

**LOCAL TOURISM GOVERNANCE OF DESTINATION MARKETING  
ORGANISATIONS**

BY

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In accordance with Rule G4.6.3, I hereby declare that the above-mentioned thesis is my own work and that it has not previously been submitted for assessment to another University or for another qualification.



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## ABSTRACT

Globally tourism is one of the biggest industries and its role is considered key in economic development. In South Africa, tourism is one of the main economic drivers. Thus, tourism contributes to the gross domestic product, generates foreign exchange and provides sustainable employment opportunities. In order to facilitate local economic development (LED), local destination marketing organisations (DMOs) need to ensure that their operations are geared towards optimising the economic advantages related to tourism growth and development. As a result the DMOs must be strategic and well-managed. One way of achieving this is to ensure that the board of directors and specifically the non-executive directors (NEDs) practise good governance.

In South Africa, three (3) types of DMOs are found, namely those that are funded by local government and incorporated into the municipality. The second type of DMOs is funded by the private sector. The third type of DMOs is those funded by both the local government and the private sector. In this case, the DMO has an agreement with the local government in terms of what their mandate is and what the agreed outcomes would be. A board of directors, comprising both executive directors (EDs) and non-executive directors (NEDs) is responsible for the governance of the local DMO.

The main research problem of the study is the attributes and experience of the non-executive directors that serve on the boards of DMOs in accordance with developmental standards of best practices. In order to address the main problem, the following research objectives were formulated:

- To identify best practice by examining the literature as to how NEDs are prepared to serve on boards of both listed and non-listed organisations.
- To determine whether any policy frameworks provide guidance to NEDs serving on DMOs in South Africa.
- To examine whether any training or preparatory programmes exist specifically for NEDs in DMOs.
- To investigate whether NEDs should have specific attributes that would improve their governance of DMOs.

- To develop a set of recommendations that would assist NEDs to play a more effective role when executing their responsibilities.

In order to address these research objectives, a quantitative research methodology was adopted sampling all the DMOs in South Africa that could be identified and were governed by a board of directors. For this purpose, a self-completed questionnaire was distributed to the board of directors of DMOs and specifically the non-executive directors.

The results of the study indicated that no guidelines existed that DMOs could follow to better prepare the NEDs of local DMOs. Furthermore, no policy frameworks provide guidance to NEDs serving on local DMOs. The only guidelines that exist are generic guidelines of the King IV Report for NEDs of listed and non-listed organisations. In addition, Pike (2016:108) listed a number of characteristics of good governance. The study also revealed that no training or preparatory programmes exist for the NEDs of local DMOs.

Finally, the study highlighted five (5) attributes that NEDs consider as critical in fulfilling their obligations. These include the empowerment of NEDs, the commitment of NEDs, communication with NEDs, job satisfaction of the NEDs and the need for NEDs to understand policy frameworks relevant to their tasks.

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## LIST OF ABBREVIATIONS

CEO	Chief Executive Office
DMO	Destination marketing organisation
ED	Executive Director
GDP	Gross domestic product
GM	General Manager
IDP	Integrated Development Plan
LED	Local economic development
LG	Local government
MOI	Memorandum of Incorporation
MTSM	Medium-Term Strategic Framework
NDT	National Department of Tourism
NED	Non-executive director
NGP	New Growth Path
NPO	Non-profit organisation
NMSRT	National Minimum Standard for Responsible Tourism
NTSS	National Tourism Sector Strategy
OECD	Organisation for the Economic Corporation and Development
RT	Responsible tourism
SABS	South African Bureau of Standards
SANS	South African National Standards
SAT	South African Tourism
SOE	State-owned enterprise
STATSSA	Statistics South Africa
UNDP	United Nations Development Programme
UNWTO	United Nations World Tourism Organisation
WCED	World Commission on Environment and Development
WTTC	World Travel and Tourism Council

## CHAPTER 1

### BACKGROUND AND RATIONALE FOR THE STUDY

#### 1.1 INTRODUCTION

The United Nations World Tourism Organisation (UNWTO) as cited in Goeldner and Ritchie (2012:20) states that "...tourism is the world's largest growth industry". This view is supported by the World Travel and Tourism Council (WTTC) according to Goeldner and Ritchie (2012:18), who indicated that it is one of the world's largest industries, creating direct and indirect employment. In addition, tourism also generates foreign exchange for many destinations and this is considered important for economies across the globe.

Since 1994, tourism has also grown exponentially in South Africa and it has been identified as a priority economic sector by the Cabinet's New Growth Plan, the Industrial Policy Action Plan and the national government's Medium-Term Strategic Framework (National Department of Tourism, 2011:1). In this regard, the importance of tourism as an economic sector cannot be overemphasised.

Within South Africa various destination marketing organisations (DMOs) are responsible for marketing the respective destinations (or tourist regions) in the country. At national level, however, South African Tourism (SAT) is responsible for marketing the country as a tourist destination. At provincial level, the various provincial tourism authorities are mandated to market the provinces to both domestic and international tourists. At a local government level, that is, within towns and cities, the local tourism authorities are responsible for marketing the various municipal regions as tourist destinations. All these tourism authorities commonly referred to as DMOs, function primarily for the marketing of their respective tourists regions. Thus they compete for tourists, using a range of marketing strategies.

In South Africa, three categories of DMOs are discernible based on how they are structured, financed and governed. The first type of DMOs is those that fall within the local economic development units of the local municipalities (LM). Such DMOs are funded primarily by the local municipality and they are governed by the Local Municipal Systems Act, No 32 of 2000, as well as the Public Finance Management Act, No 29

of 1999. The structure of this type of DMO is determined by the local municipality and its staff component comprises municipal employees. For the purposes of this study, this category of DMOs is referred to as Type 1 DMOs. Wang (2011:7) in Wang and Pizam (2011) refers to this type of DMO as government agencies.

The second category of DMOs is those that are funded by the private sector and that receive no funding from the public coffers. Generally, such DMOs receive most of their funding from a corporate organisation. An additional source of their funding comes from the members in the form of an annual membership fee. The members are tourism businesses in the geographic region in which the DMOs operate. The governance of such DMOs is based on a constitution (or Memorandum of Incorporation), which allows for the election of non-executive directors (NEDs) to whom the chief executive officer (CEO) or general manager (GM) reports. The CEO or GM and senior staff who serve on the board are referred to as executive directors (EDs). Collectively, the NEDs and EDs form the board of directors and they are responsible for the governance of the DMO. For the purpose of this study, this category of DMO is referred to as Type 2 DMOs. Wang (2011:7) in Wang and Pizam (2011) refers to this type of DMO as members-only trade associations.

The third category of DMOs relates to those that receive the largest proportion of their funding from local government, subject to a formal agreement being entered into between the DMO and the local government. This agreement determines the expectations of the local government in terms of what the DMO should deliver on during the period that funding is to be granted. The agreement would then influence the annual business plan on which funding is approved for the DMO. Funding from local government is paid over quarterly to the DMO, subject to the local government receiving a quarterly report on the activities and deliverables of the DMO. The quarterly report serves at the Portfolio Committee which is responsible for local economic development, where it would have to be approved by the committee.

A secondary source of funding comes from the members of the tourism industry in the geographic area of the local government. These members pay an annual membership fee to the DMO. In return, they have the opportunity to elect some of their members to serve on the governance structure (the board comprising NEDs and EDs). In addition, the members may have a range of other benefits, such as, their marketing material

being displayed on the website of the DMO, the DMO displaying their marketing material at their respective visitor information centres (VICs). The DMO is governed by a constitution which determines the number of NEDs to be elected and what the specific responsibilities are. The NEDs are responsible for the appointment of the CEO or GM if the position is vacant. Thus, the CEO or GM reports to the board and specifically the NEDs. The CEO, in turn, is responsible for the staffing of the DMO, subject to board approval. The DMO functions as a stand-alone organisation and has its own policies in place. For the purpose of this study, this category of DMO's is referred to as Type 3 DMOs. Type 3 DMOs are the focus of the study. Wang (2011:7) in Wang and Pizam (2011) refer to this type of DMO's as dual-funded non-profit organisations.

In a number of instances, the NEDs serving on the boards of the Type 3 DMOs have varying levels of experience in corporate governance as some may operate small tourism businesses, such as guest houses, tour operators, tourist guides, whilst others may be general managers at hotels. Thus, the purpose of this study is to determine the attributes and experience required of NEDs of DMOs and how they impact on the governance of DMOs. The rationale for focusing on the NEDs is because they are primarily responsible for the governance of DMOs. Good governance plays an important role in sustainable development and tourism (Bramwell & Lane, 2011:412).

The term 'sustainable development' can be traced to the International Union for the Conservation of Nature and Natural Resources (IUCN) that published the World Conservation Strategy in 1980 in which they promoted sustainable development (Page & Connell, 2009:442). The Brundtland Commission of 1984 popularised this concept in its Report, which refers to "...development that meets the needs of the present without compromising the needs of future generations" (World Commission on Environment and Development, 1987:8 cited in Page & Connell, 2009:443)

The above concept suggests that there has to be a balance between economic development and resource utilisation. If this balance cannot be maintained, then the demand for resources will exceed its availability. This will have disastrous consequences for life on earth as resources are finite.

The Brundtland Report of 1987 also identified the needs as follows:

- Taking a holistic approach to planning and strategy;
- Protecting the environment (biodiversity) and man-made heritage;
- Preserving the essential ecological processes;
- Facilitating and engaging public participation;
- Ensuring that productivity can be sustained into the long term future; and
- Providing for a better level of fairness and opportunity between countries

(Cooper, Fletcher, Fyall, Gilbert & Wanhill, 2008:216).

In the context of this study, the needs referred to above are key variables as they play a role in tourism planning, decision-making, and governance.

As a consequence of sustainable development, the United Nations World Tourism Organisation (UNWTO) has been using the term sustainable tourism. Sustainable tourism is defined as "...meeting the need of present tourists and host regions while protecting and enhancing opportunity for the future" (Cooper et al 2008:218).

The contentious nature of the term 'sustainable tourism' resulted in three principles having been formulated to ensure that the definition is operationalised and implemented. Accordingly, the United Nations World Tourism Organisation (UNWTO), as cited in Cooper et al (2008:218), identified the following principles:

- Making optimal use of environmental resources;
- Respecting the socio-cultural authenticity of host communities; and
- Ensuring viable long-term economic operations, providing socio-economic benefits to all stakeholders.

According to Bramwell and Lane (2011:413) the intention was that tourism needed to be practised in harmony with nature, without jeopardising the future existence of tourism as an economic activity. However, this may not be possible as the three principles for sustainable tourism represent competing interests. Bramwell and Lane (2011:413) assert that "...sustainable tourism is a socially constructed and contested concept that reflects economic interest, the ethical beliefs of different actors and the strength and effectiveness of various lobbies". Thus, it would appear that actors with the 'loudest' voice are likely to be heard first and exert the greatest influence.



Over the past 20 years further refinement of the principles of sustainability has been introduced, suggesting that it has to do with creating a balance between the environmental, socio-cultural and economic aspects of tourism. These aspects are now commonly referred to as the “triple bottom line” (Ivanovic, Khunou, Reynish, Pawson, Tseane with Wassung, 2009:355). Organisations across all economic sectors endeavour to incorporate these aspects into their operations. The tourism industry and DMOs are also at the forefront in incorporating these aspects into their business operations (Bramwell & Lane, 2011:412; Rogerson, 2013: no page numbers)

Tourism is an instrument which can be used to stimulate economic development (Page & Connell, 2009:400). This suggests that if it is used appropriately it can bring about benefits to an area. This area may be defined by specific geographic boundaries, such as a country or a local municipality, and will depend on the policy and strategy that were formulated to induce economic development. Across the world governments have used tourism to diversify the economic base of a country, or region. The motivation for doing so is attributed to tourism having the capacity to create employment and income opportunities, as well as earning foreign exchange since tourism is an export commodity (George, 2015:378; Page & Connell, 2009:391; Pike, 2016:70).

The cross-cutting nature of tourism implies that it cuts across other industries and sectors. For instance, since tourism involves travel, transport and infrastructure are key elements in tourism. Trade and investment are also key elements in tourism-related infrastructure such as hotel developments which require financial resources. In turn, the construction industry is stimulated and this leads to employment opportunities and skills being acquired. As a consequence of the cross-cutting nature of tourism, economic development at local level is also important (World Travel and Tourism Council, 2012:11; Turner & Sears, 2013:67).

Local economic development (LED) is a process that involves the formation of partnerships between local government, the private sector, and communities with the goal of improving local economic development (Ivanovic et al 2009:253; Rogerson, 2002:150). In South Africa, LED has become an integral concept for development and as it involves all sectors of the economy. Its cross-cutting nature makes tourism a suitable instrument for LED. However, it also brings about a number of challenges

which may impede its success. According to Rogerson (2013: no page number), tourism-led local economic development cannot prosper in institutions where governance is questionable.

## **1.2 PROBLEM STATEMENT**

The focus of this study is on the DMOs and specifically the NEDs in terms of their attributes and experience when serving on the boards of these organisations.

The main research problem of the study centres around the attributes and experience of the NEDs to serve on the boards of DMOs in accordance with developmental standards of best practices.

A number of challenges face directors of organisations: firstly, they have to safeguard the short medium and long-term sustainability of these organisations that they serve (Serratta, Bendixen & Sutherland, 2009:198). In other words, directors are expected to balance competing needs that represents a particular dilemma. Garrod (1996) as cited in Serratta et al (2009:199) refers to this as the balance between performance (making a profit or growing the business, or both) and conformance (remaining within the legislative and policy frameworks, whilst adhering to agreed ethical standards).

With non-listed companies, non-profit organisations, non-governmental organisations and state-owned enterprises (SOEs) the requirements for specific qualifications of NEDs are of lesser significance. As a consequence it is possible that some NEDs on the boards of non-listed companies may not be capacitated to deal with the challenges that they are likely to face in dispensing their fiduciary duties. Studies conducted by Conyon (2000), O'Higgins (2002), Gay (2001), Bezemer, Maassen, Van den Bosch and Volberda (2007) and Taylor, Dulewicz and Gay (2008) focussed primarily on the NEDs of listed companies as opposed to non-listed companies, non-profit organisations, non-governmental organisations and state owned enterprises.

In studies conducted by Dulewicz and Gay (1997) as cited in Dulewicz, Gay and Taylor (2007:1058) and Ahwiring-Obeng, Mariano and Viedge (2005:2), special expertise and knowledge for NEDs are key assets. In addition, these authors argue that the personal attributes (integrity, critical faculty, good listening skills, and sound

judgement, amongst others) of NEDs contribute substantially to the success of a board.

Higgs (2003) as cited in Dulewicz, et al (2007:1058) listed the following broad competencies for NEDs:

- Integrity and high ethical standards
- Ability and willingness to challenge and probe
- Sensitive listening
- Sound judgement
- Strong interpersonal /influencing skills

The above listed competencies are very similar to the attributes identified by Taylor et al (2008:58), as well as by Ahwireng-Obeng et al (2005:9). According to these authors, NEDs require a particular set of requirements. It is these requirements that enable them to fulfil their obligations effectively. However, there is no empirical evidence available to suggest that the attributes referred to above are key elements in enabling NEDs to fulfil their obligations in dispensing their duties and responsibilities.

### **1.2.1 Sub-Problems pertaining to the Research**

In order to address the main research problem stated above, the following sub-problems have been formulated:

- There is no clarity in the literature about best practice in terms of preparing NEDs to serve on the boards of DMOs given the responsibilities with which they are entrusted.
- There is a lack of knowledge of specific policy frameworks that provide guidance to non-executive directors DMOs in South Africa in order for them to understand the operation and fulfil their responsibilities as NEDs.
- There is no mandatory formal training or preparatory programmes that NEDs of DMOs in South Africa have to undergo to enable them to execute their functions.

### **1.2.1 The Research Questions**

The following research questions are considered pertinent to the study:

- What are the current attributes and experience required of NEDs to fulfil their responsibilities on the boards of DMOs in accordance with developmental standards of best practices?
- If the current attributes and experience are not acceptable, can an improvement be effected?
- What steps can be taken to improve the current attributes and experience of NEDs to fulfil their responsibilities on the boards of DMOs in accordance with generally accepted standards of best practices?

### **1.3 PRIMARY OBJECTIVES OF THE STUDY**

In order to provide a framework for the study, a number of objectives have been identified. These objectives guide the study, with the intention of answering the main research question. The objectives identified are the following:

- To identify best practice by examining the literature as to how NEDs are prepared in order to serve on boards of both listed and non-listed organisations;
- To determine whether any policy frameworks provide guidance to NEDs serving on DMOs in South Africa;
- To examine whether any training or preparatory programmes exist specifically for NEDs in DMOs;
- To investigate whether NEDs should have specific attributes that would improve their governance of DMOs; and
- To develop a set of recommendations that would assist NEDs to play a more effective role when executing their responsibilities.

### **1.4 SIGNIFICANCE OF THE STUDY**

In the context of this study a number of gaps have been identified:

- Previous research conducted focused on companies listed on the stock exchanges and not on non-profit organisations.

- The attributes and experience of NEDs in non-profit organisations have not been researched to date.
- Studies conducted previously were restricted primarily to developed countries.
- The demographic and specifically the gender distribution of NEDs are limited, with fewer women being appointed as NEDs.

The value of this study is to address those gaps identified. In resolving those gaps, NEDs and corporate governance practitioners will be better equipped to understand some of the shortcomings that they face in identifying and recruiting prospective NEDs with the aim of enhancing corporate governance within DMOs in South Africa.

From an international perspective, valuable lessons may be learnt even though the environment abroad may be different. The essence of corporate governance and specifically the responsibilities of the NEDs remain the same, irrespective of the continent.

The purpose of the study is to develop a normative model that will enable DMOs to recruit suitable prospective NEDs with the aim of enhancing corporate governance in the identified focus area. The benefits of such a model will result in better suited NEDs who are likely to have the skills set and knowledge requirements to fulfil their functions optimally.

#### **1.4.1 Scope and Limitations of the Study**

The proposed study focuses only Type 3 DMOs. This is because these are DMOs that are mainly funded by municipalities and the private sector, that is, their members and each of these DMOs have a constitution which stipulates how they should be governed. The following Type 3 DMOs have been identified: Ndlambe Tourism; Makana Tourism; Nelson Mandela Bay Tourism (all in the Eastern Cape Province); Plettenberg Bay Tourism; Knysna Tourism; Oudtshoorn and De Rust Tourism; Beaufort West Tourism; Stellenbosch360; Cape Town Tourism (all in the Western Cape Province); and South Coast Tourism (in Kwa-Zulu Natal). These DMOs each have a board of directors that is responsible for the governance of these entities. The focus of the proposed study is on the NEDs of the DMOs in the regions indicated.

The limitations of the study include the following:

- There is only a limited number of Type 3 DMOs in South Africa and so the total population sampled is relatively small, that is about 58 NEDs; and
- The geographic nature of the area meant that travelling and accommodation costs would be excessive. For this reason, it was necessary to engage in electronic communication with the respondents, especially where follow-ups needed to be done.

## **1.5 DEMARCATION OF THE STUDY POPULATION**

The study population that was targeted were all non-executive directors of local DMOs in South Africa that were funded by the local government (local municipality) and the private sector. It was established that there was only a small population of NEDs of local DMOs in the Eastern Cape Province, KwaZulu-Natal and the Western Cape Province. The population that was sampled included 58 NEDs and they were all in office at the time of the study.

Prior to the field work being conducted, the researcher made appointments and travelled to the DMOs in the provinces mentioned, to meet with the either CEOs or chairpersons of the board of directors in order to engage them about the study and request them to participate. In the case of the Kwa-Zulu Natal local DMO, the researcher met the CEO at the Indaba Trade Show in Durban in May 2017. Having established contact with the CEOs or chairpersons of the board of directors, a letter was written to each of them in which the purpose and objectives of the study were highlighted, as well as the possible benefits of participating in the study. This communication was emailed to the CEOs and chairpersons of the board of directors, together with the questionnaire. The CEOs or chairpersons of the board of directors then distributed the letter and questionnaire via email to their board of directors, specifically their NEDs, with the researcher's request to complete the questionnaire and return it to the researcher via email within the prescribed period.

## **1.6 RESEARCH METHODOLOGY**

The research methodology includes a literature search and an empirical survey, followed by the statistical analysis and interpretation thereof. According to Altinay,

Paraskevas and Jang (2016:2), research is a systematic enquiry suggesting that a process is followed to acquire or access information. Research methodology on the other hand “...focuses on the research process and the kind of tools and procedures to be used” (Mouton, 2001:56). It is therefore a more comprehensive activity involving specific steps. Struwig and Stead (2007:44) share a similar, but expanded view in that “...research methodology specifies the scientific method you will use to gather and analyse information in order to arrive at the solution”. The key aspect of research methodology is that it is a process involving the gathering and analysing of information in order to derive a solution. In the context of this study, the researcher had to adopt a methodology that was suitable for enabling him to derive the answers to stated objectives.

Two types of research methodologies are generally adopted in attempting to find solutions to the main research question. Struwig and Stead (2007:13) makes reference to qualitative and quantitative research methodology. According to Altinay et al (2016:93), the quantitative research methodology allows the researcher “...to determine how one variable affects another in a population by quantifying the relationships between variables”. The quantifying of variables involves using statistical methods and analyses such as the differences between the means, correlation coefficients and relative frequencies. One major disadvantage of this approach is that the conclusions drawn tend to be generalized (Altinay et al 2016:93).

### **1.6.1 Literature Search**

A study of relevant books, journal articles, academic papers, official reports, government policies, such as legislation and subordinate legislation, minutes of meetings, official publications and other policy documents, newspaper articles, unpublished research and other applicable published and unpublished material were accessed. The literature search was undertaken by the researcher to inform/educate himself about the existing literature and theory on the research topic.

#### ***1.6.1.1 Extracting relevant and particular normative criteria from the literature pertaining to the stated research problem.***

This step focused and concretised the essence of what was found in the literature in a coherent and comprehensive description of selected normative criteria as found in

the literature. Such normative criteria were extracted from the literature, indicating knowledge and understanding on the part of the researcher of the research topic, the research problem and other relevant matters.

## **1.6.2 Empirical Survey**

The word 'empirical' means "guided by practical experience" (Jennings, 2001:20). An empirical survey entails a practical phase in a research project. A research project is enhanced by an empirical survey of a representative sample of a given research population that was randomly selected. In addition the practical area where the research takes place is investigated by various means of data collection, such as, a questionnaire. For this research, a self-administered questionnaire was employed

### **1.6.2.1 Pilot Survey**

A pilot survey relating to the research problem and its objectives was conducted to assist with refining the final questionnaire. This process required the enlisting of the assistance of two individuals with extensive experience in destination marketing and a select few academics. This group tested the self-completion questionnaire and provided valued input as to whether the questions were clear, unambiguous and well structured.

### **1.6.2.2 Description of the Research Population**

An empirical survey was conducted among the total population of DMOs in the selected destinations by distributing a self-administered questionnaire consisting of dependent and independent variables, structured in a quantitative research approach (representing closed-ended format) and predetermined in collaboration with the resident Nelson Mandela University registered statistician. The rationale for targeting the total population is because of the relatively small total population of NEDs representing the Type 3 DMOs. The study population was small and hence it had unique attributes (Jennings, 2010:146).

### **1.6.2.3 Statistical Analysis**

Appropriate response percentages were determined in collaboration with a registered Nelson Mandela University statistician by determining relative values from the empirical data and transferring such values in a codified form to a computer database.



Thus the analysed data was interpreted by utilising Statistica Version 13 software package and analytical instruments in collaboration with the University statistician. A description of the analysis methodology design is provided in a separate chapter. A five-point Likert scale was incorporated in the quantitative section of the questionnaire. Space was provided at the end of the questionnaire for qualitative responses that were evaluated in terms of the value that they add to the empirical survey. In this context, the methods of determining analysable trends in the responses are fully described in chapter seven.

#### ***1.6.2.4 Interpretation and Articulation of the Results of the Statistical Analysis of the Responses to the Questionnaire***

After receiving the statistical analysis of the empirical data from the registered statistician, the results were interpreted meaningfully and the findings expressed and described in terms of the various analytical instruments by way of tables, charts and figures, followed by a brief textual explanation of each analysis event. A brief reference to the various statistical analysis instruments is provided in chapter one and in the separate chapter on research design, figures, tables and charts were applied to clarify descriptions of findings.

This research approach was quantitative in nature which is grounded in the positivist social science paradigm, which primarily reflects the scientific method of the natural sciences. Such a paradigm adopts a deductive approach to the research process.

#### **1.6.3 Research Strategy**

A research strategy is a plan of action that gives direction to the research (Altinay, Paraskevas & Jang, 2016:96). It allows the researcher to conduct the process in a systematic way in order to achieve the research objectives. In this study, the survey research strategy was adopted. According to Altinay et al (2016:96), the survey research is a common strategy amongst tourism and hospitality researchers and is linked to the deductive approach. A deductive approach is a type of reasoning that is underpinned by specific explanations and predictions on laws or theories (Altinay et al 2016:90). The study followed a deductive approach.

The primary reason for adopting the survey research method was that all the NEDs who were involved with the Type 3 DMOs were sampled. The specific population is homogenous, meaning that all respondents who were in office at the time when the survey was conducted were NEDs. A standardized self-administered questionnaire was designed and respondents were requested to complete the questionnaire within a limited time frame. If the self-administered was not completed in the timeframe, either a telephone call was made to the respondent, or an e-mail was sent to the respondent reminding him/her to complete the questionnaire. This strategy also allowed the researcher to extract information on respondents' attitudes, behaviours and perceptions enabling inferences to be drawn.

Prior to the self-administered questionnaire being distributed to the NEDs, the questionnaire was piloted to a select group of NEDs and academics to ensure that no ambiguity existed, enabling such issues to be addressed.

#### **1.6.4 Sample Size**

Larger populations allow the researcher to select a specific sampling technique in order to obtain a representative sample. In this study, the total population comprised only 58 NEDs. For this reason, the entire population was sampled.

#### **1.6.5 Data Collection Methods**

For the purposes of collecting information to best address the problem and objectives of the study, a self-administered questionnaire was drafted for the NEDs to complete. The questionnaire was divided into various sections with the aim of extracting information related to NEDs, as well as obtaining information on their personal attributes as guided by the conceptual framework. This information was then statistically analysed in collaboration with the resident Nelson Mandela University statistician using a statistical software package such as Statistica Version 13.

### **1.7 DEFINITION OF CONCEPTS**

#### **1.7.1 Tourism**

According to the United Nations World Tourism Organisation (UNWTO) as cited in Goeldner and Ritchie (2012:5), "...tourism comprises the activities of persons

travelling to and staying in places outside their usual environment for not more than one consecutive year". The purpose of travelling to and staying in places away from 'home' is either for business or leisure, or other, for example, health reasons.

### **1.7.2 Tourists**

For the purpose of this study, tourists were regarded as visitors who stay at a destination for at least one night and no longer than 12 months. In other words, the stay at the destination would be at least 24 hours long (Cooper & Hall, 2013:14).

### **1.7.3 Tourist Destination**

A tourist destination is the region or place that the tourist would visit and stay for at least 24 hours. A destination is defined as a grouping of a diverse and heterogeneous range of products, activities and people where the tourist would spend time (Pike, 2016:2).

### **1.7.4 Destination Marketing Organisation**

The destination marketing organisation (DMO) in the context of this study is an organisation responsible for marketing the destination where it is located and funded by local government and the private sector. The DMO does not arrange tours or activities, but will do referrals to appropriate organisations.

### **1.7.5 Destination Management Organisation or Company**

A destination management organisation or as it is referred to in South Africa, a destination management company, is involved in a number of functions, such as managing the tour from the time that the tourist seeks a specific destination to visit, arranging the tour and the activities at the destination (George, 2015:159).

## **1.8 CHAPTER OUTLINE OVERVIEW**

Chapter 1: Introduction and Background to the Study

Chapter 2: Philosophical Overview of Tourism

Chapter 3: Tourism Legislation and Policies

Chapter 4: The Institutional Arrangements for Tourism

Chapter 5: Tourist Destination Governance Framework

Chapter 6: Research Design and Methodology Theory

Chapter 7: Statistical Analyses, Data Interpretation and Articulation

Chapter 8: Recommendations and Concluding Remarks

## **1.9 SUMMARY**

Chapter one consists of an introduction, problem statement, objectives of the research, significance of the study, demarcation, research methodology, definitions of concepts, provisional chapter outline, proposed time frames and a conclusion.

The main focus of chapter one revolves around the question of why there is a need to place emphasis on a study of the NEDs of DMOs in South Africa. The first part of chapter one provides a brief background in terms of the literature that was reviewed, which led to the existing gaps being identified. Based on the identified gaps, a research problem, sub-problems, and research objectives were then formulated.

The latter part of chapter one focuses on the significance of the study, the demarcation of the study and the research methodology adopted. The final part of the chapter provides a degree of insight into how the chapters were structured followed by an outline of the next chapter.

The next chapter that follows provides a philosophical overview of tourism as a vehicle for local economic development and underpins the study, by providing a theoretical framework. In doing so, it focuses on the stakeholder theory, systems theory, governance theory and sustainable development.

## **CHAPTER 2**

### **PHILOSOPHICAL OVERVIEW OF TOURISM AS A VEHICLE FOR LOCAL ECONOMIC DEVELOPMENT (LED)**

#### **2.1 INTRODUCTION**

Chapter 2 provides a broad philosophical overview of tourism and how the tourism industry can be used as a means for local economic development. The chapter starts with an explanation of what tourism is, and specifically defines the concept of tourism. Section 2.3 explains the meaning of philosophy and how it relates to tourism. Philosophy's relationship to tourism was discussed in terms of the uniqueness of tourism. The uniqueness is as a result of tourism having evolved as a discipline, the numerous elements constituting tourism, and numerous stakeholders being central to the delivery of the tourism experience.

Furthermore, selected theories, such as stakeholder theory, systems theory, and governance theory are outlined in order to create a theoretical framework on which the study is based. By focusing on sustainable development as a departure point for tourism, the chapter outlines the need to strive for sustainable tourism and explores some of the challenges of implementing sustainable tourism. As a consequence, it discusses the notion of responsible tourism as a means of implementing sustainable tourism practices.

The chapter concludes by discussing the most recent developments of responsible tourism regarding how tourism businesses can obtain accreditation through the National Minimum Standard for Responsible Tourism (SANS1162). Throughout the chapter, reference is made to destination marketing organisations (DMOs) and their relevance to the theories and responsible tourism. The reason for doing so is to emphasise that DMOs perform a key role in the development and promotion of destinations.

#### **2.2 DEFINING TOURISM**

Tourism comprises a plethora of sectors which include hospitality, accommodation, attractions, activities, leisure, business, transport, tourists and hosts that collectively

make up this industry (Pike, 2008:24; Ivanovic, Khunou, Reynish, Pawson, Tseane with Wassung, 2009:89; Cooper & Hall, 2013: 243; George, 2015:22). These sectors can be further sub-divided. For example within the accommodation sector it is possible to differentiate between serviced (hotels, guest houses and bed and breakfast establishments) and non-serviced accommodation (self-catering apartments, camping and backpacker lodges. Some tourist destinations would further differentiate these accommodation establishments based on a grading system. Similarly, the transport sector can be further sub-divided into air transport, ground transport and water transport.

Authors' definitions of tourism are numerous and diverse (Pike, 2008:20; Ivanovic et al 2009:4; Cooper & Hall, 2013:244; George, 2015:22). According to these authors, the various definitions of tourism are due to the different disciplines from which tourism is studied. Definitions are necessary for the purpose of measurement, legislation and credibility (Cooper & Hall, 2013:245). Thus, a definition should be standardised to enable comparison across the globe. The table 2.1 outlines a few definitions of tourism proffered by several authors.

**Table 2.1: Tourism Definitions According to Various Authors**

<b>Author</b>	<b>Definition</b>
Smith (1988:183) in Copper and Hall (2013:245)	Tourism is the aggregate of all businesses that directly provide goods and services to facilitate business, pleasure and leisure activities away from the home environment.
UNWTO (1991) in Goeldner and Ritchie (2012:5)	Tourism comprises the activities of persons traveling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes.
STATSSA (2008) in NTSS (2012:10)	The activities of persons travelling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes not related to the exercise of an activity remunerated from within the place they visited
George (2014:597)	The activity of people staying one or more nights away from their usual environment for holidays, business, visiting friends and relatives, or any other purpose except semi-permanent employments
Pike (2016:10)	The activities and interactions of people, other than regular commuters, and the resultant economic, socio-cultural and environmental impacts, while travelling to temporarily visit places away from home.

Source: Researcher's Own Construction

Based on the above, it is apparent that tourism involves travelling away from home and interacting with a number of businesses or service providers. Furthermore, the duration of stay at the destination is clearly defined as being not longer than one year. If it is longer than a year, then it does not constitute tourism. Although tourism may have involved leisure in the past, the purpose of travel has been broadened to include business and other purposes. For this study, the definition of the United Nations World Tourism Organisation will be used.

### **2.3 BRIEF OVERVIEW OF PHILOSOPHY OF TOURISM**

The word 'philosophy' has a Greek origin with two roots, namely *philo* which means love and *sophia* meaning 'wisdom' (Fennel, 2006:54). Its literal meaning, therefore, is the love of wisdom (Tribe, 2009:5). To practise this love of wisdom, three possible interpretations can be derived. The love of wisdom enable researchers to unpack a

discipline by raising a number of issues, such as the existence of a phenomenon, a system of beliefs, and a person's attitude in terms of addressing a situation.

Honderich (1995) in Fennel (2006:54) offers the following definition of philosophy:

Philosophy is rationally critical thinking, of a more or less systematic kind about the general nature of the world (metaphysics or theory of existence), the justification of belief (epistemology, or theory of knowledge), and the conduct of life (ethics or the theory of value).

In the context of tourism, philosophy refers to how:

- tourism as a discipline has evolved over time to become a complex phenomenon. To better understand this phenomenon the need to question becomes imperative as it facilitates the expansion of tourism knowledge;
- the tourism system is constructed or made up. This becomes key as the building blocks, or variables of the system become apparent. Knowing the building blocks or variables may facilitate growth and provide optimal benefits; and
- the involvement of people as tourists, suppliers of the experience and hosts participate in this interplay of exchanges. Positive attitudes by all three stakeholders of tourism make for an enriching experience. On the other hand, a negative attitude by just one of these stakeholders could jeopardise a potentially enriching experience.

### **2.3.1 Uniqueness of Tourism**

Tourism as an activity is a unique creation. Its uniqueness is attributed to a few issues, such as being viewed as an offering rather than a product; the stakeholders are interdependent, and the involvement of people as the hosts and tourists (Milhailović & Moric, 2012:272; George, 2015:32).

#### **2.3.1.1 A Tourism Offering**

According to the various definitions referred to previously in Table 2.1, tourism comprises a range of activities and is made up of different products and services. A tourism offering is constituted of the product, service and the experience meaning that it is made up of tangible and intangible elements (Cooper & Hall, 2013:242; George,



2015:278). In other words, some of the tourism services are not sensory and cannot be touched or smelt but provide an experience which may, or may not be enjoyed. The objective, however, should be to provide an enjoyable or memorable experience for the tourist. The provision of a memorable experience depends on a number of factors, such as a quality travelling experience, superior accommodation and excellent interfacing between the tourist and the host. Thus, the tourist's expectations must be exceeded to provide a memorable experience. On the other hand, a product implies that it is physical in nature with particular dimensions. A hotel or train may be construed as a physical product. However, a hotel or train is staffed with employees who interact with the tourists. This interaction with the tourists when making a booking at a hotel, being checked into a hotel, providing a menu to guests in the hotel restaurant brings into the equation a non-tangible element which is referred to as the service. Collectively, the tourism product and the tourism service constitute the tourism offering.

### **2.3.1.2 *Interdependent Stakeholders or Service Providers***

A tourism offering often involves an amalgam of services in which the tourist must participate. For example, if a tourist wishes to travel from Port Elizabeth to Cape Town, the tourist must decide which mode of transport to use, where s/he will stay for the duration of the period in Cape Town and the activities with which the tourist is interested in engaging. If the tourist decides to travel by air, then either s/he has to book a ticket via the Internet, or make use of the services of a travel agent to do the booking on his/her behalf. Similarly, when making a booking with an accommodation establishment, either the tourist could do it him/herself telephonically or via the Internet through websites like [www.wheretostay.co.za](http://www.wheretostay.co.za), or through an intermediary such as a travel agent. This means that the tourist will interact with a variety of service providers or stakeholders to purchase the offering. These stakeholders are interdependent as they support and rely on each other to provide the tourism offering.

If the tourist was to purchase a tourism offering directly from a tour operator such as Thompsons Tour, then this tour operator would have packaged the tour making use of other service providers (stakeholders) such as the airline, the accommodation establishment, and the activities at the destination. Thus the tourist would pay a total price to the tour operator, and the tour operator would, in turn, pay the respective

stakeholders. The tour operators, therefore, cannot operate or exist in isolation as they are dependent on other stakeholders. In turn, these stakeholders would also be dependent on the tour operator for some business. Hence the stakeholders in the tourism industry are, in fact, interdependent.

Some of these interdependent stakeholders would be the hosts or the community where some of the activities in which the tourist is keen on participating are located. This community may provide the cultural interaction by operating a craft market or staging a festival. Although the craft market operates as a separate entity, it is, to some extent, reliant on the tour operator, or tourist guide for bringing in the tourist to spend some money in return for a product. Although some tourism offerings are owned by individuals, others are owned by a collective such as a community. An example of this is the bungee jump operator at the Bloukrans Bridge on the border of the Eastern Cape and Western Cape Province. In this case, the operator, Face Adrenalin pays commission into a community trust with the community surrounding the site as beneficiaries (Ludick, 2014; Williams, 2014).

### **2.3.1.3 *Involvement of People***

People are involved at various levels of the tourism industry. According to George (2015:461), the importance of people is critical, and it is for this reason that tourism is described as a people industry. He states that there are three groups of people who are involved in tourism: the tourists, the intermediaries (a travel agent who interfaces between the tourist and the offering), and the host (employees, or community members at the destination) providing the offering. Each one of these people plays a part in the tourism offering as they have the capacity to influence the tourist. Therefore, even at an entry level position, the importance of the human interaction between the tourist and the employee must not be underestimated.

The tourism industry depends largely on people, skilled and knowledgeable, who understand the need to provide quality services, and who will enhance the tourism experience of the tourists. Therefore, employees need to be well trained and made aware of their role in terms of contributing to a positive tourism experience.

## **2.4 STAKEHOLDER THEORY**

Stakeholder theory has its origins in the 1960s, when the term was defined as "...those groups without whose support the organisation would cease to exist" (Freeman, Harrison, Wicks, Parmar & De Colle, 2010:31). The concept of stakeholders can be traced to organisational theory and corporate management (Morrison, 2013:233) and it involves the management of an organisation by focusing on the relationship that the organisation has with the various stakeholders that could influence the organisation directly and indirectly.

According to Freeman (1984) in Morrison (2013:233) a stakeholder is "...any group or individual that can effect or is affected by the achievement of a corporation's purpose". Donaldson and Preston (1995:67) refer to stakeholders as persons or groups who have justifiable interests in the procedural or fundamental attributes of a commercial pursuit. In other words, a stakeholder could be an individual or a collective that has a reasonable and fair association with an organisation or organisational activity. In a corporate environment, Donaldson and Preston (1995) in Morrison (2013:233) identified eight stakeholder groups: investors, customers, suppliers, employees, communities, trade associations, governments and political groups. Each of these stakeholders exerts some influence on the corporation, although the power of the stakeholders may not be equal. In other words, some stakeholders may be more powerful than others and therefore have greater influence. Thus, the view that it is the organisation or managers that have the power is not necessarily true.

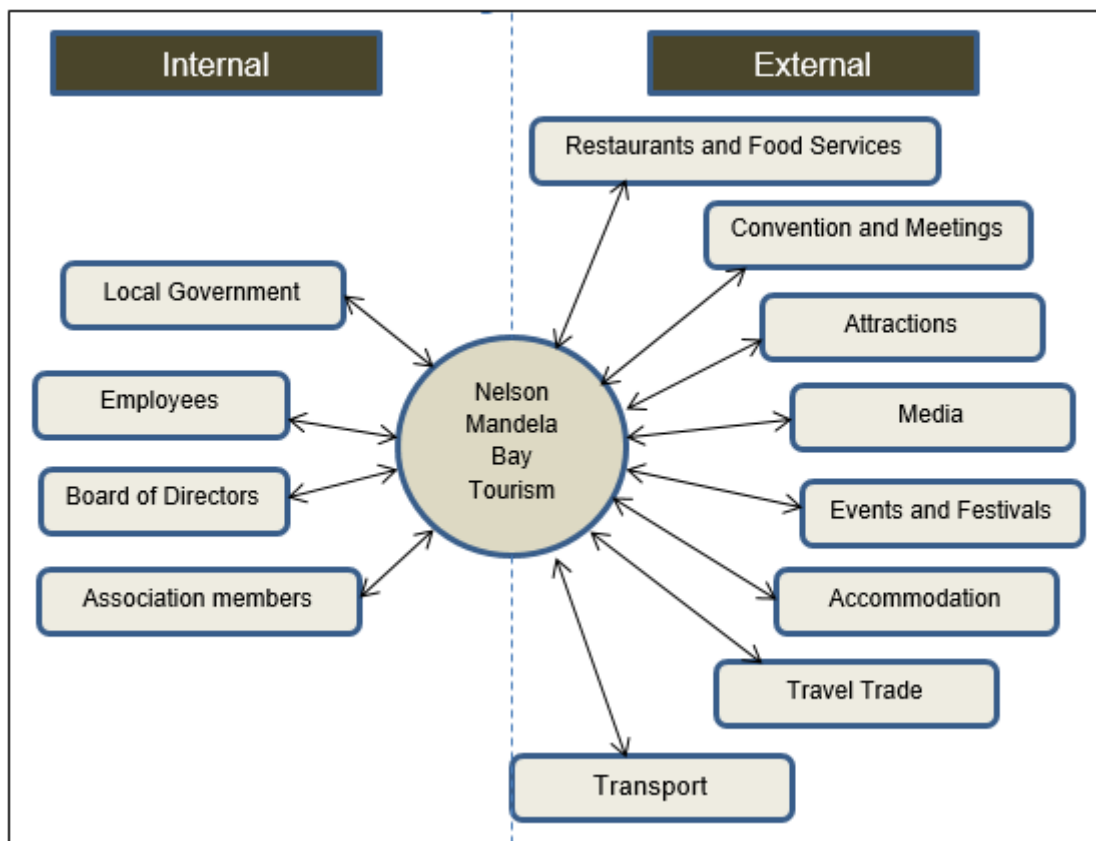
### **2.4.1 Stakeholder Theory and Destination Marketing Organisations**

Traditionally, DMOs would have been funded by both local government and the local tourism members. Thus, the main stakeholders would have been local government and those members of the local tourism association. This narrow involvement of stakeholders has been broadened to include employees, the suppliers, customers (tourists), communities, other trade associations, trade unions, and financiers (Verbeke & Tung, 2013:531).

Figure 2.1 below provides an example of a DMO funded by both the local government and the local association members. Also, the figure illustrates the various stakeholders differentiating between the internal and external stakeholders. The internal

stakeholders are local government as the main shareholder by virtue of their contributing the most funding as tourism is a local government function; secondly, the tourism association that is made up of the members of the tourism industry, and thirdly, the employees who work for the DMO. The external stakeholders are the community, suppliers, tourists, other trade associations and trade unions. All these stakeholders have a mutual interest in providing that tourism experience. For this reason, these stakeholders must ensure that the environment in which they operate is conducive to tourism.

**Figure 2.1: The Internal and External Stakeholders of a DMO**



Source: Morrison (2013:234)

Below is a description of the external stakeholders:

- Attractions: It is possible to distinguish between natural and human-made attractions. Also, attractions can be privately owned, e.g. Shamwari Game Reserve; or they can be publicly (government) owned, e.g. Robben Island, or a non-governmental organisation can own them.

- Events and festivals: These involve the gathering of people for a particular purpose and may be either publicly or privately funded, or funded by both the public and private sector.
- Conventions and meetings: These refer to conferences and exhibitions usually held at purpose designed venues and arranged around a specific theme.
- Accommodation: This involves hotels, guest houses and bed and breakfast establishments that provide accommodation and additional services.
- Restaurants and food services: This category refers to formal restaurants, fast-food and takeaway outlets, food vendors and catering companies.
- Transport: This sector encompasses the entire spectrum of transport including air transport, road transport, rail transport and sea transport.
- Travel trade: This involves destination management companies, travel agencies, tour operators, tourist guides, meeting planners, and professional conference organisers.
- Media: This includes the traditional print media (newspapers and magazines), broadcasting media (television and radio), and social media (bloggers).
- Travel trade: This refers to associations that may have been formed as a result of common interests, for example, the hotels could be part of a hotel association, or the bed-and-breakfast establishments may be part of an association (Morrison, 2013:234).

These external stakeholders are all part of the tourism industry, and some may be owners of tourism businesses. Others may play a role in how the destination is shaped or seen by tourists.

## **2.5 SYSTEMS THEORY**

Systems theory is the interdisciplinary study of phenomena, with the goal of discovering patterns and identifying principles that can be applied to all types of systems (University of Twente, n.a). It has its origins in the 1930s and biologist Ludwig von Bertalanffy was instrumental in developing the theory (Walonick, 1993:n.a; Lawrence, 2005:29).

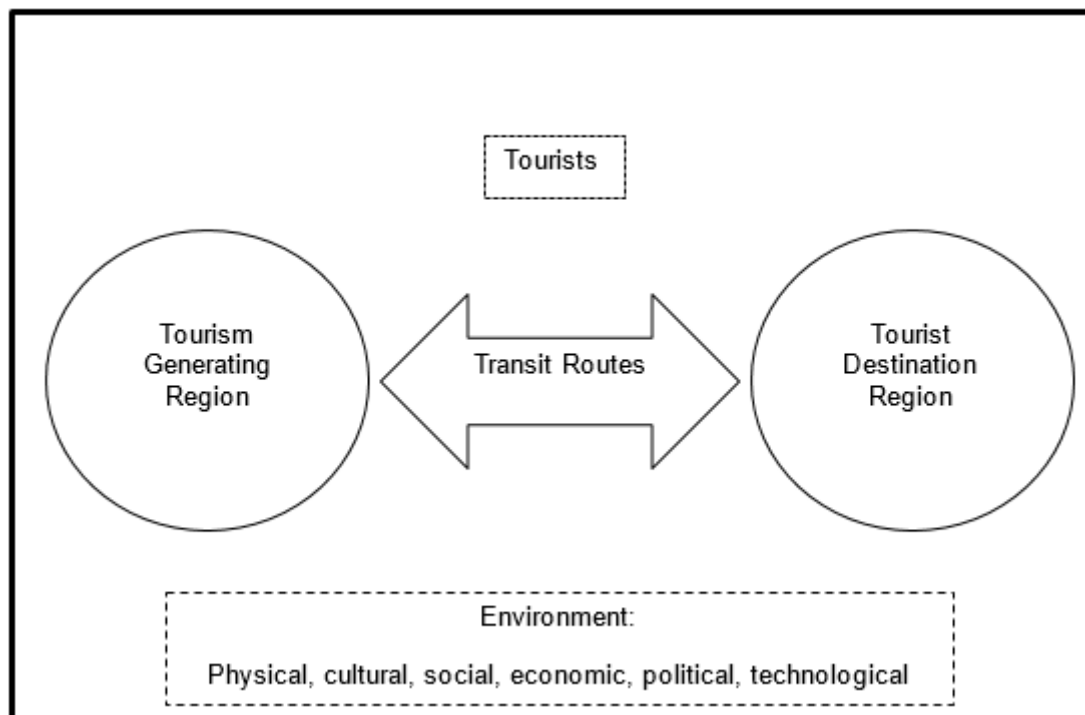
In the context of tourism, the systems theory facilitates the holistic investigation of the various components (tourists, places, and organisations) within a destination and how

these components relate to one another (Lawrence, 2005:29). For example, within a destination, it is possible to examine the social, cultural, economic and physical environment of a destination independently. However, these components do not exist in isolation as they are part of a system, and therefore interrelated.

### 2.5.1 Leiper's Model

According to Leiper (1979) in Bennet, Jooste and Strydom (2005:34), the tourism system comprises six (6) elements, or parts. These include the tourists; the generating region where the tourists are from; the destination the tourists will be travelling to; the transit routes; the tourism industry, and the broader environment. The tourism industry constitutes the accommodation, food, attractions and activities in which the tourists engage en route to and from the destination, as well as at the destination. Leiper's model is an open system which cannot sustain itself without tourists (Lawrence, 2005:10). In addition, since it is an open system, it is influenced by the environment which comprises social, cultural, political, economic, legal, technical and physical aspects which shape the system. Figure 2.2 below provides an illustration of Leiper's model.

**Figure 2.2: Leiper's Model of a Tourist System**



Source: Bennett, Jooste and Strydom (2005:34)

### 2.5.2 Laws' Model

The tourism system, according to Laws (1991) in Bennet et al (2005:36), is an activity typified by inputs, outputs and an intermediate stage where the actual activity (processing) takes place. The inputs are described as follows:

- Tourist spending refers to the interest and spending power of the tourist;
- Employee skills include the skills and attitudes of the staff working in the tourism industry;
- Entrepreneurial creativity refers to the aptitude and ingenuity of those individuals who consider themselves entrepreneurs and therefore recognise potential business opportunities that could benefit the tourist's needs; and
- Investor capital denotes the financial investment made by the businessperson.

The inputs referred to above are then converted during the processing phase and give rise to the following outputs:

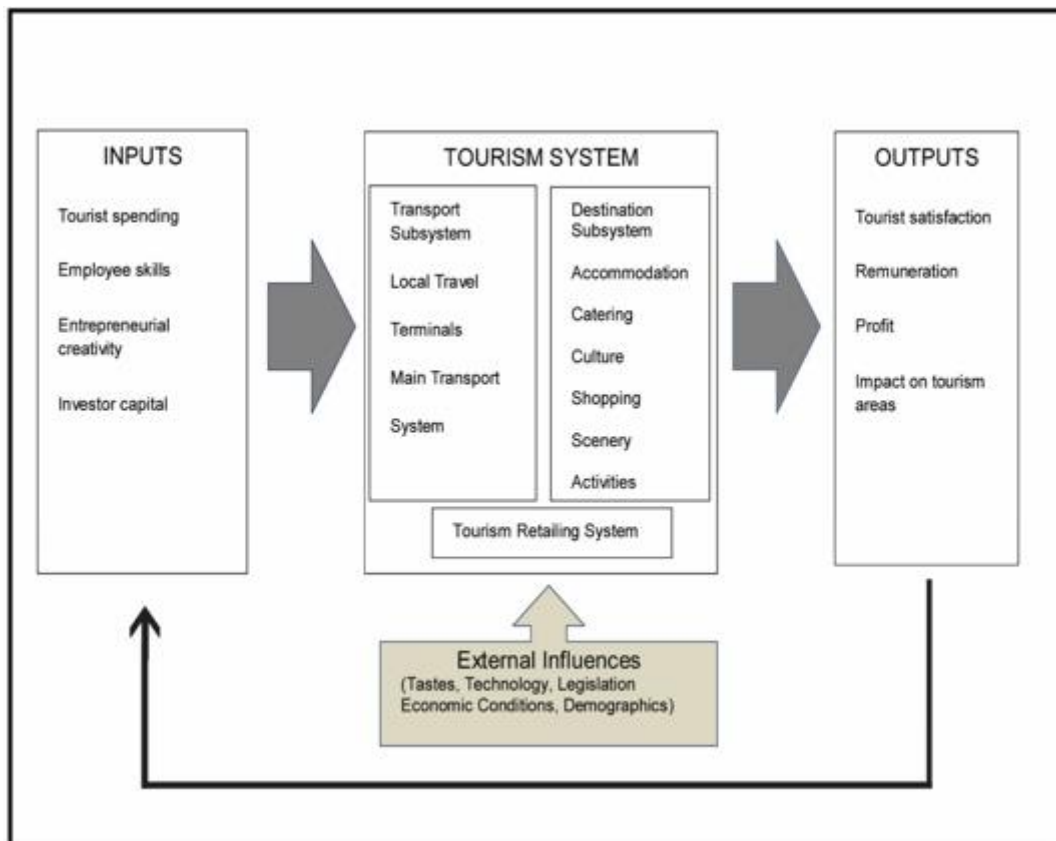
- Satisfaction represents the benefits that the tourist expects when purchasing a tourism product;
- Remuneration refers to the income, job satisfaction and career development experienced by the employees who serve the tourist;
- Profit and growth mean what the investor hopes to achieve by investing money in the tourism business and,
- Impact on the tourism area: includes the costs and benefits brought about by tourism to the locality.

The intermediate (processing) stage comprises the following three sub-systems:

- Transport subsystem refers to all the elements that contribute to the physical movement of tourists, such as airports, rail stations and harbours that facilitate local travel and beyond;
- Destination subsystem includes accommodation, catering, culture, shopping and leisure activities at the destination; and
- Tourism retailing subsector comprises the travel agencies and intermediaries who facilitates travel.

Figure 2.3 below is a depiction of Laws' model which illustrates how the tourism system is subject to inputs, which are then converted to outputs. All of the above (inputs, processing and outputs) are subject to external influences, such as, economic conditions, demographics, tourist preferences, technology and legislation.

**Figure 2.3: Laws' Systems Model**



Source: Bennett, Jooste and Strydom (2005:36)

## 2.6 GOVERNANCE THEORY

Governance as a concept came to the fore in the 1980s after calls for public sector reforms in the United States of America and the United Kingdom (Ruhanen, Scott, Ritchie & Tkaczynski, 2010:4). In other words, as a consequence of concerns about how organisations and institutions were managed using public funds, the issue of governance rose to prominence. According to Ruhanen et al (2010:4) the focus was initially on political science and corporate management. However, the worldwide interest in governance across a number of disciplines resulted in its becoming a topic of discussion and a research focus. As a result, the research outputs grew considerably across some of the disciplines, with varying definitions of what



governance entails. As a consequence, governance is a global concept, but remains an elusive term, as no single definition adequately describes it (Toikka, 2011:10; Ruhanen et al 2010:5; Bevir, 2013:1).

Table 2.2 illustrates the array of definitions of governance over time and disciplines. It would seem that these definitions offer very little commonality, other than referring to ‘power’, ‘processes’ and ‘patterns’. The key focus of all these definitions hinges on improving an organisation’s ability to improve deliver on its mandate through a series of policies and processes, which will enable the organisation to achieve its goals. From this it can be inferred that governance is not the sole responsibility of government or those in management, but that of every employee. Thus, the employees are the implementers of governance. The structure or persons entrusted with making sure that the governance principles are monitored and evaluated are the board of directors, sometimes also referred to as the trustees, or council, depending on the type of organisation. In the realm of tourism destination marketing organisations, it is usually the board of directors who are entrusted with this task.

**Table 2.2: Various Definitions of Governance**

Author	Definition
World Bank (1991:i)	The manner in which power is exercised in the management of country’s economic and social resources for development.
UNDP Report on the Workshop on Governance for Sustainable Human Development (1996) in Johnson (1997:1)	A concept that encompasses a series of mechanisms and processes designed to maintain the system, to empower the population and to ensure that society owns the process.
Kooiman (1993:258)	Pattern or structure that emerges in a socio-political system as ‘common’ result or outcome of the interacting intervention efforts of all actors
Bever (2013:1).	Refers to theories and issues of social coordination and the nature of all patterns of rule.
UNESCAP (2012) in Morrison (2013:254)	The process of decision-making and the process by which decision-making are implemented (or not implemented)

According to Jessop (1995:309), governance theory has expanded since the 1970s, expressing a fervent interest to explain some of the challenges occurring in society. Jessop (1995:319) further argues that governance tends to focus on issues on a micro or mesa level. In other words, governance theory studies and describes the relationships which exist within and between organisations. Consequently, governance theory has led to the development of numerous approaches in order to explain the phenomenon of governance better.

### **2.6.1 Different Approaches to Governance**

Since governance is not regarded as a theory, its application is restricted to being used as different approaches to explain phenomena in different contexts (Stoker, 1998; Bjork & Johansson, n.d.). In this context, Rhodes (1996:643) identified the following six categories to give perspective to governance:

- The minimalist state: Governance is used to promote less government involvement due to inefficiencies, quality and cost, compared to the private sector;
- Corporate governance: A specific term used in the context of the management of companies and based on performance (accountability, supervision, evaluation and control);
- New Public Management (NPM): A form of governance that puts people first and in doing so, being able to serve them better as a result of better efficiency and less bureaucracy;
- Good governance: A concept that is generally used by governments and organisations to imply fiscal management, using the principles of accountability, control, responsiveness, transparency and participation;
- Socio-cybernetic system: Refers to the manner in which the public and private sector engage to address complex and sometimes divergent challenges; and
- Self-organising networks: Involves the removal of barriers between various actors (state, the private sector and voluntary organisations). The network organises itself in pursuit of a common goal, sharing resources and thus enhancing the outcome.

The above perspectives refer to political processes involving governance, with the exception of corporate governance which is very specific. Whilst it may provide elements that may contribute to a governance theory, it is not adequate to be interpreted as such (Bjork & Johansson, n.d.).

According to Stoker (1998:17) governance focuses primarily on generating conditions which will allow for ordered rule and collective action and thus creates an operating environment where neither the public nor private sector has sole ownership. The notion of a partnership between the public and private sector becomes apparent in an attempt to manage the operating environment. For this reason, governance is seen as creating "...a new set of management tools" (Jessop, 1998:18). This new set of management tools allows the partnership to manage the process and outcome without being autocratic. Therefore it can be inferred that governance is an approach that provides a framework with specific parameters, or principles. Ruhanen et al (2010:8) identify a number of dimensions (parameters/principles) that could potentially construct governance, or explain what it entails within the context of tourism organisations. The following dimensions are most commonly identified as underpinning governance:

- Accountability;
- Transparency;
- Involvement;
- Structure;
- Effectiveness; and
- Power (Ruhanen et al 2010:8).

While these dimensions contribute to understanding what governance is, it is applied in the management of tourism organisations and organisations in general. In other words, by applying these dimensions, it is possible to determine the performance of an organisation. However, there is no one device that 'measures' the performance of an organisation. Instead, it is the processes that determine the outcomes that are appraised using these dimensions. According to Morrison (2013:255), risk is another dimension that should be included in the governance of tourism organisations. The reason for including risk as a dimension is because of potential liability and fraud, given

the competitive environment in which tourism organisations operate (Morrison, 2013:255).

### **2.6.2 Linking Governance to Destination Marketing Organisations**

Within the realm of tourism and specifically destinations, governance raises the following questions:

- Who is in charge?
- Of what is it in charge?
- When is it in charge?
- How is it in charge?

In other words, the issue is about who has the power to make decisions and within what framework the decisions are being made. Typically, the response would be 'government', but in a democracy with a free market system, power would be vested in the hands of a few stakeholders. Government at a national level would be responsible for setting the enabling environment, thus ensuring that the required policy is in place. The development of the policy would have to go through a particular process involving a participatory process before being implemented at local government level. The public (residents at the destination) have the opportunity to engage while the policy is developed. Tourism business form part of the stakeholders as they own part of the plant, e.g. accommodation establishments and car rental companies. The government may also be part owners of some of the plant, for example, the museums and airports.

As destination market organisations are mandated to market destinations to tourists, this represents a conundrum as neither the DMO nor the private sector owns the tourism plant. For this reason, DMOs need to be structured in a manner that will enable them to fulfil their mandate effectively. In this case, a public-private partnership between the respective stakeholders seems plausible. This, in essence, explains what governance means, and it is reflective of what Kooiman (1993:3) refers to as interactive social and political governance. According to Bevir (2013:2) the interactive social and political governance is based on three principles, namely that:

- governance is a hybrid practice that combines administrative systems with market mechanisms, involving public-private partnerships;
- governance is multijurisdictional with many people and institutions across different sectors and different levels of government; and
- governance is pluralistic because many stakeholders are involved.

Destination marketing organisations, if they are structured along the lines of a public-private partnership, play a key role in interactive social and political governance by allowing these various stakeholders a platform to manage tourism at a local level.

## **2.7 SUSTAINABLE DEVELOPMENT**

The origin of the concept of sustainable development dates back to the United Nations Conference on Human Environment held in Stockholm, Sweden in 1972 (Page & Connell, 2009:442). At this conference it was resolved that development and the environment could co-exist (Page & Connell, 2009:442). This means that the development and the environment are not mutually exclusive. In 1980, the International Union for the Conservation of Nature and Natural Resources (IUCN) published the World Conservation Strategy that promoted sustainable development (IUCN, 1980:8). However, this strategy did not explain what the concept meant, besides making reference to “rational development” (IUCN, 1980:8). In addition, it defines development as “...the modification of biosphere and the application of human, financial, living and non-living resources to satisfy human needs and to improve the quality of human life” (IUCN, 1980:18).

In 1984, Gro Brundtland, the then Norwegian Prime Minister, who was appointed as chair of the Commission on Environment and Development coined the term “sustainable development” (Page & Connell, 2009:442). In 1987, in the World Commission Report on Environment and Development entitled “Our Common Future” and sometimes referred to as the Brundtland Report, sustainable development is defined as:

Development that meets the needs of the present without compromising the ability of future generations to meet their own needs (World Commission on Environment and Development, 1987:41 in Hall and Lew, 1998:3).

In this context, sustainable development is seen as a continuum with economic sustainability on one end and ecological sustainability on the other. It can, therefore, be inferred that there are degrees of sustainability (Page & Connell, 2009:442). According to Page and Connell (2009:442), this has led to a variety of different types of tourism, known as ecotourism, green tourism, nature tourism, soft tourism, adventure tourism, and sustainable tourism. These different types of tourism do not necessarily mean the same thing. The aim of this dissertation is not to expound on the differences between all these types of tourism but to focus on sustainable tourism, which has become the preferred term when making reference to tourism in the context of sustainability.

### **2.7.1 Sustainable Development and Tourism**

While sustainable development has been lauded worldwide as an approach that could address many of the challenges related to development, the approach does not make reference to tourism (Hall, 1998:30). Thus the incorporation of tourism as an element of sustainable development seems to be an afterthought. However, there is merit in incorporating tourism in sustainable development as it involves people, places and spaces. In other words, people occupy spaces when they travel, albeit on a temporary basis. Similarly, they utilise resources when they travel and occupy spaces en route and at the destination. The major common denominator is that tourism takes place in a particular setting, namely the environment. Within the context of sustainable development, it is this environment that needs to be better managed and by implication tourism as well.

According to Hall (1998:30), sustainable development presents a few challenges to tourism. Firstly, the issue of defining the destination is problematic and arbitrary. If a destination is defined as a small regional area, sustainable development is virtually impossible to achieve owing to leakages from that destination. The bigger the geographical area, the greater is the likelihood of sustainable development. Hence, "...true sustainable development can be achieved only at global scale" (Hall, 1998:31). Secondly, sustainable development involves that the needs of future generations be considered. Thus the present generation assumes that they have rights and obligations to determine the needs of future generations. The dilemma is that management decisions are made for a generation that has yet to arrive. However, it

can be argued that the decision to practise sustainable development is grounded on information that is current and available. Thirdly, Hall (1998:32) also raises the issue of whose ethics are being adopted and imposed on destinations in the context of sustainable development. It is argued that it is often the ethics of Western countries that take precedence over the ethics at a local destination. Thus, a critical review of what sustainable tourism entails may be required.

## **2.7.2 Sustainable Tourism**

Inskeep (1991) in Mihalic (2016:461) identified five main criteria for sustainable tourism, namely economic, environmental and social responsibility, plus the responsibility to the tourists (visitor satisfaction) and global justice and equity. According to the UNWTO (2005:11), sustainable tourism is defined as tourism that takes full account of its current and future economic, social and environmental impacts, addressing the needs of visitors, the industry, the environment and host community. Thus there are three key issues to this definition, namely the optimal use of environmental resources; respect for the socio-cultural authenticity of the host community, and; ensuring viable long-term economic operations (Page & Connell, 2009:446). In other words, the impact of tourism should generate positive outcomes for the environment, host, tourism business and tourist. If any of these components is adversely affected by tourism activity, then tourism is unlikely to be sustainable. In other words, the goal of sustainable tourism is to have the least possible impact on the local culture and environment, while at the same time contributing to employment and income generation, as well as the conservation of local ecosystems using tourism as a vehicle (Ivanovic et al 2009:354). However, the implementation of sustainable tourism poses a challenge.

### **2.7.2.1 Challenges Related to Sustainable Tourism**

According to Page and Connell (2009:461), the challenges related to sustainable tourism include the following issues:

- There is no consensus as to what sustainable tourism actually means in practice. Some tourism planners and marketers see it as attracting fewer, but well-heeled tourists, who will spend more money. This implies that mass

tourism relies on volumes to generate income. However, it is much more complicated than exchanging more tourists for fewer tourists.

- In order to achieve sustainable tourism the implication is that it can be measured on a scale. However, there is no tool to measure whether a destination has achieved sustainable tourism.
- Business must balance good environmental practice with profitability to ensure sustainability. Similarly, tourists need to become environmentally more aware and in tune with issues related to sustainability. This means that both business and tourists need to make the paradigm shift. In order for this to take place, a common understanding of the meaning of sustainable tourism is needed.

The issues referred to above seem to reinforce the fact that sustainable tourism is development strategy that requires time and effort to implement. Air travel, on the other hand, contributes about 40 percent to carbon dioxide emissions making it problematic to embrace sustainable tourism (Gössling, Hall, Peeters & Scot, 2010:120). Furthermore, implementing sustainable tourism cannot be the responsibility of one stakeholder – it requires the involvement of many stakeholders to address the environmental, social and economic challenges. As a consequence, responsible tourism is the preferred concept used by the tourism industry as it speaks to all the challenges and stakeholders.

### **2.7.3 Responsible Tourism**

In South Africa, responsible tourism (RT) is introduced in the White Paper on Tourism (1996:19) “as a key guiding principle”. It furthermore implies that RT is “...a pro-active approach by tourism industry partners to develop the market and manage the tourism industry in a responsible manner, so as to create a competitive advantage” (South Africa, 1996:19). Being an ‘approach’ implies that it ought to be a method or tactic that will involve tourism industry partners. In this context, the tourism industry partners are referred to as business (employers), government, trade unions (employees), tourists, and the local community.

In 2002 the Department of Environmental Affairs and Tourism developed the National Responsible Tourism Guidelines, which endorsed national sector guidelines for tourism development in South Africa. As a consequence of the Cape Town



Declaration on Responsible Tourism in 2002, the Responsible Tourism Manual and Handbook was developed in 2003. In 2011 the National Minimum Standard for Responsible Tourism (NMSRT) was published.

Responsible tourism is an approach to the management of tourism, aimed at maximising economic, social and environmental benefits and minimising costs to destinations and is guided by the following characteristics (Responsible Tourism Partnership, 2017:4):

- Minimises the negative economic, environmental and social impacts;
- Generates greater benefits for local people and enhances the well-being of host communities;
- Improves working conditions and access to the industry;
- Involves local people in decisions that affect their lives and life chances;
- Makes positive contribution to the conservation of natural and cultural heritage, and to the maintenance of the world's diversity;
- Provides more enjoyable experiences for tourists through more meaningful connections with local people, and a greater understanding of local cultural, social and environmental issues;
- Provides access for physically challenged people; and
- Is culturally sensitive, engenders respect between tourists and hosts, and builds local pride and confidence.

From the above characteristics, it is noted that responsible tourism takes place at the nexus of social, environmental and economic responsibility. In other words, the interplay between the tourists, hosts, environment and the economy is a key aspect. Thus tourism should not be exploitative and should be seen as an enabler. At the same time, tourism should not cause any harm to any of the stakeholders. Also the benefits derived from tourism should be meaningful and long term. In the above context, responsible tourism is a management strategy.

Responsible tourism at its core is about taking responsibility (Goodwin, 2011:2). According to Mihalic (2016:465), Goodwin's understanding of responsibility is underpinned by three issues: accountability, the capacity to act, and the capacity to respond. In other words, for the effective implementation of responsible tourism, all

stakeholders need to become involved and accept responsibility. Only then can collective action be taken to achieve the desired outcome which is sustainable tourism.

### **2.7.3.1 National Minimum Standard for Responsible Tourism (SANS1162)**

The National Minimum Standard for Responsible Tourism (NMSRT) was developed by the Department of Tourism in South Africa in conjunction with the tourism stakeholders and the private sector. The purpose of NMSRT was to ensure that there was a common understanding of responsible tourism by developing a single standard to be used throughout South Africa. The South African Bureau of Standards (SABS) approved the NMSTR in March 2011 as a South African National Standard (SANS 1162) which is also aligned with international standard ISO/IEC 17011 ensuring international best practice (Department of Tourism, 2016). The standard can now be used by accreditation organisations to accredit the sustainability of tourism businesses.

The NMSRT has four categories (listed below) which together comprises forty-one (41) categories, broken down as follows:

- Sustainable operations and management criteria: The purpose of the ten criteria is to embrace management systems, measurement tools, policies and procedures that will impact positively on the economic, natural, social and cultural diversity;
- Economic criteria: The purpose of the eight criteria is to restore the balance by generating prosperity to the local environment and the people;
- Social and cultural criteria: The purpose of the nine criteria is to safeguard and promote local cultures, places of significance and traditions to ensure fairness and sustainability in the region of operation; and
- Environmental criteria: The purpose of the fourteen criteria is to safeguard and restore the natural resources and conservation of biodiversity.

Considering the above information, it is evident that responsible tourism is a management strategy which can be implemented if the 41 criteria are used. However, from the perspective of the study, it would be interesting to determine whether DMOs have embraced responsible tourism as a practice in their business operations.

Similarly, the question is to what extent DMOs are embracing responsible tourism and whether it has led to increased business opportunities.

### **2.7.3.2 *Responsible Tourism and Destination Marketing Organisations***

With the trend towards tourism being more about experiences, fulfilment and rejuvenation, destination marketing organisations (DMOs) will have to become more attuned to the needs of tourists (King, 2002: 107; Goodwin & Francis, 2003:271). Thus, the traditional focus of marketing destinations as sun, sand and sea, or as wide open skies with fresh air and abundant wildlife is becoming outdated. According to King (2002:107), DMOs will have to reinvent themselves and create experiences that will fulfil the needs of an empowered and active tourist. The emergence of the empowered and active tourist is largely a result of the Internet which has made information about a destination and the experiences it offers more accessible to the tourist. Thus, DMOs have to embrace a paradigm shift in order to remain relevant.

Krippendorf (1987:107) calls for tourists and the host population to "...accept a new hierarchy of values" where all parties derive the greatest benefit, but without any ecological and social damage. This could be the beginning of responsible tourism. With DMOs being mandated to promote destinations, their role in steering destinations towards responsible tourism practices in pursuit of meeting the demand of the empowered and active tourists remains a key focus. DMOs therefore, need to influence accommodation establishments, tour operators and the entire tourism plant to embrace responsible tourism. In the context of tourists seeking experiences that will enable them to embrace responsible tourism, DMOs need to become the drivers of implementing responsible tourism practices across the destination, as this is a potential unique selling proposition.

## **2.8 SUMMARY**

Chapter 2 provided some context as to what tourism is and how it is defined. This was then followed by a philosophical overview of tourism outlining what makes tourism different from other industries. The discussion revealed that tourism is unique for the following reasons:

- It is seen as an offering instead of a product;

- The stakeholders are interdependent as opposed to dependent or independent; and
- People are an integral component as tourists and hosts.

The section on the stakeholder theory, systems theory and governance theory laid the foundation which underpins the study. It outlined the theories that contribute to the theoretical framework and the relation to destination marketing organisations.

The Chapter concluded with a discussion on responsible tourism as a management strategy borne out of the need for sustainable tourism which in turn, is based on sustainable development. The final section of this chapter linked responsible tourism to destination marketing organisations, highlighting the role that these organisations should play in promoting the tenets of responsible tourism.

The next Chapter focuses on the legislative environment for tourism in South Africa. It outlines the policies that impact on tourism in a chronological manner, starting in the mid-1990s shortly after South Africa became a democratic state.

## **CHAPTER 3**

### **A LEGISLATIVE FRAMEWORK FOR TOURISM**

#### **3.1 INTRODUCTION**

In South Africa tourism is governed by national, provincial and local legislation, hereafter also referred to as policies. These policies impact directly and indirectly on tourism. In other words, the White Paper on the Promotion and Development of Tourism (South Africa, 1996), the National Tourism Sector Strategy (National Department of Tourism, 2011) and the Tourism Act of 2014 (Republic of South Africa, 2014) have a direct influence on tourism. Thus, policies introduced by the National Department of Home Affairs and intended to deal with issues related to migration may also directly impact on travel patterns, or tourist arrivals.

This Chapter will discuss the overarching legislative environment, namely the Constitution, and how it impacts on tourism. It will also make reference to other legislation, such as the Municipal Structures Act 117 of 1998 that describes the role and function of local municipalities pertaining to tourism. The sections that follow will examine specific policies and strategies related to tourism, such as the National Tourism Sector Strategy and the National Tourism Act of 2014.

The latter part of the Chapter explores the link between local economic development (LED) and tourism. This particular section describes the respective components of tourism and how they impact on destinations. The section concludes by outlining the benefits of tourism, as well as the challenges related to tourism.

#### **3.2 SOUTH AFRICAN CONSTITUTION**

##### **3.2.1 Local Government**

Chapter 7 of the Constitution of the Republic of South Africa of 1996, hereafter referred to as the Constitution, and specifically Section 151, deals with local government. It stipulates the status of municipalities and their functions. Section 152 embodies the objectives of local government, namely:

- (a) To provide democratic and accountable government for local communities;

- (b) To ensure the provision of services to communities in a sustainable manner;
- (c) To promote social and economic development;
- (d) To promote a safe and healthy environment; and
- (e) To encourage the involvement of communities and community organisations in the matters of local government.

What is key in the above section is that local government is expected to promote economic development within its boundaries. It can thus be inferred that local government must put structures and organisations in place which will promote economic development within the municipality. In promoting economic development, of which tourism is a key driver, the municipality needs to create community organisations that will allow the community to become involved in these organisations. Destination marketing organisations are typical examples of a type of community organisation or structure where the municipality may part-fund the organisation or structure and facilitate the election of office bearers to serve on the board of directors.

Schedule 3, Part A of the Constitution also makes reference to tourism being one of the responsibilities of municipalities.

### **3.2.2 Basic Values and Principles as a Catalyst for Tourism**

Chapter 10 of the Constitution entitled Public Administration: Basic values and principles governing public administration, stipulates that:

- (1) Public administration must be governed by the democratic values and principles enshrined in the Constitution including the following principles:
  - (a) A high standard of professional ethics must be promoted and maintained;
  - (b) Efficient, economic and effective use of resources must be promoted;
  - (c) Public administration must be development-oriented;
  - (d) Services must be provided impartially, fairly, equitably and without bias;
  - (e) People's needs must be responded to, and the public must be encouraged to participate in policy-making;
  - (f) Public administration must be accountable;
  - (g) Transparency must be fostered by providing the public with timely, accessible and accurate information;

- (h) Good human resource management and career-development practices must be cultivated to maximise human potential; and
- (i) Public administration must be broadly representative of the South African people, with employment and personnel management practices based on ability, objectivity, fairness, and the need to redress the imbalances of the past to achieve broad representation.

(2) The above principles apply to:

- (a) administration in every sphere of government;
- (b) organs of state; and
- (c) public enterprises.

In view of the above, ethics, which is closely linked to governance, is regarded as one of the cornerstones of good governance. Similarly, the manner in which resources are to be utilised is also key to good governance. It is also worth noting that the principles referred to above apply to the three spheres of government, organs of state and public enterprises. Whilst not all destination marketing organisations fall within any of the spheres of government, most of them receive public funding. By implication, they should therefore adopt the basic values and principles governing public administration that would enhance good governance.

### **3.3 THE WHITE PAPER ON THE DEVELOPMENT AND PROMOTION OF TOURISM IN SOUTH AFRICA OF 1996**

The White Paper on the Development and Promotion of Tourism in South Africa of 1996, hereafter referred to as the White Paper on Tourism, "...provides a policy framework and guidelines for tourism development in South Africa" (South Africa, 1996: vii). Thus, it sets the parameters as to how tourism should be developed and constructed in a newly democratic country. The White Paper of 1996 comprises seven (7) distinct components, or parts which are discussed in the following sections.

#### **3.3.1 Part 1: The Role of Tourism in South Africa**

This section describes the tourism potential of the country and reference is made to the well-developed infrastructure, natural attractions and diverse cultures of South

Africa which provide a distinct advantage in terms being a unique selling feature. However, the White Paper of 1996 also recognises that the competitive nature of tourism has also shifted to man-made features, such as information and communications technology and innovation, as well as the sustainable management of its natural resources (South Africa, 1996:1). According to the White Paper on Tourism (South Africa, 1996:1), additional unique selling features, include the national parks and private game reserves which lend themselves to environmentally-aware tourists; some tourism organisations that are considered world leaders in ecotourism practices, and what Archbishop Emeritus famously refers to as “the rainbow nation” (a kaleidoscope of cultures brought together by the dawn of democracy, presenting new hope and opportunities).

In 1995 Kessel Feinstein and the South African Tourism Board (SATOUR), now known as South African Tourism (SAT), estimated that tourism contribution to the gross domestic product (GDP) was approximately 4 percent, whilst according the World Travel and Tourism Council (WTTC) tourism globally contributed about 10.9 percent to the GDP of the global economy (South Africa, 1996:2). This implies that South Africa is way below the global figure and that there is substantial room for increasing the contributions towards the GDP. This argument is supposedly made on the basis of the tourism plant and products, as well the potential tourism experience that South Africa has to offer.

Furthermore, when examining the tourism performance of South Africa at the time, it is noted that “Tourism is the fourth largest earner of foreign exchange in South Africa” (South Africa, 1996:2). Notwithstanding this achievement, the White Paper on Tourism (South Africa, 1996:2) also notes that strategic policies and actions are needed to ensure that the country implements its tourism policies.

### **3.3.2 Part 2: Challenges and the Key Constraints**

This section outlines the challenges that South Africa faces and the key constraints which are identified as the following:

- The inadequate funding of tourism;
- A myopic private sector;



- Limited integration of local communities and previously neglected groups into tourism;
- Inadequate tourism education, training and awareness;
- Inadequate protection of the environment;
- Poor service;
- A lack of infrastructure, particularly in rural areas;
- A ground transportation sector not geared to service tourists; and
- Lack of inclusive, effective national, provincial and local structures for the development, management and promotion of the tourism sector (South Africa, 1996:5).

Of particular interest to this study is the governance of the local destination marketing organisation. In order for these entities to deliver on their mandate (the development, management and promotion of the tourism), they needed to be inclusive and effective. According to the White Paper on Tourism (South Africa, 1996:11), the institutional structure at national level was not geared to support the tourism industry. Reference is made to tourism sharing a portfolio with the environment, meaning that South Africa has a Ministry of Environmental Affairs and Tourism. In this regard, the tourism component is seen as the step-child as it is “inadequately staffed and resourced” (South Africa, 1996:11). Despite being recognised as a challenge in 1996, the institutional structure remained the same until 2008, when a separate Ministry of Tourism was created. The question that needs to be asked is whether the creation of a separate ministry has had a positive impact on local tourism organisations or entities.

In addition, it would seem that adequate funding and resourcing for the tourism sector and possibly the entities at local level may also be a challenge. This challenge, it would appear, is acknowledged by government that has a “...limited view of the potential of the industry” (South Africa, 1996:5).

### **3.3.3 Part 3: A New Approach to Tourism**

A new path for tourism referred to as responsible tourism is proposed for South Africa. It is an approach to manage the tourism industry in a manner that is sustainable in virtually every aspect (South Africa, 1996:19). In other words, each stakeholder in the tourism industry from the government to the local community, from the visitor to the

tourism product owner, from the employee to the employer, and from the investor to the beneficiary, will consider the environment and culture of South Africa. Thus their tourism practices and business principles will not be of an exploitative nature.

The strategic aspects of responsible tourism are to:

- avoid waste and over-consumption;
- use local resources sustainably;
- maintain and encourage natural and economic, social and cultural diversity;
- be sensitive to the host culture and involve the local community in planning and decision-making;
- assess environmental, social and economic impacts as a pre-requisite to developing tourism;
- ensure communities are involved in and benefit from tourism;
- market tourism that is responsible, respecting local, natural and cultural environments; and
- monitor impacts of tourism and ensure open disclosure of information (South Africa, 1996: 20).

#### **3.3.4 Part 4: A Strategic Framework**

The vision of this framework is as follows:

To develop the tourism sector as a national priority in a sustainable and acceptable manner, so that it will contribute significantly to the improvement of the quality of life of every South African. As a lead sector within the national economic strategy, a globally competitive tourism industry will be a major force in the reconstruction and development efforts of the government (Republic of South Africa, 1996:23).

As early as 1996, tourism was identified as a lead sector to drive the South African economy in an effort to create much needed employment opportunities and earn foreign exchange. However, this effort had to be done in a manner that would not compromise the environment, but at the same time enhance the living conditions for every citizen of South Africa.

The section also outlines the guiding principles and the critical success factors that will enable South Africa to achieve its vision. In addition, key objectives are identified and grouped under economic, social and environmental objectives.

To further enhance the importance that government places on tourism, precise targets were identified. These were the following:

- To increase the contribution to GDP to 8 percent by 2000 and 10 percent by 2005;
- To sustain a 15 percent increase in visitor arrival over the next 10 years;
- To create 1 million additional jobs by 2005;
- To increase foreign exchange earnings of tourism, from approximately R10 billion in 1996 to R40 billion per annum in 2005;
- To welcome 2 million overseas visitors and 4 million visitors from the rest of Africa;
- To develop a tourism action plan to implement the strategies, objectives and targets of the tourism policy by 1996;
- To identify and execute at least five national priority tourism projects endorsed by President Mandela by 1998; and
- To establish tourism as a subject in the school curriculum by 1998 (Republic of South Africa, 1996:27).

### **3.3.5 Part 5: Starting the Process**

In order to get the process started, government identified a number of critical policies that had to be developed and implemented. These policies include: ensuring the safety and security of all visitors; introducing education and training programmes to enhance human resource development and improve the competitiveness of tourism globally; financing tourism through specific programmes that will encourage development, whilst at the same time improving access to finance; providing investment incentives and casino licenses with specific requirements, and attracting foreign investment.

In addition, government also identified the following key actions:

- Improving environmental management, which would be incorporating sustainable and responsible tourism development, introducing integrated

environmental management, adopt social and environmental audits, applying competitive land-use practices involving tourism, and ensuring that communities are involved and benefit in tourism projects in a variety of ecosystems;

- Tapping into the cultural resources, including previously ignored assets, such as rock art sites and slave site occupations and managing these resources in a sustainable manner for the benefit of all involved.
- Emphasising product development, especially improving the quality and international marketability, with several other guidelines to ensure diversity, niche tourism products, community tourism products, liberation tourism products, sport tourism, access for disabled tourism, responsible casino development, and promoting the emerging domestic tourism market.
- Promoting further tourism development by upgrading transportation and infrastructure is also seen as a key aspect. In this instance, both the population and tourists are to benefit from such strategies which should be done more strategically;
- Marketing and promoting the country effectively and creatively is an important element as a re-constituted entity is formed, namely South African Tourism. This body will market the country internationally. The respective nine provinces will market South Africa to the locals, so as to nurture a culture of tourism amongst all South Africans;
- Cooperating on a regional basis with the South African Developing Community (SADC) and the Regional Tourism Organisation of Southern Africa (RETOSA) with relevant bi-laterals is seen as important to drive trans-border protected areas and tourism, joint marketing campaigns, visa restrictions, as well as health information and disease control programmes; and.
- Finally, recognising youth development as an important aspect, hence the need for programmes designed to cater for this segment of the population incorporating them into the tourism industry (Republic of South Africa, 1996:38).

### **3.3.6 Part 6: The Key Role Players**

According to the White Paper on Tourism (Republic of South Africa, 1996:47), national government should perform five (5) key functions in pursuit of the development and promotion of the tourism industry. These include the following:

- Facilitation and implementation;
- Coordination;
- Planning and policy-making;
- Regulation and monitoring; and
- Development promotion.

The functions of the other spheres of government, that is, at provincial and local level, mirror those of national government. However, local government is closest to the tourism product and thus the local environment (business and community) will exert a greater influence on the development of the tourism destination.

Other role players are the private sector, labour, communities, women, non-governmental organisations, media, and conservation agencies (Republic of South Africa, 1996:52). All these role players have a specific function in the growth, development and promotion of tourism in South Africa. For example, the media can report on tourism activities at tourism destinations and in doing so, they create an awareness of the industry. Conservation agencies can generate much needed income to sustain themselves by promoting responsible tourism practices.

### **3.3.7 Part 7: The Organisational Structure**

The government, through the National Department of Environmental Affairs and Tourism, is cited as the main proponent of tourism. It is also noted that as early as 1996 a call was made for the establishment of a separate, stand-alone National Department of Tourism.

Government also formed an entity at national level to market and promote South Africa internationally. As a consequence, the entity is also involved in research, product development and training. At provincial government level, similar entities are in existence and in some instances these entities also have a conservation function. In other words, they are also responsible for the management and conservation of parks,

reserves and conservation areas within the provinces. An example of such an entity is the Eastern Cape Parks and Tourism Agency.

At regional level there may also be some functions associated with tourism, specifically within district municipalities. However, their role is often of a facilitative nature. In other words, they market the district as a tourism destination and assist in product development. The involvement of the private sector may therefore be minimal.

At local level, stand-alone entities were created long before the White Paper on Tourism and such organisations were started as publicity associations and their chief function would have been to 'publicise' the cities, or towns. In many instances, the local municipalities have supported these publicity associations financially, with some of the funding being obtained from the associations' members through a membership fee. Over time, these publicity associations evolved into local tourism organisations entrusted to promote and market destinations.

### **3.4 THE MUNICIPAL STRUCTURES ACT 117 OF 1998**

Emanating from the Constitution, the purpose of the Municipal Structures Act 117 of 1998 is specifically enacted to enable the establishment of municipalities, with the objectives being, *inter alia*:

- to provide for the establishment of municipalities in accordance with the requirements relating to categories and types of municipality;
- to establish criteria for determining the category of municipality to be established in an area;
- to define the types of municipality that may be established within each category;
- to provide for an appropriate division of functions and powers between categories of municipality;
- to regulate the internal systems, structures and office-bearers of municipalities;
- to provide for appropriate electoral systems; and
- to provide for matters in connection therewith.

Of interest to tourism is that article 84 (m) of the above-mentioned Act, stipulates that district municipalities are responsible for the promotion of local tourism for the area.

This suggests that district municipalities should support tourism, given that promotion is a function of marketing, which resides under management. Thus tourism cannot be promoted in isolation, without understanding what is to be promoted and how it will be promoted. In order for this to occur, the municipality needs to have a structure, or body, either within the municipality or it needs to devolve that responsibility to another party.

### **3.5 THE NATIONAL TOURISM SECTOR STRATEGY OF SOUTH AFRICA OF 2011**

According to the National Tourism Sector Strategy (NTSS) (National Department of Tourism, 2011:14), tourism is a priority economic sector. Thus, it is imperative that a strategy be formulated to drive the growth and development in a sustainable manner by looking at the domestic and international tourism environment, and South Africa's competitiveness as a destination (National Department of Tourism, 2011:15).

The NTSS (2011) consists of five (5) major sections which are discussed below.

#### **3.5.1 Strategy Overview**

The guiding principles of the NTSS are premised on:

- a vision, to become a top 20 tourism destination in the world by 2020;
- a mission, to substantially grow a sustainable tourism economy by increasing domestic, regional and international tourism through innovation, service excellence, meaningful participation and partnerships.
- values based on mutual trust, accountability, respect for the culture and heritage of the country, transparency and integrity, upholding the values of the Constitution, responsible tourism, a commitment to transformation, and flexibility and adapting to change (National Department of Tourism, 2012:16).

Of particular interest is the need to grow tourism sustainably through participation and partnerships. In the context of this study, the participation and partnership between tourism stakeholders and the local tourism organisation is key as this association could potentially yield benefits to both parties in terms of sharing expertise and knowledge with some of the stakeholders playing an oversight role if elected to the board of directors. The link between the NTSS (National Department of Tourism, 2011) and

other policies is also evident as some of the values referred to in the previous paragraph also appear in the White Paper on Tourism (South Africa, 1996) and the Municipal Structures Act 117 of 1998. Thus, a common thread runs through the government policies.

### **3.5.2 Themes, Strategic Objectives, Clusters and Thrusts**

The NTSS (National Department of Tourism, 2011:17) is underpinned by three main themes, each with its own strategic objectives.

#### **3.5.2.1 *Growing Tourism and the Economy***

The growth of the tourism economy in terms of the contribution to the gross domestic product (GDP), increased employment opportunities and investment by setting specific targets is seen as critical. The employment opportunities created should also provide fair remuneration and enhanced human capital development. Domestic tourism's contribution to the economy should also be increased to reduce the risk that comes about with international tourism. Similarly, regional tourism on the African continent should be further encouraged.

#### **3.5.2.2 *Improving the Visitor Experience***

To improve the visitor experience, the country must produce an experience that not only meets the expectations of visitors, but exceeds it. In order for this to be implemented, a tourism culture must be adopted for greater awareness of tourism amongst all South Africans. In addition, the country must become a recognised destination brand internationally.

#### **3.5.2.3 *Promoting Sustainability and Good Governance***

In order to achieve this, transformation in the tourism sector is necessary. Thus, the intention is to increase the number of companies with broad-based black economic empowerment (BBBEE) ratings as well as black-owned companies. Visits to the least visited regions and the rural areas need to be increased with a review of the tourism products found in these destinations. At the same time, seasonality needs to be addressed by increasing the number of visitors during low season.



The promotion and implementation of responsible tourism practices, an issue also identified in the White Paper on Tourism of 1996, is also highlighted in order to increase community beneficiation. The importance of tourism economic development at local government level is also emphasised, together with the stakeholders. It is further stipulated that the NTSS (National Department of Tourism, 2012) needs to permeate local policy such the Integrated Development Plans (IDPs).

Five clusters are also identified, each identifying a number of actions to address the various strategic gaps related to the cluster. For the purpose of this study, attention is only be paid to the following strategic gaps as they have direct bearing on the study:

- The policy and legislative framework which is seemingly maligned between the spheres of government, and other sectoral policies which do not integrate well with tourism.
- Collaborative partnerships which are lacking in the different sub-sectors of tourism, spheres and entities; sub-optimal relations between the private and public sector at provincial and local level, and less than ideal relations between the public and private sector and the community.

### **3.5.3 Risk Factors to the Strategy**

The NTSS (National Department of Tourism, 2012) recognises the following risks:

- Currency exchange rates: A weaker Rand may encourage inbound tourism, but at the same time it could also result in an increased balance of payment of the country. Since the balance of payment is paid in United States dollars, it would cost significantly more owing to the weaker Rand against the dollar
- Economic downturn: As a result of this, the disposable income of inbound and outbound tourists will shrink, leading to less travel. Prospective tourists will therefore be more cautious to engage in travel opportunities.
- Terrorism, whether nationally or internationally, potentially poses one of the biggest threats as it will 'push' tourists away from a host country. With the terrorist attacks in Kenya, tourist arrivals to the country declined. In such instances countries issue travel advisories discouraging their citizens from travelling to countries affected by terrorism, or terrorist activities (Were, 2015).

- Natural disasters and climate change: The eruption of the Eyjafjallajökul volcano in Iceland on 14 April 2010 affected air travel in Europe as planes were grounded owing to the ash cloud ([www.bbc.co.uk](http://www.bbc.co.uk)). Similarly, climate change presents long-term threats to coastal cities and resorts as the sea level rises and the likelihood of flooding of these coastal destinations increases.
- The unilateral imposition of carbon taxes by some governments, or the stringent visa regulations could damage a destination's image and act as barrier to tourism.
- Political unrest or civic strife in a region or country can deter tourism growth as tourists may feel that they will be at risk. As a result, they may postpone their travel or select other destinations. Very often, it is the image of a destination that is tarnished and it creates a perception of unsafeness.
- Crime, or the perception of crime, is a major deterrent to travel. This remains one of the biggest threats to South Africa, even though during the 2010 FIFA Soccer World Cup, no serious crimes were reported. However, prior to this event the British media reported that South Africa was a dangerous country, citing crime statistics as evidence (Rohrer, 2010; Uys, 2010).
- The outbreak and spread of infectious or communicable diseases hampers tourist arrivals to a destination, whether a country or region. With the outbreak of the Ebola epidemic in West Africa, countries such as South Africa also experienced declining international tourist arrivals despite being more than 6000 kilometres away from this region.
- A lack of understanding of the NTSS by key stakeholders results in incongruence with other policies. In essence, what this means is that the government policies that should collectively drive economic development, do not dovetail.
- Incidents of intolerance amongst communities, such as the xenophobic attacks on foreign citizens from mostly African countries now living in South Africa, create an anti-foreign sentiment. This in turn, creates perceptions amongst foreign tourists that they are neither wanted nor safe in South Africa.
- The overdependence on foreign tourists also makes for a vulnerable economy. For this reason domestic tourism must be enhanced in order to create a more sustainable market.

- The lack of integrated organisational structures at national, provincial and local level is a risk that requires mitigation. In other words, the structures should be fit-for-purpose so that the desired outcomes can be achieved without compromising the sustainability.
- Poor stakeholder relations and management are cited as another risk. Hence, organisations must know who their stakeholders are and engage them optimally.

### **3.5.4 Institutional Arrangements and Structure**

The section on the institution arrangements and structure provides guidance as to what the institutional structures for tourism at national, provincial, regional, metro and local level should be. In addition, the section also provides guidance as to the function of each sphere of government in relation to tourism. Thus, the section ensures that there is uniformity over the nine provinces as to how tourism must be administered.

## **3.6 TOURISM ACT 3 OF 2014**

Act Number 3 of 2014 enacted on 7 April 2014 and is commonly referred to as the Tourism of 2014. The purpose of the Act is:

To provide for the development and promotion of sustainable tourism for the benefit of the Republic, its residents and its visitors; to provide for the continued existence of the South African Tourism Board; to provide for the establishment of the Tourism Grading Council; to regulate the tourist guide profession; to repeal certain laws; and to provide for matter connected therewith (Republic of South Africa, 2014:15).

Chapter 1 of the Act speaks to the interpretations and objects of the Act. Of particular interest to the study are the following:

- That the Act will promote responsible tourism practises; and
- That the Act binds all organs of the state at national, provincial and local level (Republic of South Africa, 2014:15).

In the context of this study, it is therefore key that all parties, that is, tourism product owners and tourism organisations, whether private or public, or combinations of public and private, consider the quest for responsible tourism practices. Thus, local tourism

destination marketing organisations should ideally subscribe to the principles of responsible tourism as the environment acts as the operational platform within which tourism operates. If the environment is not treated according to responsible tourism practices, the sustainability of the environment is at risk and, as a consequence, the very existence of tourism.

In the same vein the three spheres of government must act in concert with the Tourism Act of 2014. In other words, local government must act in a congruent manner with the national government and apply the precepts of the law. It cannot consider that, since it is operating at a local level, the national law is not applicable.

Chapter 2 makes reference to the National Tourism Sector Strategy, which has been discussed previously. Also contained in the chapter is the matter pertaining to the national information and monitoring system for tourism, a database of tourism businesses, as well as publishing norms and standards, and codes of good practice for matters related to tourism.

Chapter 3 makes reference to the continued existence of the South African Tourism Board. In other words, Chapter 3 refers to the Board's functions, powers, composition and the appointment of Board members. Of particular interest to the study is the fact that the appointment period for Board members is three years. In addition, the Act also speaks to other issues related to the Board members, such as their term of office, the disqualification of membership, the process of filling vacancies, remuneration, the attendance of board meetings, and their conduct at meetings.

Chapter 4 speaks to the possible development of a national grading system for tourism. The purpose of such a grading system would be to address the standards and quality of tourism services, facilities and products. It would appear that this is an extension of what was done by the Tourism Grading Council that only focused on the accommodation establishments. However, the proposed grading system is much broader as it will look at the entire tourism plant and hence will include tourism services, facilities and products.

Chapter 5 focuses on tourism protection, with the appointment of a complaints officer, and framework to deal with such matters.

Chapter 6 makes reference to tourist guides who are often at the frontline when dealing with tourists and play an important role in selling the country and contributing to a memorable tourism experience. Given this important role, a structure is to be established, headed by a National Registrar of Tourist Guides which will be responsible for the governance of this sector.

The final section, Chapter 7, is a general section dealing with offences and penalties, delegations, assignments and regulations. It is also noted that this Act, repeals the previous Tourism Act as well as a host of amended Acts related to tourism.

Whilst the Tourism Act of 2014 does not speak directly to the scope of the study, it does provide some guidance with regard to the appointment of board members, and key matters to consider for destination marketing organisations, such as responsible tourism practices.

### **3.7 LOCAL ECONOMIC DEVELOPMENT (LED)**

According to Canzanelli (2001) in Rodriguez-Pose and Tijmstra (2005:3), local economic development (LED) is a procedure where local players reconfigure and distribute the future of their region. The World Bank Urban Development Unit (2003:4) in Rodriguez-Pose and Tijmstra (2005:3) refers to LED as "...a process by which the public, business and non-governmental sector partners work collectively to create better conditions for economic growth and employment generation". Meyer-Stamer (2008:9) espouses that LED is a predetermined plan to create employment for the inhabitants in a specific area with the purpose of improving the livelihood of the inhabitants.

In the context of the above three definitions, local economic development is an approach to economic development that takes place in a defined region, and more particularly at local level as opposed to national level. This approach involves role players at a local level and may comprise a number of strategies to achieve a desired outcome, or state which should preferably benefit those inhabiting the local environment where the strategies are being targeted. The main objectives of LED is to increase employment and economic growth (Rodriguez-Pose & Tijmstra, 2005:3), as well as improve the living conditions of the locals, leading to a sustainable

environment. In order to achieve a sustainable environment, it is also necessary to look at economic, social and environmental constraints.

### 3.7.1 LED versus Traditional Development Strategies

Table 3.1, that follows outline the differences between local economic development and the traditional development strategies. Based on these differences, it becomes apparent as to why local economic development is the preferred approach. This approach is further favoured in democracies as it puts the people, especially the locals, in charge of their own destiny.

**Table 3.1: Difference between local economic development and traditional development strategies**

Local Economic Development	Traditional Development Strategies
Territorial (region or locality)	Sectoral, e.g. mining
Bottom-up	Top-down
Various role players	Central government
Tailored for local needs	Broad based, with limited local focus
Specific local projects	Usually large industrial projects
Address local strengths and weaknesses	Address broad national interests
Better suited to promote sustainability	More inclined to promote dependence

Source: Researcher's own construction

### 3.7.2 Various Components of Tourism relevant to LED

According to Goeldner and Ritchie (2012:10), the various components of tourism, namely, the tourist, the natural resources and environment, the built environment, the operating sectors and the spirit of hospitality all form part of the tourism phenomenon. These components all play a role in local economic development.

#### 3.7.2.1 The Tourist

Tourists form the core of the tourism phenomenon (Goeldner & Ritchie, 2012:9). In other words, without tourists, there would be no tourism, or tourist activities and services. Thus tourists provide the *raison d'être* as to why tourism or the tourist activities and services take place, as tourists purchase and participate in tourist

services and activities. A tourism product comprises the tourist activities and services which enable the tourist to interact with the tourism phenomenon. The number of tourists purchasing a tourism product determines the success of the tourism product. If fewer tourists purchase a tourism product, the sustainability and consequently the future existence of the tourism product is at stake. This, in turn, could impact on a destination and DMOs would need to put strategies in place to ensure that tourism products are optimally utilised.

In the 1970s a number of tourist typologies were developed. Table 3.2 below summarises those tourist typologies which enabled tourism practitioners to group tourists. This, in turn, allowed tourism practitioners to develop tourism products that were geared to each of these tourist types depending on whose typology was adopted.

**Table 3.2: Tourist Typologies**

<b>Gray (1970)</b>	<b>Cohen (1972)</b>	<b>Plog (1974)</b>
Sunluster Wanderluster	Organised mass tourist Individual mass tourist The explorer The drifter	Psychocentric Midcentric Allocentric

Source: Cooper, Fletcher, Fyall, Gilbert and Wanhill (2008:50 & 191); Page and Connell (2009:84); Cooper and Hall (2013:64).

The travel behaviour and motivation of tourists are also key factors in determining the type of tourism products that are developed. In other words, the attributes of tourists such as their age, educational levels, family life stage, and income, also play a role in deciding which tourism product the tourist purchases. Thus, the role and influence of the tourist becomes important when considering the components of tourism.

### **3.7.2.2 Natural Resources and Environment**

Tourism takes place in a defined space and location. These spaces and locations are also referred to as the tourist destination. The tourist destination is a function of what is provided naturally by the environment and what is also offered by this environment. Climate (which impacts on the weather), the landscape, the availability of water and the vegetation are all natural resources that may determine the type of tourism that takes place at a tourist destination (Goeldner & Ritchie, 2012:9). A coastal

environment may provide for a specific type of tourist activity, such as beach tourism. A cold mountainous region may provide for ski tourism. Both destinations may attract tourists who have a keen interest in what the two destinations offer.

### **3.7.2.3 Built Environment**

To facilitate tourism, an environment would typically be constructed to accommodate tourism. In the context of tourism and the built environment, reference would be made to the infrastructure and superstructure (Goeldner & Ritchie, 2012:10). Infrastructure such as roads, electricity, water and commercial facilities is typically put in place to provide for the local population. However, tourists also use this infrastructure. Facilities specifically built to accommodate tourists, such as hotels and conference centres, are referred to as the superstructure.

According to Goeldner and Ritchie (2012:11), technology, information and governance have also recently been added to the built environment. Technology is part of the modern tourism era and includes global distributions systems (GDSs) used by airlines to enable travel agents to book tickets; central reservations systems (CRSs) used by hotels allowing clients anywhere in the world to make a reservation; and e-mail used by tourists to enquire and make reservations and the tourism product owners being able to respond to the prospective client, without both parties involving an intermediary such as a travel agent who acts on behalf of a client.

Information about a tourist destination, such as the infrastructure and superstructure, as well as past tourists visiting experience is also crucial to the image of a tourist destination. A positive image may enhance visitation to the tourist destination, whereas a negative image may have the opposite effect. Such information will enable a tourist destination to put strategies in place to remedy the situation. In contrast to the past, this information is now available electronically, meaning that tourism product owners can market their products directly and instantly to prospective tourists at any point in time.

Within the realm of tourism, governance has become a focal point as the business of tourism not only involves a tourist (client) and a tourism product owner selling or providing a service. Contractual obligations are involved in a transaction. For example, tourists have to cross political borders and, as a result, the international exchange of



money is required. This necessitates reliable systems to be in place to facilitate the transfer of tourists and money. Thus, according to Goeldner and Ritchie (2012:11), the political, legal and fiscal systems regulating tourism have a profound impact on the productivity of tourism businesses. The main issue at stake is that tourists pay for a product, which is essentially an experience which they want to have, before leaving their home country. Having confidence in a country, or a tourism product is therefore important for both the tourist and the tourism product owner.

More recently at a macro level, the issue pertaining to governance in South Africa was brought to the fore with unabridged birth certificates being required for children travelling to South Africa as well as additional visa requirements involving biometric data. These requirements were introduced by the national Department of Home Affairs despite strong protestations from the tourism businesses and the national Department of Tourism. As a consequence South Africa's request for parents travelling with children internationally to have unabridged birth certificates as well as passports, discouraged international travel to South Africa. In addition, the South African government's imposition of biometric data requirements for tourists from countries such as China and India, has constrained the flow of tourists to South Africa. Fortunately the latter issue has been addressed to some extent with some travel agents in China being accredited to collect the biometric data. Initially Chinese tourists wanting to travel to South Africa had to visit a South African mission in person, either in Beijing or Shanghai. However, the matter is being dealt with as international airports in South Africa will capture the biometric details of tourist upon arrival (Brophy, 2015).

#### **3.7.2.4 *Operating Sectors***

The operating sectors comprise the transport sector, the accommodation sector, the adventure and outdoor recreation sector, the travel trade and tourism services sector, food services sector, the events sector and the attractions sector (Goeldner & Ritchie, 2012:12). The transport sector includes all the airlines, coaches, rail, cruise liners and car rental companies. The accommodation sector includes all the hotels, guest houses, bed and breakfast establishments, self-catering units and apartments and camping sites. Some of the hotels may even be multi-nationals, such as the Marriot Group which is linked to the Protea Hotels. The adventure and outdoor recreation sector comprise those activities in which tourists typically engage whilst on holiday

and which complement the tourism experience. These activities may include hiking, bungee jumping, and scuba diving amongst others. The food services sector ranges from restaurants offering an exquisite dining experience to fast-food outlets.

The events sector is also an integral part of the operating sectors of the tourism industry. Internationally, the Edinburgh Arts Festival in Scotland and mega-sport events such as the FIFA World Soccer Cup attract tourists from across the world. In South Africa, the National Arts Festival held annually in Grahamstown, the Klein Karoo National Arts Festival held annually in Oudtshoorn and the Cape Town Jazz Festival, draw tourists from across the country. As well as promoting the performing arts and sport, these events also contribute to tourism.

The travel trade facilitates the experience that the tourists pay for and in which they are keen to participate. They comprise the travel agent, the tour operators, as well as other support services such as banking and retail.

Finally, the attractions sector is also a major drawcard for tourists. Robben Island, an international World Heritage Site, Boulders Beach in Simonstown, renowned for its African penguin colony and Qunu, near Mthata where Nelson Mandela was born and buried are all familiar tourist attractions in South Africa. Some of these sectors may be seen as the reason for the existence of tourism. However, they all contribute towards the tourism experience.

### **3.7.2.5 Spirit of Hospitality**

The tourism experience would be a bland experience were it not for the involvement of human beings, specifically those who are employed in the tourism industry and provide the experience. This interface between the tourists and the employees providing the service is of utmost importance as it lays the foundation for a "...high quality memorable experience" (Goeldner & Ritchie, 2012:13). This is in part what is referred to the spirit of hospitality. According to Goeldner and Ritchie (2012:13), the spirit of hospitality is dependent on firstly, whether the tourism employees treat the tourists with respect and courtesy, and secondly, whether the host population has a pleasant attitude towards the tourists. Collectively these attributes enhance the visitor experience and can contribute towards a memorable experience at the destination.

In a competitive environment where the difference between tourism products at different tourism destinations is very small, it is vital that the spirit of hospitality is superior. In other words, it is the superior spirit of hospitality that distinguishes one tourist destination from another as being better.

### **3.7.3 Tourism as a Driver for Local Economic Development**

According to Agarwal (1999) in Rogerson (2002:101), the involvement of tourism in local economic development (LED) can be traced to the pre-1980s when destinations in North America and Western Europe marketed the traditional sun, sand and sea theme to attract tourists. In the 1990s tourism had ingrained itself to become part of the LED strategies adopted by local government (Hall & Jenkins, 1995:38). During this period the inclusion of tourism as a LED strategy also spread beyond the western part of the northern hemisphere into Asia, Australia and Africa.

In South Africa, the Reconstruction and Development Programme (RDP) was a strategy that was part of the election manifesto of the African National Congress in 1994. The RDP recognised the role and importance that tourism could play in transforming an economy which had developed in an unsustainable manner. The Constitution of South Africa, specifically Chapter 7 and Schedule 4, cites the role of local government (municipalities) and tourism. In addition, the White Paper on the Development and Promotion of Tourism of 1996 also made reference to the role of local government and tourism. Thus, tourism is intricately linked to LED.

Rogerson (2002:98) contends that for an area to develop as a tourist destination, three (3) key factors must be considered. Firstly, the area must have a diverse range of tourism products. These tourism products must be the initial drawcard for tourists to the area that will ignite the growth of tourism and its respective components referred to in the previous section. Secondly, the notion of local development to ensure that the area is developed sustainably is also important. In other words, the physical, social and environmental aspects of the region must be considered in local development. This implies that local development must be done in a manner that will involve all parties. Thirdly, to promote the area as a tourist destination, an effective structure is needed. This structure needs to take the form of a partnership between the private and public sectors. The reason why such a partnership is punted is because the public

sector is responsible for setting the enabling environment through policy formulation. On the other hand, it is argued that the focus of the private sector is more on profits, rather than sustainability (Rogerson, 2002:99). This is in line with the South African legislative framework which conceptualised tourism as being government-led, private sector-driven and community-based (Section 7 and Schedule 4 of the Constitution, 1996; White Paper on Tourism, 1996; Municipal Systems Act, 1998; Tourism Act, 2014).

#### **3.7.4 Benefits of Tourism**

According to Turner (2012:4) travel and tourism, hereafter referred to as tourism, is a major export industry. Therefore, when services and experiences are marketed abroad, it creates an opportunity for international tourists to purchase these foreign products and services. In doing so, it attracts spending from these international tourists when they visit the host country, thereby bringing in much needed income. At a local level, people are employed to provide these services and experiences to the tourists. Thus tourism plays a pivotal role in job creation opportunities. This view is supported by Turner and Sears (2013:63) who state that tourism is one of the main employment creators across the globe. Placing greater emphasis on marketing a country, region, or locality makes sense as it will attract tourists to that destination, which in turn will create employment.

Tourism is also known to have linkages with other industries (Turner, 2012:6). These linkages have the propensity to stimulate other sectors, such as food production and banking services. Tourists eat at restaurants and fast-food outlets and when the food is locally grown and produced, it can stimulate the local agricultural industry.

The local cultural heritage is also an attractive commodity for tourists (Turner, 2012:11; Turner & Sears, 2013:63). Thus tourism can provide a platform for locals to provide very specific goods and services such as art and crafts, local cuisine and music. At the same time, tourism also has the ability to encourage locals to preserve their cultural heritage.

Within the ambit of local economic development, tourism must play a catalytic role and therefore strive to grow the local economy and alleviate poverty. Some of the advantages of using tourism to grow the local economy, is that tourism has the

propensity to expand business ventures and, in doing so, create new employment. This new employment tends to create jobs at all levels, meaning that if a community lacks the skills and knowledge, it is possible to capacitate the community through on-the-job training and dedicated training programmes. As a consequence, tourism can improve the livelihood of people living in a specific locality through employment creation and skills and knowledge development. Thus, tourism has the ability to enhance the sustainability of local communities.

### **3.7.5 Tourism Challenges**

The challenges associated with tourism can be grouped into external and internal challenges. External challenges can be described as those challenges which are of a global concern and will have a profound impact on continents, countries and local destinations. External challenges may be further categorised into economic challenges, demographic challenges, and environmental challenges, as well as politics, technology and safety, security and risk (George, 2014:565; Cooper et al 2008:665). Internal challenges or challenges at local level, on the other hand, are more specific to the local destination. An example of challenges at local level may be understanding LED and tourism, as well as local sourcing.

#### **3.7.5.1 Environmental Challenges**

Climate change poses the most significant risk to the tourism industry (Cooper et al 2008:667). Over the longer term it has the ability to raise the sea level as a result of global warming which causes the ice caps in the polar regions to melt. This rising sea level will flood many coastal destinations (Goeldner & Ritchie, 2012:454). In the process, the tourism infrastructure and superstructure will be at risk and this will have an impact on economic development across the world.

Ski resorts will also be at risk, even though many of them are situated inland in mountainous regions. The rise in global temperatures is likely to melt the snow, making ski resorts more dependent on artificial snow (Goeldner & Ritchie, 2012:454). Creating artificial snow will increase the input cost of ski resorts and impact on their financial viability.

With improved mobility, the likelihood for increased levels of carbon dioxide will also adversely affect the environment. Tourism activities are estimated to contribute to about 5 percent of the total global carbon dioxide emissions (George, 2014:568). Thus long-haul air travel may become increasingly more expensive as tourists are taxed and therefore it becomes less attractive. Alternatively, the motivation to embark on long-haul air travel may decline owing to tourists becoming more conscious of increased carbon dioxide levels and global warming.

#### **3.7.5.2 Economic Challenges**

Currency exchange rates, inflation rates, and the increasing cost of fuel and food will erode the disposable income of many prospective tourists (George, 2014:565). As a consequence, tourism growth is likely to decline in the emerging economies. In the developed economies, such as that of China, growth may be possible as China is the fastest-growing outbound market with 100 million outbound Chinese leisure trips forecasted by 2020 (Goeldner & Ritchie, 2012:463). However, this would mean that destinations wishing to attract Chinese tourists need to be geared up to cater for these Chinese tourists. Tourist destinations (countries) need to have bilateral agreements in place with China, and specifically approved destination status (ADS) granted by the Chinese government which approves travel to those countries that have ADS (Goeldner & Ritchie, 2012:463). In addition, the Chinese prefer to travel in groups with a tourist guide. Ideally this tourist guide must be able to speak Mandarin as English is not widely understood by the Chinese tourists.

Economic challenges are often influenced by political factors (George, 2014:565). A typical example of a political decision is the decision by the South African government to impose visa restrictions on inbound tourists, which has been discussed previously. Increasing the tourist taxes is another example that could discourage tourist visits to a destination. The result of such actions could inhibit the growth of tourism and in turn, lead to fewer employment opportunities, or at worst, lead to employment shedding.

#### **3.7.5.3 Political Challenges**

In addition to the issue of political challenges, host countries may also issue travel advisories to discourage their citizens from traveling to a particular county. Such travel

advisories are normally made when another country is politically unstable or terrorist activity is likely to put tourists at risk when visiting a specific country.

A destination's policies could also constrain tourism. For this reason the role of government is important as the government is responsible for creating an enabling environment in which tourism can potentially thrive. However, the policies need to operate in concert from national to local level and government must have the ability to implement and monitor those policies.

#### **3.7.5.4 Demographic Challenges**

The demographics refer to the age, gender and homogeneity or heterogeneity of a region or country. Over time, the demographics of a tourist generating region or country changes and this can impact on the marketing strategies that tourist destinations adopt. In other words, a source market such as Germany for South Africa will have an ageing population, meaning that German tourists visiting South Africa will become much older on average in the future (George, 2014:566). As a consequence, the tourism product mix and the marketing strategies will have to be amended to suit an ageing target population whose requirements for travel may have changed. Owing to the ageing travelling population there may be a need for health and medical travel facilities (Goeldner & Ritchie, 2012:462).

With some countries' populations becoming more heterogeneous, the travel behaviour of tourists from these heterogeneous markets may change. This may necessitate tourist destinations to re-define their tourism products to better cater for the changing markets. According to George (2014:566), this may result in more niche markets being developed.

At present, the major international tourist generating regions, beyond Africa for South Africa are the United Kingdom, the United States of America, and Germany (Statistics South Africa, 2013:14). However, this may change in decades to come with China and India becoming economically stronger. The propensity for its citizens to travel may therefore increase. In this case, South Africa may have to review its tourism products and ensure that it is also geared to these markets. The challenge, therefore, is how soon tourist destinations can accommodate these changing needs to be at the forefront of catering for these emerging tourists.

### **3.7.5.5 Technology**

Technology has had a profound impact on the tourism industry with the development of central reservation systems and global distributions systems over the past few decades. The use of the Internet has provided the tourists with more access and choice as they have been able to explore and make on-line reservations from the comfort of their homes. This has impacted the traditional marketing strategies and destinations have had to adapt to the use of the technology (George, 2014:566).

The changing technology has made it possible for tourists to be more informed about destinations, as well as to access visuals about the destinations that may appeal to them. Thus, marketing tourist destinations using technology has to become competitive. First, the visual marketing material of destinations must be sufficiently interesting to peak and maintain the interests of the prospective tourist. Second, this interest must be converted to a sale, before the losing the prospective tourist to another possible destination. Thus the use of technology is a double-edged sword.

Tourists' choices to visit a destination are also impacted by access to technology at the destination. Technology, such as Wi-Fi, which enables tourists to connect with work, family and friends in their home countries whilst at the same time exploring tourism products in the host destination, is a key motivator for many tourists. Destinations must therefore have the resources and infrastructure to enable the use of technology both for marketing purposes and for tourists in order to compete globally.

### **3.7.5.6 Safety, Security and Risk**

Safety and security as well as risk are key challenges globally and can affect a tourist's confidence in a destination (Cooper et al 2008:665). The aim of any destination, therefore, would be to inspire confidence through a destination's marketing strategies and having plans in place to deal with crises.

In terms of Maslow's hierarchy of needs it is possible to rank the needs of people (Ivanovic et al 2009:57). Accordingly the desire to be safe and secure occupies the second level and is therefore an important attribute in motivating tourists. Thus tourists are unlikely to visit a destination where there are concerns of safety and security. The challenge for destinations therefore is to ensure that any perceived threats pertaining to safety and security are adequately dealt with. In order for this to be done, the police



must have the resources and skills to attend to potential threats efficiently and effectively. This must then be followed by a criminal justice system that is equally efficient and effective. However, safety and security is not only a function of the police and criminal justice system, communities need to take ownership of the environment in which they live. Therefore, communities also have a responsibility to create a safe environment and make tourists feel welcome and safe.

A destination must also have a risk management plan in place. Such a plan will outline how they will go about dealing with possible risks and what mitigating strategies could potentially be adopted to address risks that may arise. In the unlikely event of an unsavoury incident, or a natural disaster, a destination must have a crisis management plan in place so that they can deal with such issues in an effective and efficient manner.

### **3.7.5.7 Challenges Impacting Directly at Local Level**

The following internal challenges will have a direct impact on local tourist destinations:

- **Understanding LED and tourism**

For local tourist destinations to derive optimal benefit from tourism, the politicians and bureaucrats must have a good working knowledge of LED and tourism. According to a SALGA LED Position Paper (2010:27) a number of concerns have been identified that could hinder LED and, by implication, tourism. These include the capacity of staff which may be limited and therefore they may not be able to perform optimally. If budgets are inadequate, it may limit the implementation of local economic initiatives. In addition, the community's lack of understanding of tourism and what tourists expect could negatively impact on a local destination (Ivanovic et al 2009:294). In other words, a local destination may not have a thriving tourism industry if the locals have a limited understanding of tourism. Their ignorance about tourism may repel tourists.

- **Quality tourism experiences**

The lack of quality tourism experiences is also an issue at local destination level. This challenge is brought about due to the fact that some tourism

managers employed by municipalities have no tourism background or qualification. Consequently they are unable to inspire the stakeholders in the tourism industry to provide quality tourism experiences. The absence of quality tourism experiences may negatively impact the growth of the tourism industry.

- **Seasonality and sustainability**

At local level, seasonality is a challenge and to mitigate this, expertise and resources are required. As a result of competing funding needs, a number of local municipalities view tourism as a luxury and so tourism generally remains underfunded. This means that at local level, tourism marketing may be neither well-conceived nor implemented. In small municipalities and rural destinations it can have disastrous repercussions for smaller tourism businesses that need to generate an income throughout the year. Thus, the sustainability of destinations may be at stake.

From the perspective of the triple bottom line and the quest for sustainable tourism, local municipalities need to implement responsible tourism practices. Responsible tourism practices will ensure that employees are treated fairly and justly. Hence, the notion of generating profits is as important as the environment and society. The challenge is that at local level, whether at the DMO or the municipality, little emphasis is placed on responsible tourism and it is not unusual to have only one tourism product or business practising responsible tourism. This is despite the White Paper on Tourism (1996:19) and the Responsible Tourism Guidelines Handbook (2003) in Ivanovic et al (2009:361) promoting responsible tourism in South Africa. In addition, responsible tourism also shares similar principles of pro-poor tourism. Pro-poor tourism is defined as tourism that generates economic, social and environmental benefits for the poor (Ashley, Roe & Goodwin, 2001:2). Whilst government policy encourages the adoption of pro-poor tourism, the implementation at local level has been limited.

- Local sourcing

Local sourcing suggests that whatever a tourism business requires in the form of food produce, labour, building material, arts and crafts, is locally sourced where the business is located. This means that local economic development is encouraged and in the process poverty alleviation can be addressed (Goodwin, Robson & Highton, 2004:7). In the tourism industry sourcing goods and services remains a challenge as not all goods and services can be procured locally. This means that tourism businesses must procure some of the goods and services from outside the local area. This typically leads to leakage as money is spent outside the local area.

The challenge for any local tourism destination and its tourism businesses is to procure goods and services locally. However, it also suggests that these goods and service must be of a good quality in order to contribute to the quality experience that the tourist desires. The question, therefore, is what proportion of goods and services can be locally procured? In addition, what actions and activities are in place to promote the development and growth of locally produced goods and services? The White Paper on Tourism (1996:18) makes reference to tourism having the potential to create linkages. These linkages need to be created at local destinations in order to maximise local beneficiation. This, in turn, will encourage local economic development.

### **3.8 SUMMARY**

Chapter 3 dealt with the legislative framework for tourism and focussed specifically on the legislation that impacts on tourism in South Africa. Thus, it covered the South African Constitution, the White Paper on Tourism (1996), the Municipal Structures Act of 1998, the National Tourism Sector Strategy of 2012 and the Tourism Act of 2014. The legislation referred to above has a direct impact on who is responsible for tourism and how tourism is to be developed and grown in South Africa.

This Chapter also demonstrates that local economic development (LED) is a local government function and tourism is part of this development activity. However, based on the literature cited, it would seem that there are possible challenges that may inhibit the development and growth of tourism at local destination level.

The following Chapter focuses on the institutional arrangements for tourism at international, national and local level. It is necessary to examine these structures in order to contextualise the importance of tourism as a global driver of change, which also impacts on a local level.

## **CHAPTER 4**

### **INSTITUTIONAL ARRANGEMENTS FOR TOURISM DESTINATION MARKETING ORGANISATIONS (DMOs)**

#### **4.1 INTRODUCTION**

Chapter 4 will focus on the organisational structures of tourism organisations, specifically destination marketing organisation (DMOs) across the world, in developed, as well as developing countries. The purpose of doing so is to determine whether there are specific preferences in as far as the structure of DMOs is concerned. In addition, this Chapter will explore whether there are specific costs and benefits associated with each of the various structures.

The above discussion will be followed by examining the tourism structures in South Africa. In doing so, the researcher will examine government tourism structures at a national, provincial and local level. The chapter will then explore the publicly and privately funded DMOs, as well as those DMOs that are funded by the public and private sector. The latter is the focus of the study.

#### **4.2 DESTINATION MARKETING ORGANISATIONS (DMOS)**

The tourism destination is the primary unit of study (Bornhorst, Ritchie & Sheehan, 2010:572; Pearce, 2014:141). In other words, it is the focal point of where tourists converge and participate in tourist activities. In terms of Leiper's (1979) model in Bennet, Jooste and Strydom (2005:34) the tourism system comprises six (6) elements. However, it is the destinations and specifically the DMOs that are the focus of this study. Below are a few definitions describing what a destination is, as well as what takes place at a destination.

**Table 4.1: Various Definitions of a Destination**

Pearce (2014a:149)	A dynamic, geographically-based mode of production which provides interdependent and complementary products to tourists and transforms the spaces and places in which this production occurs.
Pike and Page (2014:203)	An amalgam of a diverse and eclectic range of businesses and people who might have a vested interest in the prosperity of their destination community.
Bornhorst, Ritchie and Sheehan (2010:572)	A geographical region, political jurisdiction, or major attraction which seeks to provide visitors with a range of satisfying to memorable visitation experiences.

Based on the above definitions a destination could have varying spatial dimensions, such as a country, state (province), region or city (municipality). Within these geographical areas tourism products are offered, sold and experienced. This transaction and interaction between the tourist and the host is the result of multiple relationships that develop across economic, social and environmental sectors.

In order to facilitate the interaction between the tourist and the host, destination marketing organisations (DMOs) have been developed. According to Page and Connell (2009:641), a DMO is an organisation that promotes the unique features of a destination to potential visitors, representing its stakeholders in the local tourism industry. This implies that a DMO needs to know what its unique features are. These unique features are then used to influence and lure potential visitors to the destination. A DMO would therefore be involved in the marketing, branding and positioning of a destination, as well as managing the visitor information centres at the destination.

A destination comprises various stakeholders, such as the businesses directly involved in offering the tourism product (hotels and attractions), businesses not directly involved in tourism (supermarkets, clothing shops), the local residents and those employed directly and indirectly by the tourism businesses.

#### **4.2.1 The Role of Destination Marketing Organisations**

According to Pike and Page (2014:205) a DMO "...is an organisation responsible for the marketing of an identifiable tourism destination with an explicit geopolitical boundary". Therefore a DMO operates within defined geographical and political limits.

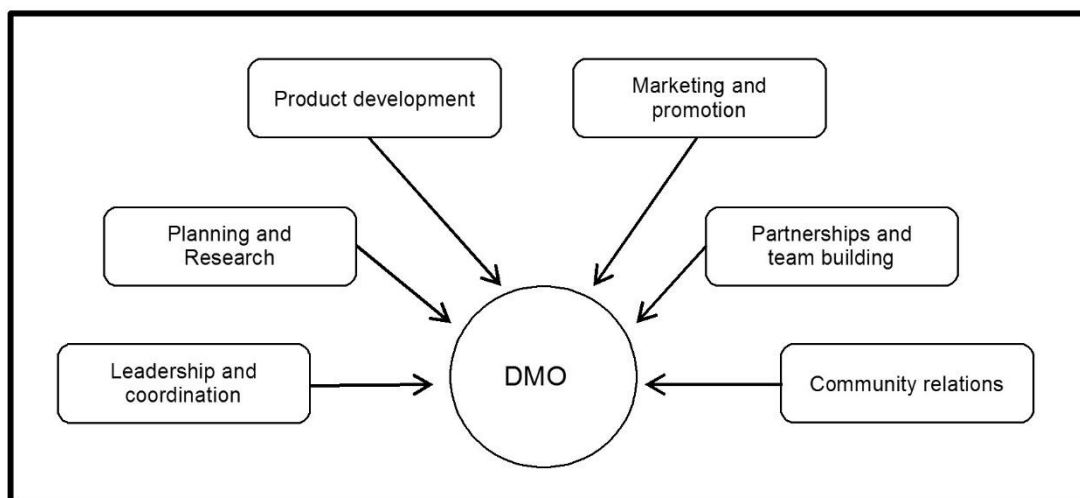
DMOs lead and coordinate tourism at the destination, whilst at the same time they also market the destination (UNWTO, 2007:ix in Morrison, 2013:6).

The Destination Consultancy Group (2012) in Morrison (2013:7) offers the following expanded view of the roles of DMOs:

- Leadership and coordination involves setting the programme for tourism and coordinating the stakeholders' efforts towards fulfilling that programme;
- Planning and research refers to performing key planning and research required to accomplish the vision and goals of the destination;
- Product development involves making sure that the appropriate tourism products and services are developed for the destination;
- Marketing and promotion pertains to crafting the destination positioning and branding, whilst selecting the most suitable markets to promote the destination;
- Partnership and team-building means fostering cooperation between among government departments and agencies, as well as the private sector by forming synergistic teams to achieve specific goals; and
- Community relations refer to engaging the local community in tourism and monitoring their attitudes towards tourism.

Figure 4.1 below provides a graphic illustration of a DMO and its respective roles as outlined above.

**Figure 4.1: The Roles of a DMO**

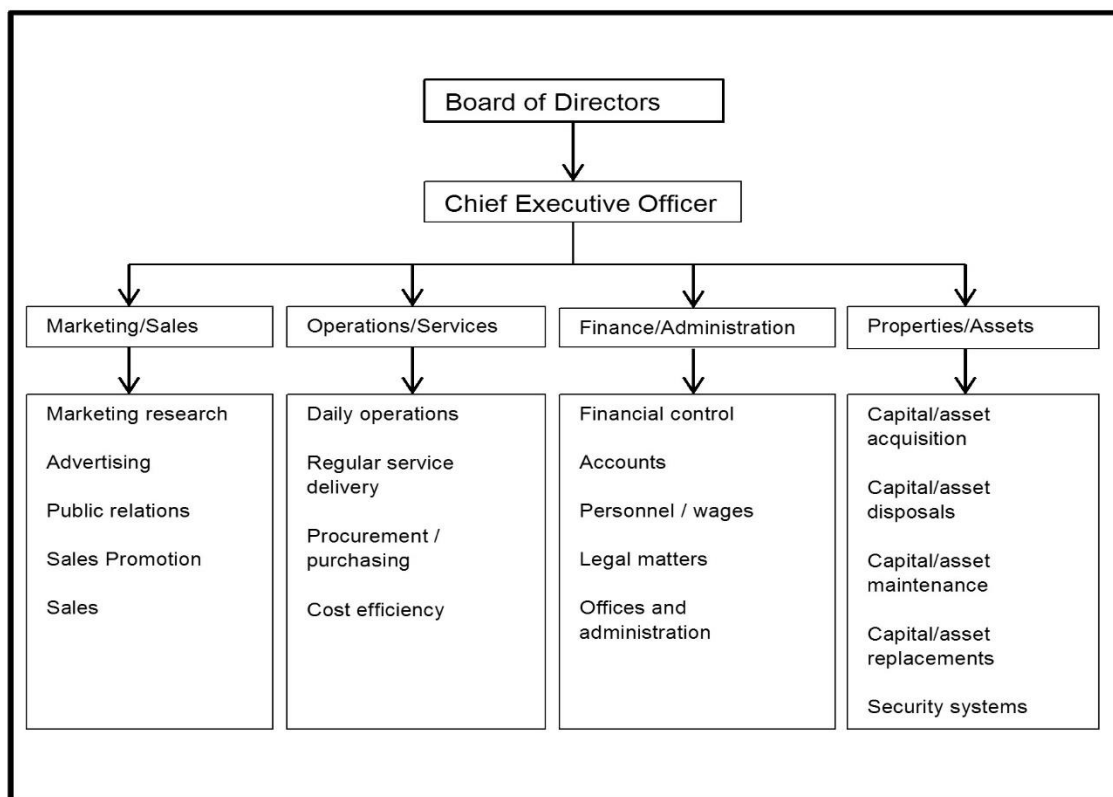


Source: Destination Consultancy Group (2012) in Morrison (2013:7)

Figure 4.2 below is an illustration of a typical tourism organisation. The chief executive officer is appointed by the board of directors and is accountable to them. Within the tourism organisation, there may be four (4) divisions, sometimes fewer, depending on the size and budget of the tourism organisation. Each division has a specific function as illustrated in the figure.

The marketing or sales division focuses on marketing- or sales-related matters, such as research, advertising, public relations, sales and sales promotion. For many DMOs, this is the core function and the reason for its existence. The operations or services division entails the daily operations and procurement-related matters, therefore, making sure that a tender or specific service is procured in accordance with the DMOs policies. The finance or administration division is responsible for financial control and the payment of salaries and service providers. The fourth division, namely the properties or assets division is in charge of assets and capital acquisition and disposal. Sometimes the finance and property divisions may be combined to form one division.

**Figure 4.2: An Illustration of the Structure of a Typical Tourism Organisation**



Source: Bennett et al (2012:176)



#### **4.2.2 The History of Destination Marketing Organisations**

According to Laeser (2000) in Adeyinka-Ojo, Khoo-Lattimore and Nair (2014:152), the first regional tourism organisation was established in St. Moritz, Switzerland in 1864. In 1879, the Blackpool Municipal Corporation was formed in England with the purpose of collecting tax to fund the promotion and advertising of the attractions in town (Cross & Walton, 2005 in Adeyinka-Ojo, et al. 2014:152; Page & Connell, 2009:358). In 1901, New Zealand formed the first national tourism organisation in the world (McClure, 2004 in Adeyinka-Ojo et al. 2014:152; Page & Connell, 2009:358). Therefore it evident that the importance of destination marketing organisations (DMOs) was recognised more than a century ago and hence their establishment at local, regional, provincial and national level. It estimated that there are more than 10 000 DMOs across the world (Adeyinka-Ojo et al 2014:152). These DMOs operate at several levels, namely local, regional, provincial and national level.

#### **4.2.3 The Difference between Destination Marketing Organisations and Destination Management Organisations**

Previous studies have used the terms destination management organisation and destination marketing organisations interchangeably (Adeyinka-Ojo et al 2014:153). In destination marketing organisations the function is primarily on marketing the destinations. According to Heath and Wall (1992) in Volgger and Pechlaner (2014:65), destination marketing organisations fulfil four functions, namely developing strategies, representing stakeholders' interests, crafting products and marketing. However, the crafting of products is not quite the responsibility of the destination marketing organisation as products are primarily created by the private sector as a result of a demand or unique proposition. Thus, destination marketing organisations in South Africa fulfil the role of marketing the destination, developing marketing plans and strategies, and representing the tourism stakeholders at the destination.

On the other hand, destination management organisations have a much wider function. These functions involve the tasks associated with destination marketing organisations, plus policy management and planning, the management of attractions, and human resource development and management. In both destination marketing organisations and destination management organisations, monitoring and evaluation have become key elements of destination success (Volgger & Pechlaner, 2014:65).

According to Pike and Stevens (2014:204) the use of the term destination management organisations is "...inappropriate and potentially misleading when used as a blanket descriptor". According to these authors, management infers control, and very few DMOs have control of the attractions, infrastructure and resources. For this reason, DMOs do not have the mandate or resources to manage their destination (Pike & Stevens, 2014:204).

More recently, the two key words 'management' and 'marketing' have been combined to create destination management and marketing organisations (DMMOs) (Adeyinka-Ojo et al 2014:163). However, the use of the term DMMOs is not widely applied in most parts of the world. In South Africa, despite the National Tourism Organisation (South African Tourism) being responsible for tourism policy formulation and planning, tourism human resource planning and destination marketing, it is neither seen as a destination management organisation, nor a destination management and marketing organisations (DMMO). As a consequence, the term used throughout this study is 'destination marketing organisations' (DMOs). In addition, this study also focuses on DMOs at local (municipal) level.

#### **4.2.4 Challenges Facing Destination Marketing Organisations**

Globally destinations face a number of similar challenges that may hinder their operations. For this reason, DMOs and their shareholders need to be pragmatic and understand the limitations, so as to devise practical strategies to address the challenges. According to Pike and Page (2014:204) DMOs face the following challenges:

- They do not have the authority to change the name of the municipality, or geographic area they represent. This function resides with the municipality.
- DMOs do not have much control over the visitor experience in relation to the brand promise, as the ownership of the tourism products reside outside their scope and mandate.
- Similarly, DMOs cannot dictate infrastructural and superstructural developments even though tourism growth may be dependent on these elements. Many tourist resources such as museums, heritage sites, beaches,

parks and other recreational areas are the responsibility of the municipality or other state-owned organisations.

- Not all the tourists engage the DMOs unless they interact at, or with a visitor information centre, or via social media. As a result DMOs generally have minimal interaction with tourists, yet DMOs success is reliant on the feedback received from tourists who have visited the destination.
- DMOs have limited jurisdiction over the host community's attitude towards tourists. Yet they are expected to create a tourism-friendly community that is positive towards tourists.
- DMOs existence and programmes are often subjected views of the political principals and other stakeholders as they hold the purse strings.

The above challenges are universal across the world and perhaps more prevalent in developing destinations where tourism is a relatively new economic sector, as is the case in South Africa. For this reason, DMOs have to be strategic in their stakeholder engagement and foster good relations with several parties.

### **4.3 DESTINATION MARKETING ORGANISATION STRUCTURES**

Organisational structures are generally defined by the purpose of the organisation. Thus, if the purpose of the organisation is to sell products, then the primary function may be designed around how it can optimally generate an income through the sales of those products. Hence, the organisation's structure will be defined by its purpose. In addition, an organisation's structure may also be determined by the type of industry or sector in which the organisation operates as well as the size of the organisation. In the case of most tourism organisations, a structure is created that will allows its employees to work together optimally and achieve the objectives of the organisation (Bennett, 2012:176).

The next section will focus on the structure of tourism organisations, which fulfil the function of destination marketing organisations in Australia, New Zealand, Denmark, the United Kingdom and the USA. The purpose of selecting these countries is three-fold. Firstly, tourism is seen as a major economic contributor in these countries. Secondly, these countries are at the forefront of tourism research pertaining to DMOs.

Thirdly, their DMO structures have evolved over a longer period of time and therefore present an opportunity for comparative purposes.

#### **4.3.1 Structures of Destination Marketing Organisations in Australia**

Tourism Australia (TA) is a statutory body of the Australian federal government that is responsible for marketing the country internationally and domestically (Tourism Australia, 2015a; Simoni & Mihai, 2012). By marketing Australia, the agency endeavours to influence and attract tourists to the country and to travel within the country. This in return increases the economic benefits derived from tourism as an economic sector. At the same time Tourism Australia also promotes sustainable tourism practices so as to ensure the longevity of tourism (Simoni & Mihai, 2012). In addition, sustainable tourism also attracts the type of tourist who is more in tune with the sustainability of the tourism activities.

Tourism Australia is governed by a board of nine (9) members, including the Managing Director of TA, who report to the Federal Minister for Trade, Tourism and Investment. These board members are expected to act in accordance with Tourism Australia's Board Charter, approved by the Board on 18 June 2015 (Tourism Australia, 2015b).

Australia has eight (8) states (provinces), and territories, each of these political regions would have a government funded tourism agency, referred to as a state tourism organisation (STO). These STOs work with the tourism industry and their role is very similar to that of the federal government's tourism agency. The only exception is that the STO focusses on the respective state, e.g. Canberra (Australian Capital Territory), New South Wales, Northern Territory, Queensland, Tasmania, Victoria, Western Australia and South Australia (Tourism Australia, 2015a). Each of these statutory bodies has a board of directors. In the case of Victoria, they have ten (10) board members who report to the Minister for Tourism and Major Events in the state of Victoria (Victoria State Government, 2016).

The next level is regional tourism organisations (RTOs), with their focus being aimed at promoting quality tourism experiences and maximizing the tourism potential in the region in which that RTO is operational (Tourism Australia, 2015a).

The local tourism associations (LTAs) operate at a local level, that is, at town or city level. The LTAs role is to grow and support the tourism industry by acting as a conduit between the RTOs and the local tourism operators (Tourism Australia, 2015a). The LTAs are primarily funded by the local government.

Over and above the various tiers of DMOs which are funded by the respective tiers of government, there are also numerous industry or privately funded tourism organisations. These industry or privately funded tourism organisations operate mostly at a local level. They have come about primarily as a result of mutual and synergistic goals between the LTAs and the private sector tourism operators.

It is also worth noting that tourism practitioners in Australia can take up membership with the Australian Regional Tourism Network (ARTN). This suggests that ARTN is a membership-driven organisation. However, their role is not to market Australia, but rather to support its members in tourism related initiatives (Simoni & Mihai, 2012).

#### **4.3.2 Structures of Destination Marketing Organisations in New Zealand**

Tourism in New Zealand is one of the most prominent and fastest growing economic sectors (Connell, Page & Bentley, 2009:868). In addition, tourism accounted for 15.3 percent of the total export earnings and provided employment for 8.3 percent of the workforce in 2014 (Tourism New Zealand, 2015:21). Tourism ranks second as the highest export earner after dairy products (Tourism New Zealand, 2015:20)

As previously indicated Tourism New Zealand (TNZ) is the world's first and oldest national tourism organisation. The function of TNZ is to market the country internationally. Tourism New Zealand is a crown entity which was established under the New Zealand Tourism Board Act of 1991(Tourism New Zealand, 2015:14). In terms of the said Act, the Board must have at least five members and not more than nine members, all appointed by the Minister of Tourism (Tourism New Zealand, 2015:14).

Tourism New Zealand board members attend an induction process and are exposed to tourism-related event (Tourism New Zealand, 2015:14). In addition, the board members have to adhere to a formal code of conduct and disclose any conflict of interest at the commencement of each meeting (Tourism New Zealand, 2015:14).

At a local level in New Zealand, destination marketing and related functions fall within the ambit of territorial local authorities (city and district councils), otherwise known as municipalities (Pearce, 2015:1). Thus destination marketing and its related functions are the responsibility of the municipality, or a unit in the municipality referred to as the regional tourism organisation (RTO). In this instance, the RTO is actually a local tourism organisation (LTO). In terms of where RTOs are placed, the following variations exist in New Zealand:

- The RTO is located within the territorial local authority (municipality);
- The RTO is located outside the territorial local authority (municipality);
- The RTO is located within an economic development agency within a territorial local authority (municipality);
- The RTO is located within an economic development agency outside a territorial local authority (municipality); or
- The RTO is located outside the territorial local authority (municipality) and is part of a marketing alliance, with other RTOs (Pearce, 2015:1).

An RTO may also serve one or more than one territorial local authority (municipality). Alternatively, a territorial local authority (municipality) may have more than one RTO (Pearce, 2015:6). According to Pearce (2015:5) and Morrison (2013:30); there are 30 RTOs and 67 territorial local authorities (municipalities) in New Zealand. The above alternatives make for a diverse and complicated structural arrangement of RTOs in New Zealand.

#### **4.3.3 Structures of Destination Marketing Organisations in Denmark**

Tourism is a key sector in Denmark. In 2014 tourism in Denmark contributed 6.8 percent to the total GDP, whilst the total contribution to employment was 7.8 percent and visitor exports accounted for 4 percent of the total export earnings (Turner, 2015:5).

The national tourism organisation in Denmark is Visit Denmark (Visit Denmark, 2016). During the mid-1990s regional tourist organisations were established across the country by the national government of Denmark and funded by regional and local

government, as well as the private sector in the case of specific tourism projects (Halkier, 2013:1663).

According to Halkier (2013:1663), the regional tourist organisations were remodelled to form Regional Growth Fora in 2007. These Fora would support tourism under the auspices of destination development organisations (Halkier, 2011 in Halkier, 2013:1663). As a result, public-private partnerships came about with the tourism industry becoming involved. This type of partnership seems to have evolved in Australia as well.

#### **4.3.4 Structures of Destination Marketing Organisations in Britain**

The tourism economy contributes 9 percent to the GDP and supports 9.6 percent of the employment in 2013 in Britain (Deloitte, 2013:11). Thus, tourism is a key economic sector in Britain.

In Britain, there are three (3) tiers of destination marketing organisations (DMOs). The first tier is the national government which collectively markets Britain overseas (Page, 2011:285). This task is assigned to the British Tourism Authority (BTA) trading as VisitBritain, which is a non-departmental public body, funded by the Department of Culture, Media and Sport (VisitBritain, n.d.; British Tourist Authority, 2016:6). According to the Development of Tourism Act of 1969 in the British Tourist Authority (2016:6), the purpose of the BTA is to:

- encourage overseas visits to Great Britain;
- encourage the people who live in Great Britain to travel within the country;
- promote and improve tourist amenities in Great Britain; and
- advise ministers and public bodies on tourism matters in Great Britain.

VisitBritain prides itself on good governance that provides efficient and effective business processes, so as to ensure that public funding is spent responsibly and in according with best practice (British Tourist Authority, 2016:28; [www.visitbritain.org/structure-tourism-britain](http://www.visitbritain.org/structure-tourism-britain)). The board comprises nine (9) board members made up as follows: the chairperson, five (5) members appointed by the Secretary of State for Culture, Media and Sport, a member of the Welsh Assembly and the chairpersons of the English Tourism Board and Visit Scotland, as *ex officio*

members (British Tourist Authority, 2016:42). The board members' roles are set out in the BTA's Code of Practice for board members and the Management Agreement with DCMS (British Tourist Authority, 2016:44). In addition, the board is expected to comply with Her Majesty's Treasury and Cabinet Office's Code of Good Practice 2011 in relation to Corporate Governance (British Tourist Authority, 2016:45). Thus there is a specific governance framework that dictates the responsibilities of the board. The duration of appointment of board members is for a period of three (3) to Five (5) years with a maximum period of 10 consecutive years (British Tourist Authority, 2016:46). The chairperson of the board is responsible for ensuring that all newly-appointed board members are briefed on their duties and responsibilities, and attend an induction session, where they receive a detailed induction pack containing copies all relevant governance material (British Tourist Authority, 2016:46). Similarly, board members must declare any interest that they may have related to the board, which includes their employment, income generating sources and shares. According to the British Tourist Authority (2016:46) the board meets about six times per calendar year. These board members receive a fixed annual remuneration if they are appointed by the DCMS (British Tourist Authority, 2016:51).

The second tier of DMO is the governments of England, Wales, Scotland, Ireland and Northern Ireland, with each of these countries mandating VisitEngland, VisitWales, VisitScotland, Tourism Ireland and the Northern Ireland Tourist Board respectively to market their destinations (Page, 2011:284). It is also worth noting that VisitBritain and VisitEngland are two organisations that have become one with dedicated and shared staff that provide support across the various directorates (British Tourist Authority, 2016:37). However, VisitEngland also has a board of seven (7) members which also acts as an advisory board to the board of VisitBritain.

On the other hand, Scotland, Wales and Northern Ireland have independent tourist boards (VisitBritain. n.d). VisitScotland was established under the Development of Tourism Act of 1969 and amended by the Tourism (Overseas Promotion) (Scotland) Act of 1984, with the purpose of the following functions, duties and powers:

- To encourage people to visit Scotland and people living in Scotland to take their holidays there;



- To encourage the provision and improvement of tourist facilities in Scotland; and
- To give advice to Ministers and public bodies on tourism matter

(VisitScotland. n.d.).

The VisitScotland board comprises seven (7) members excluding the chief executive officer (CEO) and it meets six to eight times a year (VisitScotland. n.d.). The chairperson of the board, as well as the board members, is appointed by the Scottish Ministers in accordance with the Code of Practice for Ministerial Appointments to Public Bodies issued by the Commissioner for Public Appointments for an initial period of three (3) years (VisitScotland Management Statement, n.d.). Members of the board of VisitScotland must adhere to the Ethical Standards in Public Life (Scotland) Act of 2000, which set the framework for their conduct (VisitScotland, n.d.). Thus members of the board must declare any interests they have directly and indirectly.

The third tier of DMOs is partnerships, networks, local tourist boards, and local authorities (Page, 2011:285). Some of these entities fall neatly within local authorities, whilst others may extend beyond the boundaries of a local authority and cover two or more local authorities. In this case it may become a regional tourism organisation. In England there are 178 local DMOs whose primary responsibility is to develop tourism locally (VisitBritain, n.d.). All tiers of DMOs are funded or part-funded by the British government and the total contribution to tourism from this government is in the order of 280 million pounds (Page, 2015:355).

#### **4.3.5 Structures of Destination Marketing Organisations in the United States of America**

In the United States of America (USA) destination marketing organisations are also known as convention and visitor bureaux (CVBs) (Gonzalo, 2013:1). For the purpose of this study, the term 'destination marketing organisations' (DMOs) is used. In addition, not all DMOs are involved in conventions in the USA, so the term is more appropriate (Shimasaki, 2016:5). The formation of local DMOs in the USA can be traced back to 1896 when a journalist, Milton Carmichael, wrote an article in the Detroit Journal about the important economic contribution of hosting conferences and the need to have a formalised and organised unit to attract business (Ford & Peeper,

2007:1105). From this time onwards, local DMOs grew and spread throughout the USA.

By the 1950s most cities had introduced a tourism (bed) tax for hotels and other tourist attractions to fund the marketing of their cities (Ford & Peeper, 2007:1109). This became a turning point in the history of local DMOs in the USA, as it further underscored the value of business tourism in economic development and urban renewal. According to Ford and Peeper (2007:1104), this led to the revitalisation of inner cities with convention centres being built to attract business back into the cities.

Unlike Australia, New Zealand, Denmark and South Africa, the USA does not have a national tourism organisation. However, local DMOs as well as state-wide (provincial) DMOs are prevalent, with the former marketing individual or a collective of local governments (municipalities). The latter that is state-wide DMOs are responsible for marketing the state in its entirety. All local DMOs are chiefly financed by their local governments and are not-for-profit organisations that have formed a public-private partnership (Shimasaki, 2016:2). Similarly, state-wide DMOs are funded by the respective states and are also not-for-profit organisations that have formed public-private partnerships with the private sector. These state-wide DMOs are governed by a board of directors with representatives from the tourism industry and the state (Visit Florida, 2015; Visit California, 2015).

#### **4.4 TOURISM STRUCTURES IN SOUTH AFRICA**

The tourism structures in South Africa (SA) are very similar to the tourism structures in Australia, New Zealand, Denmark and the USA. At national level, South African Tourism (SAT) is the primary organisation responsible for tourism. The provincial tourism organisations then work closely with SAT, while regional and local tourism organisations in turn, work closely with the provincial tourism organisations. The following sections provide a detailed discussion of the various spheres of tourism organisations.

##### **4.4.1 The National Tourism Organisation – South African Tourism**

The purpose of South African Tourism is to market South Africa as a tourism destination to the world and to its local inhabitants (White Paper on Tourism, 1996:67;

Tourism Act of 2014; South African Tourism, 2016:23). South African Tourism is a Schedule 3A Public Entity (statutory body) in terms of the Public Finance Management Act of No. 1 of 1999 (South African Tourism, 2016:23). Its continued existence came about as a result of Section 9 of the Tourism Act, No. 3 of 2014. Prior to this Act being signed into power, the entity came about under Section 2 of the Tourism Act Number 72 of 1993, which has since been repealed. As a Public Entity it receives funding from the government of approximately R1.2 billion (South African Tourism, 2016:18).

The National Department of Tourism (NDT) is responsible for tourism development and the implementation and monitoring of tourism related projects. In addition, the NDT is also responsible for tourism policy formulation and implementation.

#### **4.4.1.1 The Governance of South African Tourism**

South African Tourism, being a public entity, is governed by a board of directors, whose function it is to provide strategic direction and oversight. In terms of Section 13 (3)(a) of the Tourism Act, No. 3 of 2014, the Minister of Tourism can appoint a minimum of nine (9) non-executive members and a maximum of 13 non-executive members to the board of South African Tourism for a period of three years (Republic of South Africa, 2014:16).

- The appointment of non-executive members to the board is a public process in which members of the public are invited to nominate candidates to serve as non-executive members of the board. The National Department of Tourism will place an advertisement in the Government Gazette and national newspapers, inviting the nomination of suitable candidates, whilst at the same time outlining the following criteria for appointment:
  - Must be a South African citizen resident in South Africa;
  - Must be an unrehabilitated insolvent;
  - Must not have been disqualified under any law from practising that person's profession;
  - Must not have been convicted of an offence, other than one of a political nature prior to 27 April 1994;
  - Must not have been convicted of an offence in a foreign country and served imprisonment; or

- Must not have been negligent in dispatching his/her fiduciary duties and removed from office (South Africa, 2014:16).

The board members, while having to meet the stipulated criteria for appointment, have to act with integrity and subscribe to principles of good governance. As a Schedule 3A Public Entity, South African Tourism is expected to comply with the Public Finance Management Act of No. 1 of 1999, applicable Treasury Regulations and where appropriate, the King III Report on Corporate Governance (South African Tourism, 2016, 64). Therefore, South African Tourism is a state owned entity (SOE). For this reason it is necessary to apply the above-mentioned policies in so as far as its governance is concerned.

#### **4.4.2 Provincial Tourism Organisations in South Africa**

South Africa has nine (9) provinces, namely Mpumalanga, Limpopo, Gauteng, Northwest, KwaZulu-Natal, Free State, Northern Cape, Eastern Cape and Western Cape (Figure 4.3 below depicts the nine (9) provinces of South Africa). Each of the nine provinces has established a provincial tourism agency. These agencies are established as a Schedule 3C Provincial Public Entity in terms of the Public Finance Management Act (PFMA) of No.1 of 1999 (Gauteng Tourism Authority, 2015:17; Limpopo Tourism Authority, 2013:55). This means that it is a public organisation receiving funds from government – in this case, the respective provincial governments.

**Figure 4.3: Map of South Africa and its Provinces**



Source: <https://goo.gl/images/id8r42>

#### **4.4.2.1 Mpumalanga Tourism and Parks Agency**

The Mpumalanga Tourism and Parks Agency (MTPA) was established in terms of the Mpumalanga Tourism and Parks Authority Act of 2005 with the purpose of the management and promotion of responsible tourism and nature conservation in Mpumalanga (Mpumalanga Tourism and Parks Agency, n.d.).

The MTPA board comprises nine (9) non-executive members, plus the chief executive officer (CEO) and is considered the accounting authority, providing strategic direction (Mpumalanga Tourism and Parks Agency, 2015:127).

According to the Mpumalanga Tourism and Parks Agency (2015:130), the specific responsibilities of the board include the following:

- Retain control of the organisation and monitor the implementation of the strategic plan, annual performance plan and the financial objectives, as approved by the board;

- Define levels of materiality;
- Determine the delegation of specific powers and monitor such approvals;
- Ensure efficiencies within the systems by virtue of the policies and procedures in place and appropriate governance structures;
- Ensure compliance with respect to applicable laws and regulations, audit and accounting principles, the MTPA Code of Conduct, the Kind III Report and other relevant principles as determined by the board;
- Conduct risk management and mitigate those risks identified;
- Apply independent decision-making in exercising its fiduciary duties; and
- Ensure that the organisation performs conscientiously toward all its stakeholders.

The Mpumalanga Tourism and Parks Agency (2015:130) also has a board charter, as recommended by the King Code that guides the board in performing its duties. A board charter will set out the functions and responsibilities of the board, as well as the process of appointment of board members. A board charter may also detail the board members' responsibilities, attendance at meetings, personal characteristics and core competencies (Monsanto Company, 2013:1; Sasol Limited, 2016:2).

The board of MTPA has five (5) committees that focus on the following:

- Audit and Risk Committee;
- Finance Committee;
- Core Mandate Committee;
- Corporate and Auxiliary Services Committee; and
- Board Executive Committee (Mpumalanga Tourism and Parks Agency, 2015:138).

#### **4.4.2.2 Limpopo Tourism Agency**

The Limpopo Tourism Agency (LTA) was established in terms of the Limpopo Tourism Act 2 of 2009 (Limpopo Tourism Agency, 2013:55). Therefore it is financially dependent on the Limpopo Department of Economic Development, Environment and Tourism.

The twelve (12) non-executive board members provide strategic direction and oversight in accordance with the Public Finance Management Act of No. 1 of 1999 and the King III Report (Limpopo Tourism Agency, 2013:46). Thus the board and the executive are responsible for corporate governance. A board charter is also in place (Limpopo Tourism Agency, 2013:46; Limpopo Tourism Agency, 2015:11) and board members have to subscribe to this charter.

The board is responsible for executing its fiduciary duties and gives direction to management, ensuring that they focus on the following:

- Develop and implement a tourism marketing strategy;
- Conduct research;
- Support tourism transformation and capacity building initiatives;
- Promote tourism investment opportunities in the provincial nature reserves;
- Integrate tourism programmes by having agreements with municipalities;
- Develop tourism products in the provincial nature reserves;
- Provide hospitality services in the provincial nature reserves;
- Establish strategic partnerships with appropriate stakeholders within the parameters of the applicable legislation to enhance tourism marketing;
- Maintain the existing tourism plant that falls under the jurisdiction of LTA and identify new activities; and
- Advise the Member of the Executive Council (MEC) of the province (Limpopo Tourism Agency, 2015:50).

The board of LTA is supported by six (6) board committees that focus on the following:

- Ethics and Governance;
- Risk and Audit;
- Finance and Procurement;
- Limpopo Wildlife and Resorts;
- Human Resources and Remuneration; and
- Tourism and Marketing (Limpopo Tourism Agency, 2015:51).

These board committees are chaired by the board members and provide specific advice as per their mandate, including compliance issues.

#### **4.4.2.3 Northwest Parks and Tourism Board**

The Northwest Parks and Tourism Board was established in 1997 with the purpose of developing and managing protected areas and promoting and facilitating tourism in the Province (Northwest Parks and Tourism Board, n.d.).

Being a public entity, the organisation has to operate within the parameters of the Public Finance Management Act of No. 1 of 1999. In addition, the board complies with the King Report on Corporate Governance for South Africa (2002) and is committed to the principles of integrity, transparency and professionalism (Northwest Parks and Tourism Board, 2013:19).

The board comprises thirteen (13) non-executive board members and one (1) executive director and its purpose is the following:

- To develop plans and strategy in relation to the compliance of internal policies and external laws and regulations;
- To conduct risk management and performance measurement; and
- To communicate effectively with internal and external stakeholders (Northwest Parks and Tourism Board, 2013:19).

#### **4.4.2.4 Gauteng Tourism Agency (GTA)**

The Gauteng Tourism Agency has ten (10) non-executive board members, who are appointed by the Member of the Executive Council (MEC) for Economic Development of Gauteng (Gauteng Tourism Authority, 2015:61).

The promulgation of the Gauteng Tourism Act, No. 10 of 2001 meant that a board of directors would be set up as the accounting authority (Gauteng Tourism Authority, 2015:15). According to the Gauteng Tourism Authority (2015:61), the board of directors of GTA has the following purpose:

- The control and oversight of the entity, its plans and strategy;
- The ownership of strategy implementation, compliance with the applicable policies and regulation, as well risk and performance management; and
- Transparent and effective communication, internally and externally.



The GTA Board Charter is reviewed annually and details the roles and responsibilities of the board. At each board meeting, board members have to sign a declaration of interest (Gauteng Tourism Authority, 2015:61). The board has also established the following committees to augment its effectiveness:

- Audit Committee;
- Bid Acquisition Committee;
- Remuneration Committee;
- Destination Marketing Committee;
- Destination Management Committee; and
- Merger Committee (Gauteng Tourism Authority, 2015:66).

#### **4.4.2.5 Free State Tourism Authority (FSTA)**

The Free State Tourism Authority is responsible for marketing and promoting tourism in the Free State. The FSTA is a public entity established in terms of the Free State Tourism Authority Act No. 4 of 2011 (Free State Tourism Authority, 2015:4).

The board has seven (7) non-executive directors and the following board committees have been established to assist the board members to fulfil their fiduciary duties:

- Finance Committee;
- Human Resources Committee;
- Marketing Committee; and
- Audit Committee (Free State Tourism Authority, 2015:10).

According to the Free State Province (2011:6), the objectives of the FSTA are the efficient and effective:

- marketing of tourism;
- promotion of tourism;
- development of sustainable tourism within the Province; and
- promotion of major sport events to promote tourism.

The Free State Tourism Authority (2015) makes reference to a board charter, which would serve as guidelines for the board members of FSTA enabling them to dispatch

their duties. However, no mention is made as to whether, the board members declare their interests before any of the board meetings.

#### **4.4.2.6 Tourism KwaZulu-Natal (TKZN)**

Tourism KwaZulu-Natal is the provincial tourism authority for the province of KwaZulu-Natal. It is mandated to develop, promote and market tourism “into and within the province” (Tourism KwaZulu-Natal, 2015:1.).

According to Notice 772 of 2013 (KwaZulu-Natal, 2013), the member of the executive council (MEC) of the Province of KwaZulu-Natal responsible for Economic Development and Tourism must appoint not more than fifteen (15) members to the board of TKZN, whilst the chief executive officer (CEO) is an ex officio member. The board subscribes to the principles of good corporate governance in the context of the PFMA of 1999, the Companies Act No. 421 of 2009 and the King Report on Corporate Governance (Tourism KwaZulu-Natal, 2015:71).

The purpose of the board is:

- to establish a risk management approach;
- to develop fraud prevention policies; and
- to implement appropriate management processes in accordance with a Code of Conduct (Tourism KwaZulu-Natal, 2015:71).

In order to assist the board, the following board committees have been established:

- Human Resources and Compensation;
- Marketing and Tourism Development; and
- Audit and Risk (Tourism KwaZulu-Natal, 2015:77).

#### **4.4.2.7 Eastern Cape Parks and Tourism Agency (ECPTA)**

According to the Province of the Eastern Cape (2010:16), the board of the ECPTA should consist of not fewer than seven (7) and not more than nine (9) board members. In addition, these board members are appointed by the Member of the Executive Council (MEC) of the Province of Eastern Cape responsible for Economic Development, Environmental Affairs (DEDEA) (Province of the Eastern Cape (2010:16)).

According to the Eastern Cape Parks and Tourism Agency (2015:76), the role of the board is:

- to provide strategic direction to the ECPTA; and
- to ensure that its obligations in terms of relevant legislation are effectively discharged.

To assist the board to fulfil its fiduciary duties, the following board committees have been established:

- Finance and Investment;
- Biodiversity Conservation;
- Destination Tourism;
- Human Resources and Remuneration; and
- Audit and Risk (Eastern Cape Parks and Tourism Agency, 2015:78).

#### **4.4.2.8 Northern Cape Tourism Authority (NCTA)**

The NCTA is the provincial tourism authority responsible for promoting the province as a tourist destination by adopting an appropriate approach. This involves the following:

- Developing all sectors of the tourism industry by means of suitable tourism plans to market the Province;
- Bringing together public and private sectors to promote tourism;
- Developing new products and destinations within the Province; and
- Facilitating transformation and empowerment within the context of tourism, and in line with national policies (Northern Cape Province, 2008:4).

The board consists of seven (7) members, who must have the desired skills and business acumen ((Northern Cape Province, 2008:6). The board is responsible for the following:

- The development and implementation of all policies and programmes with respect to financial and human resources; and
- The adherence of all relevant legislation and policies pertaining to the operation of a public entity (Northern Cape Tourism Authority, 2015:84).

In pursuit of discharging its fiduciary duties, two (2) board committees exist:

- Audit Committee; and
- Tender Committee (Northern Cape Tourism Authority, 2015:85).

Based on the above, the NCTA (2015:85) subscribes to the principles of good corporate governance that is encapsulated in the Companies Act No. 71 of 2008, the PFMA No.1 of 1999 and the King III Report.

#### **4.4.2.9 Western Cape Tourism, Trade and Investment Promotion Agency (WESGRO)**

WESGRO is an agency of the Department of Economic Development and Tourism (DEDAT). The agency has the following main responsibilities:

- To promote tourism, trade and investment in the Western Cape Province and act as an agent of these activities;
- To provide expert and specialised advice, information and guidance to organisations in achieving its objectives; and
- To spearhead and facilitate programmes that will contribute to the enhancement and participation of all economic sectors in the Western Cape Province (Western Cape Tourism, Trade and Investment Promotion Agency Amendment Act, No.6 of 2013, hereafter referred to as the WESGRO Act, 2013:4).

WESGRO has a board of fifteen (15) directors, with ten (10) being non-executive directors, appointed by the Minister of Economic Development and Tourism for the Western Cape Province (WESGRO. 2015:77). The tenure period of the non-executive directors is three (3) years (WESGRO. 2015:21). The rest of the board is made up of two (2) directors who are nominated by local government and the remaining three (3) directors are ex officio members of the board (WESGRO. 2015:77).

To assist the board with its fiduciary duties, two board committees exist, namely:

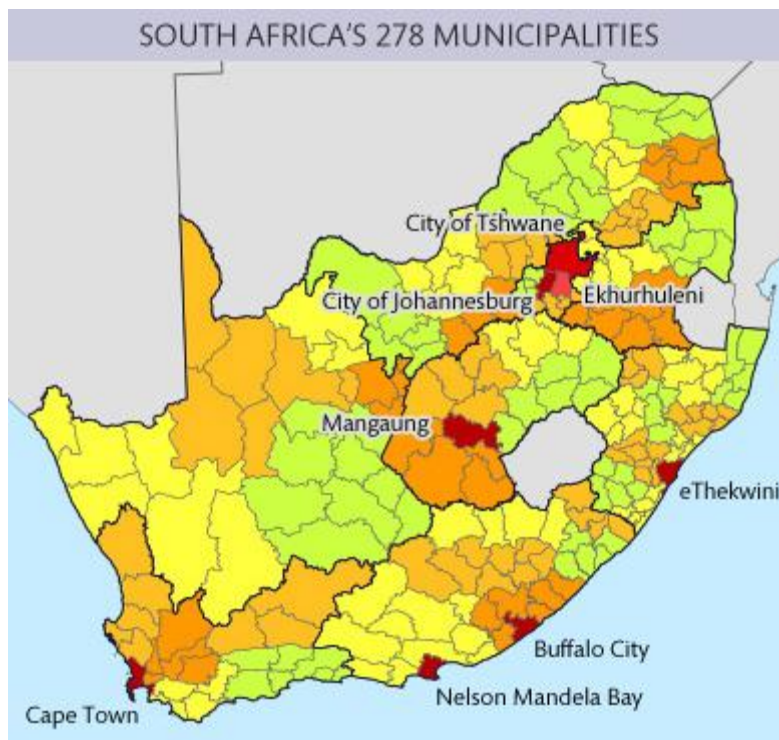
- Audit, IT and Risk Committee; and
- Human Resources and Remuneration Committee (WESGRO. 2015:77).

In addition, a code of conduct ensures that directors adhere to ethical standards and practices, with a declaration of interest register signed at each board meeting (WESGRO, 2015:80). The purpose of this is to ensure that the principles of accountability, transparency and integrity are adhered to.

#### 4.4.3 Local Tourism Organisations and Structures

As discussed in the previous Chapter, tourism is also a function of local government. This implies that local government must provide the infrastructure, policy frameworks and financial support to local, metropolitan and district municipalities. By doing so, municipalities are able to promote and market themselves. Within South Africa, there are 257 municipalities, of which eight (8) are metropolitan municipalities, forty-four (44) are district municipalities, and 205 are local municipalities (www.gov.za). Figure 4.4 below depicts all the locations of the different types of municipalities in South Africa.

**Figure 4.4: Map of South Africa's Municipalities**



Key:

Red – Eight city or metropolitan municipalities.

Green/Yellow/Orange – District municipalities, each subdivided into the local municipalities.

Source: Image adapted from Wikimedia Commons

With there being 257 municipalities in South Africa, an equal number of local DMOs are expected. However, this is not the case, as some municipalities do not have dedicated stand-alone DMOs, like Nelson Mandela Bay Tourism, Plettenberg Bay Tourism, and Oudtshoorn and De Rust Tourism. In this instance, the role and responsibilities of a DMO falls within the Local Economic Development (LED) Unit and/or the Directorate of Economic Development and Tourism of the municipality.

At this stage it is not known how many dedicated, stand-alone DMOs, governed by a board of directors, are within South Africa no data base exists. The researcher only managed to identify ten (10) dedicated stand-alone DMOs in South Africa.

#### **4.5 SUMMARY**

Chapter 4 provided an overview of the history and development of DMOs, as well as the structures of DMOs in selected countries. The purpose of focusing on selected countries was to draw on the similarities that exist, in respect of the form and function of DMOs. In addition, the governance frameworks of the various levels of DMOs were also outlined.

The next Chapter examines the philosophy of management, and the governance of DMOs. It highlights the role of directors and the attributes that directors should ideally have in terms of the responsibilities that they shoulder.

## **CHAPTER 5**

### **MANAGEMENT AND TOURISM DESTINATION GOVERNANCE**

#### **5.1 INTRODUCTION**

Chapter 5 aims to examine the link between management and tourism destination governance. In other words, it endeavours to demonstrate that the two issues are inextricably related by virtue of understanding what management is and how that relates to governance. The role of non-executive directors is not to get involved in operational matters within an organisation, but to provide oversight. For this reason, the need to understand the issues pertaining to governance in organisations is necessary.

In pursuit of examining the link between management and tourism destination governance, chapter 5 focuses on four (4) main sections namely, the philosophy of management, the governance of destination marketing organisations (DMOs), the fiduciary duties of non-executive directors and the attributes of non-executive directors (NEDs). The section of the philosophy of management examines the management functions that include planning, organising, leading and control, and the need for strategic management specifically within DMOs. The section on governance of DMOs explores how DMOs are governed and then focuses on how DMOs that formed the population of this study are governed. The section on the fiduciary duties of DMOs expounds on the role and function of NEDs within organisations, making reference to the King III and IV Reports and how these relate to the DMOs that were studied. The final section of this chapter converges on the attributes of NEDs and specifically those NEDs who serve on the boards of DMOs.

#### **5.2 THE PHILOSOPHY OF MANAGEMENT**

Management can be defined as a process of completing tasks effectively and efficiently, using the allocated resources, which may include funding and human resources (Robbins & DeCenzo, 2008:6; Smit, 2011:316). Thus management enables an organisation to reach its goals by implementing specific functions and activities. These functions include planning, organising, leading and controlling. These specific functions are discussed in more detail below.

### 5.2.1 Planning

Planning can be defined as the process outlining what an organisation desires to achieve in the immediate future (Lazenby, 2015:93). In other words, it implies that goals and objectives of an organisation are formulated, which then need to be accomplished by devising specific strategies. Thus, planning entails what must be done in order to achieve the vision, mission, goals and objectives of the organisations (George, 2015:242).

In pursuit of achieving the desired vision and mission, as well as the goals and objectives of an organisation, it is necessary to have well formulated plans. These plans are usually drafted by a team of employees who will be responsible for implementing the plan (George, 2015:243). According to Lazenby (2015:94) and Robbins and DeCenzo (2008:72), plans can be formal or informal and this may be determined by the nature and size of the organisation. Smaller organisations may not necessarily have formal plans as the owner is also the manager and it is likely that the plan is not documented (Robbins & DeCenzo, 2008:72).

According to George (2015:242), Lazenby (2015:95) and Robbins and DeCenzo (2008:73) planning is necessary for the following reasons:

- It provides direction and guidelines for decision-making;
- It reduces the impact of uncertainty;
- It encourages co-operation and team building;
- It creates a sense of ownership and focus amongst employees; and
- It enables management to generate performance standards and measure controls.

Planning may also create a few inadvertent challenges, such as the following:

- It may create rigidity resulting in organisations becoming straight-jacketed;
- It can stifle creativity thereby limiting the organisation to embracing new opportunities; and
- Managers become too myopic and lose sight of future issues (Lazenby, 2015:96; Robbins & DeCenzo, 2008:73).



In a tourism environment planning, is key for a successful organisation as tourism is a diverse and competitive industry focusing on providing memorable experiences to tourists.

### **5.2.2 Organising**

Organising refers to how tasks ought to be done and requires managers to coordinate activities into a recognised structure (George, 2015:242). This implies that managers must allocate resources, be they time, staff and funds, for specific tasks in pursuit of the vision, mission and goals of the organisation. This may result in an organisation being divided into sub-units, focusing on specific tasks that are related, or that could be grouped by virtue of their function. For example, in a tourism organisation, the marketing functions may be dealt with in the marketing department, while human resource matters are likely to be assigned to the human resources department.

According to Smit, Cronje, Brevis and Vrba (2011:192) the purpose of organising is the following:

- To facilitate the coordination of activities and tasks within the organisation;
- To create clear channels of communications within the organisation;
- To establish the levels of responsibility and authority in the organisation;
- To facilitate the allocation and distribution of resources to the relevant staff and departments; and
- To cultivate relationships internally and externally for the benefit of the organisation.

Based on the above, organising also includes communication, resource allocation and determining the optimal structure for the organisation. In addition, organising is an ongoing process, influenced by both internal and external dynamics (Stoner, Freeman & Gilbert (1995:315). This necessitates that organisations stay abreast of the changing environment.

### **5.2.3 Leading**

Leading encompasses who should be responsible for a specific task and by when the task must be completed (George, 2015:243). According to Lazenby (2015:204),

leading also involves influencing, motivating, commanding or directing staff to enable them to implement the organisation's goals.

Leading should also not be confused with managing as the two aspects are different. Managing refers to the "...process of getting things done, effectively and efficiently, working through and with other people", by virtue of the position that is held (Robbins & Decenzo, 2008:448). Therefore, in order to manage, you need to be in a management position, with certain power and responsibility entrusted to you. Leading, on the other hand, involves influencing others in an authoritative manner, but it does not necessarily mean that one does so from a managerial perspective (Robbins & Decenzo, 2008:294). In other words, unlike managing, leading does not encapsulate the other functions of management, such as planning, organising and control.

According to Lazenby (2015:204) leading infers that you should possess a few key attributes in order to perform one's tasks effectively and efficiently, namely that:

- You need to listen to others;
- You are a servant of the people and therefore also work for the good of others;
- You consider yourself as part of a team and therefore work as a team;
- You are courageous, as you may have to make unpopular decisions occasionally;
- You are focused and committed to other and your own beliefs; and
- You need to be hard-working, honest and demonstrate integrity.

Based on the above, leading implies that a person must possess specific attributes, yet not be aloof.

#### **5.2.4 Controlling**

Controlling refers to a systematic process that enables managers to compare the actual performance of activities with the plans, standards and objectives, allowing corrective action to be taken if required (Lazenby, 2015:284; Robbins & Decenzo, 2008:356). In other words, it is a function of management to ensure that the activities that are performed are monitored and evaluated in accordance with the organisational plan. The organisational plan may include the operational plan, financial plan, or the

strategic plan. If there are deviations then it is management's responsibility to take corrective action.

According to Smit et al (2011:440), the importance of control is necessary for a number of reasons, which include the following:

- To ensure that all activities are in line with the organisation's mission and goals;
- To facilitate the deployment of the organisation's resources in the most optimal manner, thereby enhancing the quality;
- To anticipate possible changes and make provision for those possible changes that may occur so as to mitigate any unusual changes;
- To reduce costs, without compromising on the quality of the outputs;
- To facilitate delegation of authority and ensure teamwork so as to capacitate staff; and
- To put in place processes to enhance better monitoring and evaluation.

The above actions will ensure that the organisation functions optimally and achieves the mission and goals of the organisation, whilst at the same time remaining competitive.

### **5.2.5 Strategic Planning**

Strategic planning refers to a process of proactively aligning the organisation's resources with threats and opportunities brought about by the external environment (Smit et al, 2011:91). Thus, the purpose of strategic planning is to craft a 'road map' for the organisation. This road map needs to be flexible enough to deal with possible changes outside the control of the organisation, while at the same time allowing the organisation to focus on the long term goals. To achieve these long-term goals, specific strategies need to be formulated and implemented.

Any tourism organisation needs a strategic plan. In this case, the strategic plan is crafted by the board of directors, with buy-in from management and other stakeholders. Such a strategic plan is time-bound, with specific deliverables and it has to be approved by the board of directors. In the case of tourism organisations, it is not be unusual for the DMO to publish its strategic plan on its website. The purpose of this study is not to examine the strategic plans of DMOs, but rather to focus on the

attributes and experience required of the NEDs to serve on the boards of DMOs in accordance with developmental standards of best practices. However, strategic planning is discussed as a function of the board of directors. Thus, its inclusion is justified as it provides a broad framework for the board of directors.

### **5.3 THE GOVERNANCE OF BUSINESSES**

Globally, governance is a key element in the effective and efficient management of businesses. The Enron debacle in 2002 and more recently, the failure by KPMG in South Africa to conduct ethical business, raised important issues about the governance of organisations (Abedian, 2017: no page numbers). For this reason, it was deemed necessary to examine the King III Report as well as the more recent King IV Report. Both reports were compiled under the guidance of Judge Mervyn King in South Africa.

In South Africa, a code of principles and practices have been adopted to ensure that private companies, which have memoranda of incorporation, are appropriately governed (Institute of Directors in Southern Africa, 2009:11). However, unlike in other countries where compliance is legislated, South African companies are expected to apply the code of principles and practices, or explain why the companies cannot apply the code of principles and practices. For this reason the board of directors plays a key role in determining the adoption of the code of principles and practices (Institute of Directors in Southern Africa, 2009:8). This code of principles and practices applies to non-profit companies. Government entities, therefore, have to consider legislation, such as the Public Finance Management Act No. 1 of 1999 of and the Municipal Finance Management Act 56 of 2003.

#### **5.3.1 The King III Report**

The King III Report, also referred to as the Report on Governance for South Africa, came about owing to the new Companies Act No. 71 of 2008 and changes in the internal realm of governance (Institute of Directors in Southern Africa, 2009:6). This suggests that governance is a dynamic concept that continually evolves. In addition, legislation has to be amended over time to suit the changing nature of society and circumstances. The purpose of this section is not to give an overview of the King III

Report, but rather to highlight the aspects which have a direct impact on boards and directors.

The King III Report highlights the following themes:

- Effective leadership;
- Sustainability;
- Innovation, fairness and collaboration;
- Integrating sustainability and social transformation; and
- Improving sustainability reporting

Given the above themes, the intention is to enhance the effectiveness and efficiency of organisations.

### **5.3.2 The King IV Report**

The King IV Code on Corporate Governance reports on seventeen (17) principles (Institute of Directors in Southern Africa, 2016). The purpose of the King IV Code on Corporate Governance is to emphasize the role of the governing body in fulfilling their responsibilities. Thus, the document provides guidelines on how the governing body should act and what attributes they should exhibit.

This research project will not provide an overview of the seventeen (17) principles, but rather focuses on the first principle, as it highlights the importance of ethics and effectiveness with reference to the governing body (Institute of Directors in Southern Africa, 2016:40). In this case the governing body also refers to the board of directors. According to the Institute of Directors in Southern Africa (2016:43), it recommends that members of the board should independently and jointly foster the following attributes and demonstrate these attributes in their behaviour:

- Integrity
- Competence
- Responsibility
- Accountability
- Fairness
- Transparency

While the above attributes are similar to the principles listed in the King III Report, the overarching difference is possibly that King IV Report places greater emphasis on the board.

#### **5.4 THE GOVERNANCE OF DESTINATION MARKETING ORGANISATIONS (DMOS)**

Governance as a word or concept has been around for many centuries and it has been defined in many ways (Duran, 2013:2; Morrison, 2013:254). Governance broadly refers to the ability of an organisation to formulate policy, and then implement and monitor the policy with the view to managing the organisation optimally. Tourism destination governance in particular, relates to an entire system of power, processes and controls, formed both internally and externally, over the management of an organisation in order to better serve the interests of all the stakeholders in defined geographic region (Beritelle, Bieger & Laesser, 2007:96; Morrison, 2013:254). Duran (2013:13) attempts to conceptualise the term and argues that it is an approach or practice on how to do business in the tourism industry.

For the purpose of this study, the specific geographic regions mentioned above refer to local geographic regions, such as towns and cities. In New Zealand, Australia and South Africa, many towns and cities have DMOs that are mandated to market those destinations. This study focuses on DMOs in South Africa that are funded by both the local government and private sector. Thus, these DMOs are neither government entities, nor private businesses. They fall in-between these two categories and for this reason, legislation may not be entirely appropriate in the governance and operations of these organisations. On the other hand, DMOs are not private businesses and therefore not profit orientated. However, DMOs that receive funding from local government and private sector must be managed in a sustainable manner. Governance, as an approach, subscribes to a number of principles, such as accountability and transparency.

The concept of destination governance came to the fore in 2007, when scholars demonstrated a preference for the use this concept, instead of management (Zhang & Zhu, 2014:125). The rationale for using the concept of destination governance is attributed to the complexity of destinations, as well as the multiplicity of stakeholders

within destinations. The multiplicity of stakeholders refers to the residents (community), tourists and tourism businesses that impact on local economic development and society (Zhang & Zhu, 2014:125). The complexity of a destination is a function of the relationship and operational dynamics that come about when the DMO's are funded by public and private sectors (Svensson, Nordin & Flagestad, 2005 in Zhang & Zhu, 2014:125). This implies that the relationships that exist amongst the various stakeholders involved in the DMO are fundamental as sound relationships may contribute to a well-run DMO. On the hand, DMOs do not own tourism products neither do they own the local infrastructure. Pike (2016:4) highlights a number a constraints that contribute to the operational dynamics:

- DMOs have no jurisdiction over changing the name, or geographic border of the destination they are mandated to represent in order to enhance the market appeal. In this regard, the local municipality is the main driver of name or geographic border changes.
- DMOs have a limited influence over controlling the visitor-carrying capacity to tourist sites within their destination. In other words, they cannot prescribe to tourist sites when and how the carrying capacity will be exceeded. They can only lobby, with the hope that a tourism site will act responsibly.
- DMOs have limited influence over the quality control of visitor experiences in relation to the brand promise that has been made in the marketing efforts. The reason for this is that the visitor experience takes place at transport nodes and modes, accommodations establishments and tourist attractions where the DMOs are typically not involved. Thus, actual contact between the tourist and the DMO might not even take place, unless the tourist visits the DMO offices.
- DMOs have limited control over how the community feels about tourists. In other words, they cannot control the host community's attitudes towards tourists. However, the DMO can and should create an awareness of the importance of tourism to the host community. In doing so they may educate the host community and as a consequence, address the potential relationship that exists between tourists and the host community.
- DMOs have no control over what is developed as tourist products. In some instances, tourist product development may not even fall within their ambit of responsibility. However, they may play an advisory role.

- DMOs do not generate their own funding to sustain themselves and are dependent on their membership and the local municipality. This lack of financial independence implies that DMOs must ensure that they remain competitive and provide a return on their investment.
- DMOs do not control the intermediaries with whom they have to engage to ensure a steady flow of visitors to the destination. The intermediaries control the distribution of tourists and DMOs must influence this distribution process, based on what they offer. If DMOs have a mediocre tourism product offering, their task is made very challenging. On the other hand, if DMOs have a good mix and spread of tourism product offerings, the selling of the destination is easier.
- DMOs are not responsible for the infrastructure, bilateral agreements, transport networks, or the natural environment at the destination. These aspects are the responsibility of other stakeholders. However, DMOs are dependent on these aspects in order to provide a good and seamless tourism experience.
- Finally, DMOs are not accountable for the price increases concerning tourism products at a destination. The product owners determine these price increases based on their own operational needs.

Based on the above, it is apparent that a DMOs role largely involves intense lobbying with its range of stakeholders. Hence, communication, stakeholder relations, ethics and sound management principles are key elements in determining the success of a DMO. Since DMOs are neither government entities nor private companies, the manner in which DMOs are managed is key. In South Africa, only ten (10) DMOs were identified that are supported by both local municipalities and their members (private sector). These DMOs are mostly registered as non-profit organisations (NPOs) and are governed by a constitution.

#### **5.4.1 The Characteristics of Good Governance**

According to Pike (2016:107), DMOs will always be under scrutiny owing to their sources of funding for example, funding from the tax payers, the private sector and the programme and activities the DMOs adopt. In addition, DMOs also serve a range of stakeholders, such as the tourism product owners and the community, who may have different expectations. The former may wish to increase profits, whilst the latter may



be desirous of more job opportunities. For this reason, good governance is a key element in the management of DMOs. In pursuit of good governance, Pike (2016:108) makes reference to a number of characteristics, summarised in Table 5.1 below.

**Table 5.1: Characteristics of Good Governance**

Accountability	Responsibility to report, explain and give reasons for the outcomes of decision undertaken on behalf of stakeholders
Transparency	Stakeholders must be able to follow and understand the decision-making process and the rationale for decisions
Lawful	Decisions must be made consistent with the relevant laws and policies of the country and entity respectively
Responsive	Competing interests must be balanced in a timely and appropriate manner for the benefit of all the stakeholders
Equitable and inclusive	All stakeholders interest should must be considered in the decision making process and they should have an opportunity to participate
Effective and efficient	Decisions should be made and implemented with the optimal use of resources and time, so as to ensure the best outcome for the stakeholders

Source: Pike (2016:108) – [www.goodgovernance.org.au](http://www.goodgovernance.org.au)

Ruhanen, Scot, Ritchie and Tkacynski (2010:9) identified six (6) attributes that are most often included in governance. This conclusion was drawn after reviewing fifty-three (53) articles on governance. These attributes include the following:

- Accountability,
- Transparency,
- Involvement,
- Structure,
- Effectiveness, and
- Power.

Palmer (1998:188) states that a rigid governance style is more effective and results in a more effective DMO. Thus, when the parameters pertaining to governance are clearly defined, the likelihood of a well-managed DMO is greater. This is a key element

when an organisation receives private and public funding and the general mandate is to enhance the appeal of a destination!

#### **5.4.2 Constitutions Governing DMOs**

The DMOs that form part of the population of the study, and specifically the sample of the study, are all governed by constitutions. In some instances, these may be referred to as a Memorandum of Incorporation, Memorandum of Understanding or Articles of Association. For the purpose of this study, the term 'constitution' will be used. Additionally, for the purpose of this study, the researcher examined the constitutions of the Ndlambe Local Tourism Organisation known as Sunshine Coast Tourism (and hereafter referred to as the Sunshine Coast), Oudtshoorn and De Rust Tourism, and Nelson Mandela Tourism!

Each of these constitutions outlines the objectives of the DMO. In other words, what the purpose is of the DMO and how it is to be funded. In all instances, the constitutions make reference to the fact that the primary purpose of the DMOs is to market their respective regions as tourism destinations. In addition, the constitutions also dictate that the DMO's are to be funded by the local municipality and the members of the DMO. Each of the DMOs have a service level agreement (SLA) with the local municipality stipulates what is expected from the DMO, in return for the public funding that is provided. The duration of the SLAs, range from one (1) year to three (3) years.

#### **5.4.3 The Appointment and Election of Non-Executive Directors on DMOs**

The boards of directors of DMOs play a key role in destination governance (Morrison, 2013:243). For this reason, the process in which they are recruited, or appointed and elected is a strategic element of governance as they determine the future direction of DMOs. According to Morrison (2013:243), the way in which DMO boards of directors are created vary considerably, from country to country, but also depending on the nature and scope of the DMO. In the case of DMOs that have been created through legislation and are funded by government, the process of recruitment is stipulated by the government and the government controls the process. This category of DMOs is also known as statutory bodies. In the case of private or public-private, a constitution will determine how the board members are recruited.

According to Ford, Greshock and Peeper (2011:9) DMOs in the United States are non-profit organisations and thus they recruit non-executive directors (board members) with special expertise and influence to support their existence. In South Africa and in the case of the DMOs that were studied, non-executive directors (NEDs) were recruited along similar lines. In other words, the NED's may bring special expertise to the boards and may be representative of specific stakeholder groups. However, the appointment and election of non-executive directors are primarily determined by the constitution of the DMOs. In the case of the DMOs that formed part of the study population, the chief executive officer (CEO) is an executive director of the board, with no voting rights. On the other hand, the individuals elected by the members of the DMOs are NEDs. Collectively, the executive directors and NEDs form the board of directors. In the case of Sunshine Coast Tourism and Oudtshoorn and De Rust Tourism, the boards are referred to as the management committee. This is perhaps a misnomer, as this committee is not responsible for the actual management of the DMO. Some DMOs also have an executive committee comprising at least three (3) members of the board, which includes the CEO or Manager of the DMO, the chairperson and deputy chairperson of the board (Nelson Mandela Bay Tourism, 2017:2; Nlambe Local Tourism Organisation, 2013:no page number; Cape Town Tourism, 2015:15).

#### **5.4.4 The Duties and Powers of Non-Executive Directors**

In general, the duties and powers of the NEDs are almost identical and included governance, providing strategic direction and making sure that the required organisational policies are in place. The constitution of the DMOs refers to the powers and duties of the board or management committee. The specific responsibilities of NEDs are not always clearly spelt out, unless it refers to the operations of the organisation (Cape Town Tourism, 2015:14; Ndlambe Local Tourism Organisation, 2013:no page number). This is a potential short-coming as the DMOs assume that the elected NEDs have experience and insight into their fiduciary responsibilities. In addition, the constitution of some of the DMOs that were reviewed do not indicate whether any training is provided to the elected NEDs (Nelson Mandela Bay Tourism, 2017; Cape Town Tourism, 2015; Ndlambe Local Tourism Organisation, 2013). According to Morrison (2013:245), a board orientation for NEDs is a key aspect as it

cannot be assumed that all NEDs are conversant with the DMOs programmes and activities. Typically, a board orientation should include the vision, mission, operational and marketing plans of the DMO, the expectations of NEDs and the code of conduct for NEDs (Morrison, 2013:245).

#### **5.4.5 The Term of Office of Non-Executive Directors**

Ford et al (2011:10) argue that the term of office for board members varies considerably, specifically within DMOs in the United States. Thus, there seems to be no defined period of time. However, according to Morrison (2013:246), the term of office for board members of DMOs tend to be two to three years, with the option of renewing it for an additional term. This is referred to as a rotational system, where board members do not all exit the board at the same time. The purpose of having this option is to ensure that there is continuity of the board, enabling some board members to stay on. This facilitates a mix of new and existing board members, resulting in the DMO not starting afresh when the term of office for board members expires. This approach is supported by Pike (2016:112).

The term of office of elected board members of the DMOs that were studied was generally three (3) years, where-after they may be eligible for re-election. However, the constitutions that were reviewed did not specify any maximum duration for being a NED and how many times a NED may be re-elected (Nelson Mandela Bay Tourism, 2017; Cape Town Tourism, 2015; Ndlambe Local Tourism Organisation, 2013 and Oudtshoorn and De Rust Tourism, undated). Thus, a board member may be re-elected several times and could be a NED for an extended period of time.

#### **5.4.6 The Board Size of DMOs**

The size of a board can either facilitate, or constrain the operations of a board. According to Pike (2016:246), the size of board may vary from nine persons, as is the case of VisitBritain and Tourism Australia, to nineteen persons, like the DMO of Billings, Montana in the United States. Such a large board may make decision-making challenging, and hence, a smaller board is preferred. However, there is no special number and the key is to have all stakeholders represented (Pike, 2016:246; Ford, Greshock & Peeper, 2011:10).

In the case of the current study, the board sizes varied from sixteen (Ndlambe Local Tourism Organisation, 2013:no page numbers) to ten, including the CEO (Nelson Mandela Bay Tourism, 2011:6). The board size of the DMOs that were studied are therefore in line with international trends.

#### **5.4.7 The Induction of Non-Executive Directors**

According to Morrison (2013:244), not all board members know what the DMO is all about, how it functions, and what their specific responsibilities are. For this reason, he recommends that board members undergo some form of induction or orientation. The induction should ideally include the DMOs vision, mission, business and marketing plan, the expectation of board members and a code of conduct for board members (Morrison, 2013:245; Ford, Greshock & Peeper, 2011:11).

The purpose of having these inductions or orientations is to ensure that the board members can work effectively (Ford & Peeper, 2008 in Ford et al 2011:11). Thus, the effectiveness of the board is subject to how well the board members understand their role and responsibilities. According to Ford et al (2011:11), some boards have their induction when a new board is inaugurated, whilst other DMOs have an induction annually, with the entire board participating as a revision exercise. Thus, the notion of the board operating as a team and for the good of the DMO becomes paramount.

#### **5.4.8 The Code of Conduct for Non-Executive Directors**

Decision making at well-functioning DMOs should be based on the public good (Pike, 2016:115). In other words, NEDs should not make decisions based on their personal interests, or favour, but on what is considered the best for the destination. This means that the behaviour and attitude of NEDs should be beyond reproach. Thus they must act with integrity.

NEDs act in the interest of the DMO and as a result, use the resources of the DMO (Morrison, 2013:245). According to Morrison (2013:245) NEDs have to subscribe to a code of conduct, in line with the DMO's policies. In addition, conflicts of interest must be declared prior to board meetings so that decisions are not compromised.

Below is the code of conduct for Tourism Australia stipulating that a board member should conform to the following:

- Must act honestly, in good faith and in the best interests of the board and the DMO as a whole;
- Has a duty to use due care and diligence in fulfilling the functions of office and exercise the powers attached to that office;
- Must use the powers of office for a proper purpose, in the best interest of the DMO;
- Must not allow personal interests, or the interest of any associated person, to conflict with the interests of the DMO;
- Has an obligation to be independent in judgement and actions and to take all reasonable steps to be satisfied as to the soundness of all decisions taken by the board;
- Must not share or divulge confidential information received in the course of duty, unless the disclosure has been authorised;
- Should not engage in conduct that may bring the DMO into disrepute; and
- Has an obligation to comply and act in accordance with the law and policies of the DMO, as well as the code of conduct (Morrison, 2013:245).

Each DMOs should therefore have a code of conduct for its board members, and the board members must strive to uphold those codes. This will ensure that good governance becomes an integral part of the DMO.

## **5.5 SUMMARY**

Chapter 5 dealt with three major themes, namely the philosophy of management, the business of governance and more specifically, the governance of DMOs.

Under the heading of the philosophy of management, the four (4) primary functions of management were outlined and linked to DMOs. By focusing on the business of governance, the researcher sketched the need for and importance of governance in business in general, by highlighting the King Reports. Given the recent developments in South Africa and the questionable working relationship that KPMG, McKinsey and SAP had with clients, governance in businesses has become a key element with

regard to sustainability. The final section, the governance of DMOs, concluded with a discussion of the key elements that need to be considered to ensure good governance in DMOs. The role of the NEDs and the mechanisms that needed to be considered were highlighted.

The next chapter expands on the research design and methodology theory. The research objectives form the basis of the chapter, from which the design and research theory are expounded on.

## CHAPTER 6

### RESEARCH DESIGN AND METHODOLOGY THEORY

#### 6.1 INTRODUCTION

The purpose of Chapter 6 is to outline the research design and the approach that was followed to address the main research problem and sub-problems that were identified in Chapter 1 and highlighted below.

The main research problem of the study is to determine the attributes and experience of the NEDs to serve on the boards of DMOs in accordance with developmental standards of best practices. In pursuit of the main research problem, the following objectives were identified:

- To identify best practice by examining the literature as to how NEDs are prepared to serve on boards of both listed and non-listed organisations;
- To determine whether any policy frameworks provide guidance to NEDs serving on DMOs in South Africa;
- To examine whether any training or preparatory programmes exist specifically for NEDs in DMOs;
- To investigate whether NEDs should have specific attributes that would improve their governance of DMOs; and
- To develop a set of recommendations that would assist NEDs to play a more effective role when executing their responsibilities.

This chapter comprises three main sections, namely the research design, the data collection process and the data collection instrument. The research design section provides a rationale for the adoption of the quantitative research approach for this study. The section further elaborates on the use of deductive reasoning, as well as the epistemological and ontological considerations of the study.

The data collection process section provides a description of the research population, the sampling method used for the study, and the homogeneity of the population. This section provides insight as to why the researcher followed this particular process.



The data collection instrument section focuses on the questionnaire design, the pilot study and the ethical issues. This section substantiates how the questionnaire was designed and tested, as well how as the ethical issues were addressed.

## **6.2 RESEARCH DESIGN**

Research is a logical activity of collecting, analysing, and interpreting information in order to enhance understanding of the phenomenon that interests researchers (Leedy & Ormrod, 2015:20). Thus, research is a process comprising a series of orderly steps to understand an event, or activity, with the desire of achieving an outcome. Typically, the first step is to identify the problem, or according to Leedy and Ormrod (2015:20), “an unanswered question”. In order for the research to obtain a credible response to the unanswered question, the researcher has to work through a series of steps sequentially.

According to Leedy and Ormond (2015:98) two research approaches can be adopted in order to obtain a response to the unanswered question. These two approaches are the quantitative and qualitative approaches and both involves identifying a research problem, conducting a literature review, gathering data, and examining this data with a view to understanding the identified problem (Bryman & Bell, 2015:18; Gay & Airasian, 2003:8; Mouton, 1996:36). Each of these research approaches will be discussed in the paragraphs that follow, and the most suitable approach for this study will be identified.

### **6.2.1 Qualitative Research Approach**

Qualitative research refers to information that cannot simply be converted to numbers (Leedy & Ormrod, 2015:389; Struwig & Stead, 2007:13). Thus, the quantification of the results is not necessarily the outcome of qualitative research. Qualitative research will typically involve the following research methods:

- Action research;
- Historical research methods;
- Ethnography;
- Grounded theory;
- Discourse analysis;

- Content analysis; and
- Phenomenology (Gay & Airasian, 2003:17; Struwig & Stead, 2007:14).

The purpose of qualitative research is to explore deeper into the research environment and in doing so, acquire an in-depth understanding of how respondents perceive their environment (Gay & Airasian, 2003:13). Characteristic of this approach is that the researcher spends an extended period in the field and usually interacts with the respondents personally. In the case of this study, it was not possible to spend time with all the non-executive directors in the various locations, where sampling was done. Furthermore, the study aimed to quantify the information. For these reasons, the qualitative approach was deemed unsuitable.

### **6.2.2 Quantitative Research Approach**

Quantitative research is typically numerical in nature, suggesting that information is quantified during the collection and analysis phase (Leedy & Ormrod, 2015:389; Bryman & Bell, 2015:537). Like most studies, this study commenced with an unanswered question, followed by a series of sequential steps involving the identification of the main problem and sub-problems, the literature review, the theoretical framework, the research design, and the data presentation and analysis, followed by the discussion and a conclusion.

Leedy and Ormrod (2015:154) and Struwig and Stead (2007:7) concur that quantitative research involves the following research methods:

- Exploratory research which includes using secondary sources of information, analysing selected cases and surveying individuals who may have same views about a subject;
- Descriptive research which includes observation studies, correlational research, developmental designs and survey research; and
- Experimental quasi-experimental and ex post facto designs, which involve determining the causality between variables.

The researcher selected the quantitative research approach because it lends itself to descriptive research. Thus the survey research strategy was adopted as it involved obtaining information about groups of individuals (respondents) to enquire about their

characteristics, perceptions, opinions or experiences, or both (Leedy & Ormrod, 2015:159). The responses are then tabulated, or presented in a manner allowing generalisations to be formulated. Typically, a sample is surveyed as the population may be too large. Leedy and Ormrod (2015:159) also refer to this type of research as a “descriptive survey” or a “normative survey”. A survey strategy also gives the researcher “..more control over the research process...” (Saunders, Lewis & Thornhill, 2016:182). This is primarily because the researcher has to design the questionnaire to suit the objectives of the study and analyse the results with an appropriate software package.

Survey research makes use of the following data collections methods:

- Face-to-face interviews;
- Telephone interviews; or
- Questionnaires (Leedy & Ormrod, 2015:161).

This study made use of questionnaires and the reasoning for using questionnaires is discussed in the section that follows later.

Table 6.1 below provides an illustration of the differences between quantitative and qualitative research approaches. It contextualises the role of theory with regard to research, and the epistemological and ontological positioning (Bryman & Bell, 2015:19).

**Table 6.1: Difference between Quantitative and Qualitative Research Approach**

	QUANTITATIVE	QUALITATIVE
Principal orientation to the role of theory with regard to research	Deductive: testing of theory	Inductive: generation of theory
Epistemological orientation	Natural science model, specifically positivism	Interpretivism
Ontological orientation	Objectivism	Constructionism

Source: Bryman and Bell (2015:19)

The above table simplifies the differences between quantitative and qualitative research approaches. Bryman and Bell (2015:19) caution against this rigid classification, as the lines between these two research approaches can become blurred, depending on the type of research that is conducted.

#### **6.2.2.1 *Deductive Reasoning***

Since this study adopted the quantitative approach, deductive reasoning was the appropriate method for theory development for the following reasons:

- The relationship between theory and research was tested;
- The study included the application and norms of the scientific model, specifically, positivism; and
- The study also took the position of social reality as an external objective reality (Bryman & Bell, 2015: 18).

#### **6.2.2.2 *Epistemology***

Epistemology refers to what should be considered as valid, true, or authentic knowledge (Bryman & Bell, 2015:10; Mouton, 1998:28). The notion as to whether a social problem can be studied using methods traditionally associated with scientific inquiry becomes the key focus. Hence, it needs to be determined whether an accurate representation of reality can be constructed.

According to Mouton (1998:28), the purpose of research is the quest for “truthful” knowledge. In the case of this study, the attributes and experiences of NEDs was the key aspects that were examined and explained using the quantitative research approach.

Three key epistemological loci are evident in research, namely positivism, realism and interpretivism. For this research study, positivism was considered as the most appropriate as it fell within the realm of quantitative research. Furthermore, the data obtained also enabled the researcher to compare and contrast phenomena with the view of determining the norm.

Mouton (1998:29) also argues that in pursuit of determining the truth, at least three (3) constraints are identified, namely:

- Sociological constraints: These are possible shortcomings that occur because of the researcher's lack of knowledge about the subject being researched, and inadequate training and experience in research, all of which may impact on the 'truth';
- Methodological constraints: These constraints occur as a result of unsuitable research methods and techniques, resulting in inappropriate research instruments; and
- Ontological constraints: These constraints relate to the characteristics of the phenomena being studied. In other words, what challenges are being imposed on the situation to be studied that are related to the reality – the environment.

### **6.2.2.3 Ontological Considerations**

In Chapter 2, reference was made to the systems theory and how this theory enables researchers to examine the interrelated elements of the world. Since this study focuses on the attributes and experiences of NEDs of DMOs, the need to focus on 'reality' is a key aspect. In this case, the NEDs of the DMOs is the population being targeted. The NEDs form part of society and the society may influence these NEDs to a greater or lesser extent. However, this study will not examine how these NEDs are influenced by society. The point that is being emphasized is that they are part of reality.

## **6.3 DATA COLLECTION PROCESS**

The data collection process followed a two-stage process. First, secondary data was collected to create a context and construct a background around the identified problem. This data was obtained by conducting a literature review, which involved accessing the following:

- Relevant publications, such as, books, conference papers, reports, theses and newspapers from the Nelson Mandela University Library;
- Journal articles from a range of tourism journals, such as, the *Journal of Travel Research*, the *Annals of Tourism*, the *Journal of Sustainable Tourism*, the *Journal of Tourism Management* and many other journals from other disciplines; and.
- Discussions with destination management experts during the course of the study.

Most of the journal articles were accessed electronically using EBSCO Host, via the Nelson Mandela University Library and these have been acknowledged in the List of References.

Primary data was obtained using the survey method and in particular, a questionnaire. However, this is discussed in more detail in the next section which provides insight into the research population and how and why the research population was selected. In addition, the sampling method and why the sample size was appropriate are explained.

### **6.3.1 Description of the Research Population**

The research population included all NEDs of DMOs that could be identified in South Africa. These DMOs were specifically local tourism organisations that were funded by both local government (local municipalities) and members of the local tourism organisations, commonly referred to as DMOs. In other words, only NEDs of DMOs who met these criteria were sampled.

At the commencement of the study it was established that there were ten (10) such DMOs in South Africa. During the course of the study and after a visit to the Tourism Indaba in May 2017, having met a number of tourism industry role players, it was confirmed that the number of DMOs funded by both local government (public sector) and members of the DMOs (private sector) had actually declined over the last two decades. A growing number of DMOs were being funded primarily by the local municipalities. These DMOs were excluded from the study at the outset as they did not meet the selection criteria referred to above.

Table 6.2 below provides an illustration of the total population of the DMOs and their respective NEDs who participated in the study. It must be emphasized that these DMOs met the criteria, referred to above.

**Table 6.2: Population and Sample Size of DMO's Funded by Local Government and Members**

<b>NAMES of DMO</b>	<b>PROVINCE</b>	<b>Nos of NEDs</b>	<b>COMPLETED QUESTIONNAIRES</b>
Nelson Mandela Bay Tourism	EC	9	4
Plettenberg Bay Tourism	WC	8	3
Oudtshoorn and De Rust Tourism	WC	12	4
Beaufort West Tourism	WC	6	1
Sunshine Coast Tourism	EC	16	5
South Coast Tourism	KZN	7	2
<b>TOTAL</b>		<b>58</b>	<b>19</b>

### **6.3.2 Sampling Design**

Non-probability sampling was selected for this study, because the researcher was unable to predict that each element of the population would be represented in the population (Leedy & Ormrod, 2015:182). In other words, given that a particular subset was sampled, the requirements as to who was eligible to participate in the study were very specific, namely:

- Only NEDs of DMOs; and
- The DMOs had to be funded by local government and its members.

Based on the above, it was expected that the population would be small, and as a consequence, the entire population was sampled. If populations are smaller, for example  $n=100$ , then the entire population must be surveyed (Gay & Airasian, 2003:113). In this case, the population was 58, resulting in the entire population being sampled. However, only 19 responses were received after a sustained effort of three months of fieldwork involving liaising with DMOs and collecting the completed questionnaires. Thus, the response rate for the study was 33 percent.

According to Saunders et al (2016:284), it is not uncommon to have response rates of between 10 to 20 percent for email or postal questionnaires. Therefore, the 33 percent

response rate was above what was suggested by Saunders et al (2016:284) as the norm. This view is supported by Altinay et al (2016:126) who are of the opinion that a response rate of 15 percent and above is acceptable for email questionnaires. The low response rate can be attributed to some NEDs not being interested in the study or having time to complete the questionnaire. This phenomenon is referred to as respondents' fatigue (Saunders et al 2016:284; Bryman & Bell, 2015:170).

A few DMOs such as Stellenbosch360 and Cape Town Tourism, chose not to participate in the study, whilst others such as Knysna Tourism, failed to respond despite numerous requests being made and a personal visit to the person in-charge at the DMO. As result of these DMO's not participating in the study, they were excluded from the study.

### **6.3.3 Purposive Sampling**

Purposive sampling falls within the category of non-probability sampling. In this case, purposive sampling was adopted as the requirements for the population to be targeted were very specific (Leedy & Ormrod, 2015:183; Altinay et al 2016:122). Purposive sampling is sometimes also referred to as judgement sampling (Gay & Airasian, 2003:115; Saunders et al 2016:291). This type of sampling is selected based on the experience that the researcher has of the population (Struwig & Stead, 2007:111; Gay & Airasian, 2003:115). Thus, the use of this type of sampling is to obtain expert input from individuals who are knowledgeable about the specific topic and, hopefully about the problem that has been identified.

The reason for selecting this sampling method was because the research problem only targeted specific individuals. These specific individuals had to be NEDs of DMOs funded by both local government and its members. Executive directors, such as the chief executive officers from the above-mentioned DMOs, were excluded from the population. The participation or involvement of the NEDs in the sample was voluntary.

### **6.3.4 Homogeneity of the Population**

According to Leedy and Ormrod (2015:184) and Byrman and Bell (2015:135), an acceptable sample size is also subject to the homogeneity or heterogeneity of the population; in other words, how different or similar the population is. If the population



tends to be reasonably homogeneous, then a smaller sample is acceptable. For a heterogeneous population, the sample must be larger.

In the case of this study, the population is homogeneous as the respondents had to be members, and in this instance NEDs of DMOs that are funded by both local government and its members. Besides the demographics of the population varying in age, population group, education and gender, the respondents were employed in the tourism industry, a related industry, or operated their own businesses. For this reason, they were considered a homogeneous group, therefore justifying a smaller population.

In as far as the representativeness of the sample is concerned, it must be borne in mind that a representative sample is one that precisely represents the target population (Saunders et al 2016:281). Purposive sampling generally has a low likelihood of a sample being representative (Saunders et al 2016:301). However, all local DMOs that were identified in South Africa that were funded by both local government and its members were approached to participate in the study. Thus all known possible respondents had an opportunity to participate in the study as purposive sampling was used. This suggests that the researcher had some control over creating a representative sample. However, not every respondent who was selected chose to participate in the study. In addition, some DMOs such as Cape Town Tourism and Stellenbosch 360, choose not to participate in the study at all, whilst others, such as Knysna Tourism, simply ignored the request despite a personal visit and a few phone calls to persuade them to participate. Makana Tourism could not be sampled due to logistical challenges. Thus everything possible has been done to be as inclusive as possible, given these challenges.

### **6.3.5 Reliability**

Reliability is essentially related to matters of consistency (Bryman & Bell, 2015:106; Leedy & Ormrod, 2015:116). In other words, if the study were to be re-done using the same methodology, then it should yield the same findings (Altinay et al 2016: 166). Thus reliability enhances the credibility of the research.

When using a questionnaire in quantitative research, it is necessary to check the consistency with which a question is answered. Hence a question may be repeated and if the response remains the same for both questions which are similar using the

test-retest method, then the data collection method is considered to be reliable (Altinay et al 2016: 167).

### **6.3.6 Validity**

Validity refers to the degree to which a study actually measures what it was intended to measure (Bless, Higson-Smith & Kage, 2006:185; Leedy & Ormrod, 2015:114). In order to improve the validity of the questionnaire, the researcher needs to pilot the questionnaire and enquire from the respondents whether the questions are "...clear and easily understood" (Altinay et al 2016: 167).

In research, validity can take several forms and the following types of validity, explained below, are distinguishable.

#### **6.3.6.1 Face Validity**

Face validity is the degree to which an instrument supposedly measures a specific aspect (Leedy & Ormrod, 2015:115). In other words, it entails whether the instrument measures what it is designed to measure.

#### **6.3.6.2 Content Validity**

Content validity refers to the extent to which a test gauges the planned content area (Gay & Airasian, 2003:586). According to Leedy and Ormrod (2015:115), content validity is applied when the researcher wishes to determine the respondents' success in a particular exercise or activity.

#### **6.3.6.3 Criterion Validity**

Criterion validity is the degree to which the outcome of an instrument compares with another related measure (Leedy & Ormrod, 2015:115). Thus, an instrument designed to measure a student's success should compare with the student's time spent studying.

#### **6.3.6.4 Construct Validity**

Construct validity is the degree to which an instrument measures an abstract attribute, for example, happiness or sadness (Leedy & Ormrod, 2015:115). Thus, these

attributes are normally referred to as constructs and typically include people's behaviour.

#### **6.4 DATA COLLECTION INSTRUMENT**

Finding appropriate answers to research questions suggests that a specific process needs to be followed. This implies that the researcher must design an instrument that enables the collection of the data. This data then assists the researcher in answering the research question. However, before the data is collected, the researcher needs to ask how the data will be obtained (Leedy & Ormrod, 2015:95).

In order to address the research question, a self-completion questionnaire was considered as the most appropriate instrument or tool to collect the data. The reason for using a self-completion questionnaire to collect data for this study is two-fold. Firstly, the researcher did not know the population and was therefore not able to access the population directly. Secondly, a self-completion questionnaire enabled the elimination of interviewer bias, as there was limited contact with the respondents. This enabled the respondents to answer the questionnaire without any influence.

The self-completion questionnaire was distributed via email to either the CEO of the DMO, or the chairperson of the board of directors. In other words, the researcher did not have direct contact with the board of directors and specifically the NEDs of the boards. Completed questionnaires were returned to the researcher via email. The adoption of this method of questionnaire distribution had its own drawback, as it impacted negatively on the response rate. Often questionnaires distributed via mail or email may have a low response rate, and for the former, it is 50 percent or less, whilst for the latter, it is even lower (Leedy & Ormrod, 2015:160 and 171).

Whilst conducting the field work and engaging with the CEOs and chairpersons of the DMOs board of directors, the researcher was able to establish how many NEDs there were for each of the DMOs that were targeted. This allowed the researcher to determine the response rate. Table 6.1 details the DMOs that participated in the study, the number of NEDs on the respective DMOs boards, and the response rate.

### **6.4.1 Questionnaire Design**

Questionnaire design is a seemingly straightforward task. However, it requires particular skills, as the researcher must ensure that the questionnaire, the questions, the question format, the flow of the questions and the graphic design are done in a manner that appeals to the respondents (Smith, 2010:85).

The researcher has to consider which measurement scales would be applicable to the study when designing the questionnaire. In essence, there are four types of measurement scales, namely, nominal, ordinal, interval and ratio scales. The four scales are discussed in detail below.

#### **6.4.1.1 Nominal Scale**

A nominal scale enables the researcher to distinguish between two or more categories. Examples may be gender, where there categories, namely male and female, or more than two categories. A nominal scale limits the data, and in doing so, restricts the possible options by assigning a name to it, which has a specific meaning (Leedy & Ormrod, 2015:110).

The statistical procedure associated with nominal scales is limiting, as it only allows percentages to be calculated, as well as the mode and frequency. The chi-square test can be used to compare the relative frequencies of items in the various categories (Leedy & Ormrod, 2015:111).

#### **6.4.1.2 Ordinal Scale**

Ordinal scales are used to classify persons or objects, whilst also ranking the data (Gay & Airasian, 2003:123; Leedy & Ormrod, 2015:110). An example of an ordinal scale may be when the level of education is measured. In this case, the following categories may be used: primary school education, high school education, college education, and university education.

Ordinal scales facilitate the measurement of the median (halfway point) of a set of data, whilst the percentile rank is used to identify the relative position of an item in a group (Leedy & Ormrod, 2015:111). In addition, the Spearman rank correlation can be used to determine the extent of the relationship between two variables.

#### **6.4.1.3 Interval Scale**

Interval scales allow statistical analyses that are not possible with nominal or ordinal data. This type of scale typically has two features, namely equal units of measurement and a zero point which has been arbitrarily determined (Leedy & Ormrod, 2015:111).

An interval scale enables the researcher to determine the means, median standard deviation and Pearson product moment correlations of the data (Leedy & Ormrod, 2015:111).

#### **6.4.1.4 Ratio Scale**

A ratio scale has two key features, namely, equal units of measurement and, an absolute zero point, unlike an interval scale (Struwig & Stead, 2007:155). Leedy and Ormrod (2015:113) state that a ratio scale enables a researcher to perform almost any inferential statistical analysis.

Using the above scales, a questionnaire was designed and this is discussed in the section that follows.

#### **6.4.2 The Questionnaire**

In order to obtain the required data for the study, a self-completion questionnaire was developed based on the main problem statement and the sub-problems of the study (Refer to Annexure B). These self-completion questionnaires, hereafter referred to as questionnaires, were distributed to the identified respondents. In order to persuade the respondents to complete the questionnaire, a cover letter was drafted and attached to the questionnaire (Refer to Annexure A). The purpose of the cover letter was to explain the rationale for the study, with the aim of obtaining a good response rate. Both the cover letter and the questionnaire were emailed to either the CEO of the DMO, or the chairperson of the board of directors of the DMO, with the request for the NEDs to participate in the research study. The period during which the field work was undertaken was from 01 June 2017 until 30 September 2017.

The questionnaire contained three major sections. Section 1 focused on the demographic information of the respondents, while section 2 sought to obtain

information on the non-executive directors and section 3 enquired about the attributes of the NEDs. Each of these sections in the questionnaire is discussed in detail below.

#### **6.4.2.1 Section 1: Demographic Information**

This section required demographic information from the respondents and included the following: date of birth, gender, highest qualification and population group. The reason for requiring this information was to compare and contrast the data to existing literature, and establish a norm, which would enable the researcher to compare the data for specific DMOs with the norm. In addition, the purpose is also to compare this demographic information with information obtained from the literature review.

#### **6.4.2.2 Section 2: Information Pertaining to Non-Executive Directors**

Specific information about the NEDs was required for section 2. In other words, information such as, the duration of service on the boards of DMOs and whether NEDs received payment was needed. If they received payment, information about the amount and frequency was required. In addition, details about whether the NEDs had attended an induction workshop, and what the nature and extent of the induction, were also relevant. The purpose for requiring this information was to confirm the profile of NEDs and thereby establish a baseline for the study.

#### **6.4.2.3 Section 3: Attributes of Non-Executive Directors**

Section 3 endeavoured to determine the perception of NEDs regarding specific attributes that they deem key in discharging their responsibilities. Thus, a number of statements were constructed to measure the empowerment of NEDs, including their cooperation and teamwork, integrity and trust, commitment, job satisfaction, and communication. In addition, the statements test whether NEDs are familiar with the tourism policy environment in which they operate.

The questionnaire used mainly close-ended questions, meaning that the respondents were provided with a set of options and had to select the option that applied to them (Smith, 2010:63). In quantitative research, the use of closed-ended questions is preferable as it allows the researcher to quantify the specific responses, based on the options that are selected. According to Smith (2010:63) the advantages of closed-ended questions are that:

- they provide a uniform set of answers for respondents;
- they are simple to administer; and
- they make coding and inputting straightforward.

Smith (2010:63) further states that closed-ended questions are also popular with respondents as they are simple to complete. In addition, they are not overly time consuming. On the other hand, close-ended questions also have some drawbacks, such as the following:

- The researcher must anticipate all the relevant answers and this may not be possible;
- The researcher is unable to develop a rapport with the respondents; and
- Some respondents may be dishonest in their responses and the researcher may not be aware of it (Smith, 2010:64).

When measuring perceptions, behaviour, or attitude a rating scale, such as a Likert scale, is used (Leedy & Ormrod, 2015:161).

The completed questionnaire was pilot tested and the results thereof are discussed in the section that follows.

#### **6.4.3 Pilot Study**

A pilot study relevant to the research problem and its objectives was conducted during April 2017 and May 2017. The purpose of the pilot study was to refine the final questionnaire and to ensure that the questions were clear and unambiguous (Saunders, Lewis & Thornhill, 2016:473; Struwig & Stead, 2007:89; Leedy & Ormrod, 2015:169).

The process of piloting the questionnaire involved distributing the questionnaire to firstly, individuals with knowledge of destination management by virtue of their experience obtained through working in the tourism industry and secondly, academics at the Nelson Mandela University. A total of six (6) questionnaires were piloted, two (2) from industry experts and four (4) from academics. The industry experts have worked at a very senior level at DMO's for more than a decade and collectively have more than 30 years' experience in the tourism industry. The feedback obtained from

the industry experts was positive and no substantive issues emerged. Furthermore, no ambiguity was found in the pilot questionnaire. The academics, on the other hand, ranged from lecturers to senior academics from the disciplines of Tourism, Marketing and Public Management. The academics pointed out a few minor editorial aspects. After attending to the minor editorial aspects, the questionnaire was finalised and ready to roll out.

The rolling-out of the questionnaire was preceded by either a personal visit to the DMO, or a telephone call. During the visit or the telephone conversation the researcher would first confirm that the DMO was funded by both the local government and the private sector (the members of the DMO who pay an annual membership fee). Once this was confirmed, the researcher explained the rationale for the study and why it was important for the DMO to participate in the study. The buy-in or the request to participate in the study was sought only after the purpose of the study had been explained to the chief executive officer or the chairperson of the board. Only after this step had been completed, was a cover letter explaining the research and the request to participate in the study, as well as the questionnaire, emailed to the CEO or the chairperson of the board outlining the timeframe for the completion of the questionnaire. Once the questionnaires has been completed, the respondents returned the questionnaire to the researcher via email.

#### **6.4.4 Ethical Issues**

Ethical concerns in research have become a key aspect in as far as protecting the rights of respondents, as well as ensuring the integrity of the study. Saunders, Lewis and Thornhill (2016:239), define ethics as a code of behaviour relevant to researchers and how they conduct their research in relation to the respondents. In other words, research must be conducted in a morally acceptable manner. Research ethics is therefore, broader than merely protecting the rights of the respondents (Struwig & Stead, 2007:66). These authors argue that it includes how the researcher conducts him or herself, not only in the collection of data, but also in the writing of the research report (article, treatise, dissertation and thesis). Thus, plagiarism, not being honest with respondents, inaccurate reporting or misconstruing the facts are all aspects that are integral elements of ethical research.



The Nelson Mandela University (2011) has a policy on Research Ethics and the purpose of the policy is to:

- inspire researchers at University to maintain strict ethical standards in all research activities at the University;
- engender respect for the dignity and rights of all;
- articulate ethical norms that transcend disciplinary boundaries;
- legitimize discussion of ethical issues; and
- describe the structures and mandates for the ethical review of research conducted at the University (Nelson Mandela University, 2011:3).

In addition, the University also has a Code of Ethics for Researchers (Nelson Mandela University, 2012). This policy should be read in conjunction with the Policy on Research Ethics, and the University's researchers should conduct research with this code in mind.

For this study, a Form H had to be completed and submitted to the Post-Graduate Students' Committee of the School of Economics, Development and Tourism in lieu of ethics clearance. Based on the completion of Form H, it was confirmed that it was not necessary to apply for ethics approval, as stipulated in the University's Research Ethics Policy. Ethics clearance was not required as the study did not involve any vulnerable individuals, marginalised groups, children, the aged and neither was the topic, or the information that was to be obtained, sensitive, controversial, or confidential. As is the case of most studies, the anonymity of the respondents was key. This aspect was guaranteed from the outset, even before the identified respondents completed the questionnaire as it was mentioned in the cover letter sent to the respondents. Similarly, respondents were not coerced into participating in the study and those who did participate in the study, did so voluntarily.

## **6.5 SUMMARY**

This Chapter comprised three major sections, namely the research design, the data collection process and the data collection instrument. The research design elaborated on the different research approaches and outlined why the quantitative research approach was deemed suitable for this study. In addition, this chapter provided a brief

philosophical background to the study. The second section focused on the data collection process. This entailed a description of the population, the sampling design adopted and the issues pertaining to the credibility of the study. The third and final section of the chapter expounded on the data collection instrument, namely the questionnaire and how it was constructed and tested. The chapter concluded with a discussion on ethics in research and its applicability to this study.

The next chapter elaborates on the data statistical analyses, data interpretation, and the presentation and articulation of the results.

## CHAPTER 7

### STATISTICAL ANALYSES, DATA INTERPRETATION, PRESENTATION AND ARTICULATION OF THE RESULTS

#### 7.1 INTRODUCTION

Chapter 7 provides an overview of the statistical analyses obtained from the data collection. The data was obtained using a self-completed questionnaire. Once all the completed questionnaires had been received, the researcher captured the data in Excel format using Windows 10. The data was then exported into Statistica Version 13, enabling the researcher to interpret the data and present the data. This made it possible to make specific pronouncements, based on each of the five (5) research objectives that guided the study, which are listed below.

The main research problem of the study centres around the attributes and experience required by the NEDs to serve on the boards of DMOs in accordance with developmental standards of best practices. In order to address this research problem, the study was guided by the five (5) research objectives below:

- To identify best practice by examining the literature as to how NEDs are prepared to serve on boards of both listed and non-listed organisations.
- To determine whether any policy frameworks provide guidance to NEDs serving on DMOs in South Africa.
- To examine whether any training or preparatory programmes exist specifically for NEDs in DMOs.
- To investigate whether NEDs should have specific attributes that would improve their governance of DMOs.
- To develop a set of recommendations that would assist NEDs to play a more effective role when executing their responsibilities.

In order to address the research objectives, the self-completed questionnaire was designed to comprise two (2) major sections. Section 1 focused on obtaining the demographic information about the respondents. Section 2 obtained information pertaining to the relationship that the respondent had with the DMO. In other words, the self-completed questionnaire focused on how long the NEDs had been involved

with the DMOs and whether any remuneration was received. In addition, this section also questioned whether the NED had attended a board induction.

Section 3 of the self-completed questionnaire focused on what were identified as key attributes of the NEDs. Thus, it raised statements based on the empowerment of NEDs, cooperation and teamwork amongst the NEDs, the issue of integrity and trust, and the commitment of NEDs. In addition, the self-completed questionnaire also raised other aspects such as, the attributes required to perform the function of NEDs, job satisfaction of the NEDs, a recognition and reward system for NEDs and; communication pertaining to the functions of the NEDs.

The next section outlines the statistical analysis and interpretation of the data.

## **7.2 STATISTICAL ANALYSIS AND INTERPRETATION OF DATA**

The data was captured using Microsoft Excel, after which was converted to Statistica Version 13. To analyse the data, descriptive statistics were generated to enable the researcher to format the information pertaining to the NEDs of the DMOs for section 1, 2 and 3 of the Questionnaire (Annexure B). This enabled the researcher to conduct statistical tests as per the sections of the questionnaire.

### **7.2.1 Various Types of Statistical Analyses Used in this Study**

This study involved a few statistical analyses to test for significance and correlation, such as t-tests, standard deviation, Cronbach's alpha, Cohen's d and cross-tabulation. For section 1, cross-tabulation was used to analyse data between two variables, such as gender and province, age and province, qualifications and province, and population groups and province. For each of these cross-tabulations chi-square tests were conducted.

For section 2, frequency tables were constructed for each of the questions as per the questionnaire. These frequency tables were then used to analyse and explain the data as per the questionnaire.

For section 3, the attributes of the NEDs, the mean and standard deviation of each question (statement) were determined. For each of the statements, such as empowerment of NEDs, cooperation and teamwork, integrity and trust, the

commitment of NEDs, key attributes to perform the function of a NED, job satisfaction, a recognition and reward system for NEDs, communication with NEDs and the understanding of the NEDs of relevant policy frameworks, the Cronbach alpha's were determined, as well as any correlations that existed. Finally, Cohen's d was also calculated to determine the practical significance of a finding.

### **7.3 PRESENTATION, ANALYSIS AND ARTICULATION OF THE RESULTS OF THE STATISTICAL ANALYSES**

This section provides an analysis of the results obtained from the primary data collection process. For ease of reference, the results will be reported on using the format of the questionnaire.

It is emphasised that the results from the KwaZulu-Natal Province (KZN) were removed from the data set. The reason for doing this was because only one DMO formed part of the population and two respondents completed the questionnaire rendering, the sample too small. However, the researcher managed to compare the two remaining provinces, namely the Eastern Cape and Western Cape Province. These two provinces had more respondents and almost the same number of respondents, so it made some comparisons possible.

#### **7.3.1 Section 1: Demographic Information**

##### **7.3.1.1 Gender Distribution of Respondents**

The sampled population indicated that there were more males (65.71 percent), than females (35.29 percent) who performed the function of NEDs. When comparing the Western Cape Province to the Eastern Cape Province, more females (29.41 percent) of the NEDs were females, as opposed to the 17.65 percent of the Eastern Cape Province.

In table 7.1 below, gender and province were cross-tabulated and chi-square tests were conducted. . The Pearson Chi-square test and the M-L Chi-square test showed values of 4.89 and 5.21 respectively and a degree of freedom of one (1) for both chi-square tests. The p-value for the Pearson chi-square test and the M-L Chi-square tests were 0.02690 and 0.02245 respectively. A p-value of less than 0.05 means that a

statistically significant relationship exists between gender and province is statistically significant ( $p < 0.05$ ).

**Table 7.1: Gender and Province**

Gender	Province		Row Totals
	EC	WC	
Female	1	5	6
Total %	5.88%	29.41%	35.29%
Male	8	3	11
Total %	47.06%	17.65%	64.71%
Totals	9	8	17
Total %	52.94%	47.06%	100.00%

Statistic	Chi-square	df	p
Pearson Chi-square	4.897517	df=1	p= .02690
M-L Chi-square	5.210454	df=1	p= .02245

### 7.3.1.2 Age of Respondents

The youngest NED was 28 years old, while the oldest NED was 75 years old, with the average age of the NEDs of the DMOs sampled being 56.84 years. It is also noted that in the Eastern Cape Province, the majority (23.53 percent) of the NEDs were older than 60 years compared to the Western Cape Province with 11.76 percent for the same age group. For the latter province, most (23.53 percent) of the NEDs were younger than 50 years. This implies that the Eastern Cape Province has an aging population of NEDs.

In table 7.2 below, age and province were cross-tabulated and chi-square tests were conducted. The Pearson chi-square test and the M-L chi-square test showed values of 1.47 and 1.50 respectively and a degree of freedom of two (2) for both chi-square tests. The p-value for the Pearson chi-square test and the M-L chi-square test were 0.47720 and 0.47197 respectively. This means that with a p-value greater than 0.05, the relationship between age and province is not statistically significant ( $p > 0.05$ ).

**Table 7.2: Age and Province**

Age	Province		Row Totals
	EC	WC	
20-50 years	2	4	6
Total %	11.76%	23.53%	35.29%
51-60 years	3	2	5
Total %	17.65%	11.76%	29.41%
60 years or more	4	2	6
Total %	23.53%	11.76%	35.29%
Totals	9	8	17
Total %	52.94%	47.06%	100.00%

Statistic	Chi-square	df	p
Pearson Chi-square	1.479630	df=2	p=.47720
M-L Chi-square	1.501690	df=2	p=.47197

**7.3.1.3 Qualification of Respondents**

For both provinces, 52.94 percent of the NEDs of the DMOs sampled had an undergraduate qualification, whilst 35.29 percent had a post-graduate qualification. Only 11.76 percent had a Matric (Grade 12) qualification.

In table 7.3 below, qualification and age were cross-tabulated and chi-square tests were conducted. The Pearson chi-square test and the M-L chi-square test showed values of 0.72 and 0.73 respectively and a degree of freedom of two (2) for both chi-square tests. The p-value for the Pearson chi-square test and the M-L chi-square test were 0.69717 and 0.69349 respectively. This means that with a p-value greater than 0.05, the relationship between qualification and age is not statistically significant ( $p > 0.05$ ).

**Table 7.3: Qualification and Province**

Qual	Province		Row Totals
	EC	WC	
Matric	1	1	2
Total %	5.88%	5.88%	11.76%
Undergraduate	4	5	9
Total %	23.53%	29.41%	52.94%
Postgraduate	4	2	6
Total %	23.53%	11.76%	35.29%
Totals	9	8	17
Total %	52.94%	47.06%	100.00%

Statistic			
	Chi-square	df	p
Pearson Chi-square	.7214506	df=2	p=.69717
M-L Chi-square	.7320795	df=2	p=.69348

**7.3.1.4 Population Group of Respondents**

The purpose of including this question was to ascertain the extent to which NEDs of DMOs reflect the demographic of South Africa. In both the Eastern Cape and the Western Cape Province, the NEDs of the DMOs sampled were primarily white. This means that for both provinces 82.35 percent of the respondents were white.

In table 7.4 below, the population group and province were cross-tabulated and chi-square tests were conducted. The Pearson chi-square test and the M-L chi-square test showed values of 2.95 and 4.10 respectively and a degree of freedom of three (3) for both chi-square tests. The p-value for the Pearson chi-square test and the M-L chi-square test were 0.39918 and 0.25096 respectively. This means that with a p-value greater than 0.05, the relationship between population group and province is not statistically significant ( $p > 0.05$ ).



**Table 7.4: Population Group and Province**

Pop Grp	Province		Row Totals
	EC	WC	
African	1	0	1
Total %	5.88%	0.00%	5.88%
Coloured	0	1	1
Total %	0.00%	5.88%	5.88%
White	7	7	14
Total %	41.18%	41.18%	82.35%
Other	1	0	1
Total %	5.88%	0.00%	5.88%
Totals	9	8	17
Total %	52.94%	47.06%	100.00%

Statistic			
	Chi-square	df	p
Pearson Chi-square	2.951389	df=3	p=.39918
M-L Chi-square	4.100026	df=3	p=.25086

### 7.3.2 Section 2: Information Pertaining to Non-Executive Directors

#### 7.3.2.1 Duration of Service of Non-Executive Directors

Question 2.1 ascertained how long the NEDs had been serving on the board of the DMOs. In table 7.5 below, 35.29 percent of the respondents indicated that they had been NEDs for between 25 and 36 months, followed by 23.53 percent of the respondents who indicated that they had been NEDs for 37 to 48 months.

It is also apparent that respondents served on the boards of DMOs for varying periods, with 11.76 percent indicating that they had been NEDs for more than 61 months (five years). This suggests that the boards' DMOs ensured that they retained experienced NEDs. However, the notion of these NEDs being experienced in terms of their knowledge and expertise was not tested.

**Table 7.5: Duration of Service of Non-Executive Directors**

Category	Frequency table: Duration Serving (Working)			
	Count	Cumulative Count	Percent	Cumulative Percent
0-12 months	3	3	17.65	17.65
25-36 months	6	9	35.29	52.94
37-48 months	4	13	23.53	76.47
49-60 months	2	15	11.76	88.24
61 months or more	2	17	11.76	100.00
Missing	0	17	0.00	100.00

**7.3.2.2 Payment of Non-Executive Directors**

Question 2.2 determined whether the NEDs were paid for their services. Table 7.6 below indicates that 76.47 percent of the NEDs were not paid for their services. Therefore, the majority were volunteering their services, which is not unusual for local DMOs owing to their limited budgets.

**Table 7.6: Payment of Non-Executive Directors**

Category	Frequency table: Payment (Working)			
	Count	Cumulative Count	Percent	Cumulative Percent
No	13	13	76.47	76.47
Yes	4	17	23.53	100.00
Missing	0	17	0.00	100.00

**7.3.2.3 Frequency of Payment of Non-Executive Directors**

Question 2.3 determined the frequency of payment for those NEDs (23.35 percent) who were paid. In this regard, payment was per meeting as indicated in table 7.7 below:

**Table 7.7: Frequency of Payment of Non-Executive Directors**

Category	Frequency table: Freq Pay (Working)			
	Count	Cumulative Count	Percent	Cumulative Percent
Per Meeting	4	4	23.53	23.53
Missing	13	17	76.47	100.00

#### **7.3.2.4 Amount Paid to Non-Executive Directors**

Question 2.4 ascertained the amount that NEDs were paid. Table 7.8 indicated that in the case of those NEDs who received payment, an amount between R501 and R1000 was paid per meeting. It is noted that for local DMOs in South Africa that form part of the type 3 DMOs there is no prescribed amount.

**Table 7.8: Amount Paid to Non-Executive Directors**

Category	Frequency table: Amount (Working)			
	Count	Cumulative Count	Percent	Cumulative Percent
R501-R1000	4	4	23.53	23.53
Missing	13	17	76.47	100.00

#### **7.3.2.5 Attendance of a Board Induction**

Question 2.5 asked whether the NEDs had attended a board induction. According to table 7.9, 88.24 percent indicated that they had not attended a board induction.

As indicated in chapter 5, a board induction was a key element of good governance and it cannot be assumed that NEDs have the requisite competence and experience to fulfil their obligations

**Table 7.9: Attendance of a Board Induction**

Category	Frequency table: Induction (Working)			
	Count	Cumulative Count	Percent	Cumulative Percent
No	15	15	88.24	88.24
Yes	2	17	11.76	100.00
Missing	0	17	0.00	100.00

#### **7.3.2.6 Duration of Board Induction**

Question 2.6 ascertained the duration of the board induction for those (11.75 percent) NEDs who had attended one. The outcome of the results indicated that the duration of the induction varied from half a day to a full day. It was noted that only a small proportion of NEDs from Nelson Mandela Bay Tourism in Port Elizabeth in the Eastern Cape had attended a board induction.

**Table 7.10: Duration of Board Induction**

Category	Frequency table: Induction Duration (Working)			
	Count	Cumulative Count	Percent	Cumulative Percent
half day	1	1	5.88	5.88
1 day	1	2	5.88	11.76
Missing	15	17	88.24	100.00

**7.3.2.7 Use of an External Facilitator**

Question 2.7 determined whether an external facilitator was used. The results were inconclusive, meaning that 5.88 percent indicated that an internal facilitator was used, while 5.88 percent indicated that an external facilitator was used. Since these are respondents from Nelson Mandela Bay Tourism, the researcher can only attribute this difference to the NEDs being appointed at a different time and therefore different facilitators may have been used.

**Table 7.11: Use of an External Facilitator**

Category	Frequency table: Facilitate (Working)			
	Count	Cumulative Count	Percent	Cumulative Percent
Yes	1	1	5.88	5.88
No	1	2	5.88	11.76
Missing	15	17	88.24	100.00

**7.3.2.8 Content of Board Induction**

For question 2.8, only 11.78 percent of the respondents answered this question. With such a small percentage of respondents answering this question, it was deemed insignificant to draw any conclusions.

**7.3.2.9 Statements Concerning the Board Induction**

Question 2.9 focused on the perceptions of NEDs regarding the board induction. Only 11.78 percent of the respondents answered this question and the researcher was unable to draw any meaningful inferences.

**7.3.2.10 Field of Expertise of the Non-Executive Directors**

Question 2.10 determined the fields of expertise of the NEDs. According to table 7.12, 35.29 percent of the NEDs had expertise in marketing and communication, while 29.41

percent had expertise in management. In general, the NEDs had a wide range of expertise and this was the case for all DMOs sampled.

It is noted that 11.76 percent had selected “other”, meaning that their field of expertise fell outside the categories mentioned. When the questionnaires were examined, these respondents indicated that they had expertise in veterinary science and hospitality and tourism.

**Table 7.12: Field of Expertise of the Non-Executive Directors**

Category	Frequency table: Expertise (Working)			
	Count	Cumulative Count	Percent	Cumulative Percent
Accounting	2	2	11.76	11.76
Law	2	4	11.76	23.53
Marketing and Communication	6	10	35.29	58.82
Management	5	15	29.41	88.24
Other	2	17	11.76	100.00
Missing	0	17	0.00	100.00

### 7.3.3 Section 3: Attributes of Non-Executive Directors

Section 3 tested the perception of attributes of non-executive directors (NEDs) in relation to a number of statements (themes). In total nine (9) statements (themes) were identified and each statement had between five to seven items which the respondents had to select. These statements related to the empowerment of NEDs, cooperation and teamwork, integrity and trust, the commitment of NEDs, key attributes that NEDs required to perform the function of NEDs, job satisfaction, a recognition and reward systems for NEDs, communication, and an understanding of the NEDs relevant policy frameworks. In other words, this section sought to examine what NEDs thought of a range of aspects related to the tasks that they are expected to perform and their perceptions about specific items (attributes).

According Forbes and Milliken (1999:492) in Zattoni and Cuomo (2009:65) NEDs have to make key decisions on strategic issues. For this reason they need to be competent in a range of matters, namely management, marketing and finance, as the decisions the NEDs make impact on the sustainability of the DMO. However, NEDs also rely on each other in terms of the knowledge and experience which they have. In other words, they are inter-dependent on each other and the organisation they serve.

Table 7.13 below indicates the descriptive statistics for section 3. In other words, information about the mean, minimum, maximum and standard deviations for the each of the nine (9) questions are provided below.

**Table 7.13: Descriptive Statistics for Section 3**

Variable	Descriptive Statistics (Working)					
	Valid N	Mean	Minimum	Maximum	Std.Dev.	
Q3.1	17	4.09	3	5	0.59	High
Q3.2	17	3.91	3	5	0.40	High
Q3.3	17	2.29	1	5	1.16	Low
Q3.4	17	4.45	4	5	0.50	Very high
Q3.5	17	4.02	3	5	0.48	High
Q3.6	17	4.26	3	5	0.51	Very high
Q3.7	17	3.28	2	5	0.64	Medium
Q3.8	17	4.18	3	5	0.56	High
Q3.9	17	3.24	2	5	0.86	Medium

Interpretation of scores:

- 1 – 1.8      Very low (Strongly disagree)
- 1.8 – 2.6    Low (Disagree)
- 2.6 – 3.4    Medium (Neither agree or disagree)
- 3.4 – 4.2    High (Agree)
- 4.2 – 5      Very high (Strongly agree)

When analysing the mean of each of the questions of section 3 in table 15 and interpreting the score, question 3.1 has a mean of 4.09, which is a high score. This implies that the respondents agreed with the overall statement that empowerment is an attribute of NEDs.

Question 3.2 had a mean of 3.91 and therefore a high score. Thus, respondents agreed with the overall statement of cooperation and teamwork.

Question 3.3 had a low score, owing to a mean of 2.29. This means that respondents disagreed that integrity and trust are key issues.

Question 3.4 had a very high score, owing to a mean of 4.45. This means that respondents strongly agreed that commitment is a key issue.

Question 3.5 had a high score, owing to a mean of 4.02. This means that respondents agreed that there are specific attributes that NEDs require in order to perform their function.

Question 3.6 had a very high score, owing to a mean of 4.26. This means that respondents strongly agreed that job satisfaction is a key aspect.

Question 3.7 had a medium score, owing to a mean of 3.28. This means that respondents agreed or disagreed that a recognition and reward system for NEDs is a key element.

Question 3.8 had a high score, owing to a mean of 4.18. This means that respondents agreed that communication with NEDs is key aspect.

Question 3.9 had a medium score, owing to a mean of 3.0242. This means that respondents neither agreed nor disagreed that an understanding of the relevant policy frameworks is essential.

For section 3 the researcher also conducted a correlation test using Cronbach's alpha for each of the items of the nine (9) statements referred to above and the questionnaire (refer to Annexure 2). Cronbach's alpha is a measure used to determine the reliability, or internal consistency, of a set of scale or test items. Thus, Cronbach's alpha measures the strength of that consistency.

Table 7.14 below provides the Cronbach's alpha values and the internal consistency. If the Cronbach's alpha value is 0.9, then internal consistency is excellent. If the Cronbach's Alpha is less than 0.5, then the reliability or internal consistency is unacceptable.

**Table 7.14: Values of Cronbach's Alpha and Internal Consistency**

<b>Cronbach's Alpha</b>	<b>Internal consistency</b>
$\alpha = 0.9$	Excellent
$0.7 = \alpha < 0.9$	Good
$0.6 = \alpha < 0.7$	Acceptable
$0.5 = \alpha < 0.6$	Poor
$A < 0.5$	Unacceptable

With reference to annexure 3, the items highlighted in yellow have very low ( $< 0.20$ ) item-total correlations. This means that they do not correlate with the other items in that statement (question) and should be omitted when the factor score is calculated as the mean of the item responses. The last column shows that if those items are omitted, the Cronbach alpha for each of the themes becomes better.

Table 7.15 below indicates the internal consistency for each of the statements (questions). This is discussed per question below.

**Table 7.15: Cronbach's Alpha for Section 3 Questions**

<b>Question</b>	<b>Cronbach's Alpha</b>	<b>Internal Consistency</b>
3.1	$\alpha = 0.7$	Good
3.2	$\alpha = 0.6$	Poor
3.3	$\alpha = -0.05$	Unacceptable
3.4	$\alpha = 0.8$	Good
3.5	$\alpha = 0.7$	Good
3.6	$\alpha = 0.8$	Good
3.7	$\alpha = 0.5$	Poor
3.8	$\alpha = 0.7$	Good
3.9	$\alpha = 0.8$	Good



### **7.3.3.1 Empowerment of Non-Executive Directors**

Question 3.1 focused on the empowerment of NEDs. Hence, all the items that respondents rated were linked to the above-mentioned theme. For question 3.1 the Cronbach's alpha value was 0.7 which is good. This means that it had good internal consistency and that the items related to the empowerment of NEDs indicated a good degree of reliability. Therefore, the empowerment of NEDs is a key attribute for NEDs.

### **7.3.3.2 Cooperation and Teamwork**

Question 3.2 focused on the cooperation and teamwork of NEDs. Thus, all the items that respondents rated were linked to cooperation and teamwork. The Cronbach's alpha value for this question was 0.6, which is poor. This implies that it had poor internal consistency and that the items related to cooperation and teamwork indicated a poor degree of reliability. Therefore, cooperation and teamwork is not a key attribute for NEDs.

### **7.3.3.3 Integrity and Trust**

Question 3.3 addressed various items related to integrity and trust as perceived by the NEDs. For question 3.3 the Cronbach's alpha value was 0.05 which is unacceptable. This suggests that all items related to integrity and trust had an unacceptable internal consistency, and that the statements indicated an unacceptable degree of reliability. Therefore, integrity and trust are not key attributes for NEDs.

### **7.3.3.4 Commitment of Non-Executive Directors**

Question 3.4 focused on the commitment of NEDs. Hence, all the items that respondents rated were linked to the above-mentioned statement. The Cronbach's alpha value for this question was 0.8 which is good. This means that it had good internal consistency and that the items related to the commitment of NEDs indicated a good degree of reliability. Therefore, the commitment of NEDs is a key attribute of NEDs.

### **7.3.3.5 Key Attributes to Perform the Function of a Non-Executive Director**

Question 3.5 focused on the key attributes to perform the function of a NED. Hence, all the items that respondents rated were linked to the above-mentioned theme. For question 3.5 the Cronbach's alpha value was 0.7 which is good. This means that it

had good internal consistency and that the items related to the question indicated a good degree of reliability. Therefore, items such as, a high level of confidentiality, a tertiary qualification, good verbal, written and listening skills, an understanding of meeting procedures and the tourism industry, and integrity are all key aspects required for a NED to perform the function of a NED.

#### **7.3.3.6 Job Satisfaction of the Non-Executive Directors**

Question 3.6 focused on the job satisfaction of the NEDs. Hence, all the items that respondents rated were linked to the job satisfaction of NEDs. The Cronbach's alpha value for this question was 0.8 which is good. This means that it had good internal consistency and that the items related to job satisfaction indicated a good degree of reliability. Therefore, job satisfaction is a key attribute for NEDs.

#### **7.3.3.7 Recognition and Reward Systems for Non-Executive Directors**

Question 3.7 focused on recognition and reward systems for NEDs. Thus, the items in this question were all linked to the recognition and reward systems for NEDs. The Cronbach's alpha value was 0.5 which is poor. This means that it had poor internal consistency and that the items related to recognition and reward systems indicated a poor degree of reliability. Therefore, a recognition and reward system is not a key attribute of NEDs.

#### **7.3.3.8 Communication with Non-Executive Directors**

Question 3.8 focused on communication with NEDs and therefore all the items were associated with communication. The Cronbach's alpha value for this question was 0.7 which is good. This means that it had good internal consistency and that the items related to the question indicated a good degree of reliability. Therefore, communication with NED is a key attribute for NEDs.

#### **7.3.3.9 Understanding of the Non-Executive Directors of Relevant Policy Frameworks**

Question 3.9 focused on whether NEDs understand the relevant policy frameworks related to tourism. The Cronbach's alpha value for this question was 0.8 which is good. This means that it had good internal consistency and that the items related to the

question indicated a good degree of reliability. Therefore, NEDs understanding of the relevant policy frameworks is a key attribute.

### **7.3.3.10 Open-Ended Questions**

With reference to the open-ended questions, two questions were posed to the respondents. The first question wanted their opinion as to what could be done to make the DMO a better organisation. Having analysed the responses, three themes emerged. These are better funding, more capacity building, and greater cooperation with local government.

- Better funding required for DMOs:

More than 33 percent of the respondents indicated that funding was restricting the operations of the DMO. Hence, there is an expectation that local government would provide better funding. This raises the question of the financial viability of some of the DMOs that are funded by both the local government and the private sector and whether this type of DMOs is sustainable. Nevertheless, the issue of funding as a barrier is noted.

- Greater cooperation with local government:

More than 27 percent of the respondents highlighted the need for greater cooperation with local government (local municipalities). This does not necessarily imply that local government does not support the DMOs, but that if there was a higher level of cooperation, the DMOs could possibly function better. In addition, with local government being a primary shareholder of DMOs, the expectation was that they would attend meetings regularly.

- More than 10 percent of the respondents alluded to the need for capacity building. In this regard, they referred to the board of directors requiring better capacitation although they did not specify what type of capacitation. In addition, they also mentioned that service staff needs to be better trained. In this regard, service staff refers to all front line staff that interact with tourists, such as petrol attendants, police and shop assistants. In understanding the concept of tourism, these respondents recognised the need for good service levels across a broad spectrum of sectors, all of which interact with tourists at some stage.

It was also noted that that one respondent called for better support for entrepreneurs. However, the respondent did not elaborate much on this aspect.

The second open-ended question, which referred to whether the NEDs had anything to add, yielded no responses. For this reason, the researcher did not elaborate.

### **7.3.3.11 Additional Correlational Tests**

For section 3 additional correlational tests was conducted. These included Pearson's correlational coefficient and Cohen's d. The former tested for correlations between the various statements, while the latter tested for practical significance.

Table 7.16 below shows the results of the Pearson's correlation tests. The purpose of using Pearson's correlation is to test for associations between two variables (statements). Thus, the value of Pearson's correlation coefficient is always between +1 and -1. A positive correlation coefficient indicates that as one variable increases in its value, the other variable also increases in its value. A negative value means that as one variable increases in its values, the other variable decreases in its values. A value of 0 indicates no association.

Question 3.1 (empowerment of NEDs) and question 3.8 (communication with NEDs) had a value of 0.519 which means that there is a strong positive association between these two variables. For question 3.2 (cooperation and teamwork) and question 3.3 (integrity and trust) the value was -0.555. This means that there is a strong negative association between these two variables. For question 3.4 (commitment of NEDs) and question 3.6 (job satisfaction of the NEDs) the value was 0.733. This means that there is a strong positive association between these two variables.

Question 3.4 (commitment of NEDs) and question 3.9 (the understanding of relevant policy frameworks of NEDs) had a value of 0.488. This means that there is a moderately positive association between these two variables.

The significance level for the Pearson's correlation test was 0.05 with the corresponding confidence level being 95 percent. This means that the results are statistically significant.

**Table 7.16: Pearson's Correlation Coefficient**

Variable	Q3.1	Q3.2	Q3.3.	Q.3.4	Q3.5	Q3.6	Q3.7	Q3.8	Q3.9
<b>Q3.1</b>	1.00								
<b>Q3.2</b>	0.220	1.00							
<b>Q3.3</b>	-0.263	-0.555	1.00						
<b>Q3.4</b>	0.223	0.434	-0.099	1.00					
<b>Q3.5</b>	0.153	-0.113	0.104	0.079	1.00				
<b>Q3.6</b>	0.275	0.192	0.054	0.733	0.344	1.00			
<b>Q3.7</b>	0.306	0.424	-0.327	0.346	-0.118	-0.089	1.00		
<b>Q3.8</b>	0.519	0.317	-0.202	0.251	0.042	0.215	0.317	1.00	
<b>Q3.9</b>	0.107	0.317	0.191	0.488	-0.028	0.309	0.070	0.070	1.00

Note: Marked correlations are significant at  $p < 0.05$  and the interpretation of the correlation coefficients are indicated in Table 7.17 below.

**Table 7.17: Interpretation of Pearson's Correlation Coefficients**

< 0.30	Weak
0.30 – 0.49	Moderate
0.50 +	Strong

The Cohen's d test is an effect size used to indicate the standardised difference between two means. It is used to accompany reporting of t-test results. Cohen's d is an appropriate effect size for the comparison between two means. For this study, the researcher divided the sample into the two provinces, namely Eastern Cape and Western Cape and calculated the mean, t-value, the degrees of freedom and p-values, and the standard deviation for each of the two provinces. This enabled the researcher to calculate Cohen's d and the practical significance. For question 3.5 (key attributes for NEDs to perform their function) Cohen's d was 1.3. Based on the interpretation of the values, the practical significance was large. This is outlined in Table 7.18 below.

**Table 7.18: Cohen’s d for the Groupings Involving the Two Provinces**

Variable	T-tests; Grouping: Province (Working)Group 1: ECGroup 2: WC										
	Mean EC	Mean WC	t-value	df	p	Valid N EC	Valid N WC	Std.Dev. EC	Std.Dev. WC	Cohen's d	Practical Significance
Q3.1	4,18	4,00	0,61	15	0,5510	9	8	0,61	0,59	0,30	Small
Q3.2	3,91	3,90	0,06	15	0,9567	9	8	0,28	0,52	0,03	Small
Q3.3	2,11	2,50	-0,68	15	0,5080	9	8	1,45	0,76	0,35	Small
Q3.4	4,52	4,38	0,58	15	0,5710	9	8	0,47	0,55	0,28	Small
Q3.5	4,25	3,75	2,51	15	0,0238	9	8	0,50	0,27	1,30	Large
Q3.6	4,37	4,15	0,91	15	0,3792	9	8	0,48	0,55	0,44	Small
Q3.7	3,33	3,22	0,36	15	0,7263	9	8	0,54	0,77	0,17	Small
Q3.8	4,16	4,20	-0,16	15	0,8755	9	8	0,68	0,43	0,08	Small
Q3.9	3,20	3,28	-0,17	15	0,8635	9	8	0,97	0,76	0,09	Small

A similar test for was conducted for the provinces using the two variables, namely post-graduate and undergraduate respondents. In this instance question 1 (empowerment of NEDs) and question 3.9 (understanding of relevant policy frameworks of NEDs) indicated a Cohen’s d of 1.46 and 1.17 respectively. Both variables have a large practical significance.

**Table 7.19: Cohen’s d for Qualifications versus Post-graduate and Undergraduate**

Variable	T-tests; Grouping: Qual (Working)Group 1: PostgraduateGroup 2: Undergraduate or less										
	Mean Postgraduate	Mean Undergraduate or less	t-value	df	p	Valid N Postgraduate	Valid N Undergraduate or less	Std.Dev. Postgraduate	Std.Dev. Undergraduate or less	Cohen's d	Practical Significance
Q3.1	3,70	4,31	-2,30	15	0,0363	6	11	0,21	0,62	1,46	Large
Q3.2	4,03	3,84	0,97	15	0,3491	6	11	0,23	0,46	0,57	Medium
Q3.3	2,00	2,45	-0,76	15	0,4579	6	11	0,63	1,37	0,45	Small
Q3.4	4,42	4,47	-0,20	15	0,8419	6	11	0,55	0,50	0,10	Small
Q3.5	4,05	4,00	0,19	15	0,8511	6	11	0,49	0,49	0,10	Small
Q3.6	4,19	4,30	-0,41	15	0,6870	6	11	0,75	0,36	0,20	Small
Q3.7	3,00	3,43	-1,36	15	0,1945	6	11	0,55	0,66	0,71	Medium
Q3.8	3,80	4,38	-2,33	15	0,0343	6	11	0,52	0,48	1,17	Large
Q3.9	3,30	3,20	0,22	15	0,8262	6	11	0,98	0,83	0,11	Small

**Table 7.20: Interpretation of Cohen’s d Values**

< 0.50	Small
0.50 – 0.79	Medium
0.80 +	Large

## **7.4 SUMMARY**

Chapter 7 provided an in-depth analysis of the statistical methods adopted for the study. It reported on and discussed the findings of the empirical study using the format of the questionnaire. Section 1 focused on the demographic information of the respondents and section 2 provided information pertaining to the NEDs. Section 3 discussed the attributes of the NED.

Based on the literature review that was conducted and the results of the study, it was apparent that best practice typically involved having NEDs with a wide range of expertise and employed in the field of tourism. These NEDs were often associated with well-known tourism businesses in the DMOs.

It was also established that no tourism-specific policy framework exists that provides guidance for NEDS of local DMOs. This means that DMOs follow their own guidelines based on their constitutions and rely heavily on how they are advised by external parties, such as auditors, the local municipality and consultants. Furthermore, it seems that no tourism specific training or preparatory programmes are available for NEDs at local level, indicating that the pool of NEDs is likely to remain rather small. Only the Institute of Directors of South Africa offers a generic training programme for NEDs.

Finally, the study highlighted at least five (5) attributes that NEDs consider key in fulfilling their obligations. These include the empowerment of NEDs, the commitment of NEDs, communication with NEDs, job satisfaction of the NEDs and the need for NEDs to understand policy frameworks relevant to their tasks. Coupled to this, confidentiality was also regarded as an important attribute. The final chapter provides a few recommendations and outlines the concluding remarks

## **CHAPTER 8**

### **RECOMMENDATIONS AND CONCLUDING REMARKS**

#### **8.1 INTRODUCTION**

Tourism is a key economic sector in South Africa and the South African government considers tourism to be one of the economic pillars of the economy. At a local level, DMOs play a pivotal role in ensuring that the destination is marketed in order to attract tourists. For DMOs to function optimally, it is necessary that attention is paid to the governance of the DMOs.

The purpose of this study the study was to examine the attributes and experience of the NEDs that serve on the boards of DMOs in accordance with developmental standards of best practices. The DMOs that were identified were those DMOs that received funding from local municipalities and the private sector. In addition, these DMOs were governed by boards of directors that were elected by the members. In the case of this study it was the NEDs that were targeted as the population and then sampled.

The objective of this chapter is to provide an overview of the chapters discussed, followed by a series of recommendations based on the analyses of the results. The chapter also outlines some of the limitations of the study, as well as outlining future possible studies that could be undertaken.

#### **8.2 OVERVIEW OF CHAPTERS**

Chapter 1 provided a framework for the study by providing the background to the study. In addition, the chapter alluded to the link between sustainable development and tourism, and tourism and local economic development. This provided some context for the research problem and research objectives, as well as providing some insight into the research process to be followed. The chapter concluded with a description of key concepts relevant to the study.

Chapter 2 focused on the philosophy of tourism outlining the uniqueness of the industry. Furthermore, the researcher examined the stakeholder theory, the systems theory and the governance theory. These broadly underpinned the study and provided



an essential link to the DMOs and their operations. Sustainable development and its relationship to tourism were explored, culminating in how responsible tourism influences DMOs

Chapter 3 broadly dealt with the legislative framework for tourism in South Africa. It expounded on the South African Constitution, specifically the role of local government and other legislation. To focus the study, attention was also given to tourism-specific policy documents, such as the White Paper on the Promotion and Development of Tourism of 1996 and the National Tourism Sector Strategy of 2011. The former is the basis for tourism development and marketing since the democratisation of South Africa, whilst the latter focusses more on the tourism strategies that need to be adopted to achieve the desired results. The chapter concluded with a discussion on local economic development and its relationship with tourism.

Chapter 4 explained the institutional arrangements for tourism DMOs by first outlining what a DMO comprises and the role of DMOs. In addition, a historical overview of DMOs was also provided, as well as an explanation of the difference between destination marketing organisations and destination management organisations and the challenges with which the former are faced. The chapter also examined DMO structures globally and illustrated the structures of DMOs in Australia, New Zealand, Great Britain, Denmark and the United States of America. The final section of the chapter focused on DMOs in South Africa operating at national level as well as the DMO structures and operations in all nine (9) provinces, before highlighting local tourism destination marketing organisations.

Chapter 5 examined the relationship between management and destination governance, by exploring the various management functions, such as planning, organising, leading and controlling in the context of DMOs. The chapter detailed the issue of governance by providing a broad background to governance and its application to DMOs. This included issues related to the characteristics of good governance; constitutions governing DMOs; the appointments and election of NEDs; the duties and powers of NEDs, and a few additional issues related to the governance of DMOs.

Chapter 6 focused on the research design and methodology theory. The chapter focused on the quantitative research approach and the data collection process. The former included details about the epistemological and ontological considerations, while the latter explained the research population and the sampling method, as well as issues pertaining to validity and reliability. The final section of the chapter dealt with the data collection instrument and the process involving the design thereof.

Chapter 7 presented and analysed the results of the study. This involved a two-stage process that generated the descriptive statistics, followed by the inferential statistics. This enabled the researcher to draw meaningful conclusions about the results.

Chapter 8 provided an overview of the various chapters and focussed on the recommendations pertinent to the study. The final sections of this chapter explained the limitations of the study, future research that may be pursued as a result of this study being conducted, as well as the contribution of this study to the broader tourism discipline.

The next section discusses the recommendations that have been constructed as a result of the study.

## **8.3 RECOMMENDATIONS**

### **8.3.1 Recommendation 1: Gender and Equity of the Respondents**

The results of the study indicated that the respondents in the Western Cape Province had a good gender distribution, whilst the same cannot be said about the Eastern Cape Province. Female NEDs in the Eastern Cape were under-represented. Similarly, equity amongst the NEDs was also a challenge, as most of the NEDs were white and blacks were under-represented.

Taking the above into account, the boards of directors of DMOs and particularly the shareholders need to ensure that the gender distribution of NEDs reflects the gender distribution of the country. The shareholders are the local municipalities and the private sector that fund the DMOs. In addition, NEDs and shareholders also need to place emphasis on recruiting NEDs from the under-represented groups. One way of doing this is to amend the constitutions of the DMOs and stipulate the requirements of the

NEDs when the members nominate and elect the NEDs. In this regard, the only DMO that stipulated this aspect in terms of gender and population group was Nelson Mandela Bay Tourism in Port Elizabeth.

### **8.3.2 Recommendation 2: Age of NEDs**

An analysis of how long some of the NEDs served on local DMOs, indicate that 68.76 percent of the NEDs served between two and four years, while 11.76 percent were served for more than five years. This means there is generally a good mix of NEDs, ranging from those that are fairly inexperienced as NEDs to those that are reasonably well experienced. However, an analysis of the age distribution of the NEDs indicates that the Eastern Cape Province has an aging population of NEDs. Thus it may be prudent for some local DMOs to put a recruitment system in place and build a pool of prospective NEDs.

### **8.3.3 Recommendation 3: Board Induction**

The results of the study indicated that 11.78 percent of the NEDs had a board induction, after being elected to the board of the DMO. Given the responsibilities of NEDs and their fiduciary duties, it is recommended that DMOs introduce mandatory board inductions to capacitate the NEDs. The board inductions need to include aspects on the role and function of the DMOs, as well as the fiduciary duties of NEDs.

### **8.3.4 Recommendation 4: Training or Preparatory Programmes**

It is evident that no formal training or preparatory programme exists for NEDs. This implies that newly elected NEDs may have a challenge to contribute optimally, or may not understand their role at the outset. For this reason, the national government through the national Department of Tourism could develop guidelines for local DMOs. These guidelines could serve as minimum standards that local DMOs need to consider for their NED training programmes. This could also assist with creating a larger pool of prospective NEDs for local DMOs.

### **8.3.5 Recommendation 5: Attributes of NEDs**

The study identified specific attributes that NEDs deem essential. These include the empowerment of NEDs, the commitment of NEDs, communication with NEDs, the job

satisfaction of the NEDs and the need for NEDs to understand policy frameworks relevant to their tasks. Therefore, if training or preparatory programmes are to be developed for NEDs as previously recommended, it is necessary to incorporate these attributes as part of the programme and possibly expand on these attributes. In addition, it is noted that NEDs also regard confidentiality, integrity and an understanding of meeting procedures as key. Including these aspects into a training programme should also be considered.

#### **8.4 LIMITATIONS OF THE STUDY**

The study was a quantitative study with a small population, which yielded a small sample. This resulted in some limitations in as far as initiating a range of statistical analysis, such as, regression analysis, or factor analysis.

The vast geographical area made it impossible for the researcher to identify and confirm all the DMOs in South Africa that fell within the category of DMOs that formed part of the population. Coupled to this, a few of the DMOs that were identified as receiving financial support from both local government and the private sector, and therefore potentially part of the population, declined to participate in the study. The reasons for not participating in the study ranged from 'not interested' to DMOs simply not responding to any of the requests from the researcher.

As with any study, time was a constraint even though the field work was done over a three-month period. It was not possible to extend the field work period as this would have meant missing the deadline for submitting the thesis and rolling it over for another academic year.

#### **8.5 FUTURE RESEARCH**

Based on the experience that the researcher now has gained and on the limitations referred to above, it is recommended that future research should rather focus on qualitative studies. This is likely to limit the constraints related to the small population and sample size, as qualitative studies will provide much richer data, with more depth. The rationale for arguing for more qualitative research is based on the small population of DMOs that are funded by both local government and the private sector.

One of the specific research areas that require investigation is which of the three models of DMOs identified in chapter 1, namely publicly funded DMOs, privately funded DMOs, and publicly and privately funded DMOs, are best suited for local DMOs in South Africa. In addition, it may also be prudent to explore the operational efficiency of local DMOs, as well as the linkages that the local DMOs have with their communities.

Future research should also focus on the financial sustainability of publicly and privately funded DMOs, particularly since this was raised as a concern by more than 30 percent of the respondents. With tourism being one of the economic drivers of local economic development, there is an expectation that local government should make a concerted effort to support local DMOs financially.

Despite tourism being a local government function, limited financial and strategic support is given to tourism. For this reason, future research should also explore the how local government perceives tourism and which factors inhibit the support of tourism.

In addition, from a tourism policy perspective at local government level, the local municipal Integrated Development Plans (IDPs), tourism sector plans and tourism master plans are generally superficial and not congruent with reviewed national tourism sector strategy. This has to be tested so that strategies could be devised to ensure that policies at local government level matches with policies implemented at national government level.

## **8.6 CONTRIBUTION OF THIS STUDY**

This study provided valuable base-line data about the local DMOs in South Africa that are funded by both local government and the private sector. It has highlighted some of the barriers and aspects that need improvement in relation to tourism development at a local level. At a governance level, the NEDs remain primarily white and male, with very few black and female tourism practitioners reaching the board rooms.

The study also expounded on the non-financial shortcomings, particularly matters related to the governance of local DMOs where specific attributes were identified as being key to the capacitation of NEDs.

## 8.7 CONCLUSION

The purpose of this study was to investigate the attributes and experiences of NEDs that serve on the boards of local DMOs. The local DMOs included in the study were in both the Eastern Cape Province and the Western Cape Province. The local DMO in the third province, namely Kwa-Zulu Natal was excluded from the analysis, as only two respondents completed the self-completion questionnaire.

The study found that the NEDs of local DMOs varied in years of experience and similarly, their fields of expertise ranged from management to law. Some of the local DMOs in the Eastern Cape Province had primarily male NEDs, meaning that female NEDs were under-represented. However, in the Western Cape Province, local DMOs had both male and female NEDs of almost equal distribution. Of concern was the shortage of black NEDs in both the Eastern Cape Province and the Western Cape Province.

It was also noted that a sizeable proportion of NEDs did not have a board induction and this raised a concern as it was assumed that they knew what their roles and responsibilities were as NEDs. In addition, limited evidence was provided as to what the board induction entailed and it would appear that board inductions were treated in an almost *ad hoc* manner.

The study also identified specific attributes that NEDs of local DMOs should have. These specific attributes include the empowerment of NEDs, the commitment of NEDs, communication with NEDs, job satisfaction of the NEDs and the need for NEDs to understand policy frameworks relevant to their tasks. In addition, confidentiality, integrity and understanding meeting procedures were also regarded as important attributes.

In conclusion, local DMOs play a key role in the management of local destinations. For this reason they need to be well-resourced and supported to fulfil their mandate and to ensure that destinations contribute to both the local and the national economy. Based on the feedback provided by the NEDs, they generally seem to be handicapped from a resource and support perspective. For this reason it is imperative that NEDs are capacitated to perform their roles and responsibilities optimally.

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## **ANNEXURE 1: Cover Letter Accompanying the Questionnaire**

Tourism Department  
Second Avenue Campus  
PO Box 77000  
Port Elizabeth  
6031

06 June 2017

Dear Sir/Madam

**RE: RESEARCH QUESTIONNAIRE FOR A DOCTORAL STUDY ENTITLED  
"LOCAL TOURISM GOVERNANCE OF DESTINATION MARKETING  
ORGANISATIONS"**

I am a lecturer and a student in the Tourism Department at Nelson Mandela Metropolitan University. The topic of my study is "Local Tourism Governance of Destination Marketing Organisations".

The main research problem of the study focusses on the attributes and experience of the Non-Executive Directors (Board Members) to serve on the boards of Destination Marketing Organisations (DMO's) in accordance with developmental standards of best practices.

Your DMO has been selected as part of my research population as it receives funding from the local municipality and the members of the DMO. It would be appreciated if you could participate in this survey and complete the attached questionnaire. The information you provide will be treated strictly confidential and the survey results will be presented in a way that prevents individuals from being identified. The survey takes about 15 minutes to complete.

Thank you for your assistance.

Yours sincerely

Hugh Bartis  
Mobile: 083 635 0953  
Email: [hugh.bartis@nmmu.ac.za](mailto:hugh.bartis@nmmu.ac.za)

Supervisor: Professor Naas Ferreira

## ANNEXURE 2: Questionnaire

RESEARCH QUESTIONNAIRE FOR A DOCTORAL THESIS ENTITLED:  
"LOCAL TOURISM GOVERNANCE OF DESTINATION MARKETING ORGANISATIONS"

Kindly complete all the Sections and Questions as required. Your responses will be treated with absolute confidentiality.

Researcher: Hugh Bartis      Tel: 041 504 3766      E-mail: hugh.bartis@nmmu.ac.za  
Supervisor: Prof Naas Ferreira      Tel: 041 504 4607      E-mail: naas.ferreira@nmmu.ac.za

### SECTION 1: DEMOGRAPHIC INFORMATION

Mark the appropriate box with an X

1.1 In which year were you born?

.....

1.2 Indicate your gender.

<input type="checkbox"/>	Female
<input type="checkbox"/>	Male

1.3 What is your highest qualification?

<input type="checkbox"/>	Grade 12 (Matric)
<input type="checkbox"/>	Certificate
<input type="checkbox"/>	Diploma
<input type="checkbox"/>	Bachelor's degree / Advance Diploma
<input type="checkbox"/>	Honours degree / Post-Graduate Diploma
<input type="checkbox"/>	Master's degree
<input type="checkbox"/>	Doctoral degree
<input type="checkbox"/>	Other (Specify):

1.4 Under which population group would you classify yourself?

<input type="checkbox"/>	African (Xhosa, Zulu, etc)
<input type="checkbox"/>	Coloured
<input type="checkbox"/>	Indian
<input type="checkbox"/>	White
<input type="checkbox"/>	Other (Specify):

### SECTION 2: INFORMATION PERTAINING TO NON-EXECUTIVE DIRECTORS (NED's)

Mark the appropriate box with an X.

2.1 How long have you been serving on the board of the Destination marketing organisation (DMO)?

<input type="checkbox"/>	0-12 months
<input type="checkbox"/>	13-24 months
<input type="checkbox"/>	25-36 months
<input type="checkbox"/>	37-48 months
<input type="checkbox"/>	49-60 months
<input type="checkbox"/>	61+ months

2.2 Are you paid for being a Non-Executive Director?

<input type="checkbox"/>	No (Go to question 2.5)
<input type="checkbox"/>	Yes (Answer question 2.3)

2.3 Indicate the frequency of payment.

<input type="checkbox"/>	Monthly
<input type="checkbox"/>	Quarterly
<input type="checkbox"/>	Per Meeting

2.4 How much are you being paid as indicated above?

<input type="checkbox"/>	0-R500
<input type="checkbox"/>	R501-R1000
<input type="checkbox"/>	R1000-R1500
<input type="checkbox"/>	R1501-R2000
<input type="checkbox"/>	R2001-R2500
<input type="checkbox"/>	R2501-R3000
<input type="checkbox"/>	R3001-R3500
<input type="checkbox"/>	R3501-R4000
<input type="checkbox"/>	R4001-R4500
<input type="checkbox"/>	R4501-R5000
<input type="checkbox"/>	R5000+

2.5 Have you attended a Board Induction?

<input type="checkbox"/>	No (Go to Section 2.10)
<input type="checkbox"/>	Yes (Answer question 2.6)

2.6 How long was the Board Induction Session?

<input type="checkbox"/>	Half a day
<input type="checkbox"/>	One day
<input type="checkbox"/>	One and half days
<input type="checkbox"/>	Two days
<input type="checkbox"/>	Two and half days
<input type="checkbox"/>	Three days
<input type="checkbox"/>	More than three days

2.7 Did an external facilitator host the Board Induction?

<input type="checkbox"/>	No
<input type="checkbox"/>	Yes

2.8 What was covered during the Board Induction? You may mark more than one category.

<input type="checkbox"/>	Mandate of the organisation
<input type="checkbox"/>	All the policies of the organisation
<input type="checkbox"/>	The responsibilities of the non-executive directors
<input type="checkbox"/>	An explanation of the fiduciary duties of non-executive directors
<input type="checkbox"/>	Introduced to the staff of the organisation
<input type="checkbox"/>	Other (Specify)

2.9 Indicate the extent to which you agree with the statements below.

Board Induction for Non-executive directors (NED's).					
Please make a X in the appropriate box	Strongly Disagree	Disagree	Neither Agree or Disagree	Agree	Strongly Agree
2.9.1 The facilitator was very competent.					
2.9.2 The fiduciary responsibilities were well explained.					
2.9.3 The Board Induction covered all the issues I expected.					
2.9.4 Continuing education is necessary for the members.					
2.9.5 The Board Induction was designed for NED's from DMO's.					

2.10 What is your field of expertise? Select only ONE option that best describes your expertise.

<input type="checkbox"/>	Accounting
<input type="checkbox"/>	Community Development
<input type="checkbox"/>	Economics
<input type="checkbox"/>	Environmental Management
<input type="checkbox"/>	Law
<input type="checkbox"/>	Marketing and Communications
<input type="checkbox"/>	Management
<input type="checkbox"/>	Public Management
<input type="checkbox"/>	Public Relations and Media
<input type="checkbox"/>	Other (Specify) _____

### SECTION 3: ATTRIBUTES OF NON-EXECUTIVE DIRECTORS (NED's)

Please indicate the extent you agree with the following statements by marking with an X in the appropriate box.

3.1 Empowerment of Non-executive directors (NED's).					
Please mark the appropriate box with an X	Strongly Disagree	Disagree	Neither Agree or Disagree	Agree	Strongly Agree
3.1.1 NED's are encouraged to participate in solving work-related problems.					
3.1.2 NED's have the appropriate authority to make decisions required to get the job done.					
3.1.3 NED's are encouraged to speak up and challenge the way things are done.					
3.1.4 NED's take responsibility for making decisions important to their work.					
3.1.5 NED's are encouraged to expand their knowledge about tourism.					

3.2 Cooperation and Teamwork					
Please mark the appropriate box with an X	Strongly Disagree	Disagree	Neither Agree or Disagree	Agree	Strongly Agree
3.2.1 Overall, there is a strong feeling of unity amongst all the NED's.					
3.2.2 NED's can be counted on to support each other.					
3.2.3 The NED's I serve with cooperate all the time.					
3.2.4 The NED's have a good working relationship with Local Government.					
3.2.5 The NED's have a good working relationship with its industry partners.					

<b>3.3 Integrity and Trust</b>					
Please mark the appropriate box with an X	Strongly Disagree	Disagree	Neither Agree or Disagree	Agree	Strongly Agree
3.3.1 NED's trust one another.					
3.3.2 NED's and managers have trust in one another.					
3.3.3 Trust is a problem in the organisation					
3.3.4 Trusting Local Government is a challenge.					
3.3.5 A declaration of interests is signed by each NED at the board meetings.					
3.3.6 NED's have all signed a Code of Ethics.					
3.3.7 Councillors at Local Government level lack integrity.					

<b>3.4 Commitment of Non-executive directors (NED's)</b>					
Please mark the appropriate box with an X	Strongly Disagree	Disagree	Neither Agree or Disagree	Agree	Strongly Agree
3.4.1 I am committed to the work and overall goals of the organisation.					
3.4.2 I am committed to the organisation for the duration of my term of office.					
3.4.3 I feel I am an important part of the organisation.					
3.4.4 The DMO is a well-managed organisation compared to other similar organisations I know about.					
3.4.5 I plan to complete my term of appointment as a NED.					
3.4.6 I intend availing myself for a second term.					

<b>3.5 Key Attributes to Perform the Function of a Non-Executive Director (NED)</b>					
Please mark the appropriate box with an X	Strongly Disagree	Disagree	Neither Agree or Disagree	Agree	Strongly Agree
3.5.1 A high level of confidentiality is an important attribute for the position.					
3.5.2 A tertiary qualification is required to fulfil your duties as a NED's.					
3.5.3 Good verbal skills are necessary to be a NED.					
3.5.4 Good written skills are necessary to be a NED.					
3.5.5 Good listening skills are necessary to be a NED.					
3.5.6 A thorough understanding of meeting procedures is key to understanding board meetings.					
3.5.7 A good understanding of the tourism industry is necessary.					
3.5.8 Integrity is a key attribute for a NED.					

<b>3.6. Job Satisfaction of the Non-executive directors (NED's)</b>					
Please mark the appropriate box with an X	Strongly Disagree	Disagree	Neither Agree or Disagree	Agree	Strongly Agree
3.6.1 I am doing something that I consider worthwhile.					
3.6.2 My position gives me a feeling of personal accomplishment.					
3.6.3 I enjoy my responsibilities as NED.					
3.6.4 My participation is highly valued.					
3.6.5 I believe my work is important to the organisation.					
3.6.6 My involvement is important to the tourism industry.					

3.7 Recognition and Reward System for Non-executive directors (NED's)					
Please mark the appropriate box with an X	Strongly Disagree	Disagree	Neither Agree or Disagree	Agree	Strongly Agree
3.7.1 I am satisfied with the recognition I receive for doing a good job.					
3.7.2 The board chairperson uses praise and recognition to acknowledge good work.					
3.7.3 The NED's are fairly rewarded for good work.					
3.7.4 NED's are rewarded for tasks completed outside of board meetings					
3.7.5 The NED's are adequately rewarded for their services and time.					
3.7.6 The Local Government is satisfied with the performance of the DMO.					
3.7.7 A board review is conducted annually.					

3.8 Communication with Non-executive directors (NED's)					
Please mark the appropriate box with an X	Strongly Disagree	Disagree	Neither Agree or Disagree	Agree	Strongly Agree
3.8.1 I receive adequate information from the CEO to do my tasks well.					
3.8.2 Information is satisfactorily communicated to me concerning organisational policies and practices.					
3.8.3 The CEO shares information about the organisation's performance with me.					
3.8.4 The Board Packs are received in reasonable time for me to read before the Board Meetings.					
3.8.5 NED's are well informed about the organisation.					
3.8.6 Good communication exists between Local Government and the NED's.					
3.8.7 NED's communicates regularly with its stakeholders via the DMO.					

3.9 Understanding of the NED's of Relevant Policy Frameworks					
Please mark the appropriate box with an X	Strongly Disagree	Disagree	Neither Agree or Disagree	Agree	Strongly Agree
3.9.1 I have read the White Paper on the Promotion and Development of Tourism of 1996.					
3.9.2 I understand the National Tourism Sector Strategy of 2011.					
3.9.3 I am familiar with the Tourism Act of 2014.					
3.9.4 I understand the constitution of the DMO.					
3.9.5 I am familiar with the Municipal Standard Chart Accounts.					

3.10 In your view, what can be done to make the DMO a better organisation?

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3.12 Is there anything else you wish to add?

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Thank you very much for participating in this research project. Your input is highly appreciated.



## ANNEXURE 3: Letter from Language Editor

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SATI Accredited (1998)

14 December 2017

Dear Professor Ferreira and Professor Lloyd

This serves to confirm that the PhD thesis by Hugh Bartis has been submitted to me for language editing.

While I have suggested various changes, I cannot guarantee that these have been implemented nor can I take responsibility for any other subsequent changes or additions that may have been made.

Yours faithfully

*Renée van der Merwe*