utilised to achieve transformation. The Strategy also emphasised the importance of a partnership approach to achieving B-BBEE. In the same year, the B-BBEE Act No. 53 of 2003 was promulgated to provide a legislative framework for the promotion of B-BBEE, to empower the Minister of Trade and Industry to issue the Generic Codes of Good Practice (GCGP) and to publish sector charters.

According to the B-BBEE Act, sector charters may either be gazetted in terms of Section 9 or Section 12 of the B-BBEE Act. Code 000 in the Codes of Good Practice on B-BBEE includes a statement on transformation charters as well as guidelines on the gazettement of sector charters. A transformation charter gazetted in terms of Section 9 of the Act means that the sector charter has been gazetted as a Code of Good Practice and therefore has the same status as the Codes.

In 2005, the Section 12 Tourism B-BBEE Charter was published in the Government Gazette to highlight the commitment of all the stakeholders in the tourism sector to the empowerment and transformation of the sector, and to work collectively to ensure that the opportunities and benefits of the tourism sector were extended to black people as well.

Codes of Good Practice (Generic Codes)

The B-BBEE Codes of Good Practice (COGP) were published in 2007. The introduction of the Codes was aimed at providing a standard framework for the measurement of B-BBEE across all sectors in the economy. In particular, the Codes had the following objectives:

- To broaden the base of beneficiaries;
- To repurpose B-BBEE from focusing on ownership and deal-making to focusing on entrepreneurship, operational involvement and skills development;
- To ensure the financial sustainability of financial transactions;
- To create uniform standards and measurements; and
- To clarify policy positions on sector charters, multinationals and small business.

The Codes required that all entities operating in the South African economy make a contribution towards the objectives of B-BBEE.

When introduced, the Codes were characterised by two broad goals: firstly, to encourage all entities, both public and private, to implement B-BBEE initiatives, and secondly, to cover seven components of the B-BBEE scorecard, namely:

- Ownership
- Management control
- Employment equity
- Skills development
- Preferential procurement
- Enterprise development
- Socio-economic development (including industry-specific and corporate social investment initiatives)

In 2009, the Section 9 Tourism B-BBEE Sector Code was published in the Government Gazette in line with the Generic Codes of Good Practice to advance the objectives of the B-BBEE Act No. 53 of 2003 and to establish the principles upon which B-BBEE would be implemented in the tourism sector.

Revised Codes of 2013

The introduction of this revision by government was to ensure that the Codes were easy to apply. In order to achieve this, the Codes went through a robust testing process. The Revised Codes provided for five elements instead of seven, namely:

- Ownership
- Management control
- Skills development
- Enterprise and supplier development
- Socio-economic development

The Codes further provided for sub-minimum performance levels in priority elements, which included ownership, skills development, and enterprise and supplier development (ESD). The sub-minimum performance levels were as follows:

- Ownership: The threshold was 40% of net value;
- Skills development: The threshold was 40% of total weighting points; and
- ESD: The threshold was 40% for each of the two categories, i.e. enterprise development and preferential procurement.

The Revised Codes also provided for the merging of enterprise development and procurement into one category known as ESD. The main objective of combining these two elements was to drive the creation of productive enterprises in the value chain of companies.

In order to lighten the burden on small, medium and micro enterprises (SMMEs), 100% Exempted Micro Enterprises (EMEs) and Qualifying Small Enterprises (QSEs) were not expected to conduct any verification; they would automatically become Level 1 B-BBEE contributors. They would, however, need to produce an affidavit attesting to their status. The annual turnover threshold for EMEs has been increased to R10 million, while that of QSEs has gone up to R50 million. The discounting principle is still applicable, but with one level down both for large companies and QSEs.

Amended Generic Codes of Good Practice

Arising out of the Amended Generic Codes of Good Practice issued by the Minister of Trade and Industry in October 2013, the Tourism B-BBEE Charter Council aligned the Tourism B-BBEE Sector Code to the Amended Generic Codes of Good Practice. The Amended Tourism B-BBEE Sector Code was gazetted in November 2015. The gazettement of the Amended Tourism B-BBEE 2015 Sector Code meant that the Code is legally binding on all entities in the tourism sector from the date of its publication, which was 20 November 2015. All B-BBEE verifications conducted where the financial year end preceded this date can use the old Tourism B-BBEE Sector Code, Government Gazette No. 32259.

2.2 TOURISM SECTOR CODE

The stakeholders in the tourism sector acknowledge that there are two main challenges facing the sector, namely:

- How to become more globally competitive; and
- How to include black people in the tourism sector.

The Amended Tourism B-BBEE Sector Code of 2015 (or the “2015 Sector Code”) therefore seeks to advance sector initiatives among black people, and in doing so make the sector more accessible and beneficial to all South Africans. The 2015 Sector Code expresses the commitment of all the stakeholders in the tourism sector to the empowerment and transformation of the sector and to their working collectively to ensure that the opportunities and benefits flowing from the sector are extended to black people as well.

The functions of the Tourism B-BBEE Charter Council include the following:

- Provide guidance on sector-specific matters affecting B-BBEE in entities within the sector;
- Compile reports on the status of B-BBEE within the sector;
- Share information with tourism sector stakeholders, approved accreditation agencies, the B-BBEE Commission, the B-BBEE Presidential Advisory Council, the Minister of Tourism and the Minister of Trade and Industry;
- Monitor the implementation of the 2015 Sector Code.

The 2015 Sector Code applies to all enterprises and all parts of the value chain within the tourism sector, as follows:

- Accommodation: including hotels, resort and timeshare properties, bed and breakfast establishments (B&Bs), guest houses, game lodges, backpacker facilities and hostels;
- Hospitality and related services: including restaurants (not attached to hotels), conference venues (not attached to hotels), professional catering, tourist attractions and casinos, and consulting and professional services;
- Travel distribution systems: including tour wholesalers, tour operators, travel agents, tourist guides, car rental companies and coach operators.

2.3 KEY FINDINGS FROM PREVIOUS STUDIES

2.3.1 2010 Baseline study

During the 2010/2011 financial year, the Department of Tourism (DT) conducted research to establish a baseline for the state of transformation in the tourism sector. It also aimed to investigate how to accelerate transformation within tourism and analyse the outcomes that had been achieved in respect of all the elements at the time of the study. The study found inter alia that only 23% of QSEs and 18% of EMEs had achieved their targets. The vast majority of enterprises (85%-90%) had no black female shareholding, while most EMEs and QSEs had not introduced significant black shareholding into their organisations.

It was also established that in general there was a low intake of black managers in the tourism sector, and in particular a low percentage of women at the board and executive management levels in Large Enterprises (LEs). The study further highlighted that the recruitment and retention of skilled black staff presented a challenge in terms of meeting employment equity targets, particularly in Large Enterprises where more specialised skills were required.

Furthermore, the study found that not much progress had been made on key elements of the B-BBEE scorecard, such as procurement and enterprise development, among others. For example, 21% of large tourism enterprises had achieved the 50% target of buying from black-owned enterprises, whereas only 22% of these entities met the compliance requirement of spending 3% of net profits after tax (NPAT) on supporting black-owned businesses. The lack of access to funding is one of the key challenges still faced by many tourism businesses, particularly those in the hands of black people.

2.3.2 2018 Baseline study

The Tourism B-BBEE Charter Council has a mandate to monitor and evaluate transformation in the tourism sector, while also providing guidance and sharing information on the matters affecting, impairing and even promoting transformation in the sector. One of the actions in the Council's plan for the 2016/2019 period involves establishing a new baseline study, with the following objectives:

- Conduct a new baseline study to establish the current state of transformation in the sector;
- Set a baseline for the Amended 2015 Sector Code;
- Provide recommendations and benchmark the Council's strategy to rapidly advance the course of transformation in the tourism sector;
- Share the results of the study once the research is complete; and
- Use the results of the study to inform the development of the transformation strategy for the tourism sector.

The key findings of the surveys include the following:

- The majority of actors in the tourism sector do not comply with the set ownership targets for black people within their enterprises.
- For the ownership scorecard element, the accommodation and travel-related sub-sectors have been performing equally, while the hospitality sub-sector is not far from achieving 50% representation in voting rights and economic interest indicators.
- Tourism enterprises perform well in terms of the board member, senior management and middle management indicators compared to the rest, particularly in the hospitality and travel-related sub-sectors.
- Conversely, the accommodation sub-sector has not performed well in terms of the management control element, with no indicator exceeding 21%.
- There is very a low rate of compliance within the sector, with the travel-related sub-sector yielding the largest proportion of Large Enterprises (LEs) contributing to skills development as per the Sector Code.
- However, with QSEs the accommodation and hospitality sub-sectors are contributing more to the skills development element as per the Sector Code.
- The majority of LEs and QSEs do not comply with the set ESD targets, with the accommodation and hospitality sub-sectors being the best performing in terms of all indicators.
- Of the surveyed enterprises, approximately 34% are TOMSA levy collectors.
- Of the surveyed enterprises, 37% spend more than 1% of their NPAT on qualifying socio-economic development contributions.

2.4 BACKGROUND TO, AND CONTEXT OF, THIS STUDY

2.4.1 Purpose

The purpose of the survey was to measure and reveal the level of compliance by tourism enterprises with both the original Tourism B-BBEE Sector Code (or “2009 Sector Code”) gazetted in May 2009 and the Amended Tourism B-BBEE Sector Code (or “2015 Sector Code”) gazetted in November 2015. The trends that emerged from the findings would allow for a comparative analysis of the impacts of the original and the Amended Sector Code currently in place with a view to accurately measuring and forecasting the pace of transformation going forward on an annual basis.

2.4.2 Objectives

The objectives of the survey were as follows:

- To determine the extent to which tourism enterprises have implemented the Tourism B-BBEE Sector Codes gazetted in 2009 and 2015, respectively;
- To conduct a comparative analysis of the implementation of the Tourism B-BBEE Sector Codes of 2009 and 2015, respectively;
- To identify both failures and successes of tourism enterprises in implementing elements of the Tourism B-BBEE Sector Codes of 2009 and 2015, respectively;
- To develop a forecasting tool to measure the pace of transformation going forward on an annual basis; and
- To provide recommendations in respect of programmes that could enhance the implementation of the Tourism B-BBEE Sector Code of 2015 by tourism enterprises.

2.4.3 Rationale

South Africa’s B-BBEE policy, which was legislated under the B-BBEE Act No. 53 of 2003, as amended by the B-BBEE Act No. 46 of 2013, aims to create a more equitable society by expanding economic opportunities for those people who were previously excluded from meaningful economic participation. It seeks to accelerate the access of black people to the ownership of enterprises; to the management and control of those enterprises; and to procurement, enterprise development, skills development, employment equity and socio-economic development opportunities.

The Department of Trade and Industry (the dti), as the custodian of the B-BBEE Codes, mandated all sectors in the South African economy to draw up sector-specific charters and codes with clear targets for addressing their particular transformation challenges. The tourism sector was the first sector to respond to the call by establishing the Tourism Charter in 2005, and later aligned it to the Codes in terms of Section 9 of the Act. The Tourism B-BBEE Sector Code, which was issued on 22 May 2009, endorsed B-BBEE legislation and set specific targets for implementing B-BBEE in the tourism sector.

On 20 November 2015, following the review of the dti's Generic Codes of Good Practice, the Minister of Trade and Industry published the Amended Tourism B-BBEE Sector Code in the Government Gazette in terms of Section 9(1) of the B-BBEE Act, as amended, to advance transformation in the tourism sector. The tourism sector was once again ahead of other sectors on the amendment of the Codes. The Amended Tourism B-BBEE Sector Code of 2015 was developed by the Tourism B-BBEE Charter Council (the Council) in consultation with tourism stakeholders to set new transformation targets and provide a basis for the monitoring of transformation in the tourism sector.

The Council was appointed by the Minister of Tourism, in terms of Section 5.4.3 Statement 003 of the B-BBEE Codes of Good Practice, to compile reports on the status of B-BBEE within the sector and to share information with sector members, the Minister of Tourism, approved accreditation agencies, the B-BBEE Commission, the B-BBEE Presidential Advisory Council and the Minister of Trade and Industry. Such reports were required to contain qualitative and quantitative information on the performance of the sector, including details of all the elements of the tourism sector's B-BBEE balanced scorecard. This study was conducted to fulfil the annual B-BBEE reporting requirement for the tourism sector to reveal progress on the extent of transformation in the sector.

Against the backdrop of the different compliance targets set by the Tourism B-BBEE Sector Codes gazetted in 2009 and 2015, respectively, the study was aimed at conducting a comparative analysis of the implementation of the two sets of Sector Codes and developing a forecasting tool to measure the pace of transformation going forward on an annual basis.

2.4.4 Research problem

The Tourism B-BBEE Sector Code of 2015 has gained impetus in the tourism sector, creating expectations among many black entrepreneurs and professionals. However, the current debate on the application of the Sector Code by large tourism enterprises is premised on the assumption that the Sector Code has merely resulted in the slight diversification and empowerment of black entrepreneurs. In view of this, it is imperative to conduct annual surveys to more precisely measure compliance.

The survey was carried out to determine the extent to which measured tourism enterprises had complied with both the original 2009 Sector Code and the Amended 2015 Sector Code. The findings would reveal trends that would allow a foundation to be laid for accurately measuring and forecasting the pace of transformation going forward.

2.4.5 Literature review

The apartheid government purposefully and systematically restricted black South Africans from meaningful participation in the economy. Access to skills and self-employment were also racially determined and restricted (Department of Trade and Industry, 2001: 4). The consequence of racial exclusion was an economic structure that, in essence, excluded the vast majority of South Africans (Department of Trade and Industry, 2001: 4). According to Gqubule (2006: 1), no economy with this sort of history can meet its full potential when a proportion of its citizens are not fully integrated.

According to Browning (1988: 7), the term "Black Economic Empowerment" (BEE) became widely used in the context of South Africa's search for a new political dispensation. In 1998, the Black Economic Empowerment (BEE) Commission was formally established under the auspices of the Black Business Council (BBC), an umbrella body representing black business organisations (Gqubule & Brown, 2001: 1). In the same context, Gqubule et al. (2001: 6) explain that the BEE Commission resolved, at its first annual conference in 1998, that the country cannot sustain high levels of economic growth in the absence of deliberate measures by government to facilitate meaningful participation of black people in the economy.

2.4.5.1 Legislation of B-BBEE Act No. 53 of 2003

The period since 1998 has seen the South African economy undergo profound restructuring (Department of Trade and Industry, 2001: 4). The economic restructuring has found its basis in the Constitution, which enshrines the right of all South Africans to equal treatment and opportunity. To this end it provides for specific legislative measures to be taken to advance persons who have been disadvantaged by unfair discrimination (The Constitution, 1996: 5).

Whiteford (2005: 1) explains that in accordance with the Constitution, the South African government legislated the Broad-Based Black Economic Empowerment Act No. 53 of 2003 (B-BBEE Act, 2003: 4) with a view to stimulating inclusive economic growth. According to the Act, B-BBEE is an integrated and coherent socio-economic process designed to directly contribute to the economic transformation of South Africa and significantly increase the number of black people who manage, own and control the country's economy while significantly reducing income inequality.



2.4.5.2 Objectives of the B-BBEE Act No. 53 of 2003

The successful implementation of the B-BBEE Act is evaluated against the following policy objectives:

- To significantly increase the number of black people who have ownership and management control of existing and new enterprises;
- To significantly increase the number of new black enterprises, black-empowered enterprises and black-engendered enterprises;
- To significantly increase the number of black people in enterprises' executive and senior management teams;
- To increase the proportion of black ownership and management of economic activities vested in community and broad-based enterprises and co-operatives;
- To increase black ownership of land and other productive assets, improve black people's access to infrastructure, increase their acquisition of skills, and increase their participation in productive economic activities in under-developed areas, including the 13 nodal areas identified in the Urban Renewal Programme and the Integrated Sustainable Rural Development Programme; and
- To increase the income levels of black people and reduce income inequality between and within race groups.

2.4.5.3 Key principles of the B-BBEE Act No. 53 of 2003

The Act is underpinned by four key principles:

- B-BBEE is broad-based. Therefore, societies that are characterised by racial or ethnically defined wealth disparities are unlikely to be socially and politically stable. The process of B-BBEE seeks to accelerate the de-racialisation of the South African economy and fast-track the re-entry of historically marginalised communities into the mainstream of the economy.
- B-BBEE is an inclusive process. A more equitable economic landscape will benefit all South Africans, both individuals and enterprises. All enterprises operating in South Africa can, and indeed should, participate in the B-BBEE process.
- B-BBEE is associated with good governance. A fundamental part of necessary economic reform and transformation is improving the quality and transparency of all economic activities.
- B-BBEE is a fundamental part of economic growth and development. Government's stance is that B-BBEE must be an inclusive process and not an exclusive process. No economy can grow by excluding any part of its people, while an economy that is not growing cannot integrate all of its citizens in a meaningful way.

2.4.5.4 Gazetting of B-BBEE sector charters

According to Section 9(1) of the B-BBEE Act, the Minister of Trade and Industry may issue a B-BBEE sector code to a relevant sector of the economy to promote inclusive growth (B-BBEE Act, 2003: 8). Pursuant to this, in 2005 the Tourism B-BBEE Sector Charter was signed by all stakeholders in the tourism sector as a commitment to the implementation of the Tourism B-BBEE Sector Code which was designed to ensure inclusive tourism growth (Tourism BEE Charter and Scorecard, 2004: 13). Jeffery (2014: 31) explains that the Tourism B-BBEE Sector Code seeks to make tourism in the country more adaptable and accessible to the majority of black South Africans, in particular black entrepreneurs. Marcus, Mangcu, Shubane and Hadland (2007: 215) concur that BEE has played a major role in growing the number of black businesses making a significant contribution to the country's economy.

2.4.5.5 The Tourism B-BBEE Sector Charter

In 2005, the Minister of Trade and Industry published the Tourism B-BBEE Sector Charter in the Government Gazette. The Charter was signed by all stakeholders in the tourism sector as a commitment to implementing the Tourism B-BBEE Sector Code aimed at ensuring inclusive tourism growth (Tourism BEE Charter and Scorecard, 2004: 13).

The Charter was developed to advance the objectives of the B-BBEE Act No. 53 of 2003 which were to constitute a framework and principles through which B-BBEE would be implemented in the tourism sector, to represent a partnership programme as outlined in government's B-BBEE Strategy and to provide the basis for the sector's engagement with other stakeholders, including government and labour. The gazettement of the Tourism B-BBEE Sector Charter culminated in the formulation and gazettement of the Tourism B-BBEE Sector Code in May 2009.

2.4.5.6 Gazetting of the Tourism B-BBEE Sector Code of 2009

The Tourism B-BBEE Sector Code was first gazetted in May 2009 to ensure the following:

- Advance the objectives of the Broad-Based Black Economic Empowerment Act No.53 of 2003 within the tourism sector;
- Create a framework and establish the principles upon which B-BBEE would be implemented in the tourism sector;
- Represent a partnership programme as outlined in government's B-BBEE Strategy; and
- Provide the basis for the sector's engagement with other stakeholders, including government and the private sector, labour and civil society.

The Tourism B-BBEE Charter Council was formally established by the Minister of Tourism to further the objectives of the B-BBEE Sector Code within the tourism sector. The Council was mandated to align the Tourism B-BBEE Sector Code with the Generic Codes of Good Practice. As a result, the Council embarked on a nationwide consultative process to solicit views and inputs from various stakeholders in the sector, which culminated in the development of the Tourism B-BBEE Sector Code.

The Tourism B-BBEE Sector Code as published is the only basis for the application and recognition of B-BBEE initiatives in the tourism sector. The participation of all stakeholders was encouraged and obtained through public hearings and written submissions from various constituencies, which formed the basis of the development of the Code.

2.4.5.7 Gazetting of the Tourism B-BBEE Sector Code of 2015

Arising from the alignment of the Tourism B-BBEE Sector Code to the Amended Generic Codes of Good Practice on 20 November 2015, the Minister of Trade and Industry published the Amended Tourism B-BBEE Sector Code in the Government Gazette for implementation in the tourism sector. The 2015 Sector Code came into full application from the date of its publication in the Government Gazette. The 2015 Sector Code applies to all enterprises in the tourism sector and all parts of its value chain, including:

Accommodation:

- Hotels;
- Resort and timeshare properties;
- Bed and breakfast establishments (B&Bs);
- Guest houses;
- Game lodges; and
- Backpacker facilities and hostels.

Hospitality and related services:

- Restaurants (not attached to hotels);
- Conference venues (not attached to hotels);
- Professional catering;
- Tourist attractions and casinos; and
- Consulting and professional services.

Travel and related services:

- Tour wholesalers;
- Tour operators;
- Travel agents;
- Tourist guides;
- Car rental companies; and
- Coach operators.

2.4.5.8 Previous surveys conducted by the Department of Tourism and other, independent studies

One of the key and ongoing debates in business and government circles is the level of success in revealing the various drivers behind certain postures that companies adopt towards transformation. There are pockets of business that believe that economic transformation laws are not achieving their goals, while others maintain that laws are unnecessarily punitive to those corporations already attempting to be responsible corporate citizens. Each B-BBEE survey is conducted in its own way and is influenced in particular by events in the year in which it is undertaken. The studies covered in the next section were completed in the past and there seems to be some overlap in the general issues emerging from the investigations.

2.4.5.8.1 Yarona Management Consulting Study

One of the earliest studies on the status of transformation in tourism was a baseline study conducted in 2007 by Yarona Management Consulting. Although it was a comprehensive, quantitative examination of the implementation of B-BBEE across the three sub-sectors of tourism, namely hospitality, travel and accommodation, it also displayed some key features of a qualitative study.

The purpose of the study was firstly, to establish the status of B-BBEE implementation in the tourism sector, and secondly, to identify the factors influencing B-BBEE compliance (Yarona Management Consulting, 2007a: 3). A questionnaire was distributed to over 3200 enterprises of varying sizes countrywide. Some 72 questions in the survey sought responses on company turnover, level of black representation, challenges and opportunities, and views on the Tourism B-BBEE Sector Charter. The survey defined a large enterprise as a company with an annual turnover of more than R10 million, a medium-sized company as having an annual turnover of between R5 million and R10 million rand, and a small enterprise as having an annual turnover of less than R5 million.

Only 34% of respondents indicated awareness of the Tourism B-BBEE Sector Charter. Furthermore, 29% of respondents did not know what the transformation targets were for tourism (Yarona Management Consulting, 2007b: 5). In the study, ownership and skills development were highlighted as difficult to implement. The study also indicated that small, established businesses were owned by white families, who also managed the businesses and employed family members (SBP, 2006).

The Yarona Management Consulting study provided the status on transformation, the level of achievement against each of the seven B-BBEE elements and challenges encountered in implementing B-BBEE at a macro level (Mason, 2003; Yarona Management Consulting, 2007). However, the study did not appear to focus on offering solutions for the effective implementation of B-BBEE, as adoption and compliance were important at the time.

Some general trends emerging from the study were:

- i) The employment of black people in middle to senior tourism positions was limited.
- ii) The B-BBEE status of the accommodation sub-sector could not be ascertained in detail – only general trends were evident.
- iii) There was a high representation of smaller businesses in tourism, which masked the trends surrounding B-BBEE among the larger businesses.

2.4.5.8.2 KPMG studies

KPMG has conducted several studies on B-BBEE, commencing in 2006. These studies have covered all industries, but the general outcomes are telling with regard to how companies in general are handling the challenges they face with respect to the implementation of the B-BBEE Codes. Among the most recent studies are:

- Shifting the BEE Landscape (2012)
- BEE Coming of Age (2013)

a) Shifting the BEE Landscape Study (2012)

This 2012 study by KPMG was conducted during a period of intense debate about impending amendments to the B-BBEE Codes. The study revealed how apprehensive companies were about the impact these changes would have on their business operations and the sector in general. Key findings included:

i) B-BBEE focus areas

B-BBEE appears to have become part of “doing business” for most entities. Most entities have chosen to manage the elements of skills development and enterprise development in-house. With the introduction of sub-minimum requirements by the Revised Codes, entities might opt to outsource these elements as they become more onerous.

ii) Source of pressure to comply

A key finding was that it was previously thought that the main driver of B-BBEE was the government. However, it was apparent from the respondents that the main drivers behind organisations complying with B-BBEE requirements were their customers. In some industries like mining, certain companies required a rating as high as Level 1 from those who benefited from their procurement spend. This driver of compliance was followed, in order of influence, by government, legislation and then reputational/image pressures.

iii) Objectives and costs of B-BBEE

The study determined that organisations did not measure the benefits accruing from B-BBEE. It was deduced that organisations possibly still regarded B-BBEE as a cost rather than a benefit of doing business. While many organisations had put measures in place to report on and comply with B-BBEE, the measures had gained little traction.

When the study was conducted, skills development was regarded as the costliest element to implement. Companies were required to spend up to 3% of their payroll costs to meet the B-BBEE scorecard targets. This could be an expensive exercise for those organisations that were labour intensive or did not have satisfactory reserves.

The ownership element was similarly regarded as expensive to comply with. At the time, many organisations were in the process of reviewing or restructuring their black ownership arrangements to render them more cost-effective. Finance charges, consultants’ fees and other costs related to implementing a black ownership structure were cited as a significant drain on an organisation’s finances.

The study showed that employment equity was regarded as the most challenging element to implement in an organisation. This was reflected in most companies scoring on average less than 50% for the available points for this element.

iv) Changes in legislation

The dti announced some changes to the B-BBEE Codes towards the end of 2012. The 2012 study revealed that many organisations believed that their B-BBEE ratings would decrease if the Revised Code were implemented without their preferred changes. Another issue was the need to align sector charters with the prevailing B-BBEE Codes. Most companies felt that the process was time-consuming and that it would distract them from their Sector Code implementation activities.

b) BEE Coming of Age study (2013)

This 2013 study followed closely on the heels of the gazetting of the Revised Codes that year. The study uncovered some frustrations that were already apparent, as well as companies’ concerns about how these changes would ultimately affect them and the industries in which they operated.

Throughout the study, KPMG continued to evaluate the challenges faced by organisations in the prevailing legislative environment and how the new regulations would be implemented. Some of the findings of the study were:

i) Implementation rates

The study found that there was some enthusiasm to implement the Revised Codes and some overall alignment with the latter.

ii) B-BBEE focus areas

The Revised Codes were generally adopted and recognised as a new way of doing business. However, skills development and enterprise development were still being conducted in-house.

iii) Compliance pressure

It was clear that external forces (notably customers and reputation/image) were the main drivers of compliance, a finding that was consistent with the 2012 study.

iv) Objectives and costs of B-BBEE implementation

Companies were split in how they viewed these issues. There were some that did not measure the costs or impact of B-BBEE on turnover. It was apparent that measured entities viewed this as a sunk cost or a form of tax applicable to any corporate citizen, and therefore did not warrant any creativity in terms of implementation.

Ownership was regarded as an expensive element to comply with. Many organisations were still in the process of reviewing or restructuring their black ownership arrangements to avoid falling foul of the sub-minimum requirement in respect of realisable value.

Skills development was also regarded as a costly element to implement. Companies were required to spend up to 3% of their payroll costs to meet the B-BBEE scorecard targets. Employment equity was another element seen as difficult to implement.

v) Changes in legislation

The Revised Codes were finally gazetted in October 2013. Companies and sector charters were given until 30 April 2015 to ensure that they were ready for the augmented requirements and fully aligned by May 2015.

2.4.5.8.3 Department of Tourism-commissioned studies

Unlike the other mentioned studies, these focused specifically on the tourism sector.

a) 2010 Survey (update in April 2013)

One of the key outputs from this survey was an outline of challenges associated with bringing about transformation in the tourism sector. The KPMG studies showed that business customers were the key drivers of B-BBEE in sectors other than tourism, both in terms of preferential procurement and in attempts to be seen as responsible citizens in order to protect their reputations. This was found not to be the case for the tourism sector in the survey because many customers are foreign who do not have any interest in the B-BBEE credentials of service providers and would therefore not exert any pressure on tourism companies to comply. Many individual and corporate clients at the local level are equally disinterested in B-BBEE compliance on the part of service providers.

Approximately four-fifths (78%) of enterprises in the tourism sector at the time of the survey were EMEs (e.g. guesthouses and restaurants) and thus very small. These enterprises felt 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. In addition, some respondents indicated that transformation was more likely to become a priority when the economy was strong (which was not the case at the time, although high levels of optimism were detected among EMEs and QSEs).

Among the findings of the study were:

1. Awareness

Levels of awareness of the B-BBEE legislation and its purpose and benefits of compliance with the Codes were found to be fairly low across the tourism sector. Almost all enterprises (92% of the total sample, comprising 194 LEs, 333 QSEs and 429 EMEs) responded to the section on B-BBEE awareness and certification levels. The majority (72%) disagreed that accreditation would attract new investors or that there were any benefits of B-BBEE accreditation for enterprises in tourism.

2. BEE implementation costs

As was revealed in the KPMG studies, skills development in this survey was seen to lag behind, possibly due to the high cost per scorecard point. This had hindered the recruitment and promotion of suitably qualified candidates into management positions.

In addition to scorecard compliance issues, the survey delved into the identification of constraints to running efficient businesses, which in turn affected the level of compliance. These included:

- Difficult economic circumstances leading to high levels of competition; and
- Challenges in maximising efficiency in the different sub-sectors.

The most pressing concerns were:

- A highly competitive industry;
- The need for better international promotion and advertising;
- The need for more international guests; and
- The challenging economic conditions in the country.

Companies also identified staff issues as being of growing concern – especially with respect to strikes, transport problems, inadequate skills levels and attracting good people to the sector. Crime was also highlighted as a major problem, both in the external environment and internally among staff.

Many companies stressed that funding and financial constraints were affecting their businesses, and that weak economic conditions and the unstable political environment induced a fair level of discomfort. Another external issue impacting transformation was that the labour market was not geared to the needs of business, particularly since many people's foundation level of education was not at an acceptable level. Some companies stated that they had to hire people from European or other countries since the South African labour market did not satisfy certain key tourism skills requirements, such as being able to speak specific foreign languages. Furthermore, rural-based entities indicated that it was difficult to retain staff due to their rural settings, despite these often being areas of interest to tourists.

Among the key challenges that emerged were:

- 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 revealed that less than two-thirds of LEs and a small proportion of EMEs and QSEs consistently verified the status of their suppliers.
- Enterprise development: According to the survey results, although a substantial proportion of enterprises had already achieved the 2012 target, the majority of enterprises across all bands had not spent money on enterprise development.

b) 2018 Baseline Study on the State of Transformation in the Tourism Sector

This study revealed that there were three main drivers of transformation in the tourism sector, which required the most support:

- i) Skills development;
- ii) Preferential procurement; and
- iii) Enterprise development.

Access to required skills was back as a major discussion point as almost 60% of LEs recruited inexperienced black staff because they were struggling to find qualified and experienced black directors and managers, and particularly black female directors and managers.

Less than 10% of enterprises in the tourism sector had achieved their 2012 targets for learning programmes. This low level of achievement in the area of skills development would have a long-term, adverse impact on certain elements of the scorecard and transformation in general (e.g. management control, employment equity and ownership). With regard to enterprise development, only a few QSEs had achieved their 2012 expenditure targets, although larger enterprises had made more progress. This seems not to have changed much as in the 2010 study (updated in 2013), only about one-fifth of all enterprises had achieved their 2012 expenditure targets on B-BBEE accredited suppliers, with only 10% of Large Enterprises having achieved their 2012 targets.

The study reiterated that the areas in which the tourism sector struggled to attain its targets were ownership, skills development, and enterprise and supplier development. It is for this reason that these elements were prioritised in the incoming Tourism B-BBEE Sector Code (2013).

There were a number of specific issues raised by SMMEs:

- i) Travel agencies appointed by government were not booking government officials into SMME establishments owned by black people. Government and state-owned entities had big procurement budgets in travel and accommodation, but the money did not accrue to black suppliers.
- ii) There was a concern that there seemed to be some sort of special relationship between tour operators, travel agents and large tourism enterprises, which benefited the large groups.
- iii) Most SMMEs were concerned about the National Treasury's implementation of "preferred rates" which were discussed with only a few large hotel groups. The prices set were taking SMMEs out of business.
- iv) Approximately one-fifth of LEs had achieved their 2012 expenditure target in respect of B-BBEE accredited suppliers. This demonstrated the magnitude of this development opportunity, which would be realised if the remaining enterprises also met their targets.

2.4.5.8.4 B-BBEE Commission's National State of Transformation and Trend Analysis Report (March 2018)

The B-BBEE Commission has a duty to monitor compliance with and adherence to the Act. In pursuit of this mandate, we were commissioned to research and compile the second National State of Transformation and Trend Analysis Report for the 2017 calendar year. This study was inclusive of all industries.

It was in the areas of management control, skills development, and enterprise and supplier development that reporting entities were on average achieving less than 50% of the available B-BBEE points. Average black ownership stood at 27%, with reporting entities from the agri-BEE sector lagging well behind at 4%. An analysis of listed reporting entities indicated that, on average, black ownership in the property, tourism, agri-BEE and financial sector code (FSC) sectors fell short of 25%.

QSEs expressed frustration at the slow pace of transformation and entrepreneurial development initiatives. This problem was compounded by limited access to markets and frequently unmet expectations of securing business, especially procurement opportunities with government as a client (**Zevoli Consulting, 2019**).

Despite EMEs being exempted from the need to secure a rating against the B-BBEE scorecard, it was noticeable that these enterprises were the most responsive and willing to participate. They were keen to express their views about the state of transformation and also their disappointment over their needs not being met (**Zevoli Consulting, 2019**).

EMEs and QSEs consistently emphasised the lack of opportunities to refine their skills sets and offerings, which would enable them to enhance the value of their products or services and level the playing field with the more established tourism companies (**Zevoli Consulting, 2019**).

The South African Supplier Diversity Council (2013: 3) highlights the perceptions of large, private sector businesses regarding procurement from small, black-owned businesses.

2.5 MONITORING AND IMPLEMENTATION OF THE TOURISM B-BBEE SECTOR CODE

Operating under the Section 9(1) Code, the tourism sector through the Tourism B-BBEE Charter Council is required to monitor compliance with the Sector Code by tourism-measured entities. In accordance with Section 6 of the Amended Guidelines for Developing and Gazetting of Transformation Charters and Sector Codes, all Sector Charter Councils are required to conduct an annual survey and share the information with sector members, approved accreditation agencies, the B-BBEE Commission, the B-BBEE Presidential Advisory Council, the Line Minister and the Minister of Trade and Industry.

It is against this background that this survey was conducted to fulfil the annual B-BBEE reporting requirements for the tourism sector aimed at showcasing progress in respect of transformation in the sector. In the context of the different compliance targets set by the Tourism B-BBEE Sector Codes gazetted in 2009 and 2015, respectively, the survey allowed a comparative analysis to be performed of the implementation of the two set of Codes and a forecasting tool to be designed to measure the pace of transformation going forward on an annual basis.



3. METHODOLOGY

In 2010, the Department of Tourism commissioned the company, Citizen Surveys, to investigate: 1) the state of transformation in South Africa's tourism sector in 2010; and 2) how to accelerate transformation among all tourism enterprises.

The sample frame used for that study was based on the various databases of tourism enterprises provided by the Department of Tourism. These databases consisted of self-completed entries submitted nationally from various government departments. The data was collected by means of interviews supported by a questionnaire. According to the survey report released in 2018, the focus was on the key transformation indicators in the gazetted charter that could be realistically measured in a 45-minute interview.

One of the actions in the Tourism B-BBEE Charter Council's plan for the 2016-2019 period was to establish a new baseline study whose objectives were to: 1) establish the current state of transformation in the tourism sector; and 2) set a baseline for the Amended Tourism B-BBEE Sector Code. To this end, in 2017 the Department of Tourism appointed Urban-Econ to conduct the new baseline study on the transformation of the tourism sector, on behalf of the Council. According to the 2018 survey report, qualitative and quantitative information was gathered about the performance of the sector, including details on all the elements of the Amended Tourism B-BBEE Sector Code's balanced scorecard. Quantitative research data was collected by means of a self-administered online questionnaire. In addition, telephonic interviews were conducted as well as face-to-face interviews.

The 2018 report states that desktop research was conducted over a period of seven months to verify the contact and demographic details of enterprises listed in the database and to determine the band sizes of each unit, which the database did not provide. In addition, the following issues were cited as needing attention in future studies: (1) some establishments were unwilling to complete the survey, although they did provide feedback and opinions on the current constraints to transformation and the opportunities in the tourism sector; (2) some respondents preferred to send their B-BBEE scorecards directly to the researcher to complete the survey on their behalf as it was less administratively burdensome for the respondents, who reported that completing the questionnaire was too time-consuming.

Both of these findings were taken into consideration when developing the methodology and approach for the current study. Consequently, a hybrid model was developed that:

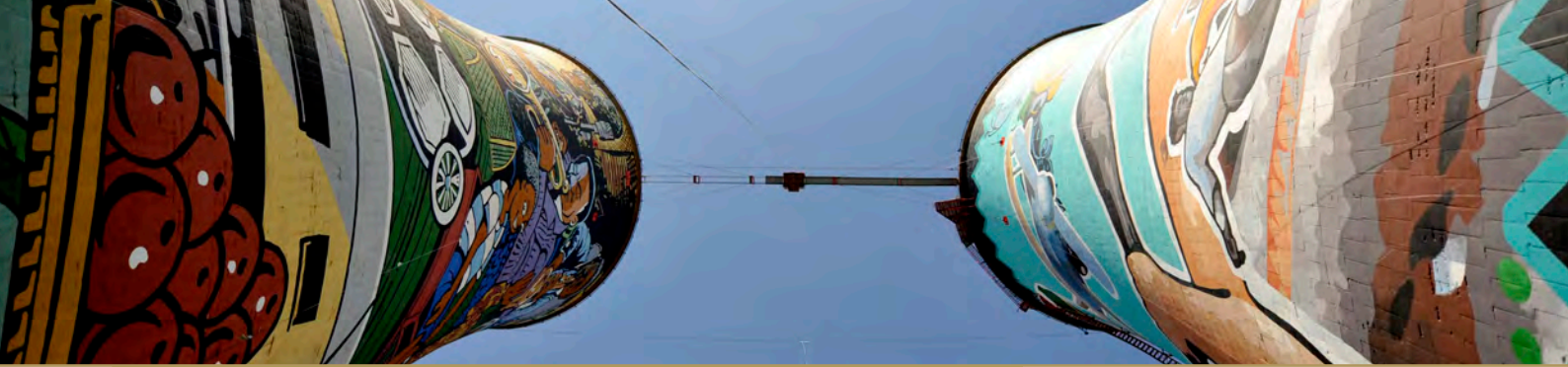
- allowed reporting entities/respondents the option of completing the survey but saving each year's BEE information on the web portal and only submitting once all the required information has been completed;
- reduced the administrative burden placed on reporting entities/respondents by allowing the latter to send through their BEE scorecards to the consultants who would then fill in the data and only contact the entities for information that was missing;
- allowed reporting entities/respondents the option of giving their consent to their annual B-BBEE certificates and B-BBEE verification reports being sourced from their verification agency; and
- allowed the sourcing of publicly available data on the internet relating to the B-BBEE scores of reporting entities/respondents and only contacting the entities for information that was missing.

The data used for the current study was collected through primary and secondary research. Although the original research design comprised both qualitative and quantitative elements, the actual final design was significantly influenced by the following considerations:

- i) Data related to compliance against the B-BBEE Tourism Sector Codes gazetted in 2009 and 2015, respectively, would be submitted. This covered nine years of data (up to 2018) as per the scorecard for each organisation.
- ii) An outcome of the similar study carried out in 2010 was that companies found it administratively cumbersome to submit all the required quantitative data.
- iii) A full compliance picture emerged from both a quantitative and qualitative study. The latter was considered to be particularly useful in providing the context for understanding the reasons driving changes and/or constraints in transformation and opportunities in the tourism sector.

The 2018 survey was very different to previous surveys as it aimed to measure compliance with both the original Tourism B-BBEE Sector Code of 2009 and the Amended Tourism B-BBEE Sector Code of 2015. It therefore required tourism companies to submit data for nine reporting periods. For ease of submission and consistency of annual trend analysis, the quantitative survey limited the required information to what was available in companies' annual B-BBEE certificates and B-BBEE verification reports.

In addition, as of 2018, the Department of Tourism has been making use of a secure web application to facilitate the consistent, objective and impartial collection of required data for the period 2009-2018. The web application enables the Department to easily manage and report on the array of data for the nine-year period from all participating tourism companies. Each company was required to submit their respective years' reports in the format of the online reporting tool. The web application then enabled the capturing and reporting of company details and scorecard data from the reporting entities. The web application made use of user authentication methods, with a username and password being required to access the electronic reporting form.



4. DATA COLLECTION PROCESS

Various databases were used to arrive at an accurate view of the population of tourism companies, which was necessary for calculating the right sample size.

The databases provided a total of 22,507 unique, contactable email addresses and phone numbers. Unfortunately, the consolidated view of the databases included several duplications and wholly-owned subsidiaries and branches that are regarded as unique entries but make use of the same B-BBEE certificate credentials as their holding company.

A comparison was made with the number of hospitality and travel and tourism companies registered with CATHSETA which, according to the CATHSETA Strategic Plan for the fiscal year 2018/19, totalled 22,360 in 2017. Of these, 21,242 employed 0-49 people, with only 1,118 employing 50+ people. However, it is important to note that only those companies with a total annual salary bill of at least R500,000 are required to register with a SETA. Considering that the vast majority of tourism companies are classified as EMEs because their turnover is less than R5 million a year, it is reasonable to assume that those registered with CATHSETA and employ 50+ people are LEs.

Based on previously acquired insights into the level of responses to surveys, attempts were made to leverage all available avenues to encourage tourism companies to participate in the survey. In this regard, we adopted a multi-pronged approach:

- i) Designing and disseminating the following:
 - Infographics with the relevant messaging on the Department of Tourism's various social media platforms;
 - A banner under the email signatures of the Department's employees;
 - Rotating banners on the Department's website home page;
- ii) Attending stakeholder workshops hosted by the national and provincial tourism departments to inform potential participants about the survey;
- iii) Sourcing B-BBEE certificates from online B-BBEE certification databases;
- iv) Sending out and tracking open and click rates of weekly emails and linking to the web portals of all contactable companies to encourage and remind them to participate;
- v) Engaging the following national and provincial entities to disseminate weekly emails to companies on their databases:
 - Tourism structures; and
 - Development Finance Institutions (DFIs) and development agencies.
- vi) Regularly contacting LEs and QSEs to encourage and remind them to participate;
- vii) Requesting authorisation to source B-BBEE information from tourism companies and B-BBEE verification agencies, and capturing this information on their behalf; and
- viii) Where authorised, engaging the reporting entity's B-BBEE verification agency to source the relevant years' B-BBEE certificates and B-BBEE verification reports.



5. DATA COLLECTION INSTRUMENTS

The survey was conducted through an online quantitative survey. This was done to ensure access by sector players and the extended stakeholder base.

For ease of submission and consistency of annual trend analysis, the data collection approach was based on a quantitative survey aimed at limiting the required information to that which was readily available in companies' annual B-BBEE certificates and B-BBEE verification reports. This would allow for uniformity of submitted information across companies and the measurement period, and ensure the impartiality of the data.

To address the above requirements, a secure web application was used to facilitate the secure, consistent, objective and impartial collection of the required data for the period 2009-2018. The web application also enabled the Department of Tourism to easily manage and report on the array of data for the nine-year period from all participating tourism companies. The web portal was developed in line with the gazetted Tourism B-BBEE Sector Code scorecards for all participating companies and for the reporting period 2009-2018, with the tool allowing a comparison of compliance against the 2009 and 2015 Codes.



6. SAMPLE SIZE

There are various formulas for calculating samples. The current survey used Morgan's Table for the required sample size. It was used to construct an optimal target sample size of 378 submissions – given the population size, a specific margin of error and a desired confidence interval. (See Table I.)

Many researchers (and research texts) suggest that the first column in Table I should suffice (confidence level = 95%, margin of error = 5%). In order to use these values, we determined the size of the population down the left-most column (using the next highest value if the exact population size was not listed). The value in the next column is the sample size that is required to generate a margin of error of approximately 5% for any population proportion.

Table 1: Morgan's Table

CONFIDENCE = 95%					CONFIDENCE = 99%			
Population Size	Margin of Error				Margin of Error			
	5.0%	3.5%	2.5%	1.0%	5.0%	3.5%	2.5%	1.0%
10	10	10	10	10	10	10	10	10
20	19	20	20	20	19	20	20	20
30	28	29	29	30	29	29	30	30
50	44	47	48	50	47	48	49	50
75	63	69	72	74	67	71	73	75
100	80	89	94	99	87	93	96	99
150	108	126	137	148	122	135	142	149
200	132	160	177	196	154	174	186	198
250	152	190	215	244	182	211	229	246
300	169	217	251	291	207	246	270	295
400	196	265	318	384	250	309	348	391
500	217	306	377	475	285	365	421	485
600	234	340	432	565	315	416	490	579
700	248	370	481	653	341	462	554	672
800	260	396	526	739	363	503	615	763
1,000	278	440	606	906	399	575	727	943
1,200	291	474	674	1067	427	636	827	1119
1,500	306	515	759	1297	460	712	959	1376
2,000	322	563	869	1655	498	808	1141	1785
2,500	333	597	952	1984	524	879	1288	2173
3,500	346	641	1068	2565	558	977	1510	2890
5,000	357	678	1176	3288	586	1066	1734	3842
7,500	365	710	1275	4211	610	1147	1960	5165
10,000	370	727	1332	4899	622	1193	2098	6239
25,000	378	760	1448	6939	646	1285	2399	9972
50,000	381	772	1491	8056	655	1318	2520	12455
75,000	382	776	1506	8514	658	1330	2563	13583
100,000	383	778	1513	8762	659	1336	2585	14227
250,000	384	782	1527	9248	662	1347	2626	15555
500,000	384	783	1532	9423	663	1350	2640	16055
1,000,000	384	783	1534	9512	663	1352	2647	16317
2,500,000	384	784	1536	9567	663	1353	2651	16478
10,000,000	384	784	1536	9594	663	1354	2653	16560
100,000,000	384	784	1537	9603	663	1354	2654	16584
300,000,000	384	784	1537	9603	663	1354	2654	16586

Source: Project Inception Report (Zevoli Consulting, 2018a)





7. DATA HANDLING

The survey was conducted through an online quantitative survey. This was done to ensure access by sector players and the extended stakeholder base.

For ease of submission and consistency of annual trend analysis, the data collection approach was based on a quantitative survey aimed at limiting the required information to that which was readily available in companies' annual B-BBEE certificates and B-BBEE verification reports. This would allow for uniformity of submitted information across companies and the measurement period, and ensure the impartiality of the data.

To address the above requirements, a secure web application was used to facilitate the secure, consistent, objective and impartial collection of the required data for the period 2009-2018. The web application also enabled the Department of Tourism to easily manage and report on the array of data for the nine-year period from all participating tourism companies. The web portal was developed in line with the gazetted Tourism B-BBEE Sector Code scorecards for all participating companies and for the reporting period 2009-2018, with the tool allowing a comparison of compliance against the 2009 and 2015 Codes.

7.1 APPROACH

The original research approach was to have all data capturing done through Linkage. The data-handling system included a specially designed Excel spreadsheet to handle the raw data download in the same format as that captured in Linkage. An additional spreadsheet was created for the handling of all entries from the B-BBEE information sources from approved websites. Data manipulation took place upon the capturing of the data from all the certificates received from the respective LEs and QSEs, and the certificates were counted.

Data processing included:

- i) Counting the number of certificates received from LEs and QSEs;
- ii) Categorising the 2015 QSE data into black-owned QSEs and white-owned QSEs. This was to ensure the correct analysis as black-owned QSEs were exempt in 2015 while white-owned QSEs had to comply with the different elements;
- iii) Documenting the distribution of the four elements that QSEs chose to be measured against out of the seven elements available in the 2009 Sector Code; and
- iv) Determining the percentage deviation of performance from target.

7.2 ASSUMPTIONS

B-BBEE certificate data was captured and sorted, as shown in Figure 1 below.

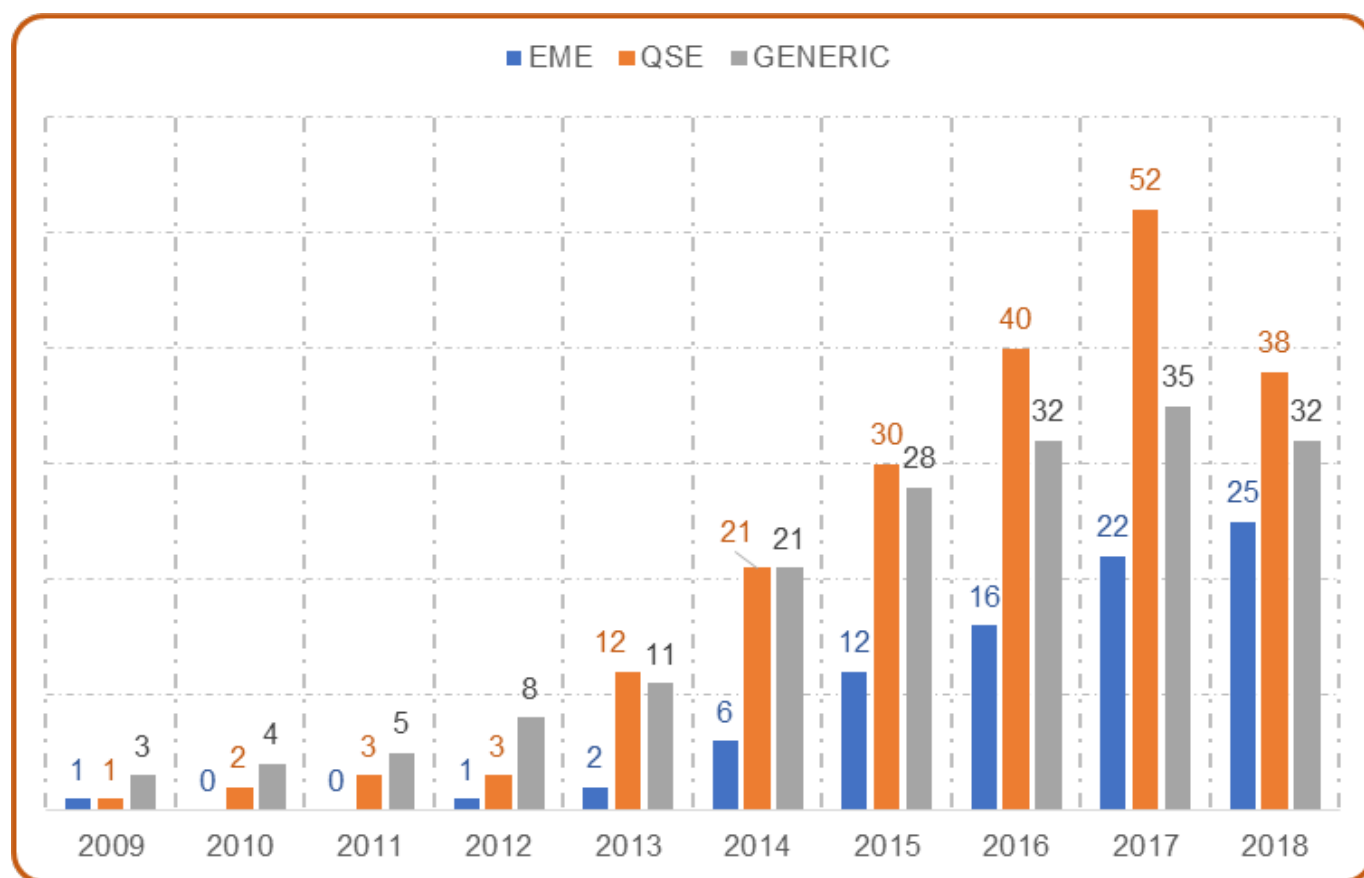


Figure 1: B-BBEE certificate data from online databases

Collected data was skewed to the most recent and readily available data, with 2017 having the most submissions in one year. Performance data against the 2009 Sector Code was the least available, especially in the first three years following the gazetting of the Sector Code. With the data submission having been skewed to performance against the 2015 Sector Code, the results of that analysis were more reliable. This reliability is limited to the results for each year and cannot be readily translated into specific trends over the period as the data collectively represents only three data points, i.e. 2016, 2017 and 2018.

Performance data against the 2009 Sector Code was collected over six years and therefore it is possible to detect some trends. However, owing to the sparse nature of the data in the early years of the 2009 Sector Code, there is low reliability relating to the exact quantity of each data point.

All quantitative analyses were based on this data. The number of responses to the online survey was very low and they were therefore disregarded in the analyses.



8. APPROACH TO DATA ANALYSIS

The approach to data analysis was guided by the project objectives:

- i) To determine the extent to which tourism enterprises have implemented the Tourism B-BBEE Sector Codes gazetted in 2009 and 2015, respectively;

This was treated as an intra-Code analysis. In addressing the abovementioned objective, the focus was on performance of tourism companies against each of the individual Sector Codes. Each Sector Code was looked at in isolation. The measure used was the extent of the deviation of performance from the targets set out in scorecards. Targets in the 2009 Sector Code were the 2017 milestones. Deviations were estimated on the points achieved by each company against the indicated target within each element.

- ii) To conduct a comparative analysis of the implementation of the Tourism B-BBEE Sector Codes of 2009 and 2015, respectively;

We approached this as an inter-Code measure of performance. In some respects it reflected inter alia how changes in the Sector Codes had affected individual company compliance. This factor also triggered another facet of analysis, i.e. a full breakdown of each Sector Code and a comparison of its structure, element by element.

Comparing tourism company performance from one Sector Code to the next required the creation of a basis for the common comparison of the 2009 Sector Code and the 2015 Sector Code. The basis was the five elements in the 2015 Sector Code; we then derived their equivalents in the 2009 Sector Code:

- Management control (2015) = Management control (2009) + employment equity (2009).
- Enterprise and supplier development (2015) = Enterprise development + preferential procurement (2009).

The summation was a 100% addition of all points. This approach created equivalent items in 2009 for comparison with the 2015 items (**Zevoli Consulting**, 2019).

- iii) To compare the structures of the Tourism B-BBEE Sector Code of 2009 and the Amended Tourism B-BBEE Sector Code of 2015;

We introduced this element because we felt that a performance comparison could not be properly conducted without looking at the differences in the structures of the Sector Codes of 2009 and 2015, respectively.

- iv) To identify both the failures and successes of tourism enterprises in implementing elements of the Tourism B-BBEE Sector Code of 2009 and the Amended Tourism B-BBEE Sector Code of 2015, respectively;

Here we largely focused on identifying all the factors influencing performance against the Sector Code. For each element we used descriptive statistical analysis to expose deviations of actual scores from the targets.



9. QUALITATIVE DATA ANALYSIS

9.1 APPROACH

The original research plan included the primary collection of qualitative data. This, however, could not be accomplished through direct interviews with key sector stakeholders. Relevant information was then sought through secondary data.

The approach used in searching for this data was based on the fact that some of the key drivers of compliance are linked to the perceptions that tourist organisations have about the structure of the Tourism B-BBEE Sector Code and the ease and cost of implementation. Most of this information would typically be included in a detailed qualitative study. However, we collected the data using secondary data sources, including:

- Published independent surveys;
- Department of Tourism-commissioned B-BBEE surveys;
- Publicly available research.

The survey sought input on company turnover, level of black representation, challenges and opportunities, and views on the Tourism B-BBEE Sector Charter.

9.2 OBSERVATIONS FROM THE QUALITATIVE STUDY

Until recently, the implementation of and adherence to B-BBEE were thought to have been fully driven by government. A recurring theme in the past studies is that this is not quite the case. Customers exert pressure on companies to be compliant. In addition, companies that are sufficiently concerned about their public image tend to be driven into compliance. It is easier for companies in industries other than tourism to be compliant as their main customers are also entities that wish to climb up the transformation ladder. This does not appear to be the case for tourism, a sector that has many direct customers who are free to make personal decisions about the tourism services that they wish to make use of.

9.2.1 Key drivers of B-BBEE performance

One study after the other revealed that there are core elements shaping the B-BBEE implementation pecking order, which some researchers have identified as the key drivers of impactful transformation. Companies in the sector must, however, be in a position to successfully implement these, as required by the Sector Code, for the impact to be realised.

These elements are:

- Skills development: This ensures that black employees have the skills necessary to move up the management ladder and ultimately own their own enterprises.
- Preferential procurement: This allows supply chains to be used as a pressure lever to bring about the transformation of enterprises.
- Enterprise development: When combined with preferential procurement, this provides small black enterprises with the critical support structures that they need to survive and grow.

Although these elements present transformation opportunities, they have specific implementation challenges - mainly because in the tourism sector up to 70% of companies are not categorised as Large Enterprises. As a result, they have limited resources and are not in a position to avail themselves of the many opportunities to undergo training and assume management positions. As discussed in the next section, skills development presents a particular challenge due to its high B-BBEE score, which impacts the cost structure and complexity of implementation.

Qualifying Small Enterprises (QSEs) may also not easily absorb all those who have the requisite education and training, as these companies have generally flat structures. This impact will be seen in the management control element. QSEs are also often family businesses run by founders who typically have a high-risk view of the ownership element.

Preferential procurement and enterprise development have now been integrated into enterprise and supplier development in the Amended Sector Code of 2015, although they can be implemented separately. Enterprise development can be outsourced, posing only an indirect risk to the company, while preferential procurement can have a direct impact on company operations. Given the greater risk aversion of QSEs compared to LEs, the implementation of preferential procurement will lag in QSEs. Therefore, the sector as a whole may fall behind due to the heavy representation of QSEs.

Although the elements highlighted in this section can have a significant impact on transformation, their implementation depends on the fundamental drivers of compliance and the existence (or otherwise) of barriers to the implementation of the B-BBEE Tourism Sector Code. These factors are explored in the next section. As will be seen later in the report, this also constitutes the basis for the development of the forecasting tool that incorporates these factors and determines how they may influence the implementation of the B-BBEE Sector Code. The combined information is then used to estimate the pace of transformation going forward.

9.2.2 Cost and complexity of B-BBEE compliance

An analysis of previous work done by companies such as KPMG revealed some of the barriers to the implementation of the B-BBEE Sector Code. Some of these barriers are inherent in the structure of the scorecard. A combination of previous studies and our own analysis of the Amended Sector Code revealed key barriers that, in our opinion, will continue to be a feature in the structure of any scorecard.

Ownership

This is one of the most onerous of the elements. As illustrated in one of the studies, finance charges, consultants' fees and other costs related to implementing a black ownership structure can be prohibitive.

Skills development

The implementation of skills development requires a direct injection of funds into the various activities as part of compliance. An additional, indirect cost is investment in the necessary management and supervisory time and the coordination of all related activities.

According to the Amended 2015 Sector Code, skills development includes training expenses such as:

- the cost of training materials;
- the cost of trainers;
- the cost of training facilities, including catering;
- scholarships and bursaries;
- course fees;
- accommodation and travel costs; and
- administration costs, such as the organisation of training, including (where appropriate) the cost to the measured entity of employing a Skills Development Facilitator (SDF) or a training manager.

Some of the indirect costs are embedded in the time spent by the company on managing apprentices who work and receive workplace training. The implementation of a learnership, in turn, requires that a selected candidate be assigned to a workplace education and training programme with a view to obtaining a specific qualification. The learnership programme consists of both structured practical workplace (on-the-job) experience and structured theoretical training. The process is initiated by redirecting employees from core company activities and providing the selected learners with special guidance.

An internship may not be as costly as an apprenticeship or a learnership as it is directed at someone who already has some basic training and provides an opportunity for them to integrate career-related experiences with an undergraduate education. Some management time is still required as the intern must participate in planned and supervised work.

If a particular organisation were to implement all these programmes in house, skills development would turn out to be very costly to implement. Over 70% of tourism companies are not Large Enterprises with substantial resources to allocate to these activities. Consequently, the aggregated sector performance is lower due to the combined effect of high cost and implementation complexity. This reality is taken into account in the structure of the forecasting tool.

Enterprise development

Enterprise development involves measured entities making both monetary and non-monetary contributions to the development, sustainability, and financial and operational independence of beneficiaries, which are not already suppliers to the entities. The beneficiaries of enterprise development are QSEs and EMEs which are at least 51% black-owned. The following is a non-exhaustive list of qualifying enterprise development contributions:

- Investments in qualifying beneficiary entities;
- Loans made to qualifying beneficiary entities;
- Guarantees given or security provided on behalf of qualifying beneficiary entities;
- Credit facilities made available to qualifying beneficiary entities;
- Grant contributions made to qualifying beneficiary entities;
- Direct costs incurred by a measured entity in assisting and hastening the development of qualifying beneficiary entities; and
- Overhead costs borne by a measured entity directly attributable to qualifying enterprise development contributions.

This element has in general been outsourced by Large Enterprises to reduce the implementation burden. The cost burden, however, has likely remained the same or increased as specialised project management companies have taken on the day-to-day activities involved.

Supplier development

Reasonable implementation of B-BBEE also requires monetary and non-monetary contributions to be made by measured entities to suppliers that are already in the measured entity's value chain. Such contributions are aimed at the development, sustainability, financial and operational independence of these beneficiaries. As with enterprise development, the beneficiaries of supplier development are QSEs and EMEs which are at least 51% black-owned. One of the key barriers to achieving the supplier development target is the investment required which (for the tourism sector) can be as high as 3.5% of NPAT. This is 2% higher than the required percentage in the Generic Codes.

The direct cost component does not fully address the unseen, additional and time-related administrative cost of managing the risk of taking on entities that are new or not yet trusted. The identification and selection of suitable suppliers has also generally been outsourced by Large Enterprises. Owing to their risk aversion, we expect QSEs to embrace this element only slowly, with a consequent lag in compliance.

The above discussion provides a snapshot of the financial impact and complexity of pursuing maximum points in the different elements, which are also administratively cumbersome to implement. We believe, though, that these factors are fundamental to the implementation of the scorecard as they are reflected in all the mandatory elements and appear to be intrinsic to both the original and Amended Sector Codes.

9.2.3 Emergent themes impacting B-BBEE implementation

Table 2 below lists some of the main themes emerging from observations in section 2.3 related to previous surveys conducted by the Department of Tourism as well as other, independent studies. It is our assertion that these themes, which are in addition to those identified in section 2.3 provide a number of significant insights into the factors potentially influencing the implementation of the B-BBEE scorecard and therefore driving transformation.

The themes are not necessarily specific to tourism. However, they are much more acutely felt in the tourism sector due to its lack of transformation incentives and its heavy reliance on close relationships between business owners and their networks of final consumers of services. Unlike in other sectors where customers exert pressure on their suppliers to transform, this is generally not the case in tourism. The implementation of the Tourism B-BBEE Sector Code appears to be treated as optional by reporting companies. Some way forward in handling these challenges are included in the recommendations section of this report (section 17).

Table 2 integrates some insights from the literature consulted during the secondary qualitative study.

Table 2: Emergent themes impacting B-BBEE implementation

THEMES	CONCLUSIONS FROM PREVIOUS STUDIES
Access	<ul style="list-style-type: none"> It is difficult to identify reliable sources of SMMEs. There are limited business opportunities for SMMEs. There is limited scope for SMMEs to access and play a meaningful role in established value chains. Few black people are entering the tourism industry as business owners and partners.
Capabilities	<ul style="list-style-type: none"> There is a general dearth of business management and technical skills in SMMEs. SMMEs generally lack the financial muscle to com-pete in the market. SMMEs generally lack the capacity to supply the quality and quantity required to ensure viable pro-curement arrangements. New entrants in the market lack business experi-ence and how to apply “best practice”. Suitably qualified and experienced black managers and directors (especially female) are in short supply.
Internal risks	<ul style="list-style-type: none"> Many companies face funding and financial constraints which limit their potential to make a significant contribution to B-BBEE aims and objectives. It is difficult to find initiatives that could improve the level and speed of transformation in organisations. The success of B-BBEE efforts is vulnerable to staff problems, e.g. inadequate skills, transport problems, strikes and insufficient interest in promoting tourism as an industry.
External risks	<ul style="list-style-type: none"> B-BBBEE compliance and transformation efforts are vulnerable to weak economic conditions and an unstable political environment. The prevalence and cost of crime erodes companies’ capacity and willingness to meet their B-BBEE targets. Poor market conditions and declining profitability make it difficult for some companies to comply with B-BBEE targets when their very sustainability is at stake. There are few benefits to be derived from buying from SMMEs. SMMEs are particularly high risk as suppliers. There is a danger of companies having to shift their focus from the customer to the development of suppliers, with adverse consequences for profitability.
Awareness	<ul style="list-style-type: none"> There is limited awareness of the Tourism Sector Charter or the Tourism B-BBEE Sector Code targets. There is limited awareness of the economic opportunities for SMMEs in the tourism sector or broader environment. There is no self-regulation in the tourism sector regarding verification if suppliers are B-BBEE compliant.
Cost implications	<ul style="list-style-type: none"> The design of the scorecard calls for financial contributions for all priority elements.
Complexity of implementation	<ul style="list-style-type: none"> Each element has its own defined approach to im-plementation, with the requirements linked to ownership structures being the most intricate of all.
Perceived role and value of B-BBEE	<ul style="list-style-type: none"> There are very mixed views about the role and value of B-BBEE and how it should be handled in an organisation. Some organisations see it merely as an additional cost while others see it as an extension of their professional image and part of their responsibility as a corporate citizen.



10. TECHNIQUES USED IN QUANTITATIVE DATA ANALYSIS

10.1 GENERAL ASSUMPTIONS

The analysis was based on information collected from B-BBEE certificates and from online sources. The results derived from this data were entirely reliant on the quantity and quality of the data at the analysts' disposal. This is briefly mentioned in the comparable data collected for the purpose of assessing performance against the original and Amended Sector Codes. Data related to the Amended Sector Code was satisfactory for each of the years that the Sector Code was in place, but the actual period was limited to three years. Data could be collected over six years in the case of the original Sector Code but it was limited in the first three years following the gazetting of the Code.

There are three different sets of indicators and targets (for categories of enterprise) featuring in the Amended Tourism B-BBEE Sector Code gazetted in 2015, which guided our quantitative analysis:

- Indicators and targets for enterprises with an annual turnover > R45 million (Generic scorecard).
- Indicators and targets for enterprises with an annual turnover of between R5 million and R45 million (QSE scorecard).
- Indicators and targets for enterprises with an annual turnover < R5 million (EMEs).
- In terms of the original Tourism B-BBEE Sector Code gazetted in 2009, all QSEs were required to be measured against all scorecard elements. The Amended Tourism B-BBEE Sector Code of 2015 permits black QSEs to be rated on their four best-performing elements out of seven. However, white QSEs are required to comply with all seven elements, not just their four best-performing elements (**Zevoli Consulting, 2019**).

10.2 ENTERPRISE BANDS

The three different enterprise bands are summarised in Table 3 below. Some indicators apply to Bands 2 and 3 only, not to Band 1.

Table 3: Enterprise bands

BAND	TURNOVER	CLASSIFICATION	TARGETS AND INDICATORS
1	<R5 million	Exempt Micro Enterprise (EME)	Not applicable – due to EMEs' exemption from the need for verification
2	R5 million–R45 million	Qualifying Micro Enterprise (QSE)	QSE scorecard targets and indicators
3	>R45 million	Large (LE)	Generic scorecard targets and indicators

10.3 SCORECARD ELEMENT TARGET POINTS

Table 4: LE Ownership comparison of target points for 2009 and 2015

LARGE ENTERPRISES (LEs)				
Ownership	2009 points	2015 points	2009 target	2015 target
Exercisable voting rights in the enterprise in the hands of black people	3	4	30%+1	30%
Exercisable voting rights in the enterprise in the hands of black women	2	2	10%	15%
Economic interest of black people in the enterprise	4	4	30%	30%
Economic interest of black women in the enterprise	2	2	10%	15%
Economic interest of black designated groups; employee share ownership plans (ESOPs); co-operatives	1	3	2.5%	3%
Realisation points: ownership fulfilment	1		yes	
Net value	7	8		
Bonus: black new entrants	2	4	10%	10%
Bonus: broad-based schemes/ESOPs	1		10%	

Table 5: LE Management Control comparison of target points for 2009 and 2015

LARGE ENTERPRISES (LES)				
Management control	2009 points	2015 points	2009 target	2015 target
Exercisable voting rights of black board members (using the Adjusted Recognition for Gender*)	3	2	50%	50%
Exercisable voting rights of black female board members as a percentage of all board members		1		30%
Black executive directors (using the Adjusted Recognition for Gender*)	3	2	50%	50%
Black female executive directors as a percentage of all executive directors		1		30%
Black senior top management using the Adjusted Recognition for Gender	3		40%	
Black other top management using the Adjusted Recognition for Gender	3		40%	
Black executive management as a percentage of all other executive management		2		60%
Black female executive management as a percentage of all other executive management		1		30%
Black employees in senior management as a percentage of all employees (*using the Adjusted Recognition for Gender)	3.5	2	60%	60%
Black female employees in senior management as a percentage of all senior management		1		30%

LARGE ENTERPRISES (LES)				
Management control	2009 points	2015 points	2009 target	2015 target
Black employees in middle management as a percentage of all employees (*using the Adjusted Recognition for Gender)	3.5	2	75%	75%
Black female employees in middle management as a percentage of all middle management		1		38%
Black employees in junior management as a percentage of all employees (*using the Adjusted Recognition for Gender)	3.5	1	80%	80%
Black female employees in junior management as a percentage of all junior management		1		40%
Black disabled people as a percentage of total employees	1.5	2	3%	2%
Number of black employees with disabilities over and above the 2% target for black employees with disabilities, as a percentage of all employees		2		1% (over and above the 2% target in 2.6.1 of the Amended Sector Code)
Bonus points for board participation: black independent non-executive directors	1		40%	
Bonus points for meeting or exceeding the economically active population (EAP) targets in each category above	3			

*As per 2009 Sector Code

Table 6: LE Skills Development comparison of target points for 2009 and 2015

LARGE ENTERPRISES (LES)				
Skills development	2009 points	2015 points	2009 target	2015 target
Skills development expenditure on any programme specified in the Learning Programme Matrix for Black People	7.5	5	3%	6%
Skills development expenditure on learning programmes specified in the Learning Programme Matrix for Black People with Disabilities	1.5	3	0.3%	0.3%
Number of black employees participating in learnerships, apprenticeships and internships paid for by the measured entity as a percentage of total employees	9	8	5%	3.5%
Number of black unemployed learners participating in learnerships, apprenticeships and internships paid for by the measured entity as a percentage of total employees		4		3%
Bonus points: number of black people absorbed by the measured entity and industry at the end of the learnership programme		5		100%

Table 7: LE Enterprise and Supplier Development comparison of target points for 2009 and 2015

LARGE ENTERPRISES (LES)				
Enterprise and supplier development	2009 points	2015 points	2009 target	2015 target
B-BBEE procurement spend from all empowering suppliers based on the B-BBEE procurement recognition levels as a percentage of total measured procurement spend	12	5	70%	80%
QSE and EME spend as a % of total measurable procurement	3		15%	
B-BBEE procurement spend from all empowering suppliers that are Qualifying Small Enterprises based on the B-BBEE procurement recognition levels as a percentage of total measured procurement spend		3		15%
B-BBEE procurement spend from all empowering suppliers that are Exempt Micro Enterprises based on the B-BBEE procurement recognition levels as a percentage of total measured procurement spend		4		15%
B-BBEE procurement from any of the following suppliers as a percentage of total measurement procurement spend: suppliers that are more than 50% black-owned (60% of points) or 30% black-women-owned enterprises (40% of points)	5		20%	
B-BBEE procurement spend from all empowering suppliers that are at least 51% black-owned based on the applicable B-BBEE procurement recognition levels as a percentage of total measured procurement spend		9		40%
B-BBEE procurement spend from all empowering suppliers that are at least 30% black-women-owned based on the applicable B-BBEE procurement recognition levels as a percentage of total measured procurement spend		4		12%
Average annual value of qualifying enterprise development contributions	10	5	3% of NPAT	0.5% of NPAT
Annual value of all the qualifying supplier development contributions made by the measured entity as a percentage of the target		10%		3% of NPAT
Bonus points for graduation of one or more qualifying enterprise development beneficiaries graduating to the supplier development level		1		Yes
Bonus points for creating one or more jobs directly as a result of qualifying supplier development and enterprise development contributions by the measured entity		1		Yes

Table 8: LE Socio-Economic Development comparison of target points for 2009 and 2015

LARGE ENTERPRISES (LES)				
Socio-economic development	2009 points	2015 points	2009 target	2015 target
Average annual value of qualifying socio-economic development contributions	6	5	1% of NPAT	1% of NPAT
Status of TOMSA levy collector	3	3	Yes	Yes
% of black new recruits with no prior work experience as a percentage of all new recruits adjusted using the recognition factor for gender	1		10%	

Table 9: QSE Ownership comparison of target points for 2009 and 2015

QUALIFYING SMALL ENTERPRISES (QSES)				
Ownership	2009 points	2015 points	2009 target	2015 target
Exercisable voting rights in the enterprise in the hands of black people	6	5	30%+1	30%
Exercisable voting rights in the entity in the hands of black women		2		15%
Economic interest of black people in the enterprise	9	5	30%	30%
Economic interest in the entity to which black women are entitled		3		15%
Economic interest of black new entrants or black designated groups		3		3%
Realisation points: ownership fulfilment	1		Yes	
Net value	9	8	Refer to Codes of Good Practice	Refer to Annex TSC100 (E)

Table 10: QSE Management Control comparison of target points for 2009 and 2015

QUALIFYING SMALL ENTERPRISES (QSES)				
Management control	2009 points	2015 points	2009 target	2015 target
Bonus: broad-based scheme/ESOPs	1		10%	
Black representation at top management	25		50.1%	
Black employees in management as a % of all managers	15		60%	
Black employees as a % of total staff (*using the Adjusted Recognition for Gender)	10		70%	
Black representation in executive management		5		60%
Black female representation in executive management		2		30%
Black representation in senior, middle and junior management		6		60%

QUALIFYING SMALL ENTERPRISES (QSES)				
Management control	2009 points	2015 points	2009 target	2015 target
Black female representation in senior, middle and junior management		2		30%
Bonus points: number of black employees with disabilities as a percentage of all employees		2		1%

Table 11: QSE Skills Development comparison of target points for 2009 and 2015

QUALIFYING SMALL ENTERPRISES (QSES)				
Skills development	2009 points	2015 points	2009 target	2015 target
% of payroll spend on skills development for black employees (*using the Adjusted Recognition for Gender)	25	10	2%	3%
Skills development expenditure on any programme specified in the Learning Programme Matrix for Black Females		9		1.5%
Number of black people participating in learnerships, apprenticeships and internships specified in the Learning Matrix paid for by the measured entity as a percentage of total employees		6		2.5%
Bonus points: number of black people absorbed by the measured and sector entity at the end of the learnership, apprenticeship or internship programme		5		100%

Table 12: QSE Enterprise and Supplier Development comparison of target points for 2009 and 2015

QUALIFYING SMALL ENTERPRISES (QSES)				
Enterprise and supplier development	2009 points	2015 points	2009 target	2015 target
B-BBEE procurement spend from all empowering suppliers based on the B-BBEE procurement recognition levels as a percentage of total measured procurement spend	25	8	50%	60%
B-BBEE procurement spend from all empowering suppliers that are at least 51% black-owned based on the B-BBEE procurement recognition levels as a percentage of total measured procurement spend		10		30%
Annual value of all qualifying enterprise development contributions made by the measured entity as a percentage of the target	25	5	2% of NPAT	1% of NPAT
Annual value of all qualifying supplier development contributions made by the measured entity as a percentage of the target		7		2% of NPAT

Table 13: QSE Socio-Economic Development comparison of target points for 2009 and 2015

QUALIFYING SMALL ENTERPRISES (QSES)				
Socio-economic development	2009 points	2015 points	2009 target	2015 target
Average annual value of qualifying enterprise development contributions	15	5	1% of NPAT	1% of NPAT
Status of TOMSA levy collector	7.5	3	Yes	Yes
% of black new recruits with no prior work experience as a percentage of all new recruits adjusted using the recognition factor for gender	2.5		10%	

10.4 GRAPHICAL REPRESENTATIONS OF PERFORMANCE

10.4.1 Deviations from actual targets

This approach was used to demonstrate how far the performance in respect of each element against both the 2009 and 2015 Sector Codes has veered off their respective targets.

A deviation is defined as the difference between the total weighting points and the actual points achieved on any element. A positive (higher than zero) deviation represents poor performance while a negative deviation signifies good performance. A trend towards zero (0) from a positive number shows improving performance as the deviation from target is decreasing. A move from zero to a high number indicates deteriorating performance as the deviation is increasing from a lower number to a higher number.

The analysis represented deviations as trend lines moving towards or away from zero (performance on target). The targets referred to the total weighting points as shown in the original Tourism B-BBEE Sector Code of 2009 and the Amended Tourism B-BBEE Sector Code of 2015. Deviations are in most cases represented as percentages instead of actual points. The smaller the performance deviation was from the target, the better the level of compliance and implementation of the Sector Code. The larger the performance deviation was from the target, the worse the level of compliance and implementation of the Sector Code.

10.4.2 Comparisons of deviations from target

This approach was used as a basis for comparing performances between the two Sector Codes. The approach used the deviations described above, i.e.

$(\text{Target} - \text{Performance}) / \text{Target} * 100$ within each code

The deviation within each scorecard element in 2015 was compared to that of the same element in 2009. An increase in the deviation indicated poorer performance in 2015 than in 2009. This change in the deviation was also an indicator of the relative success of implementation of the one Sector Code over the other.

10.5 ASSUMPTIONS IN DATA HANDLING

In order to create graphs that were representative of the data collected from LEs and QSEs, the following process was followed:

- Upon sourcing the B-BBEE certificates and B-BBEE verification reports, the data was populated on a spreadsheet for QSEs and LEs.
- The numbers of certificates obtained for LEs were as follows:

- >For the 2010-2015 period, a total of 130 certificates were used to compile an average, appearing in Figure 2 and Table 14 below.
- >For the 2016-2018 period, a total of 90 certificates were used to compile an average, appearing in Figure 2 and Table 14 below.
- The numbers of certificates obtained for QSEs were as follows:
 - >For the 2010-2015 period, a total of 109 certificates were used to compile an average, appearing in Figure 2 and Table 14 below.
 - >For the 2016-2018 period, a total of 87 certificates were used to compile an average, appearing in Figure 2 and Table 14 below

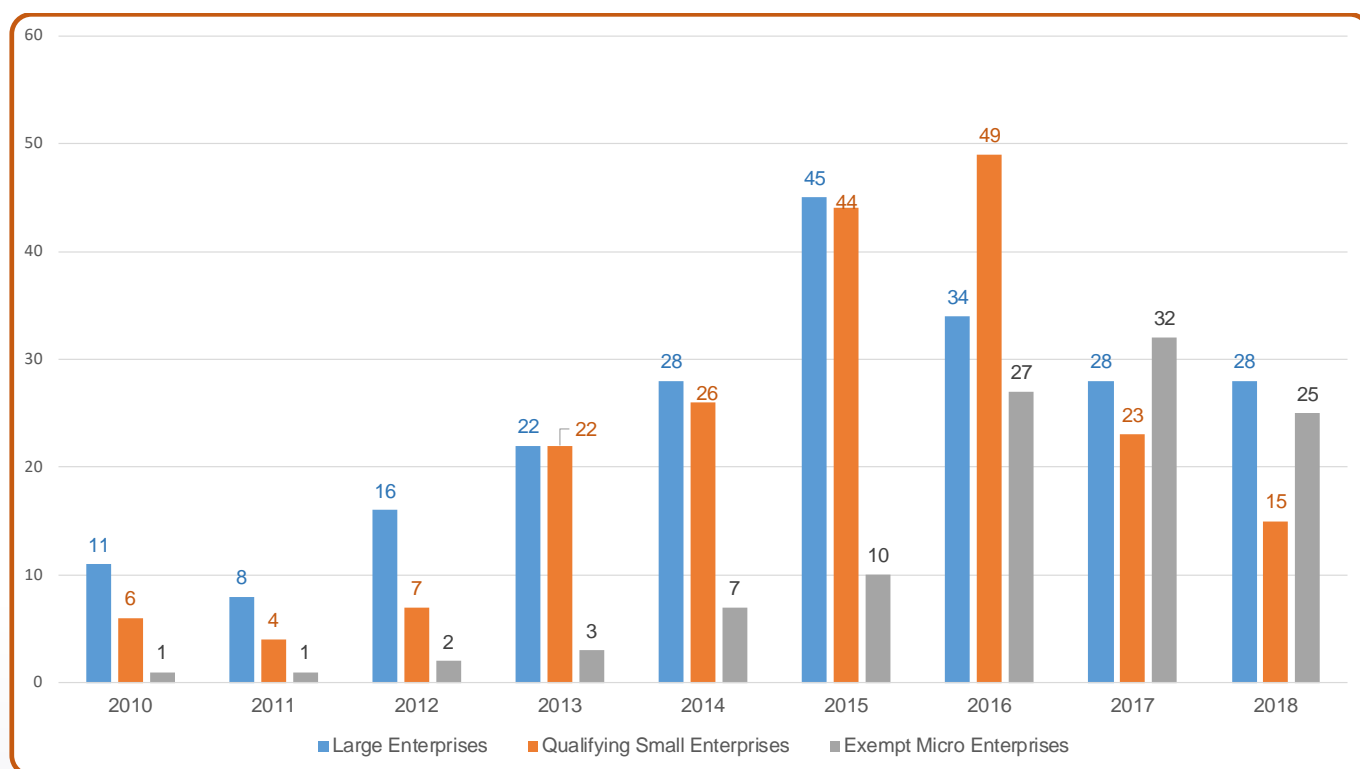


Figure 2: Number of certificates submitted by all enterprises for each year

Table 14: Number of certificates submitted by all enterprises for each year

NUMBER OF CERTIFICATES SUBMITTED PER YEAR									
Enterprise types	2010	2011	2012	2013	2014	2015	2016	2017	2018
Large Enterprises (LEs)	11	8	16	22	28	45	34	28	28
Qualifying Small Enterprises (QSEs)	6	4	7	22	26	44	49	23	15
Exempt Micro Enterprises (EMEs)	1	1	2	3	7	10	27	32	25

- Following the data collection and capturing of all elements' scores from all of the B-BBEE quality certificates, an average for each scorecard element was calculated. Calculations of averages were done for each year from 2010-2018.
- The different years, each with its associated average, were divided into two periods, 2010-2015 and 2016-2018. The first period (2010-2015) contained performance data against the original Sector Code gazetted in 2009 and the second period (2016-2018) contained performance data against the Amended Sector Code gazetted in 2015.
- An average was also calculated in the same manner for all enterprises for the reporting period 2016-2018 to reflect compliance with the 2015 Sector Code, and associated trends.
- As shown in section -13, the level of performance against both Sector Codes is first shown in absolute terms in the actual score versus the element's target.
- The second level of performance against each Sector Code is shown in how far each element's score is from the target. This measure is captured in what is referred to as a deviation from target. It can be shown in two ways:
 - > as an absolute number, which is Target minus the Score (Target – Score)
 - > as a percentage, which is calculated as: $\text{Target} - \text{Actual} / \text{Target} \times 100$.
- Both representations of performance are shown graphically in the results section. The underlying meaning of the results is presented alongside each graph.
- The deviation represents the size of the gap between the actual score and the target. The larger the deviation number, the bigger the gap between the score and the target. This is true for both the absolute deviation and the percentage deviation.
- Data analyses revealed some instances where achieved scores were higher than set targets. There were two key reasons for this. The first was that scores reported in the Sector Code transition years were not necessarily related to the Sector Code under which performance was assessed. The other reason related specifically to the 2009 Sector Code. The targets were those reflected in the 2017 milestones and not the 2012 figures, which caused some inconsistency between the reported scores and the maximum scores reflected in the target.



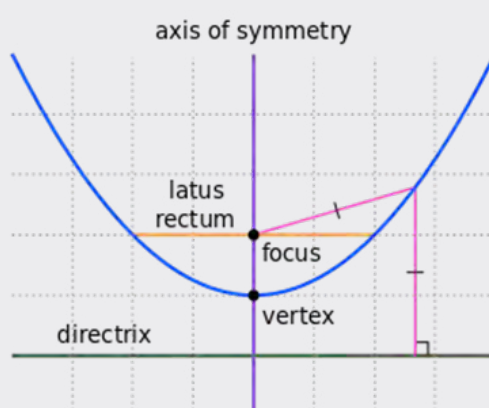
II. APPROACH TO QUANTITATIVE ANALYSIS

A key output from section -7 (Data Handling) was a set of graphs, which are shown in Figure 3-Figure 54. There are two types of graphs: those that show actual scores against target and those that display the percentage deviation of actual scores from their respective targets. Our main performance analyses were based on graphs showing actual scores against their targets. The graphs take various forms and shapes, depending on the underlying data. We have used these shapes and forms to assess the trends in performance. The extent of performance against each element is an indication of the underlying reasons for the shapes.

All the data conformed to at least one of the trends listed below, as revealed in the shapes of the graphs. Each trend represents the ease or difficulty of implementation of each element. We have used the same set of trends to assess performance against the 2009 and 2015 Sector Codes. The importance of the shapes and forms of the graphs is that they can be traced to proven mathematical shapes that describe physical phenomena. We believe, therefore, that the shapes of the graphs explain some of the physical characteristics of the compliance environment. The mathematical patterns in terms of which the shapes/trends of the graphs were interpreted are:

I. Parabola curve: A definition is as follows:

'A plane curve that is mirror-symmetrical and is approximately U-shaped. It fits several superficially different other mathematical descriptions, which can all be proved to define exactly the same curves' (Wikipedia).



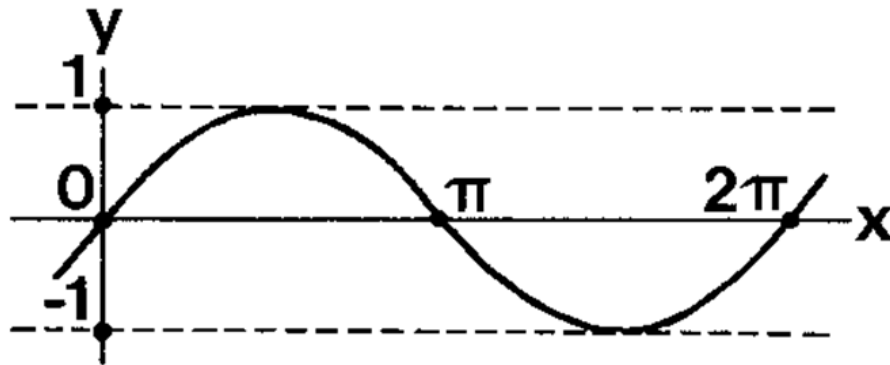
Source: Wikipedia

As seen in the above figure, a parabola reflects the Down-Up trend (which is described in a later section). It can also reflect the Up-Down trend when the figure is turned upside-down (a downward-facing parabola).

2. Oscillation curve: This is generally defined as:

‘One complete cycle of repetitive to and fro motion, from one extreme (maximum or minimum) to another (minimum or maximum) and back’ (Wikipedia).

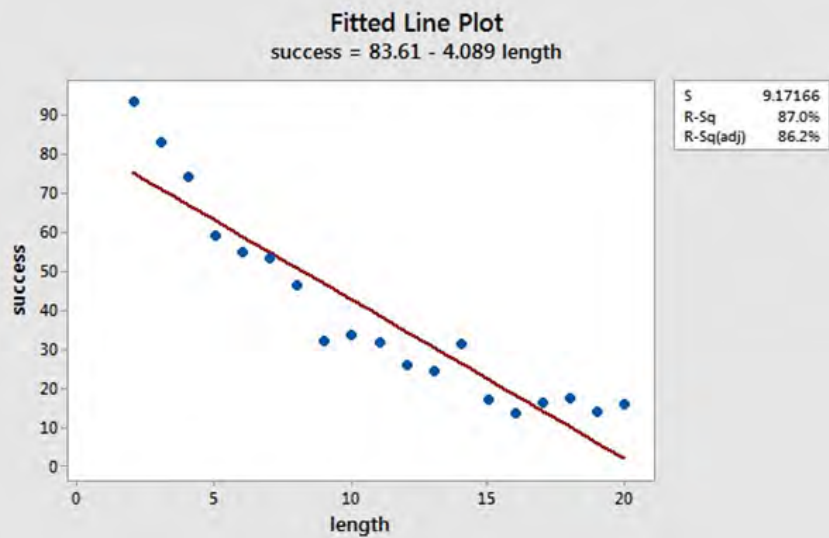
An example of an oscillating curve is a sine curve, as shown in the figure below. As will be discussed later under the description of trends, an oscillation curve resembles the Range-bound trend.



Source: Wikipedia

3. Fitted straight-line graph: This can be defined as:

‘A line of best fit (or ‘trend’ line) is a straight line that best represents the data on a scatter plot. This line may pass through some of the points, none of the points, or all of the points’ (Wikipedia).



Source: Wikipedia

As can be seen in the figure above and as discussed below under the description of trends, the fitted straight-line graph resembles the Downward trend. It can also resemble the Upward trend when the line slopes up from left to right.

The trend provides an overall measure of the ease or difficulty faced by companies in implementing the Sector Codes.

We have identified five trends from the graphs, based on the three mathematical curves shown above (or a combination thereof):

1. Down-Up trend (Parabola curve facing upwards, with a minimum point).

This is a performance trend whereby the scores decrease and move away from the target as the years in the assessment period go by. This trend is characterised by the attainment of a minimum score in a particular year, after which performance improves. The improvement in performance is reflected in an increase in scores following the year in which the minimum score is obtained.

The implication of this trend for compliance is that the sector starts the period with some poor performance, which then deteriorates until conditions are reached in which only the minimum score can be attained. These conditions, however, subsequently change or organisations manage to find better ways of implementing the Sector Code, with the result that there is a gradual improvement in organisations' scores.

2. Up-Down trend (Parabola curve facing downwards, with a maximum point).

This is the opposite shape of that described above. It represents situations in which organisations start off poorly, with low scores, and then gradually improve. This improvement reaches its best level with the achievement of the highest possible score in one of the intervening years. This represents the highest score ever attained by the sector, after which a period of declining performance commences. The rest of the performance assessment period is characterised by decreasing scores.

In our view, there are circumstances in the compliance environment that afford organisations the opportunity to improve their scores. The peak score, however, indicates that this favourable environment is either short-lived or the compliance-improvement plans implemented by the organisations are not sustainable. This results in a decline in performance following the year in which the highest scores are achieved.

3. Range-bound trend (Oscillation curve).

This is a variation of the combination of trends 1 and 2, joined side by side. The scores fluctuate between a defined maximum and minimum during the period under review.

When elements exhibit this trend, it indicates that general performance is confined to a certain band of scores as the years go by. Thus performance moves up and down within a given range in the period covered by the Sector Code.

4. Downward trend (Fitted-line sloping downwards from left to right).

This is a directionally clear trend in which the scores decline as years go by. This trend does not have any periods of sustained movements in the opposite direction. The recorded scores move from a maximum to a minimum during some of the years in the assessment period. This represents a failure of the adopted implementation strategies. It may, for example, indicate some loss of control over the implementation of the scorecard or challenges in finding the right solutions in the prevailing circumstances.

5. Upward trend (Fitted-line sloping upwards from left to right).

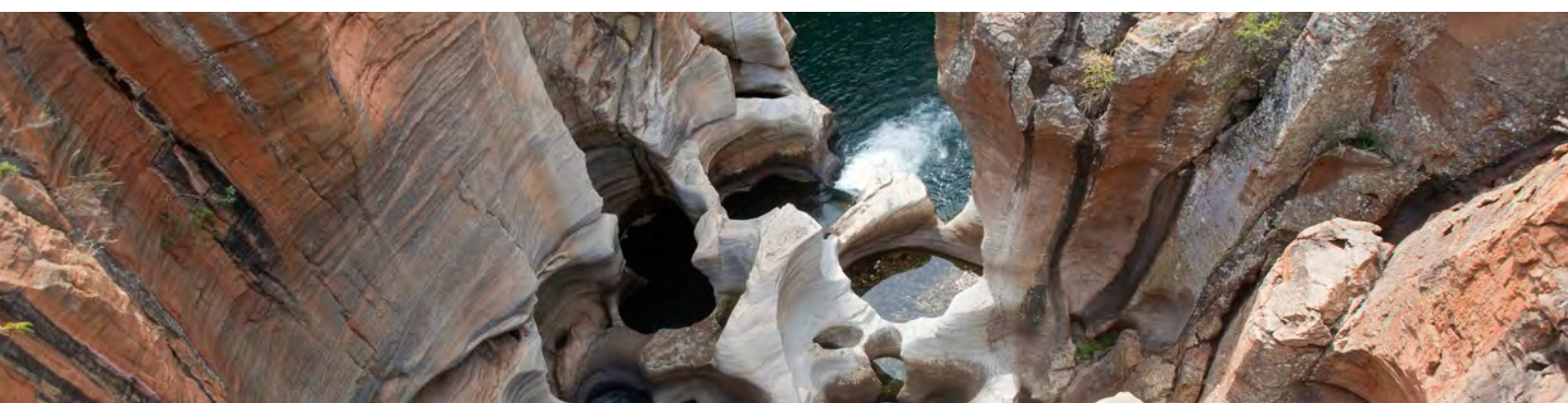
This is the opposite trend to that described above and indicates that performance starts with low scores and then increases with the passing of the years. Therefore, organisations start off at a disadvantage from a compliance perspective and then implement improvement strategies to better their scores.

These trends were easier to recognise in the analyses of the original Sector Code than in the Amended Sector Code as the former involved three more years and as a result there were more data points. In the 2015 Sector Code, data covering only three years was used and therefore only three data points could be plotted on a graph. A definite trend can only be visible in the fourth year and beyond. The upward and downward trends can, however, be inferred.

The underlying factors contributing to these performance patterns are normally discovered through a separate, primary qualitative study which gives substance or credence to the changes. Such a study did not fall within the scope of this particular project. We have, however, completed a secondary qualitative study and conducted some preliminary assessments.

We are of the opinion that each trend represents a measure of success in how the sector has implemented each element. The overall assessment of performance in terms of implementation is based on the following:

- i) The trend type represents the bulk of the success or failure of implementation of each element.
This trend represents how the sector has managed conditions in its compliance environment.
- ii) The actual change in deviations between the first year of implementation of the Sector Code and the last year.



12. PERFORMANCE AGAINST THE 2009 AND 2015 SECTOR CODES

First the respective performances of LEs and QSEs were analysed against the 2009 Sector Code. This process was then repeated for the 2015 Sector Code. The last step in this part of the analysis was showing, by way of a comparison, how QSEs and LEs have performed against each Sector Code.

12.1 LARGE ENTERPRISES (LES)

12.1.1 Analysis of LE performance against the 2009 Sector Code

As mentioned earlier, the data used for analytical purposes was based on the actual average scores against target and the graphical representations of deviations each year for each element (see Figures 3-56).

In Figure 3, performance in terms of this element shows the Down-Up trend, indicating a decline in scores from a maximum of 19 through to a minimum of 12, and trending back up to 17. After several years of being confronted by implementation complexity or cost barriers, these companies finally found and introduced initiatives that made it easier to comply.

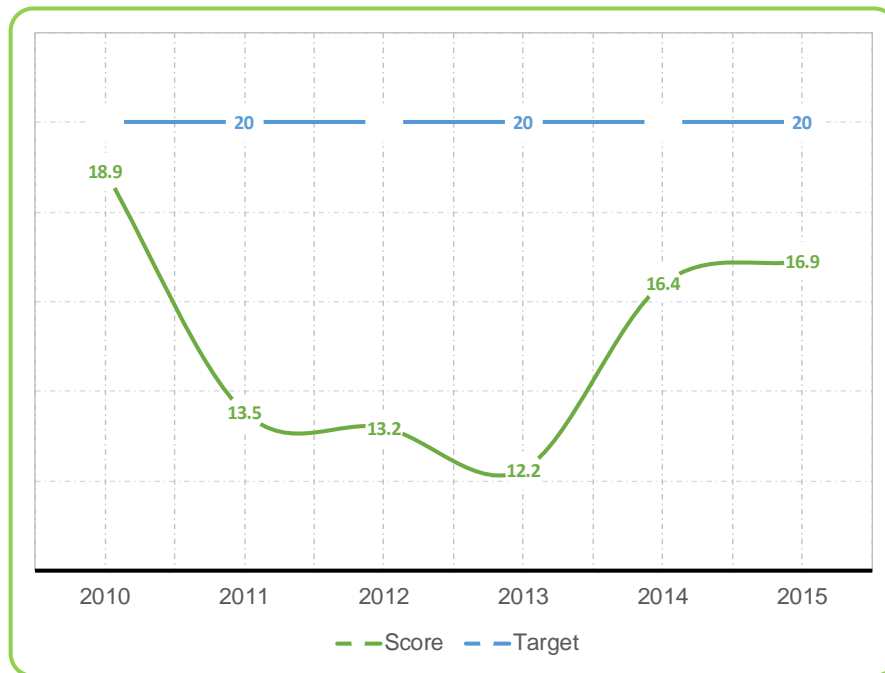


Figure 3: LE Ownership:Actual scores vs. target (2009 Sector Code)

Figure 4 tells a corresponding story to that revealed in Figure 3. As the actual scores declined in Figure 3 from 19 points (2010) to 12 points (2013), the percentage deviation increased in Figure 4 as the gap between actual scores and the target increased. The deviation in Figure 4 reached a peak in 2013 when the actual scores were at a minimum in Figure 3 and the deviation started to decline as the actual scores approached the target.

The movement of the actual scores and that of the deviation are always in the opposite direction.

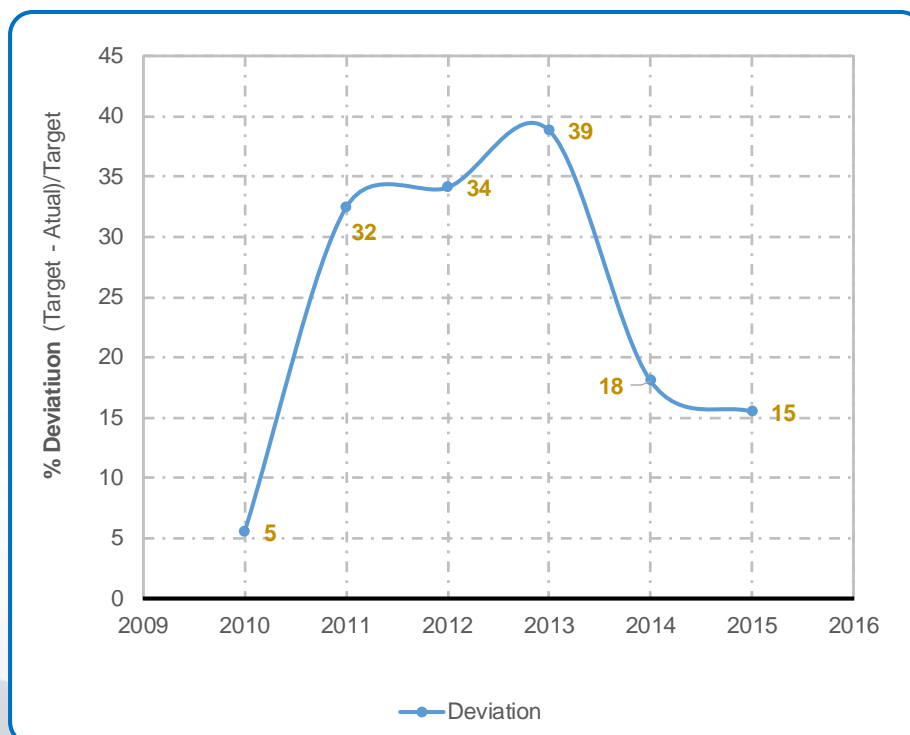


Figure 4: LE Ownership:% deviation from target (2009 Sector Code)

In Figure 5, the management control element displays the Upward trend, starting with a score of 5 in 2010 and rising to a maximum of 16 in 2015. Although there was a dip in 2012, there was no sustained movement downward and therefore the Upward trend was maintained from 2012 to 2015. The final actual scores exceeded the set target of 12. This was due to a lower 2012 milestone and the transition year problem in 2015.

It would appear that Large Enterprises managed to institute sustainable strategies throughout the period in which the original Sector Code was in force.

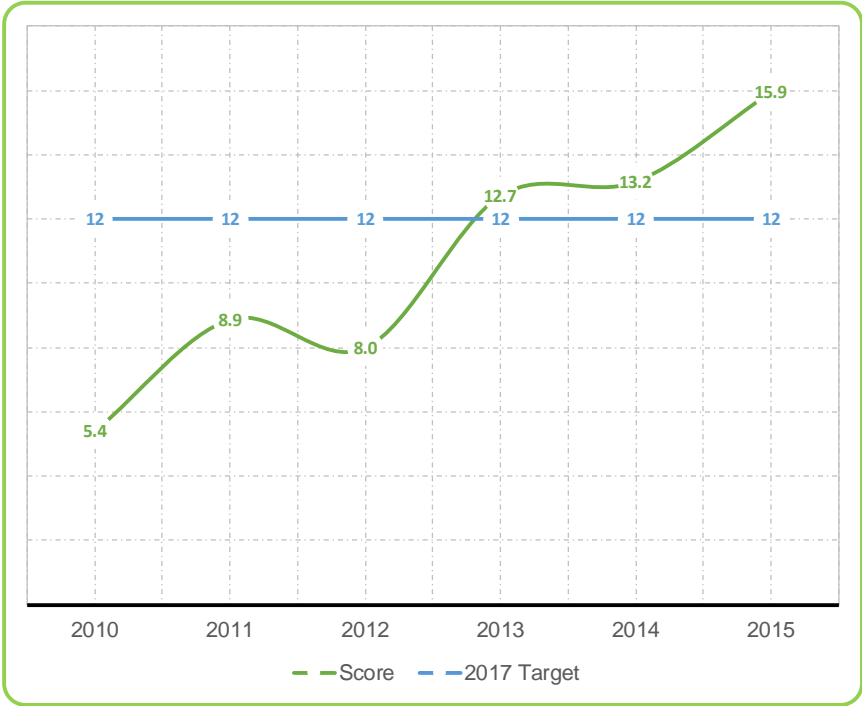


Figure 5 : LE Management Control:Actual scores vs. target (2009 Sector Code)

Figure 6 is a mirror image of the actual scores vs. target graph (Figure 5). It shows the decreasing gap between the reported scores and the target as the percentage deviation decreased from 55% towards zero.

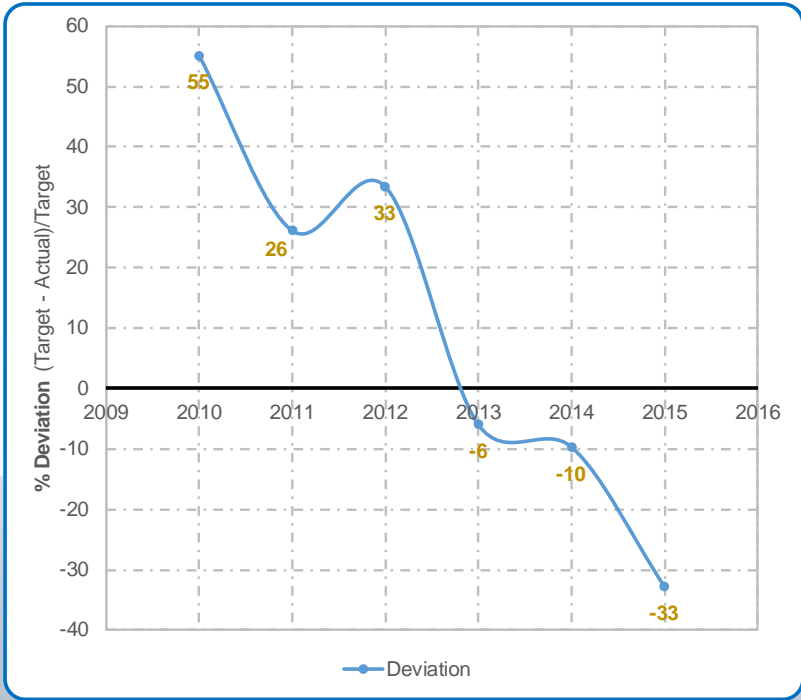


Figure 6: LE Management Control: % deviation from target (2009 Sector Code)

Figure 7, relating to employment equity, displays the Range-bound pattern. This is a combination of the Up-Down and the Down-Up patterns. It shows an increase in scores from 8 in 2010 up to a maximum of 10 in 2011. Performance then turned negative, with scores decreasing from 10 downwards in 2011 and stopped at a minimum of 8 in 2012. Performance beyond 2012 showed another Up-Down pattern but it was much shallower than the first one that commenced in 2010. Scores in the last three years appeared to be exactly the same but this was due to rounding off. However, the scores from 2012 improved slightly to 9 points and were stable.

Our interpretation of this pattern is that organisations introduced plans and strategies that worked for a while but which were then affected by certain internal or external constraints on both sides of the performance spectrum, which they could not resolve successfully. Thus, organisations were confined to performing within a given band of scores as the years passed. The band was narrow, with only 2 points between the maximum of 10 and the minimum of 8. Reasons for the observed trend may vary from difficulties in identifying the right talent with the right skills to difficulties in holding on to the right talent once brought on board.

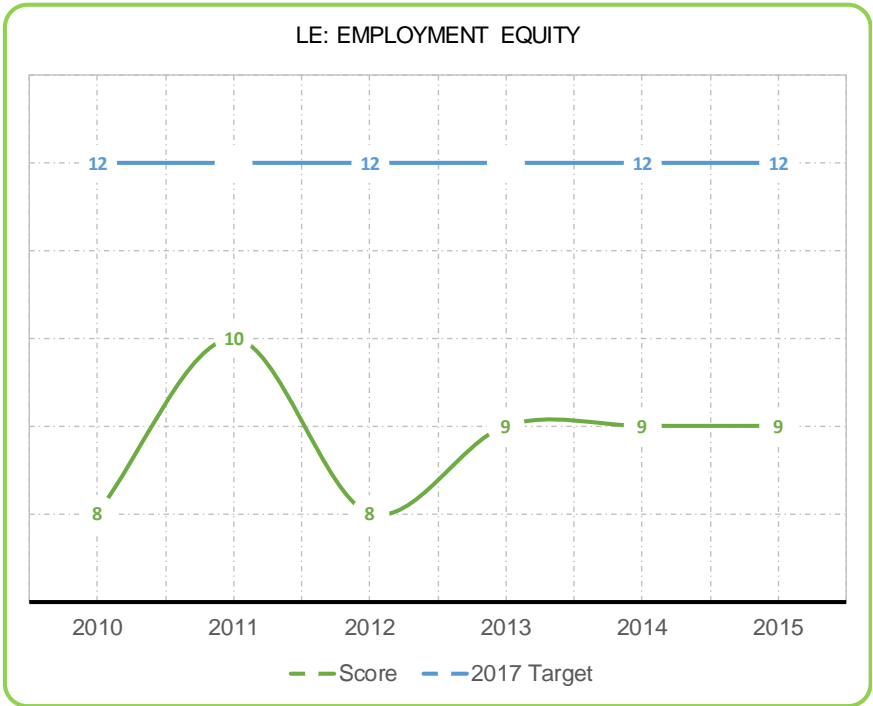


Figure 7: LE Employment Equity: Actual scores vs. target (2009 Sector Code)

The percentage deviation shown in Figure 8 follows the same movement as that for the actual scores vs. target in Figure 7 but does so in the opposite direction. The trend is the Range-bound type whose fluctuation range diminishes from 2013 onwards.

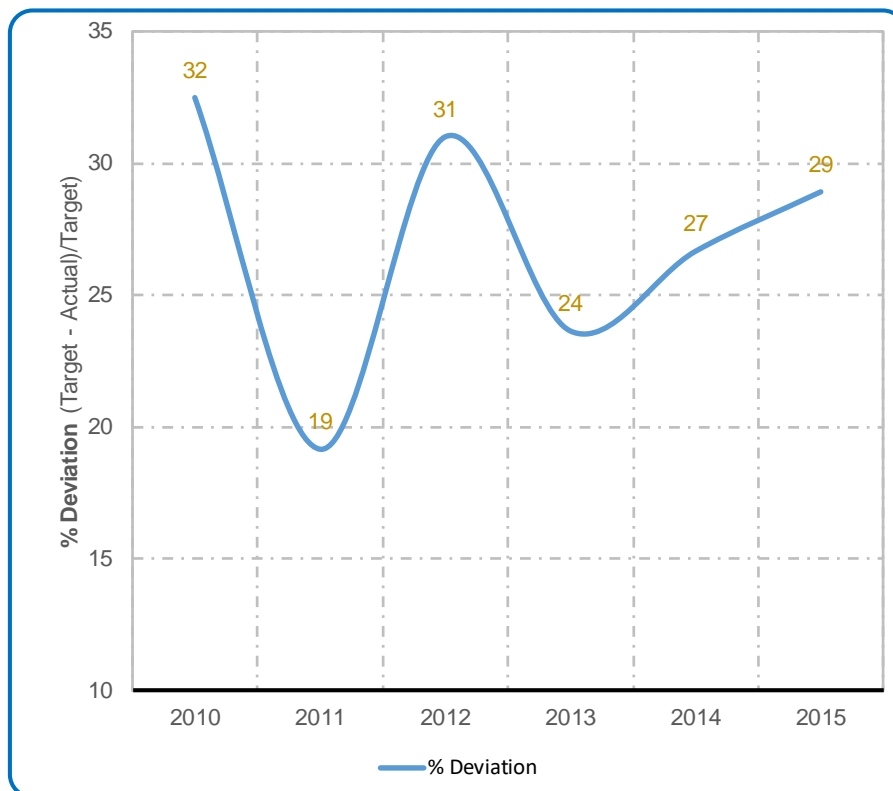


Figure 8: LE Employment Equity: % deviation from target (2009 Sector Code)

In Figure 9, the skills development element exhibits the Upward trend, with scores increasing from 9 in 2010 to 13 in 2015. As indicated before, the Upward trend does not necessarily mean that all sections of the graph will be straight. The condition is that there should be no sustained change from the established upward move. There was only one observed dip in performance and that was in 2014, and it was only one point.

Large Enterprises seemed to find effective ways of sustainably implementing skills development. Other than the minor dip in 2014, good performance was noted throughout the assessment period.

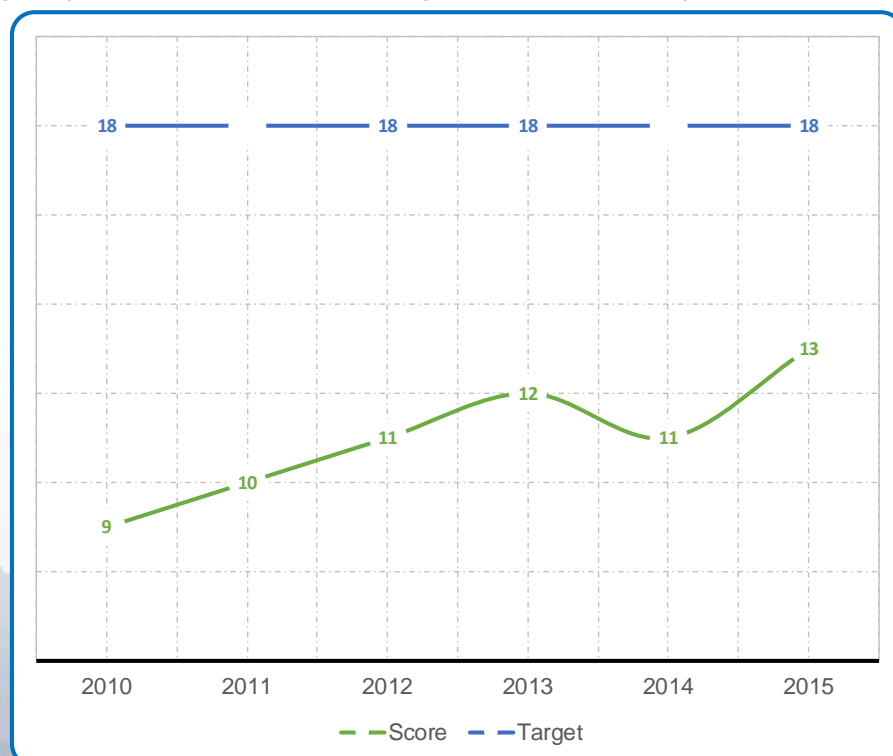


Figure 9: LE Skills Development: Actual scores vs. target (2009 Sector Code)

In Figure 10, the graph indicates an initial trend of good performance as the percentage deviation decreased from 50% (2010) to 37% (2012). This is a sign of the narrowing of the gap between the actual scores and the target. Performance deteriorated in 2014 (indicated by the large deviation percentage of 42% as it was further away from the target) and improved in 2015 (indicated by the smaller deviation percentage as it was closer to the target). The skills development spend by LEs was 3% of payroll under the 2009 Sector Code. The overall performance for the period was not excellent as the gap was not closed. The deviation ended at 29% and not as close to 0% as possible.

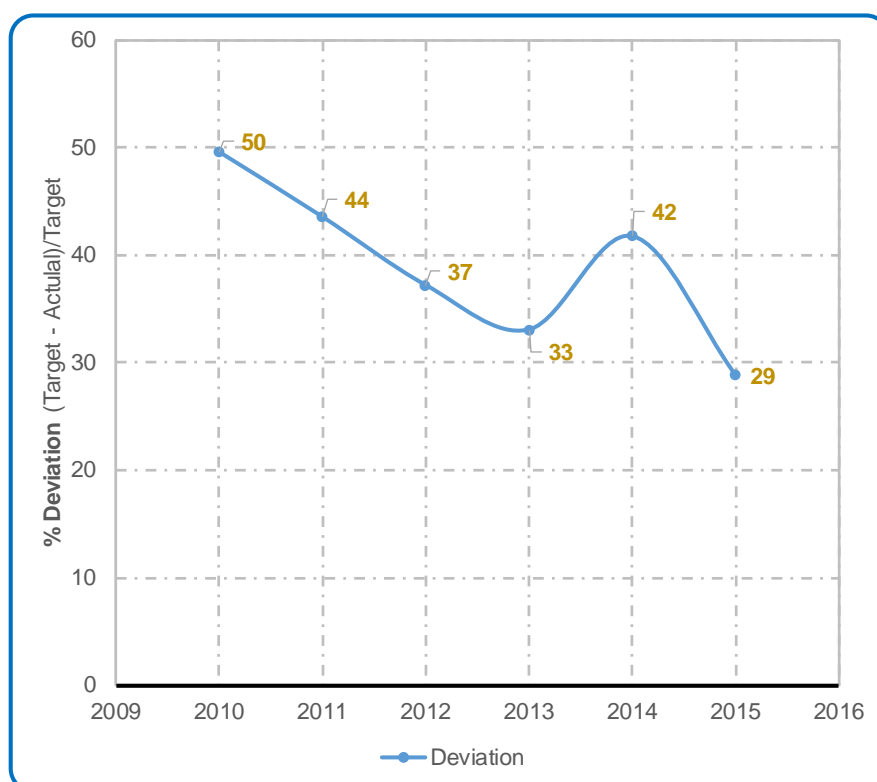


Figure 10: LE Skills Development: % deviation from target (2009 Sector Code)

In Figure 11, the preferential procurement element exhibits the same trend as that shown in Figure 7 relating to employment equity. This is a Range-bound trend characterised by three combinations: Down-Up, Up-Down and Down-Up with a shallow rise. The observed trend is indicative of organisations that battle with bursts of short-term successes and failures. This generally points to constraints that could be successfully resolved through long-term solutions. The problem may be due to regular changes of suppliers because of capability shortcomings in delivering the required standard of service to Large Enterprises.

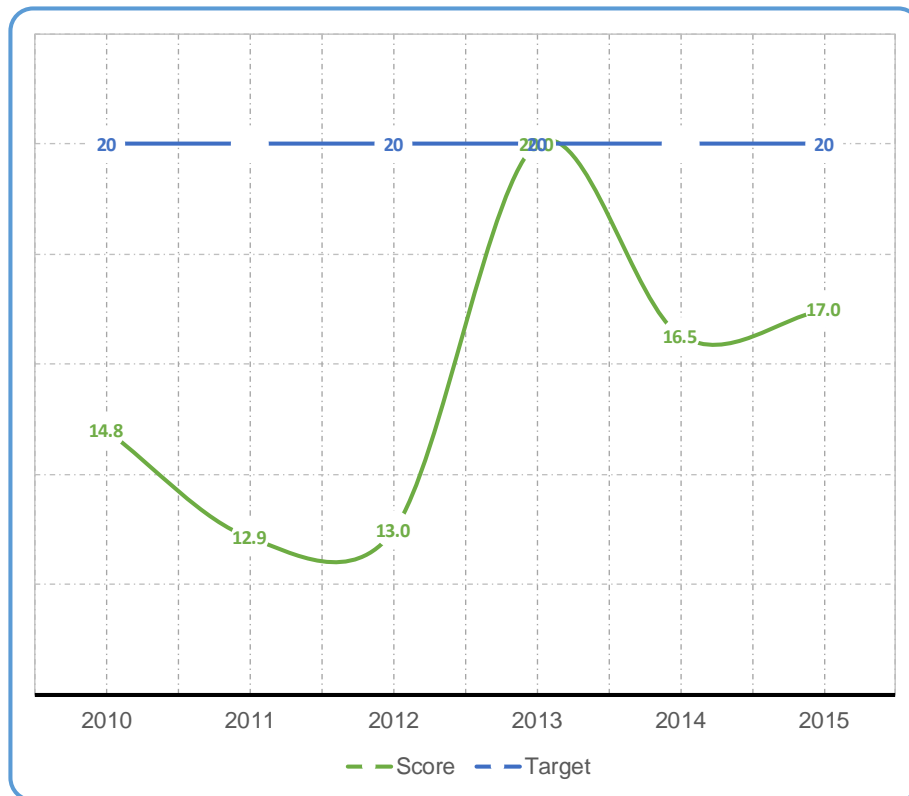


Figure 11: LE Preferential Procurement: Actual scores vs. target (2009 Sector Code)

From Figure 12 it is evident that preferential procurement started off poorly from 2010 to 2012, with a maximum deviation from the target of just over 35%. According to the data, this element improved briefly in 2013 and steadied at 15% off target at the end of the period. Other than the sharp improvement in 2013, the general trend shows some improvement in implementing preferential procurement.

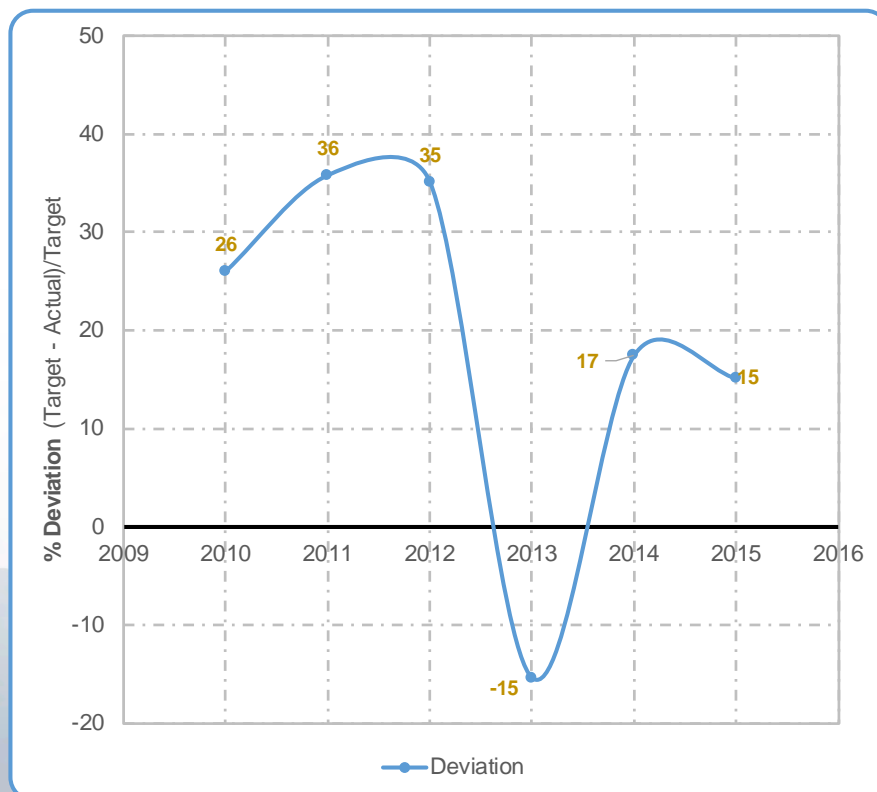


Figure 12: LE Preferential Procurement: % deviation from target (2009 Sector Code)

Figure 13, relating to enterprise development, shows that the entire curve lies above the target line but this is ascribed to the usage of the 2017 milestone as opposed to the 2012 one. The critical issue, though, is the shape of the trend, which is Range-bound. The recorded scores started out high in 2010 and declined to a minimum in 2011. They then picked up and reached a high of 12 in 2012. Scores declined again from 2013 to finally stabilise at just over 11 in 2015.

This trend is similar to that exhibited in Figure 11 relating to preferential procurement. This trend is always associated with constraints associated with the implementation of a particular scorecard element. Owing to their similar shapes, we believe that the issues relating to enterprise development were similar to those encountered in implementing preferential procurement. The existence of a peak and subsequently a decline were also in the same year, i.e. 2013 (Figure 11 and Figure 13).

It appears that plans, strategies and programmes put together for the identification and development of enterprises frequently ran into trouble, which could not be permanently resolved.

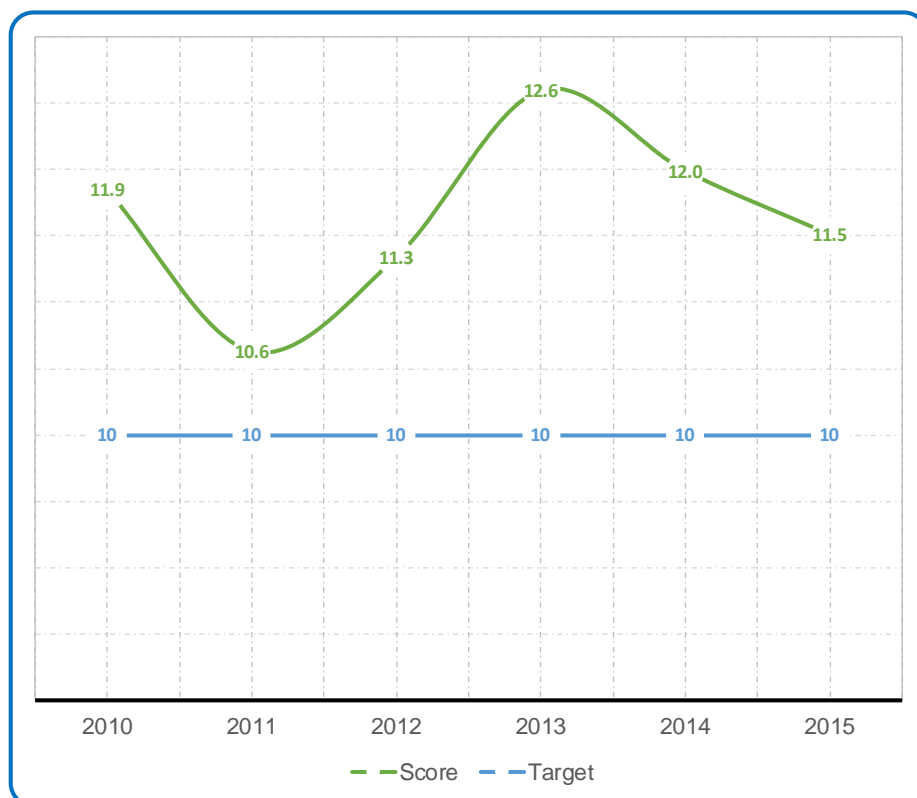


Figure 13: LE Enterprise Development: Actual scores vs. target (2009 Sector Code)

The general shape of the percentage deviation from target in Figure 14 follows that in Figure 13. Overall, the percentage deviations between 2010 and 2015 indicated a good performance.

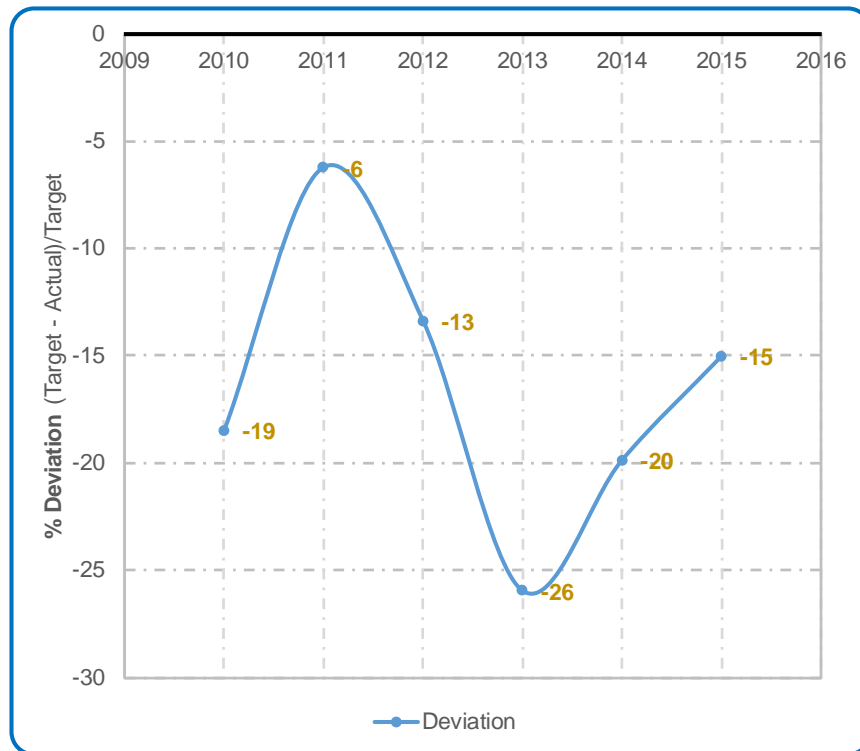


Figure 14: LE Enterprise Development: % deviation from target (2009 Sector Code)

In Figure 15, the trend exhibited by the performance of organisations in terms of the socio-economic development element represents the classic Upward trend. Although there is an observed continuation to the target, the latter is never reached and the maximum score obtained is just over 6.

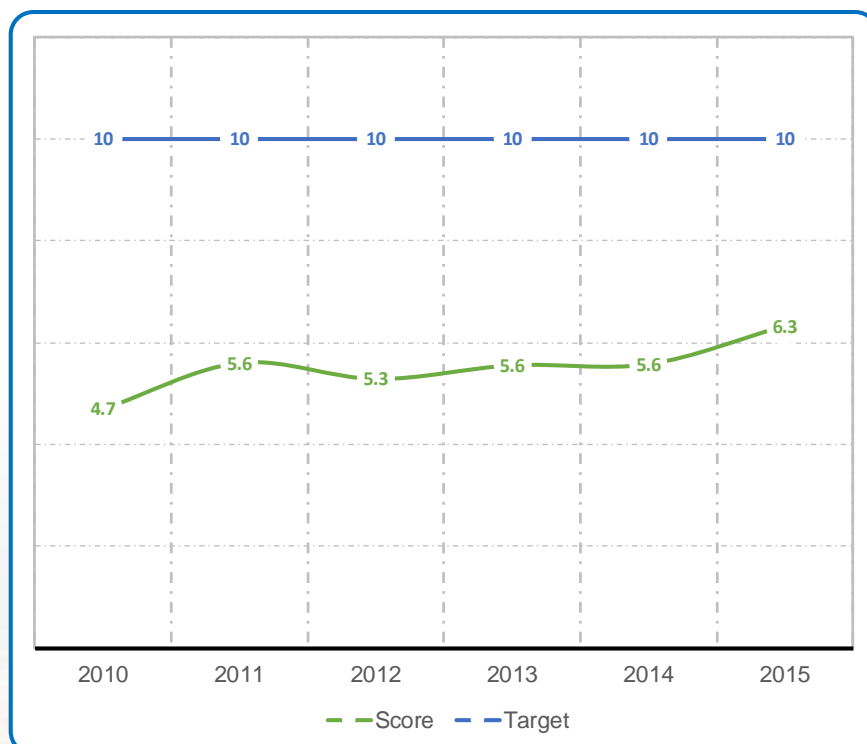


Figure 15: LE Socio-Economic Development: Actual scores vs. target (2009 Sector Code)

Figure 16 shows a percentage deviation that consistently decreased as the actual point graph moved towards the target. The gap was never closed as the deviation at the end of the assessment period was 37% instead of 0% which it would have been if the target had been achieved.

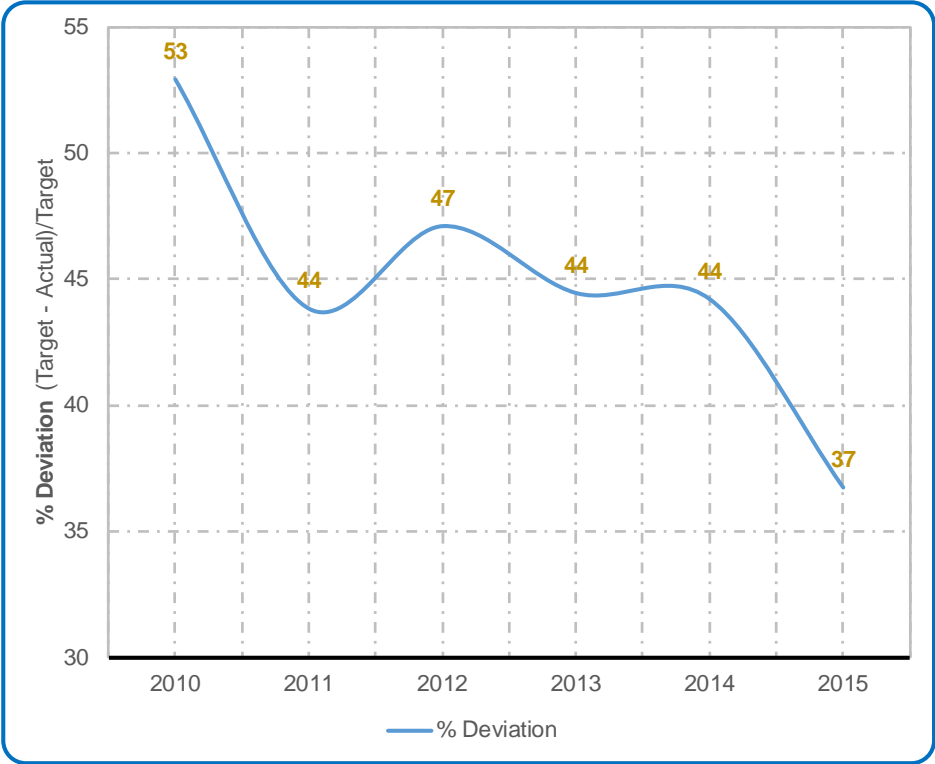


Figure 16: LE Socio-Economic Development: % deviation from target (2009 Sector Code)

12.1.2 Overall LE performance per element against the 2009 Sector Code

Figure 17 highlights the overall performance of Large Enterprises against the original Tourism B-BBEE Sector Code gazetted in 2009. The graph shows the relative performances of all the elements.

The percentages between the bars and the target line represent the average deviation of each score over the period. According to these deviations, enterprise development seems to have performed the best, while socio-economic development experienced the worst deviation at 45%. This does not take into account the characteristic trends during the period, which reflect how organisations managed the implementation of each element. The shape of each trend represents the ease or difficulty of implementation or the management of the environment in which implementation took place.

The percentages represent the status of each element at the end of the assessment period.

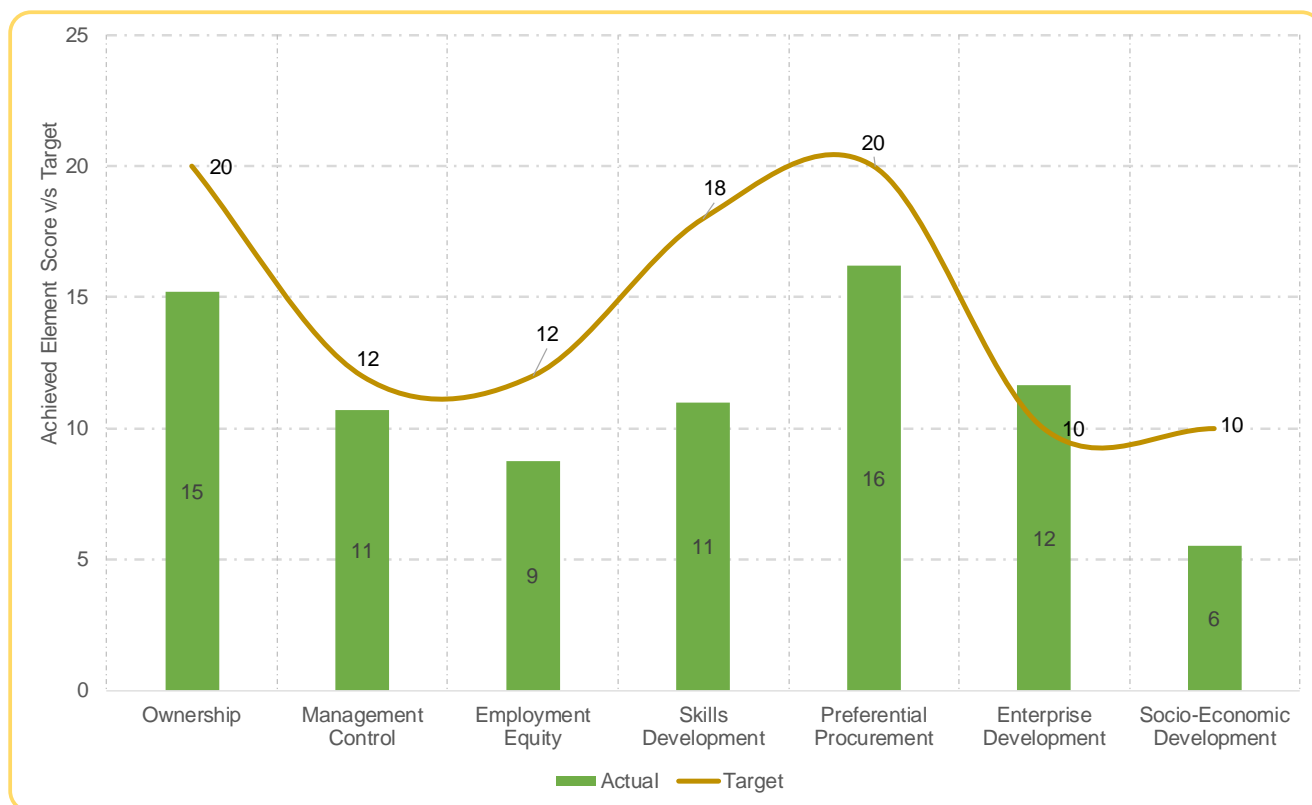


Figure 17: LE overall performance against the original Tourism B-BBEE Sector Code of 2009)

12.1.3 LE performance against the 2015 Sector Code

All graphs in this section were constructed from annual averages of all available data per element. The annual analysis was to show emerging trends during the period under review. Assessment of performance still hinges on the shape of the trends exhibited by the scores. Data used was limited to three years only and therefore the two key trends observable are Upward and Downward.

In Figure 18, the Upward trend is exhibited, with scores increasing from 17 in 2016 to 21 in 2018. This represents a clear definition and implementation of plans and strategies.

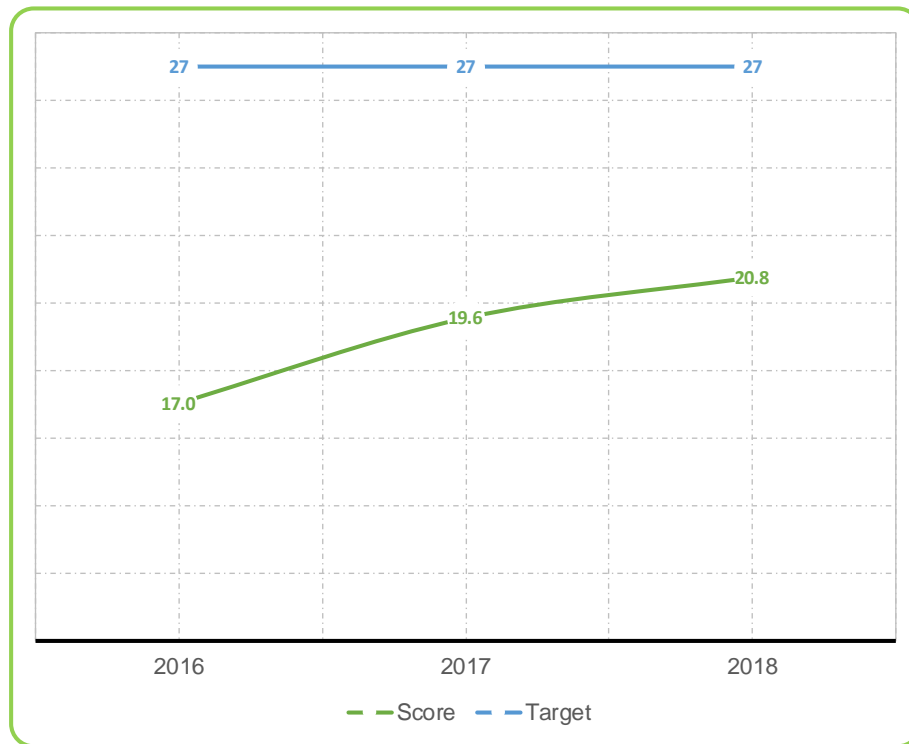


Figure 18: LE Ownership: Actual scores vs. target (2015 Sector Code)

In Figure 19, there was a general improvement in implementation, as also reflected in the decreasing deviation. There was an improvement of 14 points as the deviation narrowed from 37 points in 2016 to 23 points in 2018.

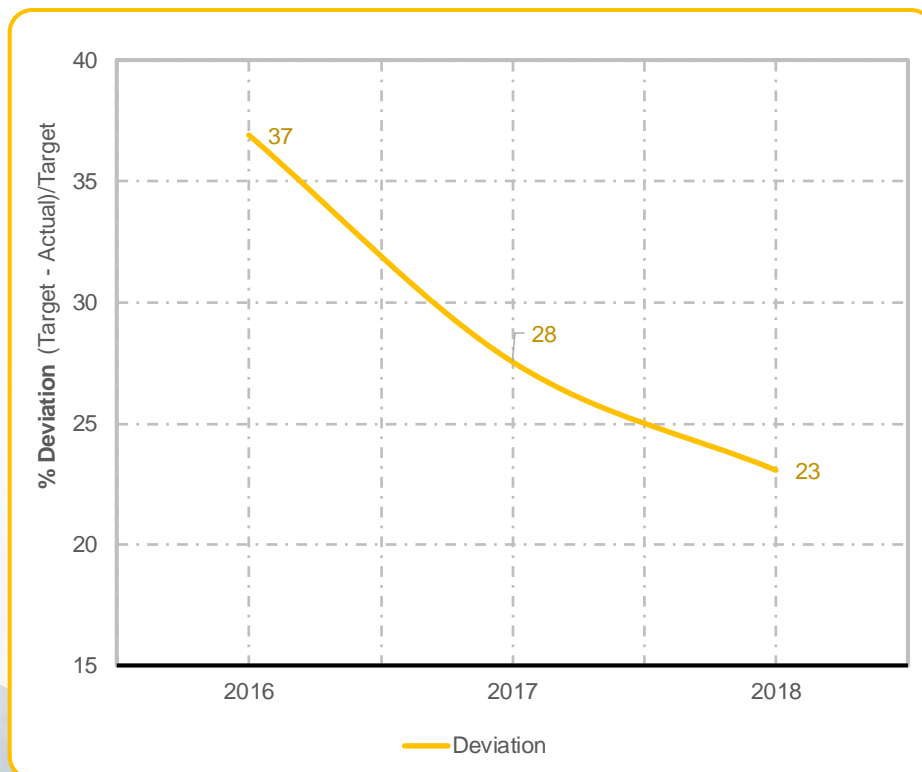


Figure 19: LE Ownership: % deviation from target (2015 Sector Code)

In Figure 20, the management control element exhibited the Downward trend, showing a fall from 15 points in 2016 to 11 points in 2018. This reflects poorer performance of management control in the 2015 Sector Code.

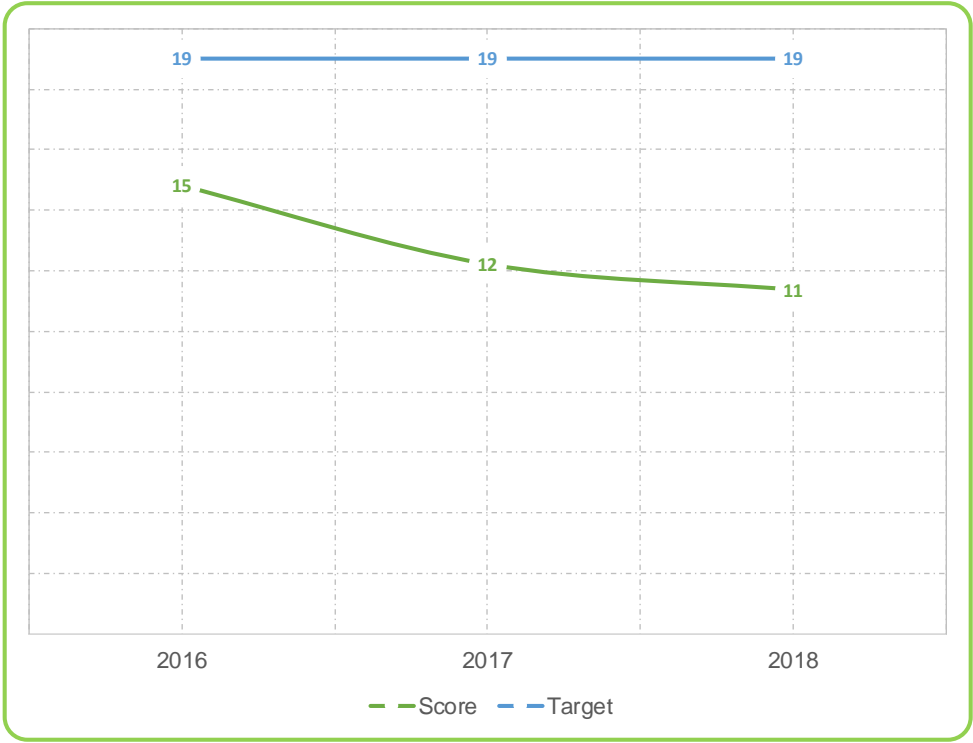


Figure 20: LE Management Control: Actual scores vs. target (2015 Sector Code)

In Figure 21, the deviation similarly depicted a deteriorating performance in terms of management control as a larger deviation is reflected between 2016 and 2018 (the deviation being further away from target). Performance declined by approximately 20 points over the period. This might indicate worsening constraints hampering the implementation of the management control element among LEs.

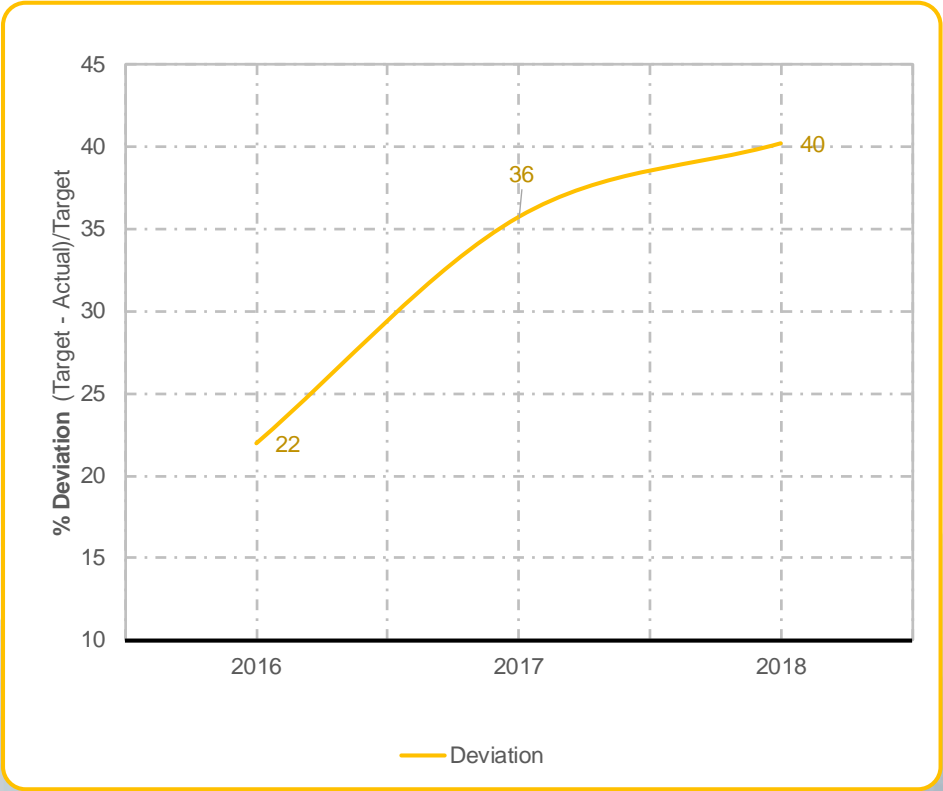


Figure 21: LE Management Control: % deviation from target (2015 Sector Code)

In Figure 22, Large Enterprises showed improved performance in terms of skills development, as exhibited by the Upward trend revealing an increase in points from 13 in 2016 to 17 in 2018. This may have been due to some improved approaches to implementation.

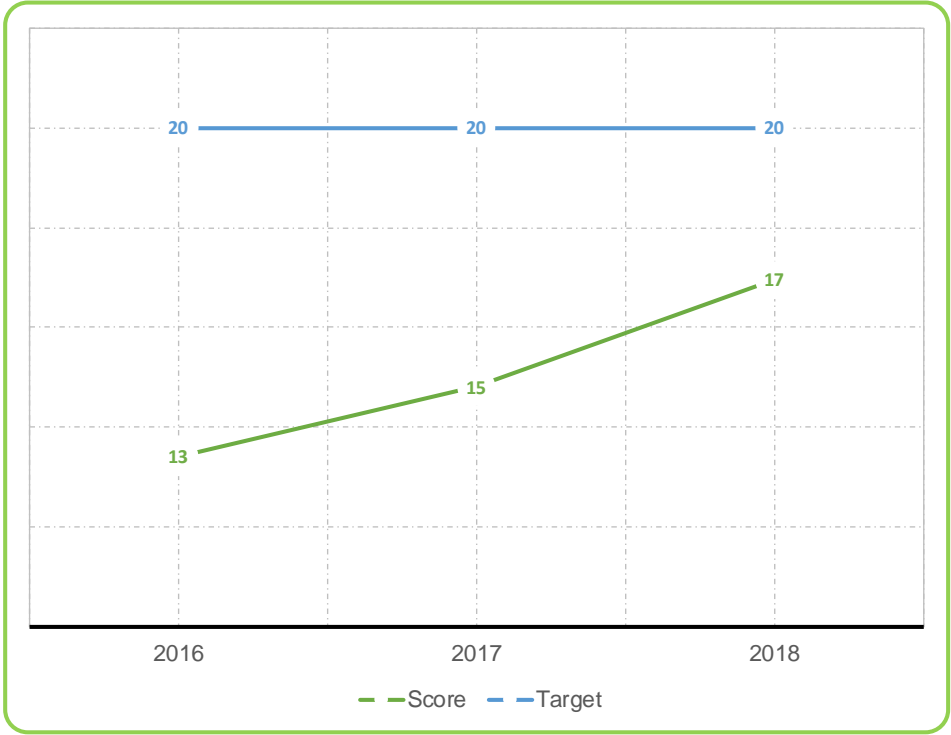


Figure 22: LE Skills Development:Actual scores vs. target (2015 Sector Code)

The deviation graph shown in Figure 23 indicates a decline towards zero, just as the performance scores in Figure 22 increase towards the target. The performance trajectory for skills development among LEs is in the opposite direction to that for management control. Performance in terms of deviation from target improved by more than 15 points. Companies were 50% closer to target than they were at the beginning of the period. There is still room for improvement, however, as the score in 2018 was still 15.2% below target. Given the steady trend, it appears that there were no major hurdles to implementation.

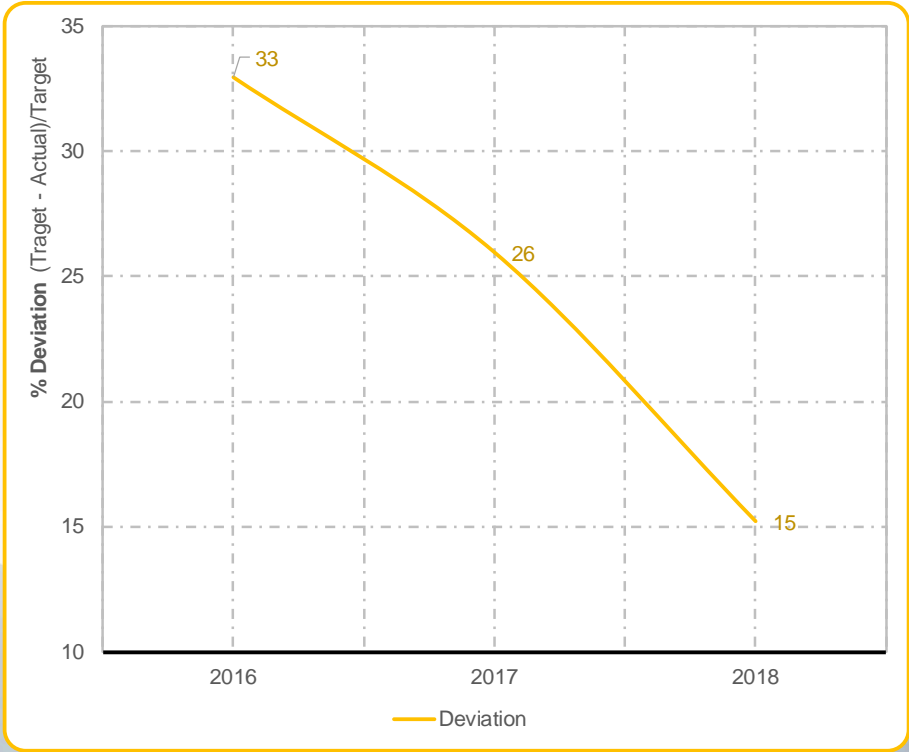


Figure 23: LE Skills Development:% deviation from target (2015 Sector Code)

Figure 24 shows that enterprise development exhibited a clear Upward trend, with scores increasing from 29 in 2016 to 33 in 2018. This indicates that there was an overall improved performance in the 2015 Sector Code.

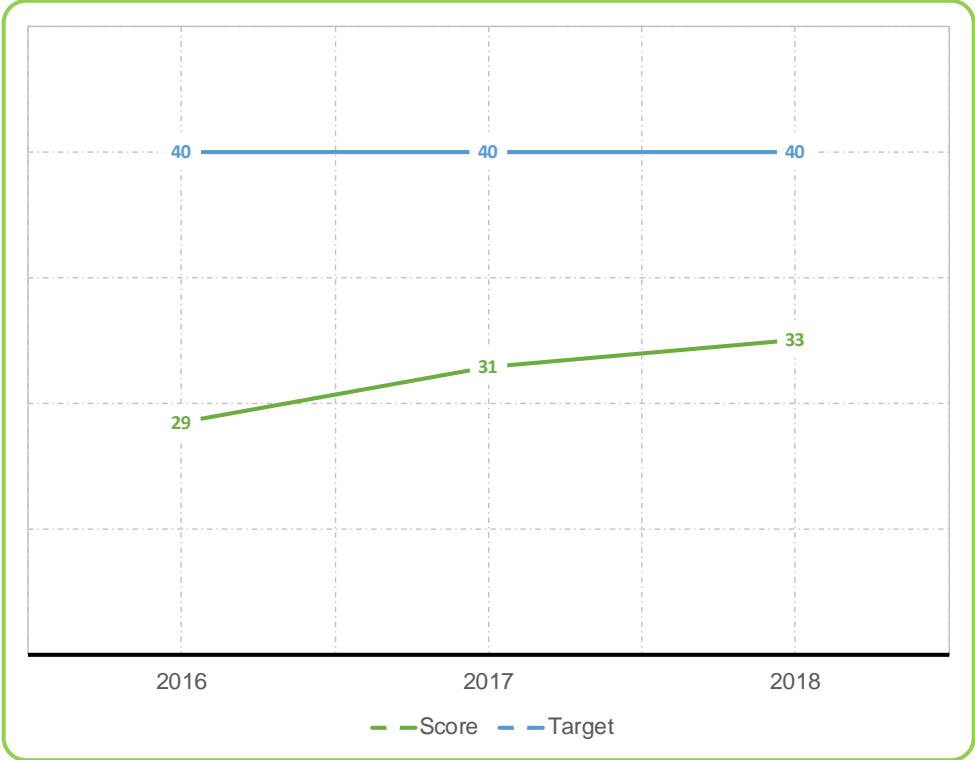


Figure 24: LE Enterprise and Supplier Development: Actual scores vs. target (2015 Sector Code)

According to Figure 25, the percentage deviation in terms of enterprise and supplier development showed an improvement of 8 points as it dropped towards zero. Although the overall trend showed improvement, the final deviation of 19% below target indicates that more innovation is required in implementing this element.

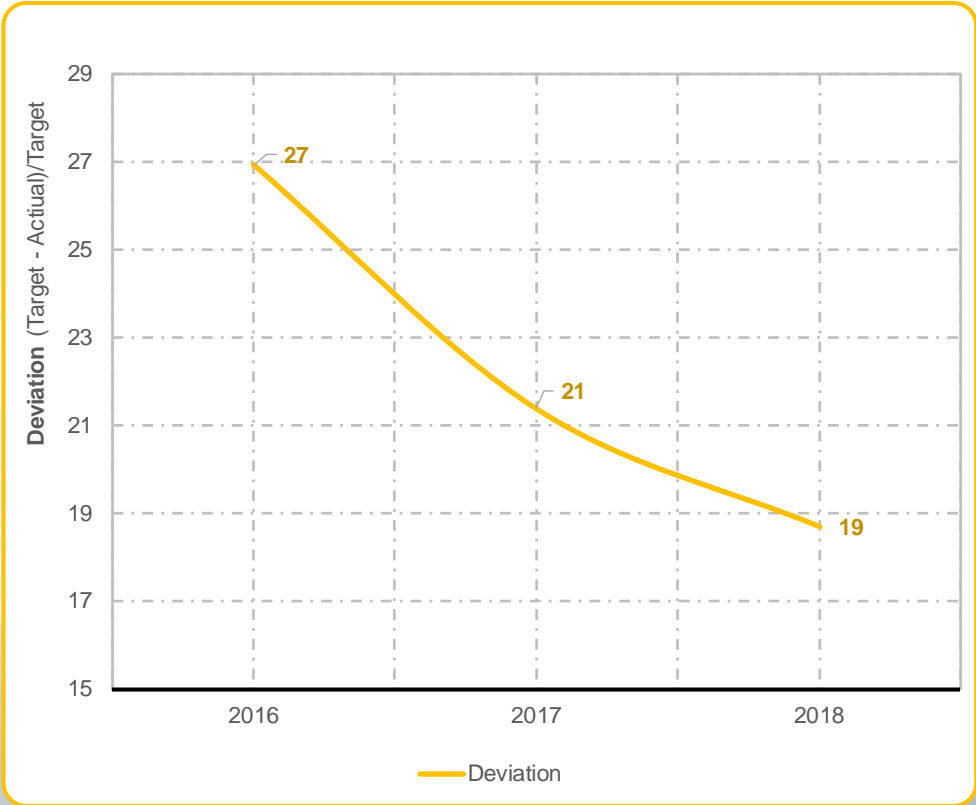


Figure 25: LE Enterprise and Supplier Development: % deviation from target (2015 Sector Code)

Figure 26 shows that the socio-economic development element increased steadily with an uninterrupted Upward trend, as indicated by the increase in points from 5.4 points in 2016 to 6.0 in 2018. This shows that there was an improvement in terms of the socio-economic element under the 2015 Sector Code,



Figure 26: LE Socio-Economic Development: Actual scores vs. target (2015 Sector Code)

The percentage deviation in Figure 27 shows that the implementation of the socio-economic development element was exceptional after the commencement of the 2015 Sector Code. The improvement was 8% above target at the outset to approximately 20% above target at the end of the period.

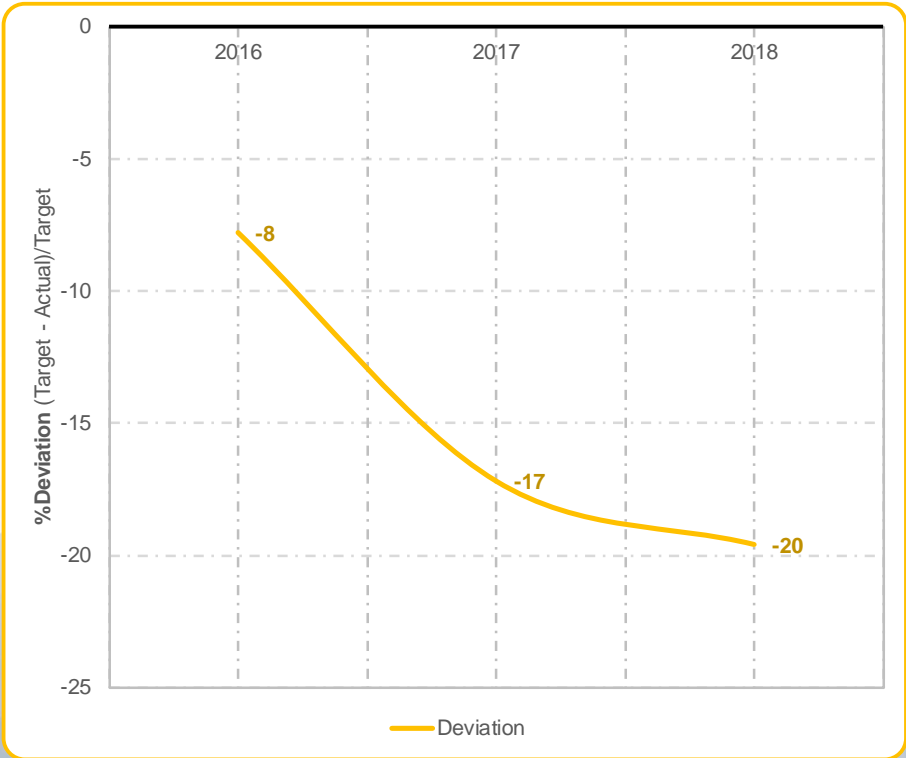


Figure 27: LE Socio-Economic Development: % deviation from target (2015 Sector Code)

Overall, LE performance against the 2015 Code was characterised by trends of increasing scores for all elements except management control.

Figure 28 shows the overall performance of Large Enterprises against the 2015 Sector Code. The status of each element at the end of the trend is evident, as shown in Figures 18-27. Socio-economic development is the only element that ended in a better position with respect to the target. All other elements fell short. The results in Figure 28 are, however, incomplete if viewed separately from the trends. Despite the shortfall from their individual targets, the implementation of all elements other than management control was good, given that their points increased from 2010 to 2015.



Figure 28: LE overall performance against 2015 Sector Code

12.1.4 LE comparative analysis of performance against the 2009 and 2015 Sector Codes

One of the objectives of the project was to conduct a comparative analysis of the implementation of the Tourism B-BBEE Sector Codes of 2009 and 2015, respectively, by measured entities. The associated data is shown in Figure 29 and Table 15.

Figure 29 is a graphical representation of the data shown in Table 15. It illustrates how LEs performed against the 2009 Sector Code compared to the 2015 Sector Code.

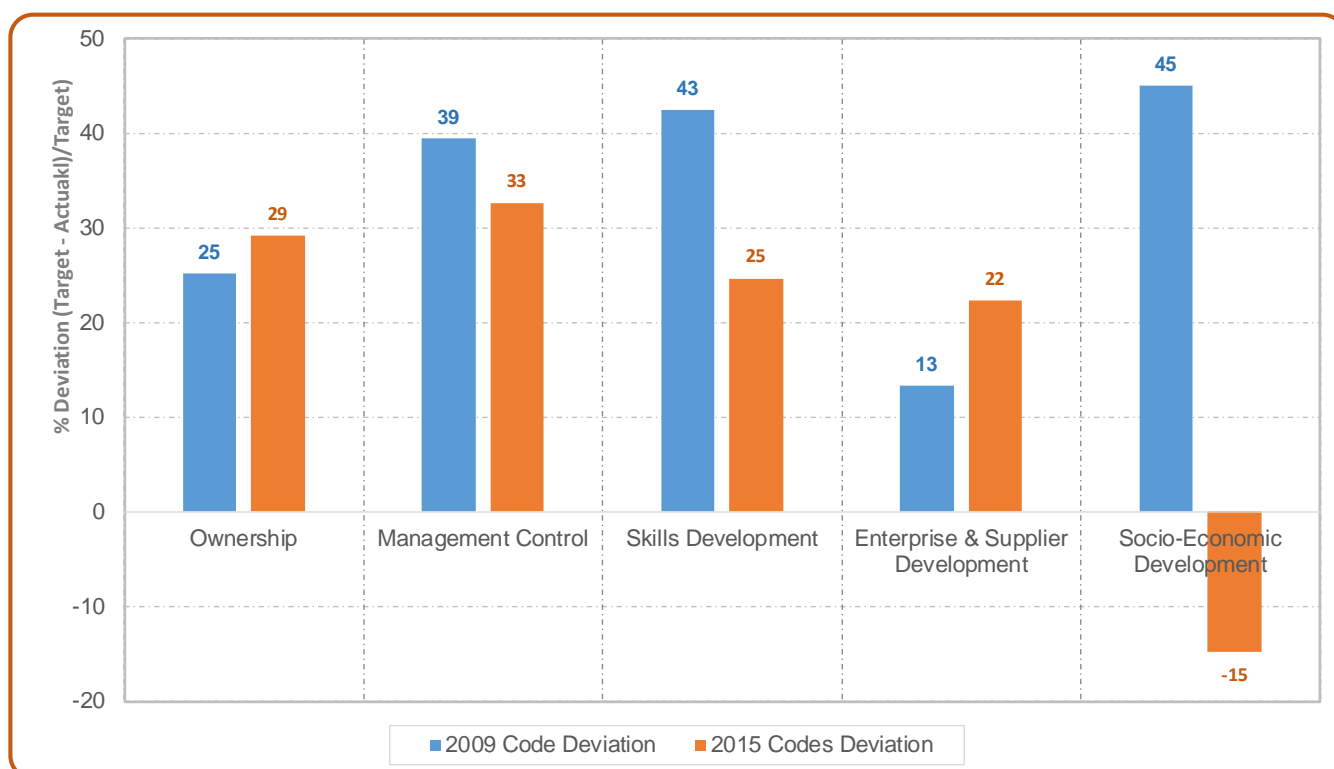


Figure 29: LE comparative performance against 2009 and 2015 Sector Codes

Table 15 offers a performance comparison of each element against the original Sector Code of 2009 and the Amended Sector Code of 2015.

The percentages shown represent deviations of each score from the target for a particular element. How companies performed against the various targets is shown in the columns. A change from a lower to a higher percentage indicates poorer performance and a change from a higher to a lower percentage shows better performance.

Table 15: LE comparative performance against 2009 and 2015 Sector Codes

Score card elements	2009 Sector Code deviation	2015 Sector Code deviation	Difference in deviation
Ownership	25.25%	29.19%	-3.94%
Management Control	39.42%	32.63%	6.79%
Skills Development	42.50%	24.70%	17.80%
Enterprise and Supplier Development	13.33%	22.33%	-9.00%
Socio-economic development	45.10%	-14.80%	59.90%

In terms of ownership there was a move from a deviation of 25.25% against the 2009 Sector Code to a deviation of 29.19% against the 2015 Sector Code. This means that performance in terms of ownership was better under the 2009 Sector Code as the deviation increased by 3.94% to 29.19% under the 2015 Code.

By comparison, Large Enterprises performed closer to target in terms of more elements under the 2015 Sector Code than under the 2009 Sector Code. The elements showing improved performance were management control, skills development and socio-economic development. These companies seem to have implemented the 2015 Code more successfully than the 2009 Sector Code.

When the priority elements of ownership and enterprise and supplier development are taken into account, performance was better under the 2009 Sector Code. This could be due to lower targets and less stringent requirements for these elements which led to the implementation of ownership and socio-economic development being closer to target than under the 2015 Sector Code. Lower costs associated with implementation under the 2009 Sector Code could also have been a factor.

12.2 QUALIFYING SMALL ENTERPRISES (QSEs)

This section first examines the structure of the original Tourism B-BBEE Sector Code of 2009 with respect to QSEs and then analyses performance against the 2015 Sector Code.

12.2.1 Selection of elements for QSE compliance against the 2009 Sector Code

In the original Sector Code of 2009, all QSEs were required to be BEE rated. However, they could select their four best-performing scorecard elements against which they wished to be measured. These choices offered insight into the relative ease of implementation and the risk to the business posed by the selected elements.

Under the Amended Sector Code of 2015, black-owned QSEs are exempt from having to be BEE rated, while white-owned QSEs have to comply with all scorecard elements. This makes for more stringent compliance measures as white-owned QSEs can no longer cherry-pick their best-performing scorecard elements at the expense of those that they find more challenging to implement (Zevoli Consulting, 2019).

Table 16: Distribution of scorecard elements chosen by black- and white-owned QSEs under the 2009 Sector Code

Score card elements	QSE<51% (white-owned) for 2009 Sector Code	QSE>51% (black-owned) for 2009 Sector Code
Ownership	15	16
Management Control	20	15
Employment Equity	48	16
Skills Development	18	3
Preferential procurement	48	8
Enterprise Development	25	2
Socio-economic development	34	7

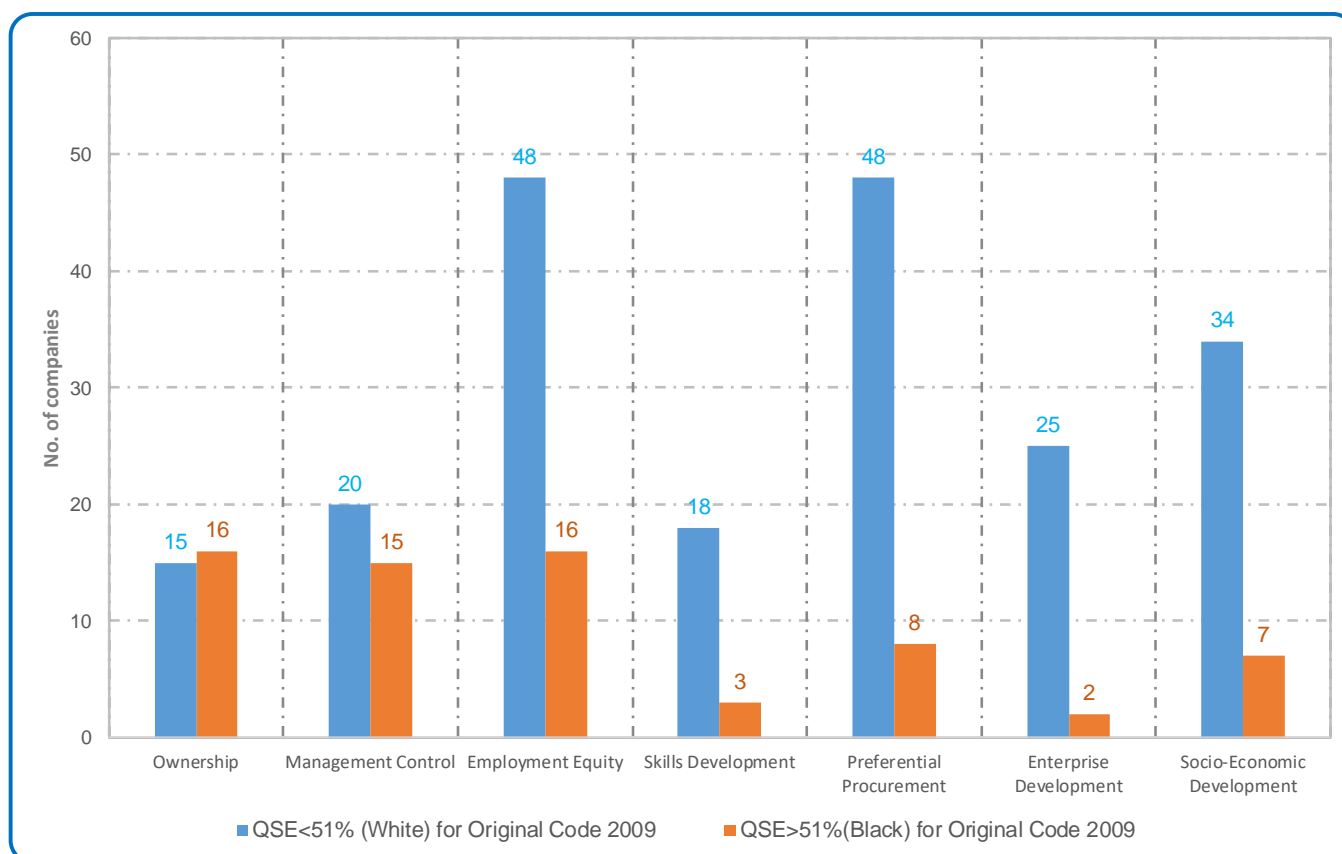


Figure 30: Selected scorecard elements by black-owned and white-owned QSEs under the 2009 Sector Code

When comparing the elements chosen by white-owned and black-owned QSEs under the 2009 Sector Code (Figure 30), the following is evident:

- Black-owned QSEs were more in favour of ownership, management control, preferential procurement and employment equity. Black-owned QSEs outperformed their targets for ownership by 25.81%, management control by 24.21% and employment equity by 25.29%.
- Socio-economic development, skills development and enterprise development were the least-selected elements among black-owned QSEs, with all reflecting poor performance overall. This suggests that black-owned QSEs were reluctant to spend money on socio-economic development, skills development, and enterprise and supplier development. This is very much in line with observed trends regarding the heavy financial burden associated with these elements.
- White-owned QSEs were more in favour of employment equity, preferential procurement, enterprise development and socio-economic development. White-owned QSEs exceeded their employment equity target by 17.87% and their preferential procurement target by 20.27%.
- White-owned QSEs performed poorly in terms of ownership, management control and skills development. As with black-owned QSEs, the poor performance in terms of these elements is in line with observations made in earlier qualitative studies about the cost and complexity of implementation.

12.2.2 Analysis of QSE performance against the 2009 Sector Code

This section presents the actual average scores attained for each element, followed by deviation graphs. The deviation was calculated for each year during the period that the Sector Code was in force. This was to highlight any underlying trends that might offer useful insights for the implementation of different elements.

In Figure 31, the trend exhibited is the Up-Down trend in respect of the ownership element, similar to that seen in the performance analysis of Large Enterprises. Performance started from a low base with no submissions from some organisations. Performance improved, reaching a maximum of 16 points in 2013. Performance, however, plateaued and then dropped to 10 points in 2015. It appears that the strong success enjoyed from 2011 could not be prolonged beyond 2013.

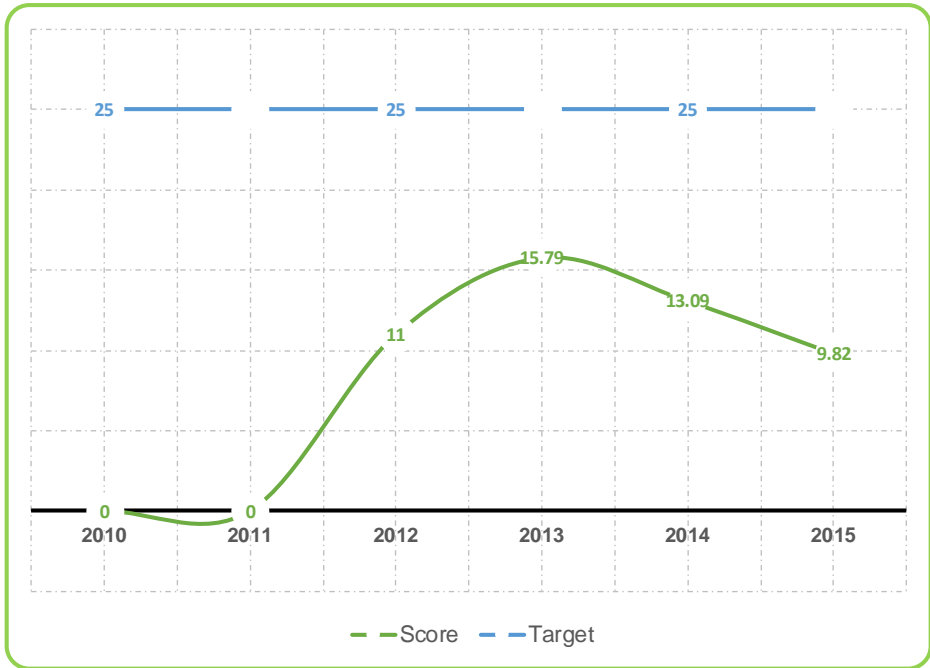


Figure 31: QSE Ownership: Actual scores vs. target (2009 Sector Code)

In Figure 32, the percentage deviation improved from 100% to a minimum of 37% where actual scores were close to target. This deteriorated further as the percentage deviation increased to 61%. QSEs improved over the period as they started from the widest deviation and ended the period at only 40% deviation.

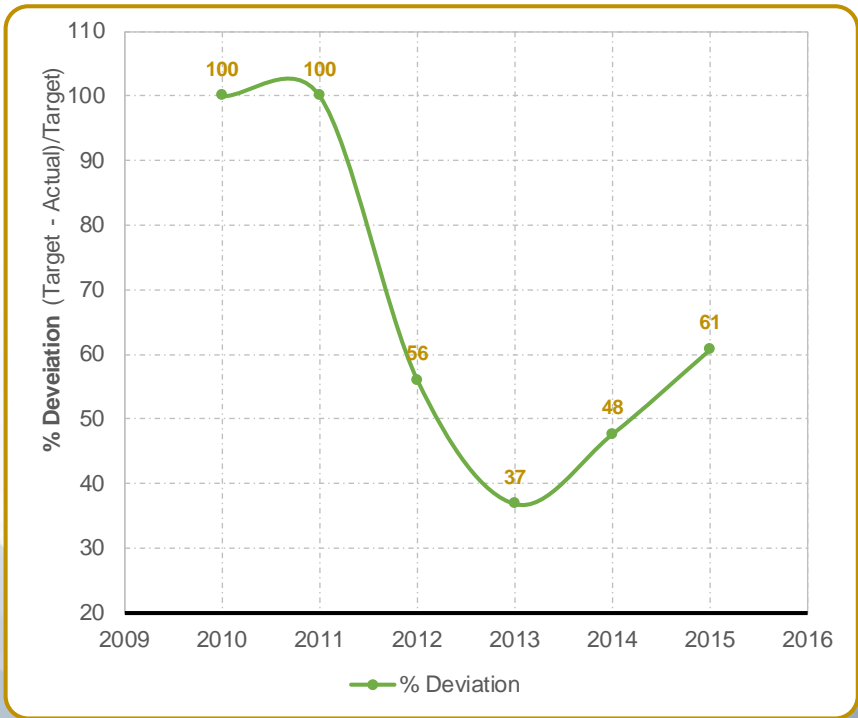


Figure 32: QSE Ownership: % deviation from target (2009 Sector Code)

In Figure 33, the management control element showed the Range-bound trend, starting off with a Down-Up movement followed by an Up-Down movement. This is a similar trend to that exhibited by Large Enterprises. The upward trajectory for this element could not be sustained which suggests that the plans that were put in place fell apart from 2014 and were no longer effective beyond that point.

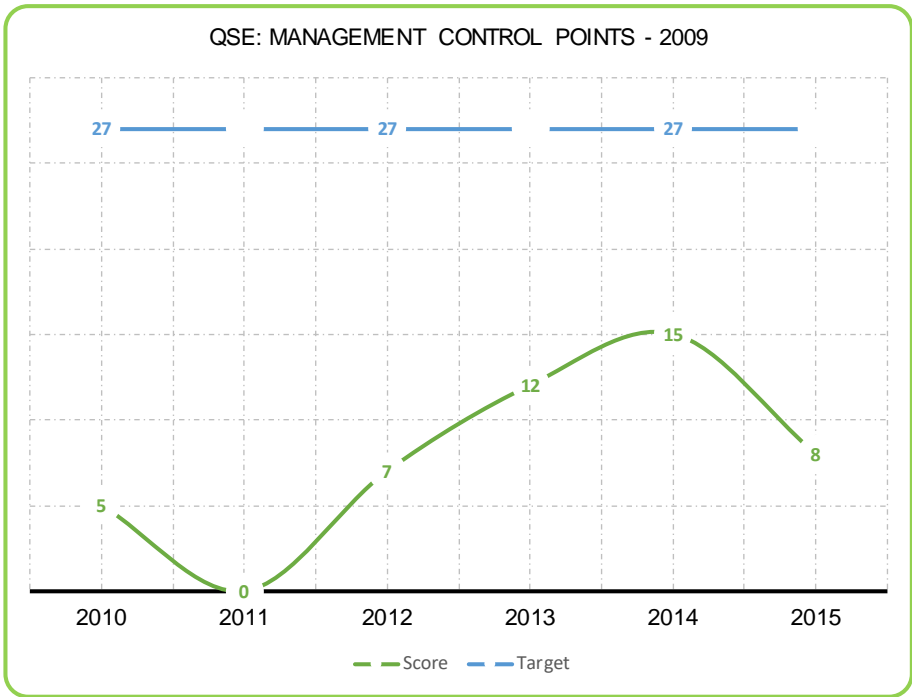


Figure 33: QSE Management Control: Actual scores vs. target (2009 Sector Code)

In Figure 34 the change in percentage deviation from the beginning to the end of the period quantifies how companies performed over the period. Success in the implementation of the management control element could only be realised over a deviation range of 20%. The element still finished the period at a high 69% deviation from target..



Figure 34: QSE Management Control: % deviation from target (2009 Sector Code)

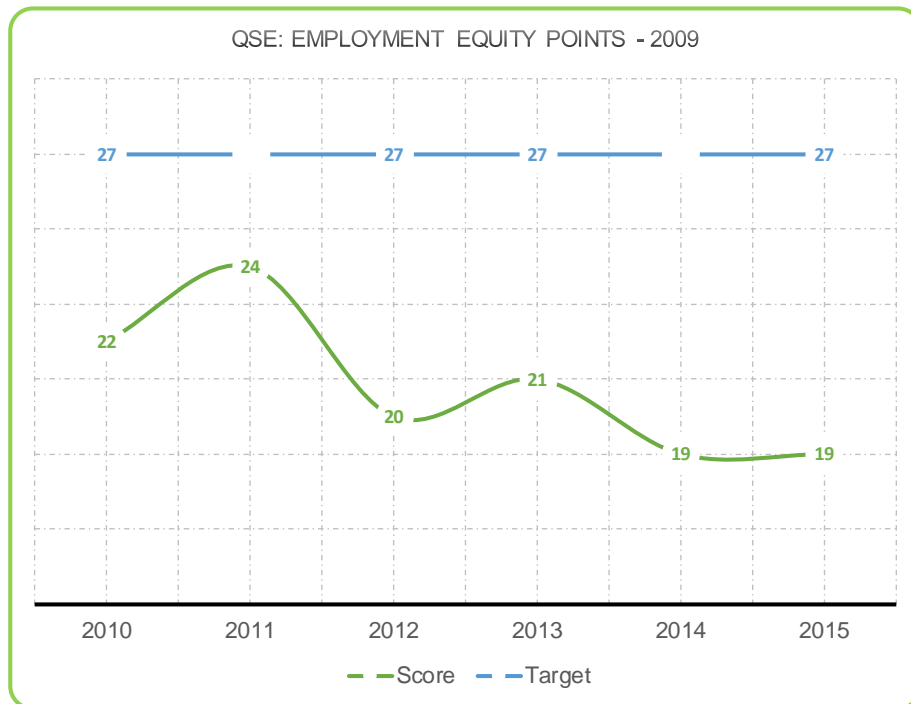


Figure 35: QSE Employment Equity: Actual scores vs. target (2009 Sector Code)

In Figure 36, the percentage deviation moved from 18% in 2010 to 11% in 2011 and then deteriorated again to 29%. Overall, this displayed poor performance on the part of QSEs as the gap between actual scores and the target worsened from 18% to 29%, i.e. by 11 points.

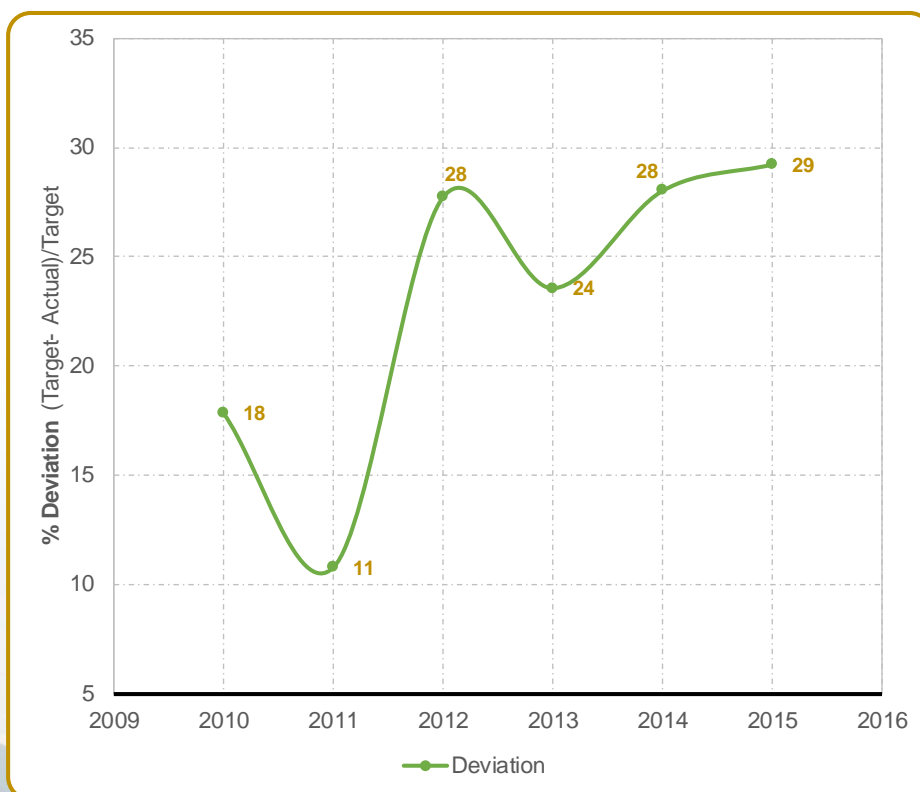


Figure 36: QSE Employment Equity: % deviation from target (2009 Sector Code)

In Figure 37, skills development displayed a tight Range-bound performance, with a maximum score of 9. Our assessment is that there were very limited resources available to direct at implementation or perhaps a low willingness to execute the necessary plans and initiatives.

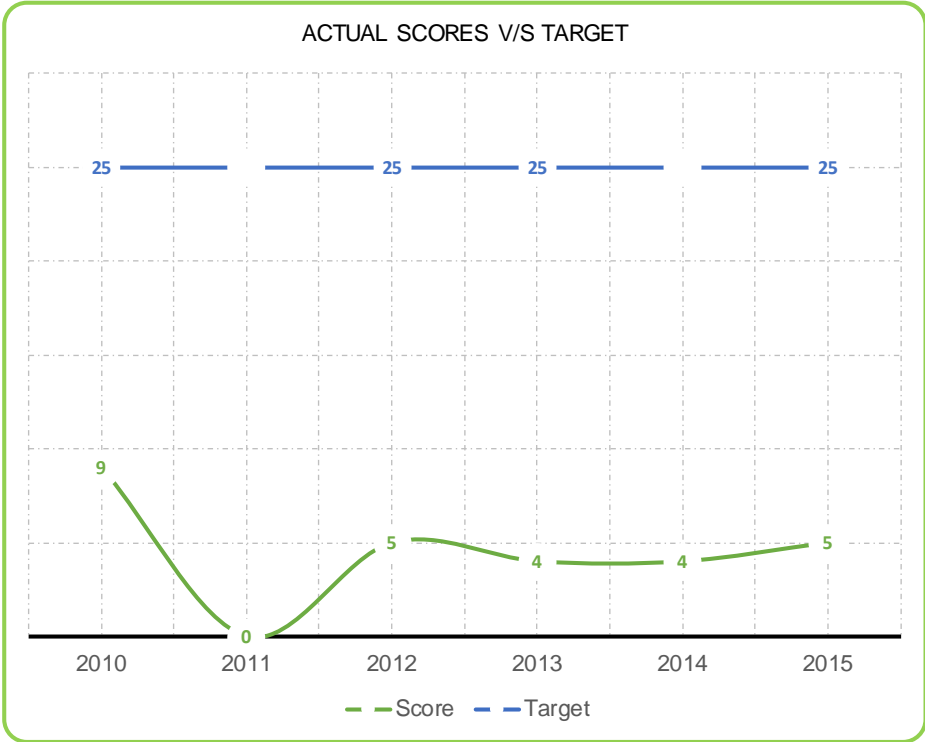


Figure 37: QSE Skills Development: Actual scores vs. target (2009 Sector Code)

Figure 38 shows sharp movements in terms of the percentage deviation. After a sharp decline between 2010 and 2011, skills development performance essentially stagnated at a deviation of 82%. This was more than 80% off target and highlights how difficult the implementation of skills development was over the period or reflects management choices that took the focus away from skills development.



Figure 38: QSE Skills Development: % deviation from target (2009 Sector Code)

In Figure 39, performance in terms of preferential procurement exhibited the Range-bound trend, moving between 21 and just below 16 points. It is clear that the implementation of preferential procurement did achieve some successes that would contribute significantly towards transformation.

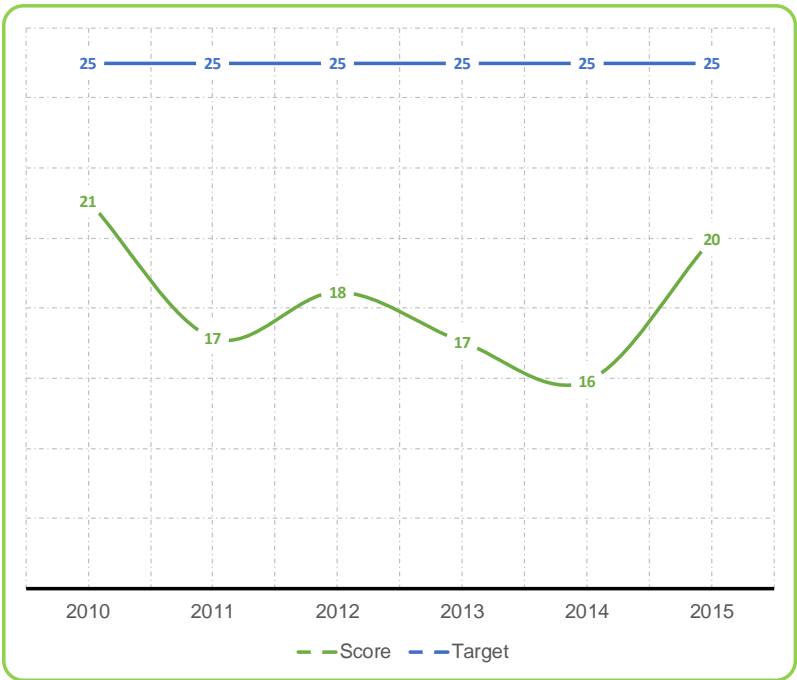


Figure 39: QSE Preferential Procurement: Actual scores vs. target (2009 Sector Code)

Figure 40 shows a Range-bound trend for preferential procurement from a percentage deviation point of view. The erratic pattern points to a lack of clear successes in the selected implementation plans. The figure shows that preferential procurement started from a relatively strong base before moving into a pattern of decline and recovery within a deviation band of 16%-36%.

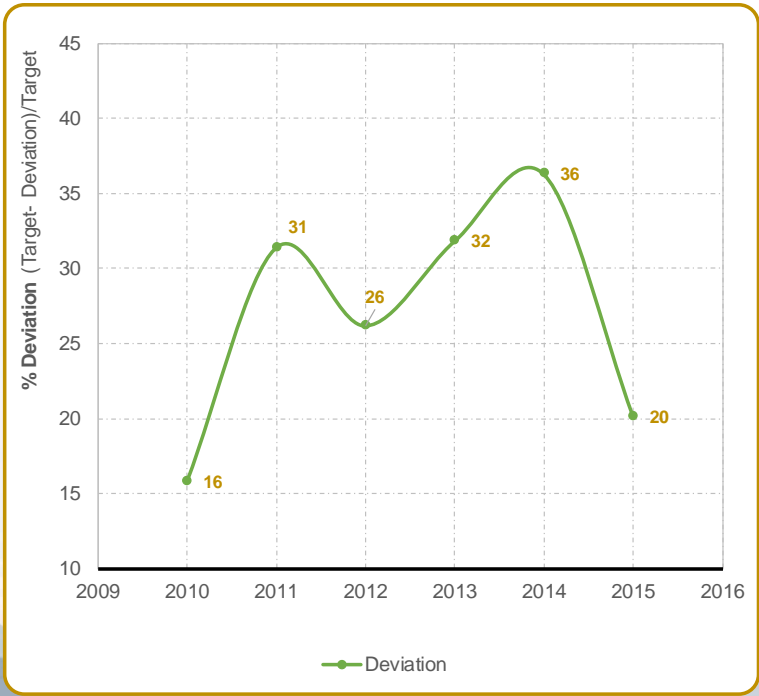


Figure 40: QSE Preferential Procurement: % deviation from target (2009 Sector Code)

In Figure 41, performance by QSEs in terms of enterprise development similarly shows a Range-bound trend. This may point to a lack creativity or willingness to implement workable solutions to ensure the success of preferential procurement programmes.

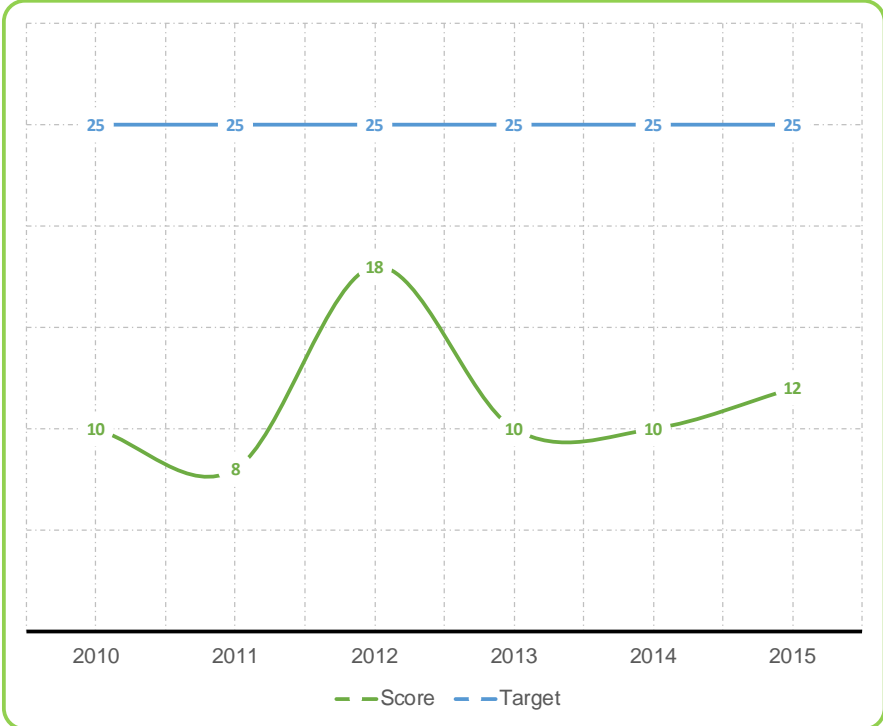


Figure 41: QSE Enterprise Development:Actual scores vs. target (2009 Sector Code)

In Figure 42, performance in terms of enterprise development again showed the Range-bound trend. Performance was directionless before stabilising in the deviation range of 29%-61%. Therefore, enterprise development appears to be another element where organisations failed to clearly show improvements in implementation.



Figure 42: QSE Enterprise Development: % deviation from target (2009 Sector Code)

In Figure 43, there is a Down-Up trend in terms of socio-economic development. There was a clear deterioration in performance from 2010, which reached a turning point in 2013. The improvement from 2013 was shallower than the decline in the previous years. Companies ended the period at just over half the points set in the target.

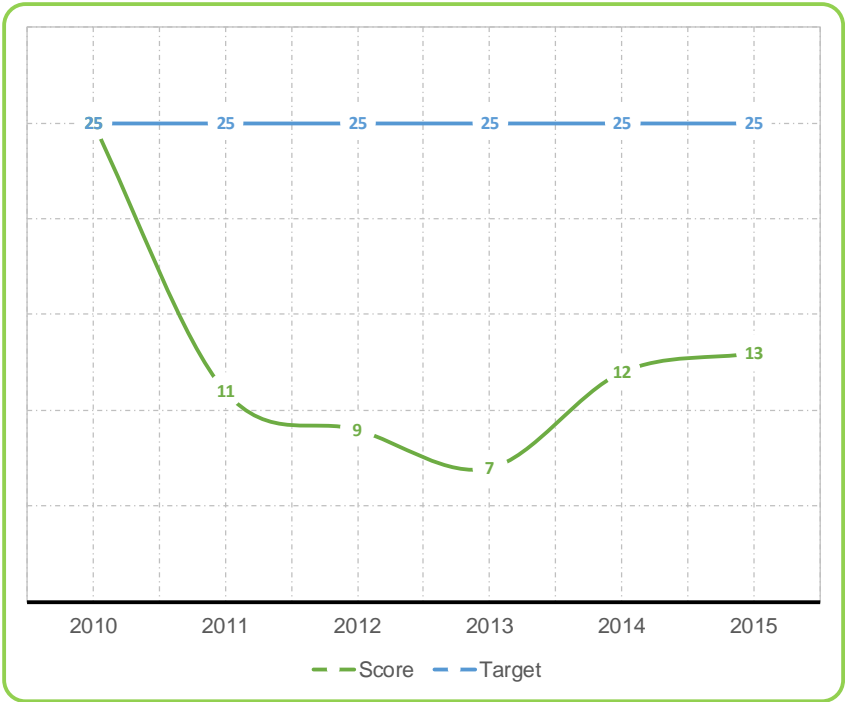


Figure 43: QSE Socio-Economic Development:Actual scores vs. target (2009 Sector Code)

Figure 44 shows a sharp decline in performance from 2010, with dramatic growth in the percentage deviation. The end of the period showed some recovery but not enough to restore the earlier successes. Therefore, QSEs performed poorly in implementing this element.

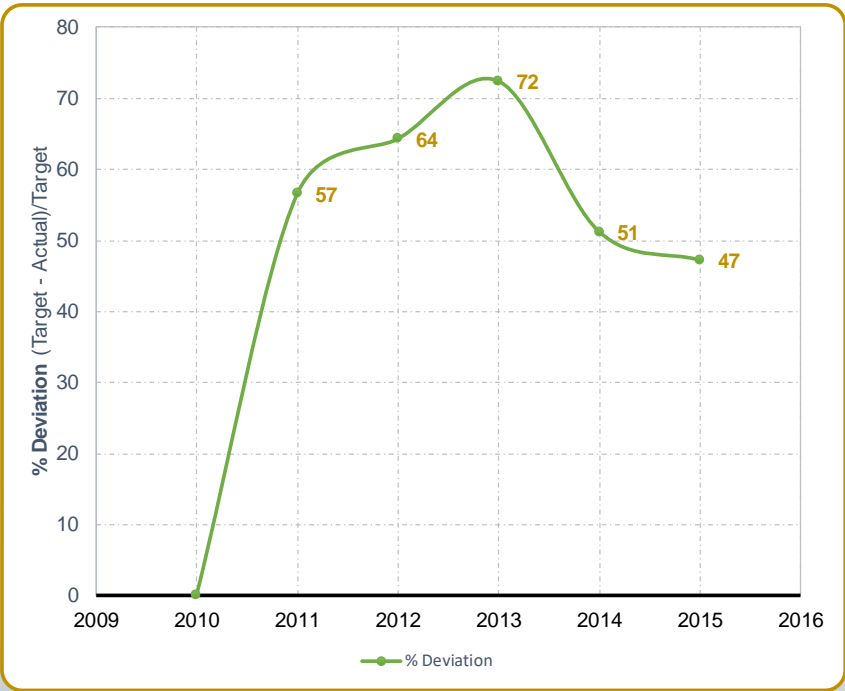


Figure 44: QSE Socio-Economic Development: % deviation from target (2009 Sector Code)

Overall, QSEs performed poorly against the 2009 Sector Code. There were three distinct patterns of behaviour:

i) **Down-Up and Up-Down trends**

These patterns were evident with ownership and management control. Initially there was some measure of implementation success, but it was followed by poor performance. This points to the existence of some clear implementation plans but for some reason (due to their unsustainable nature) they stalled or were abandoned.

ii) **Range-bound trend**

This trend applied to five elements: skills development, enterprise development, preferential procurement, socio-economic development and employment equity. It would appear that organisations failed in their implementation plans. This is associated with constraints as far as physical resources were concerned or an unwillingness to optimise their implementation strategies. The qualitative study revealed that there could have been a number of reasons for implementation problems, including difficulty in understanding the requirements of the Sector Code and the cost and complexity of implementation, or simply poor resource allocation.

The Range-bound trend dominated the performance of QSEs. As mentioned earlier, this trend normally points to some constraints in terms of implementation. The repetitive pattern points to some persistent issues that are not being resolved by management. It may also signal a lack of attention by management to regular issues regarding transformation. Ultimately, QSEs performed poorly against the 2009 Sector Code.

12.2.3 Analysis of QSE performance against the 2015 Sector Code

All graphs in this section were constructed from annual averages of all available data per element. The annual analysis was to show emerging trends and patterns of performance during the period under review.

In Figure 45, there is a clear Upward trend, with points increasing from 10 to just short of target. QSEs seem to have enjoyed a high level of success in terms of the ownership element.

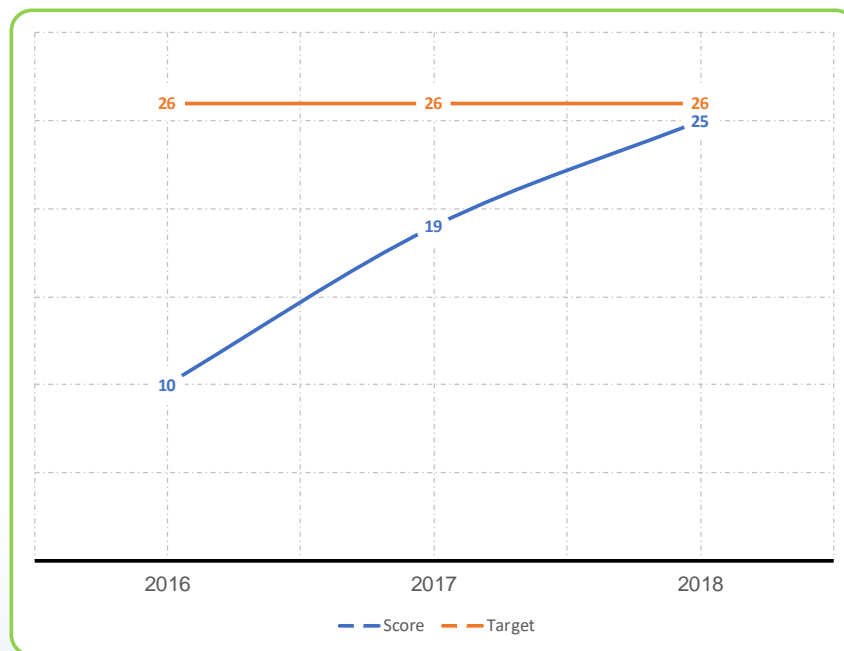


Figure 45: QSE Ownership: Actual scores vs. target (2015 Sector Code)

Figure 46 shows an Upward trend in performance. The percentage deviation declined sharply from 63%, which signals a substantial improvement in terms of ownership after 2016. The deviation fell from about 61% in 2016 to just under 3% in 2018, which is just off target. Given the data on hand, it appears that implementation in terms of ownership was much more successful under the 2015 Sector Code or, alternatively, companies had better-defined strategies than under the 2009 Sector Code.

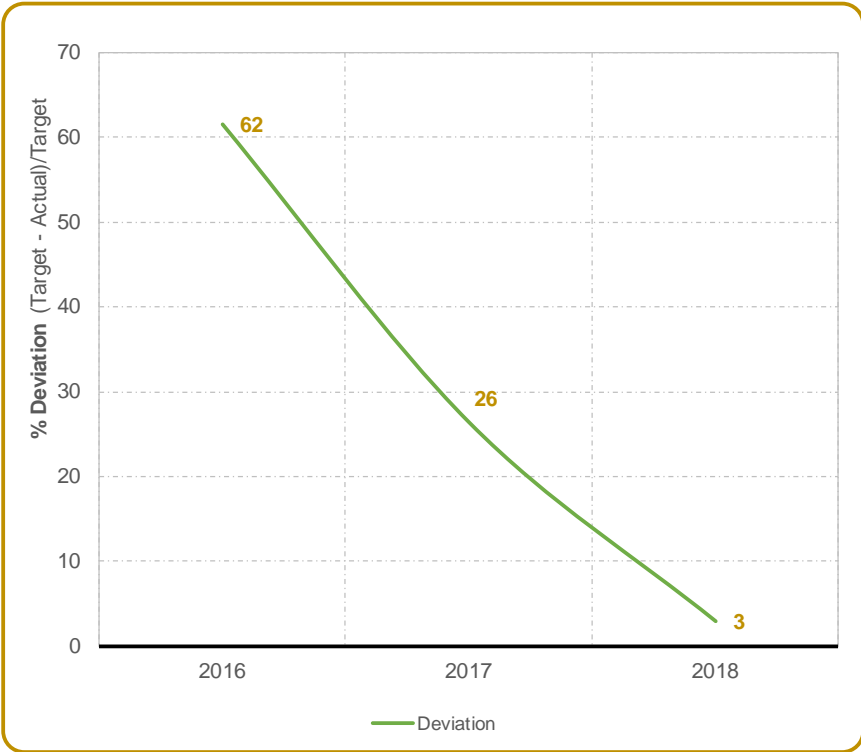


Figure 46: QSE Ownership: % deviation from target (2015 Sector Code)

In Figure 47, 2016 highlighted an issue with scores reported during a transitional year, i.e. the scores were collected and reported out of sync with the 2015 Sector Code targets. Performance in relation to management control was very close to target under the 2015 Sector Code



Figure 47: QSE Management Control: Actual scores vs. target (2015 Sector Code)

Figure 48 shows that the implementation of management control was poor, with the deviation deteriorating from well above target (-73%) in 2016 to moderately off target (11%) in 2018 at the end of the period. Despite having a strong foundation of performance below target, organisations could not maintain these levels and performance tapered off. Overall, there was a Downward trend.

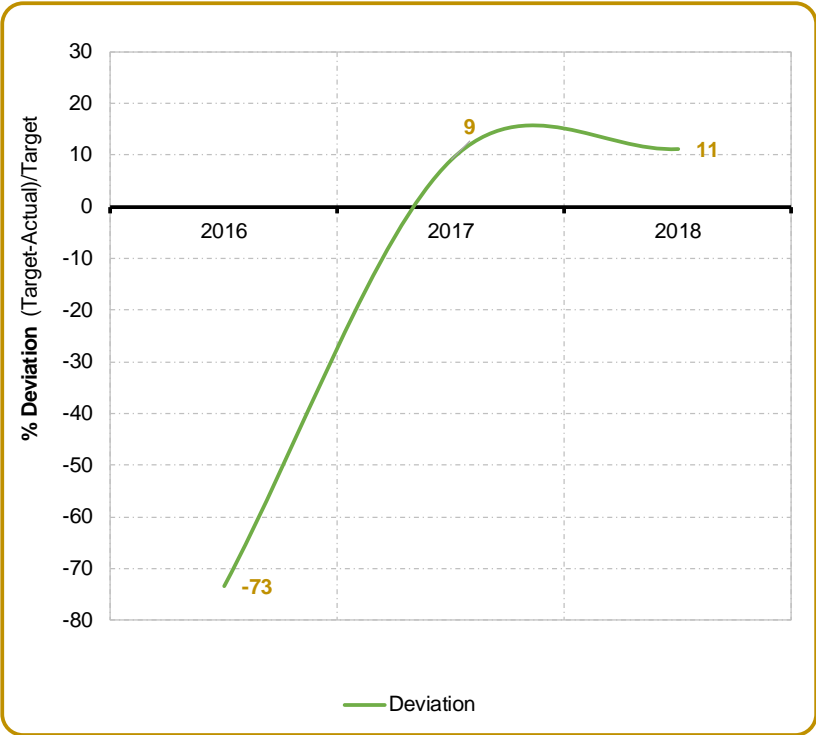


Figure 48: QSE Management Control: % deviation from target (2015 Sector Code)

Figure 49 shows another Upward trend, indicating rising improvement in terms of implementation of the skills development element. Skills development was executed to the same extent as ownership.

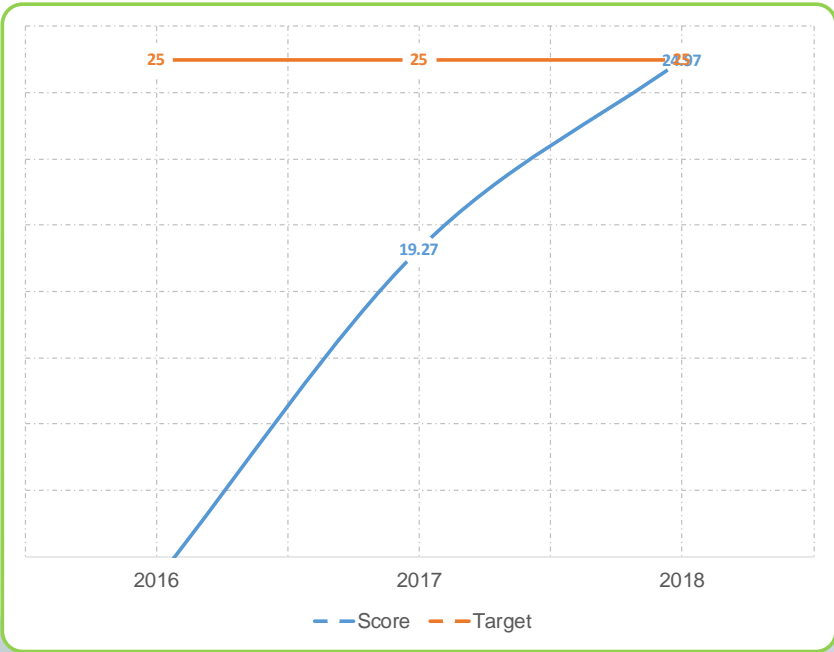


Figure 49: QSE Skills Development: Actual scores vs. target (2015 Sector Code)

In Figure 50, a progressively smaller deviation was observed each year from 2016, which is an indication of improved performance in terms of skills development implementation. Performance in 2018 was essentially on target.

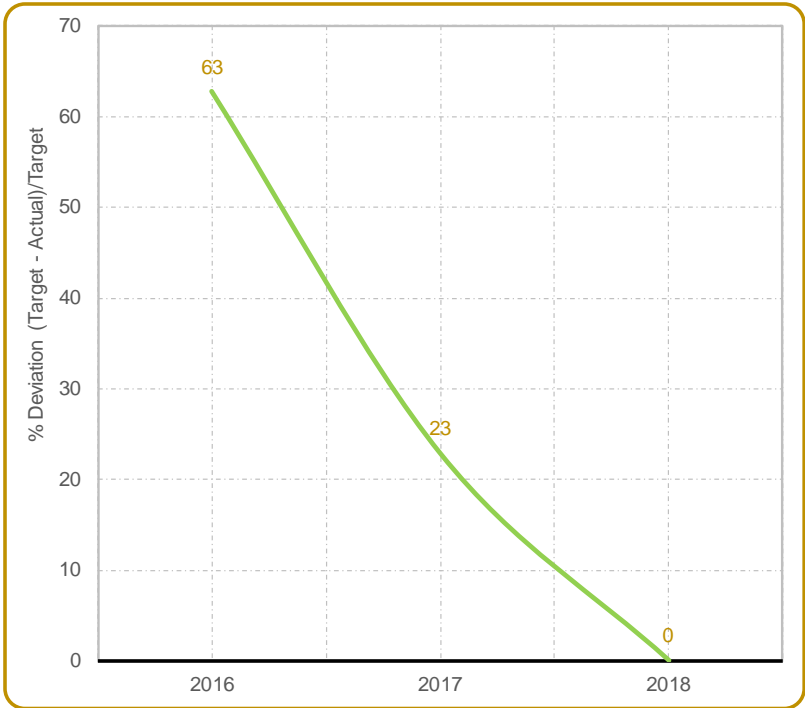


Figure 50: QSE Skills Development: % deviation from target (2015 Sector Code)

Figure 51 shows a Down-Up trend. Performance dropped to a minimum of 26 points in 2017 but gradually improved to be essentially on target with 29 points in 2018.

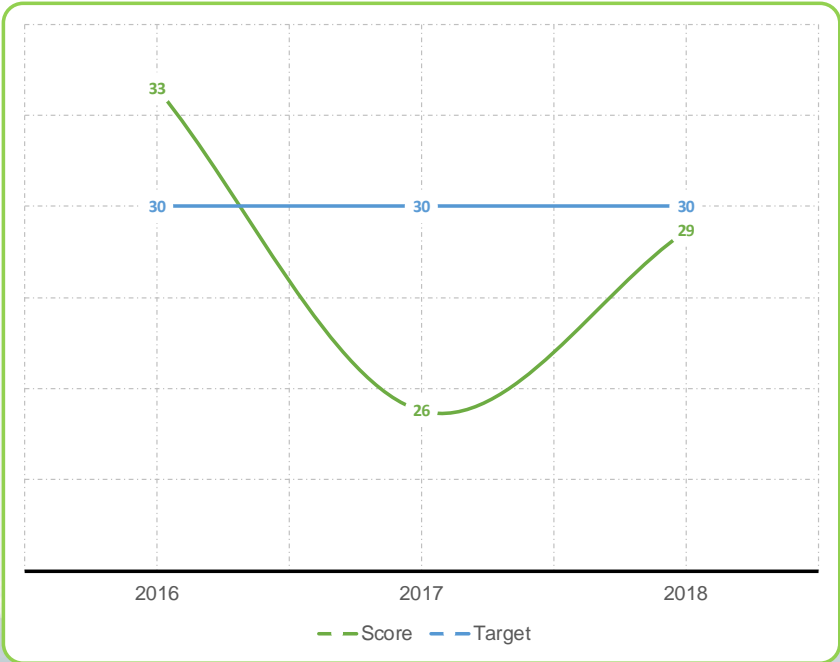


Figure 51: QSE Enterprise and Supplier Development: Actual scores vs. target (2015 Sector Code)

Figure 52 shows a percentage deviation in line with the actual scores vs. target (Figure 51). The gap between the achieved scores and the target reached a maximum of 15% in 2017 and then narrowed again to 2% in 2018, indicating performance that was almost on target.

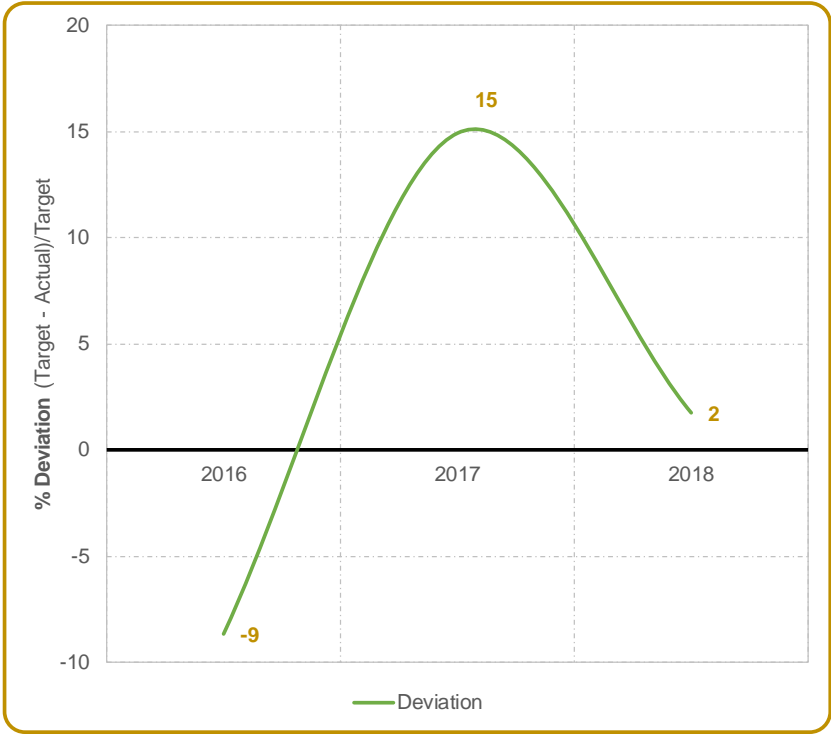


Figure 52: QSE Enterprise and Supplier Development: % deviation from target (2015 Sector Code)

In Figure 53, performance against the socio-economic element indicated the same trend as management control. Despite the actual scores declining between 2016 and 2018, it was evident that overall, organisations performed well against this element as the scores were above target in 2016 and 2018.

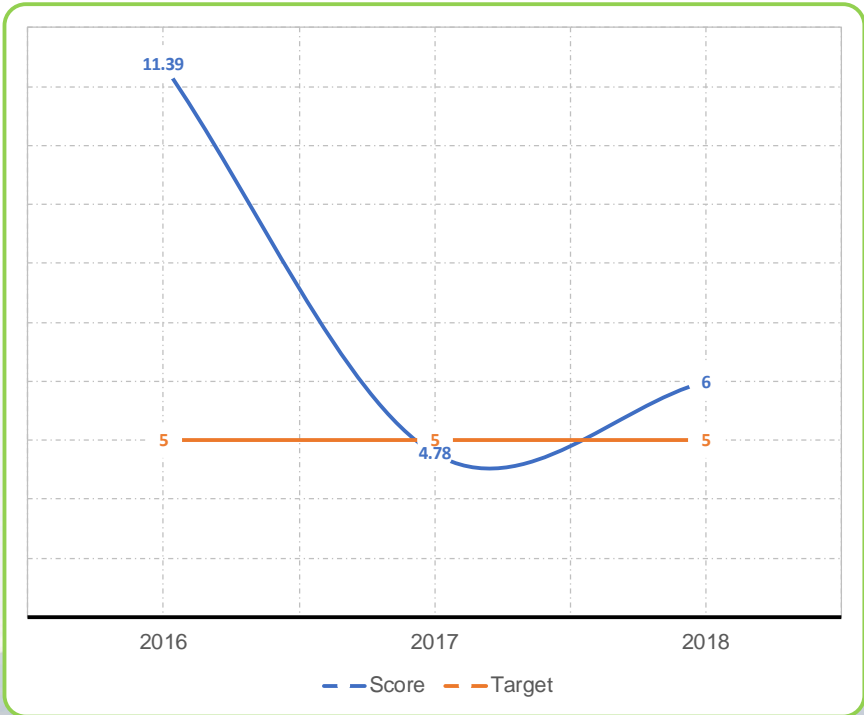


Figure 53: QSE Socio-Economic Development: Actual scores vs. target (2015 Sector Code)

Figure 54 shows that in terms of socio-economic development (if the score in 2016 is taken into account) performance by organisations was initially poor as they started off the period with high scores, which trended back down towards target in 2017. This reflects a deterioration of performance. Performance then showed a modest improvement towards the end of the period. All this reflects erratic behaviour, probably due to ineffective implementation plans.

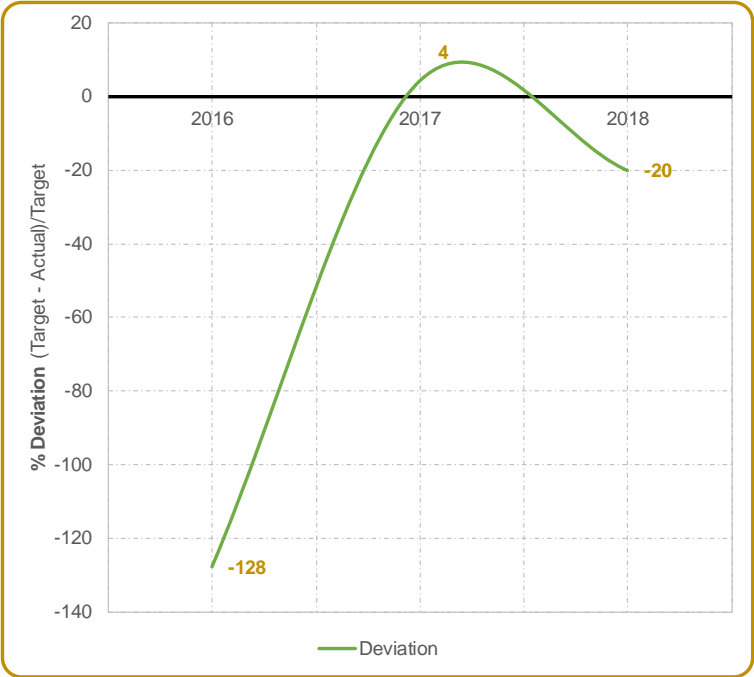


Figure 54: QSE Socio-Economic Development: % deviation from target (2015 Sector Code)

Overall, QSE performance against the 2015 Sector Code indicated that management control, enterprise and supplier development, and socio-economic development all exhibited the same Down-Up trend where performance reached a minimum at some point and started improving again. Overall, QSEs performed well against the 2015 Sector Code. Ownership and skills development displayed the Upward trend, indicating progressive improvement in implementation. These two elements also ended the assessment period essentially on target.

Figure 55 completes the QSE performance picture by showing the overall performance for the period 2016-2018. Socio-economic development had the best deviation (-70%) and ownership the worst (+62%). Even though the actual deviations were different, the trends exhibited during their implementation showed some improvements after a point of minimum performance in 2017.

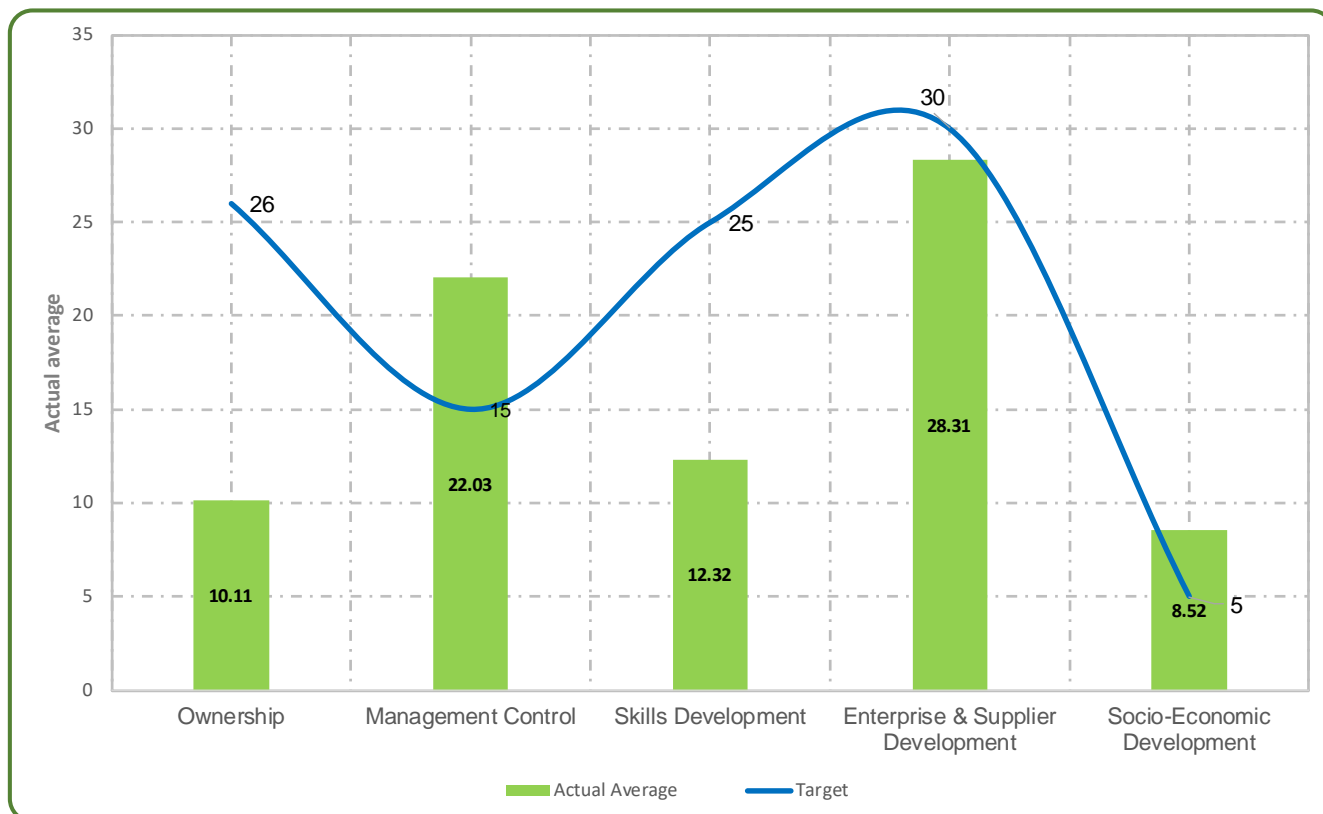


Figure 55: QSE overall performance against the 2015 Sector Code

12.2.4 QSE comparative analysis of performance against the 2009 and 2015 Sector Codes

Unlike the data presented in previous figures and tables, Figure 56 and Table 17 show percent deviations per element, calculated from the average scores per year in the period in which each Sector Code was applicable. For the original Sector Code of 2009, performance data was for the period 2010-2015. For the Amended Sector Code of 2015, performance data was for the period 2016-2018.

Table 17 offers a performance comparison in terms of scores attained for each element against the original Sector Code of 2009 and the Amended Sector Code of 2015. Figure 56 shows that deviations from target for all elements were much greater under the 2009 Sector Code, while under the 2015 Sector Code deviations were less pronounced.

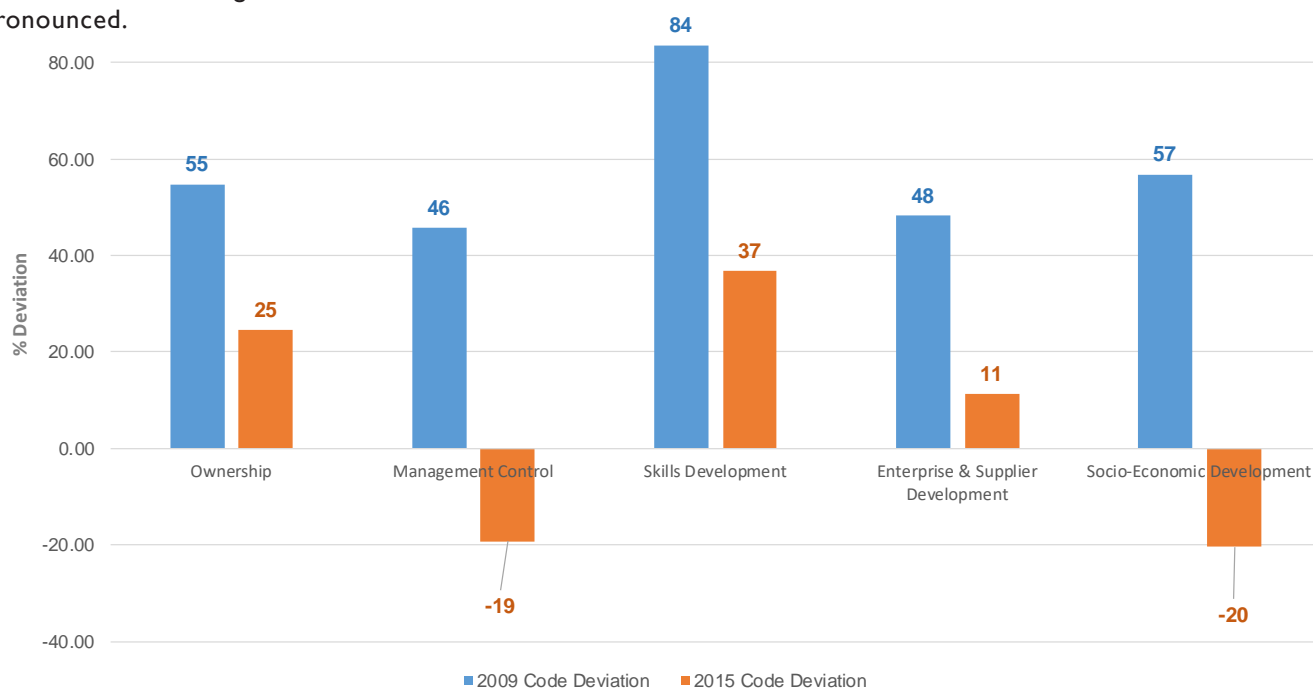


Figure 56: QSE comparative performance against 2009 and 2015 Sector Codes

Table 17: QSE comparative performance against 2009 and 2015 Sector Codes

Score card elements	2009 Sector Code deviation	2015 Sector Code deviation	Difference in deviation
Ownership	55 %	25%	30%
Management Control	46 %	-19%	65%
Skills Development	84%	37%	47%
Enterprise and Supplier Development	48%	11%	37%
Socio-economic development	57%	-20%	77%

In general, QSEs have been more successful in implementing the 2015 Sector Code than the 2009 Sector Code. This is evidenced in the deviations from target being much smaller in respect of all the elements in the 2015 Sector Code.

12.3 CODE STRUCTURE ANALYSIS

An analysis of the 2009 Sector Code and the 2015 Sector Code highlighted the differences between the two structures, which in turn helped to quantify the two Sector Codes' respective contributions to performance. Clarifying the requirements for each scorecard element will improve performance as reporting will have more focused objectives for ensuring compliance.

The 2009 Sector Code was used as the reference for any changes. The structural issues examined were:

- i) New/extra sub-elements included in the 2015 Sector Code that were not part of the 2009 Sector Code.
- ii) Differences in the weighting point allocation for similar sub-elements;
- iii) New financial contributions that increase the financial obligation; and
- iv) Non-financial obligations leading to Sector Code complexity and therefore difficulty in implementation.

12.3.1 QSE scorecard analysis

The original 2009 Sector Code was used as a basis for all the changes. What should be noted is that with the collapse of the seven elements into five, the sub-elements were collapsed as well. The ensuing analysis includes some assumptions that were made to maintain alignment.

Table 18: Structure of the Sector Codes: QSE Ownership

2009 measurement criteria	2009 weighting	2015 Measurement criteria	2015 weighting	Change in points
Exercisable voting rights in the enterprise in the hands of black people	6	Exercisable voting rights in the enterprise in the hands of black people	5	-1
Economic interest of black people in the enterprise	9	Economic interest in the entity to which black people are entitled	5	-4
Net value	9	Realisation points – Net Value	8	-1
No matching sub-element in 2009	0	Exercisable voting rights in the enterprise in the hands of black women	2	+2
No matching sub-element in 2009	0	Economic interest of black women in the enterprise	3	+3
No matching sub-element in 2009	0	Economic interest of black new entrants or black designated groups	3	+3
	3	Net change		2

The introduction of measurement criteria for black women explains the increase in ownership of 1 point out of the total target points. The economic interest of black people fell by 4 points in the 2015 Sector Code, while exercisable voting rights fell by 1 point and the net value fell by 1 point. These changes made it easier to adopt the criteria as the lower point allocation per measurement category put them closer to the target.

There was generally a clearer breakdown of requirements into smaller sub-elements in the Amended 2015 Sector Code than in the original 2009 Sector Code. This action normally results in clearer objectives and therefore easier-to-meet requirements. However, this is balanced out by the relative ease or willingness with which companies are able to find suitable people.

Table 19: Structure of the Sector Codes: QSE Management Control

2009 measurement criteria	2009 weighting	2015 Measurement criteria	2015 weighting	Change in points
Black representation at top management level	25	Exercisable voting rights in the enterprise in the hands of black people	5	-18
			2	
Black employees in management as a % of all managers	15	Economic interest in the entity to which black people are entitled	6	-7
			2	
Black employees as a % of total staff; 70% bonus points for meeting or exceeding the EAP target	10	No matching sub-element in 2015	0	10
No matching sub-element in 2009	0	Bonus number of black employees with disabilities as a percentage of total employees	2	+2
	3	Net change		-33

A major assumption is that black representation at top management level in the original Sector Code of 2009 equates to black and black female representation at executive management level in the Amended Sector Code of 2015.

It is further assumed that black employees in management as a percentage of total management equates to black representation plus black female representation in senior, middle and junior management.

The decrease in points for black representation has bridged the gap with black female representation at executive level, thus allowing for easier implementation. The decrease in points for black employees represented at senior, middle and junior management level has also made it easier to achieve and/or outperform the target.

Table 20: Structure of the Sector Codes: QSE Skills Development

2009 measurement criteria	2009 target points	2015 Measurement criteria	2015 target points	Change in target points
% of payroll spend on skills development for black employees using the Adjusted Recognition for Gender	25	Skills development expenditure on any programme specified in the Learning Programme Matrix for black people in the three tourism sub-sectors	10	-6
		Skills development expenditure on any programme specified in the Learning Programme Matrix for black females in the three tourism sub-sectors	9	
No sub-element in 2009	0	The number of black people participating in learnerships, apprenticeship and internships paid for by the measured entity as a percentage of total employees	6	6
	3	Net change		+0

There was an assumption that in the original Sector Code of 2009 a percentage of the payroll was spent on skills development for black employees using the Adjusted Recognition for Gender. This translates, in the Amended Sector Code of 2015, into skills development expenditure on any programme specified in the Learning Programme Matrix for Black People and Black Females, respectively, in the three tourism sub-sectors and the number of black people participating in learnerships, apprenticeships and internships paid for by the measured entity as a percentage of total employees.

The inclusion of additional measurement criteria under the 2015 Sector Code has made implementation easier. This is because under the 2009 Sector Code all points were allocated in one basket, which constituted the percentage of payroll spend on black employees only.

Table 21: Structure of the Sector Codes: QSE Enterprise and Supplier Development

2009 measurement criteria	2009 weighting	2015 Measurement criteria	2015 weighting	Change in points
B-BBEE procurement as a % of total measurable procurement	25	B-BBEE procurement spend from all empowering suppliers based on the B-BBEE procurement recognition levels as a percentage of total measured procurement spend	5	-20
No matching sub-element in 2009	0	B-BBEE procurement spend from all empowering suppliers based on the B-BBEE procurement recognition levels as a percentage of total measured procurement spend	9	+9
Average annual value of qualifying enterprise development contributions	25	Annual value of all qualifying enterprise development contributions made by the measured entity as a percentage of the target	5	-20

	0	Annual value of all qualifying supplier development contributions made by the measured entity as a percentage of the target	10	+10
		Net Change		-21

The assumption arrived at in the analysis was that the B-BBEE procurement as a percentage of total measurable procurement in the 2009 Sector Code translates, in the 2015 Sector Code, into B-BBEE procurement spend from all empowering suppliers, which is based on the B-BBEE procurement recognition levels as a percentage of total measured procurement spend.

These additional measurement criteria in the 2015 Sector Code make implementation easier as there is more guidance provided in the differentiation between enterprise and supplier development contribution spending and the allocation of points – hence, the spike in the ESD element.

Table 22: Structure of the Sector Codes: QSE Socio-Economic Development

2009 measurement criteria	2009 weighting	2015 Measurement criteria	2015 weighting	Change in points
Average annual value of qualifying socio-economic development contributions	15	Annual value of all qualifying socio-economic development contributions by the measured entity as a percentage of the target	5	-10
% of black new recruits with no prior work experience as a percentage of all new recruits adjusted using the recognition factor for gender	2.5	No sub-element in 2015	0	-2.5
Status of TOMSA levy collector	7.5	No sub-element in 2015	0	-7.5
		Net Change		-20

Higher scorecard targets were set in the original 2009 Sector Code, with 25 points allocated to the measurement criteria. In the Amended 2015 Sector Code, 5 points were allocated to the measurement criteria, thus making implementation easier. This is indicative of QSEs' consistent commitment towards socio-economic development.

12.3.2 LE scorecard analysis

Table 23: Structure of the Sector Codes: LE Ownership

2009 measurement criteria	2009 target points	2015 Measurement criteria	2015 target points	Change in target points
Exercisable voting rights in the enterprise in the hands of black people	3	Annual value of all qualifying socio-economic development contributions by the measured entity as a percentage of the target	4	+1
Economic interest of black designated groups; ESOPs; co-operatives	1	Economic Interest of any of the following black natural persons in the measured entity: black designated groups; black participants in employee share ownership programmes; black people in broad-based ownership schemes; black participants in co-operatives	3	+2
No sub-element in 2009	0	Black new entrants	4	+4
Net value	7	Net Value	8	-20
Realisation points: ownership fulfilment	1	No sub-element in 2015	0	-1
		Net Change		+7

The increase in points for the measurement criteria in the ownership element could possibly have made it more difficult for LEs to adhere to the more stringent requirements of the 2015 Sector Code.

The increase in the points for the economic interest of additional black groups and for black new entrants could result in less inclination to implement the 2015 Sector Code as there are fewer black new entrants in LE markets.

Table 24: Structure of the Sector Codes: LE Management Control

2009 measurement criteria	2009 target points	2015 Measurement criteria	2015 target points	Change in target points
Black other top management using Adjusted Recognition for Gender	3	No sub-element in 2015	0	-3
Black senior management representation	3.5	No sub-element in 2015	0	-2.5
Black middle management representation	3.5	Black employees and black female employees in middle management as a percentage of all middle management	3	-0.5
Black junior management representation	3.5	Black employees and black female employees in junior management as a percentage of all junior management	2	-1.5
		Net Change		-9.5

Because of a lower overall weighting of 19 points in the 2015 Sector Code compared to 24 points in the 2009 Sector Code, and the additional point allocated to black employees with disabilities, it is easier to adhere to the 2015 Sector Code.

Table 25: Structure of the Sector Code: LE Skills Development

2009 measurement criteria	2009 target points	2015 Measurement criteria	2015 target points	Change in target points
% of payroll spend on skills development for black employees using the Adjusted Recognition for Gender	7.5	Skills development expenditure on any programme specified in the Learning Programme Matrix for Black People in any of three tourism sub-sectors of hospitality, travel and accommodation	5	-2.5
% of payroll spend on skills development for black disabled employees using the Adjusted Recognition for Gender	1.5	Skills development expenditure on learning programmes specified in the Learning Programme Matrix for Black People with Disabilities in any of the above three tourism sub-sectors	3	+1.5
Black middle management representation	9	Number of black employees participating in learnerships, apprenticeships and internships paid for by the measured entity as a percentage of total employees	8	-1
Black junior management representation	0	Number of black unemployed learners participating in learnerships, apprenticeships and internships paid for by the measured entity as a percentage of total employees	4	+4
		Net Change		2

There is an assumption that the percentage of payroll spend on skills development for black employees and black disabled employees using the Adjusted Recognition for Gender in the original Sector Code of 2009 translates, in the Amended Sector Code of 2015, into skills development expenditure on any programme specified in the Learning Programme Matrix for Black People and Black People with Disabilities in any of the following three tourism sub-sectors: hospitality, travel and accommodation.

The introduction of additional measurement criteria, along with their respective points and specific details, provides more guidance on how to effectively invest in skills development. This makes it easier to adhere to the 2015 Sector Code.

Table 26: Structure of the Sector Codes: LE Enterprise and Supplier Development

2009 measurement criteria	2009 target points	2015 Measurement criteria	2015 target points	Change in target points
B-BBEE procurement as a % of total measurable procurement	12	B-BBEE procurement spend from all empowering suppliers based on the B-BBEE procurement recognition levels as a percentage of total measured procurement spend	5	-7
QSE and EME spend as a % of total measurable procurement	3	B-BBEE procurement spend from all em-powering suppliers that are Qualifying Small Enterprises based on the B-BBEE procurement recognition levels as a per-centage of total measured procurement spend	3	0
No sub-element in 2009	3.5	B-BBEE procurement spend from all Exempted Micro Enterprises based on the B-BBEE procurement recognition levels as a percentage of total measured procurement spend	4	+4

B-BBEE procurement from 50% black-owned enterprises and 30% women-owned enterprises	5	B-BBEE procurement spend from all empowering suppliers that are at least 51% black-owned based on the applicable B-BBEE procurement recognition levels as a percentage of total measured procurement spend	9	-8
		B-BBEE procurement spend from all empowering suppliers that are at least 30% black-women-owned based on the applicable B-BBEE procurement recognition levels as a percentage of total measured procurement spend	4	
No sub-element in 2009	0	Annual value of all the qualifying supplier development contributions made by the measured entity as a percentage of the target	10	+10
Average annual value of qualifying enterprise development contributions	10	Annual value of all the qualifying enterprise development contributions and sector-specific contributions made by the measured entity as a percentage of the target	5	-5
		Net Change		-6

As there were four measurement criteria to comply with in the 2009 Sector Code with a lower point allocation compared to the 2015 Sector Code with its seven measurement criteria and higher point allocation, it is evident that implementation was easier under the 2009 Sector Code as the requirements were less stringent.

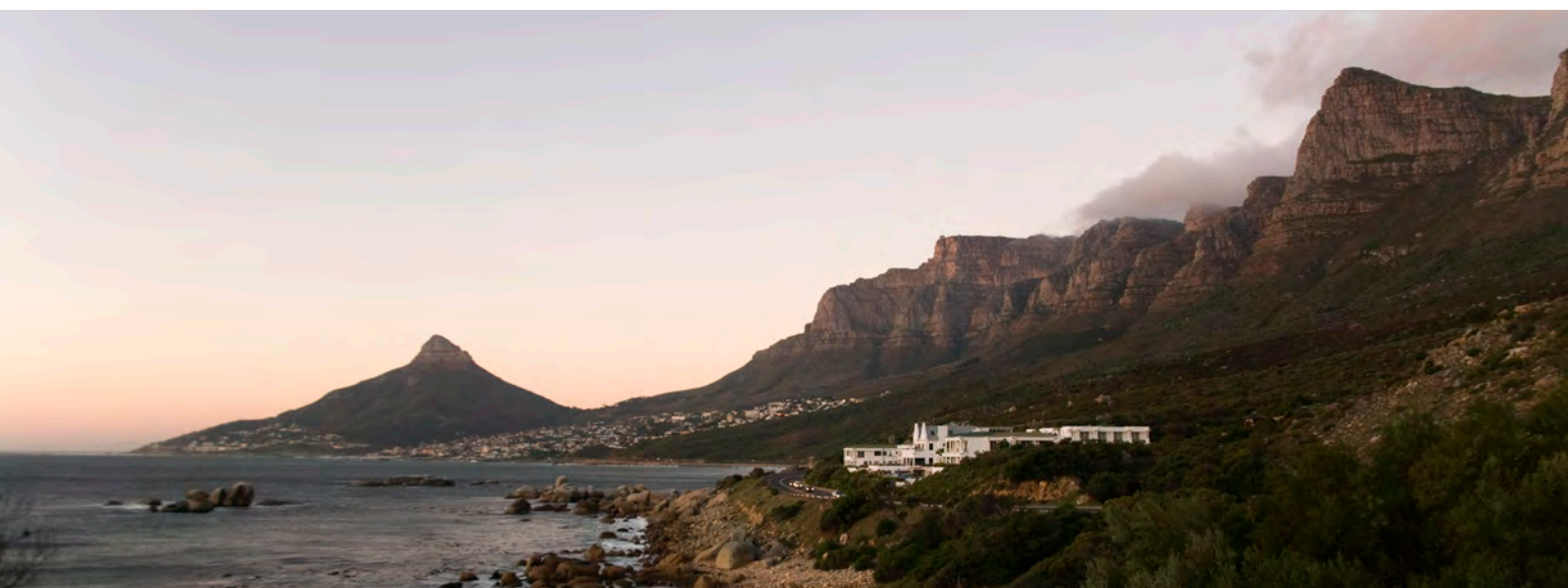


Table 27: Structure of the Sector Code: LE Socio-Economic Development

2009 measurement criteria	2009 target points	2015 Measurement criteria	2015 target points	Change in target points
Average annual value of qualifying socio-economic development contributions	6	Annual value of all qualifying socio-economic development contributions by the measured entity as a percentage of the target	5	-1
% of black new recruits with no prior work experience as a percentage of all new recruits adjusted using the recognition factor for gender	1	No sub-element in 2015	0	-1
Status of TOMSA levy collector	3	No sub-element in 2015	0	-3
		Net Change		-5

It is evident from Table 27 that as only 5 points are allocated to 1 measurement category in the 2015 Sector Code compared to 10 points allocated over 3 measurement categories in the 2009 Sector Code, it is therefore easier to adhere to the 2015 Sector Code.

12.4 COMPLIANCE RISKS POSED BY FINANCIAL PRESSURES ON REPORTING COMPANIES

12.4.1 Large Enterprises (LEs)

The financial risks faced by LEs will be felt in respect of the following elements:

- Supplier development: The annual value of all qualifying supplier development contributions made by the measured entity as a percentage of the target of 3% of NPAT.
- Enterprise development: The annual value of all qualifying enterprise development contributions and sector-specific contributions made by the measured entity as a percentage of the target of 0.5% of NPAT.
- Socio-economic development: The annual value of all qualifying socio-economic development contributions by the measured entity as a percentage of the target of 0.5% of NPAT.

12.4.2 Qualifying Small Enterprises (QSEs)

The financial risks faced by QSEs will be felt in respect to the following elements:

- Supplier development: The annual value of all the qualifying supplier development contributions made by the measured entity as a percentage of the target of 3% of NPAT.
- Enterprise development: The annual value of all the qualifying enterprise development contributions and sector-specific contributions made by the measured entity as a percentage of the target of 1% of NPAT.
- Socio-economic development: The annual value of all qualifying socio-economic development contributions by the measured entity as a percentage of the target of 1% of NPAT.

12.4.3 General compliance risks

Ownership

- Entities might experience a dilution in black ownership should they face financial difficulties as they might have to resort to share buy-backs to meet their short- and long-term debt obligations.
- Entities might not have access to funds to start up their own small businesses and therefore meeting a target of 10% of economic interests in the hands of black new entrants will be unlikely.
- Building satisfactory levels of black ownership in QSEs could be very protracted. This is because it takes time for individuals/entities to ensure that they are in a sufficiently strong financial position as to be able to allocate 30% of exercisable voting rights to black people and 15% of exercisable voting rights to black women.
- Similarly, in LEs, it will take a long time to achieve satisfactory levels of black ownership, evidenced in the realisation of targets of 50% and 30% exercisable voting rights among black board members and black female board members, respectively.
- There is a risk that the number of black people who can vote at shareholder meetings will be restricted, which will have the effect of constraining black people's rights to dividend payments, capital gains and other economic benefits.

Management control

- When faced with financial difficulties, entities are sometimes forced to retrench key staff members with valuable experience or are not able to employ new and experienced staff members who would bring valuable skills to the company. This will impact the ability of the senior management team making sound decisions and introducing effective business policies and strategies.
- Financial difficulties also affect companies' operational activities as possibly over-stretched middle and junior management become responsible for the day-to-day running of the company as well as executing tasks that require a high level of professional knowledge and experience.
- When an LE is experiencing financial strain, it could be difficult to achieve a middle management target of 75% black employees and 35% black female employees and a junior management target of 80% black employees and 40% black female employees.
- QSEs could find it challenging to meet the target of 60% black representation at senior, middle and junior management levels and the target of 30% black female representation at senior, middle and junior management levels.
- In LEs, the challenges associated with meeting the targets at junior, middle and senior management level might adversely impact the participation of black people on the board of directors and possibly also reduce the number of black board members who are executive directors. In view of this, it can be difficult to achieve a target of 50% black representation on the board and 60% of black board members also being executive directors.

Skills development

- When LEs are facing financial constraints, they could be hard-pressed to invest 3% and 3.5% of skills development expenditure in learnerships and apprenticeships for black unemployed learners and black employees, respectively, which are intended to enhance their capabilities and competencies.
- Financial difficulties could also limit QSEs' ability to invest 2.5% of skills development expenditure in learnerships, apprenticeships and internships for black employees.
- Where inadequate training renders staff unproductive or incompetent, LEs and QSEs could face losses if financial management falters and the quality and supply of goods and services are deficient, thus damaging companies' reputation.
- A lack of finances can also restrict companies' ability to absorb interns (which have the advantage of youth and energy) into their operations.
- Most learnerships, internships and training programmes have a relatively short duration (e.g. six months to one year) and may not be sufficient to enhance black interns' or employees' skills to an acceptable level.

Enterprise and supplier development

- Where a company faces the risk of not being a going concern (i.e. operational and making a profit), it might not be able to procure goods and services from local suppliers, which would indirectly impact economic growth and job creation. Since 2014 the South African economy has grown at less than 2% while the official unemployment rate is 27.6%. South Africa's low growth rate is partly attributable to rising administered prices, including the oil price, fuel prices and electricity tariffs, and now the introduction of a carbon tax.
- In the face of very sluggish economic conditions, company liquidations have escalated. Most of these liquidations have been voluntary. Some of the affected sectors include catering, which in turn impacts the hospitality and accommodation sector. Achieving the target of 51% total measured procurement spend from local suppliers has become more difficult.
- Constrained cash flow also implies that it might be difficult for LEs and QSEs to meet the target of obtaining at least 25% of cost of sales from local producers or suppliers in South Africa.
- Financial constraints also pose the risk of LE and QSE service providers not being able to meet the target of paying at least 85% of total labour costs to employees in South Africa.
- Financial difficulties also imply that entities might not have sufficient resources to provide SMMEs with grants or guarantees or securities on loans, or to incur direct costs in assisting and hastening the development of qualifying beneficiary entities.
- Given the amount of time that has passed since South Africa has experienced healthy economic growth figures and in view of the still-depressed state of the economy, it will take a long time before many companies are financially able to support enterprise and supplier development initiatives.

Socio-economic development

- In order for LEs and QSEs to achieve a good standing in terms of their contribution to socio-economic development, a relatively short lead time is required for the allocation of funds so that these can go towards immediate priorities, such as old-age homes, abandoned children's homes and feeding schemes managed by NGOs

12.5 COMPLIANCE-RELATED OPPORTUNITIES FOR THE DEPARTMENT OF TOURISM

Sections -9 and 12.4 outline some of the major barriers standing in the way of companies satisfactorily complying with the Tourism B-BBEE Sector Code. These are generally confined to the operating and compliance environments in which these companies are situated. The Department instituted some awareness campaigns in the past, but greater awareness is needed of the different opportunities, and the merits thereof, for efficiently implementing the scorecard, given the possible challenges outlined in section 12.4.

The following are some of the opportunities:

- i) Direct engagement with the sector to understand the general implementation barriers in the different sectors;
- ii) Exploring of available options to address these barriers and streamline key activities in the implementation of the different elements;
- iii) Identification of other stakeholders that could assist both the Department and companies in their implementation activities, especially QSEs with limited resources;
- iv) The joint development of future Tourism B-BBEE Sector Codes together with the sector and other parties that may impart value.
- v) The sector has a great opportunity to make non-financial contributions to their surrounding communities in the form of surplus food. This is particularly so in the hospitality, accommodation and related services sectors. The Department of Tourism can count towards compliance points in socio-economic development.



13. RESULTS

13.1 QUANTITATIVE RESULTS AND DISCUSSION

The project objectives required three basic aspects to be addressed. These were:

- i) an analysis of the compliance performance of both Large Enterprises (LEs) and Qualifying Small Enterprises (QSEs) against the original Tourism B-BBEE Sector Code of 2009 and the Amended Tourism B-BBEE Sector Code of 2015, respectively, and
- ii) a comparative performance assessment of LEs and QSEs in respect of the 2009 and 2015 Sector Codes

Key to reading the results tables (Tables 28-31)

- Based on Tables 28 and 30, the original Sector Code of 2009 is assessed over the period 2010-2015.
 - 2010 % deviation: Percentage score deviation in the commencement year of the 2009 Sector Code.
 - 2015 % deviation: Percentage score deviation from target in the final operational year of the 2009 Sector Code.
 - 2016 % deviation: Percentage score deviation from target in the full commencement year of the 2015 Sector Code.
 - 2018 % deviation: Percentage score deviation from target in the final operational year of the 2015 Sector Code.
 - Trend: Variation in deviation from year to year, the trends being derived from the graphs showing actual scores against the set target.
- a) Up-Down trend: An increase in points up to a maximum and then followed by a steady decline.
 - b) Down-Up trend: A decline in points down to a minimum followed by a recovery in an upward movement.
 - c) Range-bound: Variation of actual scores within a definable range.
 - d) Upward: Decreasing gap between B-BBEE score and the target.
 - e) Downward: Increasing gap between the B-BBEE score and the target.

13.1.1 Extent to which tourism enterprises have implemented the 2009 and 2015 Sector Codes

The figures presented in Tables 28-31 show a deviation in the inception year of the Sector Code and another deviation in the final year. The third column shows the absolute size of the change from one deviation to the other.

Table 28 shows that ownership started with a deviation of 6% from target, which worsened to 16% through a 10% movement. This implies a transition from one point to the next. It also means that a particular path or trajectory was followed in moving from the one deviation to the next. The trends given in the last column describe how this movement occurred. It is evident that the trends are all different.

Of importance as far as the trends are concerned is not only the total change that occurred but also how this was achieved. Table 28 shows that skills development and preferential procurement both had an absolute movement of -21%. Preferential procurement attained this through a Range-bound trend, whereas skills development attained this through an Upward trend. The meaning behind these trends is that the implementation of preferential procurement met with constraints, which could not be resolved by operating companies, whereas the implementation of skills development was successfully achieved using appropriate plans and strategies. Skills development therefore displayed a better performance.

The intrinsic, practical meaning behind these trends takes precedence in the assessment of the implementation success or failure of each Sector Code.

Table 28: LEs' implementation of the 2009 Sector Code

Element	2010 % Deviation	2015 % Deviation	& Change over the period	Trend
Ownership	+6	+16	+10	Down-Up
Management Control	+55	-33	-87	Upward
Employment Equity	+32	+29	-3	Range-bound
Skills Development	+50	-29	-21	Upward
Prferential procurement	+26	+5	-21	Range-bound
Enterprise Development	-19	-15	+4	Range-bound
Socio Economic Development	+6	-27	-33	Range bound

Table 28 shows:

- i) LEs performed well in terms of management control and skills development due to these elements' Upward trend which indicated sustained, improving performance.
- ii) Ownership put in an encouraging performance, with the Down-Up trend indicating a turnaround in performance after reaching a minimum point.
- iii) Employment equity, preferential procurement, enterprise development and socio-economic development performed poorly, with the Range-bound trend indicating an inability or unwillingness to resolve prevalent implementation constraints.

Table 29: LEs' implementation of the 2015 Sector Code

Element	2010 % Deviation	2015 % Deviation	& Change over the period	Trend
Ownership	+37	+23	-13	Upward
Management Control	+22	+40	+18	Downward
Skills Development	+33	+15	-18	Upward
Enterprise & Supplier Development	+27	+19	-8	Upward
Preferential procurement	-8	-20	-12	Upward

Table 29 shows:

- i) Based on their Upward trend, ownership, skills development, enterprise and supplier development and socio-economic development performed well. This was supported by lower deviations in the final year.
- ii) Management control, with its Downward trend, clearly put in a poor performance. Moreover, the deviation increased to 40% from target in the final year.

Table 30: QSEs' implementation of the 2009 Sector Code

Element	2010 % Deviation	2015 % Deviation	& Change over the period	Trend
Ownership	+100	+61	-39	Up-Down
Management Control	+80	+69	-11	Range-Bound
Employment Equity	+18	+29	+11	Range-Bound
Skills Development	+64	+82	+18	Range-Bound
Preferential procurement	+16	-20	-4	Range-Bound
Enterprise Development	+60	+52	-9	Range-Bound
Socio-economic Development	0	+47	+47	Down-Up

Table 30 shows:

- i) Ownership showed a disappointing performance due to its Up-Down trend. Performance started well, reached a maximum and then declined, indicating that the initial good performance was unsustainable.
- ii) Management control, employment equity, preferential procurement, skills development and enterprise development all showed poor performance due to their Range-bound trend. This indicated organisational failure to resolve persistent challenges.
- iii) Socio-economic development put in an encouraging performance with its Down-Up trend, which saw performance initially declining, reaching a minimum and then increasing again.

Table 31: QSEs' implementation of the 2015 Sector Code

Element	2010 % Deviation	2015 % Deviation	& Change over the period	Trend
Ownership	+62	+3	-59	Upward
Management Control	-73	+11	+84	Down-Up
Skills Development	+63	+0	-63	Upward
Enterprise & Supplier Development	-9	+2	+11	Down-Up
Socio-economic Development	-120	-29	+108	Down-Up

Table 31 shows:

- i) Ownership and skills development showed an Upward trend, indicating sustained improvement and therefore good performance.
- ii) Management control, enterprise and supplier development, and socio-economic development put in encouraging performances due to their Down-Up trend, which initially indicated a declining performance after which a turnaround was experienced once a minimum level of performance had been reached.

13.1.2 Comparative analysis of the implementation of the 2009 and 2015 Sector Codes

Table 32 shows a comparative analysis of LEs' performance against the 2009 and 2015 Sector Codes. The change in deviation indicates the extent to which the deviation has worsened or improved between the 2009 and 2015 measurements. More specifically, the % change in deviation column indicates the increase or decrease in the average deviation from the 2009 period to the 2015 period. A positive change means that a deviation was higher under the 2015 Sector Code, therefore signalling poorer performance.

Table 32: (LEs) Comparative analysis of the implementation of the 2009 and 2015 Sector Codes

Element	2009 Sector Code% Deviation	2015 Sector Code% Deviation	% Change in Deviation
Ownership	25	29	+4
Management Control	39	33	-9
Skills Development	43	25	-18
Enterprise & Supplier Development	13	22	+9
Socio-economic Development	45	-15	+60

Table 32 shows that, comparatively, LEs performed better against the 2015 Sector Code than the 2009 Sector Code in terms of management control, skills development and socio-economic development. This is because these elements' percentage deviations were smaller against the 2015 target than against the 2009 target. However, LEs performed poorly against the 2015 Sector Code compared to the 2009 Sector Code in terms of ownership and enterprise and supplier development. This is because these elements' deviations increased against the 2015 target.

Table 33: (QSEs) Comparative analysis of the implementation of the 2009 and 2015 Sector Codes

Element	2009 Sector Code% Deviation	2015 Sector Code% Deviation	% Change in Deviation
Ownership	55	25	-30
Management Control	46	-19	-65
Skills Development	84	37	-47
Enterprise & Supplier Development	48	11	-37
Socio-economic Development	57	-20	-77

Table 33 shows that, comparatively, QSEs performed better under the 2015 Sector Code than under the 2009 Sector Code in terms of all elements of the scorecard. This is because all deviations from target decreased from the 2009 Sector Code to the 2015 Sector Code.

13.1.3 Forecasting model results and discussion

One of the project objectives was to develop a Tourism B-BBEE Sector compliance forecasting tool to estimate the pace of transformation in the industry. The modelling approach is outlined in section -14. The logic behind the model is to use potential barriers to compliance (posed by the cost and complexity of implementing each element) to estimate their respective impact on compliance to each Scorecard element. Results based on this cost and complexity approach must, however, be weighed against the results derived from forecasting based on collected quantitative data. The model's results are presented below for ease of comparison.

Tables 34 and 35 below show comparative results from the two modules of the model that we developed. As stated in the approach, best practice dictates that a model should use two different approaches for validating and checking the reliability of the forecasts.

The first module, Simulations Based on Survey Data, is used to handle tourism performance data from surveys or relevant historical results. It performs simulations of the entire population and generates as much information as possible to establish robust performance patterns from large quantities of sector data. The output from this module is used as a validation of key assumptions made in the second module, the Risk-Based Forecasting Tool. This validation is performed by comparing results from both modules.

The simulated forecasts from current survey results and forecasts based on cost and complexity estimates are shown side by side for ease of comparison. These are presented in Tables 34 and 35 below for LEs and QSEs, respectively.

Table 34: LE performance forecasting

Elements	Measure	Simulations Based on Survey Data	Risk-Based Forecasting
Ownership	Average Score	18	21
	ActualScore<Average	45%	45%
Management Control	Averagescore	13	17
	Actualscore<Average	53%	47%
Skills Development	Averagescore	14	13
	Actualscore<Average	46%	45%
Enterprise &Supplier Development	Averagescore	30	24
	Actualscore<Average	46%	47%
Socio Economic Development	Averagescore	4	4
	Actualscore<Average	40%	26%

Table 35: QSE performance forecasting

Elements	Measure	Simulations Based on Survey Data	Risk-Based Model (Model2)
Ownership	Mean	16.43	19
	ActualScore< Mean	46%	50%
Management Control	Mean	13.10	13
	Actualscore<Mean	28%	55%
Skills Development	Mean	12.4	8
	Actualscore<Mean	50%	49%
Enterprise &Supplier Development	Mean	22.1	24
	ActualScore< Mean	45%	46%
Socio Economic Development	Mean	3.16	4
	ActualScore< Mean	46%	24%

One of the reasons for the comparisons shown in Tables 34 and 35 is that quantitative performance data collected through surveys is not always accompanied by qualitative data which provides deep insights into the factors underlying the observed quantitative performance. The development and maintenance of a forecasting approach requires that these factors be isolated and quantified, and also that their exact influence on compliance be determined.

We have designed this system for immediate and future use by the Department and also because it reflects best practice. The recommended approach to developing forecasting models is for two different approaches to be used and the results to be compared. This is for the purposes of validation and regular updating of assumptions, such as the value of the risks associated with the complexity of implementing the scorecard.

The abovementioned comparison and validation are shown in Tables 34 and 35. The results obtained from the two approaches are quite close, except for socio-economic development. Although the results of both models are generally quite close, they differ in respect of the following:

- i) QSE: Management control and socio-economic development;
- ii) LE: Socio-economic development.

This implies that, in both cases, adjustments need to be made to assumptions about cost levels and the risk of implementation complexity.

The general alignment implies that the approach focuses on the right elements and therefore the right assumptions have been made, although optimal cost and complexity levels need to be established. This can only be done through focused and regular studies, as indicated in section 17 (Recommendations).

13.2 QUALITATIVE RESULTS AND DISCUSSION

Several themes emerged from the qualitative study, which affected both Large Enterprises and Qualifying Small Enterprises and the perceptions they had about the B-BBEE environment.

These are summarised in Table 36

Table 36: Emergent themes from the qualitative study and the impact on LEs and QSEs

THEMES	IMPACT ON LARGE ENTERPRISES (LES)	IMPACT ON LARGE ENTERPRISES (LES)
Access	There are no reliable databases of qualified QSE's	There are few opportunities for QSEs to tender for projects
	Few black people are entering the tourism sector as business owners and partners	QSEs find it difficult to access established value chains
Capabilities	QSEs' lack of financial and operational capacity makes them unreliable as suppliers and partners	QSEs lack the financial muscle to compete in the market
	QSEs generally lack business management and technical skills	
	New entrants in the market often do not adhere to "best practice"	
	There is a shortage of qualified and experienced black (especially female) managers and directors	
Internal Risks	Financial constraints limit companies' potential to comply with B-BBEE	
	It is difficult to find initiatives that could drive transformation in organisations	
	Staffing issues (skills shortages, strikes, etc.) can disrupt operations and dampen enthusiasm for the tourism sector	
External Risks	Weak economic and unstable political climate	
	Prevalence and cost of crime	
	Poor prospects of market (and thus business) growth	
	Few perceived benefits from buying from QSEs, particularly in view of high risk profile	
	The need to develop suppliers in terms of ESD could interfere with customer focus and company profitability	
Awareness	Limited awareness of purpose of Tourism B-BBEE Sector Code	Limited awareness of economic opportunities for QSEs generally and in the tourism sector
	Limited awareness of coaching and mentorship possibilities for QSEs	
	There is no self-regulation in the tourism sector pertaining to the application and monitoring of adherence to the B-BBEE Sector Code	
Costs	B-BBEE compliance requires an outlay of costs, e.g. external consultancy, ownership and management restructuring, skills development, enterprise and supplier development (% of NPAT), risk assessments and other types of investment	
Complexity	Each scorecard element has its own approach to implementation and ongoing compliance	Each scorecard element has its own approach to implementation and ongoing compliance, which can be particularly onerous for QSEs



14. DEVELOPMENT OF A FORECASTING TOOL

14.1 DEVELOPMENT OF A FORECASTING TOOL

The definition of forecasting that influenced our approach to developing an appropriate tool for the Department of Tourism is:

“A statistical technique for making projections about the future which uses numerical facts and prior experience to predict upcoming events. The two main types of quantitative forecasting used by business analysts are the explanatory method that attempts to correlate two or more variables and the time-series method that uses past trends to make forecasts” (Wikipedia).

14.2 APPROACH

Given the abovementioned definition, and considering the context in which this tool has been developed and will be applied, we expect that the output will be used to ultimately inform policy and programmes aimed at influencing the rate of transformation in the sector. It was necessary to identify the factors that drive compliance in respect of the Tourism B-BBEE Sector Code so that specific programmes will address the transformation imperative.

With the above definition, we have discounted the use of the time-series approach. This is because the compliance environment in which this tool will be applied is not static and past trends influencing compliance can be changed through appropriate policies. In addition, one needs to fully understand this environment at its most fundamental level in order to be in a position to influence it.

We have therefore adopted the explanatory approach in which we have defined key drivers of compliance with the Tourism B-BBEE Sector Code and used these drivers to estimate the level of adoption of the Sector Code.

The simplified diagram appearing in Figure 57 depicts the full context in which the forecasting tool has been developed and will be used.

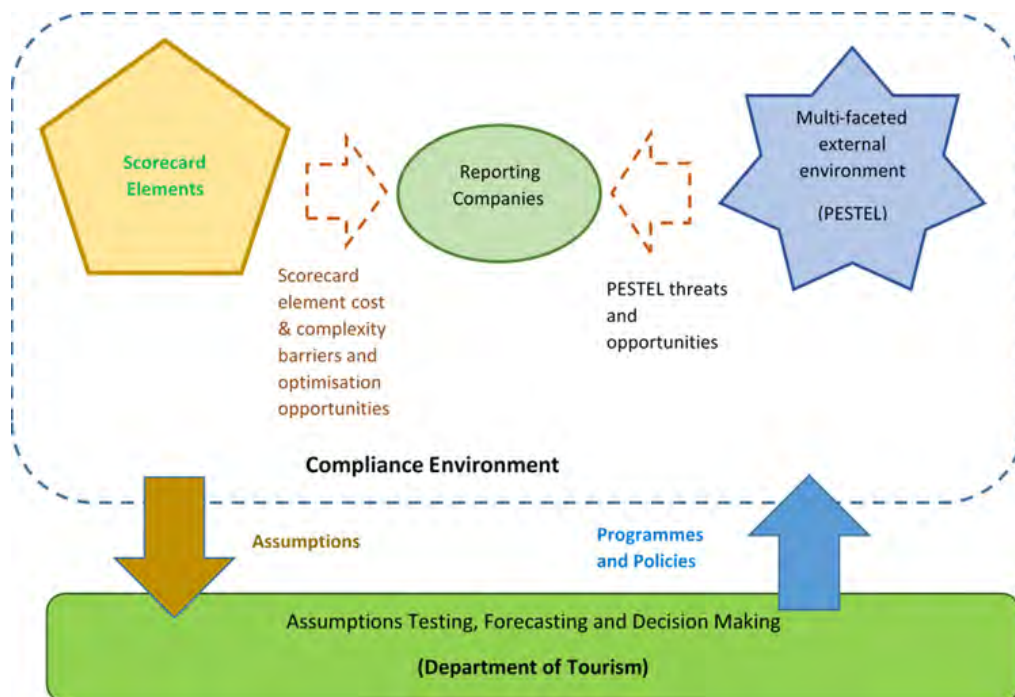


Figure 57: Compliance environment and the forecasting tool

Figure 57 places reporting tourism companies in the centre of the diagram. Following this approach, LEs and QSEs are positioned between their external business environment and the requirements of the scorecard. The external environment exerts economic pressures on the tourism companies and/or presents them with opportunities. At the same time, the scorecard requires a particular threshold of barriers to be overcome for companies to score a certain number of points. In this forecasting approach, the Department of Tourism is positioned on the outside of the compliance environment, looking in, and is able to influence the sector through interactions and information flows.

Figure 58 takes a granular look at the forecasting environment. The image to the left of the green arrow consists of the following:

- i) **Structure of each scorecard:** This is the core of the scorecard. The structure does not only impose the target or the maximum number of points; the makeup of each element represents the ease or difficulty of achieving those points. Most elements have direct cost components in their structure. Indirect costs are embedded in all scorecard elements as there is diversion of resources from other parts of the business to implement all the scorecard elements.
- ii) **Scorecard element integration:** The extent of relatedness between the different elements will determine the ease or difficulty with which the whole scorecard is implemented. A high level of integration means that one or a group of activities may contribute to compliance with other parts of the Sector Code. It follows that if one initiative contributes to improved compliance with one or more scorecard elements, then the scorecard is well integrated. A low level of integration induces greater complexity of implementation as the number of initiatives required is higher than that required for a highly integrated scorecard. Clearly, a low level of integration poses a high compliance risk.
- iii) **Availability of company resources:** Scarce resources will always be deployed to areas that will benefit the most. Compliance with the Sector Code is not mandatory and to direct resources in that direction could be problematic during tough economic times.
- iv) **Perception of sector prospects in the future:** This is related to iii) above. Depending on companies' profitability outlook, relevant programmes may either be curtailed or actively promoted.

- v) Opportunities or threats presented by the wider national and international environments: Companies operate within national and international contexts, which are subject to much change and uncertainty. Any events that change perceptions of the risks to which their businesses are exposed will eventually have an impact on compliance outcomes.

The two circles to the right of the green arrow in Figure 58 show a simplified version of the bigger circle to the left of the green arrow. The combination of these two circles contains what has been termed external and internal risks to compliance with the scorecard.

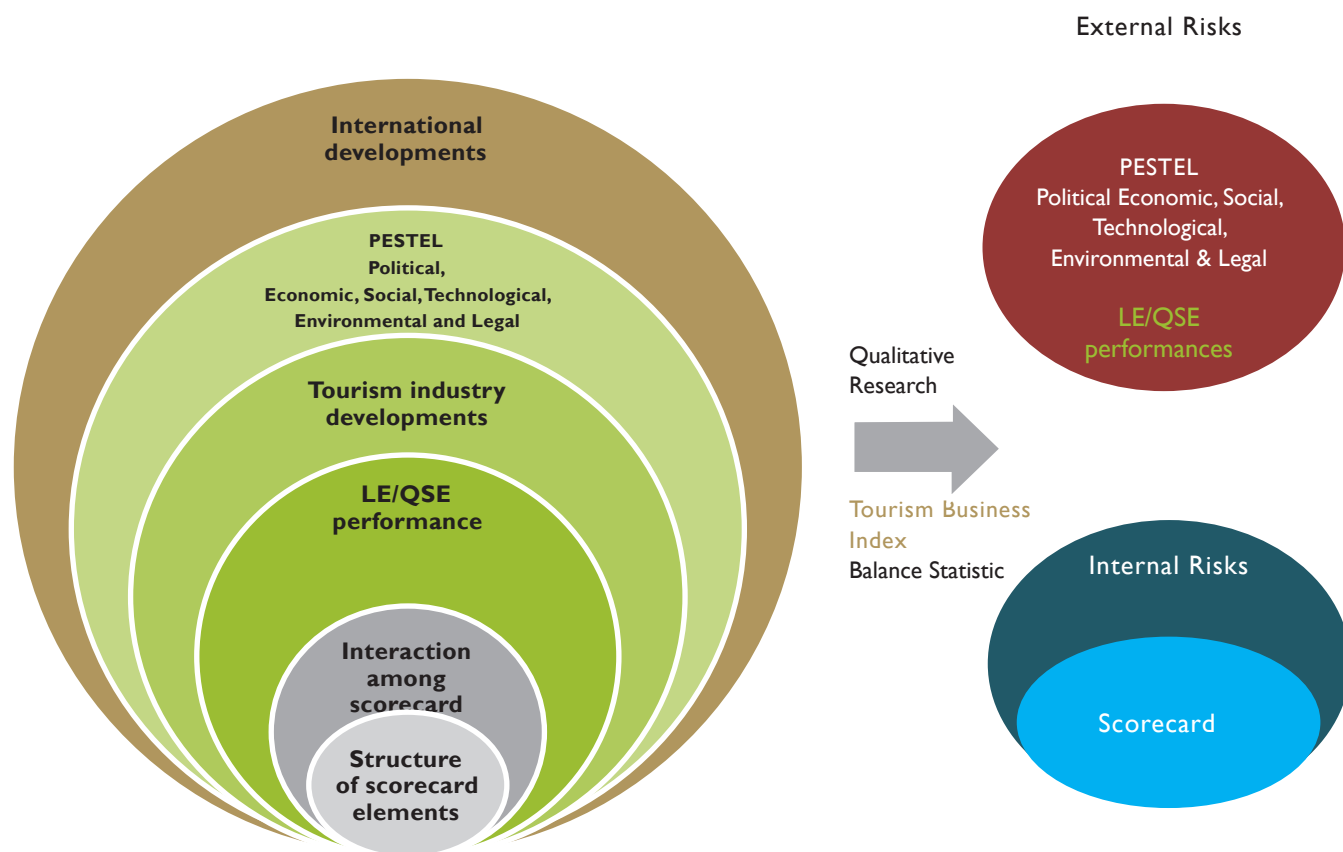


Figure 58: Forecasting tool framework

Internal risks consist of all factors related to the scorecard (structure and integration of elements), while external risks are all those factors that are directly related to company performance and are present in the macro environment.

14.3 DEVELOPMENT OF B-BBEE COMPLIANCE SCENARIOS

Various combinations of the abovementioned risks to compliance are possible. These in turn give rise to several possible compliance scenarios. By understanding these scenarios, the Department will be able to effectively plan for optimal compliance management.

Our approach in this regard is that as time passes, different combinations of risks and influencing factors will combine in unique ways to create probable compliance scenarios. The Department would be able to position itself to ensure compliance as a probable scenario emerges.

Four scenarios are depicted below, showing a number of possible developments in the compliance arena. Each scenario represents the dominant phenomenon that fully represents the compliance landscape in the sector. Each scenario also occurs largely independently of others.

14.3.1 Entrenched LE positions

This category of company has the most influence in the sector in terms of representation. However, such companies' profile in the sector has not matched their current and historical participation in the B-BBEE surveys. In this scenario, the Department of Tourism is faced with a sector that is fully represented, in terms of compliance, by the LE phenomenon.

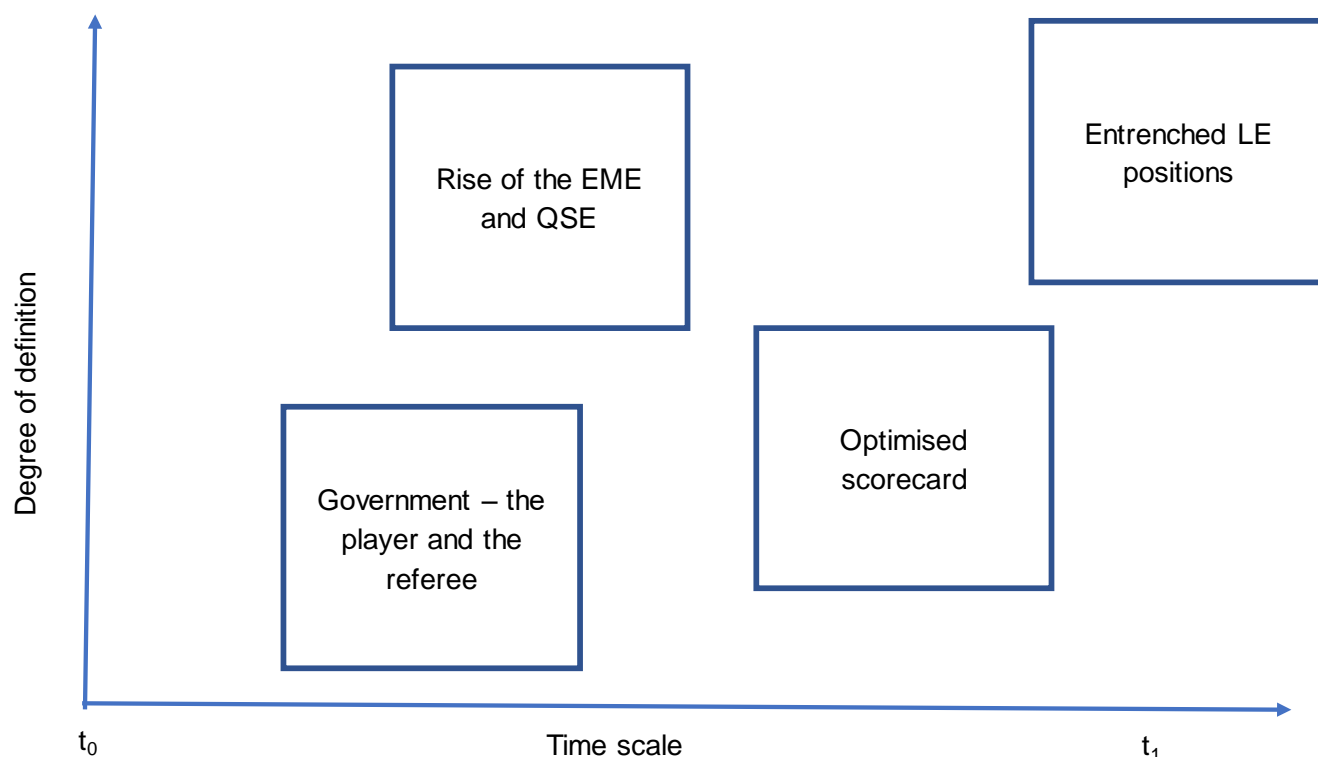


Figure 59: Probable Compliance Scenarios

14.3.2 The rise of the QSE

Most of the tourism sector is made up of these small companies. Most have limited resources and therefore we expect an increase in assessments of efficient ways to comply. QSEs are very risk averse in terms of any compliance burden imposed on them. Consequently, we predict the emergence of low-cost compliance options.

This scenario also considers the current option of companies being able to select and report on only four elements against which to be assessed. The combination of these factors allows choices that will be favourable to organisations in terms of achieving compliance efficiencies.

14.3.3 Government: the referee and the player

This scenario suggests an augmented role for government in creating an enabling environment for the sector, such as providing infrastructure and supporting policies outside the ambit of the B-BBEE Sector Code. This scenario considers growth in the punitive aspects of the legislation, which is intended to encourage sector compliance. Government should flex its muscle where the creation of enabling infrastructure is concerned as this goes to the core of the country's national image and also heavily dictates transport-related competitiveness. There are many government stakeholders that are engaged in activities (both locally and internationally) to promote tourism in the country.

By entrenching its position in respect of the above, government can be expected to become more directly involved in tourism activities. Participation will not necessarily be through state-owned enterprises (SOEs). It will also manifest as redirected spending and new sources of influence in the sector. In particular, government can actively facilitate transformation through direct spending and by becoming a major player in the transformation process. However, it will only direct those sub-sectors that need the greatest transformation.

14.3.4 Optimised scorecard

We anticipate that companies will develop a better understanding of the interrelationships among the different scorecard elements and that this knowledge will enable them to act in ways that induce better overall results. In particular, we foresee a holistic refinement of elements and the identification of integration points -especially those pertaining to priority issues, such as ownership, skills development and enterprise development. Some evidence of this has been seen in the consolidation of management control and employment equity in the 2009 Sector Code when bringing about the 2015 Sector Code.

Clear choices should be made possible for maximum scoring by organisations, while developmental needs should also be accommodated. For example, elements such as skills development and enterprise development are by nature highly developmental. These outcomes can be achieved not only through strong leadership in the Department of Tourism but also if there is efficient interdepartmental cooperation where mutually beneficial goals are pursued.

14.4 QUANTIFICATION OF EACH SCENARIO

This is the calculation basis for the forecasting tool. Quantifying each scenario forms the basis of compliance forecasting in each scenario. It requires the in-depth identification of major drivers in each scenario and well-reasoned estimates of the impact of each factor (risk of compliance) on all the scorecard points.

The approach also takes into account the quantification of all identified factors external to the scorecard, as explained in section 14.2. The quantification of compliance under each scenario is based on three pillars. (The first two pillars are represented in Figure 58.)

- i) **Cost of implementation:** This is the risk associated with the cost of each element or sub-element. Any direct cost associated with the element is a source of high risk. Indirect costs are categorised as low risk.
- ii) **Complexity of implementation:** This is an additional class of risk associated with the difficulty of or the number of key issues that have to be addressed in the implementation of a particular element. Some of these risks are explicit and others not. The level of the risk increases with lower levels of integration of elements in the scorecard.
- iii) **Tourism Business Index:** The third pillar is outside of the scorecard and includes all the factors external to it (i.e. organisational performance, tourism sector prospects, national developments and international events).

These factors are covered in a quarterly survey conducted by the Tourism Business Council South Africa (TBCSA). The survey produces a Tourism Business Index (TBI) which in turn contains the balance statistic. This is a probability-based number that reflects the company's view on how the macro environment will affect its business in the near future. The result is a positive or negative outlook. The calculation approach extends the view that a negative sector outlook will result in poor compliance with the scorecard as companies will be minimising their exposure to activities whose benefits cannot be reflected in the bottom line.

14.5 BASIC STRUCTURE OF THE FORECASTING TOOL

There are two modules which, together, form the basis of a credible forecast. Both approaches are characterised by a data source and type. Both rely on the known or assumed knowledge of the probability distribution type of compliance data.

14.5.1 Forecasting based on simulation of primary quantitative data (Module 1)

This considers collected data with the model drawing the distribution of that data. This approach uses the combination of total weighting points per element as the absolute maximum any company can achieve, regardless of how successful they are in implementing the Sector Code. The achieved points are defined as the actual performance demonstrated by each company. Any deviation from the total weighting points is regarded as a shortfall in performance. Total weighting points are treated as targets for modelling purposes because:

- i) They are much easier to deal with compared to scorecard targets which are much smaller numbers.
- ii) The numbers communicated by reporting organisations relate to total points achieved and do not reflect those against scorecard targets.

The deviation for each element is calculated as follows:

Deviation = Weighting points – actual points

These deviations are then calculated for all the collected data and for each element. Calculated deviations are then fitted into one of the many standard distributions and then simulated many times to define a full distribution.

The normal distribution was adopted for these deviations and the following steps were followed:

- a) Input all raw data.
- b) Clean up raw data to get rid of duplicates.
- c) Calculate the deviations of actual points from the target (weighting points).
- d) Calculate the mean and standard deviation from all the data in step c.
- e) Draw up a generalised probability distribution curve of deviations defined by the parameters calculated in step d.
- f) Calculate the expected points for each element based on step e) as in step g) below.
- g) Forecasted points = Calculated deviation * weighting points.
- h) Repeat the calculation in g) 10,000 times and calculate the mean, standard deviation and other properties.
- i) Display the results separately, where:
 - Mean = Forecasted weighting points for each element in the tourism sector.
 - Probability of points less than mean = % of companies whose forecasted points are less than the sector average.
 - Probability of points less than the compliance targets = % of companies whose total points are less than the compliance targets based on the scorecard.

14.5.2 Simulations based on quantified risks of compliance with B-BBEE Tourism Sector Code (Module 2)

The module 1 approach uses primary data (as the input) as the main basis for forecasting. It assumes that primary data has in-built effects on all drivers of compliance and that these factors will continue to bear down on the compliance results. However, this is not true as compliance is dependent on a large number of factors - many of which are based on perceptions by players in the tourism sector.

The approach above therefore provides a basis for comparison with other approaches, including this one based on simulations of risks of compliance with the B-BBEE Tourism Sector Code. The basis for this module is the identification and quantification of risks to compliance.

The module comprises three key parts:

a) Cost of compliance

This is the level of the cost burden as determined per scorecard element and is reflected in the makeup of each element. Direct costs carry a higher level of risk than indirect costs

b) Complexity of compliance

This is assessed from the envisaged number of and interactions among activities in the implementation of each element.

The assessment of the cost and complexity of compliance are based on analyses of the scorecard and any other inputs from qualitative studies.

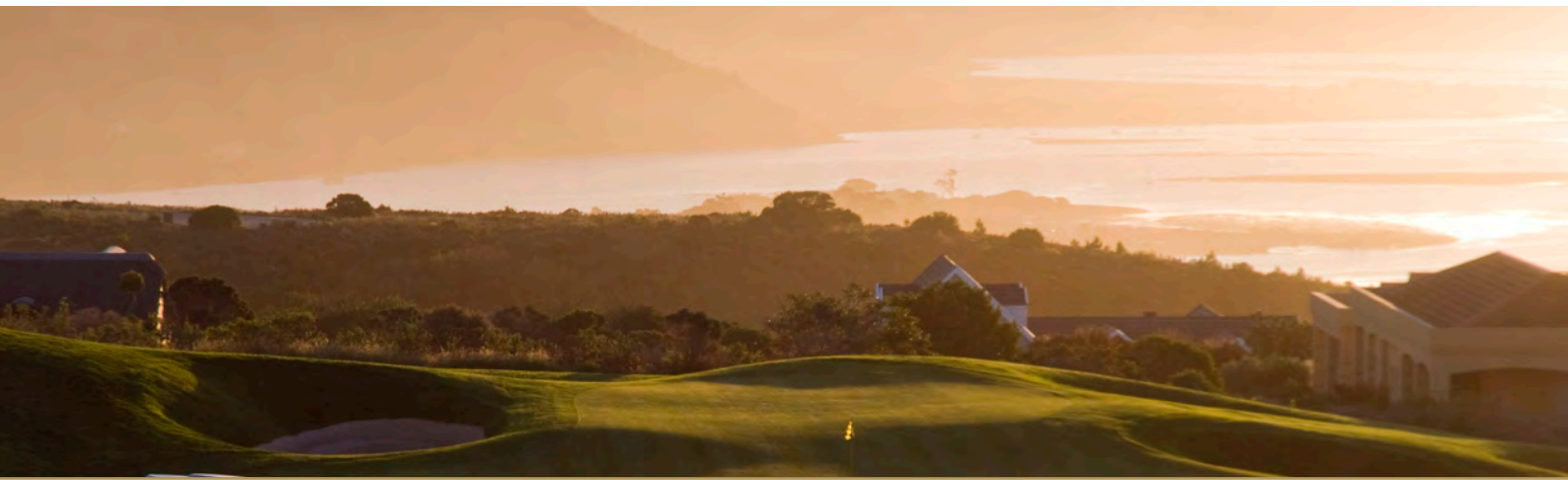
c) Tourism Business Index

Assumptions in this regard relate to the frequency of use and how it is applied. The current assumption is that the Index will be used as a running average of the last five quarters in which it was published. It is used as a probability of the businesses doing badly if the number turns out negative and businesses doing well if the number is positive.

The results are reported in the following categories:

- Mean = Forecasted weighting points for each element for the tourism sector
- Probability of points less than mean = % of companies whose forecasted points are less than the sector average.
- Probability of points less than compliance targets = % of companies whose total points are less than compliance target based on the scorecard.

Comparisons of results from both forecasting tool modules are shown in Table 33 and Table 34 in section 13.1.3.



15. LIMITATIONS OF THE SURVEY

15.1 ORGANISATIONS' WILLINGNESS TO PARTICIPATE

A number of potentially key respondents were not willing to participate in the survey because they felt it would have been pointless to do so, considering their non-compliant status and the fact that transformation was not applicable to them as their market was international tourists. Some of the non-compliant companies, when approached, saw no reason for changing their behaviour and/or did not envisage any benefit accruing to them from participating in the survey. Future research could explore the possibility of making participation in survey compulsory for key sector players.

15.2 DATA COLLECTION PERIOD

The data was collected from November 2018 until 30 March 2019, a period known to be very busy for companies. Many companies were involved in producing their annual financial statements and determining employee performance bonuses, which left them with little time and inclination to participate in the survey. Future research could be conducted during less busy times of the year.

15.3 SHARING OF HOLDING COMPANY B-BBEE CERTIFICATES

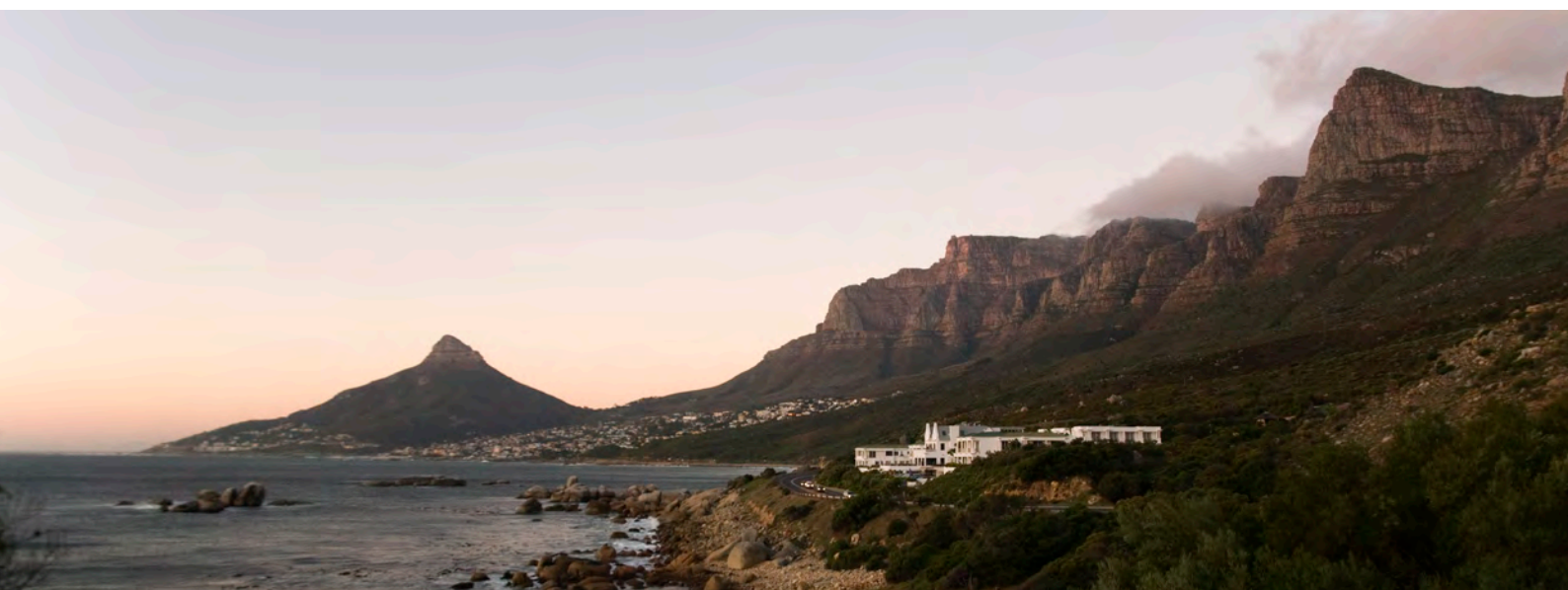
Obtaining a true reflection of transformation and compliance among some of the key stakeholders was a challenge because some companies used/shared B-BBEE certificates and verification reports with their parent companies which were Generic companies.

15.4 DEPTH AND LENGTH OF SURVEY

The study required companies to upload/submit B-BBEE certificates and verification reports for the period 2009-2018. This was administratively burdensome and was also being done for the first time. Some organisations felt that their time could have been better spent elsewhere for greater benefit. This was despite **Zevoli Consulting** offering to source the relevant certificates and verification reports from their verification agency and upload the relevant documents on their behalf.

15.5 ACCESS TO OLD DATA

Some employees who were responsible for transformation did not have data dating that far back. Most companies archived documents electronically and manually for periods of five years, which made it difficult to obtain data prior to 2012. Respondents also found the transformation survey long and cumbersome which suppressed their appetite to participate.



16. CONCLUSIONS

The main conclusions drawn from the study can be summarised as follows:

1. In general, the response to the survey was slower than expected, particularly among Large Enterprises (LEs) where efforts to encourage participation were mainly focused. This was in line with the experience of previous B-BBEE surveys.
2. The study required a comparative analysis of performance against the 2009 and 2015 Sector Codes. A number of organisations complained about the administrative burden involved in the exercise. For example, B-BBEE scorecard information dating back earlier than 2013 was particularly difficult to source because most transformation managers had not been with their companies for very long.
3. QSEs faced the greatest shifts in B-BBEE compliance requirements between the 2009 and 2015 Sector Codes. With the 2009 Sector Code, all QSEs were required to be BEE rated. However, they could select their four best-performing elements in terms of the scorecard, which would then favourably influence their overall B-BBEE performance. With the 2015 Sector Code, black-owned QSEs are exempt from the need for a rating, while white-owned QSEs have to comply with all scorecard elements. This impacts overall performance because it is no longer possible to cherry-pick well-performing elements and smooth over those where there are shortcomings.

4. In general, the original Tourism B-BBEE Sector Code of 2009 was inefficiently implemented, both by Large Enterprises (LEs) and by Qualifying Small Enterprises (QSEs). LEs performed poorly in only two elements: ownership and preferential procurement, while QSEs displayed erratic behaviour in four elements: ownership, management control, preferential procurement and enterprise development. These trends point to a lack of clarity in the strategies adopted to implement the elements in question.

5. On average, the Amended Tourism B-BBEE Sector Code of 2015 was implemented more successfully than the original Sector Code of 2009, which could be due to the former being less complex to implement than the latter. For example:

a) LEs showed improvement in all elements except management control which registered an increasing score away from the target. Despite these general improvements, absolute compliance was still not achieved, especially in terms of all priority elements.

b) QSEs showed erratic compliance in terms of one element, i.e. enterprise and supplier development. There were also clear trends of poor performance in terms of management control and socio-economic development. Ownership and skills development showed some improvement, but these still did not meet or exceed the target.

6. In industries other than tourism, much of the pressure to be B-BBEE compliant comes from customers. This is not so for tourism and is unlikely to change as a high proportion of the industry's clients are foreign who do not exert any pressure on the local sector to be compliant.

7. Compliance with the B-BBEE Sector Code is regarded by some organisations as simply an obligation to satisfy and not as a source of value for the organisation. This then results in an implementation approach that is short on innovation.

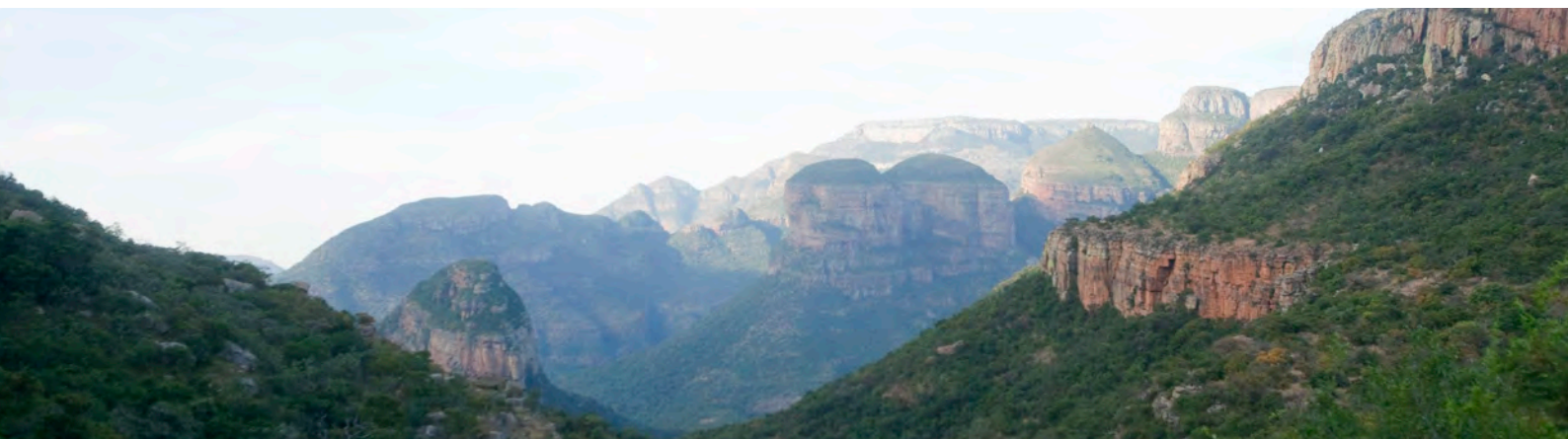
8. Even though black-owned EMEs and QSEs are exempt, under the 2015 Sector Code, from the need to be measured against the scorecard elements, they were the most eager to share their views. Although anecdotal, their stories were ones of frustration at the slow pace of transformation and entrepreneurship development, with unmet expectations of being able to access markets and secure business – especially in the form of procurement opportunities from government as the client.

9. The performance observed in the current survey broadly matched that observed in previous studies.

10. The implementation of the different scorecard elements is dependent on several factors, including:

- External pressures; and
- The direct cost and complexity of each element.

11. There were no observed efforts to optimise the implementation of the B-BBEE scorecard.

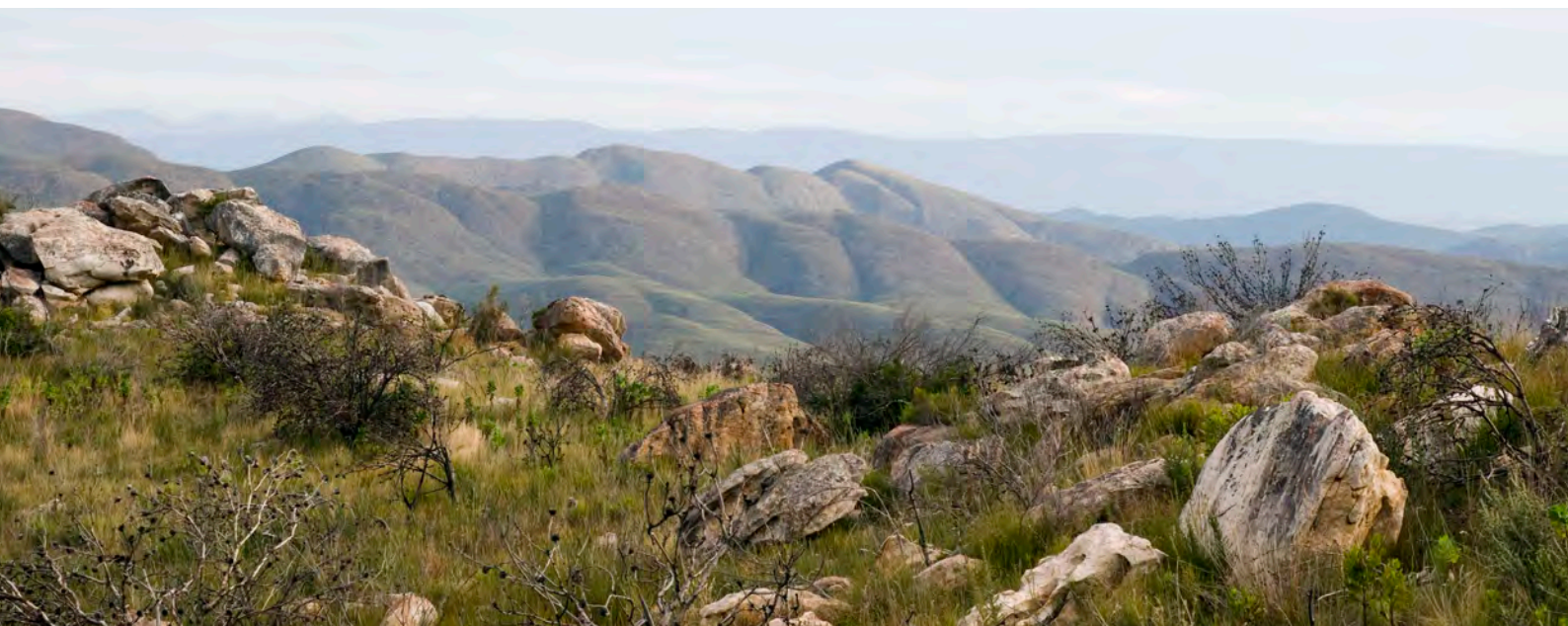




17. RECOMMENDATIONS

1. Conduct in-depth studies to fully understand what drives compliance and improve compliance with the Tourism B-BBEE Sector Code by way of the following:
 - i) Complete the identification and quantification of the risks of compliance with the B-BBEE Sector Code, especially those that are intrinsic to the structure of the Sector Code. This must relate specifically to both the LE and QSE scorecards.
 - ii) The Department must involve the tourism sector in designing future Sector Codes to ensure that they address all direct barriers that the sector faces in the implementation process. The identified barriers must be quantified for forecasting purposes.
 - iii) Study the optimisation options for implementing the scorecard, in collaboration with the sector. This must be a full study based on the identification of different parts of each element which, if implemented, contribute to other areas of the scorecard. The Department must compile guidelines on the findings and advise the tourism sector on the optimised scorecard implementation process. The optimisation options must then be incorporated into the forecasting tool and improved upon as relevant input is obtained from actual performance data.
 - iv) Update the forecasting tool on a regular basis in line with changing assumptions.
 - v) Use the characteristics and the power of forecasting to better engage the sector in identifying areas for improvement.
2. Identify those areas of the scorecard in which non-financial contributions (surplus food, provision of training venues, etc.) can be counted towards points scored in fulfilment of compliance with the Sector Code.
3. Formulate a methodology and processes together with the tourism sector on how these non-financial contributions can be quantified.
4. Ensure that future survey approaches include both quantitative (scorecard-based) and qualitative (opinion-based) questions.
5. Institute an internal procedure for the regular collection of all macroeconomic data that has been used in the forecasting tool. A close partnership with StatsSA is key in this regard.
6. Introduce longer, more adequate time frames in which to collect detailed sets of quantitative data, conduct qualitative research and refine the forecasting tool.
7. Explore closer collaboration with all relevant associations in conducting future surveys.

7. Explore closer collaboration with all relevant associations in conducting future surveys.
8. Create a database of all primary data from past tourism and other sector studies for ease of extracting past performance data.
9. Participation in B-BBEE surveys, including the recently completed one, has historically been poor. The Department must explore the options of making participation compulsory and enforcing compliance with the scorecard
10. Ensure that all limitations observed in this 2018/19 survey are taken into account when designing the next survey.



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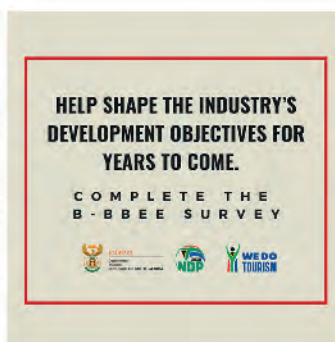
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NATIONAL DEPARTMENT OF TOURISM

| 2018/19 B-BBEE Survey

WEBSITE BANNERS AND SOCIAL MEDIA POSTS SENT TO THE TARGET AUDIENCE



WEEKLY MAIL REMINDERS SENT TO THE TARGET AUDIENCE

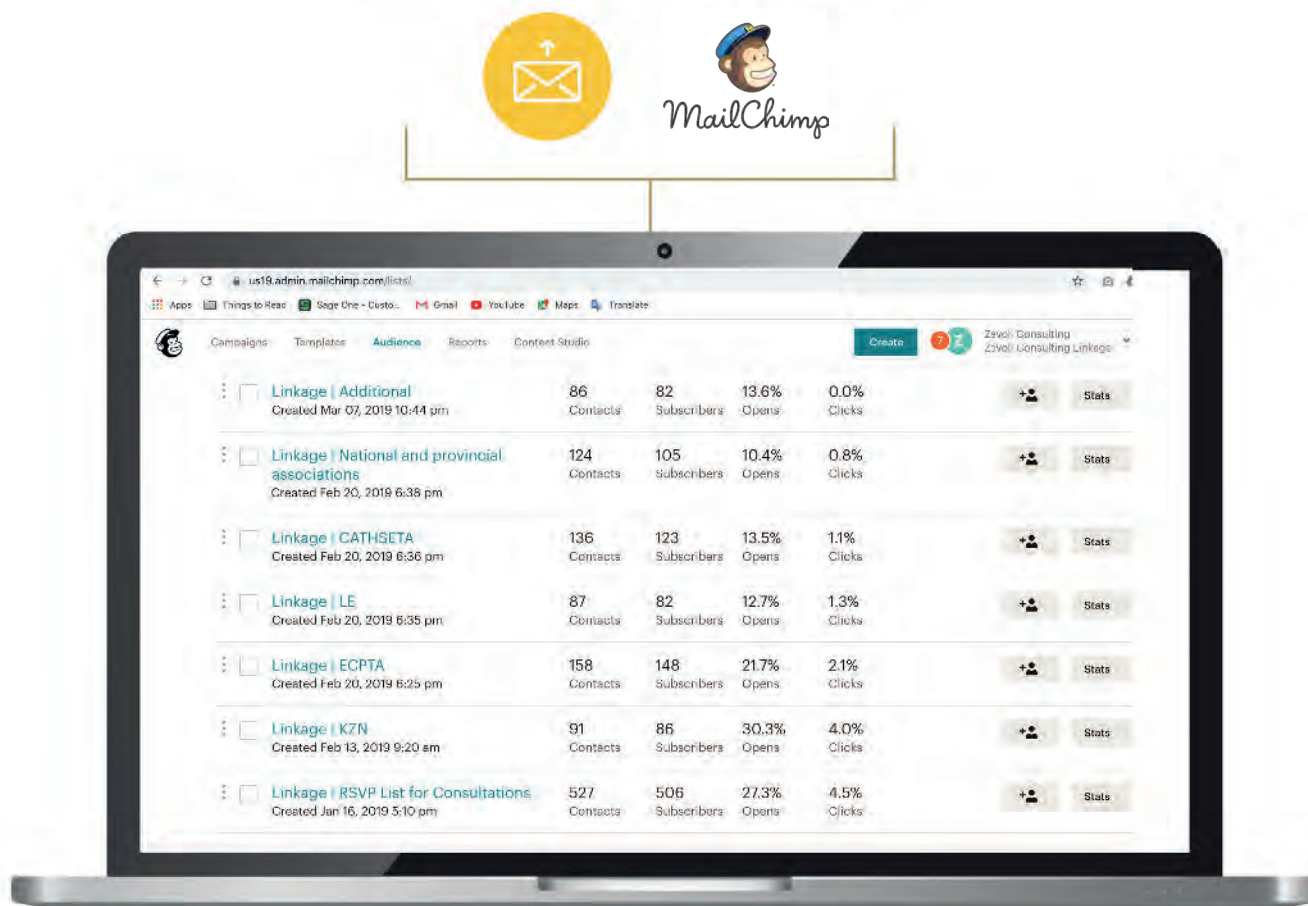


Diagram 1: Audience

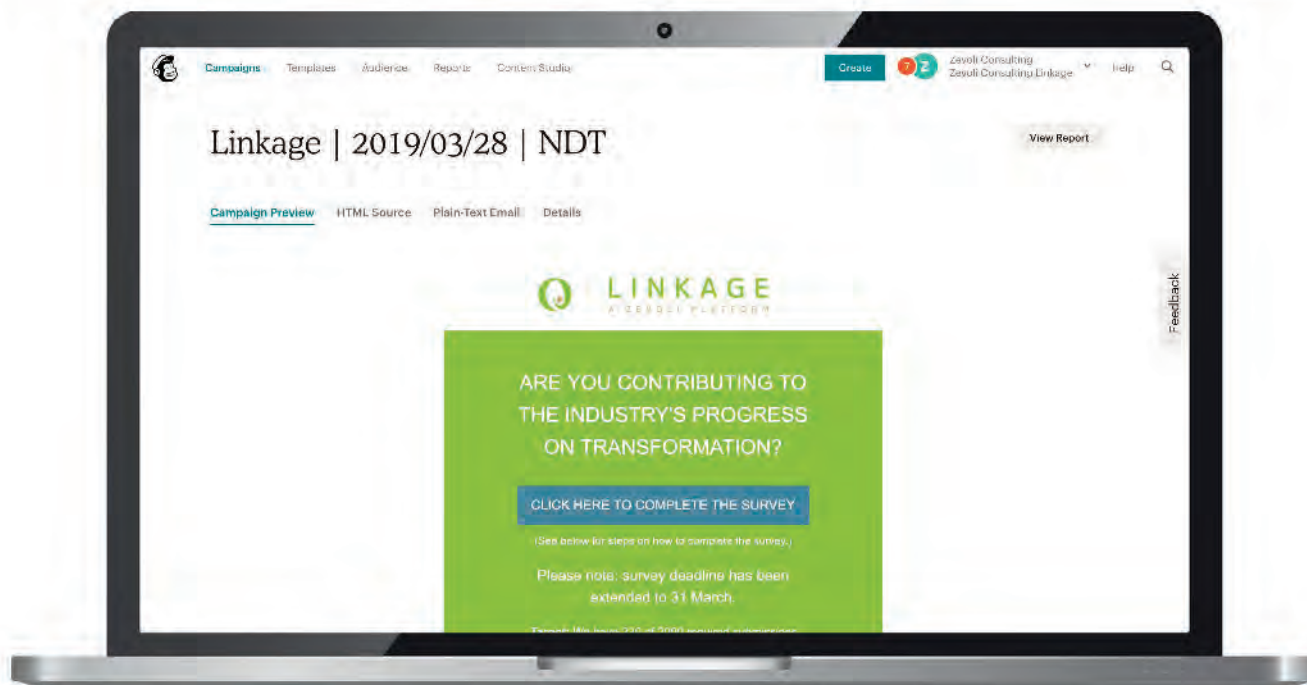


Diagram 2: Campaign preview

Marketing communications drove the target audience to Linkage a Zevoli Platform which is an online database-driven and web-based Enterprise and Supplier Development portal. It is a software system linked to a powerful database and web application that Zevoli Consulting has developed and owns. The target audience completed the set out survey on the system.

ARE YOU CONTRIBUTING TO THE INDUSTRY'S PROGRESS ON TRANSFORMATION?

CLICK HERE TO COMPLETE THE SURVEY

(Deadline for data on link to complete the survey)

Please note: survey deadline has been extended to 31 March

Target: 60 days/20 of 2000 purpose destinations

(Deadline for data on link to complete the survey)

HOW TO REGISTER

FIRST TIME USERS, PLEASE REGISTER

1. Click on register as a new user on www.linkage.gov.sg
2. Complete all the fields within the registration form.
3. Choose and confirm a password of your choice.
4. Remember that your password is your email address.
5. Look out for an email from linkage@linkage.gov.sg with the following subject: Confirm your account.
6. Click on the link in the email to confirm your registration.
7. Should you not receive this email within minutes of registering, check your spam folder in the system. Please allow 30 minutes to confirm your registration.
8. In the event you forget the password, click on 'Forgot Password' and enter your email address. The 'Reset Password' link will be sent to you.

THE SURVEY

The National Department of Tourism acknowledges a need for the regular assessment of tourism organisations to enable them to better support the BBEE agenda. The Department needs to understand the progress, strengths and areas through a survey, currently running until February 2019. All submitted information will be used to identify outstanding areas of strengths, weaknesses, opportunities and threats to assist tourism and business leaders make their own industry strategy. Data Collected (DS) will (DS) have been approved project manager.

The survey is available on a web portal, Linkage, a Data Platform.

If you are not responsible for transformation in your company, please send you forward the link to the current register to meet our purpose for the National Department of Tourism.

* All submitted data will be handled confidentially.



KEY STEPS IN THE QUESTIONNAIRE

ALL REGISTERED USERS

1. Login
2. Get connected into the survey by clicking on the 'About The Survey' tab on the landing page.
3. Click on the 'Details' tab, enter company data and 'Submit'.

FOR EACH YEAR OF TRADING

4. Click on the 'Scorecard' tab and then 'Add Scorecard'.
5. Fill in all your data and then 'Save'. All added Scorecards will have 'Funding' status.
6. View all your added scorecards on the 'Scorecard' tab.
7. Click on 'My Scorecard' and then 'Add' and then 'Add Scorecard'.
8. Verify your registered data and 'Save'.
9. Change 'Funding' status to 'Completed', by clicking on 'Verification Report' and then verify all the entries. Upon completion, then click on the check box at the bottom of the page and then 'Submit for Review'.



Contact: linkage@linkage.gov.sg | +65 (0) 11 100 8122

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LINKAGE- ONLINE TOOL TO CAPTURE SUBMISSIONS AND REPORTS ON FINDINGS



Diagram 3: Register or Login

Note: A user's account needs to be activated through a link sent in the confirmation email

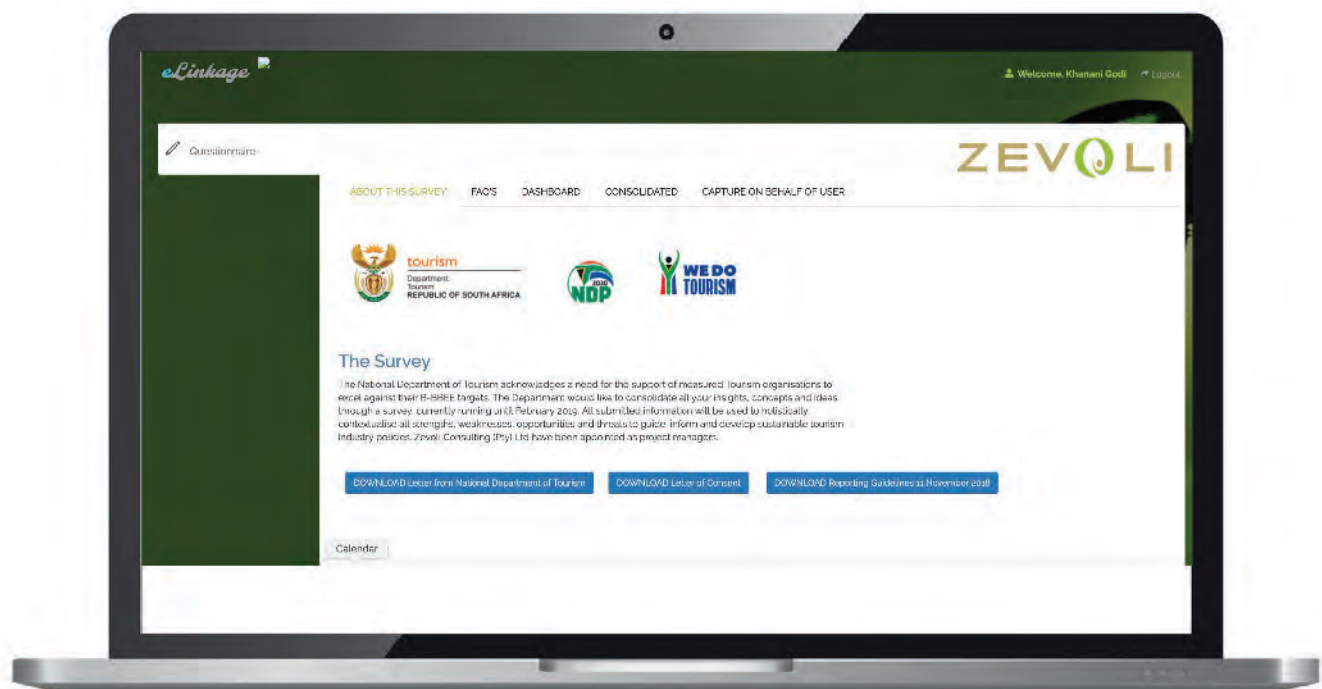


Diagram 4: About this survey



Diagram 5: Questionnaire



JUNE 2019

THANK YOU

Compiled by **ZEVO LI**

Zevoli Consulting is a Level One Contributor to BBBEE



tourism

Department:
Tourism
REPUBLIC OF SOUTH AFRICA

