FORMULATION OF A SUSTAINABLE FINANCIAL MANAGEMENT STRATEGY FOR SOUTH AFRICAN UNIVERSITIES' HOTEL SCHOOLS

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BLOEMFONTEIN

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DECLARATION WITH REGARD TO INDEPENDENT WORK

I, DALENE CROWTHER, identity number   and student number   , do hereby declare that this research project, submitted to the Central University of Technology, Free State for the degree DOCTOR OF BUSINESS ADMINISTRATION, is my own independent work; complies with the Code of Academic Integrity, as well as other relevant policies, procedures, rules and regulations of the Central University of Technology, Free State; and has not been submitted before to any institution by myself or any other person in fulfilment (or partial fulfilment) of the requirements for the attainment of any qualification.

_____   <u>2018/07/20</u>

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SUMMARY

In recent years, the Central University of Technology, Free State (CUT) Hotel School has been nominated as Bloemfontein's Business of the Year; internationally recognised as a leader in the field of education and training in the service industries; and regarded as "one of South Africa's premier hotel schools". The Hotel School finds it increasingly challenging to balance its income and expenses, and to function as a financially viable academic unit in a sustainable way. Reasons ascribed to these negative figures are the capped student intake, regulating the state-funded Teaching Input Grant and the tuition fees received; the relatively low lecturer-student ratio; relatively high operational costs; relatively high dropout rates, with a negative effect on the Actual Teaching Output Grant received from the state; unsatisfactory staff research outputs, negatively impacting on the state Actual Research Output Grant received; and third-stream income potential not being fully realised. National and international challenges in higher education, such as the continuously increasing demand for quality education, increased access rates, strong competition, deteriorating resource allocation, high dropout rates, poor knowledge production, and low success rates, are also faced by the CUT Hotel School. Innovative ways of generating income options must thus be identified in order to move towards a sustainable financial model.

Therefore, the main aim of this study is to formulate a sustainable financial management strategy for South African universities' hotel schools. The researcher employed a qualitative research design, using document analyses and one-to-one semi-structured interviews held at top international, as well as at South African universities' hotel schools. The findings that were obtained were transcribed verbatim, coded and categorised into themes. The computer software programme Atlas.ti was also used to assist in data analysis.

The main findings of this study indicated that an increase in Full-time Equivalent students (FTEs), an increase in research output, and an increase

in teaching output are required to improve the financial sustainability of hotel schools. This can only be accomplished through the implementation of a proper hotel school marketing strategy, focused on promoting the academic offerings of the schools, short and online courses, as well as the operational facilities and services that hotel schools can offer, including the possible expansion of such services in an attempt to generate additional sources of third-stream income. A strong alumni and industry partner network needs to be built and maintained, as this will also assist in improving the financial sustainability of hotel schools.

The findings of this study inform a sustainable financial management strategy for South African universities' hotel schools.

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Declaration

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To whom it may concern

This serves to inform you that I have linguistically revised, in English, the thesis entitled "**FORMULATION OF A SUSTAINABLE FINANCIAL MANAGEMENT STRATEGY FOR SOUTH AFRICAN UNIVERSITIES' HOTEL SCHOOLS**", and that all necessary changes to the document were made.

You are more than welcome to contact me should you require any further information.

Kind regards

Tania Oosthuizen
MTech Language Practice (CUT)

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CHAPTER 1

INTRODUCTORY BACKGROUND TO THE STUDY

1.1 INTRODUCTION

In recent years, concerns were raised about the negative nature of the Resource Allocation Model (RAM) of the Central University of Technology, Free State (CUT)'s Hotel School. CUT's Hotel School has found it increasingly challenging to balance its income and expenses, and, consequently, to function as a financially viable academic unit in a sustainable way. The researcher became interested in the RAM of CUT's Hotel School, as well as the reasons for the current state of affairs. The assumption was that other hotel schools at South African universities experience similar challenges. If this was the case, the question was asked which strategy could be implemented to move towards a sustainable financial management model for South African universities' hotel schools?

1.2 GOAL OF THE CHAPTER

This chapter introduces the background and rationale of the research. The problem statement and the objectives of the research are outlined, followed by a review of the research design and methodology. The chapter concludes with a brief description of each chapter of the study.

1.3 BACKGROUND AND RATIONALE OF THE RESEARCH

CUT's Hotel School is described as a "flagship department" for the institution, community, industry, staff and students (CUT, 2015:77). The financial sustainability of this Hotel School is therefore of importance to the institution, and staff and students of the Hotel School. It is a concern that the annual RAM figures of CUT's Hotel School has been negative for a few years, with other departments having to cross-subsidise the school to stay operational. The negative figures put pressure on the School, and the Faculty of

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Management Sciences as a whole. It is assumed that other universities' hotel schools are experiencing similar challenges and financial pressure.

After the preliminary literature review of the negative RAM figures of CUT's Hotel School, the following reasons for the financial pressure were clear:

- The School's intake was capped to an intake of 75 students per year, increasing to 85 in 2016, thus regulating the state-funded Teaching Input Grant, as well as the tuition fees received. CUT Management decided to augment the Science, Technology, Engineering and Mathematics (STEM) areas, rather than Management Sciences. In itself, this strategy prohibits departments such as the Hotel School from substantially increasing its student intake.

- Theory lectures are conducted in class sizes ranging between 40 and 60 students, but in practice-orientated subjects, smaller class sizes are implemented to achieve the learning outcomes. This results in culinary (kitchen), food-and-beverage (restaurant), housekeeping and computer classes being presented to groups of approximately 12 students. Due to this relatively low lecturer-student ratio, the number of staff employed at the Hotel School is relative high, resulting in relative high salary expenses.

- Operational costs associated with the practical classes are also understandably high due to material and overhead costs.

- Apart from the known reasons for the high dropout rates at higher education institutions (HEIs) (HESA, 2009:2), the practical, and thus exhaustive, nature of the course increases this occurrence at the Hotel School, thus decreasing the actual Teaching Output Grant received from the state.

- The current research output levels of CUT's Hotel School have not had a positive impact on the actual Research Output Grant received from the state.

- Third-stream income is generated by co-ordinating and hosting events and functions at the Hotel School. However, this source of income is not fully realised. It should be noted that the Hotel School remains an educational department, which limits various aspects of offering such services.

Therefore, innovative ways of income generation must be identified in order to formulate a more sustainable financial strategy for CUT's Hotel School.

1.4 PROBLEM STATEMENT AND RESEARCH QUESTIONS

CUT's Hotel School finds it challenging to function sustainably as a financially viable academic unit. Due to the challenges mentioned in the section above, expenses are increasingly higher than income. It is assumed that other South African universities' hotel schools are also experiencing financial pressure, for similar reasons.

1.4.1 Main research question

In light of the stated problem, the main research question of the study is: Which strategy can be formulated and implemented to improve the financial sustainability of CUT's Hotel School, and, if applicable, that of other South African universities' hotel schools?

1.4.2 Secondary research questions

The following secondary research questions are applicable to this study:
- What are the dropout rates at the international hotel schools, and how is it managed to ensure financial sustainability?
- What are the staff-to-student ratios of international hotel schools?
- Which income sources do international hotel schools have?
- What are the qualifications of staff and the level of research outputs at international hotel schools?
- Which lessons can be learnt from top international hotel schools towards improving the financial sustainability of CUT's Hotel School?
- How does CUT's Hotel School differ from other academic departments with regards to operational and financial management?
- Which financial management model is currently used to manage the resources of CUT's Hotel School?

- How is financial sustainability managed at CUT's Hotel School with regards to teaching input, throughput and teaching output rates?
- What are the income sources and major expenses of CUT's Hotel School, and how is it managed?
- Are other South African universities' hotel schools financially sustainable?
- Which financial management models are currently used to manage the resources of other South African universities' hotel schools?
- How is financial sustainability managed at other South African universities' hotel schools with regards to teaching input, throughput and teaching output rates?
- What are the income sources and major expenses of other South African universities' hotel schools, and how is it managed?
- Which best practices obtained from this study can be used to formulate a strategy to be implemented in improving the financial sustainability of CUT's Hotel School, and that of other South African universities' hotel schools, where applicable?

1.5 OBJECTIVES OF THE STUDY

The following objectives were derived from the formulation of the problem statement:

1.5.1 Primary objective

The main objective of this study is to formulate a sustainable financial management strategy for South African universities' hotel schools.

1.5.2 Secondary objectives

The following secondary objectives were identified towards fulfilling the main objective:
- Examining the dropout rates at top international hotel schools and determining how those are managed to ensure financial sustainability.
- Examining the staff-to-student ratios at top international hotel schools.

- Examining the income sources of top international hotel schools.
- Examining the qualifications of staff and level of research outputs at top international hotel schools.
- Identifying the lessons that can be learnt from top international hotel schools towards improving the financial sustainability of CUT's Hotel School.
- Examining the financial management model currently used to manage the resources of CUT's Hotel School.
- Comparing CUT's Hotel School with other academic departments with regards to financial management.
- Determining how financial sustainability is managed at CUT's Hotel School with regards to teaching input, throughput and teaching output rates.
- Examining the income sources and major expenses of CUT's Hotel School, and the manner in which those are managed.
- Determining whether other South African universities' hotel schools are financially sustainable.
- Determining which financial management models are currently used to manage the resources of other South African universities' hotel schools.
- Determining how financial sustainability is managed at other South African universities' hotel schools with regards to teaching input, throughput and teaching output rates.
- Determining the income sources and major expenses of other South African universities' hotel schools, and the manner in which those are managed.
- Identifying the best practices obtained from this study to formulate a strategy for implementation in order to improve the financial sustainability of CUT's Hotel School, and that of other South African universities' hotel schools, where applicable.

1.6   THE HIGHER EDUCATION ENVIRONMENT

The higher education system in South Africa is governed by the Department of Higher Education and Training (DHET) on national level, reporting to the

Ministry of Higher Education and Training. The higher education environment consists out of two sectors, namely: Further Education (Further Education and Training (FET) colleges) and Higher Education (universities) (Van Rooyen, 2013:32).

Higher education is described as the major driving force of the information and knowledge system, as it links with economic development (SA, 2011:262). The *White Paper for Post-School Education and Training* acknowledges the importance of quality education, and refers to it is as an essential right. It not only influences an individual's health, quality of life and self-esteem, but also his ability to be actively engaged and empowered (SA DHET, 2013:3). The *National Development Plan 2030* (SA, 2011:261) confirms the importance of education, training and innovation, as it is also central to the strategic development of South Africa.

According to Sanyal and Johnstone (2011:157), higher education all over the world is at a crossroad. Amongst other qualitative changes, it is mentioned that HEIs are forced to increase their access, and upgrade the quality of their offerings (Sanyal & Johnstone, 2011:157). Mthembu (2013:25-26) also postulate that "fierce competition for recognition and excellence, the inequality in the political economy of knowledge production, brain drain, dwindling resource allocation and exploding student numbers as a result of the increasing demand for higher education" are some of the global challenges and demands HEIs face. Furthermore, the *White Paper for Post-School Education and Training* (SA DHET, 2013:30) indicates that participation rates at universities in South Africa are expected to increase from 17,3% in 2011, to 25% in 2030. While the input rate is increasing, producing quality graduates is becoming an even bigger need (HESA, 2009:2).

Other challenges faced by HEIs in South Africa range from high attrition rates, poorly developed curricula and the absence of an enabling learning environment, to poor knowledge production that does not translate into innovation (SA, 2011:271). High student dropout rates, especially during the

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first year of study, is another challenge faced by HEIs (HESA, 2009:2). Linked to this, is another challenge of low success rates at South African universities. In 2011, the desired national success rate was 80%, but only 74% was achieved. For a three-year contact Education degree, a 15% graduation rate was obtained, compared to the international norm of 25% (SA DHET, 2015b:10). Cloete and Moja (2005:709) partly blame the government for the poor retention rates at South African HEIs. Insufficient National Student Financial Aid Scheme (NSFAS) funding, poor enrolment management and academic support at HEIs, and a deteriorating socio-economic climate, are a few reasons given for this problem.

Vision 2030 proposes the improvement of higher education with regards to a more solid foundation for all types of education. It was also proposed that quality education be provided by a set of strong and coherent institutions. The increase of the participation rate in higher education to 30% is also recommended (SA, 2011:263). In order to achieve these proposals, the following issues must be addressed in the higher education sector: universities need to have a clear mission, detailing what its individual contribution towards knowledge production and national development is. Universities should be efficient; equipped with higher knowledge production units; and focused on its participation, throughput and graduation rates. A coherent national plan should be compiled with guidance from HEIs, science councils, state-owned enterprises (SOEs), the industry, and research institutes. Universities should be diverse, each building on its own strengths, and expanding its areas of specialisation. Black and female students and researchers should be welcomed and supported, as this will increase the progress towards racial and gender transformation in South Africa (SA, 2011:267).

The National Plan for Higher Education was published in 2001, and advocated the goals of increased graduate production required for social and economic development in South Africa. In addition, this plan addressed the need for equity and diversity, as well as the sustainment and promotion of

research and the restructuring of the institutional landscape of the higher education system of South Africa. This plan proposed a system through which funding, planning and quality assurance should be implemented in order to achieve the above-mentioned goals (HESA, 2009:2). The funding of higher education in South Africa has since been the subject of vigorous debates. These debates ranged from the adequacy of funding (HESA, 2008:3) to, more recently, the possibility of free higher education (Wangenge-Ouma, 2012:1-2). Currently, South African universities are funded by the state, privately, or by a combination of the two. Adequate funding in HEIs is essential, and explained by HESA (2009:6) as an appropriate balance of first, second and third income streams. Government subsidies and tuition fees make up the first and second income streams, while contract research, endowments, commercialisation of intellectual property and others, form the third income stream.

According to Michael (in Nkrumah-Young & Powell, 2008:245), state funding requires a mechanism to be in place to channel the support to HEIs. Such a mechanism is called "Resource Allocation Model" (RAM). Orr (2005:1) advocates that such a funding model is a steering tool, encouraging appropriate behaviour in an establishment. Both the funder and the HEI are accountable for their actions and spending, resulting in accountability being intertwined with any RAM (Nkrumah-Young, 2005:58).

In 2004, a new funding framework for HEIs was introduced in which a distinction was made between block grants and earmarked allocations. Block grants comprise of more than 70% of the total state budget towards universities, and consist out of four subcategories, namely: funded teaching input, actual teaching output, actual research output, and institutional factors (SA MoE, 2004:2-5). Block grants are calculated on the number of student enrolment inputs, student completion outputs and research outputs, as well as two institutional factors. These institutional factors include the increasing diversity of student profiles, and smaller HEIs benefiting in the form of

compensation. NSFAS allocations and grants for academic development programmes form part of the earmarked grants.

The Ministerial Committee for the Review of the Funding of Universities revised the funding framework for universities in 2011, and a new framework with greater emphasis on rewarding graduate output, was implemented. This shift was in line with the international trend of a larger prominence on output-based funding. It was also proposed that qualifying NSFAS loan students should receive full funding, covering all costs associated with their studies, and that non-qualifying students should have admission to bank loans, supported by state securities (SA, 2011:292).

One of the 2001 National Plan for Higher Education's aims, was to restructure the landscape of HEIs (HESA, 2009:2; SA DHET, 2013:27). Mckenna and Powell (2008:39) indicate that globalisation, technology transfer and a South African government committed to removing divisions in the higher education sector, dramatically increased pressure to transform the higher education sector. In 2000, South Africa had 34 public HEIs. The restructuring process, consisting of mergers and incorporations, during the period 2000 to 2005 left South Africa with 23 HEIs. Of the 34, 20 were disestablished, of which 19 were merged into new institutions, while one split up into its constituent campuses, which were incorporated into seven other HEIs (Bunting, Sheppard, Cloete & Belding, 2010:10). This process left South Africa with 3 types of HEIs namely universities, universities of technology (UoTs) and comprehensive universities (Gibbon, 2008:2).

In 2010, two task teams were established by the Minister of Higher Education and Training, Dr BE Nzimande, to investigate the feasibility of establishing two new comprehensive universities. In 2013, the University of Mpumalanga was established in Mpumalanga (UMP, 2017), and the Sol Plaatje University (SPU) in the Northern Cape (SA DHET, 2014:22).

Technikons evolved from Colleges for Advanced Technical Education in 1979 (Mckenna & Powell, 2008:38; Cooke, Naidoo & Sattar, 2010:149). The Technikon Free State opened its doors in 1981. According to Report 150 of the Department of Education, technikon education provided a tertiary level of instruction, and served the purpose of developing human resources in order to promote and practice technology (SA DoE, 1997:9). Although technikons were widely regarded by industry and businesses as providing suitable and relevant programmes, they suffered from the perception of parents, students, and the public service, and were considered substandard to a university (Du Pré, 2010:7). This also resulted in technikon graduates not being recognised by professional associations and the public services, and being considered as the second or third choice to university graduates (Du Pré, 2010:8).

On 26 March 2004, the "Technikon Free State" exchanged its name and status for the better-fitting "Central University of Technology, Free State (CUT)" (CUT, 2014a). Thus, CUT originated from a former technikon, and therefore also inherited the reputation of offering career-orientated programmes, as well as the responsibility to prepare graduates for the world of work through work-integrated learning (WIL) and relevant, up-to-date programmes (Du Pré, 2010:2). CUT's vision for 2020 is in line with this focus, as the goal of this University is to become "an engaged university that focuses on producing quality social and technological innovations in socio-economic developments, primarily in the Central region of South Africa" (CUT, 2014b).

The Hotel School is one of six departments in the Faculty of Management Sciences at CUT. The other three faculties are the Faculty of Engineering and Information Technology, the Faculty of Health and Environmental Sciences, and the Faculty of Humanities. In an article by Gericke (2006:2) in *Ons Stad,* it was reported that CUT's Hotel School was nominated as Bloemfontein's business of the year in the *Ons Stad*, Old Mutual and Mimosa Mall Business of the Year Competition. This School carries national respect for its educational standards, as well as its service to the community, and to disadvantaged and disabled people. In this article, Prof. Daneel van Lill, the

Director of the Hotel School at that time, indicated that the School had an employment record of 95% of its graduandi within three months after graduation. 52% of these graduandi reached middle-level management positions within two years. An independent study conducted by SA Tourism found that the three largest hotel chains in South Africa regard this School as the best in South Africa (Gericke, 2006:14). In another newspaper article, Mentz mentioned that CUT's Hotel School is internationally recognised as a leader in the field of education and training in the service industries. It is also noted that the School's reputation was strengthened by commercial projects and participation, such as the Presidential Gholf Cup in Fancourt (Mentz, 2004:14).

In addition, CUT's Hotel School assisted in the development of the South African College for Tourism in Graaff-Reinet. This College, supported by the Peace Parks Foundation, was established in 2001 by late the Dr Anton Rupert. It is the first college in South Africa that focuses its training programmes on the development of hospitality, operational and management skills to obtain employment at a guesthouse, lodge or small accommodation facility. The College utilises learning materials developed by CUT's Hotel School, and its programmes are moderated by the Hotel School. On the Peace Parks Foundation website, CUT's Hotel School, is referred to as "one of South Africa's premier hotel schools" (Peace Parks Foundation, 2014).

CUT's Hotel School is proud to offer application-driven, career-orientated courses, and continuously responds to the needs of the industry. More recently, CUT participated in a South African Technology Network (SATN) survey on the key characteristics of academic programmes offered at UoTs, with a focus on distinctiveness. The School was one of only six programmes amongst those of various other UoTs in South Africa to be identified as a flagship programme focused on graduate attributes through strategic teaching (CUT, 2015:77).

The question is to which extent CUT's Hotel School in particular, and other South African universities' hotel schools, in general, are prepared to face the various challenges mentioned above. The particular focus of this study will be on funding to address these challenges.

1.7 THE RESOURCE ALLOCATION MODEL (RAM)

In a highly competitive business environment, strategic management is crucial in planning for the future and preparing for unforeseen circumstances (Ehlers, 2007:1). Planning for the future entails the effective and efficient integration and co-ordination of resources in order to implement planned strategies and reach an organisation's long-term objectives (Ehlers, 2007:2; Lazenby, 2014:1). According to Louw and Venter (2013:8), all types of organisations, independent of the size and profit goals thereof, or the developmental level of the country or public or private, require strategies to achieve their purpose. Two strategic management tasks, as identified by Lazenby (2014:2-3), are the identification of resources through an internal environmental analysis, and the integration and co-ordination of these allocated resources to implement identified strategies.

According to Louw and Venter (2013:7), there is an increasing need for organisations to manage their own resources, and simultaneously be responsible and sustainable. In support of CUT's vision for 2020, an implementation framework is in place in order to ensure sufficient focus on the Four Ps: "people, plans, products and pennies". One of the various strategies that assisted in increasing the *pennies* of CUT, was a new RAM (Mthembu, 2013:27).

A RAM is a financial management model used to balance expenses, benefits and threats, while ensuring commitment from the stakeholders (Phillips & Bana e Costa, 2005:3). It is an important tool in evaluating and ensuring strategic direction, and ensuring control (Jarzabkowski, 2002:5). According to López (2006:589), international studies on financial management flexibility

recommend a wider financial autonomy for managerial units. Performance-based budgeting models, implementation of formula systems in determining the financial needs of units, and the agreed-upon goals between the decentralised units and the institution, are other recommended aspects.

The rationale of this study arose from the researcher being involved as a lecturer at CUT's Hotel School for approximately 14 years. During this time, Management continuously raised concerns about the School's financial sustainability compared to that of other academic departments. These concerns are specifically relevant against the following perspectives mentioned in this document:

- the national drive to improve quality education, pass rates and graduation rates;
- the Hotel School's reputation as an excellent provider of education in the national and international arena; and
- the challenge to align 1 and 2 above with the current reality of a negative RAM for CUT's Hotel School.

Based on these perspectives, the need arose to analyse the current financial management strategies of CUT's Hotel School, and those of other hotel schools, in an attempt to move towards improved financial sustainability.

1.8   PREVIOUS RESEARCH

Caballero, Galache, Gómez, Molina and Torrico (2001:298-309) developed and implemented a Goal Programming Model as an instrument in the decision-making process of resource allocation amongst units. This model was applied to 142 knowledge areas of the University of Malaga. The model encouraged units to achieve greater research, improve staff quality, and cover the most urgent teaching needs.

Jarzabkowski (2002:11-29) conducted a study in which the long-term consequences of RAMs in terms of the degree of centralisation, strategic

direction, cross-subsidy and locus of control were examined. Three United Kingdom universities — Warwick, London School of Economics and Political Science (LSE), and Oxford Brookes — formed part of this study, and case studies were conducted at each institution over a seven-year period. Data was collected from interviewing and observing Senior Management, and documents such as minutes of meetings, annual reports, audit documents and strategic plans were studied. Comparisons between the three universities were drawn in order to establish the consequences of each institution's RAM. It was found that each institution has a different RAM according to its culture, history and structure. The main differences between the three institutions' models were found within the varying degree of balance between the locus of strategic direction, cross-subsidy and control. There was also tension between centralisation and decentralisation amongst the three institutions. Furthermore, it became evident that any form of RAM can be problematic if it is carried to extremes. Therefore, a RAM must rather fit an institution internally, than be adopted between different institutions. This brings about a model that is adaptive to changes in the institution as well as the wider environment. It was proposed that further research is required to understand the correspondence of the increasingly applicable business terminology and concepts within an HEI.

Nkrumah-Young and Powell (2008:245-258) examined two perspectives on RAMs and assessed funding alternatives. A resource allocation pendulum was developed, and the link between accountability and resource allocation was investigated and employed to assess Jamaican higher education. Keeping the effect that RAMs have on accountability, informing governance and management, it was concluded and proposed that Jamaica must adopt a formulaic funding approach, instead of ad hoc negotiated-input funding, which will improve objectivity in the allocation of resources, while ensuring quality and efficiency.

Elger (2006:301-305) conducted a study in which the University of Michigan Medical School developed a new financial structure and, in the process,

adapted its management culture as well. Strategic web-based reporting tools were developed to assist in the management of this School's resources. Departmental heads were interviewed in an attempt to determine the department-specific key indicators they used during allocation of resources. These indicators became part of the key performance indicators (KPIs) which would form the basis of a new internally developed web-based strategic reporting system. The authors found that, through implementation of the new reporting system, the efficient use of financial, operational and physical resources was improved.

In a study conducted at 30 public Spanish universities, the processes or mechanisms used to allocate internal funds to decentralised management units were investigated. (Context: A decentralised management unit has its own structure and academic and administrative functions.) The focus was on the degree of use of normative models of internal resource allocation. The degree of influence of the regional funding models on the allocation of resources within the universities was also investigated, and the degree of delegation in financial management was determined. It was found that most Spanish universities are in the developing stages with regards to a more strategic distribution of funds within the institutions (López, 2006:589-596).

Johnes and Johnes (2009:107-113) advocated the importance of distinguishing between institutions in analysing cost technologies and efficiencies in the process of cost evaluation of higher education. Data from 121 universities were used in analysing the cost function for each institution, and it was found that each institution has a different cost function, and therefore varying levels of efficiency.

The findings of a study conducted on the implementation of responsibility-centred budgeting at Ohio State University and the University of Southern California, recommended that those institutions select a budgeting tool that reflects their needs and strategic priorities. It further advised the use of responsibility-centred budgeting as a good approach, as such an approach

has strong accountability mechanisms, reflects true costs, and promotes entrepreneurialism (Zierdt, 2009:352).

Ma (2010:56-60) conducted a literature review, and summarised the current trends of resource allocation in higher education in China. Relevant issues with regards to higher education resource allocation were examined, such as the optimal level and method of resource allocation, as well as corresponding research. Costs, pricing and income structures of HEIs in the United Kingdom were reviewed in a study by Oduoza (2009:133). The RAMs of those institutions were analysed using institutional documentation, personal interviews and case studies in order to determine the effect thereof on the allocation of resources to the institutions' schools in relation to their institutional business plans. It was found that the institutions' RAMs were mainly based on set objectives, ignoring business plans that would provide a more accurate record of income and expenses for a future period of time.

All the above-mentioned studies originated from the need to investigate the financial management models of HEIs. However, no research could be found on the investigation of a financial management model of hotel schools in South Africa. Additionally, no research for purposes of formulating a financial management strategy for hotel schools could be found.

1.9 THEORETICAL FRAMEWORK

A theoretical framework enables the researcher to position his/her research in the discipline or subject in which he/she is working. It can be regarded as the lens through which the researcher views the world, and therefore the research itself. It assists in theorising your research, from which clear assumptions regarding the interconnectedness within the world can be made. It also provides the orientation and boundaries of the study (Henning, Van Rensburg & Smit, 2004:24-25). This study is grounded in the theory of financial management, as it involves the review of past financial management practices through an analysis of methodologies and assumptions.

1.10 CONCEPTUAL FRAMEWORK

The conceptual framework (Figure 1.1 below) aligns the key aspects of a study (Henning *et al.*, 2004:25).
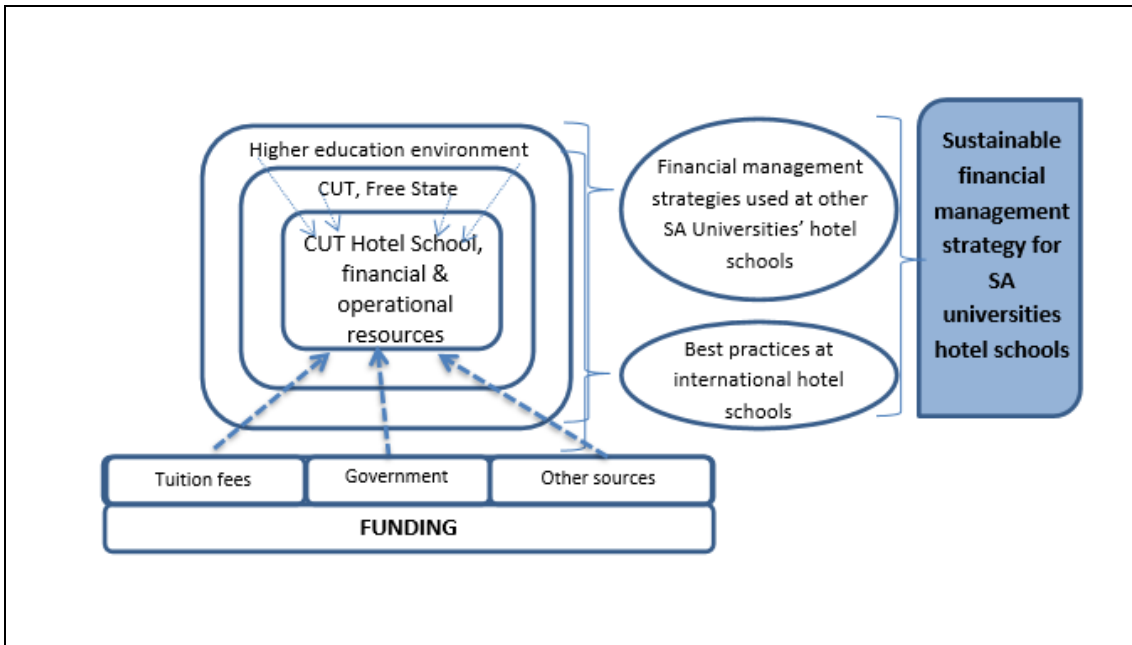
Figure 1.1   Conceptual framework of the study

The framework illustrates the environment in which CUT's Hotel School operates. It also depicts the various and variable sources of funding to be managed in this School. The process of collecting data through interviews and thereafter using the data to formulate a sustainable financial management strategy for South African universities' hotel schools is also presented.

Only the basic concepts will be discussed in the following section, as detailed discussions follow in Chapter 4.

1.11 RESEARCH DESIGN

Quantitative and qualitative approaches identify the mode of enquiry or approach of research. It provides a distinction between the nature of knowledge (how it is understood, and what the purpose of the research is), and refers to the data-collection and analysis methods. The majority of the

data obtained is in the form of words, rather than numbers (Lapan, Quarteroli & Riemer, 2012:8; McMillan & Schumacher, 2010:11). Using various methods, the researcher needs to search for, and explore the data to reach a deep understanding (McMillan & Schumacher, 2010:11, 23). This study employed a qualitative research design to identify the mode of enquiry of research. Moreover, Leedy and Ormrod (2015:99) describe the purpose of qualitative research studies as that of describing, interpreting, verifying and evaluation. This approach enables the researcher to focus on the quality or characteristics of a particular phenomenon (Leedy & Ormrod, 2015:99-100). McMillan and Schumacher (2010:12) agree, and summarise the purpose of qualitative research as that of understanding the phenomenon from the participants' perspective. Miller, Dingwall and Murphy (2004:329) add that a qualitative study is flexible, as it enables a researcher to also obtain and respond to unanticipated factors arising during the course of the study.

Therefore, this study adopted a qualitative approach, comprising of one-to-one semi-structured face-to-face interviews.

1.12 RESEARCH STRATEGY

Maree and Van der Westhuizen (2007:34) advise that the research design to be applied in a study should be clearly defined. Qualitative approaches are interactive studies such as ethnography, case studies, phenomenology, grounded theory or critical study (McMillan & Schumacher, 2010:23). This study applied the grounded theory as the research strategy, as the researcher did not have a theory at the onset of the study and then attempted to prove it. Strauss and Corbin cited by Fouché (2002:273) remind that, when applying the grounded theory, it emerges and develops with data-collection and analysis. Mark (in Fouché, 2002:273) adds that the grounded theory approach concerns the generation of data, rather than the testing of it. According to Thornberg and Charmaz (2012:41), this is done through a process that is inductive, iterative, interactive and comparative.

Babbie cited in Fouché (2002:273) provides three guidelines the researcher should follow when applying the grounded theory. Firstly, the researcher should occasionally take a step back and assess the data obtained; secondly, the researcher should maintain an attitude of scepticism; and lastly the researcher should follow research procedures. McMillan and Schumacher (2010:24) explain a grounded theory as forming theoretical ideas on the basis of data. Therefore, this study adopted a qualitative research design, using a semi-structured face-to-face interview as data-collection method.

1.13 METHODOLOGY

The research methodology is the general approach selected by the researcher in order to collect data (Leedy & Ormrod, 2015:97). Two of the eight methodologies identified by Tight (2003:8-9) to be used in higher education research are face-to-face interviews and documentary analyses. Henning *et al.* (2004:20) and Lapan *et al.* (2012:8) also identify open interviewing to be applied from an interpretivist philosophy. In this study, the researcher applied semi-structured face-to-face interviews and document analysis as methodology.

1.14 RESEARCH POPULATION

As the purpose of this study is to formulate a sustainable financial management strategy for South African universities' hotel schools, the population comprised of Heads of Departments (HoDs) and other applicable staff members at hotel schools, both nationally and internationally. Two sets of face-to-face interviews were conducted by the researcher.

Firstly, using the data obtained from Hotel Schools of Distinction (HSD), formerly known as the Leading Hotel Schools of the World (LHSW) (Hotel Schools of Distinction, 2014) and Best Hotel Schools in the World (Hotelier Middle East, 2014), the top international hotel schools or Hospitality Management schools were identified. Due to practical and geographical

limitations, the researcher sent e-mail messages to all the hotel schools in Switzerland and the Netherlands, requesting interviews with the hotel schools' HoDs. All the responding hotel schools, who agreed to an interview were visited and interviewed in order to gain an international perspective of financial management strategies used at these highly successful establishments.

The population included the following international hotel schools:
- The Hague Hotel School;
- Les Roches Hotel School;
- César Ritz College, as part of the Swiss Education Group; and
- Lausanne Hotel School.

Another set of face-to-face interviews were conducted with HoDs and other relevant staff at the South African universities' hotel schools. The population included the hotel schools of the:
- Cape Peninsula University of Technology (CPUT);
- Central University of Technology, Free State (CUT);
- Durban University of Technology (DUT);
- Tshwane University of Technology (TUT);
- University of Johannesburg (UJ);
- Vaal University of Technology (VUT); and
- Walter Sisulu University (WSU).

Only one university's hotel school did not respond positively to the interview request, and thus did not form part of the sample.

1.15 SAMPLING

Silverman (2013:203) justifies the use of small samples when using interviews as methodology as part of the qualitative research approach, as interviewees are purposively selected.

All international hotel schools who responded to the researcher's requests for interviews, were visited and interviewed. The researcher requested these hotel schools to grant her an interview with an HoD who could answer questions regarding the financial management of these schools.

Only one of the hotel schools was not prepared to have a face-to-face interview with the researcher. Five of the six schools, thus participated in this study. The HoDs, senior staff, and staff concerned with financial management of the five hotel schools were therefore included in the study.

1.16 MEASURING INSTRUMENTS

Greeff (2002:291) advises that the selection of a research instrument is guided by the research purpose. However, the predominant data-collection method in qualitative research is interviewing. During interviews, both the interviewer and the interviewee are active participants in the process of creating meaning from information obtained from the interviewees (Holstein & Gubrium, 2004:141). Semi-structured face-to-face interviews, comprising of a few central questions, with other open- and closed-ended questions, were conducted with the HoDs, senior staff and staff concerned with financial management of the South African universities' hotel schools. Interviews were also conducted with the HoDs of certain top international hotel schools.

A semi-structured interview gives flexibility to both the interviewer and the interviewee, as the interviewer has the freedom to follow up on interesting facts arising from information provided by the interviewee. It is therefore possible to discover the fuller picture (Greeff, 2002:302). Holstein and Gubrium (2004:141) warn that an interview has the potential to be a source of prejudice, mistakes, misinterpretation or misdirection. However, they advise that this can be prevented by asking proper questions in a favourable interview environment.

Leedy and Ormrod (2015:282) and Greeff (2002:302) agree that, when applying a qualitative research approach, the researcher will tend to ask mostly open-ended questions at the onset of the study. As more information is obtained and the phenomenon is better understood, more specific questions can be asked (Leedy & Ormrod, 2015:160).

1.17 DATA-COLLECTION

When using a qualitative research approach, and applying the grounded theory of design, interviews and other relevant data sources are identified by Leedy and Ormrod (2015:274) as applicable methods of data-collection. An interview schedule, with a set of predetermined questions, was compiled. However, the interview was only guided by the schedule, not dictated by it. An interview schedule enables the researcher to consider difficulties that might arise prior to the interview (Greeff, 2002:302). Interviews can provide useful data, as questions can be asked about facts, and people's beliefs and perspectives about these facts. When using interviews, the researcher can gain insight into the interviewees' feelings, motives, present and past behaviours, and standards of behaviour, as well as conscious reasons for these actions and feelings (Leedy & Ormrod, 2015:281-282).

Appropriate questions, structured in themes, were determined to cover the issue to be addressed in the interview (Leedy & Ormrod, 2014:155-156). The literature study guided the researcher in setting applicable and focused questions. As advised by Greeff (2002:304), field notes were written down immediately after the interviews. These consisted of impressions of the interview, and assisted the researcher to remember and explore the process of the interview. Leedy and Ormrod (2014:155) warn that interviews, as data-collection method can have a limitation, as the interviewees have to rely on their memories when asked about past events. Human memory is not as accurate as other tangible data, such as videos or tape recordings of events. In light of this warning, and with the interviewees' permission, all interviews

were recorded, which assisted in the collection and transcription of data (Leedy & Ormrod, 2014:155-156; Greeff, 2002:304).

1.18 DATA ANALYSIS

All interviews with the identified target groups were transcribed verbatim. The data was compared, and used to formulate the financial management strategy. Henning *et al.* (2004:6) remind that the analysis of qualitative data entails finding patters in, and reasoning for, it, rather than counting it. As soon as possible after each interview, the researcher transcribed and analysed the interviews. It is also advised that the data be coded preliminary. Credibility of the research is increased if the interviewee is provided with a summary of the interview afterwards, for his/her approval. This assists in the attempt to saturate data and ensure richness of the emerging themes (Greeff, 2002:305).

Henning *et al.* (2004:2) add that the researcher must find a way of looking at the data in order to make meaning of it. De Vos (2002:344) agrees by describing the process of data analysis in a qualitative study as that of describing, classifying and interpreting. The process of data analysis is focused on answering the research questions and achieving the purpose of the study (Henning *et al.,* 2004:6). McMillan and Schumacher (2010:24) add that the researcher employs a comparative method of data analysis and use induction, deduction and verification techniques. Data analysis is a continual process of interweaving information. Data is coded into categories, and relationships are identified through a prescribed and systematic method. From these categories and interrelationships, a theory is constructed (Leedy & Ormrod, 2014:148-149). Maree and Van der Westhuizen (2007:37) indicate that researchers applying the interpretive paradigm usually prefer an inductive data analysis. Inductive analysis assists the researcher in detecting the numerous realities possibly present in the data. During data analysis, the researcher becomes the analytical instrument. The researcher's knowledge and experience determines what happens with the data (Henning *et al.,*

2004:6). During the process of interpretation, sense must be made of the data, and the lessons learnt must be noted (De Vos, 2002:344).

Henning *et al.* (2004:6) add that the researcher must make meaning of the data, converting the raw information (thin descriptions) into qualitative data (thick descriptions). Thick descriptions interpret the phenomenon, giving the facts and empirical data, while interpreting the information from the foundation of the theoretical framework. Reading these descriptions, the reader is transported to the setting, experiencing what it is like to be in that setting (Creswell, 2009:191).

1.19 QUALITY ASSURANCE

Quality issues in qualitative research are addressed by ensuring validity, practicability and effectiveness. Internal data validity can be ensured by having experts review the questionnaire, while external validity can be ensured by using rich descriptions of the interviewees as well as the contexts (Maree & Van der Westhuizen, 2007:37). According to Agar (in Maree and Van der Westhuizen, 2007:38), "the intensive personal involvement and in-depth responses of individuals secure sufficient levels of validity and reliability" in qualitative data-collection. The validity of qualitative research designs is ensured when the participant and the researcher have a mutual understanding of interpretations and concepts (Maree & Van der Westhuizen, 2007:37). Findings were analysed and documented in a complete and honest method, thereby ensuring that all aspects of the research study are represented accurately (Leedy & Ormrod, 2014:106-108).

1.20 LIMITATIONS TO THE STUDY

As two sets of interviews were conducted, firstly at top international hotel schools, and secondly at South African universities' hotel schools, the limitations of the research methodology are also twofold. For the interviews

conducted at the four top international hotel schools, the following limitations were identified:

- Being the first set of interviews, the researcher conducted with regards to this study, a deeper understanding of the study emerged. The researcher might have had different questions, and consequently a different set of data, should she have had this deeper understanding prior to the interviews.

- Upon the first contact with the top international hotel schools, the recipient of the e-mail was requested to provide the researcher with the contact details of the applicable hotel school's HoD, with whom the interviews were then conducted. Participants were therefore identified at those recipients' discretion, and according to their understanding of the best persons to include in the study.

The set of interviews at the South African universities' hotel schools, had the following limitations:

- Conducting interviews is a time-consuming process, and thus the length of time, and ultimately the data collected, depended upon the interviewees' availability and willingness to participate in the study.

- Confidential information was requested from all respondents.

- Some of the respondents might not have been in the position of HoD for a long period of time, resulting in little experience in the financial management of the hotel schools in question.

- Although the interview schedule was sent to the interviewees prior to the meeting, requesting them to prepare for the interviews, it became obvious during the meeting that not all interviewees used the interview schedule to prepare. This had a negative effect on the data obtained during the interviews.

- Answers to interview questions are subjective, as, in many instances, they express the interviewee's own viewpoint, and are thus open to the researcher's own interpretation.

1.21 ACRONYMS AND DEFINITION OF CONCEPTS

1.21.1 Acronyms

AFCS	Average Full Cost of Study
CESM	Classification of Educational Subject Matter
CHE	Council on Higher Education
CPUT	Cape Peninsula University of Technology
CTP	Committee of Technikon Principals
CUT	Central University of Technology, Free State
DHET	Department of Higher Education and Training
DoE	Department of Education
DUT	Durban University of Technology
FET	Further Education and Training
FTE	Full-time Equivalent students
GDP	Gross Domestic Product
HDI	Historically Disadvantaged Institutions
HEIs	Higher Education Institutions
HEMIS	Higher Education Management Information System
HEPI	Higher Education Price Index
HEQSF	Higher Education Qualifications Sub-Framework
HESA	Higher Education South Africa (now USAF – Universities South Africa)
HoD	Head of Department
HSS	Human and Social Sciences
MTEF	Medium-Term Expenditure Framework
MUT	Mangosuthu University of Technology
NFF	New Funding Framework
NPHE	National Plan for Higher Education
NPM	New Public Management
NSFAS	National Student Financial Aid Scheme
OECD	Organisation for Economic Co-operation and Development
RAM	Resource Allocation Model
ROU	Research output unit

SA	South Africa(n)
SAPSE	South African Post-Secondary Education
SARS	South African Revenue Service
SAUVCA	South African Universities' Vice Chancellors' Association
SATN	South African Technology Network
SET	Science, Engineering and Technology
SETA	Sector Education and Training Authority
SOE	State-Owned Enterprises
SPU	Sol Plaatje University
STEM	Science, Technology, Engineering and Mathematics
TEFSA	Tertiary Education Fund for South Africa
TOU	Teaching output unit
TUI	Teaching input unit
TUT	Tshwane University of Technology
UJ	University of Johannesburg
UNESCO	United Nations Educational, Scientific and Cultural Organisation
UMP	University of Mpumalanga University
UNISA	University of South Africa
UoT	University of Technology
UP	University of Pretoria
USAf	University South Africa
VUT	Vaal University of Technology
WEI	World Education Indicators
WIL	Work-Integrated Learning
WSU	Walter Sisulu University

1.21.2 Definitions of concepts

- **Classification of Educational Subject Matter (CESM):** A classification system established by the DHET that categorises subject matter into 20 first-order categories on which HEIs base its HEMIS data when reporting to the DHET (SA DoE, 2008:1). An explanation of the CESM classifications is provided in Section 2.5.2.4 on page 59.

- **Contact students:** Students registered mainly for courses offered in contact mode (SA DHET, 2015c).

- **Distance students:** Students registered mainly for courses offered in distance mode (SA DHET, 2015c).

- **Full-Time Equivalent (FTE):** The number of students calculated by assigning a fraction to each course according to the academic weight it has in the curriculum of a qualification, and then multiplying it with the headcount enrolment. The FTEs of both contact and distance students are used in determining the real size of a university (SA DHET, 2015c).

- **Graduation rate:** The total number of graduates divided by the total headcount enrolment for a specific year. This is used to determine the performance of a university, as graduates are the final products of such an institution (SA DHET, 2015c).

- **Higher education institution:** According to the Higher Education Act 101 of 1997: "Any institution that provides higher education on a full-time, part-time or distance basis, and which is (a) merged, established or deemed to be established as a public higher education institution under this Act; (b) declared as a public higher education institution under this Act; or (c) registered or provisionally registered as a private higher education institution under this Act" (SA CHE, 1997:7).

- **Student headcount:** Full-time and part-time students are counted as units. The student load does not have an impact on the units (SA DHET, 2015c).

- **Weighted Funded Units:** Table 2.3 on page 66 and Table 2.4 on page 66 provide the funding groups and the weighting factors for teaching inputs. The weight according to the funding groups is applied to unweighted FTEs in order to generate weighted teaching input units for

state funding purposes. The actual input units are then calculated in Year n by using the actual enrolled FTEs of Year n-1. Funded teaching input units are those units that university councils and the Minister of Higher Education and Training agree the university will enrol, and which the state will fund. No over- or under-enrolled FTEs or teaching input units are allowed (SA DHET, 2015c).

- **Teaching output:** The graduate student headcount. Students up to taught master's degree level are regarded as graduates, while research master's and doctoral degree graduates are funded from the Research Output Sub-block Grant (SA DHET, 2015c).

- **Teaching output unit total:** the student graduate headcount of a university for a specific year, multiplied with the weightings as indicated in Table 2.5 on page 68. Thereafter, the weighted units are added together. Both distance and contact programmes are included (SA DHET, 2015c).

For purposes of this study, the term "hotel school" refers to an academic department offering a Hospitality Management qualification or a similar course.

1.22 CHAPTER LAYOUT

This study comprises of seven chapters in total.

Chapter 1: Introductory background to the study
This chapter is an introduction and overview to the study, outlining the background and rationale of the study. The problem statement, objectives and research methodology, presented, and the acronyms and definitions used in study are listed.

Chapter 2: Higher education funding

A literature review on the role of higher education in the national and international economy, as well as the pressures threatening these institutions are provided. Aspects related to national and international funding and challenges facing the higher education sector are also discussed. Finally, a theoretical overview of the funding dynamics of the South African university sector is provided.

Chapter 3: Financial management strategies

Financial management strategies, as a subsection of strategic management, are identified and discussed, in order to identify suitable options for practical implementation in the higher education context, and specifically at South African universities' hotel schools.

Chapter 4: Research design and methodology

The research methodology that was used, namely the research design, population sample, data-collection procedures and data analysis, is presented.

Chapter 5: Overview of CUT's Hotel School

A brief chronological history of the development of CUT's Hotel School; the operational and academic environment within which this School is situated; and the RAM used at CUT is discussed. A comparative discussion of the Hotel School to other departments at CUT is also provided.

Chapter 6: Results, discussions and conclusions

The findings of the research are presented and discussed in this chapter. The findings of the two sets of interviews conducted at top international hotel schools and South African universities' hotel schools are provided, analysed and discussed.

Chapter 7: Sustainable financial management strategy

Conclusions drawn from the results and discussions in the previous chapter are presented, and recommendations for future research, are made. The recommended strategies towards sustainable financial management strategies are ultimately provided.

1.23 CHAPTER SUMMARY

In this chapter, the researcher provided an overview of the research plan, including the problem statement and its background; the research questions and objectives; the methodology applied; and the chapter layout. A literature study of the relevant and challenging concepts of funding in higher education will be presented in the following chapter.

CHAPTER 2

HIGHER EDUCATION FUNDING

2.1 OUTLINE OF THE CHAPTER
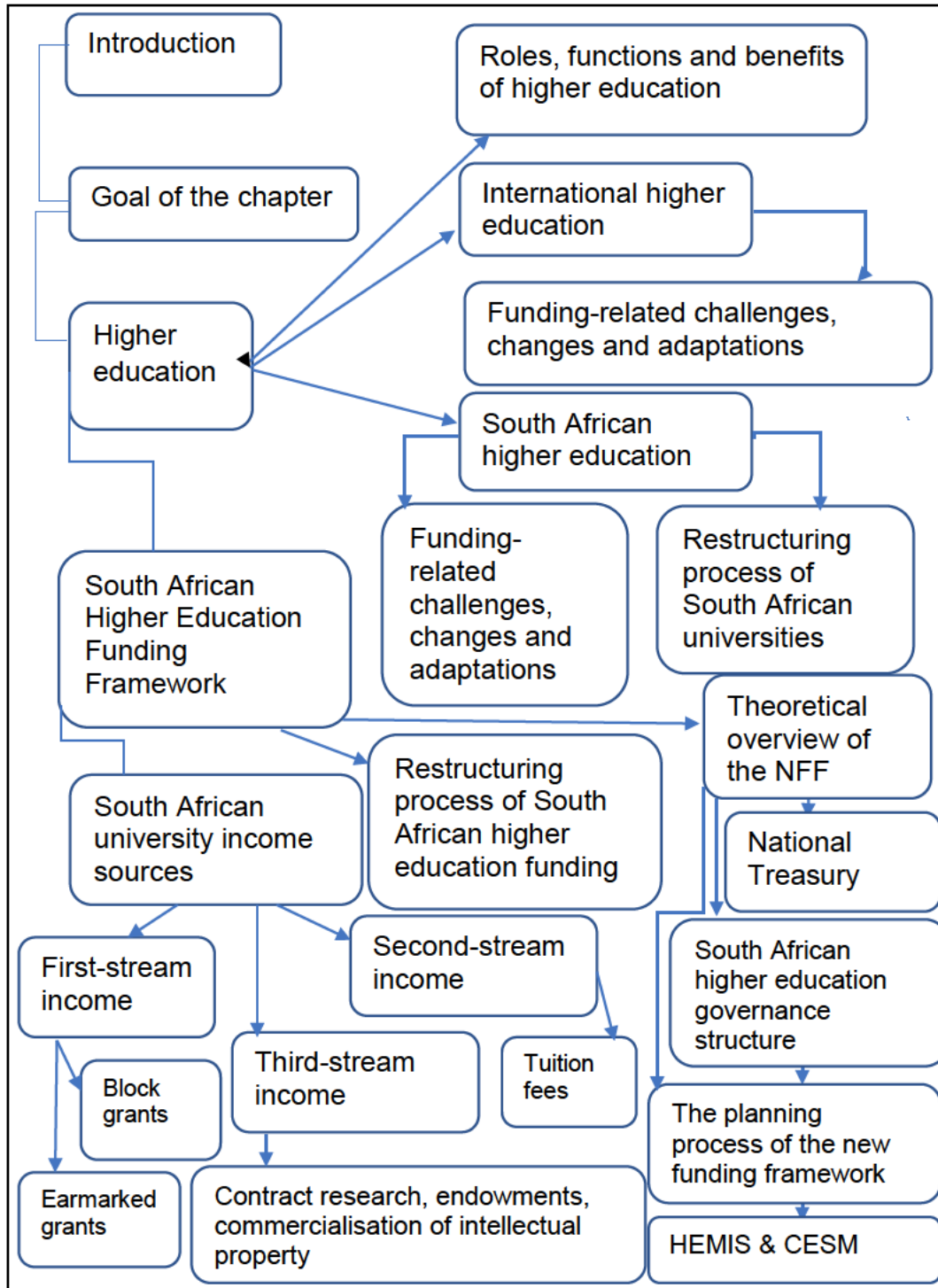
2.2 INTRODUCTION

A literature review of the importance of international and South African higher education institutions (HEIs) to the economy, as well as the pressures threatening these institutions' financial sustainability, is provided in this chapter. Thereafter, national and international funding-related aspects and challenges of higher education are discussed. The South African Higher Education Funding Framework is discussed, providing a theoretical overview of the funding dynamics, and outlining higher education funding sources. The focus of this chapter is then narrowed down to income sources of South African HEIs.

2.3 GOAL OF THE CHAPTER

The goal of this chapter is twofold, namely to:
- analyse the funding forces of higher education – both in the international and national arena; and
- provide a theoretical overview of the funding dynamics of the South African university sector.

The envisaged outcome is an understanding of the current realities of funding in the higher education sector, in order to use it as a point of departure in the formulation of future sustainable financial management strategies.

2.4 HIGHER EDUCATION

Investments are explained as items bought now to produce future benefits. Similarly, education is identified as an investment in human capital, as it produces monetary, as well as non-monetary, benefits in the future. Education increases an individual's inherited skill levels by developing cognitive and affective attainment levels. This, in turn can increase a person's productivity, effectiveness and income (Taubman & Wales, 1974:25-29).

The following types of education is found in South Africa: early childhood development, primary and secondary school education, adult basic education and training, further education and training (FET) and higher education and training. Higher education is defined as "all learning programmes leading to a qualification that meets the requirements of the Higher Education Qualifications Framework (HEQF)" (SA CHE, 1997:7).

2.4.1 Roles, functions and benefits of higher education

Historically, HEIs were shaped and developed by religious, political and social pressures. Although having a rich history, it was only in the mid-1800s that universities became formally defined in terms of purpose and function (Denman, 2005:10). According to Gibbon (2008:2), distinctions between different universities are largely based on this inherited capacity and their unique focus areas. However, in principle, these distinctions are far less distinct than in the past. The HEQSF does not differentiate between these institutions, and gives all universities the right to offer any qualification in the higher education band.

The National Development Plan: Vision 2030 of South Africa outlines the three main functions of universities as, firstly, the education of people, providing them with high-level skills for the labour market; secondly, producing new knowledge, assessing and identifying new applications for existing knowledge, and validating knowledge and values; and, thirdly, providing opportunities for social mobility, while strengthening social justice and democracy (SA, 2011:318). In addition, universities are regarded as crucial role players in reaching the national development objectives by means of supporting the rest of the post-school system; aligning curricula and research agendas; and addressing poverty, unemployment and inequality challenges (SA DHET, 2013:27).

In his opening address at the Conference on Higher Education Curriculum and Society: Relevance, Quality and Development at the University of

Pretoria on 1 April 2004, the then Minister of Education, Prof. Kader Asmal, emphasised the role of higher education in South Africa as a strategic objective of the government for higher education. Higher education also contributes towards the social and economic development in South Africa through major areas, which are in the form of human capital; knowledge base construction through research and development; and the distribution and maintenance of knowledge. Due to abundant evidence that human capital enhances economic growth, and supports improved health and well-being, governments continue to support higher education (Jenvey, 2015; Pouris & Inglesi-Lotz, 2014:1).

According to the United Nations Educational, Scientific and Cultural Organisation (UNESCO) Institute for Statistics (2003:5), knowledge and skills are the two areas at the centre of changing and improving economic and social conditions. The development of human capital is not only increasingly regarded as a key factor in fighting unemployment, and therefore the problems associated with low income and poverty, but is also associated with non-economic benefits, such as the improvement of health and the sense of well-being. Public spending on education increased since the 1960s, as a result of the Human Capital Model. The assumption of the Human Capital Model was that the further training of individuals results in them becoming more productive, and being remunerated at increased rates. Thus, investment in human capital will result in economic growth, with profitable rates of return for both the individual and the government (De Villiers & Steyn, 2007:3). In South Africa in particular, higher education has an important role to play in producing qualified graduates and postgraduates in addressing the ongoing skills shortage in this country. These graduates play a major role in the generation of research and innovation (Govender, 2013); are less likely to become involved in criminal activity; and are more likely to become engaged in civic matters (University of the Witwatersrand, 2016:5).

In an article in *University World News,* the author accentuates the role of teaching and research in higher education as, first and foremost, a public

good and public responsibility. Public HEIs benefit all of society — it is essential for democratic, cultural and social development, and encourages critical thinking, thereby assisting in breaking down misconceptions (Nordal, 2014). The university produces and distributes knowledge, applying its academic freedom, appropriate independence and institutional autonomy, while improving our understanding of our natural and social worlds, and enriching our cultural inheritances and heritage (Badat, 2007:14).

Hall, Mairesse and Mohnen (2010:33) confirm that investment in research and development in HEIs have a positive private return and an even greater positive social return. In most cases, the return on these investments is higher than that of ordinary capital. Commissioned by Australian universities, KPMG measured the following economic benefits of increased government funding towards universities: productivity, labour force participation, exports of education service, returns on university-based research, and the increase in the number of international students completing their studies at Australian universities. Testing the possible benefits of an annual Gross Domestic Product (GDP) investment increase for the following 30 years, the report indicated an overwhelming positive return of between 14% and 15% in real economic rate — much higher than that of a long-term bond rate of 6% to 7%. The returns would be generated from the higher labour productivity of graduates, and improved research and innovation (KPMG, 2009). South African higher education, in the form of 23 universities, also contributed to more than 2% of the GDP in 2009. Converting this into value terms, it is slightly less than the gold industry, and considerably higher than the contribution of forestry, textiles, clothing, leather products, and the restaurant and hotel industry (Jenvey, 2015; Pouris & Inglesi-Lotz, 2014:2).

Additional evidence of the importance of higher education in South Africa can be seen in the fact that, while 870 000 jobs were lost during 2008/2009 in the South African economy, public HEIs increased their number of employees from 101 186 staff members in 2004 to 108 697 staff members in 2007, and 112 797 staff members in 2009. Although lower than that of the mining

sector, the average employment figure in HEIs is also relatively higher than that of other sectors, such as the utilities sector (Pouris & Inglesi-Lotz, 2014:3). In the governmental pamphlet, *The New Growth Path: Framework*, it was mentioned that even more jobs will be created in higher education towards 2020 (SA Department of Economic Development, 2011:31). From graduates' perspective, the benefits of participation in higher education include increased employment opportunities; increased lifetime income; the broadening of their intellectual scope; higher social prestige; improved health, and thus life expectancy; as well as an improved quality of life (HESA, 2008:30-31).

Considering the roles that these institutions play in their local communities, as well as internationally, and being mindful of the benefits they produce, it is of importance, and logical, that these institutions require adequate funding (Universities South Africa (USAf), 2016:1). However, it becomes evident in Section 2.4.2 from page 37 and Section 2.4.3 from page 43 that, globally, this is not the norm.

2.4.2 International higher education

Universities, considered to be at the centre of a society's history and values, and established with the intend to last an eternity, have had to be open to change in recent years, facing the reality of extinction or renewal (Pityana, 2003:1). The traditional main focus of HEIs, its managers and academics, was that of knowledge generation and transmission, as well as societal development. Moving away from its original supportive decision-making role, a greater emphasis is placed on financial and managerial performance, with increased income and profit generation, while simultaneously minimising expenses, becoming the vital objectives (Parker, 2012:263).

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2.4.2.1 Funding-related challenges, changes and adaptations

Numerous studies, dating as far back as the 1950s, show that, based on the human capital theory, it is profitable to the individual as well as the state to invest in education (Psacharopoulos & Patrinos, 2004:111). All around the world, universities have experienced turmoil, forcing these historically conservative institutions to adjust to rapid and daunting changes. Nordal (2014) adds that, although the benefits of higher education outweigh the costs thereof, the public and private funding of these institutions is considered a sensitive matter world-wide. Due to declining financial support from governments, universities internationally are increasingly adopting privatised characteristics by attracting more fee-paying students, and implementing other fee-generating activities. In addition, it has driven universities into competition with each other, and with private educational institutions, both nationally and internationally (Parker, 2012:252; 259).

Internationally, universities have adopted various revenue-generating strategies in order to cope with this declining government support. These strategies include: charging tuition fees; obtaining financial gifts and sponsorships; embarking on joint research programmes with companies; establishing knowledgeable and capable professorships; obtaining external research grants; obtaining sport programme sponsorships; attracting sponsorships for buildings and facilities; patenting and licensing research findings; selling university-branded products and services; profit-sharing with on-campus businesses; expanding lucrative educational programmes; and developing national and international fee-paying student education programmes (Parker, 2012:260). Apart from focusing on increasing income, universities are also implementing cost-effective strategies, which include increased resource attainment, and more effective resource allocation and maintenance. These resources include the physical assets of the institution, such as buildings, plant and equipment; the employees; teaching delivery; and administrative processes (Parker, 2012:260). Considering the low level of public spending towards higher education in China, and consequently the

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shortage of resources, Zhang and Li (2013:56-57) researched the optimal allocation and efficient usage of these resources, and developed a Resource Optimisation Model for higher education. One of the resources found in higher education is human resources, which are reflected in the teaching and scientific staff, student culture, innovation in science and technology, and service to society. Secondly, material resources are, amongst others, the buildings where teaching and research is conducted, and the scientific equipment, while financial resources are used to fund salaries, research, student scholarships, social services, etc. (Zhang & Li, 2013:57).

Additionally, governments are placing more pressure on HEIs to play a central role in the transformation of the low-income economy into a high-performance, technology-driven economy, as well as to be more accountable, efficient and productive in their use of income generated from the public. HEIs are expected to reach these goals, enhance productivity through expanding learning skills, and improve the ability of workers to develop and use technology (Alexander, 2000:411).

In addition to the above-mentioned governmental and funding-related pressures international HEIs are experiencing, Goldstein (2006:5-6) adds that technological change, changing student demographics, the rising consumer expectations and increased competition are top drivers of change in higher education. Göransson and Brundenius (2011:3) identify the structural changes higher education underwent in recent decades in the context of globalisation, the information age, and the rise of the knowledge-based economy. They argue that knowledge and competencies play an ever-increasing critical role in national economic development and welfare creation. The increased rate of change has also contributed to knowledge being produced closer to the institutions themselves, and being more directly linked to economic competitiveness. These developments place new and urgent demands on academic institutions to adjust to the changing needs of the society and economy. These authors conclude that there is a global tendency amongst universities and education systems to reform themselves.

Numerous universities have moved beyond their traditional role in the higher education market to become important structures within government, acting as national economic drivers. This is evident in various public-sector-funded universities, which generate increased market-related revenue, while corporately owned universities are managed as for-profit institutions. These movements within the institutions occurred concurrently with the transformation of the public sector by New Public Management (NPM), that is occurring in many countries. Starting in the 1980s, this movement encouraged the commercialisation, corporatisation and privatisation of a large portion of many countries' public sectors. Under the influence of NPM, governments have redirected their focus to "a philosophy of user pays, value-for-money from government expenditures, devolved decision-making authority, simultaneously enhanced accountability, and controls and market based competition". This management style results in greater top management control, using budgets as driving forces, and focusing on the efficient use of resources. Performance is measured according to the outcomes attained. Due to this change in focus, government decreased its direct involvement in education, amongst other areas, while universities world-wide are forced to operate more as businesses, than as service providers. Students are increasingly regarded as customers; business and professional communities as financial resource providers; education and research programmes as products; and the external environment as the market place (Parker, 2012:248-250).

Evidence of changes and challenges faced by HEIs was found world-wide. Although higher education in America is regarded as the best in the world, American HEIs are overwhelmed by challenges and demands threatening their capacity to meet the increasing expectations. This emphasises the immensity of the challenges HEIs are facing (Dickeson, 2010:1). During the State of the Union Address on 2 January 2012, President Obama requested HEIs to become more efficient, keep their costs down, and restrict increases in tuition fees. He also requested the state to ensure that higher education is a high priority in its budget. He further emphasised that higher education

should not be a luxury, but an economic imperative for every family in America (Obama, 2012:3). American HEIs are thus under pressure to increase income, decrease expenses, improve quality and strengthen their reputation. Although these institutions succeed in increasing all sources of income, such as tuition fees; federal, state and local subsidies; private gifts; investment return; and income from donations, controlling expenses proves to be more difficult (Dickeson, 2010:1-3). Higdon (2010:32) adds that, due to the still ongoing effects of the recession in 2008, many American families are still struggling to make ends meet, even losing the power to borrow money. Therefore, American HEIs were forced to refrain from increasing tuition fees during this recovering period. United States (US) public universities generate funds from commercial and non-commercial activities (Bok in Fowles, 2014:274). However, their funds are mostly generated from tuition fees, state allocations, donations, and federal funding.

Europe has also not been exempted from the challenges, as United Kingdom (UK) universities have also been faced with declining funding, together with a simultaneous increase in student numbers. This places universities under pressure to ensure that their resources were well prioritised, and to effectively control their costing, pricing and income. As a result, an increased focus on the financial management of universities was adopted (Oduoza, 2009:133). Connecticut College has, however, managed to continue to increase its budget, although more discreetly, than in the past. Responding to the financial crisis, this institution has increased its financial aid to financially needy students (Higdon, 2010:32). In response to these financial challenges, it is recommended that HEIs re-examine their operating budgets, based on a new or revised mission. Departments at the Connecticut College keep their budgets flat on a year-to-year basis (i.e. Zero-based budgeting (ZBB)) requiring of department managers to submit and validate requests for funding above current levels to the committee dealing with budgets. Additional liquidity is sought, in order to develop a balanced budget with various possibilities available. ZBB budgets are based on strategic plans and priorities, but remain flexible and adaptive to economic changes. Programme

objectives are examined through the lens of the core mission, keeping the available resources in the market in mind (Higdon, 2010:32-34).

Another continent affected by the global challenges and changes in higher education, is Australia. From the early 1970s until the late 1980s, public funding towards Australian universities has decreased. Since then, various changes related to funding and tuition fees have occurred, such as a higher proportion of the costs of higher education shifted onto the students, and further decreases in state funding. In answer to this, De Zilwa (2005:387-389) mentioned that universities globally use revenue diversification as a method to seek financial stability. Australian public universities have generated additional income, other than that of state funding, from tuition fees, royalties, trademarks and licenses, consultancy and contract research, investments projects, tuition fees, and others. More frequently, students from poor communities are assisted with bursaries and loans in order to enable them to afford higher education. In Australia, students are assisted through the interest-free Higher Education Contribution Scheme (HECS), where repayments are only expected when their annual income increases above a certain level.

Asian HEIs were also not immune to these challenges. Ravi (2012:7) notes that HEIs in India are faced with problems relating to admission, equity and quality. Amongst others, outdated curricula, academic staff vacancies, poor quality with regards to commitment and competence, insufficient research, low levels of skills development, and low employability rates are some of the problems that afflict these HEIs.

African HEIs have not been exempted from these challenges, as these universities were forced to diversify their income sources due to declining state financial support. Public universities in Kenya, Uganda and Tanzania have implemented a dual-fee tuition fee policy, admitting more students than those are funded by the state, and charging the additional students full cost-recovery tuition fees. Due to these policy changes, the largest portion of

Makarere University in Uganda's total income is generated from tuition fees (Carrol, 2006:84), while nearly 30% of various Kenyan public universities' total income is generated from tuition (Ouma, 2007:148). Additionally, HEIs in Africa have experienced challenges such as "accessibility, affordability, financial austerity, faculty recruitment and retention, and the lack of improvement of physical facilities". As a result, African higher education is burdened by the challenge of an increased demand for participation, as well as the financial rigidity. Universities in Ghana, for example, are facing challenges such as: insufficient and run-down infrastructure and facilities; decreasing standards; questionable relevance and quality of programmes; and a general lack of motivation from faculty (Atuahene, 2008:407).

2.4.3 South African higher education

For statistical purposes, but with the focus on education, the UNESCO Institute for Statistics categorises the world into eight regions, namely: Arab States; Central and Eastern Europe; Central Asia; East Asia and the Pacific; Latin America and the Caribbean; North America and Western Europe; South and West Asia; and Sub-Saharan Africa. South Africa is subsequently categorised under the Sub-Saharan Africa region (UNESCO, 2006:188-189). The funding of higher education in South Africa has been the subject of vigorous debates in the recent past. These debates ranged from the adequacy of funding (Higher Education South Africa (HESA), 2008:3) to, more recently, the possibility of free higher education (Wangenge-Ouma, 2012:1-2).

2.4.3.1 *Funding-related challenges, changes and adaptations*

Similar to the global trend, the state funding of South African higher education has decreased in the past years (HESA, 2008:9), thus having a negative effect on the achievement of the 2001 National Plan for Higher Education (NPHE)'s goals, as discussed in Section 1.6 on page 5. Appropriate levels of funding are crucial for the attainment of the key policy goals described in the 2001 NPHE. These goals are: producing the graduates South Africa requires

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for social and economic development; ensuring equity and diversity in the South African higher education system; sustaining and promoting research; and restructuring the institutional landscape of this system. Should sufficient funding not be allocated to the institutions, these goals might not be reached (Wangenge-Ouma & Cloete, 2008:906-907).

The adequacy and suitability of government funding towards South African higher education, as well as frequent tuition fee increases, have been discussed and debated in recent years. The annual funding from the state towards higher education varies annually, as it is the result of a negotiation process, and is influenced by economic and political processes. As allocations are calculated in three financial-year cycles, the levels of funding stabilised with the introduction of the Medium-Term Expenditure Framework (MTEF) by the South African government, the levels of funding stabilised (De Villiers & Steyn, 2007:4).

From 2009/2010 to 2013/2014, the South African government's spending towards higher education increased by 12% per year, which, in monetary terms, is an increase from R38 billion to R60 billion (Statistics South Africa, 2015). However, despite this significant annual increase, it is worth noting, that when calculating expenditure towards student per capita, and considering the running costs of universities, funding towards HEIs has been declining. This is also evident when calculating state funding as a percentage of the total government budget and of GDP (SA DHET, 2015b:20). De Villiers and Steyn (2009:43) also raised concerns about the declining South African state funding towards higher education, by confirming that public spending towards higher education, when calculated as a percentage of GDP, has decreased significantly in the two decades prior to 2009. When calculated as a percentage of GDP, state funding has decreased (Wangenge-Ouma & Cloete, 2008:907) from 0,86% in 1986, to less than 0,67% in 2006 (De Villiers & Steyn, 2007:2). In 2012, it was 0,71%, while during 2014/2015, it decreased further to 0,64% (USAf, 2016:3). This ratio, calculated as a percentage of GDP, is also well below the Organisation for Economic Co-operation

Development (OECD) average of 1,59% of GDP (OECD, 2014; Standing Committee on Appropriations, 2014). When comparing this ratio to the world average in 2012, it was well below the 7%, and the 5% of developed countries (Zhang & Li, 2013:56), with the level of public and private investment in the World Education Indicators (WEI) countries, such as Indonesia, being at 1,5%; Jamaica, at 9,9%; and China, at 4%.

However, the distribution of these investments within the education levels varies greatly between primary, secondary and tertiary levels (UNESCO Institute for Statistics, 2003:10). In addition, USAf (2016:3) warns that it would be difficult for higher education to play the required supportive role towards the government's development strategies, should the target spending on higher education of 1% of GDP not be reached, or even increase to 1,5%, during the next ten years.

In addition to the declining state funding, the running costs of HEIs have increased significantly during the past few years. For the period 2010/2011 to 2012/2013, the Higher Education Price Index (HEPI) was almost 2% more than the Consumer Price Index (CPI) for South Africa. HEPI, an inflation rate measure for HEIs, is generated by universities, taking the spending patterns of these institutions into account. Key drivers of HEPI are, amongst others, increased academic salaries; operational costs (especially electricity); foreign-exchange-based expenses (such as scientific journal costs, computer hardware and software, research equipment, and experimental consumables); and security and cleaning costs. These expenses have all increased at higher rates than the CPI (USAf, 2016:2).

Wangenge-Ouma and Cloete (2008:909) warn that the decline in state funding has various consequences and implications for the universities, threatening their survival, and causing them to experience vulnerability to remain effective institutions, (HESA, 2008:9). Additionally, South African HEIs are faced with four major challenges resulting from the declining state funding. The first challenge is for HEIs to remain competitive, ensure academic quality,

promote equity and remain competitive in the global knowledge economy, amidst decreasing state funding and, subsequently, increasing tuition fees (HESA, 2008:12-13). Guskin and Marcy (2003:10) find it ironic that, while HEIs are continuously improving their teaching, learning, student engagement and the use of technology, these institutions are struggling to balance their budgets. They believe that all HEIs face the challenge of maintaining quality teaching, learning and faculty work-life within this difficult, resource-restricted environment.

Secondly, there is a need for the development of a tuition fee model within in the cost structure of South African HEIs that is appropriate to the vast variances of income and participation in higher education, and focuses on the development of human capital with high-level skills. Thirdly, increased, ongoing and sustainable support is required to expand the support the National Student Financial Aid Scheme (NSFAS) provides towards needy students, thus assisting in higher education growth and equity targets. The fourth challenge of South African HEIs is student debt, which prevent these establishments from reaching financial stability (HESA, 2008:12-13).

In addition to the challenge of declining state funding and increased operational costs, the Ministerial Statement on University Funding: 2015/16 and 2016/17 urges government departments to reprioritise their budgets, and increase their efficiency. Due to the current budget constraints and economic forecast for government, additional funding in the MTEF cycles will be limited. An appeal was made that government departments should establish efficiency measures in order to generate additional funding for universities. Suggestions for such efficiency measures included reducing overhead costs; collaborating with other universities in saving on expenses; improving debt collection; exploring donor funding sources; and establishing processes that will generate third-stream funding (SA DHET, 2014:2).

Furthermore, the decline in government spending towards HEIs has changed the relationship between HEIs and the state, and has also placed pressure on

two other income sources, namely tuition fees and third-stream income (Carrol, 2006:77; De Villiers and Steyn, 2009:43; SA DHET, 2015b:20). Carrol, (2006:77) adds that HEIs are forced to raise larger portions of its income from private sources, such as tuition, research, and consulting grants from private companies. Although HEIs have increased their third-stream income, they have not absorbed the declining nature of government funding (De Villiers and Steyn, 2009:43; SA DHET, 2015b:20).

Other challenges faced by South African HEIs were discussed during an Education Forum hosted by Regenesys Business School. Mr Ahmed Essop, the Chief Executive Officer (CEO) of the Council on Higher Education (CHE) at the time, summarised higher education challenges as imbedded in the inability of young South Africans to enter quality higher education. He added that, even with the bursary and loan schemes available, the cost of higher education is still preventing scholars from poor backgrounds from entering these institutions (Regenesys Business School, 2013). In addition, senior secondary school output is increasing, placing additional pressure on the access to HEIs (Simkins, 2016:53-59). A further concern he raised, was that 50% of students who do enter higher education drop out without obtaining a qualification. He indicated that this high dropout rate can be ascribed to the articulation gap between school and university, as scholars are not sufficiently prepared for the challenges of entering the higher education level (Regenesys Business School, 2013). Simkins (2016:53-59) confirms the challenge of low student progression, as high dropout rates at universities show that South African universities suffer from major output deficiencies. Responding to the challenge of the large number of underprepared students entering HEIs, HESA (2012:13) warns that greater emphasis should be placed on input-based funding, rather than on output-based funding.

In addition, as Sub-Saharan African HEIs (UNESCO, 2006:22-23), South African HEIs formed part of the extremely high enrolment growth rate that occurred in Sub-Saharan African HEIs in the period from 1991 to 2004 (UNESCO, 2006:190). Confirming this statement, Simkins (2016:53-59) also

adds that the rapid increase in graduates from the non-contact University of South Africa (UNISA) places increased pressure on South African contact universities.

During the past five years, the South African government increased its efforts to improve the state of education, indicative of the fact that education is regarded as a priority in the country (SA DHET, 2015c). It is also envisaged that the funding from the National Treasury towards university education will increase with more than 6% in 2017/2018. This is done with the focus on the National Development Plan and government's 2014-2019 Medium-Term Expenditure Framework. In terms of this framework, it is envisaged that, by 2030, South African universities should provide access to the highest quality education and training. Access to these institutions should be expanded, and learning outcomes should be improved (SA Department of National Treasury, 2015:2).

2.4.3.2 Restructuring process of South African universities

There are two main categories of HEIs, namely public and private institutions. Public institutions receive public funding, while private institutions are funded and supported by other funders, and are therefore heavily dependent on tuition fees (Cragg & Henderson, 2013:3-4). Private HEIs, focusing on educational areas not well covered by the public universities, have a high dependence on student fees. These institutions rarely attract public funding support, as it is managed by a corporate-style board and a CEO, and students are regarded and treated as customers (Altbach, Reisberg & Rumbley, 2009:86; Geiger & Heller, 2011:1). Their main focus is profit maximisation (Romero & Rey, 2004:1).

As briefly discussed in Section 1.6 on page 5, South African public higher education has undergone a restructuring process during the period 2002 to 2005, during which some HEIs were merged or incorporated into others. A process was undertaken to reduce the 21 universities and 15 technikons, to

11 traditional universities, six comprehensive universities, six universities of technology (UoTs), and two national institutes of higher education (SA DHET, 2013:27; SA DHET, 2002) as well as three new universities (Simkins, 2016:45). This means that 20 public HEIs that existed in South Africa in 2000 were disestablished, 19 of which were merged into new institutions. The other institution was divided into its constituent campuses, which were incorporated into seven other HEIs (Bunting *et al.*, 2010:7). In 2013, an additional two comprehensive universities were established, namely the University of Mpumalanga (UMP) in Mpumalanga (UMP, 2017), and the Sol Plaatje University (SPU) in the Northern Cape (SA DHET, 2013:4).

Recognised by the current national higher education policy, the institutions were divided into the following, and are categorised accordingly:
- institutions offering university-type academic programmes as *universities;*
- institutions offering technikon-type academic programmes *as universities of technology (UoTs);* and
- institutions offering both types of academic programmes as *comprehensive universities* (Bunting *et al.*, 2010:10)*.*

Therefore, under the South African Higher Education Policy Framework, there are three types of public HEIs, namely: traditional universities, UoTs and comprehensive universities (Bunting & Cloete, 2010:2; Gibbon, 2008:2). There are currently 11 traditional universities, six UoTs and six comprehensive universities in South Africa (Bunting & Cloete, 2010:2).

As the focus of this study is on the Hotel School of the Central University of Technology, Free State (CUT), as well as those of similar South African universities, the focus of the following section will be on these three types of public universities found in South Africa.

Traditional universities offer basic foundational degrees, professional undergraduate degrees, honours degrees at postgraduate level, and master's and doctoral degrees (Bunting & Cloete, 2010:2). Each university's mission

should be developed on the foundation of its unique contribution towards knowledge production in the form of research; its unique contribution towards national, regional and continental development; and its identified centres of excellence and areas of strength (HESA, 2012:4). While traditional universities provide students with an understanding of the basic principles of their field of study, *UoT* programmes focus on the application of scientific principles in practice (Du Pré, 2010:18). These institutions offer mainly vocational or career-focused undergraduate and B Tech degrees, and a limited number of master's and doctoral qualifications (Bunting & Cloete, 2010:2). According to Du Pré (2010:11-12), a country needs both traditional universities and UoTs, as they cater for the different educational needs of a country. *Comprehensive universities* offer programmes typical to both a university and a UoT (Bunting & Cloete, 2010:2), and is therefore also supposed to offer a combination of the programmes offered at UoTs and universities (Gibbon, 2008:2).

This study originated within CUT's Hotel School, and is therefore based on this School. With CUT being a former technikon, this study will focus on prior existing technikons. The restructuring process of the 15 prior existing technikons was as follows:

- In 2005, the Cape Technikon merged with the Peninsula Technikon to form the Cape Peninsula University of Technology (CPUT) (CPUT, 2017).
- In 2005, the Port Elizabeth Technikon merged with the University of Port Elizabeth to form the Nelson Mandela Metropolitan University (NMMU). It was renamed to the Nelson Mandela University (NMU) in 2017 (NMU, 2017).
- In 2005, the Eastern Cape Technikon merged with the Border Technikon and the University of Transkei to form the Walter Sizulu University (WSU) (WSU, 2017).
- In 2002, the ML Sultan Technikon merged with the Natal Technikon to form the Durban University of Technology (DUT) (DUT, 2017).

- In 2005, the Technikon Witwatersrand merged with the Rand Afrikaans University and the Soweto and East Rand campuses of Vista University to form the University of Johannesburg (UJ) (Bunting *et al.*, 2010:7).
- In 2004, the Technikon South Africa merged with Vista University to form the University of South Africa (UNISA) (Bunting *et al.*, 2010:7).
- In 2004, the Northern Gauteng Technikon, Pretoria Technikon and North West Technikon merged to form the Tshwane University of Technology (TUT) (TUT, 2017).
- In 2004, the Vaal Triangle Technikon was transformed to become the Vaal University of Technology (VUT) (VUT, 2017).
- In 2004, the Free State Technikon was transformed to become the Central University of Technology, Free State (CUT) (CUT, 2014a).
- In 2007, the Mangosuthu Technikon was transformed to become the Mangosuthu University of Technology (MUT) (MUT, 2017).

Technikons, which originated from Colleges for Advanced Technical Education (Mckenna & Powell, 2008:38; Cooke *et al.*, 2010:149), offered tertiary-level instruction to students, for purposes of developing human resources in order to promote and practice technology (SA DoE, 1997:9). These institutions were recognised by industry and businesses as providing suitable and relevant programmes. However, they were regarded by students, their families and the public service, as being substandard to universities As a result, technikon graduates were not widely recognised by professional associations and the public service, and were considered as the second or third choice to university graduates (Du Pré, 2010:7-8). Following the restructuring process, the previously known technikons were suddenly faced with a different set of goals, and had to adapt to their newly adopted institution-specific focus.

2.5 SOUTH AFRICAN HIGHER EDUCATION FUNDING FRAMEWORK

The White Paper on Higher Education Transformation of 1997 and the NPHE of 2001 stipulate the steering model of higher education governance. This steering model replaced two other models, which formed part of the Apartheid era, namely the *State Control Model* and the *Market Model*. The State Control Model allowed HEIs low levels of administrative autonomy in comparison to the Market Model. With the State Control Model, funding was allocated to HEIs through budgets that were approved by a government department, while HEIs were prohibited from applying funding according their discretion. In contrast, the Market Model allowed for the allocation of lump sums of funding to HEIs according to a formula, thereby giving councils greater authority in the spending thereof (Bunting *et al.*, 2010:3).

The new steering model enables government to identify institutional and broader national higher education goals, as well as to monitor the performance of the system, on both institutional and national level (Bunting *et al.*, 2010:3). Performance is measured according to the following indicators, which are linked to specific quantitative goals set for each institution, as well as the higher education system as a whole:

- student enrolments;
- student equity;
- pass rate of students;
- graduation rate of students;
- staff equity;
- qualifications of staff; and
- research outputs (Bunting *et al.*, 2010:4).

The Minister of Higher Education and Training approved academic Programme and Qualification Mix (PQM) profiles for each HEI in 2002. Institutions wishing to expand these PQMs have to submit an application to the DHET, after which the CHE will consider accreditation thereof. Funding

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from government is linked to these PQMs, as well as to HEIs' enrolment plans (Bunting *et al.*, 2010:5).

The policies used to steer funding of HEIs in South Africa are the:
- Ministerial Statement, issued in accordance with the requirements of the Higher Education Act 101 of 1997;
- Education White Paper 3 – A programme for the Transformation of Higher Education (1997);
- National Plan for Higher Education (2001);
- National Development Plan (2013); and
- White Paper for Post-School Education and Training (2013) (SA, 2014:2).

The White Paper for Post-School Education and Training acknowledges that university education is expensive. Resulting from this, as well as many other factors, all 23 universities rely on financial support from the government. This support is channelled to cover varying proportions of universities' operating expenses. All the universities charge student fees, and many obtain third-stream income. In addition, a feasibility study is being conducted on "fee-free university education for the poor in South Africa", which result in a lower income from tuition fees, but an increase in support from the NSFAS (SA DHET, 2013:37).

2.5.1 The restructuring of South African higher education funding

Four subsidy formulas have been used in the South African higher education system since 1953. These were the Holloway Formula (HF); the van Wyk de Vries Formula (vWdV); and the South African Post-Secondary Education (SAPSE) Formula (De Villiers & Steyn, 2009:45; OECD, 2008:359). The SAPSE Formula was introduced in the 1980s, and was based on a "follow-the-student" approach. This formula used enrolment numbers and course success as the basis for calculating of funding allocations towards universities. The funding levels are determined based on the number of students enrolled in the Natural Sciences vs. those enrolled in Humanities, a

funding entitlement for institutions was then generated according to available state funds (Simkins, 2016:46).

The restructuring of the South African higher education institutional landscape that occurred in 2004 had two consequences in terms of the funding of these institutions. Firstly, the funding system that was applied until 2004 distinguished between universities and technikons, while the newly implemented funding system, which has been fully operational since 2007, does not. This new funding system uses the same set of rules for all HEIs, except in the case of DHET-set research output norms. Secondly, the awarding of earmarked funding to institutions, in order to steer the system, was implemented (Simkins, Scott, Stumpf & Webbstock, 2016:325).

In 2004, the SAPSE Formula was replaced with a "state steering mechanism", otherwise known as the New Funding Framework (NFF) (Simkins, 2016:46; Villiers & Steyn, 2009:45; OECD, 2008:359). Based on block and earmarked grants (Simkins, 2016:46), this framework is goal orientated and performance related, guiding the distribution of government grants to institutions according to national goals and approved institutional plans. The distribution of funds to HEIs are meant to cover teaching delivery and research-related services and outputs based on three-year institutional plans, and not to meet specific levels of institutional costs (Steyn & De Villiers, 2005:31-32).

In addition, the new framework distinguishes between block grants and earmarked allocations (HESA, 2011:25). Block grants comprise more than 70% of the total state budget towards universities, and consist of four sub-block grant categories, namely: funded teaching input, actual teaching output, actual research output, and institutional factors (HESA, 2011:25). Block grants are calculated on the number of student enrolment inputs; student completion outputs; research outputs; and two institutional factors, namely the increasing diversity of student profiles, and smaller HEIs benefiting in the form of compensation. NSFAS allocations and grants for academic development programmes form part of the earmarked grants (HESA, 2011:33). Earmarked

funding allocations are intended to assist with merging and other development costs (Simkins *et al.*, 2016:325). In order for the allocation of earmarked funds to be approved, a detailed project proposal has to be submitted to the DHET. As a result of managerial and administrative shortcomings at some universities — in most cases the same universities who required the funding — received such funding (Simkins, 2016:45).

In 2011, the Ministerial Committee for the Review of the Funding of Universities considered the revision of the funding framework for universities, with a proposal for greater emphasis on rewarding graduate output. This change in the funding framework would be in line with the international tendency towards a greater emphasis on output-based funding. The proposal to grant full funding to qualifying NSFAS loan students, covering all costs associated with their studies, is also discussed. In addition, it is advised that non-qualifying students should be granted bank loans, supported by state securities (SA, 2011:292).

2.5.2 Theoretical overview of the NFF

The underlying philosophy of the NFF is guided by the following principles:
- Higher education must be planned, administered and funded as one national, co-ordinated system.
- For HEIs to reach the national development agenda, the management of these institutions' size and shape should not be left to chance, therefore, the importance of the planning phase of this system is emphasised.
- Government funding is limited to student demand.
- In order to meet the national goals, the higher education system should be managed through thorough planning, funding and quality assurance (OECD, 2008:358-359).

2.5.2.1 National Treasury

The economic health, good governance, social progress and rising standard of all South Africans and the country are dependent on, and promoted by, efficient and sustainable public financial management. Amongst others, one of the priorities of the National Treasury is to improve education within the following ten years (SA Department of National Treasury, 2015:2). Matters such as the collection of taxes, internal and international loans, as well the funding of general state activities from the National Revenue Fund, are the responsibilities of the National Treasury, as well as South African Revenue Services (SARS) and the Department of Finance. The revenue raised is then distributed at national and provincial level, with the total state budget afforded by government to spend on the university sector being determined by the National Treasury (Davies, 2013:4).

2.5.2.2 South African higher education governance structure

HEIs are juristic persons within the legislative framework (SA DHET, 2015a:1). The following governance framework and structure is followed in the management of public HEIs in South Africa (Nadison, 2000:72):
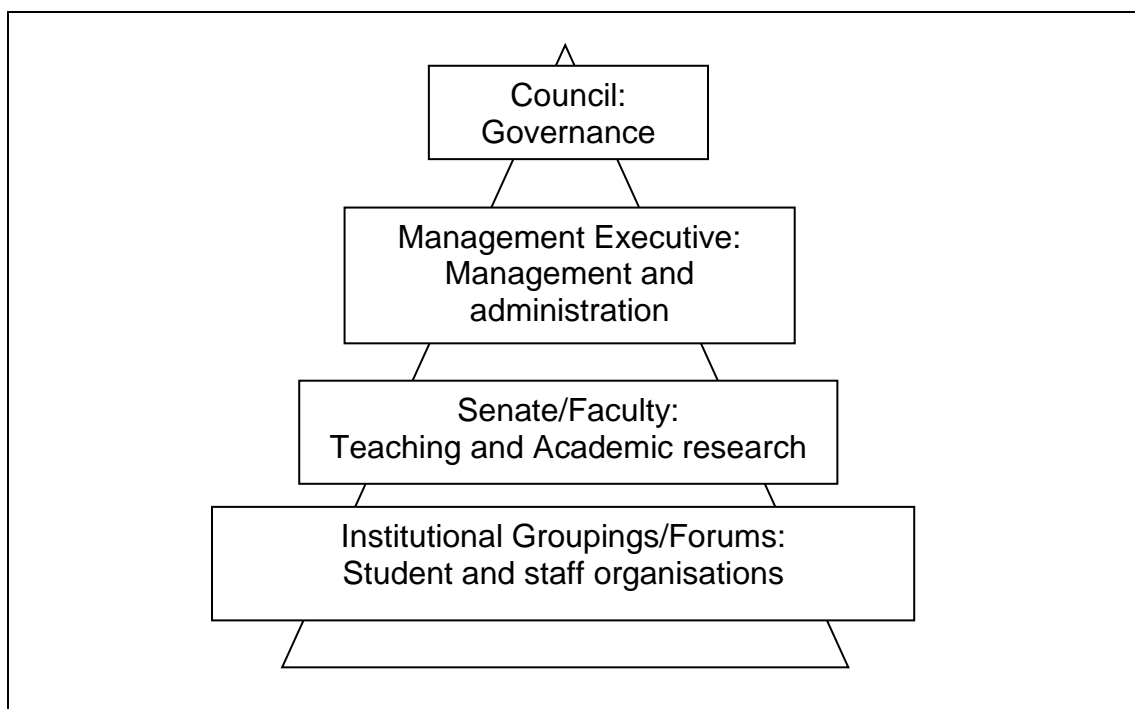
Figure 2.1 Public higher education governance structure

As indicated in the figure, the governing body of a public HEI at the top of the structure, is its council (Nadison, 2000:72; SA DHET, 2015a:1). The council of a HEI consists of no more than 30 members, of with at least 60% should be neither students nor employees of the institution. Council is responsible for the appointment of the vice-chancellor (VC) (SA DHET, 2015a:1-2), with the management executive supporting him/her in this role. The principal, rector, vice-principal and other top officials of the institution form part of the executive management body. Senate and the institutional groups follow below the executive management body (Nadison, 2000:72). The senate is the academic body responsible for academic matters within the institution, namely teaching and research. The governing body for students, the Students Representative Council (SRC), has a leadership role to play amongst the students (SA DHET, 2015a:2).

2.5.2.3 The planning process of the new funding framework

The DHET meets with the National Treasury on an annual basis regarding available funding for distribution to universities on a three-year basis (SA DHET, 2014:3). Performance indicators, such as the number of students enrolled at HEIs; the proportion of students enrolled in Science, Engineering, Technology, Business and Humanities; the number of doctoral graduates; and the number of monitoring and evaluation reports on higher education that were submitted and approved, are used to determine the budgetary allocations towards university funding (SA Department of National Treasury, 2015b:2).

The DHET then determines the national policy goals and objectives, after which HEIs indicate how they plan to reach these goals and objectives by developing three-year rolling plans (OECD, 2008:359). Each HEI then analyses its actual enrolment-data over a four- to five-year period. Each institution's student output performance, as well as specific institutional plans that had to be adhered to, are also analysed. Following these analyses, the Ministry provides the institutions with a preliminary indication of what the

funded student enrolment numbers for the next funding cycle will be. Discussions regarding these numbers are encouraged by the Ministry, after which the institutions' rolling student enrolment planning and the rolling total number of funded full-time student equivalent (FTE) student places are set. The term "rolling" refers to the revision of these numbers on an annual basis, as external circumstances and institutional performances may influence these numbers (SA MoE, 2004:3-4). DHET and the HEIs interact on, and approve, the institutional plans, after which funds are availed according to availability (OECD, 2008:359).

A funding grid, which combines the subject matter categories on the one hand, and the levels of the qualifications on the other hand, is applied. A funding weight is assigned to each cell, and universities are allocated funding according to the number of FTE students. The funding is then negotiated between the institution and the DHET, and forms the basis of the steering mechanism. The teaching and research output, as well as the institutional factor grants, is based on historical data (Simkins, 2016:47).
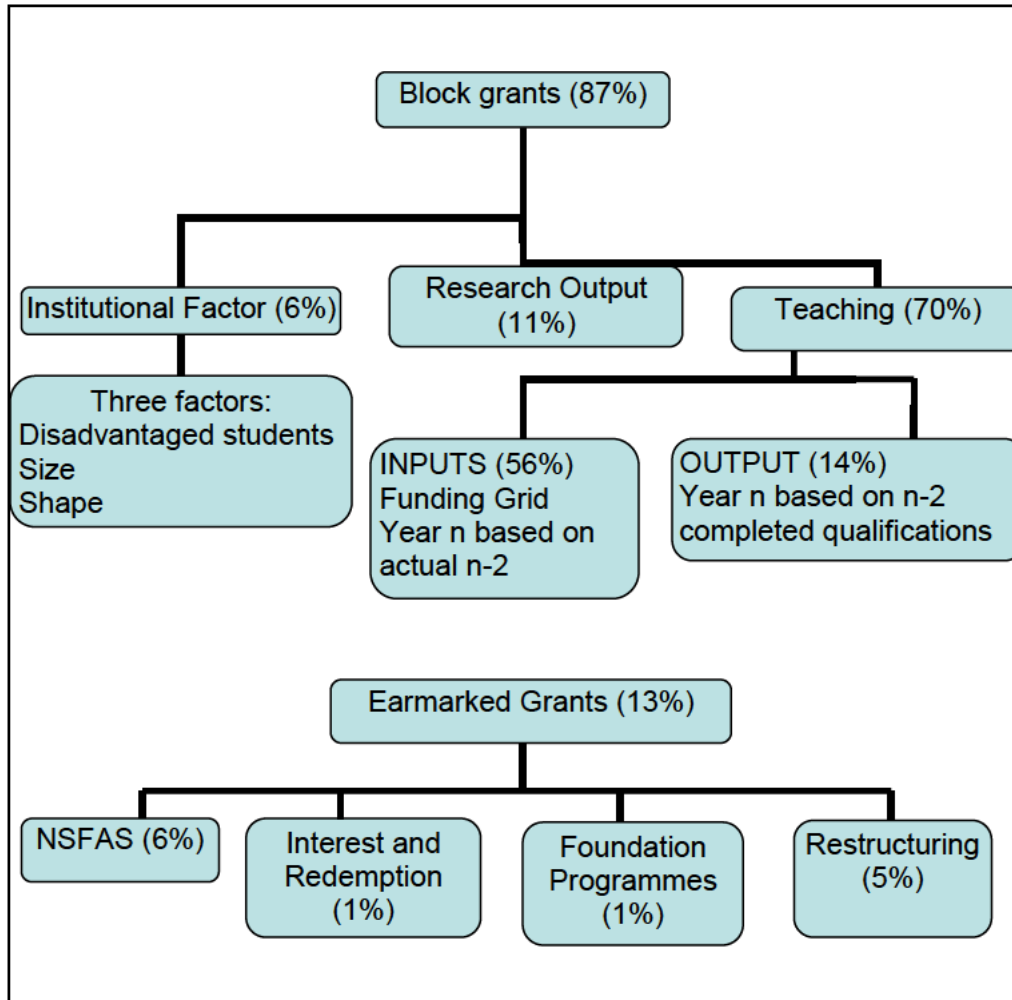
Figure 2.2   New Funding Framework

As the figure (CUT, 2004:4) above indicates, 87% of the state funding towards HEIs is calculated and obtained from state block grants. The block grant funding is made up of three areas of or determinants of funding: Institutional factor, research output and teaching. The other 13% is allocated in the form of earmarked grants (CUT, 2004:4).

2.5.2.4 Higher Education Management Information System (HEMIS) and Classification of Education Subject Matter (CESM)

HEMIS is an important concept applied in higher education, and is used in universities to determine whether students can continue with their studies at university (academic HEMIS), or stay on in one of its residences (residence HEMIS) (Academic Affairs Council, 2012). Although the same formula is used

to calculate HEMIS, universities' requirements for students to remain in their systems, differ. The academic HEMIS is calculated in December each year using this formula: the total amount of credits the students passed in the year, divided by the total amount of credits required for the full academic year according to the academic calendar. The residence HEMIS is calculated in June and December. The formula for the June calculations is as follows: the total credits passed, plus half of the year-module credits, divided by the total amount of credits required for the full academic year according to the academic calendar. The mark for a year module should be 48% or higher in June. To calculate a student's total HEMIS, the academic and residence HEMIS are added together every year (Academic Affairs Council, 2012).

HEMIS is the responsibility of the Department of Higher Education (DHET), and plays a major role in the collection and production of data required for quality assurance, and national and institutional higher education planning purposes, as well as for the allocation of government funding towards HEIs. This system is dependent on HEIs annually submitting reliable and audited data regarding approved qualifications and fields of study, courses offered in the academic programmes, the courses for which each student is registered, and academic and research staff's fields of activity. Reliable and audited HEMIS data has to be submitted to the DHET on an annual basis, and is used to determine block grants and earmarked funds (SA DHET, 2014:5).

As institutions often have unique titles for the "fields of study" and "courses", HEMIS cannot be based on these descriptions. Therefore, the DHET requests institutions to classify their study fields and courses in standard ways according to subject matter, prior to the submission of HEMIS data. Since 2000, the South African Post-Secondary Education (SAPSE) System, published in 1982, was used to classify subject matter (SA DoE, 2008:1-2). This categorisation resulted in 22 broad subject categories, described as first-order categories. These first-order categories, which were broken down into second-, third- and fourth-order categories. Table 2.1 (SA DoE, 2008:2) below provides an indication of the 22 first-order categories.

01	Agriculture and Renewable Natural Resources
02	Architecture and Environmental Design
03	Arts, Visual and Performing
04	Business, Commerce and Management Sciences
05	Communication
06	Computer Science and Data Processing
07	Education
08	Engineering and Engineering Technology
09	Healthcare and Health Sciences
10	Home Economics
11	Industrial Arts, Trades and Technology
12	Languages, Linguistics and Literature
13	Law
14	Libraries and Museums
15	Life Sciences and Physical Sciences
16	Mathematical Sciences
17	Military Sciences
18	Philosophy, Religion and Theology
19	Physical Education, Health Education and Leisure
20	Psychology
21	Public Administration and Social Services
22	Social Sciences and Social Studies

Table 2.1   Subject matter categories – 1982

However, problems occurred when these categories were applied in higher education planning processes using the NFF, as there were queries regarding student enrolment, student output and FTEs within the four funding groups. As the data used in this system was more than 20 years old at the time, it was regarded as the major reason for the problems. Therefore, in 2007, the DoE requested a review of the 1982 SAPSE Classification System (SA DoE, 2008:2-3). The revision of the SAPSE system resulted in the establishment of 20 CESM categories, each with its subsequent second- and third-order

categories (SA DoE, 2008:2-3). Table 2.2 (SA DoE, 2008:4) below provides an indication of the 20 first-order categories.

01	Agriculture, Agricultural Operations and Related Sciences
02	Architecture and the Built Environment
03	Visual and Performing Arts
04	Business, Economics and Management Studies
05	Communication, Journalism and Related Studies
06	Computer and Information Sciences
07	Education
08	Engineering
09	Health Professions and Related Clinical Sciences
10	Family Ecology and Consumer Sciences
11	Languages, Linguistics and Literature
12	Law
13	Life Sciences
14	Physical Sciences
15	Mathematics and Statistics
16	Military Sciences
17	Philosophy, Religion and Theology
18	Psychology
19	Public Management and Services
20	Social Services

Table 2.2   Subject matter categories - 2008

HEMIS data is used to calculate state funding, as discussed in Section 2.6.1 as from page 64.

2.6 SOUTH AFRICAN UNIVERSITY INCOME SOURCES

Universities produce public and private goods. Public goods are produced through the generation of new knowledge and research, which leads to new

commercial, technological, social and political benefit for national development. Private goods are produced in the form of graduates obtaining better-paying employment. Being mindful of both these benefits, it is logical that the main funding towards universities should be derived from public fiscus (treasury) and private investment (tuition) (USAf, 2016:1).

The higher education sector in South Africa requires R63 billion funding on an annual basis. Traditionally, this amount covered most of the institutions' operating and capital expenses (Wangenge-Ouma & Cloete, 2008:906-907). The DHET is HEIs main' source of funding, in the form of block grants, while tuition fees comprise between 30% and 40% of universities budgets (USAf, 2016:1-2).

Public universities are thus dependent on three sources of income, namely first-, second- and third-stream income. Annual budgetary allocations in the form of block grants and earmarked grants from the state form *first-stream income*. *Second-stream income* comprises tuition fees, while *third-stream income* is received in the form of gifts, grants, returns on investments, entrepreneurial activities, and research projects (HESA, 2008:15). The proportion of government funding towards universities differ between institutions, but, on average, it constitutes approximately 50% of their total income (SA MoE, 2004:2; Ouma, 2007:123). Adequate funding for HEIs is essential, and is explained by Higher Education South Africa (HESA) (2009:6) as an appropriate balance of first- second- and third-stream income.

70% of the total state budget comprises block grants (SA DHET, 2014:4). Block grants are undesignated amounts that are intended to cover HEIs' teaching- and research-related operational costs. Earmarked grants on the other hand, are intended for specific purposes (Steyn & De Villiers, 2005:33).

2.6.1 First-stream income

On a three-year rolling basis, the Minister of Education divides the higher education budget into three different main components: block grants, earmarked grants, and institutional restructuring grants (SA MoE, 2004:5).

2.6.1.1 *Block grants*

According to De Villiers and Steyn (2009:45-46), block grants contributed 87% of the total allocations in 2004. Block grants are intended to cover operational costs relating to HEIs' teaching and learning activities, and are controlled by a university's management and council. Universities that receive public funds are subject to public accountability, requiring them to report their spending of the funds. The results that universities obtain through the use of these funds, and whether national policy goals and priorities were met, are also evaluated (SA DHET, 2014:4). Block grants are based on student enrolments, awarded qualifications, research output, and other institutional data (De Villiers & Steyn, 2009:46).

Block grants comprise four components: teaching input, teaching output, research output, and institutional factors. The teaching input is based on enrolments; the teaching output is based on the number of graduates; and the research output is based on the number of approved publications and advanced postgraduate research degree graduates. The institutional factors are based on the size and proportion of historically disadvantaged students at each HEI (Simkins, 2016:46-47).

Block grants are consolidated into one transfer, to be used by the institution for any legitimate purpose, while earmarked funds are to be utilised for specific purposes (Simkins, 2016:46).

2.6.1.1.1 Teaching Input Sub-block Grant

Actual teaching input units (TIUs) are calculated by applying a weighted factor for funding to the HEMIS unweighted enrolled full-time equivalent (FTE) student total, thereby generating a weighted teaching input for every funding group (SA DHET, 2014:6). It is based on the course load of each student in a specific year (Swart, 2014:5). Four funding groups are determined by the HEMIS student FTE combinations according to the 20 CESM categories (see Section 2.5.2.4 on page 59 for a discussion on CESM categories) (Steyn & De Villiers, 2005:33). This grant is generated by the approved FTE student places (SA MoE, 2004:5). Students who are completing work-integrated learning (WIL) or experiential learning are excluded from this calculation (SA DHET, 2014:6).

TIUs are calculated by multiplying FTEs with the weights of the different groups and qualification levels (Swart, 2014:5). The grants for year *n* is based on approved FTE enrolled students in year *n-2,* weighted according to funding groups and course level, as indicated in Table 2.3 (SA DoE, 2008:67) on page 66 and Table 2.4 on page 66 (SA DHET, 2016:7; Swart, 2014:6) below.

Funding group	CESM categories	Funding ratio at undergraduate level
1	07 Education, 12 Law, 18 Psychology, 19 Public administration and Services	1
2	04 Business, Economics and Management Studies, 05 Communication and Journalism, 06 Computer and Information Sciences, 11 Language, Linguistics and Literature, 17 Philosophy, Religion and Theology, 20 Social Sciences	1.5
3	02 Architecture and the Built Environment, 08 Engineering, 10 Family Ecology and Consumer Sciences, 15 Mathematics and Statistics	2.5
4	01 Agriculture and Agricultural Operations, 03 Visual and Performing Arts, 09 Health Professions and Related Clinical Sciences, 13 Life Sciences, 14 Physical Sciences	3.5

Table 2.3   Funding grid for teaching input units – CESM

Teaching input funding required is based on planned and approved FTE student enrolments, which are weighted for funding purposes in the same manner in which actual teaching input units are calculated. Annual enrolment goals are agreed upon between the DHE and the university council, which goals include distance and contact tuition student data (SA DHET, 2014:7).

Funding group	Undergraduate and equivalent		Honours and equivalent		Masters and equivalent		Doctoral and equivalent	
	Contact	Distance	Contact	Distance	Contact	Distance	Contact	Distance
1	1.00	0.5	2.00	1.00	3.00	3.00	4.00	4.00
2	1.50	0.75	3.00	1.50	4.50	4.50	6.00	6.00
3	2.50	1.25	5.00	2.50	7.50	7.50	10.00	10.00
4	3.50	1.75	7.00	3.50	10.50	10.50	14.00	14.00

Table 2.4   Weighting factors for teaching input units

The weights in Table 2.4 (SA DHET, 2015c) above represent an estimation of relative costs, as determined by a South African Universities' Vice-Chancellors' Association (SAUVCA) and Committee of Technikon Principals (CTP) task team during a study of the HEIs' expenditures in 1997. These weights are multiplied with the number of FTE students, in order to calculate the total teaching input units, which are then multiplied with the Rand value assigned to them (Steyn & De Villiers, 2005:33).

Universities are responsible for planning and managing their enrolments, to ensure that their actual enrolment figure corresponds with the planned total state-funded teaching input unit, as approved by the Minister (SA DHET, 2014:8). Should this not be the case, and a university has under-enrolment of more than 2%, its funding will be adjusted downward. Universities are also discouraged from over-enrolling, as this impacts on the quality of teaching and learning, as well as on the Rand value adjustments of the TIUs (SA, 2012:6).

2.6.1.1.2 Teaching Output Sub-block Grant

The main aim of this grant is to fund the number of student graduates, and concurrently, to increase this number. This is only applicable to graduates at undergraduate to taught master's degree level, as research master's and doctoral graduates are funded from the research sub-block grant (SA DHET, 2014:9). In this instance, the focus is on the number of student graduates, and not on FTEs, as student graduate data is the final outcome of universities. For example, the Teaching Output Sub-block Grant funding for 2015/2016 will be based on the number of student graduates in 2013, as reported in the audited HEMIS (SA DHET, 2014:9). This grant is generated by non-research graduates and diplomats (SA MoE, 2004:5), and is calculated using the actual weighted total teaching output in the form of funded units provided by universities. Specified weights are applied to the actual student graduate figure to calculate the funded units of a university (SA DHET, 2014:9).

Graduates are weighted in order to generate teaching output units (TOUs). The weights are determined according to the length of study or the qualification type (Swart, 2014:8). Table 2.5 below provides an indication of the funding values and weights per qualification level.

Qualification level	Rand value per graduate in 2014/2015	Weight
First certificates and diplomas: two years or less	R9 972	0.5
First diplomas and bachelor's degrees: three years	R19 944	1.0
Professional first bachelor's degrees: four years or more	R29 917	1.5
Postgraduate and Post-diplomas	R9 972	0.5
Postgraduate bachelor's degrees	R19 944	1.0
Honours degrees/higher diplomas	R9 972	0.5
Non-research master's degrees and diplomas	R9 972	0.5

Table 2.5   Funding grid for teaching output units

TOUs are calculated by weighing the number of qualifications awarded in year *n-2* according to the weights in Table 2.5 above (Swart, 2014:8)

Institutions' performance is then assessed by comparing their actual TOUs in year *n-2* with the normative output (norm x enrolled students) according to the benchmarks, as indicated in Table 2.6 below (Steyn & De Villiers, 2005:35). This grant is divided into two parts: The majority thereof which is distributed to all institutions according to their actual teaching output, whilst the teaching development grant is allocated to institutions that underperformed with regards to teaching in year *n-2*. The extent of the under-performance determines the size of the grant.

Qualification type	Contact
Undergraduate: up to three years	22.5%
Undergraduate: four years or more	18.0%
Postgraduate: up to honours degree level	54%
Postgraduate: up to master's degree level	30.0%

Table 2.6   Graduation benchmarks for contact and distance programmes

2.6.1.1.3 Research Output Sub-block Grant

This grant is based on an institution's actual research outputs, and concurrently rewards an increase in research outputs. This grant is generated by research master's and doctoral degree graduates, and publications. Again, specified weights are applied to these research outputs to determine the funded units. For example, the total number of actual publication units, and doctoral and research master's degree graduates reported by an audited HEMIS for 2013 will determine the funding for 2015/2016. Actual publication units include books for specialist audiences, conference proceedings, and articles published in accredited journals. Only articles published in accredited journals that are recognised by the DHET will be subsidised (SA DHET, 2014:9-10).

The funding grid in Table 2.7 below (Swart, 2014:9) indicates the weightings and Rand values for research output units (ROUs) in 2014/2015.

Type of research	Weight	Rand values for ROU in 2014/2015
Publication units	1	R115 052
Research master's degree graduates	1	R115 052
Doctoral degree graduates	3	R345 1571

Table 2.7   Funding grid for research output units

ROUs are calculated by adding together the DHET-approved publication units, the number of research master's degree graduates, and three times the number of doctoral graduates (Steyn & De Villiers, 2005:34).

2.6.1.1.4 Institutional Factor Sub-block Grant

The number of students from disadvantaged backgrounds who are enrolled at a university, and the size of the university in terms of the contact and distance FTE student enrolment figures, are the two institutional factors that are taken into account when calculating this grant (SA DHET, 2014:10). This grant is generated by the enrolment size of, and the percentage of disadvantaged students at a university (SA MoE, 2004:5).

Within the context of the NFF, disadvantaged students are defined as Black (African) and Coloured students (Steyn & De Villiers, 2005:36). Grants for universities with large proportions of disadvantaged students are aimed at increasing the participation, success and graduation rates of disadvantaged students (i.e. African and Coloured students who are South African citizens). Firstly, the proportion of Coloured students to the FTE student figure is calculated. Then, a disadvantage weighting factor is calculated. For a university with a proportion of disadvantaged students of 40% or less, this factor will be zero. This factor increases linearly as the proportion of disadvantaged students increase. The disadvantaged factor is multiplied with a university's approved funded total TIUs, in order for it to obtain additional funding (SA DHET, 2014:10).

The grant amount for disadvantaged students is calculated as seen in Table 2.8 below and added to the Teaching Input Grant, depending on the proportion of Black and Coloured South African citizens (Swart, 2014:10).

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Proportion of African and Coloured students in relevant FTE student enrolment (SA citizens only)	Additional amount added to relevant Teaching Input Grant
80% and above	10%
75%	8.75%
70%	7.5%
65%	6.25%
60%	5%
55%	3.75%
45%	1.25%
40% and below	0%

Table 2.8   Calculation of additional amount added as disadvantaged grant

Additional TIUs are allocated to smaller universities, depending on their FTE student enrolment size (SA DHET, 2014:11). The number of FTE students enrolled for year *n* is the unweighted number of contact distance education students in year *n-2* (Steyn & De Villiers, 2005:36). For universities with an enrolment figure of up to 4 000 students, the institutional size factor is 0,15. This factor decreases to zero as the number of enrolments increases to 25 000. The size factor is multiplied with a university's approved funded total TIUs in order to generate more funding (SA DHET, 201b:11; Steyn & De Villiers, 2005:36).

An additional Teaching Input Grant (seen in Table 2.9 below) is allocated to smaller institutions, according to their FTE student enrolment figure for contact and distance students (Swart, 2014:11).

Total FTE student enrolment: Contact and distance	Additional amount added to Teaching Input Grant
4 000 or less	15%
6 000	13.6%
8 000	12.1%
10 000	10.7%
12 000	9.3%
14 000	7.9%
16 000	6.4%
18 000	5.0%
20 000	3.6%
22 000	2.1%
25 000 and more	0%

Table 2.9   Grants related to the size of universities

2.6.1.2 *Earmarked grants*

Earmarked grants are allocated to institutions for specific purposes (Steyn & De Villiers, 2005:37). As such an earmarked grant constitutes funding that is supposed to be used for specific purposes, and that is not under the control of a university's council. Universities should provide a great deal of input, and annual progress reports should be submitted to the DHET, in order for earmarked grants to be allocated. These grants are used by universities to work towards targets set during enrolment planning, and to ensure that they address national priorities (SA DHET, 2014:5).

The different e*armarked grants for universities* are as follows:
-   University Capacity Development Grant (replacing the Teaching Development Grant and Research Development Grant in 2018);
-   Foundation Provision Grant;
-   Historically Disadvantaged Institutions Development Grant;
-   Veterinary Sciences Grant;
-   Clinical Training Grant;

- Infrastructure and Efficiency Grant;
- New Universities; and
- MBChB Student Grant (SA DHET, 2016:14).

The following three grants are identified as g*rants to universities*:
- National Student Financial Aid Scheme (NSFAS) Grant;
- The National Institute of Human and Social Sciences Grant; and
- The African Institute for Mathematical Sciences Grant (SA DHET, 2016:23-24).

The allocation for earmarked grants has also declined during recent years, which is not in accordance with the Education White Paper 3 (SA DoE, 1997:5), where it was indicated that earmarked grants are to increase to 16% as a percentage of total state funding towards HEIs. Being at 15,6% in 1996, this allocation declined steadily to 10,3% in 2003. This decline placed additional pressure on HEIs to source funding from other operating budgets, or to obtain loans, thus affecting the tuition fees (HESA, 2008:18).

2.6.1.2.1 University Capacity Development Grant (UCDG)

The Teaching Development Grant (TDG) and the Research Development Grant (RDG) was replaced by one University Development Grant (UCDG) effective as from 2018. The phase-out period of the two grants will end on 31 December 2017. The rationale that will inform the UCDG is the need for development programmes to be focused on more rapidly addressing equality and quality issues in universities, and simultaneously ensuring that the system is successful. Implemented in three-year phases, this grant will address transformation requirements in student and staff development, as well as academic programme/curriculum development (SA DHET, 2016:19-20).

For the sake of completeness, the TDG and RDG, which are to be phased out by the end of 2017, will briefly be discussed below.

Teaching Development Grant (TDG)

This grant is aimed at supporting universities to improve student success. It assists in the implementation of teaching and learning development activities that are focused on improving student success, as measured in terms of FTE students (SA DHET, 2014:12-13). With this funding, financial support is provided to all universities towards improving their graduation rates. Graduation rates are calculated as the number of student graduate heads relative to the headcount of enrolled students in a specific year. The maximum weighting for the highest proportion of unsuccessful FTE students is 1.5. The grant is to be applied to develop teachers and teaching; tutorship and mentorship to students; and collaboration programmes, as well as to support the next generation of academics (Swart, 2014:12).

Research Development Grant (RDG)

This grant promotes the research capacity of academic staff at universities in order for them to contribute towards postgraduate teaching and research outputs. The weighted research output total is the sum of the number of research masters and doctoral degree student graduates, and the research publication units. Research publication units are regarded as books for specialist audiences, conference proceedings, and articles in accredited journals. This grant supports the research output sub-block grant, as an increase in a university's actual research outputs also generates additional funding under the research sub-block grant (SA DHET, 2014:15-16). This grant is applied in staff development, mentoring and supervisory programmes, as well as in study support for developmental staff. In 2014/2015, universities migrated towards the institutional shares of 2015/2016, which are based on a snapshot of the sector's research output shortfalls for the 2013/2014 financial year (Swart, 2014:13).

2.6.1.2.2 Foundation Provision Grant

The main purpose of this grant is to improve the academic performance of first-time entering undergraduate students who are enrolled for a qualification,

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but who are at risk of dropping out. These students are placed in a Ministerial-approved extended curriculum programmes, thus increasing the duration of their qualifications with, in most cases, one year. This grant is based on the improvement of student throughput rates, especially those of first-time entering students, and the reduction of student dropout rates (SA DHET, 2014:14).

2.6.1.2.3 Historically Disadvantaged Institutions (HDI) Development Grant

The HDI Development Grant is allocated to certain universities in order to assist them to develop and ensure financial sustainability. Business plans on the envisioned usage of funds should be submitted to the DHET in order for them to obtain the HDI grant, and detailed progress reports and audit reporting on the use of funds allocated are prerequisites for continued support (SA DHET, 2014:17).

2.6.1.2.4 Veterinary Sciences Grant

As the University of Pretoria (UP), the largest proportion of this grant is allocated to them, and the animal hospital is not funded by any other department (SA DHET, 2016:21).

2.6.1.2.5 Clinical Training Grant

Institutions qualifying for this grant should submit clinical training grant budget proposals on a biannual basis, and, as from 2014, are also required to submit their audited student enrolment numbers as at 31 July (DHET SA, 2016:21-22).

2.6.1.2.6 Infrastructure and Efficiency Grant

This grant is allocated to ensure that institutions' infrastructure and expansion-related needs are in line with enrolment planning goals. It also assists in ensuring that all institutions possess the necessary infrastructure, and that

they receive state funding on an equal basis. In the past, universities were required to bid for this grant; however, in future, this grant will be based on a balance between national and institutional priorities, as well as the Macro Infrastructure Plan (SA DHET, 2014:21-22).

2.6.1.2.7 New Universities

Two new comprehensive universities, the Sol Plaatje University (SPU) and the University of Mpumalanga (UMP) were established in 2013. Infrastructure developments, and upgrades and renovations to existing facilities, were funded from this grant (SA DHET, 2014:22-23).

2.6.1.2.8 MBChB Student Grant

The purpose of this grant is to expand the number of enrolled MBChB students at certain universities for the 2016/2017, 2017/2018 and 2018/2019 academic years (SA DHET, 2016:22).

2.6.1.2.9 National Student Financial Aid Scheme (NSFAS) Grant

The Tertiary Education Fund of South Africa (TEFSA) was established within the Independent Development Trust in 1991, with the purpose to provide Black students with loans. It became a stand-alone entity in 1993 (Bhorat & Pillay, 2017:4). With the growing problem of student debt, and inadequate access for disadvantaged students to higher education (Bhorat & Pillay, 2017:4), NSFAS was established from TEFSA in 1996 (Simkins, 2016:47). This scheme, funded primarily by the DHET (Bhorat & Pillay, 2017:4) in the form of bursaries and study loans, was established through an Act of Parliament, and aims to provide a sustainable financial aid system for students (SA DHET, 2013:36). While TEFSA was purely a loans scheme, NSFAS gradually started to include bursary options, such as rebates for academic success and bursaries for specific purposes. By 2012, 53% of NSFAS funding was awarded in the form of bursaries (Simkins, 2016:47).

NSFAS is a key role player in granting students from poor and working class communities access to higher education in South Africa (HESA, 2014:1; SA DHET, 2014:19). According to HESA (2008:44), this scheme is an "income contingent loan and bursary scheme", with a mission to impact the South African racially skewed student population through the provision of a sustainable financial aid system. It was established to "resolve" the tuition-fee challenge by enabling poor, but academically deserving students to meet their own, as well as the country's developmental needs.

During 2007, this scheme supported 120 000 of the 735 000 university students with loans or bursaries (Macgregor, 2011). The amount of funding awarded dramatically increased during recent years, with R5 871 million being awarded to students at universities in 2012, and almost R2 million to those at FET colleges (Simkins, 2016:47). During the Budget Vote Speech at the National Assembly, the Minister of Higher Education and Training, Dr Blade Nzimande, identified NSFAS as a significantly successful aspect in the history of a democratic South Africa. He did, however, admit that it poses major administrative challenges which are being investigated. He added that the substantial additional funding that have been injected into NSFAS, has not proved to be sufficient to support all financially needy students at universities (SA DHET, 2017).

Financially needy, but academically deserving students are eligible for this grant. As NSFAS is a first-degree or diploma funder, Bachelor of Technology (BTech) programmes are not funded (Standing Committee on Appropriations, 2014). NSFAS loans are repaid by students as soon as their employment income reaches a certain level. Students are tracked to their employment places via SARS, and recovered money is then re-injected into NSFAS. The challenge, however, remains tracking students who dropped out, as well as those who do not enter formal employment (HESA, 2008:44-46).

NSFAS allocates funding to HEIs according to the number of disadvantaged students, their demographic profile and the average full cost of study (AFCS)

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(Steyn & De Villiers in HESA, 2008:44). The average full cost of study (AFCS) includes tuition fees and accommodation expenses. A weighted number of disadvantaged students (WDS) per HEI, is calculated (Steyn & De Villiers, 2005:66) using the following formula:

- WDS = (FTE enrolled African students x 3) + (FTE enrolled Coloured students x 2) + (FTE enrolled Indian students x 1).

The WDS and AFCS are used to determine each institution's NSFAS allocation for a specific financial year. HEIs then use the following formula to determine the amount to be awarded to individual qualifying students:

- NSFAS award = costs – bursaries – expected family contribution (Steyn & De Villiers in HESA, 2008:45).

Simkins (2016:62-63) warns that the rapid increase in the number of students who were provided with financial aid during 2009 and 2011, as well as the size of the awards, is unsustainable. What is also alarming, is the increase in bursary awards from 0% in 1991, to 53% in 2012. As a result, loan recovery is low, thereby further increasing the pressure on already pressured NSFAS. Furthermore, NSFAS awardees remain underfunded. In addition, in an article published in *The Times* on Friday, 22 January 2016, it is stated that former students who benefited from NSFAS are slow in repaying their debt after graduation. R6 billion of the allocated R21 billion is still to be recovered from beneficiaries, dating as far back as 17 years. This amount of debt is mainly owed by students who dropped out, are unemployed, or are still studying (Jamal, 2016:1).

2.6.1.2.10   *The National Institute of Human and Social Sciences (NIHSS)*

The NIHSS was established in 2013, and is mainly concerned with supporting the Human and Social Sciences (HSS) in South Africa. This board advises government and civil society on HSS-related issues through Doctoral Schools,

Catalytic Projects and its African Pathways Programme (SA DHET, 2016:23-24).

2.6.1.2.11   *The African Institute for Mathematical Sciences (AIMS)*

AIMS offers a Master's Degree in Mathematical Sciences on behalf of the University of Stellenbosch, the University of the Western Cape, and the University of Cape Town. Students are enrolled at their respective universities; however, as these students are not recorded in the HEMIS of those universities, the institutions do not receive block grant subsidies for these students (SA DHET, 2016:24).

In addition to the above-mentioned grants, provision was made for a gap funding grant for poor and "missing-middle" students for the 2017/2018, 2018/2019 and 2019/2020 academic years. This grant is managed by the DHET, and is intended to cover the increase in university fees, up to 8%, for "missing-middle" and poor students (SA DHET, 2016:22).

2.6.2 Second-stream income

Being the second-highest sources of income after state funding, most South African public universities are dependent on tuition fee income (HESA, 2008:25).

2.6.2.1 Tuition fee determination

Tuition fees are the highest source of non-governmental income (HESA, 2008:20). In essence, tuition fees are education prices. Prices indicate the scarcity of products and are used to allocate resources. When prices are too low, wastage occurs, while prices that are too high result in under-usage. Prices are therefore set with the goal of optimal usage (HESA, 2008:25). Prices are also based on the theory of supply and demand of a product. Demand is determined by the usefulness of a product, and decreased as the price increases. Supply is determined by a product's costs, and increases as

the price increases. This theory assumes perfect competitiveness between suppliers, which is not the case, especially amongst HEIs. The reasons for this imperfect competitiveness are that the demand for the product (educational programme) might be too low, as the product is undervalued by the client; the benefits gained from the product are ignored by clients (students); the product cannot be afforded by the client; and the client's life-stage income is not in line with the expenditure on the product (HESA, 2008:26). These "market failures", as they are known, can be corrected by enforcing the use of the goods; providing subsidies as a benefit to the public; lowering the cost of the product; applying means-testing in the allocation of NSFAS student financial aid; and applying mechanisms, such as NSFAS and other forms of financial aid, to align the individual's income with his/her expenses (HESA, 2008:26).

Responding to the declining government funding during the last decade (as discussed in Section 2.4.3.1 on page 43), universities were forced to rely more heavily on tuition fee income. Various universities have not only adjusted their tuition fees by means of regular increases, but have also adapted the manner in which tuition fees are charged, thus ensuring cost recovery and maximum income levels (HESA, 2008:9-10; Ouma, 2007:194). Tuition fees increased at a higher rate than the state's contribution to NSFAS (HESA, 2008:10-11).

The increase in tuition fees has been criticised for general reasons, mainly due to the fact that it has been increased at a higher rate than inflation (Wangenge-Ouma & Cloete, 2008:914). Wangenge-Ouma and Cloete (2008:910) found a positive correlation between the increase in tuition fees and the decreasing state funding of public universities. These increases have not been witnessed without controversy and protest by government and students. Government is mostly concerned about the fact that tuition fees increase at a higher rate that their contribution towards NSFAS. Market demand for a study programme and the cost of offering the courses determine or influence the fees charged for the programme. In addition, tuition fees are

determined institutionally, as no guiding system or model regarding the setting of fees is in place. This results in vastly varying fees for different programmes. Griesel (in Wangenge-Ouma & Cloete, 2008:914) agrees that the increase in tuition fees has been driven by the cost of provision, but adds that inflation and income generation are two other reasons for this incline.

There are obviously consequences to the increasing tuition fees. The first party who is disadvantaged by this trend, is poor South Africans who are not able to afford higher education, or even pursue it. As a result, many South Africans view higher education as a rare commodity that is only intended for the rich. The tendency to increase tuition fees also results in an uncontrollable increase in student debt (Wangenge-Ouma & Cloete, 2008:915).

2.6.2.2 Tuition fee models

Several models or processes are used to determine tuition fees. Universities in South Africa use various combinations of these models to determine their fee structures.

The *flat rate* or *uniform tuition fee model* requires students to make a nationally set flat-rate contribution towards their studies. The tuition fees are set by government, ignore the actual expenses relating to higher education provision and institutional differences, and prevent competition.

With a *fixed-fee model,* students are guaranteed that their tuition fees will remain stable for the duration of their studies. Actual higher education provision costs are also not taken into account, and fees are only adapted for incoming students.

When using the *differentiated/variable model,* tuition fees differ between study departments and different institutions. Institutions set their own fees, which results in a high variability of fees.

The *redistributive model* takes the prospective student and his/her available disposable income into consideration when determining fees. Although fees are set, prospective students from low-income families only pay what they can afford, while the financially more privileged prospective students pay the entire amount. The tuition fees as well as the number of students accommodated are linked to available financial aid.

When using the *dual-track tuition fee model,* free*,* low-cost or government-subsidised higher education is provided on a restricted merit basis, while other prospective students are admitted on a full-fee-paying basis only. This allows HEIs to enrol a number of additional students over and above those subsidised by the government.

When fees are set according to the market demand for study programmes, the costs of the provision thereof, and the potential earnings capacity of the graduates, a *free-market tuition fee model* is applied (HESA, 2008:20-22).

The differentiated/variable model is used by the majority of South African universities, although there is no specific set system-level model that guide this important function of setting tuition fees. The decision on increasing tuition fees within the higher education system is also based on various processes. Some universities set their tuition fees according to competitor institutions. Only a few institutions set their tuition fees on the basis of the total direct and indirect costs of providing the study programmes. At some institutions, tuition fees are set according to a rate that is higher than the general inflation rate, as institutional costs rise at a greater rate than the general customer inflation rate. Education economists have proven this to be true, as higher education inputs, such as journals, laboratory consumables and research equipment, have a higher inflation rate. Another supporting argument is that academic remuneration should keep up with the economy in order to attract good-quality staff (HESA, 2008:22-24).

2.6.2.3 Challenges related to tuition fees

Students world-wide have been resisting tuition fees, or at least the increase thereof. In a country such as South Africa, where extreme inequalities are present, students, and especially poor students, resist increasing tuition fees. This is mostly understandable, as the tendency of high and increasing tuition fees inhibit access to higher education for the poor student market (HESA, 2008:34). Inevitably, tuition fees have become a major area of debate and concern in South Africa. Concerns are mostly raised regarding the equity of access — ensuring that tertiary education is more accessible to all prospective students, as was set out as a transformational goal in the Education White Paper 3 (SA DoE, 1997:5).

The Fees-Must-Fall campaign initially started with students blaming the fee crisis on the universities (Cloete, 2016:118). This campaign placed South African HEIs in the spotlight in 2015, after students from all universities around the country protested against the announcement of a 10,5% annual tuition fee increase. A revised increase, capped at 6%, was agreed upon by the universities' vice-chancellors, and the Minister of Higher Education and Training Minister Blade Nzimande. However, this was not satisfactory to the students, who continued to protest (Areff, 2015a). The protests became violent, and disrupted classes. On 23 October 2015, after collaboration with student leaders and university officials, President Jacob Zuma announced that there will be a 0% increase in university tuition fees in 2016 (Areff, 2015b; SA, 2016:5). Janse van Rensburg (2015) reported in *Network 24* that Prof. Jonathan Jansen, the previous Rector and Vice-chancellor of the University of the Free State, was not in favour of the 0% increase in university fees for 2016. Prof. Jansen indicated that the South African government will regret the promises made to the students, as the cost to the government will be much higher than anticipated.

In 2016, South Africa's Minister of Higher Education and Training, Dr Blade Nzimande, announced that, for 2017, universities have the autonomy to

determine their own level of increase in tuition fees, up to a maximum of 8% (Shay, 2016). However, students marched to the government in Pretoria and to the African National Congress (ANC) headquarters on 23 October 2016, where they received full support for their demands from ANC Secretary-General Gwede Mantashe, adding that the state must receive more authority to regulate universities. In addition, he blamed the vice-chancellors for the protest. As a result, the universities, and more specifically their vice-chancellors, were caught between the students and the state (Cloete, 2016:118).

Yet, considering the history of the declining government funding, the state was not without blame. When analysing Figure 2.3 below (Cloete, 2016:119), it is clear that the increase in tuition fees was necessary (Cloete, 2016a:118-119).
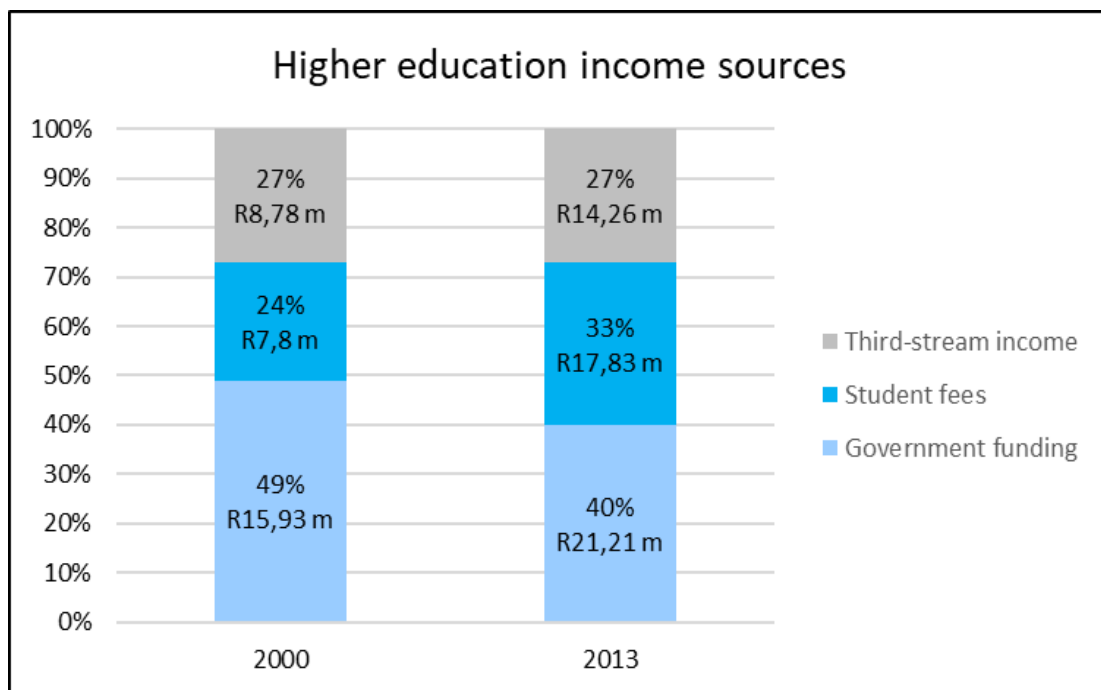
Figure 2.3   Higher education income sources

During the period 2000 to 2013, government funding towards South African higher education increased, in monetary terms, with 33%. However, proportionally, it decreased with 9%. To compensate for the declining state

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funding, student fees more than doubled in this period, with HEIs being placed under enormous pressure to generate third-stream income, and also had to increase from R8,78 million to R14,26 million (Cloete, 2016:118-119).

On the other hand, Johnstone (2006:39) provides evidence for support, society is regarded the major beneficiary of higher education. However, as higher education is regarded as a public good, there are various arguments for it to be offered at no cost to students and their families (Johnstone, 2006:39). With a larger higher-educated population, national wealth is increased, and economic growth occurs, as skilled workers contribute positively towards it. International competitiveness improve; public service and private establishments perform better; innovation and technological developments improve; crime and poverty are reduced; cultural and social tolerance improve; democracy is strengthened; public rights are ensured; and income distribution patterns are improved (HESA, 2008:29). However, although students countrywide are campaigning for free education (as Sthembiso Ndlovu, the Deputy Chairperson of the South African Students Congress in Gauteng, said, "we are continuing with our fight for free education"), there are sufficient grounds to base a case for sharing the cost of higher education.

As the roles and benefits of higher education are discussed in detail in Section 2.4.1 on page 34, it is clear that higher education benefits both private and public societies. It is therefore deemed reasonable that the cost of the provision of learning programmes is shared between the state and the individual beneficiary. Higher education cost-sharing is done between various stakeholders, such as the government, the students, their parents and industry (HESA, 2008:27-28). HESA (2008:35) argues that costs must at least be shared between the individual consumer (the student) and society, increasing the affordability thereof, as both gain tangible benefits from higher education, and higher education also holds great benefits for the individual graduate. In addition, USAf (2016:1) argues that tuition fees must be at a

level that allows students and their families to sufficiently value higher education.

Sharing the cost of higher education is not only driven and motivated by social benefits, but is also described as a pure need for non-governmental income due to the higher social demand for higher education. The decline in financial support from the state further necessitates the sourcing of other income streams. Another rationale for the sharing of higher education costs is that HEIs become more responsive and efficient, thus becoming more cost-conscious and responsive to the needs of individuals and society (HESA, 2008:31-32). The challenges faced by the higher education sector with regards to cost-sharing, are increased by the fact that a large number of students who enrol for higher education, are from poor families, being the "first-generation students". Therefore, HEIs, as well as the higher education system, are forced to keep fees as low as possible, while increasing the expenditure on financial aid in the form of bursaries, loans and scholarships, and keeping processes in place to ensure that the curriculum outcomes are met (HESA, 2008:35).

2.6.3 Third-stream income

As seen in Figure 2.3 on page 84, government funding towards HEIs decreased significantly during the period 2000 to 2013. To compensate for the declining state funding, pressure was placed on HEIs to increase their student fee income and third-stream (Cloete, 2016:118-119).

2.6.3.1 *Contract research, endowments, commercialisation of intellectual property and others*

While tuition fees, government subsidies and investment income are the main income streams for public universities, national and international donations, contract research, sales of goods and services, and research grants are other sources of income (Wangenge-Ouma & Cloete, 2008:911).

Considering that the South African government is placing pressure on universities to control the increasing tuition fees, these institutions are shifting their focus to greater third-stream income generation. Sources of third-stream income vary from donations and investments to entrepreneurial activities. According to Prof. Rolf Stumpf, former Vice-Chancellor of NMMU and chairperson of the HESA Task Team producing the fees report, universities find it difficult to obtain third-stream income (Macgregor, 2008). He justified this statement with the following reasons: weak relationships between universities and businesses; South Africa's lack of a sound industrial-business base; insufficient tax breaks for companies and individuals; weak structures for administrating alumni and fundraising; the absence of a "giving culture"; the inadequate research capacity of some universities; and the disadvantaged geographic and economic environments of several institutions (HESA, 2008:20; Wangenge-Ouma & Cloete, 2008:912-913).

Wangenge-Ouma and Cloete (2008:913) identify another challenge related to third-stream income as the volatility of these non-governmental or market sources on a yearly basis. Therefore, despite the challenges pertaining to the declining thereof, government funding remains the most stable source of income for public universities.

An appeal was made that government departments establish efficiency measures in order to generate additional funding for universities. Suggestions for such efficiency measures were to reduce overhead costs, collaborate with other universities in saving on expenses, improve debt collection, explore donor funding sources, and establish processes that will generate third-stream funding (SA DHET, 2014:2).

It is worth noting that not all income streams necessarily contribute positively to the financial health of a public university. Income streams such as research grants and donations are usually tied to specific purposes or activities, and as such, institutions often do not have discretion over the

spending thereof. Therefore, it cannot, for example, be used to cover teaching-related expenses (Wangenge-Ouma & Cloete, 2008:912).

South African universities have found it difficult to generate third-stream income. The main reasons for this are the lack of stable linkages between universities and the corporate sector; poor tax incentives for charity in South Africa; the absence of the business sector in contributing towards skills development; and the untapped relationships with alumni (Gastrow, 2016).

2.7   CHAPTER SUMMARY

The researcher's objective with this chapter was to create an understanding of the current realities pertaining to funding in the higher education sector, and to use this information and insight in the formulation of a sustainable financial management strategy for South African universities' hotel schools.

The significant role that higher education plays world-wide cannot be disputed, and definitely does not go without noting in South Africa. HEIs have a significant social and economic role to play in South Africa, apart from the traditional role of higher education. These institutions have been challenged with global and national changes, in addition to the restructuring of the South African higher education landscape since 2002. The important roles and functions of HEIs, as well as the challenges faced by these institutions, were discussed in this chapter. Pressure to increase third-stream income, due to declining state funding, and the challenges to obtain second-stream income, are two of the various funding-related challenges with which HEIs are concerned, were discussed in this chapter. The South African Funding Framework was then described and discussed, after which the range of higher education income sources were explained.

CUT Hotel School, situated in a restructured HEI that originated from a technikon, experiences all of the challenges discussed in this chapter. It is thus not unusual that this department struggles to balance its income and

expenses. However, due to distinct academic- and operational-specific pressures, which are discussed in detail in Chapter 5, the School is not functioning in a financially sustainable manner, and is dependent on other departments for additional financial resources.

A discussion of financial management strategies and the management of resources is provided in the next chapter. An explanation of the RAM is also provided.

CHAPTER 3

FINANCIAL MANAGEMENT STRATEGIES

3.1 OUTLINE OF THE CHAPTER
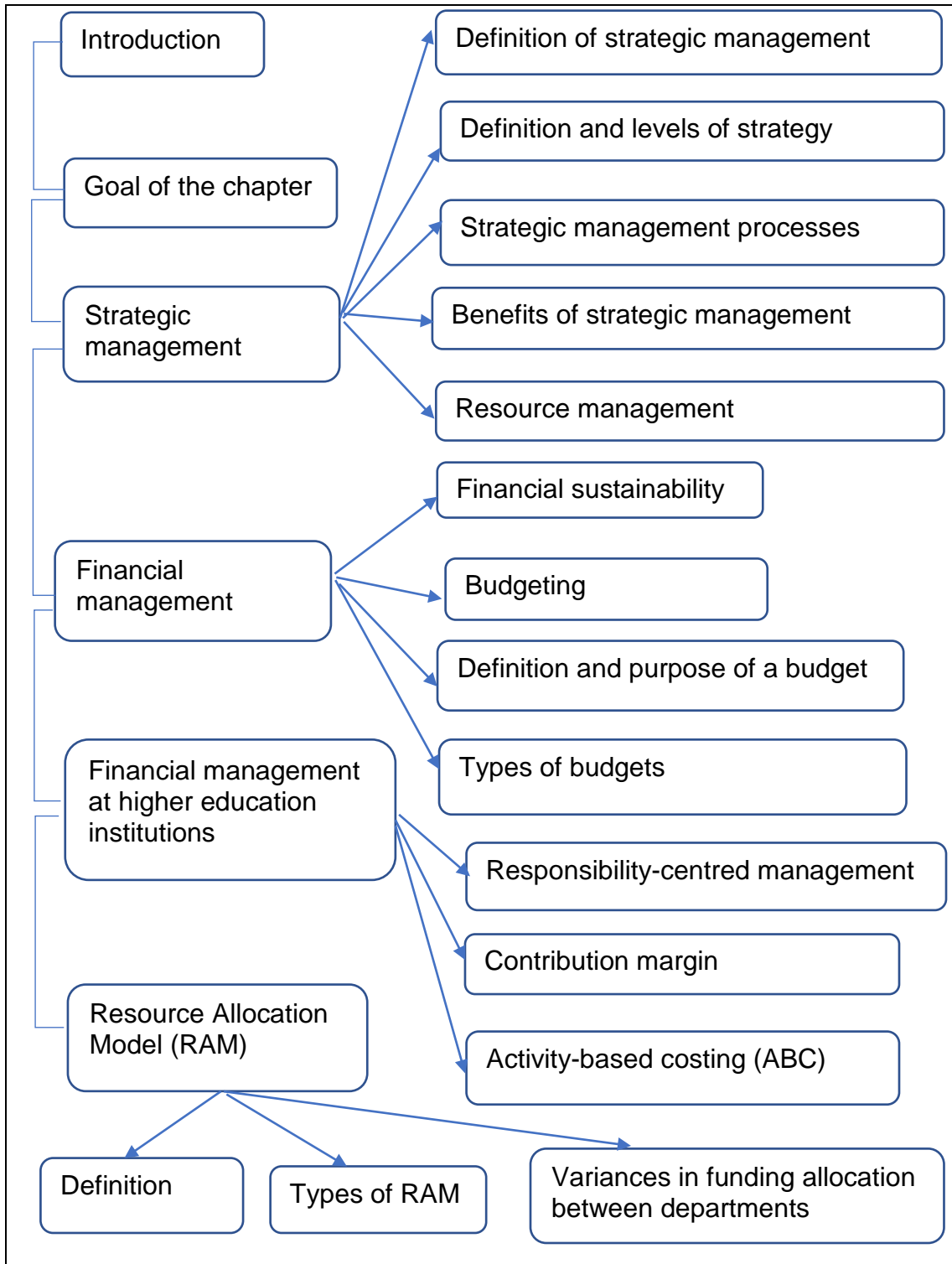
3.2 INTRODUCTION

A literature review of financial management strategies applied in businesses, but more specifically in higher education institutions (HEIs) is provided in this chapter. Financial management is an integral component of strategic management, and therefore strategic management will firstly be explained. Furthermore, the concept of budgeting will be discussed, as well as the importance thereof, after which the Resource Allocation Model (RAM) concept will be clarified.

3.3 GOAL OF THE CHAPTER

The goal of this chapter is to identify and discuss financial management strategies as a subsection of strategic management, in order to identify suitable options for practical implementation in the higher education context, and more specifically at South African universities' hotel schools.

3.4 STRATEGIC MANAGEMENT

The four main functions of management are: planning, organising, leading and control. *Planning* provides direction to the organisation in the form of goals, and the setting of a plan to reach these goals as productively as possible. It forces management to be future orientated, and assists management to deal with change within the business environment. As soon as the plans are in place to achieve the set goals, various resources, such as money, people, information, raw material and others, are combined in the best possible format, in order to achieve the set goals. This process is known as *organising.* An organisation does not only comprise machinery; people are employed to activate the financial, physical and informational resources thereof. In order for an organisation to achieve its set goals, these people need to lead through influence, guidance and direction. Control procedures are applied to ensure that an organisation progresses towards its goals, and applies its resources properly and productively (Du Toit, Erasmus & Strydom, 2010:173, 191, 192, 209, 227). The success, and therefore sustainability, of

any organisation is dependent on the effectiveness and efficiency of its management (Louw & Venter, 2013:21).

Lazenby (2014:2) provides the objective of strategic management as the optimal positioning of the organisation for the future, while Ehlers (2007:1) adds that strategic management is the answer to survival in an ever-changing environment. Strategic management is not only concerned with the broad effectiveness of the organisation, but also with the direction the business follows within the complex, dynamic and ambiguous environment (Louw & Venter, 2013:22). The task of organisational management in a competitive arena within the twenty-first century is a complex one. It impacts the organisation's leadership, its strategies and organisational design. The complexity of this task is increased by the competitive nature of organisations, and the leaning towards flexibility in accommodating change, sustainability, and business ethics (Louw & Venter, 2013:6).

3.4.1 Definition of strategic management

During the turbulent global environment of the 1960s and 1970s, with the increased pace of technological and demographical change, as well as changing political and social trends, managements were forced to develop an approach to align their organisations' goals and objectives with the changing trends in the business environment. This strategic management approach is still used today, as managers still need to think and act strategically (Erasmus, Strydom & Rudansky-Kloppers, 2013:184). David (in Lazenby, 2014:2) formally describes strategic management as "the art and science of formulating, implementing and evaluating strategic cross-functional decisions that enable the organisation to achieve its goals and objectives". Ehlers (2007:2) elaborates on this definition by defining it as the integration and co-ordination of organisational functions and resources in order to implement strategies that are aligned with the environment. This is done to achieve long-term goals and gain a competitive advantage by adding value to stakeholders. A stakeholder is regarded as anyone who has a direct or indirect influence on,

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or who is directly or indirectly influenced by the organisation, including shareholders, the media, customers, financial institutions, employees, the community, suppliers and the government (Ehlers, 2007:3).

3.4.2 Definition and levels of strategy

The concept "strategy" has a military origin. It was derived from the Greek word *strategos*, referring to a military commander. In earlier years, decision makers would design their battlefields in such a way that they had an advantage over the enemy. A military strategy required the identification of an enemy's weak spots, and the use of one's own strengths to attack the enemy where they were most vulnerable (Lazenby, 2014:3). The concept of strategy has always been an essential component of managerial activity, and dates as far back as 500BC. Alfred Chandler's definition of strategy in *Strategy and Structure* is quoted as: "The determination of the long-run goals and objectives of an enterprise, and the adoption of courses of action and the *allocation of resources* necessary for carrying out these goals". The importance of resource allocation is echoed in James Brian Quinn's definition of strategy in *Strategies for Change: Logical Incrementalism:* "A well-formulated strategy helps marshal and allocates an organisation's resources into a unique and variable posture based upon its relative internal competencies and shortcomings, anticipated changes in the environment, and contingent moves by intelligent opponents" (Louw & Venter, 2013:9-10).

Aligned with the historical Greek origin of strategy from the military force, Lazenby (2014:3) defines the term "strategy" as the effort or action to be implemented by an organisation in order to outperform its competitors. According to Collis and Montgomeri (2005:8), the term "corporate strategy" was originally used to describe the decisions that determined the company's goals, main policies for achieving these goals, and the range of trades the company intended to follow.

Any organisation needs a strategy in order to reach its purpose. Engagement with government, and focusing on the environment and socio-economic development, ensure a sustainable competitive advantage (Louw & Venter, 2013:8). As illustrated the corporate strategy triangle in Figure 3.1 (Collis & Montgomeri, 2005:11) below, a corporate strategy is a set of five elements that lead a company to a corporate advantage that, in turn, creates economic value.
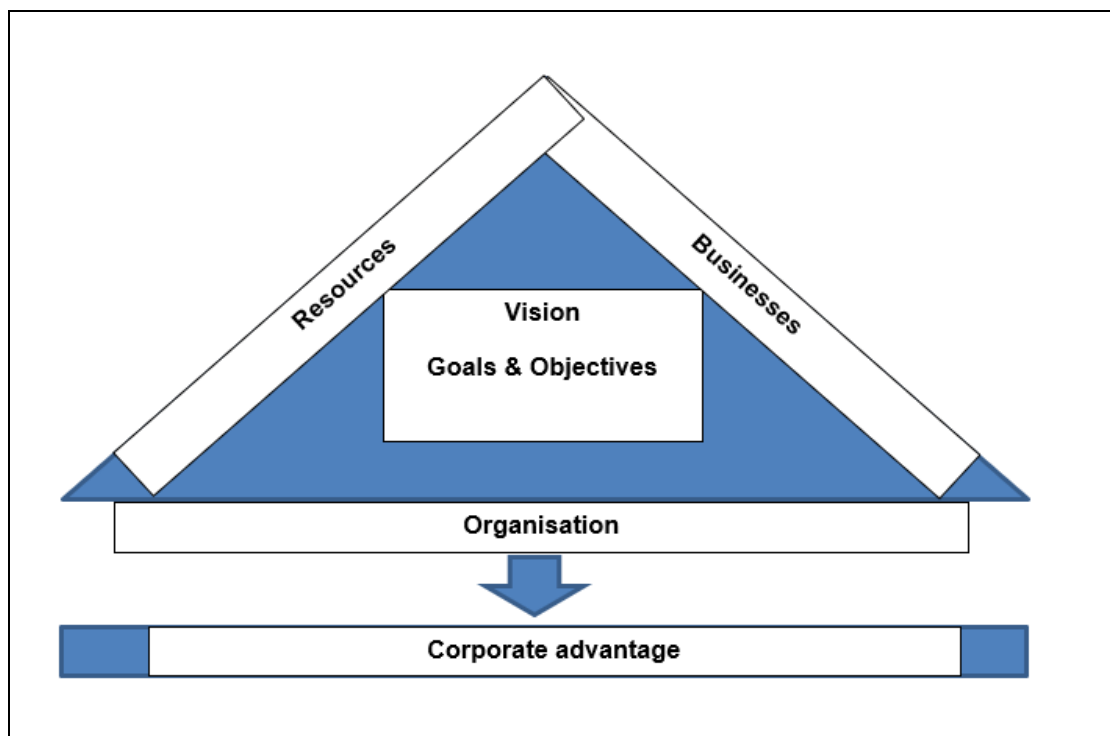
Figure 3.1   Corporate Strategy Triangle

The three sides of the triangle: resources (assets, skills and capabilities), businesses and organisation are seen as the foundation of the corporate strategy. When these are brought in line with the organisation's vision (at the centre of the triangle), goals and objectives, a corporate advantage can be produced, justifying the organisation's existence (Collis & Montgomeri, 2005:11-13).

An organisational strategy is developed by managers and employees, and occurs on the following levels:

- Business-level strategy: This refers to the organisation's competitive strategy, and how it achieves a competitive advantage in each area of the business. This can be done through the products or services rendered; the markets the organisation develops; or the creation of value for customers.
- Corporate-level strategy: This refers to the general purpose and scope of the organisation.
- Functional-level strategy: This refers to the operational-level strategy — implementing business strategies through the functional areas of marketing, human relations, production, information systems, and finance. This includes the activities of processes, practices and resources (Collis & Montgomeri, 2005:8; Louw & Venter, 2013:19-21).

3.4.3 The strategic management processes

Strategic management is focused on the effectiveness of a business, as well as its direction within an active, multifaceted and uncertain environment. In the initial strategy planning stage, the strategic direction is set, the environments within which the organisation operates are analysed, and effective strategies are developed and formulated (Louw & Venter, 2013:22). Ehlers (2007:4-7) adds that this step is executed by all levels of management, but that it is driven by top management. Organisational direction is based on having a vision and mission statement, as it reminds management and staff of the reason why the business exists. Ethical behaviour and corporate governance form the basis of organisational direction development, which is the backbone of strategic management. Possible opportunities and threats need to be identified during the analysis of the business' external environment. The external environment consists out of the business' macro and market environment, and includes aspects over which the business has no control. Possible strengths and weaknesses are identified from a SWOT analysis of the internal environment, also known as the company profile or micro environment, which includes aspects that are within the business' control, such as its resources. This stage is of utmost importance in the

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strategic management process, and is crucial for the organisation to effectively progress to the second stage (Ehlers, 2007:4-7). In addition, Louw and Venter (2013:22) caution that sustainability needs to be incorporated into the strategies.

The second stage of the process is mainly conducted by top management. During this stage, the long-term objectives are formulated according to the information obtained from the environmental analysis. This dictates the way forward in the form of broad corporate and generic strategies. These broad strategies are then used to formulate three more specific groups of strategies, namely growth strategies, decline strategies and corporate strategies (Ehlers, 2007:4-7).

Thereafter, the strategic plans need to be implemented by means of proper communication with all stakeholders, and commitment from stakeholders, especially the employees (Ehlers, 2007:4-7). During this stage, leadership activities, performance management and control processes are integrated in order to achieve effective performance (Louw & Venter, 2013:22). Supplemented by short-term objectives and policies, the strategic plans are implemented through drivers such as leadership, reward systems, organisational structures and the allocation of resources (i.e. effective financial management) (Ehlers, 2007:4-7). Decisions on resource allocation are powerful tools in the influencing of other functions within an institution (Promades, 2012:69).

3.4.4 Benefits of strategic management

Strategic management has a vast number of benefits, depending on the stage at which the organisation finds itself, as well as who or what is being influenced through the management process. These benefits range from increased profitability and productivity, improved communication, empowerment, discipline, and more effective time management, to more effective resource management. Resources, being scarce, are carefully

managed through controlled resource allocation according to the functions within the implemented strategies (Ehlers, 2007:8).

3.4.5 Resource management

The organisational strategy is influenced by internal and external factors. Externally, the macro, micro and industrial environments have an impact on the strategy. Internally, three factors play vital roles: resources and capabilities, goals and values, and strategic design (Louw & Venter, 2013:19). Lazenby (2007:80) adds that the identification, development and distribution of these resources, capabilities and core competencies are as challenging and difficult as any other strategic management task. According to Lazenby (2014:1), the success of an organisation lies in strategic planning and the ability to manage its resources and capabilities effectively and efficiently.

Resources can be in the form of tangible assets, intangible assets and organisational capabilities, and can include financial, physical, human, and technological resources, and innovation, information and reputation (Collis & Montgomeri, 2005:30; Lazenby, 2007:84-85; Cronje, 2007:256). Capabilities are regarded as the glue that develops over time, and that holds the organisation together. It is the network of processes and skills that determines the effectiveness and efficiency of the transformation of inputs into outputs. The foundation of an organisation's capabilities lies in the skills and knowledge of its employees (Lazenby, 2007:86). Ireland, Hoskisson and Hitt (2013:75-76) add that capabilities are the combined tangible and intangible resources of an organisation. Capabilities are then used to complete the tasks within the organisation in order to deliver the service or produce the product.

Organisations commonly define four types of resources that should be controlled in order to accomplish specific goals, namely:
- human resources – the placement of employees, training and staff development, performance appraisal, and remuneration levels;

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- financial resources;

- physical resources – inventory control and quality control; and

- information resources – accurate market forecasting, sufficient environmental scanning, and economic forecasting (Du Toit *et al.*, 2010:234).

The following figure shows how these four types of resources are linked:
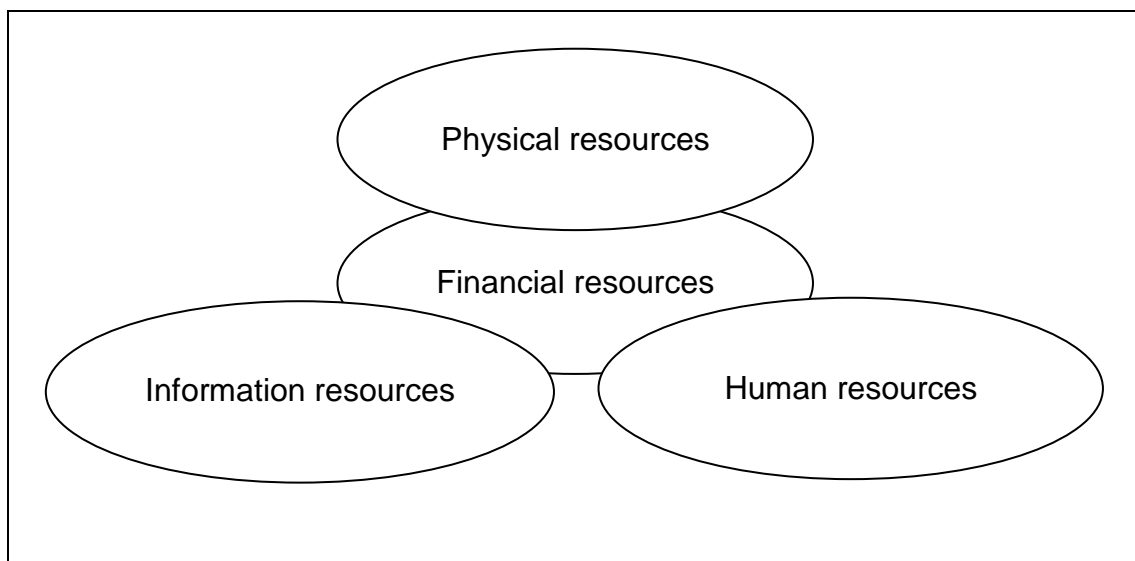
Figure 3.2   Key areas of control

As illustrated in Figure 3.2 above (Du Toit *et al.*, 2010:234), financial resources are at the centre of the group of resources, as they are controlled in their own right through financial statements, debtor control, etc., whilst the other three resources are also controlled through financial control measures or techniques such as budgets, sales, etc. (Du Toit *et al.*, 2010:234).

Financial resources are at the heart of the control process, and are vital to the success of an organisation. Three types of financial resources have to be controlled: resources flowing into the organisation (returns on investment); resources held by the organisation (cash and working capital); and resources flowing out of the organisation (payments such as expenses and salaries). All of these resources should be controlled in order to cover expenses and earn a profit. Another vital instrument to control financial resources is budgetary

control (Du Toit *et al.*, 2010:237), which will be discussed in the following sections.

Resources, especially the availability or scarcity thereof, influences an organisation's current situation and future projections, and thus also its sustainability. Organisations are increasingly pressurised to be responsible, sustainable and corporate inhabitants, while having to manage their own resources (Louw & Venter, 2013:7).

3.5 FINANCIAL MANAGEMENT

According to Du Toit *et al.* (2010:419), financial management is "the art and science of obtaining enough finance for a business at the lowest cost, investing in assets earning a return greater than the cost of capital, and managing the profitability, liquidity and solvency of the business". Financial management refers to the process and functions of managing the resources of an organisation in order to achieve set goals and aims. This not only involves the securing of funds and assets, but also the management thereof.

The vision and the mission of the organisation are formulated by top management, after which the strengths and weaknesses of the firm are analysed, and the opportunities and threats within the external environment identified (Du Toit *et al.*, 2010:448). The long-term success of an organisation is dependent on how the leaders strategically manage and respond to its economic, social and environmental relationships, thereby creating value and sustainability. The strategic direction is demonstrated when the organisation's vision, mission and goals are persistently pursued and its resources strategically managed, and, when actions are in place to focus on its goals (Louw & Venter, 2013:33). The successful implementation of the strategy formulated by top management, is dependent on available human and financial resources. Financial planning is thus an integral part of an organisation's strategic planning function. Organisations mostly use budgets as the basis of their financial planning and control (Du Toit *et al.*, 2010:448).

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Financial control systems are planned and implemented to ensure that functions or activities are executed correctly. These systems focus on various responsibility centres, and, consequently, budgets are developed for these centres within an organisation. Such a centre can be explained as any functional unit within an organisation that is headed by a manager who takes responsibility of the tasks and activities of that unit. All units require and use input or costs (resources) in order to produce outputs or income. Responsibility is thus assigned to these three aspects: income, costs, and profit and investment centres (Du Toit *et al.*, 2010:448-449).

Resources can be managed and controlled effectively, through budgeting, as the spending of resources is done in an accountable manner according to the institution's framework and goals. A budget is thus a tool to ensure that the resources required for educational activities, in order to meet the educational objectives, are available. Resource management is the most important activity within a departmental budget (Du Plessis, 2013:77, 79).

3.5.1 Financial sustainability

Sustainability is one of the key elements of strategy. It requires that strategic decisions be maintained over a long period of time (Lazenby, 2014:4). Sustainability is defined as "the ability to be maintained at a certain rate or level; the sustainability of economic growth; schemes to ensure the long-term sustainability of the project" (Oxford Dictionaries, 2016). It is also defined as "the capacity to endure and remain productive over time (Louw & Venter, 2013:534). In order to survive within the current business environment, (Brown, Bessant, & Lamming, 2013:187-188), business operations must be managed in such a way that the organisation will be able to compete against an ever-changing and competitive world. Sustainability, thus, forms a central part of strategic competitiveness.

For strategic planning to truly be future orientated, sustainability, together with strategy, risk and performance, should be an inseparable part thereof. It is a

core moral and economic imperative, and an important source of opportunities and risk for a business (Smith, 2014:78-79).

Financial sustainability is defined as "an organisation's capacity to obtain revenues (grants or otherwise) in order to sustain productive processes (projects) at a steady or growing rate in order to produce results (i.e. accomplish the mission, goals or objectives)" (León, 2001:13). Bowman (2011:38) explains financial sustainability as a companion concept to financial capacity. Financial capacity is concerned with the long- and short-term availability of resources, while financial sustainability is dependent on the rate of change in financial capacity.

The four pillars on which financial sustainability is based, are:
- Strategic financial planning. Based on a clear mission and vision, clear strategic goals are derived, without which an organisation are set up for failure. The mechanism through which these goals are clarified and actions prioritised, is strategic financial planning. It is, however, important to remember that strategic planning takes place on a conceptual level, and does not involve consideration of the availability of, or the capacity to obtain, resources. Therefore, in order to ensure that actions can be converted into figures, strategic planning must occur in parallel with strategic financial planning.
- Income diversification. Financial sustainability is based on income diversification – referring to internal income generation as well as the sources of main funding. It is of strategic sustainable importance to have various sources of income.
- Sound administration. The third pillar of financial sustainability is sound administration and finance. Knowledge of the management of resources is as critical as the generation of resources in achieving financial sustainability. Institutional policies govern administration and finances, and should be focused on making the most of resources, while ensuring transparent fiscal management. These procedures assist the organisation to anticipate its financial standing, and, consequently, to make informed

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decisions. Efficient procedures also allow income generation through effective financial asset management.

- Finance and own income generation. The fourth pillar is the generation of own income in diversifying the sources of income. This can be done by contributing to a trust, fundraising, obtaining public contributions, selling goods or services, and strategically managing an organisation's assets (León, 2001:17-20).

3.5.2 Budgeting

Budgeting forms part of the managerial planning process, and is an instrument of control, as it indicates to management how financial resources are applied (Du Toit *et al.*, 2010:237). Through the process of budgeting, income and expenses can be planned and tracked in order to use resources in the most effective manner and meet set goals (Du Plessis, 2013:79). Budgeting assists management by means of the co-ordination of resources, departments and projects. It assists in guiding resource allocation; it defines and sets standards within the control process; and makes the evaluation of resource allocation possible (Du Toit *et al.*, 2010:237).

3.5.3 Definition and purpose of a budget

Budgeting is a set of tools used to control and direct the spending decisions of an organisation (Zierdt, 2009:345; Du Toit, *et al.*, 2010:237). Goldstein (in Zierdt, 2009:345) describes it as a map to guide the institution towards the attainment of its mission. The budget presents the institution's plans, indicating decisions made towards the allocation of the multitude of resources and how funds will be spent, and highlights priorities. The institutional strategic plan is the foundation of the institutional budget. According to Maddox (in Barr & McClellan, 2011:55), an institutional budget is a document that communicates the goals and priorities of the institution; reflects its strategy; provides control and communication; encourages sound management; and provides means to allocate the limited resources of the

institution. It is a continuous process that is used to allocate resources in order to meet the set goals and objectives of an institution.

During the budgeting process, the major financial issues are identified and institutional priorities are established. Resources are allocated for staff and faculty positions, and funds are allocated towards the achievement of institutional priorities and activities. The annual budgeting process is the only true reflection of the alignment of the institutional practices with its vision for the future. The future is shaped by the allocation of the institutional resources within the budget (Guskin & Marcy, 2003:23). Lepori, Usher and Montauti, (2013:59-60) add that the outcome of the budgeting process is a formal document that indicates the level of resources allocated for a specific period of time.

Although possessing many advantages, the budgeting process can also have disadvantages, as it increases paperwork; it is a time-consuming activity; might be inflexible; might be met with resistance; and take a long time to have the desired effect (Du Plessis, 2013:80).

3.5.4 Types of budgets

There are various types of budgets. However, as this study focuses on HEIs, this section will describe only the types of budgets or sub-budgets that form part of the total budget within the education system, namely:

- Incremental/traditional budgets. The previous year's level of expenses and income is used as the basis for determining the requirements for the following year (Du Toit *et al.*, 2010:451; Du Plessis, 2013: 86-87). The level of projected sales is used as a point of departure for this type of budget (Du Toit *et al.*, 2010:451). This is a common technique, and requires no justification or programme assessment, as it is based on the general financial position of the institution (Du Plessis, 2013: 86-87).

- Line item budgets. When applying this type of budget, the focus is on the analysis, authorisation and control of cost items. The name of each line is set, and an amount of money is allocated to each line. Money can be moved between lines, but only with the authority of higher-level staff (Du Plessis, 2013:88).

- Programme budgets. Strategic plans are made and programmes identified to achieve the objectives. Costs are then determined, after which funds are allocated to support the programme. The interdependence and relatedness of activities are easily recognisable with this type of budgeting (Du Plessis, 2013:88).

- Zero-based budgets. This type of budget provides the organisation with an opportunity to have a fresh look at its activities and priorities on a yearly basis (Du Toit *et al.*, 2010:452). This budgeting method requires that all planned expenses are examined and justified. Budgeting thus starts at zero (Du Plessis, 2013:88; Du Toit *et al.*, 2010:452).

- Priority-based budgets. With this form of budgeting, the allocated funding is matched with aims and priorities. The process is driven by priorities (Du Plessis, 2013:88).

- Rolling budgets. This type of budget divides the targets and resources of the year into four equal terms. It provides the budget holder with flexibility, and improves day-to-day management (Du Plessis, 2013:89).

3.6 FINANCIAL MANAGEMENT IN HIGHER EDUCATION INSTITUTIONS

HEIs must find ways of doing more with less. It is becoming more important to prioritise, reduce and focus on the truly important issues, without putting the institution at risk (Blustain, Buck, Carnaroli, Golding, McGurty, Suttenfield & VanDerhoof, 2009:3). Promades (2012:63) agrees by adding that the ultimate challenge for leaders in higher education "is to do the best possible with the resources available". Budgeting is recognised as one of the central areas where institutional steering and governance take place, and where HEIs need to take initiative. It is a critical organisational process during which decisions

on the levels of spending and resource distribution amongst organisational subunits are made. This process is closely linked to strategic priorities and the acquisition of resources, and should be distinguished from, accounting where financial transactions for a period of time are reported (Lepori *et al.*, 2013:59-60). Budgeting has a two-fold function, as it is an instrument to allocate resources internally, and to make different types of claims from the state in order to acquire resources (Covaleski and Dirsmith, 1988 in Lepori *et al.*, 2013:61).

According to Lepori *et al.* (2013:60-61), there are two basic approaches to higher education funding. In the first approach, resources are allocated to the HEI as a whole, after which it is distributed to the internal subunits (core budget). These resources are mostly composed from state grants, supplemented with undergraduate fees, donations and other general revenues. The second approach involves the allocation of earmarked resources to specific activities and subunits (third-party funding). These resources are usually obtained from public research grants, private contract funds, postgraduate fees and other earmarked revenues.

Paulsen and Smart (2001:13) found that HEIs are similar to for-profit organisations, when applying various economic theories of organisational behaviour. In attempting to increase financial resources, HEIs apply students and faculty (raw inputs), in order to render services to students (clients), with revenues being used to pay for the production costs. Access to more financial resources enables the institution to improve its production inputs. However, HEIs produce various outputs in the areas of teaching, research and public service, which are often difficult to measure and define.

Institutional budgeting concerns mostly the core budget, while third-party funds are the responsibility of the subunits (Lepori *et al.*, 2013:60-61). Responsibility-centred budgeting (RCB) is a market-like, decentralised budgeting practice originating from for-profit management. It dates back to the 1950s (Merchant in Deering and Sá, 2014:209), and has also been

implemented at North American institutions since the 1970s (Lasher & Greene in Deering & Sá, 2014:209). The intent of RCB is to provide functional units within a university with more autonomy in decision-making, as opposed to that of centralised budgeting management. The expectation is then that this autonomy will allow these units to act with self-interest, focusing their decision-making on efficiency, cost control and income regeneration (Holian & Ross in Deering & Sá, 2014:209).

3.6.1 Responsibility-centred management (RCM)

According to Vonasek (2011:497), a decrease in donations to United States HEIs has recently forced these institutions to have a new look at processes towards improved general productivity and innovation. One of these processes is RCB. According to The Hanover Research Council (HRC) (2008:2), this model is referred to as "Responsibility-Centred Management" (RCM); also called "Revenue-Centre Management", Value-Centre Management" or "Incentive-based Budgeting". RCM is a more efficient and effective budgeting system that is being adopted by public universities due to tight state and federal funding, and as rising operating costs (HRC, 2008:2-3). From here on, this system will be referred to as "RCM".

RCM is an incentive-based budgeting system (IBBS) (Balough & Logue, 2013:131). It is an organisational structure that groups a university's academic units into responsibility centres according to similar purposes and funding sources. Each of these centres has a manager, usually an academic dean, who is awarded decentralised decision-making authority. RCM promotes an entrepreneurial management culture, as it provides for both academic authority and financial responsibility (Vonasek, 2011:497-498).

According to Whalen (in Vonasek, 2011:498), RCM decentralises university management. The centres are categorised into cost or profit centres according to a university's capacity to generate revenue. The manager of each centre is then in charge of the operational and financial performance

thereof, and is rewarded with the opportunity to utilise excess earnings as he/she sees fit. Centres have their own core missions, and, based on their purpose, are designated as cost centres or profit centres. Profit centres are profit-producing units, while cost centres may generate revenue, but it may not do so above their expense levels on a continuous basis (Vonasek, 2011:497).

Under RCM, cost centres that provide services to other responsibility centres may charge them accordingly, thereby ensuring that these cost centres do not operate at a loss. Profits can be carried over to future programmes or procurements, which motivates unit managers to reach this incentive. It also eliminates the end-of-year spending to the budget outbreaks (Linn in Vonasek, 2011:499).

3.6.1.1 RCM requirements, benefits and underlying principles

The following requirements have to be met for RCM to be optimally implemented:

- RCM should encourage behaviours that focus on, and support the mission and the vision of the institution. It should provide a method for the implementation of a university's strategic plan, and should incentivise quality, reduced costs and increased profit.
- The efficient allocation and reallocation of resources should be promoted through financially viable, innovative activities.
- RCM should be a transparent and information-rich process that promotes responsibility and accountability.
- RCM methodology should be as simple as possible in order to make the implementation and understanding thereof easy.
- Assessment procedures should be in place to measure and monitor the results of RCM in comparison to historical standards and other benchmarks.
- The process should be reviewed regularly in order to make adjustments to the system, should it be deemed necessary (Balough & Logue, 2013:132).

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- Strong and committed academic leadership should be available before RCM can be implemented. Administrative staff should also be skilled and capable of achieving the change. The RCM implementation process is an information-driven process, and therefore the change process should be open and equitable for all units of the institution. All units should be involved and commit to participate in the development and implementation of RCM (Vonasek, 2011:501).
- HRC (2008:12) notes that the RCM system requires that academic units be rewarded for good performance, which is measured by levels of enrolment and research activity.

The benefits of the effective implementation of RCM are numerous. RCM enables managers to have higher level of decision-making authority, as decisions are made closer to the point of their impact, thus increasing managers' accountability and the practicality of the decisions (Strauss, Curry and Whalen in Vonasek, 2011:499). As administrative staff and managers co-operatively define the information to be produced, and have access to the same records, an organisation-wide decision information system is developed, improving communication between them (Strauss, Curry and Whalen in Vonasek, 2011:499). Balough and Logue (2013:132) add that RCM increases the involvement in institutional planning, as various forms of financial planning is required. Decision response time is reduced, as clear rules for decisions, and an understanding of the rewards, are available. Managers' accountability is highlighted through the use of the performance evaluation process. There is an increased sense of commitment in the groups, as each centre is aware of their input towards the success of the institution. They also understand that their success determines the authority, responsibility and resources assigned to them. Furthermore, they recognise that the institutional goals can only be achieved if the administration retains overall control of programme priorities, and if the central plan motivates managers to refrain from principal-agent behaviour (Strauss, Curry and Whalen in Vonasek, 2011:499). Efficiency, and more specifically cost-efficiency (Balough & Logue, 2013:132), is increased, and long-term planning

is improved, through the implementation of this model (HRC, 2008:2; Deering and Sá, 2014:219). Finally, Deering and Sá (2014:219) add that effectiveness and adaptability are improved through a well-implemented RCM.

The construction of responsibility centres is one of the fundamental tasks in implementing RCM. Whalen (in Vonasek, 2011:501) identified three general function categories in universities that can be used to identify responsibility centres, namely:

- academic centres, which are responsible for accomplishing a university's core mission of teaching, research and public service;

- support services centres, which support the academic centres through service provision; and

- executive management centres, who coordinate and guide the other centres through policies, plans and procedures.

Once the centres have been identified, resources are allocated, and all sources of revenue are identified. These might include tuition fee income, state appropriations, indirect income from grants, direct income from the centre itself, and interest. All direct and indirect costs incurred by the responsibility centre are then identified (Balough & Logue, 2013:135-137).

3.6.1.2 Different structural models

According to HRC (2008:2), there are three structural RCM models, namely the department-based RCM, the college-based RCM, and the Hybrid Model. These models all have one important characteristic – aligning budgetary responsibility through the decentralisation of responsibility for revenues and costs to a college, faculty or department. Income is controlled by determining the tuition fees and revenue generated, whilst expenses are controlled by using locally available resources to secure goods and services, which would otherwise only be available through the central service units of the university. According to HRC (2008:3), RCM requires not only the delegation of responsibility to academic units, but also changes in management and budget

structures. RCM is further characterised by varying degrees of decentralisation with regards to the extent to which responsibility is decentralised to departmental level, or kept at a central point of authority, mostly the top management of the institution.

Department-based RCM

The Indiana University-Purdue University Indianapolis, where a department-based RCM was implemented, is used as the first example. With this model, financial decision-making is largely devolved to departmental level. Decision-making authority with regards to spending within the department is the responsibility of the department heads, while the dean is responsible for guiding the school as a whole towards reaching general and specific university and school goals (HRC, 2008:3).

The following five-step process is followed for budget allocations:
- Decisions are made regarding the faculty positions to be filled, and the types of faculty required, after which departmental needs are determined.
- Funding required for the department's fixed expenses, for example staff remuneration, is subtracted from the general fund in order to determine the allocated general fund.
- Other expenses, such as building repairs and renovations, are subtracted from the allocated general fund.
- The remaining fund in the allocated general fund is then allocated by the dean as departmental block grants. These grants consist of tuition and laboratory fees. The tuition portion of the block grants is allocated in proportion to the percentage of total credit hours generated by the department. A portion of the extra income generated by each self-supporting department is used to subsidise other departments. Should the funding not be required, it is returned to the fund-producing department.
- Indirect cost recovery is the final step in this process, and involves the allocation of income associated with research infrastructure towards the central university campus fund, research overheads and departments (HRC, 2008:3-4).

Department heads have a high degree of flexibility in how these block grants are used in their attempts to reach departmental goals. This is deemed as an advantage, as the people closest to the programmes are granted decision-making authority. However, even if this may be the case, these individuals might not be qualified or interested in the financial strategy of their programme. Another advantage is the possibility to carry over year-end funds to the following year (HRC, 2008:4).

College-based RCM

The second example where a RCM model was introduced, is IOWA State University, which implemented a college-based RCM. With this model, less authority is given to the department. Revenues and expenses are distributed to the primary budget-unit level, which is led by college deans and vice-presidents. Primary resource units, with different resource responsibility centres and administrative and support units within each, are identified. Incorporating all funding sources, the central administration, unit administrators and advisory committees are responsible for developing the component parts of the institutional budget. Revenue forecasts are made at resource responsibility centre level, and require collaboration between central administration and resource responsibility centre administrators. The decisions with regards to the general fund budget are influenced to a greater extent by the funding that resource responsibility centres receive from sources outside the general fund. Resources flow from the resource responsibility centres to the institutional excellence fund and other cost pools of key support functions. At to the discretion of the president and executive vice-president, the institutional excellence fund is invested in the university's units in order to support new initiatives, reach strategic goals and take advantage of new opportunities (HRC, 2008:5).

As with the department-based RCM that is implemented at the Indiana University-Purdue University Indianapolis, the number of student credit hours, as well as the enrolment level, is essential to determine the amount of income each department receives. Financial aid is funded from the undergraduate

tuition income. Of the remaining tuition income, a portion is distributed to the departments in which the students are enrolled, while the rest is pooled and distributed according to each department's student credit hours (HRC, 2008:6-7). Additionally, strategic reserve funds are created from tuition income, to be used by the departments to fund strategic initiatives, and to absorb income and expense fluctuations (HRC, 2008:7).

The Hybrid Model

This RCM model was introduced at the University of Minnesota. Firstly, performance indicators are developed for each department and centre, after which all income from tuition and other external sources is channelled back (formulaic remission) to the department where it was generated. The academic units are then in control of the tuition, indirect cost recovery and fees generated, as well as for any shortfalls in income. Thirdly, agreements are made between the principal and the different departments or colleges on strategic goals and plans. The overall budgets, evaluation processes and programmes are all discussed and agreed upon. Continuous meetings are scheduled between the deans, the principal and the staff to ensure mutual understanding of the plans made for the year to follow. Periodic reviews of these arrangements are conducted, after which rewards and penalties are implemented (HRC, 2008:7).

3.6.2 Contribution margin

The contribution margin is used to determine the performance of products or services within the world of commerce. In non-profit organisations, the contribution margin refers to the amount that a certain activity produces to cover its overhead costs. It is calculated by subtracting direct expenses, such as operating costs, equipment, salaries and benefits, from the net tuition revenue (NTR) generated by that department or school (Harper, 2013:159). According to Stuart, Erkel and Shull (2010:201), institutions should compare costs and revenues across programmes, considering the complexity and variability of faculty workloads and salaries; plans of study and credits per

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course; numbers and proportions of students enrolled on a full-time and part-time basis in the different programmes; and percentages of tuition fees returned to the college by student type.

3.6.3 Activity-based costing (ABC)

This is a cost accounting system that involves determining the full cost of services and products; identifying activity centres or revenue or cost units; and assigning resource costs to it. In this way, institutions can identify outputs or cost objects, as they are able to more strictly connect costs with results. According to Lundquist, Trussel and Bitner (in Dickeson, 2010:5), this can be effective in budgeting, evaluating, reporting and pricing decisions (Dickeson, 2010:4-5).

3.7 RESOURCE ALLOCATION MODEL (RAM)

The result of the budgeting process is the allocation of resources according to the requirements of the institution or department (Barr & McClellan, 2011:57). The insufficiency of financial resources is regarded as the largest threat to higher education. Therefore, management of the available resources is a crucial aspect in the management of any institution (Goldstein, 2006:5-6). In as far back as 1959, Penrose (in Sirmon, Hitt, & Ireland, 2007:275) emphasised the importance of resource management in value creation, as the use of resources is as important as owning it. In addition, Promades (2012:62-63) advocates the identification of new sources of revenue, and the careful assessing of the allocation of scarce resources, in buffering against the financial challenges experienced by HEIs. In combatting the difficult financial challenges HEIs face, Garrett and Poock (2011:882) proposes that these institutions require a solid plan to select and implement its management and resource allocation strategies. They also advise that HEIs should make full use of their available resources in determining the correct path of the institution.

According to Oduoza (2009:134), universities in the United Kingdom (UK) have a tendency to develop institutional-fitting RAMs in an attempt to determine a cost-effective approach to cost and pricing of teaching and research activities. However, even when applying similar formulas, some institutions are more successful than others.

Resource allocation should become increasingly important, with questions asked as to how and why institutions allocate resources amongst different departments. The allocation of resources affects departments in various ways: it determines the lecturing staff hired; the number of students taught; as well as the extent of the content taught. On the other hand, the workload of lecturing staff, and the quality of these staff members, affect the research standards, as well as the productivity levels of staff. Therefore, in order to understand the shape of knowledge, resource allocation amongst departments should be understood (Volk, Slaughter & Thomas, 2001:387).

3.7.1 Definition

A RAM is a financial management model used to balance expenses, benefits and threats, while ensuring commitment from the stakeholders (Phillips & Bana e Costa, 2005:3). It consists of three components, namely:
- structuring the resource portfolio;
- bundling resources to build capabilities; and
- leveraging capabilities to exploit market opportunities (Sirmon, Hitt & Ireland, 2007:276-287).

3.7.2 Types of RAM

According to Liefner (2003:479), there are two forms of RAMs: fixed budgets, or the stable allocation of resources not linked to the institution's performance, and performance-based allocation.

Fixed budgets are used in non-competitive conditions of allocation, while performance-based allocation is used in competitive conditions of allocation. These two types of RAMs have different effects on the individuals' levels of activity. The fixed budget or stable allocation is not linked to performance, and therefore the level of activity depends on the motivation of the individuals themselves. This often results in low activity and performance. However, with performance-based allocation, the individuals' level of activity depends on the incentives connected to the allocation system. In this scenario, high levels of activity are required to maintain the required level of funding (Liefner, 2003:479-480).

Considering the challenging environment in which HEIs finds themselves in terms of having to simultaneously improve academic performance of their students, and improve their financial performance, it is obvious that reliable financial management tools will be required. These tools must be able to capture complex financial relationships between academic units, while being easily understandable to investors (Harper, 2013:158).

3.7.3 Variances in funding allocation between departments

Differences in input costs, such as staff salaries and the equipment used in teaching different subjects, will result in differences in student-staff ratios. This ratio is dependent on what is deemed the most effective mode of instruction according to the content of the subject. For example, smaller classes are required for foreign language teaching, while for a subject such as Economics, the learning outcomes can be achieved when lecturing larger groups. This will result in higher staff input costs in certain subjects. Research outputs per department will also result in a difference in the staff-student ratios, thus complicating the allocation of resources even more. Full-time, higher-level lecturing staff increase input costs even further, especially in the cases where lower-level, part-time lecturing substitutes will not suffice in producing graduate outputs (Johnson & Turner, 2009:177).

It is important to be mindful of the fact that different academic programmes have different expense structures resulting from varying types of pedagogy (Harper, 2013:163).

3.8 CHAPTER SUMMARY

The goal of this chapter was to explain strategic management, and more specifically, financial management strategies. This was done in order to identify appropriate options for practical implementation in the higher education context, and South African universities' hotel schools in particular. The concept of strategic management was discussed, focusing on the importance of the management of resources. The importance of resources, especially the availability or scarcity of financial resources, which require effective strategic management, was also discussed.

Due to the financial pressures facing HEIs as discussed in Chapter 2, the role of financial management was highlighted, and specific resource management models were explained. The chapter concluded with an explanation of RAM, as well as the forms in which it is applied. The literature chapter will inform the financial management strategy to be developed towards improving the sustainability of South African universities' hotel schools.

The research methodology that was applied in this study is discussed in the following chapter.

CHAPTER 4

RESEARCH DESIGN AND METHODOLOGY

4.1 INTRODUCTION

An indication of the foundation on which this study was built, is provided in Chapter 4. The research methodology that was used, namely the research design, population sample, data-collection procedures and data analysis, is discussed, and the expected outcomes of the study, as well as the strategy and research methods that were applied to reach these goals, are identified. Furthermore, the data-collection instruments and the methods used to analyse the obtained data, are explained, after which the precautions taken to assure quality, as well as other ethical considerations and limitations of the study, are discussed.

4.2 GOAL OF THE CHAPTER

The purpose of this chapter is to identify and discuss the research problem and questions, identify the expected outcomes, and explain the research methodology and design.

4.3 EXPECTED OUTCOMES OF THE STUDY

The following objectives have been derived from the formulation of the problem statement:

4.3.1 Primary objective

The main objective of this study is to formulate a sustainable financial management strategy for South African universities' hotel schools.

4.3.2 Secondary objectives

The following secondary objectives were identified towards fulfilling the main objective:

- Examining the dropout rates at top international hotel schools and determining how those are managed to ensure financial sustainability.
- Examining the staff-to-student ratios at top international hotel schools.
- Examining the income sources of top international hotel schools.
- Examining the qualifications of staff and level of research outputs at top international hotel schools.
- Identifying the lessons that can be learnt from top international hotel schools towards improving the financial sustainability of CUT's Hotel School.
- Examining the financial management model currently used to manage the resources of CUT's Hotel School.
- Comparing CUT's Hotel School with other academic departments with regards to financial management.
- Determining how financial sustainability is managed at CUT's Hotel School with regards to teaching input, throughput and teaching output rates.
- Examining the income sources and major expenses of CUT's Hotel School, and the manner in which those are managed.
- Determining whether other South African universities' hotel schools are financially sustainable.
- Determining which financial management models are currently used to manage the resources of other South African universities' hotel schools.
- Determining how financial sustainability is managed at other South African universities' hotel schools with regards to teaching input, throughput and teaching output rates.
- Determining the income sources and major expenses of other South African universities' hotel schools, and the manner in which those are managed.
- Identifying the best practices obtained from this study to formulate a strategy for implementation in order to improve the financial sustainability

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of CUT's Hotel School, and that of other South African universities' hotel schools, where applicable.

4.4 RESEARCH DESIGN

When information is collected, analysed and interpreted in a systematic way in order to understand a phenomenon, it is called "research" (Leedy & Ormrod, 2015:20). In a way, the data desired from the research dictate the research method to be applied, as data and methodology are inseparably intertwined (Leedy & Ormrod, 2015:79-98). The two main research approaches, namely quantitative and qualitative, identify the mode of enquiry or approach of research. It provides a distinction between the nature of knowledge (how it is understood and what the purpose of the research is), and refers to the data-collection and -analysis methods (McMillan & Schumacher, 2010:11; Lapan *et al.,* 2012:8).

While the purpose of quantitative research approaches is to explain and predict, and to validate and test a theory, qualitative research approaches are focused on describing or explaining, interpreting, exploring and building a theory. Quantitative approaches are focused in nature, and based on known variables within established guidelines, while qualitative research approaches allow the researcher to see the holistic picture by using unknown variables and flexible guidelines. Data collected by means of quantitative approaches are numerical, and are obtained from a large sample using standardised instruments, while data collected by means of qualitative approaches are loosely structured, textual and informative, and are obtained from a small sample (Leedy & Ormrod, 2015:99).

The purpose of this research study was to explore and describe the current sustainability position of South African universities' hotel schools, explore possible strategies towards improving it; and in this way, build or formulate a sustainable financial management strategy. The research approach selected had to allow the researcher to see the bigger picture without her having prior

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knowledge of all the variables, while applying flexible guidelines in order to obtain the data (Leedy & Ormrod, 2015:99). Most of the data would be in the form of words, rather than numbers (McMillan & Schumacher, 2010:11; Lapan *et al.*, 2012:8), and would comprise semi-structured, but informative, information that was obtained from a small sample (Leedy & Ormrod, 2015:99). Considering this reasoning, and that the qualitative research approach allows phenomena to be viewed from the participants' perspective (McMillan & Schumacher, 2010:12), the qualitative research approach was employed to identify the mode of enquiry of this research study (Leedy & Ormrod, 2015:99). In addition to the above, Miller *et al.* (2004:329) add that a qualitative study is flexible, as it enables a researcher to also obtain and respond to unanticipated factors that arise during the course of the study.

4.4.1 Qualitative research models

Qualitative research may be conducted using different models, which are concerned with *what* is being studied and *how* it is constructed. The model focused on answering the *what* (the reality as a functional truth) is known as "naturalism", while the model concerned with the *how* (the process of constructing reality) is known as "constructionism" (Silverman, 2013:106-107).

This study applied the constructionism model, as facts were socially constructed within specific contexts.

4.4.2 Research strategy

Maree and Van der Westhuizen (2007:34) advise that the research design to be applied in a study should be clearly defined. Qualitative approaches are interactive studies such as ethnography, case studies, phenomenology, grounded theory, or critical enquiry (McMillan & Schumacher, 2010:23).

The preference of researchers in how they treat theory that emerges from the data collection and data analysis is known as "grounded theory", and is

frequently the approach used to analyse qualitative data. Grounded theory allows the researcher to develop a theory from data using an iterative approach. An iterative approach refers to data collection and analysis processes occurring simultaneously, repeatedly referring back to each other (Bryman, 2012:387). Thornberg and Charmaz (2012:41) add that, apart from being an iterative approach, it is also inductive, interactive and comparative. This means that this theory does not commence with a prior-known hypothesis, but that the hypothesis is informed through close data analysis (Silverman, 2013:108). Leedy and Ormrod (2015:309) confirm that qualitative data analysis relies heavily on inductive reasoning. Inductive reasoning is described as the researcher attaching meanings to data collected, coding it, and drawing general conclusions.

Mark (in Fouché, 2002:273) adds that the grounded theory approach concerns the generation of data, rather than the testing of it. Charmaz (2014:22-23) adds that the researcher commences with a grounded theory research project with a few tools, keeping in mind provisional concepts for which to look for as the process unfolds. Grounded theories are generated through rich data, and reveal the research participants' feelings, opinions, intentions and actions within their context. Rich data refers to collected data that is "detailed, focused and full" (Charmaz, 2014:23). Another advantage of the grounded theory, as Charmaz (2014:26) advocates, is that it increases the researcher's flexibility in data collection by allowing for the follow up, shaping and reshaping of data as it is collected, thus refining the data and increasing knowledge.

Babbie (in Fouché, 2002:273) provides guidelines the researcher should follow when applying the grounded theory. Firstly, the researcher should occasionally take a step back and assess the data obtained. The researcher should maintain an attitude of scepticism and lastly follow research procedures. McMillan and Schumacher (2010:24) explain a grounded theory as forming theoretical ideas on the basis of data. Bryman (2012:387) advises

that the researcher should allow theoretical ideas to develop from the data obtained.

Therefore, in this study, the grounded theory will be employed as the research strategy, as Strauss and Corbin (in Fouché, 2002:273) summarise that, when applying this theory, it will emerge and develop through data collection and analysis.

4.4.3 Research methodology

The research methodology is the general approach selected by the researcher in order to collect data (Leedy & Ormrod, 2014:78). Research methods are tools through which the researcher generates, mines and makes sense of data, and when applying the grounded theory, these methods are flexible, rather than rigid prescriptions. The selection of the data-collection method should be focused on answering the research questions, and should flow from the research questions (Charmaz, 2014:26-27).

Bryman (2012:383) identifies five methodologies to be used within qualitative research, namely ethnography/participant observation, qualitative interviewing, focus groups, discourse analysis/conversation analysis, and collection of texts and documents. Leedy and Ormrod (2015:279) state that qualitative researchers often use interviews as their data-collection methods, as it can yield a rich body of qualitative data. This is confirmed by McMillan and Schumacher (2010:347), who identify the individual interview as the main data-collection method when applying the grounded theory. In addition, face-to-face interviews and documentary analysis are two of the eight methodologies identified by Tight (2003:8-9) to be used in higher education research.

4.4.3.1 *Measuring instrument*

Greeff (2002:291) advises that the selection of a research instrument is guided by the research purpose. The predominant data-collection method in qualitative research is interviewing, and Charmaz (2014:22) adds that interviews is increasingly used as the main data-gathering tool when applying a grounded theory. A qualitative interview is aimed at seeing the world through the eyes of the interviewee, in order to obtain rich data and to understand the interviewee's way of constructing knowledge (Nieuwenhuis, 2007:87). During interviews, both the interviewer and the interviewee are active participants in the process of creating meaning from the information obtained from the interviewees (Holstein & Gubrium, 2004:141). Bryman (2012:469) adds that it is the flexibility of an interview that makes it most attractive.

Nieuwenhuis (2007:87) identifies three types of interviews within qualitative research, namely open-ended, semi-structured and structured, while Bryman (2012:471) refers to only two types of interviews to be used in qualitative research, namely unstructured and semi-structured interviews.

During the open-ended interview or unstructured interview, only a short list of prompts is used in order to ensure that the interview covers a certain topic. It might commence with one single question from the interviewer, allowing the interviewee to answer it freely, while the interviewer responds to points to be followed up (Bryman, 2012:470-471).

The semi-structured interview provides structure and guidance to the researcher (Harding, 2013:31). During the semi-structured interview, the interviewer has a list of questions or specific topics to be discussed. This list is referred to as an "interview guide". The interviewee still has freedom in his or her replies. The interviewer may deviate from the order in which questions are asked; however, all questions will be asked using similar wording in each interview (Bryman, 2012:470-471). Aurini, Heath and Howells (2016:82)

agree that compared to other interview forms, semi-structured interviews allow the interviewer more freedom to approach the questions and answers in a manner they see appropriate. In addition, it adds another dimension to the data, namely *how* the interviewees respond to questions. The semi-structured interview gives flexibility to both the interviewer and the interviewee, as the interviewee has the freedom to follow up on interesting facts arising from information provided by the interviewee. It is therefore possible to discover the fuller picture (Greeff, 2002:302). Greeff (2002:302) and Leedy and Ormrod (2014:155-156) add that the researcher will tend to ask mostly open-ended questions at the onset of the study when applying a qualitative research approach. As more information is gained and the phenomenon is better understood, more specific questions can be asked (Leed & Ormrod, 2014:155-156).

Interviews allow both the interviewer and interviewee to be actively involved; to process the information discussed during the interview; and to make meaning of it (Holstein & Gubrium, 2004:141). These authors, however, advise that proper questions need to be developed and asked in a favourable interview environment to decrease the possibility of the interview becoming a source of prejudice, mistakes, misinterpretation or misdirection.

The method of interviewing poses specific challenges and benefits to the interview itself, and therefore to the data obtained as well. In-person interviews (face to face), remote interviews (photo or video), telephone and internet interviews are the four methods identified by Aurini *et al.* (2016). All of these interviewing methods entail challenges, as well as benefits. The method best suited to be used will depend on the interview skills of the interviewer, the justifying circumstances, as well as the research question(s). Face-to-face interviews provide a stronger connection with interviewees, and allow the interviewer to observe the non-verbal communication as well (Aurini *et al.*, 2016:83).

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Interviewing, the predominant data-collection method in qualitative research, was selected to best suit the purpose of the study. Semi-structured, face-to-face interviews, comprising of a few central questions, together with other open- and closed-ended questions, were conducted with the HoDs, senior staff and staff concerned with financial management of top international hotel schools and South African universities' hotel schools.

4.5 RESEARCH POPULATION AND SAMPLING

A population is referred to by McMillan and Schumacher (2010:129) as a group of individuals, objects or cases that "conform to specific criteria, and to which we intend to generalise the results of the research", while the sample is referred to by Nieuwenhuis (2007:79) as the selection of a part of the population to take part in the study, and from whom data will be collected. Qualitative research is typically based on non-probability and purposive sampling, rather than probability and random sampling (Nieuwenhuis, 2007).

Purposive sampling, also called "purposeful sampling" (McMillan & Schumacher, 2010:138), is directly focused on the research questions, and is important when selecting units such as departments or organisations. This is a non-probability form of sampling where the participants are not randomly selected. The goal of purposive sampling is a strategic one, namely to ensure that the participants are relevant to the research questions to be posed (Bryman, 2012:416, 418). The sample will most likely be small; however, the interviewees are selected as the holders of the information required for the study. The sample is thus selected for a specific purpose, and to gather the richest possible data in order to answer the research questions (Nieuwenhuis, 2007:79). When the purposive sampling method applied is aimed at meeting a specific criterion, such as age, gender, profession, place of residence, etc., it is called "criterion sampling" (Bryman, 2012:419; Nieuwenhuis, 2007:79).

This study followed the purposive sampling approach, applying criterion sampling, as all the participants were sampled to meet a specific criterion.

4.5.1 International hotel schools

The purpose of the visits to the international hotel schools was to gain an international perspective on the financial management of top international hotel schools, and thus enrich the findings of the study. Internationally, hotel schools are ranked according to various scales. This ranking provides useful information about the establishments, not only to prospective students, industry and the general public, but also encourages benchmarking between different hotel schools.

The following two webpages, consisting of rankings for hotel schools, could be found:

4.5.1.1 Hotel Schools of Distinction

Hotel Schools of Distinction (HSD), formerly known as the "Leading Hotel Schools of the World (LHSW)", is an association consisting of educational institutions, in partnership with affiliated hospitality industry leaders, that provide hospitality programmes worldwide. The mission of this association is to ensure that talented hospitality leaders are attracted, prepared and retained for the competitive industry. This mission is realised by enhancing the attractiveness of a career in the hospitality industry; sharing knowledge and research in order to develop superior talent for the industry; developing tools that will allow and stimulate informed decisions for students and industry, in order to optimise the match between talent and demand; offering solutions for a global industry; and building a globally recognised curriculum, ensuring that degree-seeking students are offered an exclusive learning environment (Hotel Schools of Distinction, 2014).

The educational institutions forming the membership of this association during 2014 were the following:
- *Escuela Universitaria de Hotelería Y Turismo: Hotel-Escuela de Sant Pol de Mar Barcelona*;

- *Haaga-Helia* University of Applied Sciences: Hotel, Restaurant and Tourism Management;
- *IUBH – Bad Honnef Bonn*: International University of Applied Sciences: Internationale Hochschule;
- Niagara University, New York: College of Hospitality and Tourism Management;
- University of Stavanger;
- Florida International University: Chaplin School of Hospitality and Tourism Management;
- Hotelschool The Hague: Hospitality Business School;
- *Institute de tourisme et d'hôtellerie du Québec (ITHQ)*;
- Purdue University: Hospitality and Tourism Management; and
- *University of San Ignacio de Loyola* (Hotel Schools of Distinction, 2014).

4.5.1.2 Best hotel schools in the world

In 2010, an international survey was conducted by the Taylor Nelson Sofres research firm, requesting five-star hotel managers to provide their opinions of the top ten hospitality management schools.

The resulting list was as follows:
- 1st: *Ecole Hôtelière de Lausanne*, Switzerland;
- joint 2nd: Les Roches International School of Hotel Management, Bluche, Switzerland; Glion Institute of Higher Education, Glion & Bulle, Switzerland; and Cornell University, United States of America (USA);
- 5th: Hotel school The Hague, Netherlands;
- 6th: Les Roches International School of Hotel Management, Marbella, Spain;
- 7th: Hotel School Vatel, France;
- 8th: Oxford Brookes University, United Kingdom (UK);
- 9th: César Ritz Colleges, Le Bouveret, Brig, Switzerland; and
- 10th: *Ecole Hôtelière de Genève*, Switzerland (Hotelier Middle East, 2014).

4.5.1.3 Sampling

Six of the hotel schools on the list of best hotel schools in the world are situated in the Netherlands and Switzerland; four of which are under the top five. One of these is also on the *Hotel Schools of Distinction* list. As these two countries are geographically close to each other, and considering time and budgetary constraints, the researcher sent an e-mail message (see *Appendix 1* on page 340 for the interview request letter) to all the hotel schools in Switzerland and the Netherlands that are on these two lists, requesting interviews with their HoDs. The researcher then visited all the responding hotel schools whose HoDs agreed to an interview.

Consequently, the sample consisted out of:
- The Hague Hotel School, occupying places on both of the above-mentioned ranking scales;
- Les Roches Hotel School, in joint second place according to the Best Hotel Schools in the world ranking;
- Swiss Education Group, of which the César Ritz College, in ninth place on the best hotel schools in the world ranking; and
- Lausanne Hotel School, ranked first on the best hotel schools in the world ranking.

4.5.2 South African universities' hotel schools

As the purpose of this study is to formulate a sustainable financial management strategy for South African universities' hotel schools, the population comprised of all South African universities' hotel schools. For the population of this study, the researcher considered all previously known technikons, as CUT also originated from a technikon, namely the "Technikon Free State". Table 4.1 below, lists all the previously known South African technikons, how these institutions were transformed, and to what, and whether these institutions have a hotel school or department of Hospitality Management.

	Technikon	Transformation	Forming	Hotel school
1.	Eastern Cape Technikon	Merged with the University of Transkei.	Comprehensive university: Walter Sizulu University (WSU)	No
2.	Boarder Technikon			
3	Port Elizabeth Technikon	Merged with the University of Port Elizabeth.	Comprehensive university: Nelson Mandela Metropolitan University (NMMU), (now Nelson Mandela University (NMU)).	No
4	Witwatersrand Technikon	Merged with the Rand Afrikaans University, and the Soweto and East Rand campuses of Vista University.	Comprehensive university: University of Johannesburg (UJ)	Yes
5	Vaal Triangle Technikon	Transformed	Vaal University of Technology (VUT)	Yes
6	Cape Technikon	Merged	Cape Peninsula University of Technology (CPUT)	Yes
7	Peninsula Technikon			
8	Free State Technikon	Transformed	Central University of Technology, Free State (CUT)	Yes
9	Northern Gauteng Technikon	Merged	Tshwane University of Technology (TUT)	Yes
10	Pretoria Technikon			
11	North West Technikon			
12	M.L. Sultan Technikon	Merged	Durban University of Technology (DUT)	Yes
13	Natal Technikon			
14	Mangosuthu Technikon	Transformed	Mangosuthu University of Technology (MUT)	No
15	Technikon South Africa	Merged with Vista University.	Comprehensive university: University of South Africa (UNISA)	No

Table 4.1   Previously known technikons, their transformation, and whether or not they have hotel schools or Hospitality Management departments

The population for this study was thus the hotel schools of the:

- Cape Peninsula University of Technology;
- Central University of Technology, Free State;
- Durban University of Technology;
- Nelson Mandela Metropolitan University;
- Tshwane University of Technology;
- University of Johannesburg; and
- Vaal University of Technology.

All the mentioned schools were contacted by sending a letter, requesting an interview, (see *Appendix 3 on page 344*) to each school's HoD. A meeting was scheduled with the HODs of all the schools who responded positively.

Only one of the schools did not respond positively. Therefore, six hotel schools' HoDs, senior staff, as well as any staff concerned with the schools' financial management, formed part of the sample. The use of a small sample in a qualitative research approach is justified when using interviews as the methodology (Silverman, 2013:203).

4.6 DATA COLLECTION

Leedy and Ormrod (2014:153) identify interviews as applicable methods of data-collection when using a qualitative research approach, and applying the grounded theory of design. Appropriate questions, structured in themes, must be determined to cover the issue to be addressed in the interview (Leed & Ormrod, 2014:155-156). Interviews can provide useful data, as questions can be asked about facts, and people's beliefs and perspectives about these facts. When using interviews, the researcher can gain insight about the interviewees' feelings, motives, present and past behaviours, and standards of behaviour, as well as conscious reasons for these actions and feelings (Leedy & Ormrod, 2014:155-156).

Leedy and Ormrod (2014:155) warn that interviews, as data-collection instrument can have limitations, as the interviewees have to rely on their memories when asked about past events, and human memory is not as accurate as other tangible data, such as a video or tape recording of the event. It is recommended by Strydom and Delport (2002:324) that official documentation may support a study, as additional data to be used is obtained. This might be in the form of agendas of meetings, financial reports or records, and process reports, which are categorised as official documents. The researcher motivated the interviewees to provide documents to support their answers where they deemed it fit.

Semi-structured face-to-face interviews, comprising of a few central questions, together with other open- and closed-ended questions, were used to gather data from the HoDs, senior staff and staff concerned with financial management at top international hotel schools and South African universities' hotel schools.

4.6.1 Interview schedule

The interview schedule is used as a guide for semi-structured interviews. However, questioning may not always follow the exact order outlined in the guide. Questions that are not included in the guide may also be asked, should the researcher deem it purposeful to the study. Interviewing is a flexible process, focused on how the interviewee views issues, and how he or she explains and understands patterns, forms and behaviours (Bryman, 2012:471). Interview guides or schedules allow the researcher to consider difficulties that might arise prior to the interview (Greeff, 2002:302). Charmaz, (2014:63) adds that creating, revising and refining interview questions assist the researcher in terms of how and when to ask those questions during interviews, even if the questions are not asked word-for-word.

Compiling an interview schedule with specific questions is a large component of the preparation for the interview. Bryman (2012:472-474) provides the following advice in terms of this process:

- After identifying topic areas, the researcher should create order within these topics. This is done in order to establish a flow in the list of questions. However, the researcher must be prepared to deviate from the pre-established order.

- Questions should be formulated in such a way that the research questions will be answered. However, the researcher should guard against asking leading questions.

- Language used in the questions should be relevant and understandable to the interviewees.

- Information such as name, age, gender, position within company, years employed etc. should be captured, as this will assist the researcher in contextualising answers.

Although the researcher will have the interview schedule available when conducting the interview, the manner in which the questions are asked will serve a different purpose. Therefore, the type of questions asked during the interview is also important. Kvale (2007:60-61) provides nine question types, namely: introductory questions, follow-up questions, probing questions, specifying questions, direct questions, indirect questions, structuring questions, silence (allowing pauses to allow the interviewee the time to reflect on his or her answer and elaborate), and interpreting questions. Each of these questions has a purpose, and the researcher needs to use the applicable type of question to obtain the information required. However, Bryman (2012:478) reminds that listening is the main component of a successful interview.

The literature study that was conducted guided the researcher in the setting of applicable and focused questions for the interview schedule. Interview schedules were compiled for both international hotel schools (see *Appendix 2*) and South African universities' hotel schools (see *Appendix 4*) interviews, and

consisted of a set of predetermined questions. These interview schedules were sent to the interviewees two weeks prior to the date of the interview, in order for them to prepare for the interviews.

The interview questions were piloted, when interviews were conducted with senior staff of CUT's Hotel School, and the interview schedule was adapted afterwards.

4.6.2 The interview

After the interview request letters were sent to the international hotel schools (see *Appendix 1*), and the South African universities' hotel schools (see *Appendix 3*), and positive responses were received, the preparation for the interviews commenced. Preparation included considering, and planning for, the possible challenges the researcher might face during the interviews.

Bryman (2012:473-474) also provides a list of practical details the researcher needs to attend to prior to the interviews, namely:
- The researcher must familiarise him- or herself with the setting in which the interviewee works or lives.
- A good recording machine is required, as qualitative researchers normally record their interviews.
- A quiet setting is required for the interview, and should be ensured as far as possible.
- The researcher must adopt quality interviewer criteria, such as being a good listener; being flexible; when appropriate; being non-judgemental; and refraining from responding to interviewees' views.
- It is worth conducting a pilot interview in order to gain experience and be more prepared for the real interviews (Bryman, 2012:473-474). Silverman (2013:207) adds that piloting the interview will also allow the researcher to pilot or test the styles of questioning.
- Aurini *et al.* (2016:109-110) add that it is crucial that the interviewer has extensive knowledge of the interview schedule, as this will allow the

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interviewer to focus more on active listening and seeing, rather than reading the questions.

There are also a few challenges that researchers, especially novice researchers, may face when conducting the actual interview. Unexpected behaviour from the interviewee (Roulston, DeMarrais & Lewis, 2003:648-657), as well as challenging environmental problems, is amongst the identified challenges (Aurini *et al.*, 2016:111; Roulston *et al.*, 2003:648-657). The researcher must also take care to not let his or her own biases and expectations of the study intrude and influence the interview in any way (Aurini *et al.*, 2016:85; Roulston *et al.*, 2003:648-657). The researcher needs to maintain focus in asking the questions and deal with sensitive issues in a professional manner (Roulston *et al.*, 2003:648-657).

The researcher prepared for the interviews by ensuring that she has sufficient background knowledge of the hotel school visited, the institution of which the hotel school is part, the qualifications offered, the size of the hotel school, as well as the HoD to be interviewed. The researcher also studied the interview schedule properly to allow her to focus more on actively listening to the interviewee's answers. She ensured that she has a good recording machine available in order to record the interviews, with the interviewees' permission. The researcher focused on being a good listener, without judging the information provided by the interviewee. A pilot interview was conducted with senior staff of CUT's Hotel School, to gain experience and be more prepared for the real interviews, as well as to test the interview schedule.

During the actual interviews, the researcher remained focused on the questions and objectives. This was challenging, as the interviewees frequently deviated from the question, and the researcher had to steer the conversation back to the relevant questions. Being the Acting HoD of CUT's Hotel School at the time of the interviewees, it would have been easy to be biased towards the other HoDs' answers to questions; however, the researcher remained impartial and mainly focused on listening. The

researcher commenced with each interview by creating a relaxed atmosphere, and, knowing that the interviews were lengthy, remained focused on gathering specific data.

With the interviewees' permission, all interviews were recorded. This assisted in the collection and transcription of data (Greeff, 2002:304; Leedy & Ormrod, 2014:155-156).

4.7 DATA ANALYSIS

Following the data-collection stage in a qualitative study, the researcher needs to describe, classify and interpret the data in order to make meaning of it (Henning *et al.,* 2004:2; De Vos, 2002:344). Rubin and Rubin (2005:201) describe this data-analysis process as the movement from raw interview data to evidence-based interpretations. Throughout this process of data analysis, the researcher, being the analytical instrument in the process, should have one focus: to answer the research questions and achieve the purpose of the study (Henning *et al.,* 2004:6). Rubin, and Rubin (2005:201) add that it entails the classification, comparing, evaluating and combining of material obtained through data collection in order to reveal patterns, while McMillan and Schumacher (2010:24) summarise it as a continual process of interweaving information.

Qualitative researchers do not have a hypothesis at the start of the research, and then attempt to prove it through a deductive approach. Data analysis is rather an inductive approach, through which data is firstly gathered, after which generalisations are generated inductively. Theory is thus developed from the ground up, rather than the top down (McMillan & Schumacher, 2010:323). Leedy and Ormrod (2015:309) confirm that qualitative data-analysis analysis strategies rely more on inductive reasoning, which is less prescriptive that those strategies used for quantitative data analysis. The data-analysis strategy applied depend on the research problem, as well as the type of data required to solve the problem (Leedy & Ormrod, 2015:310).

During data analysis, the researcher applied an inductive analysis approach, as data was gathered first, after which generalisations towards answering the research questions were formed.

4.7.1 Data analysis method

Content analysis, global analysis, grounded theory analysis, discourse analysis and narrative analysis are the various data-analysis methods in qualitative research provided by Henning *et al.* (2004:104-125).

Content analysis is described as a basic way in which the researcher will work with the data, starting off with a set of data such as verbatim transcribed interviews. During this stage, themes emerge, while the process of coding does not take place yet. The process of open coding can only commence once the researcher has a thorough contextual overview of the content. Using open coding, the researcher reads through the text, getting a global impression of the content, and codes are made up as the researcher works through the data. Through this interpretive and inductive process, codes are made up and allocated according to what the data means to the researcher. Competence in coding comes with knowledge of the data. Therefore, the closer the researcher is to the data, the more competent he/she will be. Codes are then categorised or grouped and subsequently named, guided by the data. The naming of the categories is an important step in this process, as it raises the broader context within the data (Henning *et al.,* 2004:104-109).

Global analysis, a term used to suggest an integrated view of data, is used as a group name for various analytical procedures sharing common characteristics. The most common characteristic is that the data is not dissembled and then re-assembled as with content analysis. The focus of this analysis is not focused on coding and categorising, but rather on forming a concept map around central points, drawing line sketches as links between different pieces of data, or painting a word portrait. (Henning *et al.,* 2004:109-114).

In addition to the coding and categorising process, which is similar to that of qualitative content analysis, the *grounded theory* puts more emphasis on the inductive refining of the categories to more abstract levels. This requires of the researcher to determine the relationship between the different categories and themes, and to reason the positioning of specific data. The researcher will ask him- or herself how one set of categories can emphasise others. It may also be asked what the explanations of the social processes and phenomena found in data are, and how those can be fit into patterns. Additional sampling may be required in order to develop an emerging theory. A refinement process is followed until the theory is crystal clear. The final step in this process is to bring the main categories together in a coherent whole, within which the "theorising process consists out of conceptual clarification of concrete actions and phenomena". The ultimate conclusions of grounded theory studies are theories that explain, simplify, illuminate and clarify social processes and phenomena (Henning *et al.,* 2004:114-116).

Discourse analysis is similar to content analysis in that data is worked through in search of themes by means of codes and categories. The difference between these two analyses is the basis on which they are based. Discourse analysis is based on the fact that there are numerous meanings within the data, and that the clues to these meanings are found in the discourse, the language behaviour of the participants and the way in which the participants make sense of their reality. In this search for meanings and clues within the data, the researcher identifies a frame within which to place the language actions, the meanings the participants attach to it, and the symbolic uses of the language (Henning *et al.,* 2004:117-122).

Narrative analysis can be seen as a specialised form of discourse analysis. When applying the narrative data analysis, the researcher is interested in how participants make sense of their lives by representing them in story form – a story that appeals to them. The analysis entails the selection of a set of data that has narrative potential, after which all discursive indicators of the preferred self, such as the way in which the participants position themselves,

how they portray others, and how certain parts of the story are emphasised, is identified. The indicators are extracted and grouped into categories of shared meaning, ultimately forming a pattern showing uniformity, rhythm and unity (Henning *et al.,* 2004:122-124).

Considering the above-mentioned discussion above on data-analysis methods, as well as Strauss and Corbin (cited by Fouché, 2002:273)'s reminder that, when applying the grounded theory, it emerges and develops with data collection and analysis, the researcher applied the grounded theory data-analysis method in this study. The process of data analysis entails finding patterns in, and reasoning for, the obtained data, rather than counting it. The transcription and analysis of data need to take place as soon as possible after each interview (Henning *et al.,* 2004:6).

4.7.1.1 Transcribing

It is recommended that the researcher transcribes his or her own interviews, in order to come close, and stay close to the data – which is important during the analysis of data, and especially the coding process (Henning *et al.,* 2004:105). Bryman (2012:484) and Roulston, DeMarrais and Lewis (2003:648-657) agree with the importance of transcribing interviews; however, they note that it is a time-consuming exercise, and advise that the researcher transcribes the interviews as soon as possible after each interview, to avoid accumulation.

All interviews with the identified target groups were transcribed verbatim by the researcher. The transcribed interviews were sent to the interviewees via e-mail, requesting them to confirm that the transcripts were a true representation of the interviews that took place. Minor adjustments or changes were proposed, and were made by the researcher. The data was compared, coded and categorised, and ultimately used to formulate the financial management strategy. By conducting and transcribing the interviews herself, the researcher stayed close to the data, and already had a contextual

overview of the data. However, before commencing with coding, she read through the text a few times, to ensure that she has a thorough impression of the content thereof.

4.7.1.2 Coding and categorising

Data coding is the key process in grounded theory. Through coding, data is broken into parts and given names (Bryman, 2012:568). Data coding is explained by Charmaz (2014:111) as defining what data is about. Codes are used to categorise specific segments of data using a short name, while concurrently accounting for each data segment. Codes are interrogating, synthesising and sorting tools, through which data is analysed. They can be regarded as the "bones" of the framework for building an analytical analysis. Codes are constructed by the researcher, from the researcher's point of view, and are defined and refined as the researcher engages with the data and attempts to understand the views of the participants (Charmaz, 2014:113, 115). A code is a "word or short phrase that symbolically assigns a summative, salient, essence-capturing, and/or evocative attribute for a portion of language-based or visual data" – the data can be, amongst others, interview transcripts, observations, filed notes, documents or drawings (Saldana, 2016:4).

Categories are defined as the "major ideas that are used to describe the meaning of similar coded data". They represent the first level of induction, and are used to portray the core meaning of codes. According to McMillan and Schumacher (2010:369; 376), the researcher may use the topics or research questions in the interview guide as the basis to predetermine broad or general categories. These categories are then used to group codes together. Alternatively, categories are identified after the coding of data has been completed, after which codes are linked to, or grouped in the corresponding categories.

Within the grounded theory, a close connection, and therefore comparison, between data and conceptualising of data are required. This is done to ensure that there is a correspondence between the concepts, categories and its indicators (Bryman, 2012:568). The researcher must take care not to force the data into preconceived codes and categories. Although preconceptions may, and most likely will, influence the data-analysis process, it should not determine what is examined, and how it is made sense of (Charmaz, 2014:156).

Leedy and Ormrod (2015:148-149) summarise the coding process as the categorising of data and identification of relationships from which a theory is constructed (Leedy & Ormrod, 2014:148-149). Harding (2013:83-99), however, provide the following four steps in the coding process:
- The identification of initial categories based on the transcripts. After thoroughly reading the transcripts, categories are identified.
- Codes are identified and written on the transcripts.
- Codes and categories are revised, and codes are allocated to categories. Sub-categories and new categories are also identified.
- Themes and findings are identified in each category.

The categorising process is a very important and difficult one, with categories being identified on different levels of importance. It is a recursive process, as the researcher repeatedly applies categories to codes to find the best fit. It can also be described as constant comparison, as the researcher is continually searching for supporting and contrary evidence about the meaning of the category (McMillan & Schumacher, 2010:377).

When the coding and categorising process has been completed, the researcher has the task of seeing the whole. Critical guiding questions the researcher must now ask him- or herself should focus on the relationship between the categories; the meaning of the categories combined; whether the categories address the research questions; how they link with what the researcher already knows about the topic; information that was drawn to the

foreground, and pushed to the background; and additional data gathering or analysis that has to be completed in order to answer the research questions. Answering these questions will assist the researcher to round off the data, and write it up (Henning *et al.,* 2004:104-109).

4.7.1.3 Computer-assisted qualitative data analysis

Qualitative data analysis may be supported by using a computer software programme to manage and analyse large amounts of raw data (Henning *et al.,* 2004:137), which has become a common method in assisting with data analysis (Silverman, 2013:264). Atlas.ti is one of the computer-based data management programmes that support the researcher in coding and interpreting during text, visual or audio analysis. This programme is used to support the researcher not only during the data analysis phase, but also when codes are interpreted, thus providing the researcher with a comprehensive overview of the research project. It also assists with searching and retrieval functions, and building networks by means of diagrams within which text, memos and codes can be visually connected. Atlas.ti assists in ordering a mass of data, codes, concepts and memos. It is, however, important to note that computer software can assist with data analysis, but that the actual analysis and interpretation is done by the researcher (Henning *et al.,* 2004:137).

The researcher applied an inductive/deductive data-analysis approach. Prior to data analysis, the researcher developed a framework identifying themes, categories and codes as they emerged from the literature study.   This framework was based on the interview schedule, while the actual coding process was guided by this framework, and additional codes were added as the analysis of data progressed. Being so close to the data, the researcher followed an interpretive approach to allocate codes according to what the data meant to the her.   A computer software programme, Atlas.ti, was used to support the coding process and manage the data. The researcher found this

software useful, as it assisted in managing the data, drawing correlations, and interpreting the data.

4.7.2 Interpretation

"Processed data do not have the status of 'findings' until the themes have been discussed and argued to make a point, and the point that is to be made comes from the research questions" (Henning *et al.,* 2004:107).   The interpretation of data is therefore seen as "the essence of research" (Leedy & Ormrod, 2015:351). The process of interpretation involves making sense the data, while documenting "lessons learnt" (De Vos, 2002:344). Henning *et al.* (2004:6) remind that the researcher's knowledge and experience determines what happens with the data. While the researcher is making meaning of the data, raw information (thin descriptions) is converted into qualitative data (thick descriptions). Thick descriptions not only provide an account of the phenomenon in the form of facts and empirical data, but also interpret the information from the foundation of the theoretical framework (Henning *et al.,* 2004:6). Creswell (2009:191) adds that when these descriptions are read, the reader is transported to the setting, and experience what it is like to be in that setting.

The researcher interpreted the data from her point of view, and used thick descriptions to portray the research findings.

4.8 QUALITY ASSURANCE

Research should be designed and conducted in such a manner that integrity, quality and transparency are ensured (Bryman, 2012:144). Quality matters in qualitative research are addressed by ensuring validity, practicability and effectiveness. The internal validity of data can be ensured by having experts review the questionnaire, while external validity will be ensured by using rich descriptions of the interviews, as well as the contexts (Maree & Van der Westhuizen, 2007:37).

According to Agar cited in Maree and Van der Westhuizen (2007:38), "the intensive personal involvement and in-depth responses of individuals, secure sufficient level of validity and reliability" in qualitative data collection. The validity of qualitative research designs is ensured when the participant and the researcher have mutual understandings about interpretations and concepts (Maree & Van der Westhuizen, 2007:37). Findings should be analysed and documented in a complete and honest manner, ensuring that all aspects of the research study is represented accurately (Leedy & Ormrod, 2014: 106-108).

4.8.1 Validity

Validity is obtained by ensuring the integrity of the conclusions generated from the research (Bryman, 2012:47). It refers to whether the researcher is observing, identifying or measuring what is claimed in the study (Mason in Bryman, 2012:390). During the study, the researcher ensured validity, through developing true conclusions based on the data obtained during the process of collecting the data.

4.8.2 Reliability

Bryman (2012:46) indicates that reliability is ensured when the results of the study are repeatable. The reliability of this study, was dependant on the data collection methodology. The interview schedule was designed to be clear and concise, ensuring that obtained data could be reproducible, should another researcher be the interviewer.

4.8.3 Objectivity

To ensure researcher objectivity, the researcher needs to abstain from becoming biased towards the study as he or she becomes more involved in the study and interviewees (Nieuwenhuis, 2007:114). During the interviews, the researcher focused on obtaining data, and refrained from involving herself in the study in an unprejudiced manner.

4.8.4 Trustworthiness of the research

The trustworthiness of research is a requirement of a good qualitative study (Bryman, 2012:49). Nieuwenhuis (2007:113) adds that the assessment of the trustworthiness of a qualitative research study is the "acid test" of data analysis, findings and conclusions. This requires of a study to possess *credibility,* which is concerned with how believable the research findings are. The second aspect of trustworthiness is *transferability*, which is focused on whether the findings can be applied to other contexts as well. Thirdly, *dependability* indicates whether the findings can be applied to other times. Finally, *confirmability* ensures that the researcher did not allow his or her own values to greatly intrude in the findings (Bryman, 2012:49, 390-393).

Nieuwenhuis (2007:113) adds that the trustworthiness of a research study is enhanced when interview transcripts are sent to interviewees, for them to correct errors and verify facts. The credibility of the research is also raised when the interviewee provides his/her approval of the transcript, which also assists in saturating the data and ensures the richness of the emerging themes (Greeff, 2002:305).

Throughout the research process, the researcher ensured the validity of the research, as she ensured the integrity of her observations and conclusions by measuring what the study claims to measure. By using the interview schedules, the researcher is of the opinion that this study, and therefore its results are repeatable, thus ensuring reliability. Researcher objectivity was ensured, as the researcher refrained from becoming biased towards the study and the interviewees. To ensure correctness, the credibility of the research was ensured, as the interview transcripts were sent to the interviewees, providing their approval thereof.

4.9 THE ROLE OF THE RESEARCHER IN THE RESEARCH PROCESS

The researcher performed the role of the interviewer, data analyser and interpreter in this study. Being the Acting Head of Department of the CUT Hotel School at the time of this study, and having been involved in the Hotel School for more than 15 years, the researcher had sufficient insight into this Hotel School's operational and financial background to conduct the interviews, ask deeper questions, and interpret the findings with the bigger picture in mind.

4.10 ETHICAL CONSIDERATIONS

According to the Economic and Social Research Council (ESRC) (2017), ethical matters are of importance for the complete lifecycle of a research study. The lifecycle includes all the stages of the research study, from the planning and design stages, to reporting and publication.

Ethical considerations are requirements for a transparent research study, and can be discussed around the following areas:

- No harm must be done to participants. Harm is explained as physical harm, harm to the development of the participants, the loss of participants' self-esteem, and stress (Bryman, 2012:135; Silverman, 2013:163).

- Confidentiality of the data gathered from the participants, as well as the anonymity of these participants must be ensured and respected (Silverman, 2013:163). It is also referred to as taking care of the confidentiality of records, as well as ensuring that findings will not be published in such a way that will participants will be identifiable (Bryman, 2012:135-136; McMillan & Schumacher, 2010:339).

- All participation in the research study must be voluntary, without putting pressure on the participants (Silverman, 2013:163).

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- The researcher must obtain informed consent. Participants should be informed of the study, and should consent to take part in the study (Bryman, 2012:138-141; Harding, 2013:45; McMillan & Schumacher, 2010:339).
- Participants' privacy must not be invaded. Linked to informed consent, the right to participants' privacy must be adhered to and respected at all times (Bryman, 2012:142-143; McMillan & Schumacher, 2010:339).
- The researcher must avoid deception (i.e. the representation of research work as something other than what it really is) (Bryman, 2012:135-143).
- The researcher should be able to justify the time and energy the participants and researcher spent on the project. He/she should be able to identify the worthiness of the project, or the possible benefit of the outcome thereof for both parties, (Harding, 2013:24).
- The independence of the researcher must be clear, and conflicts of interest must be made obvious (Silverman, 2013:163).

During the research study, no harm was done to the participants, and participants were given the assurance that their involvement in the study is anonymous and voluntary, and that all data will be kept confidential.

4.11 POSSIBLE LIMITATIONS OF THE STUDY

As mentioned in Section 4.6.2 on page 133, an interview request was sent to the international hotel schools via e-mail, requesting the receivers to provide the researcher with the contact information of the appropriate person, who would be able to provide her with the required information. It was thus the receiver of the initial email's responsibility to interpret the information on the interview request letter, and decide on the appropriate person to whom to refer the researcher. Consequently, the interviewee, and thus the data gathered, depended greatly on the initial contact that was made with the international hotel schools.

After appointments for interviews were made, the interview schedules were sent to all the participants via e-mail, requesting them to prepare for the interview, and to have the necessary information available to answer the questions. During the interviews, it was often found that this was not the case, as the interviewee did not have all the required information available. Where this was the case, the interviewee committed to send the information to the researcher as soon as possible; however, that did not happen in all the cases. This is regarded as a limitation to the study.

The interviews at both the international and South African universities' hotel schools were time consuming, and required commitment from the interviewees to remain focused throughout the interviews.

4.12 CHAPTER SUMMARY

The goal of this chapter was to identify and discuss the research problem and questions, identify the expected outcomes, and discuss the research methodology and design. The research problem was identified, after which the expected outcomes were provided. The research design, model and strategy, and the methodology applied in this research study, were then discussed in detail. The data-collection and analysis methods were discussed, after which quality assurance matters and possible limitations to the study were identified.

An overview of CUT's Hotel School is provided in the following chapter.

CHAPTER 5

OVERVIEW OF CUT'S HOTEL SCHOOL

5.1 INTRODUCTION

In recent years, the Central University of Technology, Free State (CUT)'s Hotel School has found it challenging to balance its income and expenses, and thus function as a financially sustainable department. This was evident in concerns that were raised about the negative nature of the Resource Allocation Model (RAM) of the Hotel School. To gain insight into the academic and operational functioning of this School, an in-depth discussion on these and other aspects related to the financial sustainability of the School, is provided in this chapter. At the time of the study, the researcher has been involved as an academic staff member in CUT's Hotel School for 17 years. This chapter was informed by the experience and insight the researcher obtained during these years, as well as by document analysis.

5.2 GOAL OF THE CHAPTER

The goal of this chapter is to describe CUT's Hotel School, providing a chronological history of the Hotel School, as well as the building that currently houses this Department. The CUT RAM is then explained, after which a comparative analysis of the Hotel School's RAM figures with those of other CUT departments, are provided. The financial sustainability of CUT's Hotel School is then discussed, by focusing on the income streams and expenses of the School, as well as operational and academic factors that influence its financial sustainability.

5.3 CUT'S HOTEL SCHOOL – A CLOSER LOOK

This section provides a closer look at CUT's Hotel School, the historical background of the building that houses the Department, and its academic history, operational activities, staffing, student enrolment and income streams.

5.3.1 Historical background

In this section, a chronological review of the history of CUT's Hotel School building, as well as the associated buildings, is provided. The history of this building is of significance, as it provides insight into the overall culture of this historical building, with its rich history. The building also plays a major role in the available space to be utilised for theoretical and, more specifically, practical classes.

The town of Bloemfontein was founded in 1846. The educational requirements set in the Free State during the 19th century were low, as it was deemed adequate should a person be able to read and write. However, during the subsequent years, education was made compulsory in the Free State (South African History Online (SAHO), 2011). This resulted in schools to be developed in the Free State. One of the five prominent government schools, originally called the "*Oranje Vrij Staat Dames Instituut*" (later named Eunice High School), was opened on 5 June 1876 (SAHO, 2011). The name "Eunice'" has a biblical reference, referring to the mother of Timothy, while the Greek word means "happy victory" (Eunice High School, 2017).

The first building that housed the *Oranje Vrij Staat Dames Instituut*, the Lower House, was built next to the Presidency in St Georges Street, Bloemfontein, and officially opened its doors on 5 June 1876. A second building, the Upper House, was completed, and was officially opened by President Reitz on 3 February 1892 (O'connor, 1970:19-24, 47) (see Picture 5.1 below, which was taken from pictures in the current Eunice School Museum).

Picture 5.1   Upper House, taken before the fire in 1914

On 28 January 1914, the Upper House building was tragically destroyed in a disastrous fire (O'connor, 1970:77). It was rebuilt in 1918, and renamed "Eirene House" (O'connor, 1970:82). This building served as a residence for boarders and some of the staff, while the school's hall, classrooms and other staff rooms were situated in the Lower House (O'connor, 1970:84). Picture 5.3 below illustrates what this building looked like in 1918 (taken from pictures in the Eunice School Museum), while Picture 5.4 and Picture 5.5 below illustrate what the building looks like today. The first and second foundation stones of the Upper House is still visible in this building today (see Picture 5.2 below). Today, the Eirene building houses a CUT hostel, *Huis Welgemoed* (see Picture 5.4 on page 152).

Picture 5.2   First and second foundation stones of Upper House

Picture 5.3   Eirene House, rebuilt on the ruins of Upper House – 1918

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Picture 5.4 *Huis Welgemoed* **– 2016**

Picture 5.5 **Entrance of the Eirene House**

A third building, built next to Eirene House and called "Eunice House", was opened in 1912 (see Picture 5.6 on page 153). It became unofficially known as "*The Jam Factory*", after one commentator said that is what it looked like, both inside and out. This building (see Picture 5.6 below, taken from pictures in the Eunice School Museum) encloses the Quadrangle (see Picture 5.7 on page 154), and played an important part in the history of Eunice Girls School (O'connor, 1970:130). The building consisted of four classrooms and four rooms for the staff, while there were dormitory accommodation and bathrooms on the first floor (O'connor, 1970:130).

Picture 5.6   Eunice House – 1912

Picture 5.7   The Quadrangle of the Eunice House – 1922

This building presently houses CUT's Hotel School, with structural similarities, as can be seen in Picture 5.8 and Picture 5.9 below.

Picture 5.8   CUT Hotel School – 2016

Picture 5.9   The Atrium of the current CUT Hotel School – 2016

In 1981, the Technikon Free State opened its doors with 285 students, mainly offering courses in the Secretarial, Art and Design programmes. In 1983, the Eunice Girls School moved to a new location. The Technikon Free State purchased the grounds of the Eunice Primary School in 1988 (CUT, 2014a).

According to Van Lil (2016), the Department of Food, Clothing and Hotel Management was established in 1993, and was housed in the original building of the Eunice High School. This Department offered a qualification mix that included diplomas in, respectively, Food and Clothing, Fashion, Food Service Management, and Hotel Management. The Diploma in Hotel Management was inaugurated in 1993, with a first intake of 20 students. In May 1994, Dr Daneel van Lill was appointed as Head of Department (HoD), tasked to lead this academic project towards maturity. Consequently, the Department became involved in provincial and national structures governing the future of education and training in the emerging South African tourism industry.

Lecturers with a sound academic grounding in Law, Accounting and Management were appointed. The National Diploma in Hotel Management, with a strong vocational base, and focused on leadership in service

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innovation, was developed. In addition, the first degree in Hospitality Management, the Bachelor's of Technology: Hospitality Management, was introduced at the Technikon Free State in 1999, with the first three South Africans to obtain this degree in 2000. In 2000, this Department evolved into the School of Tourism, Hospitality and Sport, with academic offerings in Tourism and its subfields, Hospitality and Sport, to be consolidated in order to position the School at an international level. Consequently, the Master's Degree of Technology in Tourism Management, as well as the Master's Degree of Technology in Hospitality Management, was curriculated and implemented (Van Lill, 2016).

On 26 March 2004, the Technikon Free State became the "Central University of Technology, Free State (CUT)" (CUT, 2014a), as discussed in Section 2.4.3.2 as from page 48. According to the Best Hotel Schools in the World Association, the CUT Hotel School, then known as the "School for Hospitality, Tourism and Sport", was ranked third in South Africa during 2011 (Best Hotel Schools in the World, 2011).

Towards the end of 2012, the School for Tourism, Hospitality and Sport disbanded into separate departments, leaving the Department of Hospitality Management as a stand-alone department. Today, this Department is still housed in the historical Eunice House, now known as the Hotel School building. In this document, this Department will be referred to as CUT's Hotel School.

5.3.2 Institutional-related characteristics

According to (Van Staden, 2010:171), UoTs have the following characteristics:

- they are technology focused, and offer career orientated programmes;
- they apply technology in research and innovation, resulting in research expertise, technology transfer and postgraduate programmes;

- they have an entrepreneurial and innovative philosophy, attributing to an enabling environment, commercial ventures and student entrepreneurship;
- they have a national and international impact on recognition; servicing the community, industry and society; Science, Engineering and Technology (SET) enrolments; and access with success attributes; and
- sustainability in engagement and practice, focusing on regional collaboration; community involvement; engagement with industry, businesses and the school/post-school sector; and financial sustainability.

Du Pré (2010:9) admits that the focus of a UoT is on technology; however, from the perspective of several fields of study, rather than just one field. UoTs' teaching and research programmes are directed at meeting the demands of society, while identifying new possibilities for knowledge development. The main focus of a UoT is to create a learning organisation through engagement with industry and business (Du Pré, 2010:12-13; Moraka & Hay, 2009:19). This focus enables UoTs to be more attentive to the industry, government and the society, and to better understand and address associated needs (Moraka & Hay, 2009:19). These institutions focus on the production of employees who are ready for the working world by using curricula and research programmes that are both theoretical and application driven (Du Pré, 2010:12-13). In addition, Gibbon (2008:2) adds that, in comparison to traditional universities, South African UoTs have a relatively low research output, while the so-called "traditional" universities have developed extensive research profiles in classic and applied research, producing a fairly high research output (Gibbon, 2008:2). The six UoTs offer mainly occupational or career-focused undergraduate diplomas, BTech degrees, and a limited number of master's and doctoral degrees (Bunting & Cloete, 2010:2).

In summary, a South African UoT is based on five pillars, namely: excellence in teaching and learning; applied research; development of leadership technology; technology transfer and innovation; and industry partnerships and internationalisation (Du Pré, 2010:13-14).

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True to the above descriptions of a UoT, CUT's Hotel School offers career-orientated qualifications; is focused on developing an entrepreneurial and innovative philosophy; and fosters entrepreneurship in students. The School is proud to serve its community and industry, as its teaching and research programmes are directed at meeting the demands of these stakeholders. It is continuously engaged with industry in order to ensure that the School is attentive to the industry's needs, and that aligns its learning programmes in order to better understand and address these needs. The Hotel School applies theory and application-driven curricula, and is committed to produce graduates who are ready for the working world.

5.3.2.1 Support departments

5.3.2.1.1 Marketing

CUT'S Hotel School does not have a formal marketing strategy. Marketing actions are performed on an institutional level through school visits and the distribution of marketing material. The Hotel School participates in the institution's Open Days, manages a Facebook page, and invites secondary schools to visit the School. Due to the nature of the Hotel School's academic offerings, marketing also takes place through functions and events to the public.

5.3.2.2 Academic and operational facilities

The historical background of the Hotel School building is provided in Section 5.3.1, as from page 149. With this discussion, the researcher aimed to provide the reader with a picture of the beautiful historical building in which CUT's Hotel School is housed. Through time, this building has been adapted and restructured in order to meet the various academic and operational requirements of a Hotel School. However, the building still reflects the special historic character, and is a beautiful setting in which functions or conferences can be held.

However, it also restricts the expansion of facilities, such as the kitchen, for practical classes in order to accommodate additional students. The venue options in which different types of functions and conferences can be held, are also limited.   The Hotel School building consists out of the following operational areas/venues, of which the lecture venues and offices are shared with another department:

- A number of offices used for lecturing and support staff;
- two meeting venues;
- seven lecture rooms;
- one computer laboratory, housing 16 computers;
- one fully equipped demonstration kitchen, with sufficient equipment and space to accommodate 12 first-year students;
- one fully equipped operational kitchen, with sufficient equipment and space to accommodate 12 senior students; and
- one fine dining restaurant, used for senior students' training. The restaurant can seat 40 guests banqueting style.

In addition to these facilities, the School obtained a section of a building close to the Hotel School building, and utilises it as a restaurant for the training of first-year Hospitality Management students. The kitchen can accommodate ten students, while the dining area can seat 40 guests banqueting style.

5.3.3 Qualifications offered

CUT's Hotel School offers the following programmes:

- National Diploma: Hospitality Management.   This is a three-year qualification, registered with 360 South African Qualifications Authority (SAQA) credits, and on National Qualifications Framework (NQF) level 6. The University has been phasing out this qualification as from 2017.
- Diploma: Hospitality Management, which the University has been phasing in from 2017. Also a three-year diploma comprising 390 SAQA credits, of

which the minimum credits required is 360, and on NQF level 6, it replaces the National Diploma: Hospitality Management.

- BTech: Hospitality Management, which is offered as a one-year qualification at NQF level 7, with 120 SAQA credits.

- In 2019, the BTech qualification will be phased out, and will be replaced with two one-year qualifications, namely the Advanced Diploma: Hospitality Management (NQF 7, 120 credits) and the Postgraduate Diploma: Hospitality Management (NQF 8, 120 credits).

- A Master's Degree in Tourism and Hospitality Management on NQF level 9, with 120 credits. A full-time student can complete this degree in a minimum of one year, and a maximum of four years, while part-time students can complete this qualification in a minimum of two years, and a maximum of four years.

A Diploma in Hospitality Management, or a similar qualification, is offered at most South African universities' hotel schools, and, therefore, the offering of this qualification at CUT's Hotel School will thus be discussed further.

The Diploma in Hospitality Management consists of the following subjects/modules (see Table 5.1 below):

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Subjects/modules (credit bearing)	Theory subject	Practical subject	First year (offered over a full year)	Second year (semester subject)	Third year (semester subject)
Accommodation Management	✓	✓	✓	✓	✓
Culinary Studies	✓	✓	✓	✓	✓
Food and Beverage Studies	✓	✓	✓	✓	✓
Hospitality Financial Management	✓		✓	✓	✓
Hospitality Management	✓		✓	✓	✓
Hospitality Health and Safety	✓		✓		
Hospitality Communication	✓			✓	
Hospitality Industry Law	✓			✓	✓
Hospitality Information Systems		✓		✓	✓
Hospitality Marketing	✓			✓	✓
Hospitality Service Excellence	✓			✓	
Hospitality Media		✓			✓
Work-integrated Learning				✓	✓

Table 5.1   Academic structure of the Diploma: Hospitality Management at CUT's Hotel School

In addition to the above list of subjects/modules, students also enrol for two short courses during their first year, namely First Aid and Introduction to Wine.

Four core curriculum modules, namely Academic Literacy and Communication Studies, Basic Digital Literacy, Numeracy, and Personal Information Management, also form part of the curriculum for the first year.

As can be seen from Table 5.1, Work-integrated Learning (WIL) is offered in the second and third year of the Diploma: Hospitality Management. WIL is defined as a "curriculum strategy that enhances the value of learning through the alignment and integration of academic learning with learning in the workplace" (Jacobs, 2015:22), and forms a significant part of the Diploma: Hospitality Management.

As explained in Section 2.5.2.4 as from page 59, the Classification of Educational Subject Matter (CESM) categories are used in the collection and production of data to determine the allocation of government funding towards HEIs. The specific CESM codes for the courses offered at CUT's Hotel School will now be identified.

The Hotel School is one of six departments within the Faculty of Management Sciences. The courses it offers, fall within the CESM first-order category (04) of Business, Economics and Management Studies, funding group two, with a funding ratio of 1,5. Under the first-order category, the second-order category 0407 is identified as Hospitality Administration/Management, after which the third-order categories are determined within this category, as illustrated in Table 5.2 and Table 5.3 below (SA DoE, 2008:11; 67).

0407	Hospitality Administration/Management
040701	Hospitality Administration/Management, General
040702	Tourism and Travel Services Management
040703	Hotel/Motel Administration/Management
040704	Restaurant/Food Services Management
040799	Hospitality Administration/Management, Other

Table 5.2   CESM codes for Hospitality Administration/Management

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For each of the categories in the CESM, an explanation is provided in order to make classification of subject matters easier.

Hospitality Administration/Management
040701   Hospitality Administration/Management, General
An area of study which prepares individuals to serve as general managers and directors of hospitality operations on a system-wide basis, including both travel arrangements and promotion and the provision of traveller facilities. Includes instruction in principles of operations in the travel and tourism, hotel and lodging facilities, food services, and recreation facilities industries, hospitality marketing strategies; hospitality planning; management and co-ordination of franchise and unit operations; business management; accounting and financial management; hospitality transportation and logistics; and hospitality industry policies and regulations.
040702   Tourism and Travel Services Management
An area of study which prepares individuals to manage travel related enterprises and related convention and/or tour services. Includes instruction in travel agency management, tour arranging and planning, convention and event planning, travel industry operations and procedures, tourism marketing and promotion strategies, travel counselling, travel industry law, international and domestic operations, and travel and tourism policy.
040703   Hotel/Motel Administration/Management
An area of study which prepares individuals to manage operations and facilities that provide lodging services to the travelling public. Includes instruction in hospitality industry principles; supplies purchasing, storage and control; hotel facilities design and planning; hospitality industry law; personnel management and labour relations; financial management; marketing and sales promotion; convention and event management; front desk operations; and applications to specific types of hotels and motel operations.

040704	Restaurant/Food Services Management
An area of study which prepares individuals to plan, manage, and market restaurants, food services in hospitality establishments, food service chains and franchise networks, and restaurant supply operations. Includes instruction in hospitality administration, food services management, wholesale logistics and distribution, franchise operations, business networking, personnel management, culinary arts, business planning and capitalization, food industry operations, marketing and retailing, business law and regulations, finance, and professional standards and ethics.	
040799	Hospitality Administration/Management, Other
Any area of study in hospitality administration/management not listed above.	

Table 5.3 CESM code: Hospitality Administration/Management explained

5.4 THE RESOURCE ALLOCATION MODEL (RAM) USED AT CUT

RAM, which was implemented at CUT in 2014, is defined as a process through which revenue earned by the University is distributed to budget holders for usage, to enable them to manage their units according to a fair process of budget distribution, and through which budget holders are empowered. The implementation of this model, through which generic resources are allocated more sensitively to the characteristics of its divisions and faculties, was aimed at assisting CUT to exit from its former budgeting model. With a RAM, resources are allocated in a student-centric mode and should be evidence based, rather than historic, as was the case with the previous budgeting model (CUT, 2012:1).

Senate, at its meeting of 12 November 2012, approved that RAM must reflect similar principles to that of the state block grant, namely:

- the allocation of revenue should be success driven;
- the funding of departments should reflect strategic direction and aspirations;
- funding should be based on historical data, on operations two years prior;

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- funding towards departments should be allocated according to the recruitment of target FTEs, as well as graduation and research success; and
- state funding should be limited (Garrod, 2012:1).

RAM was focused more on innovation and planning, rather than bidding and negotiation. Approximately 60% of CUT's income is received from government in the form of a block grant; approximately 40% from student fees; and 5% from other sources. RAM is thus revenue-driven, as revenue earned is the main driver of both the size and the shape of spending budgets. As academic units teach students, develop new ideas, and turn these ideas into socially beneficial reality, these units are potential revenue generators. The revenue generated by these units determine the amount that a faculty can afford to spend (i.e. its budget) (Garrod, 2014:2-8).

Departmental strategic operating and investment plans are used as the basis for authorisation of spending budgets. The planning process commences with individual departments preparing their spending plans, reflecting the strategic and operational departmental goals that are set within RAM. This results in an agreed spending pattern, and deviations can only occur with approval from the planning body. The revenue-driven RAM allows all the spending budgets (salary, operating and capital) to be under the control of the relevant responsible budget holders, increasing their authority, responsibility and innovation. The larger strategic decisions, however, remain the responsibility of the Management Committee (Mancom) (CUT, 2012:1-2).

5.4.1 Key principles of CUT's RAM

RAM is based on the following principles. The allocation of resources is always a complicated and contentious matter, and adding to the complexity should be prevented as far as possible:
- Simplicity – where possible, the allocation of funds for expenditure must reflect the funds received.

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- Clarity – budget holders and budget setters must debate and agree upon the methodology situated within the strategic planning process.
- Transparency – cross-subsidies of debating should be agreed upon, , and should be developmental and strategically aligned in nature (CUT, 2012:1).

Cross-subsidisation between departments are allowed, but is regarded as an unsustainable practice in the long term, as it might point to the misallocation of costs and/or revenues to the incorrect revenue centre. It might also point to the need for structural changes in the departments in order to maintain financial sustainability (CUT, 2012:1). CUT's Hotel School has been cross-subsidised by other faculty departments in recent years, which poses a threat to the financially stability of this department.

5.4.2 Income sources of CUT's Hotel School

Budgets and plans are developed on a three-year rolling basis, and, in theory, include the following income and expenses (CUT, 2012:1-2):

- The Teaching Input Unit (TIU) Sub-block Grant for each faculty is proportionally distributed between the individual departments according to TIUs.
- The Teaching Output Unit (TOU) Sub-block Grant for each faculty is proportionally distributed between the departments according to TOUs.
- The Research Output Unit (ROU) Sub-block Grant for each faculty is proportionally distributed between the departments according to ROUs.
- The Institutional Factor Sub-block Grant (IFG) is distributed amongst individual departments according to TIUs.
- Tuition fees are multiplied with enrolments, and distributed amongst individual departments (CUT, 2012:3).

However, in practice, three income sources, namely TIUs, TOUs and tuition fees, are incorporated into the RAM, as ROUs are included in the TIUs and TOUs.

There are fixed commitments towards which RAM allocates funding to, namely: salaries (Salary RAM) (full-time and part-time staff, and student assistants); operational budget (Operational RAM); computer budget (including other special equipment required by learning programmes, such as the Hotel School, in the form of earmarked funds); capital budgets per department; motivational operating items; and improvements to buildings (CUT, 2012:3-5).

As concerns were raised about the financial sustainability of CUT's Hotel School due to negative Salary RAM figures, these figures will now form the basis of the next session.

5.4.3 CUT Salary RAM

The Salary RAM is developed per faculty, and thus includes departmental figures. For comparative purposes, and to keep the identities of the other departments in the Faculty of Management Sciences anonymous, these departments will be referred to as A, B, C, D and E.

A simplified and abbreviated format of CUT's Salary RAM is provided in Table 5.4 below:

Department	Tuition fees	TIU	TOU	Total income	Percentage of faculty allocation	Salary commitment	Total salary allocation	Balance for part-time appointments and vacancies
Factor	70%	100%	100%					
A								
B								
C								
D								
E								
Hotel School								
TOTAL								

Table 5.4   CUT salary RAM format

Explanations of the abbreviated format of CUT's Salary RAM:

- Factor – this factor is multiplied with the tuition fees, TIU and TOU. During the three years of RAM under consideration, 70% of the tuition fees were received in the previous year; therefore, this percentage is multiplied with the tuition fees. The factor to be multiplied with the TIU and TOU is 100%.

The TIU is based on the FTE of three years prior, and is calculated as follows:

- (FTE x CESM code) x departmental grant/TIU.
- The departmental grant/TIU is calculated as a percentage of the faculty TIU grant.
- The TOU is based on the teaching output of three years prior, and is calculated as follows: TOU x payment per TOU.
- The total income is calculated by multiplying the factor for each of the tuition fees, TIU and TOU, and adding up the total figures. This means that the tuition fee income for each department will be 70%, multiplied by

the tuition fees for the department, while the TIU and TOU income will be multiplied by 100%.

- Percentage of faculty allocation: the percentage for each department as a percentage of total faculty income.

- Salary commitment is the total salary expense for each department.

- The total salary allocation is calculated as the *Percentage of faculty allocation* (explained above), multiplied by the Salary RAM allocation to the faculty (excluding the Dean's Office).

- The balance for part-time appointments and vacancies is the difference between the actual salary expense per department and the *total salary allocation* explained above).

5.4.4 Departmental comparisons of the Salary RAM within the Faculty of Management Sciences

The Salary RAM figures of CUT's Hotel School will now be compared with those of other Faculty of Management Sciences' academic departments. This will provide insight into, and evidence for, the concerns raised about the financial sustainability of the School.

This comparative section commences with Table 5.5 below, in which the tuition fees per department for the years 2014, 2015 and 2016 are provided.

Department	2014 Tuition fees (R)	2014 Percentage of total Faculty tuition fees	2015 Tuition fees (R)	2015 Percentage of total Faculty tuition fees	2016 Tuition fees (R)	2016 Percentage of total Faculty tuition fees
A	10,315,243	23.48%	11,405,776	21.86%	12 383 700	19.62%
B	9,010,959	20.51%	11,262,754	20.60%	10 935 910	17.33%
C	2,711,395	6.17%	2,711,395	4.96%	2 656 700	4.21%
D	9,978,743	22.71%	15,305,051	27,99%	17 063 180	27.03%
E	6,405,052	14.58%	8,482,389	15.51%	14 503 110	22.98%
Hotel School	5,519,671	12.56%	5,519,671	10.09%	5 576 130	8.83%
Total tuition fees	43,941,063	100%	54,687,035	100%	63 118 730	100%

Table 5.5   Comparison of departmental tuition fees within the Faculty of Management Sciences for the years 2014, 2015 and 2016

From this comparative table, it can be seen that the tuition fees generated by the Hotel School is only 12.56% of the total Faculty tuition fees for 2014; 10,09% for 2015; and 8.83% for 2016. Compared to that of other academic departments in the Faculty of Management Sciences, and apart from one other department with a relative low class fee income of 4.21%, the Hotel School's tuition fee income is markedly lower.

Table 5.6 and Table 5.7 below should be read in conjunction, as, in its totality, it compares the departmental TIUs within the Faculty of Management Sciences in units and in Rand.

Department	2014		2015		2016	
	TIU (units)	Percentage of total Faculty TIU	TIU (units)	Percentage of total Faculty TIU	TIU (units)	Percentage of total Faculty TIU
A	675.11	17.33%	735.43	18.88%	611.075	15.69%
B	787.79	20.23%	988.69	25.39%	798.2445	20.50%
C	304.09	7.81%	304.09	7.81%	265.183	6.81%
D	1150.84	29.55%	1781.8	45.75%	1087.556	27.92%
E	743.80	19.10%	918.67	23.59%	1002.44	25.74%
Hotel School	233.06	5.98%	233.06	5.98%	289.341	7.43%
TOTAL	4053.84	100%	4961.72	100%	4053.84	100%

Table 5.6   Comparison of departmental TIUs within the Faculty of Management Sciences for the years 2014, 2015 and 2016

Department	2014		2015		2016	
	TIU (Rand)	Percentage of total Faculty TIU income	TIU (Rand)	Percentage of total Faculty TIU income	TIU (Rand)	Percentage of total Faculty TIU income
A	8,232,279	17.33%	8,967,833	18.88%	7,210,972	13.83%
B	9,606,323	20.23%	12,056,086	25.39%	10,335,857	19.82%
C	3,708,012	7.81%	3,708,073	7.81%	2,596,325	4.98%
D	14,033,397	29.55%	21,727,269	45.75%	16,416,577	31.48%
E	9,069,836	19.10%	11,202,262	23.59%	12,756,870	24.46%
Hotel School	2,841,982	5.98%	2,841,934	5.98%	2,832,849	5.43%
TOTAL	47,491,831	100%	60,503,458	100%	52,149,450	100%

Table 5.7   Comparison of departmental TIU income within the Faculty of Management Sciences for the years 2014, 2015 and 2016

From Table 5.6 and Table 5.7 above, it is evident that, of the total Faculty TIU, the Hotel School's TIU was only 5.98% in 2014; 5.98% in 2015; and 5.43% in

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2016, compared to an average of approximately 20% for the other departments, excluding the Department C, which also had a relatively low TIU percentage. When relating the TIU into monetary terms, the TIU income of the Hotel School is also significantly lower than that of most of the other departments. The following two tables are used to compare the departmental TOUs within the Faculty of Management Sciences in units and in Rand.

Department	2014 TOU (units)	2014 Percentage of total Faculty TOU	2015 TOU (units)	2015 Percentage of total Faculty TOU	2016 TOU (units)	2016 Percentage of total Faculty TOU
A	286.5	20.75%	286.5	17.43%	265	18.64%
B	363.5	26.32%	416.5	25.34%	300.5	21.13%
C	82.5	5.97%	82.5	5.02%	76.5	5.38%
D	334	24.19%	501	30.48%	421.5	29.64%
E	272.5	19.73%	315	19.17%	301.5	21.20%
Hotel School	42	3.04%	42	2.56%	57	4.01%
TOTAL	1381	100%	1643.5	100%	1422	100%

Table 5.8   Comparison of departmental TOUs within the Faculty of Management Sciences for the years 2014, 2015 and 2016

Department	2014 TOU (Rand)	2014 Percentage of total Faculty TOU	2015 TOU (Rand)	2015 Percentage of total Faculty TOU	2016 TOU (Rand)	2016 Percentage of total Faculty TOU
A	3,942,813	20.75%	3,942,813	17.43%	4,451,825	16.71%
B	5,002,487	26.32%	5,731,873	25.34%	5,811,010	21.81%
C	1,135,365	5.97%	1,135,365	5.02%	1,506,923	5.66%
D	4,596,508	24.19%	6,894,762	30.48%	7,810,392	29.32%
E	3,750,145	19.73%	4,335,030	19.17%	5,939,049	22.29%
Hotel School	578,004	3.04%	578,004	2.56%	1,122,805	4.21%
TOTAL	19005322	100%	22617847	100%	26,642,004	100%

Table 5.9   Comparison of departmental TOU income within the Faculty of Management Sciences for the years 2014, 2015 and 2016

From the two tables above, it is again evident that, for the three years, the TOU of the Hotel School was significantly lower than that of most of the other academic departments within the Faculty of Management Sciences.

To determine the proportion of income that each department, but more specifically CUT's Hotel School, contributes to the Faculty of Management Sciences' income, Table 5.10 below is provided. It also compares the departmental income contribution.

Department	2014 Total income (Rand)	2014 Percentage of total Faculty Income	2015 Total income (Rand)	2015 Percentage of total Faculty Income	2016 Total income (Rand)	2016 Percentage of total Faculty Income
A	8 378 892	20.60%	8 779 691	18.08%	20 207 550	16.52%
B	8 650 710	21.26%	10 182 322	20.97%	23 692 646	19.37%
C	2 773 548	6.82%	2 625 975	5.41%	5 936 371	4.85%
D	10 542 913	25.91%	15 327 462	31.57%	36 000 563	29.43%
E	7 046 334	17.32%	8 344 046	17.18%	28 703 066	23.46%
Hotel School	3 290 941	8.09%	3 297 965	6.79%	7 803 184	6.38%
	40 683 338	100%	48 557 460	100%	**122 343 379**	**100.00%**

Table 5.10   Comparison of departments within the Faculty of Management Sciences' total income for the years 2014, 2015 and 2016.

From Table 5.10 above, it is evident that, proportionally, the Hotel School contributes significantly less towards the Faculty's income.

Contrary to the Hotel School's income for 2014, 2015 and 2016 being significantly lower than that of other academic departments in the Faculty of Management Sciences, as seen in the tables above, this is not the case for its salary expense. The following table compares the salary expense of the six departments within the Faculty for the years 2014, 2015 and 2016.

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Department	2014		2015		2016	
	Salary commitment (Rand)	Percentage of total Faculty salary expense	Salary commitment (Rand)	Percentage of total Faculty salary expense	Salary commitment (Rand)	Percentage of total Faculty salary expense
A	6 121 853	16.05%	7 846 133	15.97%	7 026 271	14.22%
B	7 820 642	20.51%	10 182 322	20.72%	9 001 082	18.22%
C	3 354 851	8.80%	3 123 355	6.36%	3 288 151	6.65%
D	9 790 027	25.67%	15 254 544	31.04%	12 620 354	25.54%
E	5 168 689	13.56%	7 269 245	14.79%	6 357 314	12.87%
Hotel School	5 874 966	15.41%	5 469 574	11.13%	6 458 721	13.07%
Total	38 131 029	100%	49 145 173	100%	49 413 974	100%

Table 5.11   Comparison of departmental salary commitments within the Faculty of Management Sciences for the years 2014, 2015 and 2016

On average, the other five departments' salary expense constituted 16.92% of the total faculty salary expense in 2014, 17.78% in 2015, and 15.50% in 2016. When comparing that with the Hotel School's salary expense, 15.41% for 2014, 11.13% for 2015 and 13.07% for 2016 is not relationally lower according to this department's expenses.

Stronger evidence of this financial indicator is seen in Table 5.12 below, where the actual salary expense is compared with the allocated salary allocation per department.

Department	2014		2015		2016	
	Total salary allocation (Rand)	Balance between total salary expense and total salary allocation (Rand)	Total salary allocation (Rand)	Balance between total salary expense and total salary allocation (Rand)	Total salary allocation (Rand)	Balance between total salary expense and total salary allocation (Rand)
A	6 121 853	2 257 039	7 846 133	713 285	8 426 999	1 400 727
B	7 820 642	830 068	10 182 322	8 718	9 880 362	879 279
C	3 354 851	-900 988	3 123 355	-551 180	2 475 599	-812 552
D	9 790 027	752 886	15 254 544	1 386 777	15 013 038	2 392 684
E	5 168 689	1 877 645	7 269 245	660 840	11 969 819	5 612 505
Hotel School	5 874 966	-3 143 852	5 469 574	-965 219	3 254 102	-3 204 619

Table 5.12   Comparison of departmental salary expense within the Faculty of Management Sciences for the years 2014, 2015 and 2016

This table provides a true reflection of the negative figures of the Hotel School compared to those of other departments. Apart from the figures of Department C, the Hotel School's balance between the total salary expense and the allocated salary amount, remained negative for all three years (2014 to 2016). This causes a concern for the sustainability of the Hotel School as a department within CUT. These negative figures have continuously resulted in the Hotel School being cross-subsidised by these other departments.

5.5   FINANCIAL SUSTAINABILITY

As discussed in Section 1.3 as from page 1, the rationale of this study arose from the fact that, although CUT's Hotel School is described as a "flagship department" for the institution, community, industry, staff and students, its financial sustainability has been a concern in recent years. Due to the negative annual RAM figures of this School for a few years, other departments have had to cross-subsidise the School in order for it to remain

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operational. In Section 5.4.4 as from page 169, the Salary RAM figures of the six academic departments in the Faculty of Management Sciences for the years 2014, 2015 and 2016 were compared, and evidence for the concerns raised, as well as the need for cross-subsidisation, was provided.

The negative figures put pressure on the School's financial sustainability, and therefore on the Faculty, and institution as a whole. In addition, as mentioned in Section 5.4 on page 164, cross-subsidisation between departments are allowed within the CUT RAM, but should be time limited. As the Hotel School has been cross-subsidised by other departments within the Faculty for a few consecutive years, it will not be further allowed in the longer term.

5.5.1 Income

Similar to all public HEIs departments, CUT's Hotel School is dependent on three income streams, namely: first-stream income, in the form of block and earmarked grants allocated by the state towards HEIs; second-stream income, comprising tuition fees; and third-stream income received in the form of gifts, grants, returns on investments, entrepreneurial activities, and research projects. The following sections will be structured according to these income streams, after which the expenses of CUT's Hotel School will be discussed.

5.5.1.1 First-stream income

As discussed in Section 2.6.1 as from page 64, block grants are based on student enrolments (teaching input), the number of awarded qualifications (teaching output), the research output (number of approved publications and advanced postgraduate research-degree graduates), and other institutional data (based on the size and proportion of historically disadvantaged registered students).

5.5.1.1.1 Hotel School teaching input units (TIUs)

As explained in Section 5.4.3 as from page 167, the Teaching Input Sub-block Grant is one of the income sources of the Salary RAM. In Section 2.6.1.1 as from page 64, it is explained that TIUs, and thus the Teaching Input Sub-block Grant, are based on enrolments. It therefore necessary to analyse the enrolment number of CUT's Hotel School, as this determines this income stream.

The intake of CUT's Hotel School is capped, and is determined on an annual basis in consideration of the institutional Enrolment Plan. In recent years, the enrolment figure has been capped between 70 and 90 students. 85 students are currently enrolled during one annual intake. Apart from the institutional Enrolment Plan dictating the intake quota of the Hotel School, the availability of physical lecturing venues, in particular the venues for practical classes, such as the kitchen and restaurant, also influences the number of students that can be accommodated.

Selection process

Applicants for the Diploma: Hospitality Management undergo psychometric testing/assessment. Candidates with a minimum mark of 50% for English as Home Language or First Additional Language, and an Admission Point Score (APS) of 27 or higher are invited for an interview, which is conducted by Hotel School staff. Candidates with an APS score of more than 32 points are automatically admitted to the programme. Previous or current experience in the hospitality industry, as well as selected subjects at school level, improves the candidates' chances of selection. Selection is then based on the combined mark obtained, taking the above-mentioned criteria into consideration.

5.5.1.1.2 Hotel School teaching output units (TOUs)

The Teaching Output Sub-block Grant forms part of CUT's Salary RAM, as explained in Section 5.4.3 as from page 167. In Section 2.6.1.1 as from page

64, it is explained that TOUs, and thus also the grant, are based on the number of student graduates. This grant is thus greatly affected by the dropout rate of students during the course of their studies.

The intake and dropout rates of first-year Hospitality Management students for the period 2010 to 2014 are as follows (Table 5.13 below):

	FTEs	Dropout rate after Year 1	Dropout rate after Year 2	Dropout rate after Year 3	Expected year of graduation	Graduate percentage after three years	Cumulative dropout percentage in expected year of graduation
2010	68	25%	10%	1%	2012	22%	37%
2011	71	30%	13%	6%	2013	15%	48%
2012	70	13%	7%	6%	2014	29%	26%
2013	72	26%	22%	7%	2015	25%	56%
2014	77	42%	6%	1%	2016	13%	49%
Average		27%	12%	4%	N/A	21%	43%

Table 5.13   Intake and dropout rates of CUT's Hotel School for the period 2010 to 2014

As can be seen from the table above, CUT Hotel School's annual dropout percentage after the first year ranges between 13% and 42%. The cumulative dropout rate at the year of graduation ranges between 26% and an alarmingly high 56%. The average dropout rate for the years 2010 to 2014 after the first year is 27%, while, cumulatively, 43% of FTEs drop out during the course of their studies.

It can also be seen that the highest dropout occurs in the first year of study. This vast variance in dropout percentages in consecutive years warrants a

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further investigation into the possible causes thereof. However, for this study, these dropout statistics of CUT's Hotel School is of great concern, and part of the challenge pertaining to financial unsustainability faced by the School, as it influences the TOU grant, as explained in Section 5.4.2 on page 166.

5.5.1.1.3 Hotel School research output units (ROUs)

As discussed in Section 2.6.1.1.3 as from page 69, ROUs are based on the number of approved publications and advanced postgraduate research-degree graduates. This income stream is incorporated into the CUT Salary RAM as part of the TIUs and TOUs. It forms part of the institutional income, and therefore influences the Hotel School's financial sustainability.

CUT's vision statement is that: "By 2020, Central University of Technology, Free State shall be an engaged University that focuses on producing quality social and technological innovations for socio-economic development, primarily in the Central region of South Africa" (CUT, 2014b). According to CUT (2013:10), one of the strategic aims for research and innovation, in accordance with Vision 2020, was the improvement of the quality and quantity of research and innovation output. The collective performance of CUT's faculties for 2012 shows that, although the output targets of the faculties were above the targets set by these faculties, it was still below the expected Department of Higher Education and Training (DHET) target, which is a 0.565 output unit per full-time academic staff member. One of the research and innovation targets to be achieved by 2020 is that the research output credits per full-time equivalent instructional/research professional has to increase from the then 0.1603 (as measured in 2011), to the DHET target of 0.565. The Faculty of Management Sciences, however, set the annual goal for academic staff members at 0,75 research credit units (Strydom, 2017).

Mindful of the expected DHET norm, as well as the goal set within the Faculty of Management Sciences, the actual research output of the Hotel School for the years 2014, 2015 and 2016 is shown in Table 5.14 below:

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Year	Books	Conference proceedings	Articles published in accredited journals
2014	0	0	0,33 + 0,25 credits
2015	0	0	0,50 + 0,50 credits
2016	0	0	0

Table 5.14 Research credit output of CUT's Hotel School for the years 2014, 2015 and 2016

The credits attained in 2014 and 2015 were obtained by two Hotel School staff members. It is clear that the research output of CUT's Hotel School is well below the expected requirement of CUT, and thus has a negative effect on this income source.

When considering the table above, as well as the discussion on CUT's research output for 2011 on the previous page, it can be concluded that CUT as a whole is not performing according to DHET standards. This might be indicative of the fact that this previously known technikon is still in the process of improving its research culture. As explained in Section 5.3.2 as from page 156, in comparison to traditional universities, South African UoTs still have a relative low research output (Gibbon, 2008:2).

However, it is more applicable for this study to note that, although the faculties have met the institutional goals set for 2011, as mentioned on the previous page, it is evident from Table 5.14 above that the Hotel School did not contribute substantially to this achievement. In order to obtain insight into the possible reasons for this, it is necessary to examine the staff component of the School.

Of the 13 academic lecturing staff of CUT's Hotel School, including the HoD, contractually appointed and permanently appointed staff, eight staff members possess BTech degree and two hold master's degrees, while only two have doctoral degrees. Furthermore, of these 13 staff members, three are contractually appointed Lecturer's Assistants, four are contractually appointed

Junior Lecturers, five are permanently appointed Lecturers, and only one is a permanently appointed Senior Lecturer. This means that more than half of the academic staff members of the Hotel School have been appointed on a contractual basis. Although all staff members are aware of the importance of generating research output, this half of the academic staff will most likely focus their attention on obtaining further qualifications. In addition, the two staff members who hold master's degrees are required to register and complete their doctoral studies. Hence, only two staff members can focus solely on conference proceedings and publishing articles.

It is clear that the academic staff of CUT's Hotel School have a relatively low level of seniority, as well as a low average qualification level, which might have a negative effect on the ROUs.

5.5.1.2 Second-stream income

Tuition fees form second-stream income. It is a vital source of income for all HEIs, and therefore also its departments (as seen in Section 2.6.2. on page 79). This income stream is dependent on the number of FTEs and the tuition fees charged for the specific qualification.

5.5.1.2.1 Tuition fees

Despite the controversial discussions around tuition fees, the increase therein, or even the complete cancellation thereof, it remains a crucial income stream for HEIs.

As seen in Section 5.3.2.2 as from page 158, the Diploma: Hospitality Management consists of a vast number of subjects and short courses, which certainly influences the total tuition fees. In addition to tuition fees, Hospitality Management students are required to purchase a complete uniform, as well as a knife set, in order to participate in classes.

The characteristics of the subjects, and more specifically the practical subjects, as well as the consumables to be used in the kitchen, bar and restaurant, also influence the cost of the subjects, , as the following expenses are rising continuously: food and beverage purchases, cleaning and laundry services, maintenance, loose equipment, the upgrading of facilities, transport for students who work late, wastages due to students' mistakes during training, gas, printing of menus, Point of Sale licenses, and liquor licenses. This increases the total cost of tuition fees for the course as well.

Although tuition fees increase the Department's income, relative high tuition fees discourage prospective students from enrolling for the course, which in turn influences the TIUs.

5.5.1.3 Third-stream income

The CUTs Hotel School is first and foremost an educational department that prepares students for the industry. The generation of third-stream income is not its main priority, although it is an important income stream. As can be seen in Section 2.6.3 as from page 86, all HEIs are under pressure to increase its third-stream income, and therefore this School also experiences such pressure.

Third-stream income is explained as national and international donations, contract research, and the sale of goods and services. The Hotel School generates third-stream income by hosting functions and events at the School. The main goal of these functions and events is to provide students with the opportunity to practice their knowledge and skills; however, it is also used to generate additional income for the School. Hosting of functions and events is only possible with the availability of students to perform the practical work in the restaurants and kitchens.

5.5.1.3.1 Functions and events

Class contact time is determined according to the number of credits allocated to subjects. It includes practical work at functions and events hosted by CUT's Hotel School. Another factor that influences functions and events, is that lecturing staff are responsible for supervising these functions, which adds a significant number of hours to their academic workload. The number of functions and events that the School can host, as well as the operational hours of the restaurants, is therefore limited.

Due to academic staff having to manage the restaurants; test weeks; and larger functions, such as conferences and events, the restaurants are only operational during academic weeks, which is approximately 24 weeks per annum. Of these 24 weeks, the senior restaurant is operational for lunch or dinner two days per week, while the first-year restaurant is open for lunch three days per week.

According to the Operational Manager of the Hotel School, the occupancy percentage of the restaurants are relatively low. The figure for the first-year restaurant is estimated at 25%, while the figure for the senior restaurant is estimated at 20%. However, functions do increase the estimated occupancy to 75%.

5.5.1.3.2 Short courses

No short courses are currently offered at CUT's Hotel School.

5.5.2 Expenses

As discussed in Section 2.4.3.1 as from page 38, the declining state funding of recent years was accompanied by a simultaneous increase in the running costs of HEIs. These running costs include, amongst others, staff salaries; operational costs, such as consumables, electricity and cleaning expenses; computer-related expenses, such as hardware and software; and security.

5.5.2.1 *Staff salary expenses*

As explained in Section 5.4.3 as from page 167, the CUT Salary RAM takes the staff salary expense into account. As this study's main focus is on the financial sustainability of CUT's Hotel School, and for purposes of examining the financial effect of lecturing staff on such sustainability, a clear distinction should be made between those staff members whose salaries form part of the RAM, and those staff members whose salaries form part of an additional salary budget for part-time staff.

Staff expenses relating to the HoD, Operational Manager, Senior Administrative Assistant, Junior Lecturers (three-year contract, or until the completion of their master's degree studies enables them to be promoted to Lecturers), Lecturers, Senior Lecturers and Technical Assistants, form part of the salary expense calculated and shown on CUT's RAM. Salary expenses relating to Lecturer's Assistants and any additional lecturing staff in the form of Part-time Lecturers, as well as Student Assistants, have a financial impact, but is shown on an additional part-time salary budget.

The staff structure of the Hotel School is as follows (see Figure 5.1 below):
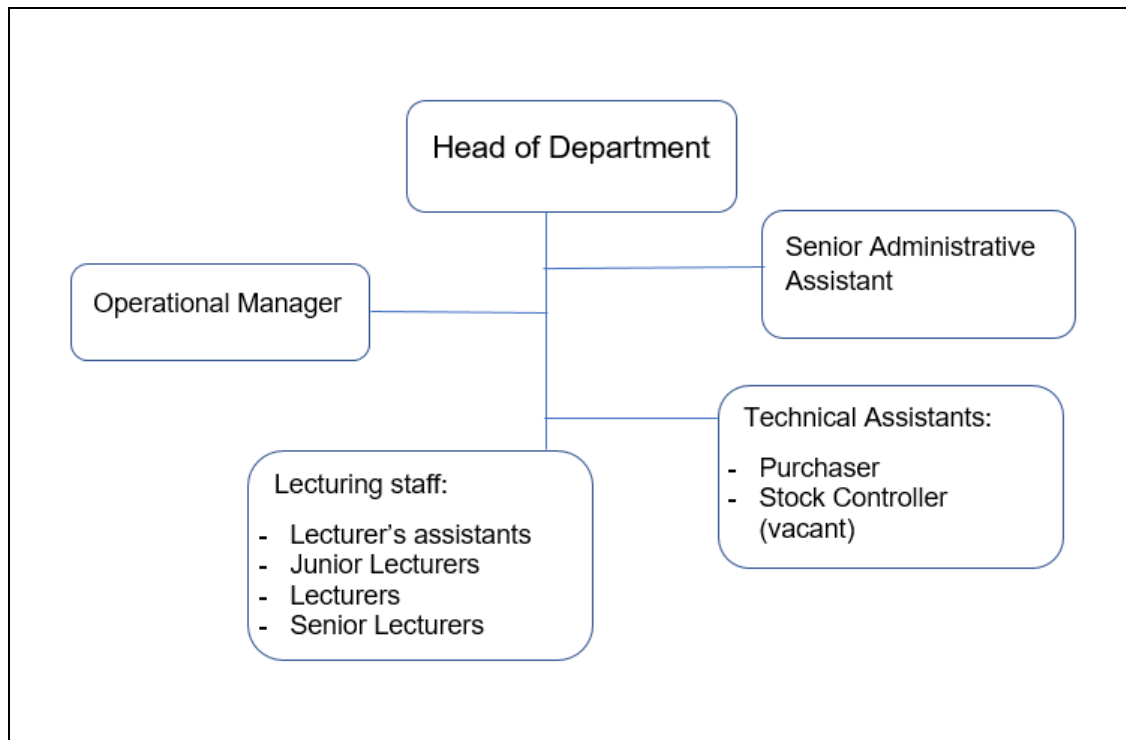
Figure 5.1   CUT Hotel School staff structure

Altogether, the Hotel School has 17 staff members, which includes contract as well as permanently appointed staff, including an HoD, Operational Manager, a Senior Administrative Assistant, Senior Lecturers, Lecturers, Junior lecturers, Lecturer's Assistants and Technical Assistants.   Lecturing staff comprises 13 of the total staff component, while two staff members are operational staff, and one is an Administrative Assistant. The lecturing staff is responsible for all classes, whether practical or theoretical. The Operational Manager is responsible for overseeing all operational aspects of the School, while a Purchaser and a Stock Controller (vacant) report to the Operational Manager.

5.5.2.1.1 Staff-to-student ratio

For purposes of this study, the term "staff-to-student ratio" refers to the actual size of the class being lectured by a lecturer at any time.

As can be derived from Table 5.1 on page 161, the Diploma: Hospitality Management qualification consists out of theoretical and practical subjects.

Being a 360-credit qualification, the academic structure of this three-year Diploma requires of students to have a collective 3 600 notional hours' contact time with the course material, the lecturer, and/or in industry. Contact time is determined according to the credit allocation of each subject within the qualification. The nature of the subject, as well as venue space, dictates the number of students that can be accommodated per contact period. This is especially true for practical subjects, where class sizes are limited to kitchen, restaurant or computer laboratory space. It is, therefore, inevitable that the annual registered group of students is divided into smaller groups, in order to complete these hours in the operational venues of the School, and to provide them with more individual attention.

As discussed in Section 5.3.2.2 as from page 158, the facilities of the Hotel School in which practical subjects (such as Food and Beverage Studies, Culinary Studies, and computer-based subjects) can be offered, are limited to one computer laboratory with 16 computers; one demonstration kitchen with equipment and space to accommodate 12 students; one operational kitchen with equipment and space to accommodate 12 students; and two restaurants. The size of the actual venue space prescribes the number of students that can be accommodated during each practical lecture. Therefore, subject-specific skills are firstly demonstrated during practical classes, after which students get the opportunity to apply and practice these skills in smaller groups of 12 (kitchen) to 16 (computer laboratory) students. The limited number of students that can be accommodated per class session significantly increases the salary expenses, as classes have to be repeated up to six times. For example, if 90 students are registered for a subject, the time spent by a lecturer on one practical class, will be more or less 21 hours. However, if this was a theory-based class, the would be able to present the content to all the students in three hours.

The reasoning behind the smaller groups of 12 to 16 students in practical classes can thus be summarised as follows: firstly, when students are applying a new observed skill, more individual attention is required to ensure

that the student has grasped the skills, and applies it correctly. Repetition is required for these skills to be effectively mastered. Secondly, as practical classes require specific venues for demonstration and practice purposes (such as a kitchen, restaurant or computer room), the venue capacity also dictates the student capacity per session. The repetition, as well as the timeous character of the practical classes, consequently results in lecturers of practical subjects having a workload that exceeds the recommended number of academic lecturing hours. Another factor that influences the number of students in a class, is the number of students that the lecturer can effectively teach in terms of practical skills transfer. The nature of the skills to be demonstrated by the lecturer, and practiced by the students, thus also influences the class size. It is also important to provide individual attention to students when teaching them skills such as those in a kitchen, bar or restaurant. Specifically, in the kitchen, where culinary skills are demonstrated under frequently high temperatures, and where students are trained to work with sharp knives, the safety of the students are also key when determining the number of students to be supervised at once in the kitchen. The lecturer needs to be able to manage/supervise the students closely, as accidents may occur.

In addition to practical subject classes where lecturers demonstrate practical skills, sufficient practical classes in which students get the opportunity to practice these newly acquired skills are also required. The practicing of acquired skills in a real-life setting is of importance, as UoTs, and more specifically the Hotel School, is focused on offering career-orientated programmes, and producing employees who are ready for the working world, as was discussed in Section 5.3.2 as from page 156. This is done in the form of hosting various types of functions at the Hotel School, its restaurants, and neighbouring institutional departments. During these functions, the students are responsible for the operational execution of the function, under close supervision of a lecturer. Towards the senior levels of the diploma, students are responsible for the complete function cycle, from the planning phase to the execution phase. Although this is a crucial part of the qualification, it puts

pressure on academic staff's hours, their salary expenses, and, ultimately, CUT's Salary RAM.

The small size of practical subject classes has two consequences. Firstly, lecturing staff, mostly staff responsible for the practical classes, have a large academic load compared to those who lecture theoretical classes. This has a negative impact on these academic staff members' research output and/or further studies. Secondly, additional staff in the form of part-time or staff from other departments, are required. This has a negative financial effect on the Hotel School's ability to remain financially sustainable.

The staff-to-student ratio for practical classes is therefore between 1:12 and 1:16, while, for theoretical subjects, this figure is 1:45 on average, and even as high as 1:90.

5.5.2.2 Operational expenses

The nature of the Hospitality Management course requires that students are trained in venues such as a restaurant, kitchen and bar. In order to remain competitive, and to properly prepare students for the real world and industry, these venues need to be equipped with the correct and up-to-date equipment. This, as well as consumables to be used in the kitchen, restaurant and bar, are costly, and place additional pressure on an already pressured departmental budget.

Other operational expenses common to hotel schools include cleaning laundry services, routine maintenance on specialised equipment, the upgrade of the operational facilities, after-hours transport provided to students, cutlery, crockery, glassware, wastages, gas, printing expenses, Point of Sale licenses, and liquor licenses.

5.5.2.2.1 Management of operational expenses

As seen above, due to the nature of the Hospitality Management qualification, as well as the School's operational activities, the Hotel School incurs relative high operational expenses. As financial sustainability is dependent on the management of expenses, the following procedures for the management of operational expenses are followed, or are in the process of implementation, at CUT's Hotel School:

- Standardised recipes are to be used and accurately costed.
- Menu planning for functions and events are costed to ensure that items are sold at a price that covers the material costs; sundry expenses, such as breakages, cleaning and student mistakes; etc., while generating a profit.
- Stocktaking is conducted on a monthly basis.
- Stock is checked on a weekly basis by the lecturers, and they are encouraged to use items before their best before dates*.*
- Wastages in the various units are recorded and checked by the Operational Manager.
- Stock gets transferred between the various units to reduce the need for purchases, and to control wastages as far as possible.
- Orders are checked by the Operational Manager for approval.
- Quality of purchased products; Products, such as fresh fruit and vegetables, are bought from a reputable supplier, ensuring that the fresh produce last longer, and through this, wastages are reduced.
- As orders, receipts, transfers and wastages are checked, staff takes more responsibility to ensure that these matters are managed, and that expenses are kept at a minimum.
- The annual budget provides guidance for the management of departmental expenses.
- Income and expense reports are compiled, and are discussed with the relevant lecturers, to determine how they can improve their departments to be more profit driven.

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5.6 CHAPTER SUMMARY

This chapter focused on a chronological history of the Hotel School and its building, as well as the School's financial sustainability, with a focus on its income streams and expenses. The School was further described by providing the operational and academic factors that influence its financial sustainability. CUT's RAM was explained, and the RAM figures of CUT's Hotel School were compared with those of other departments in the Faculty of Management Sciences. The chapter also provided an informative description of CUT's Hotel School, which will be used as the basis of comparison with other South African universities' hotel schools, in order to ultimately compile a strategy towards the improved financial sustainability of such schools.

The results and discussion of the research data will be discussed in the following chapter.

CHAPTER 6

RESULTS, DISCUSSIONS AND CONCLUSIONS

6.1 INTRODUCTION

The findings of the research are discussed in this chapter. The findings are presented in three sections, namely:

- lessons learnt from the literature study;

- research findings resulting from interviews at four top international hotel schools; and

- research findings resulting from interviews at South African universities' hotel schools.

6.2 GOAL OF THE CHAPTER

In this chapter, the researcher provides and analyses the results of the study. Firstly, lessons learnt form the literature findings with regards to higher education funding and financial sustainability are provided. The findings obtained from the interviews at top international hotel schools are then provided and discussed, after which the findings obtained from the interviews at South African universities' hotel schools are provided and discussed.

6.3 LESSONS LEARNT FORM THE LITERATURE STUDY

The lessons learnt from the literature review, as provided in Chapters 2 and 3, are discussed in this section.

6.3.1 Higher education funding

The benefits of higher education cannot be disputed. For the individual, the community, the country, and world-wide, the return on investment in higher education is evident, as higher education institutions (HEIs) continue to play its traditionally known significant role. However, being subjected to

tremendous challenges, including technological changes, changing student demographics, rising consumer expectations, increased global competition, the information age, and the rise of the knowledge-based economy, universities world-wide are regrettably experiencing increasing pressure. In addition, South African universities in particular are further pressured to educate people with high-level skills for the labour market; produce new knowledge; and provide opportunities for social mobility, while strengthening social justice and democracy.

Mindful of the benefits that HEIs produce to the graduates, their local communities and the nation as a whole, it is logical to conclude that adequate funding is required to sustain these institutions. However, this is not the case, as, globally and nationally, the decline in funding towards higher education has been a sensitive matter. The funding of higher education in South Africa in particular has been debated in the recent past, focusing on the adequacy, as well as the possibility of free higher education. Due to declining financial support from governments, universities world-wide are forced to adopt privatised characteristics by attracting more fee-paying students, and implementing additional income-generating activities. Apart from generating additional income, universities are also pressured to implement cost-effective strategies, including increased resource attainment, and more effective resource allocation and maintenance.

The running costs of these institutions have increased significantly during the past few years, thus further increasing the impact of the decline in state funding. The South African government therefore urges HEIs to reprioritise their budgets and increase their efficiency, as additional future funding towards higher education is predicted to be limited. HEIs are also urged to generate additional funding for universities; reduce overhead costs; collaborate with other universities to save on expenses; improve debt collection; investigate donor funding sources; and establish processes that will generate third-stream funding. This resource-restricted environment in which HEIs find themselves have severe implications, as, amongst others, it may

threaten the survival, competitiveness and academic quality of these institutions.

Other challenges with which the South African higher education sector are faced, include young South Africans' inability to enter quality higher education due to financial reasons; the struggle to gain access to a HEI due to the increased output of secondary schools; and the relatively high FTEs dropout figures. Another challenge is the restructuring process that South African public higher education has undergone from 2002 to 2005. This process left the previously known technikons to suddenly face a different set of goals, and having to adapt to their newly adopted institution-specific focus.

Public universities are dependent on first-, second- and third-stream income. In 2004, a new "state steering mechanism" was implemented, known as the New Funding Framework (NFF). Based on block and earmarked grants, this framework is goal orientated and performance related, guiding the distribution of government grants to institutions according to national goals and approved institutional plans. The performance of HEIs is monitored according to their student enrolment figures, student equity, the pass rate of students, the graduation rate of students, staff equity, and staff members' qualifications and research outputs. Funding towards HEIs are intended to cover the expenses of teaching delivery and research-related services and outputs, and is based on a three-year institutional plan.

First-stream income, in the form of block and earmarked grants, is dependent on the approved student enrolment numbers, qualifications awarded, research outputs, and specific institutional data. Second-stream income, the second-highest source of income after state funding, comprises tuition fees. Responding to declining government funding and tuition-related pressures, HEIs are forced to increase not only their student fee income, but also their third-stream income, such as national and international donations, contract research, sales of goods and services, and research grants.

6.3.2 Sustainable financial management strategy development

The main objective of management and, more specifically, strategic management, is to optimally position an organisation for the future in order to survive in an ever-changing environment. Strategic management is focused on the effectiveness of a business, as well as its direction within its environment. It involves setting clear and specific strategies, into which sustainability should be incorporated. For strategic planning to truly be future orientated, sustainability should be an inseparable part thereof, together with strategy, risk and performance, as sustainability is one of the key elements of strategy and strategic competitiveness. Sustainability requires that strategic decisions be maintained over a long period of time (Oxford Dictionaries, 2016).

Therefore, in order to reach its set objectives, an organisation's financial sustainability is thus dependent on well-defined strategies, as well as the implementation thereof. This specifically involves the allocation of available resources, specifically financial resources, based on internal strengths and weaknesses, and the estimation of environmental changes. Financial sustainability ensures that an organisation obtains revenue, sustains productive processes, continues to grow, and achieve its objectives. Financial sustainability is based on strategic financial planning, the diversification of income sources, thorough administration procedures, and finance and own income generation.

It is clear that HEIs must find ways of achieving more with the same amount of resources. It is becoming more important to prioritise, reduce, and focus on truly important issues, without putting the institution at risk. Access to more financial resources enables an institution to improve its production inputs. However, HEIs produce various outputs in the areas of teaching, research and public service, which are often difficult to measure and define.

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For this reason, financial planning for financial sustainability is an integral part of an organisation's strategic planning function. Budgets are used as the basis of their financial planning and control, through which decisions on the levels of spending and resource distribution amongst organisational subunits are made. In HEIs, budgets have two functions. They serve as an instrument to allocate resources internally, and, secondly, to make different types of claims from the state in order to acquire resources.

Responsibility-centred budgeting (RCB) is a market-like, decentralised budgeting practice that provide functional units within a university with more autonomy in decision-making, as opposed to that of centralised budgeting management. Autonomy within the units allows these units to act with self-interest, focusing their decision-making on efficiency, cost control and income regeneration. Decision response time is reduced; an increased sense of commitment is found; efficiency, and more specifically cost-efficiency, is increased; and long-term planning is improved.

The allocation of resources is as important as the actual owning thereof. In combatting the financial challenges faced by HEIs, the careful allocation of scarce resources is crucial towards improving financial sustainability. The allocation of resources affects departments in various ways: it determines the lecturing staff hired; the number of students taught; as well as the extent of the content taught. On the other hand, the workload of lecturing staff, and the quality of these staff members, affect the research standards, as well as the productivity levels of staff. Therefore, in order to understand the shape of knowledge, resource allocation amongst departments should be understood.

Fixed budgets are used in non-competitive conditions of allocation, while performance-based allocation is used in competitive conditions of allocation. These two types of RAMs have different effects on individuals' levels of activity. The fixed budget, or stable allocation, is not linked to performance, and therefore the level of activity depends on the motivation of the individuals themselves. This often results in low activity and performance. However,

with performance-based allocation, individuals' level of activity depends on the incentives connected to the allocation system. In this scenario, high levels of activity are required to maintain the required level of funding.

Input costs, such as staff salaries and the equipment used in teaching different subjects, differ between different departments. The staff-to-student ratio, and therefore the staff expense, are dependent on what is deemed the most effective mode of instruction according to the content of the subject.

Surviving in the challenging environment in which HEIs, and, therefore, South African universities' hotel schools, find themselves - while simultaneously improving the academic performance of their students, as well as their financial performance, requires the development and application of reliable financial management tools.

6.4 ANALYSIS OF THE TOP INTERNATIONAL HOTEL SCHOOL INTERVIEW RESULTS

The interviews with the top international hotel schools were structured in the form of in-depth discussions. The researcher received permission to record the conversations during all four of the interviews. The researcher started the discussion with the following introduction:

"I am from the Hotel School at the Central University of Technology in the Free State province of South Africa. I am currently a doctoral student at this institution, and Acting Head of the Hotel School. This higher education institution is a public university, relying on three types of income sources: first-stream, second-stream and third-stream income. First-stream income is generated through government subsidy, second-stream income constitutes tuition fees, while third-stream income is derived from other sources, such as contract research, short courses, endowments, and commercialisation of intellectual property. The income of the Hotel School, which is one of six departments within the Faculty of Management Sciences, therefore relies on:

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- input and output subsidy received from the national Department of Higher Education and Training;
- subsidy received on research outputs;
- tuition fees; and
- third-stream income, such as additional functions, workshops, training, etc. offered by Hotel School staff.

The above-mentioned income sources are negatively influenced by the:
- relatively high dropout rates;
- relatively high tuition fees, due to the unique nature of the learning programme in Hospitality Management;
- relatively low readiness level of students;
- restricted financial ability of students; and
- the fact student intake numbers are capped in accordance with the operational realities."

As this introduction, together with the information provided in the letter requesting an interview, prepared the interviewees for the discussion, there was a natural flow in the discussion of aspects that the interviewees thought would be of importance and assistance to the interviewer.

Interviews were conducted with the following four establishments' contact persons:
- The Hague Hotel School: Mr Rob Risseeuw, a member of the Board of Directors at the time of the interview. The School has two campuses: one in Amsterdam and one in The Hague. The researcher visited the Hotel School in Amsterdam.
- Les Roches Hotel School: Mr Dimitrios Diamantis, the Dean of Graduate Studies at the time of the interview.
- Swiss Education Group: Mr Laurent Schatzmann, the Director of Marketing and Development: Africa and Middle East at the time of the interview.

- Lausanne Hotel School: Mr Fabien Guimtrandy, the Chief Financial Officer at the time of the interview.

In the following section, each interview question will be stated, and each the rationale for each question will be explained. Subsequently, the responses of the interviewees are provided and, where deemed appropriate, are quoted verbatim. The findings will be presented by referring to Hotel School 1, 2, 3 and 4, respectively, but in no particular order.

6.4.1 International hotel school interview research question 1

Question: What type of institution (e.g. public, private, etc.) is your hotel school, and does it influence your income?

The rationale for this question was to enable the researcher to draw a clear distinction between the hotel schools, as this assisted her in better interpreting the interviewees' responses.

Section 4.5.1.3 as from page 128 explains the sampling method used in this study. Therefore, the researcher unintentionally visited four different types of institutions:

- Hotel School 1 is a specialised public school. It is financed by government, and only offers education in Hospitality.

- Hotel School 2 is a private school (i.e. its income is mostly received from students. Only a small percentage (1%) thereof is received from government).

- Hotel School 3 is also a private Hotel Management School.

- Hotel School 4 was a private, non-profit organisation, with a public purpose. This status was changed to a private university of applied sciences, aimed at profitability.

6.4.2 International hotel school interview research question 2

Question: Are you profit driven?

The answers to this question provided more insight into the type of institution, as well as assisted the researcher in better interpreting the follow-up financial management questions.

Hotel School 1 is not profit driven, as it is a government institution, "delivering high-quality education". All profits are reinvested in the School, to improve its facilities and education. Both Hotel Schools 2 and 3 are profit driven, while Hotel School 3 also indicated that their profits are reinvested into the institution. Hotel School 4 has a non-profit goal, with for-profit companies inside, and one non-profit company for education. This allows them to raise funds from banks in order to finance themselves. This School is partly privately financed.

6.4.3 International hotel school interview research question 3

Questions: Which qualifications do you offer? Duration of study?

These questions focused on the types of qualifications that are offered at the hotel schools.

- Hotel School 1 offers a "regular four-year programme", and a two-and-a-half-year "fast-track progamme" for students with an existing qualification before starting with studies at the School.

- Hotel School 2 offers seven bachelor's degrees, an MBA, a Master's Degree in Hospitality Leadership, and a Postgraduate Diploma. The Postgraduate Diploma is offered for students who completed a different type of bachelor's degree, but who wish to change studies towards Hospitality Management.

- Hotel School 3 offers an undergraduate programme, Diploma/Higher Diploma/Bachelor's Degree, Postgraduate Diploma, Master's Degree and internships.

- Hotel School 4 offers a Bachelor of Science in International Hospitality Management, consisting out of three years, with an additional one year of compulsory preparatory practical work; an Executive MBA in Hospitality Administration; and a Master of Science Global Hospitality Business.

6.4.4 International hotel school interview research question 4

Questions: How many students do you enrol annually? What is your dropout rate?

The rationale behind this question was to determine the intake of FTEs of these schools, and whether these schools also have relatively high dropout rates, which, as can be seen in Section 5.5.1.1.2 as from page 177, is the reality of CUT's Hotel School. This information was then used for further discussions, to seek advice from these top international schools, and to draw conclusions and recommendations from the findings.

- Hotel School 1 enrols 700 students annually, with a dropout rate of 12,5% in the first year, and an average dropout rate of 25% to 30% towards the end of the fourth year.

- Hotel School 2 enrols between 960 and 1 100 students per semester, and has an average dropout rate of 5%.

- Hotel School 3 enrols 600 to 800 students, of which, on average, 8% to 12% drop out, while 15% of its students drop out in the first year.

- Hotel School 4 enrols 700 students per year, with the intake capped at 350 per semester. They therefore have two intakes per year. Their average dropout rate is 10%.

As explained in Section 5.5.1.1.1 as from page 177, CUT's Hotel School enrols between 70 and 90 students on an annual basis.

During further discussions, the interviewee of Hotel School 1 was interested in the size of CUT's Hotel School. After responding to a question on the number of FTEs of the School, the interviewee emphasised that CUT's Hotel School is small in comparison to all other hotel schools, both nationally and internationally. He recommended that this Hotel School, which is situated in Bloemfontein, should use its location as an advantage in the marketing of the School. He explained this statement by saying that, compared to Johannesburg and Cape Town, CUT's Hotel School is "in the middle of everywhere, and is a safe place", and advised the researcher to use this as a strong marketing point. He emphasised the importance of CUT's Hotel School establishing itself as a brand, having a vision, and offering a high-quality diploma to ensure a good reputation. He indicated that CUT's Hotel School should become "a brand within the University", as this will assist in recruiting good students both locally and internationally.

Referring to the referring high cost of offering courses in the Hospitality Management field, Hotel School 4 confirmed: "Teaching Hospitality costs a lot. A lot more than Mathematics. It costs more because of facilities. Therefore, your (referring to CUT's Hotel School) size is a key point". He also recommended that the School should have more than one intake of FTEs per year, as it will increase the number of students. Hotel School 1 also firmly suggested that the CUT Hotel School increases its student intake. He explained, by saying that, if you look at the world today, "the Hospitality industry is the fastest-growing industry in the world, and, even for South Africa, it is a very important industry". He suggested that a good plan needs to be compiled, in which a strong case needs to be made that hospitality

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growth will lead to employment growth, and using this to request an increased intake from the institution.

As is seen in Section 5.5.1.1.2 on page 177, the dropout rate of CUT's Hotel School has been alarmingly high over the past few years, with annual rates as high as 42%; an average rate of 27% after the first year (for the years 2010 to 2014); and an average cumulative dropout rate of 43% (for the years 2010 to 2014). From the findings of the interviews, it is evident that the international hotel schools' dropout figures are significantly lower than that of CUT's Hotel School, as seen in Graph 6.1 below:
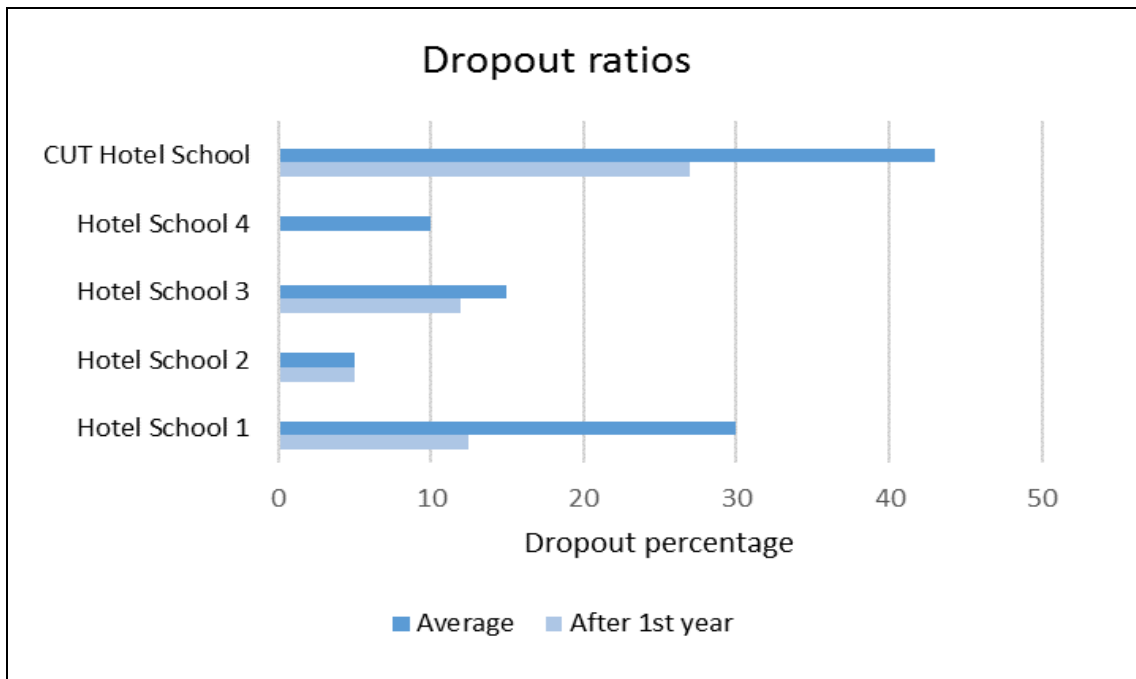
Graph 6.1 Dropout ratio of top international hotel schools in comparison to that of CUT's Hotel School

The researcher probed the interviewees to obtain further information on this aspect, specifically on the reasons the interviewees would ascribe to these relatively low dropout figures, in comparison to those of CUT's Hotel School. Their responses were as follows:

The interviewees of Hotel Schools 1 and 4 agreed that their relative low dropout rates can be ascribed to "good selection processes" and "very strict

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selection processes", respectively. Hotel School 2 indicated that their dropout figure is a "minor problem, as the location of the Hotel School is protective in the sense that, if you drop out, you have to go to a completely different location". He added that the students who are planning to drop out have to give two months' notice as well. In addition, the staff of the School have a meeting with those who drop out, to discuss their reasons for doing so. The interviewee of Hotel School 4 also emphasised the importance of a stringent selection process, referring to it as "recruitment". "If you want to become the best, you need to attract the best", he stated. Marketing needs to focus on attracting the best, and can only be successful if sufficient funds are invested in marketing itself, communication and websites, as these are the tools used to attract the best students.

The interviewee of Hotel School 1 warned that a small student intake, such as 85, combined with a high dropout percentage, "hurts" a department twofold. He advised that a better, stricter selection process of a higher quality should be implemented at CUT's Hotel School, as it will decrease the high dropout rate in the first-year. He explained that the selection process at Hotel School 1 is very strict, and takes a full day to complete. During this day, the prospective student's language (English) and numeric skills, and the presentation of their skills, are tested. "You have to look at their potential." At Hotel School 2, students are only admitted to study if they have work experience in the Hospitality industry. He advised that this must become part of the selection process of CUT's Hotel School as well. According to Hotel School 4, when the best applicants are selected through a rigorous selection process, it is important to better accompany them during their studies. The interviewee provided the following examples: offer classes in smaller groups, provide them with sufficient online support, and provide support through mentorship programmes. In addition, Hotel School 4 advised that the selection process needs to be robust enough to ensure that the best applicants are selected out of the pool of applicants.

6.4.5 International hotel school interview research question 5

> *Question: What is your staff-to-student ratio (the number of students in theory classes and practical classes)?*

The staff-to-student ratio greatly affects staff salary expense, and therefore the rationale behind this question was to compare this ratio to that of CUT's Hotel School, in order to make a comparison, and draw a conclusion on this aspect.

From the discussion in Section 5.5.2.1.1 as from page 185, the staff-to-student ratio for practical classes at CUT's Hotel School is between 1:12 and 1:16, as this is directly dependant on the space in the kitchen to effectively and safely offer culinary classes. The staff-to-student ratio for theory classes ranges between 1:45 and 1:90.

- Hotel School 1 has 105 lecturers and instructors for a total of 2 400 students. This amounts to an average staff-to-student ratio of 1:23. The interviewee explained that the number of classes that are conducted in smaller groups by instructors are not as significant, as they are a business school; however, on average, theory classes are conducted for 24 students per group.

- Hotel School 2 employs 80 teaching staff (which includes part-time lecturers and instructors) for 1 100 students. This is an average staff-to-student ratio of 1:14. There are 20 to 30 students in a theory class, with 40 students being the maximum, and only five to ten students in a practical class.

- Hotel School 3 offers theory classes to groups of between 25 and 35 students, while practical classes in the kitchens are presented to between 12 and 13 students. The interviewee explained this low ratio in the following manner: "we have to" and "we really believe in personalised

service". The interviewee provided an example of a class taking place in the fine dining restaurant, where "the lecturer was teaching six students".

- The staff-to-student ratio at Hotel School 4 is 1:30, with a maximum of 12 students in a practical class.

6.4.6 International hotel school interview research question 6

> *Questions: Which factors influence your income – only tuition fees? What are your income sources? What type of operational facilities do you have?*

The income streams of CUT's Hotel School are discussed in Section 5.5.1 as from page 176. With this exploratory question, the researcher aimed to identify similarities and differences between the income streams of the top international hotel schools, and those of CUT's Hotel School.

As Hotel School 1 is a government institution, 50% of its total income is received from government. Government fees are received on an annual basis, and again with graduation. 98% of the income of Hotel School 2 is received from students, while 1% is received from government, and 1% is obtained from research. Student fees are the main income stream of Hotel School 3 and Hotel School 4. However, at Hotel School 4, students are expected to pay infrastructure fees for the basic use of the School's buildings and facilities, as well as a food and beverage pre-payment, covering meal expenses while they are studying at the School.

> *Questions: How do you generate additional income? How do you manage your restaurant(s) to increase income? Do you have any other additional projects to generate income?*

Being interested in the additional income streams of these hotel schools, the researcher requested the interviewees to provide her with more information on this aspect. Additional income, or more referred to in this script as "third-

stream income", is such a critical source of income for CUT's Hotel School (as discussed in Section 5.5.1.3 as from page 182), that the researcher intended to use the responses of the interviewees to get an indication of the importance of third-stream income for these top international hotel schools. These findings were then used to inform the strategy towards the increase of the current third-stream income services of South African universities' hotel schools:

- At Hotel School 1, an additional 1% of total income is generated through research; however, the School intends to increase this percentage. First-year students at this Hotel School live and study on campus; therefore, a portion of the course fees paid by students are for accommodation and meals, which might be regarded as an additional income stream. The two restaurants are open to the public, and are managed by instructors and students. A reasonable profit is made from these restaurants.

- Hotel School 2 did not indicate any additional income sources, and mentioned that their restaurants are managed by, and for, the students.

- Hotel School 3 increases their additional income sources by offering summer schools, during which high school scholars visit the School for two weeks to experience the School and the courses offered. This is also used as a marketing tool through which the scholars can experience the Hotel School and could be persuaded to study at the School. Another income stream is generated through other summer courses, such as French, German and English language courses.

- The restaurants at Hotel School 4 are open to the public, and generate a small additional stream of income.

6.4.7 International hotel school interview research question 7

Question: Apart from the cost of the course, do students have additional expenses to cover to be able to enrol for the course, such as for knife sets and uniforms?

As discussed in Section 5.5.1.2.1 as from page 181, CUT's Hospitality Management students are required to purchase a knife set, as well as a comprehensive and all-inclusive uniforms. There are thus additional costs, beside that of the course, for students enrolling at CUT's Hotel School, which increases their total tuition fees substantially. The consequent relatively high tuition fees are considered a contributing factor to the challenge of recruiting and retaining students. Therefore, the researcher was interested in obtaining information on whether the students of these top international hotel schools are also expected to pay additional fees such as those mentioned above.

Hotel schools 1, 2 and 3 require of students to pay additional fees for their uniforms, as well as purchase knife sets. Hotel School 1, however, mentioned that they are planning to stop the practice of students having to buy knife sets in the near future, and supported this decision by saying that: "We do not educate chefs, we are a business school". Hotel School 2 also has an additional travel expense for trips to be undertaken by students. These expenses are covered by the School, and are included in its tuition fees.

6.4.8 International hotel school interview research question 8

Questions: What are the qualifications of your school's staff? Are all staff required to contribute towards the school's research output?

As discussed in Section 2.6.1.1.3 as from page 90, the research outputs of staff at HEIs greatly influence the income received by these institutions, and therefore, also directly influence CUT's Hotel School income. As seen in Section 5.5.1.1.3 as from page 179, only two of the 12 academic lecturing

staff of CUT's Hotel School hold master's degrees, and two have doctoral degrees. From this, it can be deducted that the academic staff of this School has a relatively low average level of qualification, which might have a negative effect on the School's ROUs. Although all academic staff in the Faculty of Management Sciences at CUT are required to contribute 0,75 research credit units per year, while the expected DHET target is 0.565 research output units per full-time academic staff, the CUT's Hotel School is lacking significantly in this regard.

The researcher was therefore interested in the qualifications of these schools' staff, as well as to determine their research activity.

- From the interviews, it was found that all the lecturers of Hotel School 1 and Hotel School 3 have master's degrees.

- Staff of Hotel School 1 are not all involved in research, and are rather expected to keep themselves updated and informed in "their line of business, and have good relations with industry and didactics". All of their lecturers must, however, understand research. Should they undertake research, it is "industry focused".

- For the lecturing staff of Hotel School 3, conducting research is not a compulsory function. However, research does form part of their responsibilities. For example, the interviewee mentioned that 20% of an Assistant Professor's work will be contractual arrangements for research.

- The research activity of lecturing staff of Hotel School 4 is dependent on their positions, as full Professors and Associate Professors are employed to do research, while "lecturers are here to lecture". Instructors of this School are not expected to do formal research, but rather to keep abreast of current trends in their areas of expertise. The interviewee added: "It is a mistake to have all lecturing staff involved in formal research. Pedagogical skills needed to teach is not the same as the skills to do research. More

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specifically in Hospitality – Hospitality is a matter of practical people. You need research. But a researcher is not a maker".

Realising that the staff structure of these top international hotel schools seems to be different from that of CUT's Hotel School, as provided in Figure 5.1 on page 185, the researcher probed further, and requested that the interviewees elaborate on the staff structure of the respective hotel schools. The interviewees could, unfortunately, not provide their schools' organisational charts, but the following became evident from the discussions:

- All of the schools clearly distinguish between academic lecturing staff and operational instructors, also called lecturers in practical arts.

- Hotel School 1 firmly indicated that lecturers are on an academic level, while instructors work on a practical level in the kitchen, restaurant, etc.

- These schools have their own marketing departments, or at least dedicated staff member(s) who attend to marketing.

- Dedicated staff members are appointed for purposes of industrial relations, and alumni network building and communication.

6.4.9 General interview comments and advise

As interviewees received an interview request letter (see *Appendix 1* on page 340), introducing the study, and providing the rationale and aim thereof, they were prepared for the interviews, and freely offered advice for improving the financial sustainability of CUT's Hotel School. Therefore, during the interviews, discussions comfortably flowed from the interviewees merely answering the structured questions, to them providing advice to remedy the CUT Hotel School's situation. In the following section, the researcher aimed to provide these valuable insights in an orderly manner.

6.4.9.1 Increase profit

The interviewee of Hotel School 1 started the interview by stating the obvious: "If your expenses are more than your income, you are out of business!". He advised that "creativity is the major thing you need" when attempting to increase income, given the background of CUT's Hotel School. He also added that "the only way you can live in the future, is if you have a growth rate that is much higher than your costs". However, "your fixed costs, stays fixed. There is something we call in Economics the 'engineered cost'. This refers to calculating the costs of providing a service. The so-called unavoidable cost. In Higher Education, this engineered cost, which is unavoidable, is the teacher standing in front of the class". Part of this engineered cost includes paying for the development of course material. These costs can be managed by no longer developing course material internally, but rather purchasing another university's material on an annual basis, and paying them an annual fee for such material.

He also raised the topic of the #Fees-Must-Fall campaign, and noted two realities: "It can be assumed that government funding will probably not increase or even double in the near future"; and CUT's Hotel School will not be able to increase tuition fees in the near future. Demonstrating his insight into the financial instability of CUT's Hotel School, he said: "Your available income is probably not enough to cover your fixed costs". He advised that additional staff should be brought in to run the restaurants, enabling them to be open more days in the week, and thereby increasing income.

Hotel School 4 advised that ways need to be sought to decrease costs, while preserving, or even increasing, the quality of education. One of the ways in which costs can be decreased, is if contact hours are decreased. "It's possible, thanks to digital technology", he said. As digital courses can also be regarded as a marketing and communication tool, the CUT Hotel School needs to "seriously invest" in it. He advised that diplomas can be offered online, or partially online. Online students can obtain specific certificates

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through completing online modules, after which a few weeks of practical contact classes can be attended in order to obtain a diploma. By following this approach, "more graduates will be produced than you are able to deliver with your infrastructure".

Another suggestion to increase income, provided by Hotel School 1, was to increase the occupancy in CUT Hotel School's restaurants. He advised that it needs to be ensured that the restaurant is the type of restaurant that is popular with the "Bloemfontein people". However, the restaurant also needs to be provide the correct environment for students to train in, thus preparing the student for the South African market. After the researcher explained the current operational hours of the CUT Hotel School's restaurants, he added that the restaurant should be open five days a week, and not just two days. He suggested that students be taught on Mondays, and then manage the restaurant for the week, with the instructor's guidance.

The interviewee of Hotel School 4 advised that, in order to increase income from research and other sources, lecturing staff must be motivated to become involved in research, consulting and personal development.

6.4.9.2 Offering short courses

All of the interviewees suggested that CUT's Hotel School increase its income by offering additional courses, beside the qualifications that are currently being offered. Hotel School 2 suggested that short courses be developed to train industry staff. These can be done in a cost-effective manner, in collaboration with hotels, and offering the participants a certificate upon completion of the course. Hotel School 4 added that CUT's Hotel School can become involved in consultation work for companies. He said that, with a good brand and a good reputation, consulting will help to drive income. He used the examples of developing a short course on "how to welcome clients", or a course offered to airline staff on service excellence. In the long term, a strategy can be developed to increase income through collaborations with

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companies in terms of research, according to Hotel School 2. Online courses have a higher quality than the classical offering type, as they are planned extensively, and work perfectly, according to Hotel School 4. The interviewee suggested that an online course can enrich the curriculum of CUT's Hotel School, and that one can enhance an online course "with a real course on the side, with real contact with a real teacher".

6.4.9.3 Marketing

The importance of marketing has already been mentioned under research question 4 in Section 6.4.4 as from page 200. However, Hotel School 4 echoed the importance of marketing CUT's Hotel School by adding that marketing should "focus on attracting the best in order to become the best". He advised that sufficient funds need to be invested in marketing, as this is a communication tool to attract the best applicants. Hotel School 2 supported the importance of marketing, by stating that "if you want to make profit, you must be the best", and "if you want to be the best, focus on a niche market".

Another marketing-related piece of advice that the researcher found of value, was when Hotel School 3, when speaking about their success, indicated that their main selling point is "employability; in other words, a career". He added that they produce people for the industry, and suggested that this be the focus of any successful hotel school. He added: "it is very important to offer a bachelor's degree, but it is more important to offer a job!"

6.4.9.4 Curriculum development

Three of the top international hotel schools offered advice on improving financial sustainability by means of improved curriculum development. Hotel School 4 advised that: "You must mix digital with your courses", and this was echoed by the interviewee of Hotel School 1, who suggested that more Information and Communication Technology (ICT), entrepreneurship and digital literacy should be included in a hotel school's curriculum. He added

that more applied research should take place, to solve the problems of the industry. Hotel School 2 suggested diversifying the, and including specialisation, or rather *super specialisation.* He said: "If I was in your shoes, debate the case of super specialisation – to offer something completely unique, that the others don't offer. Is it culinary? Is it fine dining? Is it design? Or whatever unique thing that you need to create that you are pulling the numbers". He provided an example of a very good study of wines. He advised that CUT's Hotel School collaborate with a vineyard or wine producer in the southern parts of South Africa, to ensure that wine management is "super good" in the School. He further advised that careful consideration must go into identifying the unique "thing" that your graduates will receive, that they will not obtain from any other school. Then, this uniqueness should be emphasised through marketing.

6.4.9.5 Co-operation

Using curriculum development as an example, Hotel School 1 suggested that CUT's Hotel School improve its co-operation, both within the institution, and externally. He said that, if you have to "develop everything on your own, and think about everything on your own, you have a problem. You would also have a problem over here (referring to Hotel School 1)". "The scale (referring to the size of CUT's Hotel School) is small, so co-operation, I think, is absolutely needed!". With co-operation, he was referring to collaborating with support departments within the institution, co-operation with other institutions, and co-operation with the industry or with other hospitality schools. He said that the HoD of the School should determine "what kind of support you can get from your university. They must have staff in HR (Human Resources) and ICT, and things like that, so they should be able to help you in areas, because, if you have to look for everything on your own, there is going to be no way". He warned that "if you are going to have to develop all the content of your education on your own, and think about it, and investigate, and research, and go outside, *'bough'! (making the sound of an explosion.)* So, the only way to survive is to get some pieces at a smaller price, than when

you have to do it on your own". He added that small combinations with other institutions can also be made, where curriculum sections can be bought from other institutions.

Hotel School 3 also referred to the importance of co-operation, but more specifically to collaborating with industry partners. He mentioned that their school closely collaborates with more than 90 companies by organising an international recruitment forum. During this forum, industry partners, or more specifically hotels, visit the school, and recruit students via interviews.

6.4.9.6 Alumni network

The importance of a strong alumni network was evident in all the interviews with the top international hotel schools. Hotel School 4 explained the importance of a well-established alumni network by saying: "Alumni is a key of employment; the brand and key of training". Hotel School 1 added that a well-managed alumni charter is significant to their School, as they present summer courses to alumni, as well as the public. He mentioned that alumni charters all over the world are used in the "recruitment of students, realising placements, guest speakers", and is an important tool to success. He used the important aspect of "life-long learning" of alumni to explain the reasoning behind these courses. The interviewee provided examples of digitalisation and financing, to be written into summer courses for alumni.

Hotel School 2 also emphasised the importance of alumni, and advised that much time must be spent on marketing the Hotel School by making videos of alumni. The interviewee suggested that ambassadors must be identified from alumni of whom videos can be made, telling their success stories and biggest achievements, and motivating viewers. Videos can be shown on social media, the School's website as well as on a television screen in the Hotel School. These videos will not only attract new students, but motivate and inspire current students to complete their courses, thereby attempting to decrease the dropout rate.

The findings from the interviews with top international hotel schools provided in this section will be combined with the findings of the interviews with South African universities' hotel schools, as presented in the following section under the themes for discussions and the conclusions.

6.5 ANALYSIS OF THE SOUTH AFRICAN UNIVERSITY HOTEL SCHOOL INTERVIEWS RESULTS

The interview schedule for South African universities' hotel schools was compiled from the literature review, an in-depth analysis of the RAM used at CUT, and the findings from the interviews with the international hotel schools. The interview schedule then formed the basis for the identification of themes towards the analysis of the interview findings.

In the following section, each interview question will be given, and the rationale for each question will be explained. The responses of the interviewees are provided and, where deemed appropriate, quoted verbatim, and compared with information from CUT's Hotel School (as provided in Chapter 5). For comparative purposes, CUT's Hotel School will henceforth be referred to as "Hotel School A", while the other South African universities' hotel schools who participated in the interviews will be referred to as Hotel School B, C, D, E and F, respectively. Throughout the following section, Chapter 5 will be used to provide required information, and to support findings from discussions held with staff of Hotel School A.

Although most questions were answered by the schools' HoDs, other staff members were also interviewed, where the relevant HoD deemed it appropriate. For this reason, the interview findings will be provided by referring to the "interviewee", which means either the HoD or other staff members that were interviewed.

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6.5.1 South African universities' hotel school interview research question 1

> *Questions: Would you classify your hotel school as a financially sustainable department within your institution? If yes, why? If not, how will you manage it towards ensuring financial sustainability in the future?*

The first question was appropriately aimed at determining whether the South African universities' hotel schools deemed themselves as financially sustainable within their institution. Furthermore, this question was aimed at determining the reasons for the interviewees' answers.

This study arose from concerns that Hotel School A's negative RAM figures, specifically in comparison to those of other departments within the institution, are an indication that this department does not operate in a financially sustainable manner within its institution. In recent years, this resulted in other departments within the Faculty of Management Sciences being required to cross-subsidise the Hotel School, which, as can be seen in Section 5.4 as from page 164, will not be allowed in the long term.

Only two of the five other schools (Hotel Schools E and F) that were interviewed, deemed themselves as financially sustainable. The schools' responses were as follows:

- Hotel School B indicated that they are not financially sustainable at present, but could move towards it. "If we can add another course, such as Food Service Management, it will improve".

- Hotel School C explained that the reason for them not being financially sustainable is "because our department is a very expensive department. We need to buy inventory every day. We need to have up-to-date equipment to teach students, in the correct way. This is expensive".

- Hotel School D answered: "Yes, we are moving towards it", and confirmed that "even when we have a drop in student numbers (output subsidy), research and commercial revenue has kept us sustainable".

6.5.2 South African universities' hotel school interview research question 2

Question: Which qualifications do you offer?

The rationale behind this question was to confirm whether all of the hotel schools visited offered a Diploma in Hospitality Management or a similar qualification. It was also asked in order to compare the schools in terms of the variety of courses offered.

As seen in Table 6.1 below, and discussed in Section 5.3.3 on page 159, Hotel School A offers a National Diploma in Hospitality Management, which is phasing out, and is being replaced with a newly phased-in Diploma: Hospitality Management; a BTech in Hospitality Management, to be replaced with an Advanced Diploma and a Postgraduate Diploma in Hospitality Management; as well as a Master's Degree in Hospitality and Tourism Management.

All of the schools offer at least one qualification at NQF level 6 (i.e. a national diploma or newly phasing-in diploma) in Hospitality Management, as well as one qualification at NQF level 7 (BTech, or newly phasing-in advanced diploma and postgraduate diploma) in Hospitality Management.

Hotel Schools B, C, D and F offer two different offerings on NQF level 6, while at Hotel School E, academic offerings at this level, give students the option to specialise in either Accommodation Management, Cookery, or Food and Beverage Management (please see Table 6.1 below).

Hotel School	NDip: Hospitality Management	NDip: Food Service Management	NDip: Catering Management	NDip: Food and Beverage Operations	NDip: Hospitality Management (with extended curriculum programme)	Dip: Hospitality Management	BTech: Hospitality Management	Adv. Dip: Hospitality Management	PGDip: Hospitality Management	Master's: Tourism and Hospitality Management	Master's: Food and Beverage Management	Master's: Food and Nutrition	Doctorate: Food and Nutrition	Doctorate: Food and Beverage Management	Doctorate: Tourism and Hospitality Management
NQF level	6						7	7	8	9			10		
A	✓					✓	✓			✓					
	Phasing out					Phased in	To be phased out	To be phased in	To be phased in						
B	✓			✓			✓			✓	✓	✓	✓	✓	
	Phasing out				To be phased in										
C	✓		✓				✓			✓					
D	✓	✓					✓								
							To be phased out	To be phased in	To be phased in						
E	✓						✓			✓	✓				✓
						To be phased in	To be phased in	To be phased in	To be phased in						
F	✓			✓			✓			✓					✓
							To be phased out	To be phased in	To be phased in						

Table 6.1   Comparison of the academic offerings at South African universities' hotel schools

With the exception of one, all of the schools offer a master's degree as well. It is also interesting to note that Hotel School B offers an additional diploma through an ECP, two different master's degrees, and two doctorates. Hotel

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School E offers two master's degrees, while this School, as well as Hotel School D, also offer one doctorate each.

6.5.3 South African universities' hotel school interview research question 3

Questions: How many first-year students do you enrol on an annual basis? Do you only have one intake per year?

The rationale for this question was to compare South African university hotel schools' enrolment number for FTEs in the Hospitality Management or similar diploma, as well as the frequency of their intake. As discussed in paragraph 2.6.1.1.1 on page 65, actual TIUs are calculated by multiplying the FTEs of three years prior with the weights of the different groups and qualification levels, according to and determined by the Higher Education Management System (HEMIS). Therefore, the researcher was interested in the number of FTEs per hotel school, as it was assumed to have an impact on the financial sustainability of those schools.

As seen in Section 5.5.1.1.1 as from page 177, Hotel School A currently enrols 85 students on an annual basis, and in recent years enrolled between 70 and 90 students. Hotel School B has an intake of 160 FTE students; Hotel School C has an intake of 140 FTE students; Hotel School D an intake of 60 FTE students; Hotel School E an intake of 150 FTE students; and Hotel School Fan intake of 165 FTE students. All the schools have only one intake of students per annum.

Graph 6.2 below compares the annual enrolment number per hotel school:
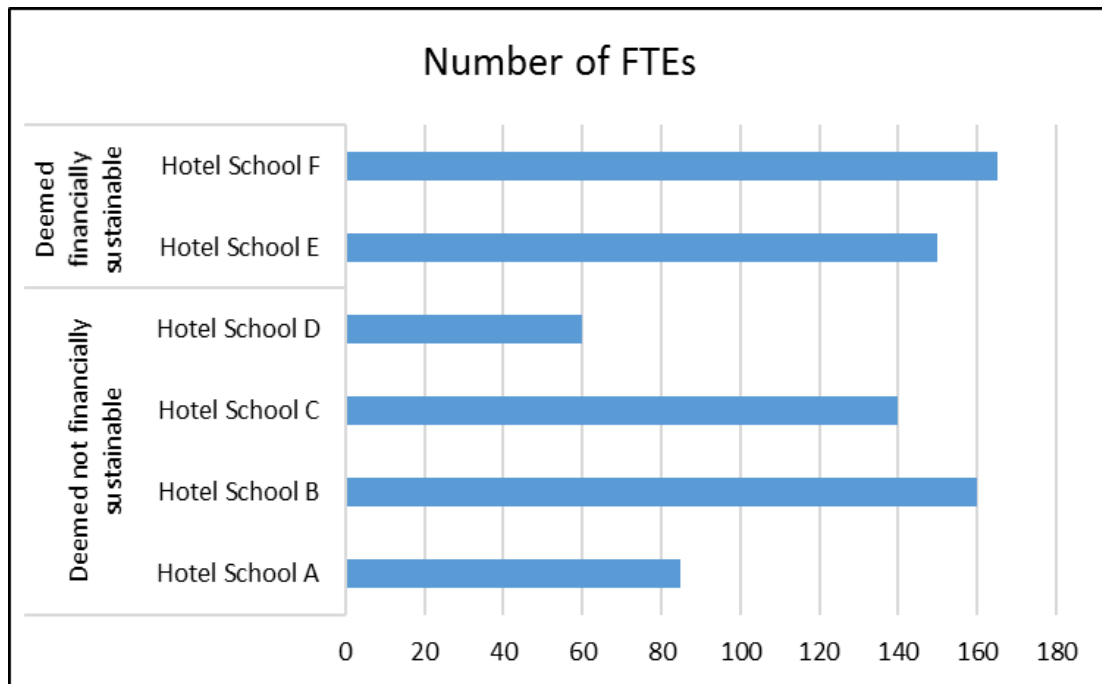
Graph 6.2   Comparison of the annual FTEs of South African universities' hotel schools

As can be deducted from the graph above, no relationship can be identified between the number of FTEs enrolled, and the deemed financial sustainability of the schools. However, all of the South African universities' hotel schools enrol more FTEs than Hotel School A. Furthermore, the enrolment figures of Hotel School B and Hotel School F are approximately double that of Hotel School A.

Follow-up questions were asked to determine the possibility of increasing the intake of students, and whether the schools have the capacity to increase their intake.

Questions: Is it possible to increase your intake, or do you have quotas and/or other practical restrictions? Should you be able to increase your intake, will your lecturing and operational facilities be sufficient? What will the effect of an increased intake be on your hotel school's financial sustainability, venues, quality assurance, etc.?

The rationale for these follow-up questions was to determine whether, should they deem it necessary, it would be possible to increase their annual enrolment figure, considering lecturing and operational facilities. This was regarded as important, as the number of FTEs increase the TIUs, and thus the total income.

None of the hotel schools' interviewees responded positively. The responses were as follows:

- From Section 5.3.2.2 as from page 158, and Section 5.5.2.1.1 as from page 185, in which Hotel School A's facilities, as well as the capacity of these facilities in terms of student numbers per class, are discussed, respectively, it can be deduced that increasing Hotel School A's FTEs is not an easy or practical possibility. This School also divides their students into groups in order for them to be accommodated in the practical classes, such as the kitchen, restaurant and computer laboratory. This results in lecturing staff having to repeat classes up to six times, thus increasing their academic hours. Should the intake increase, it will have a further impact on staff's academic hours, as the quality of instruction and the safety of students remain of importance, and therefore, only a specific number of students can be accommodated in the kitchens at once.

- Hotel School B answered this question with: "We can't increase it to more than 160. However, in 2019, a new course is introduced in Food Service Operations. This will increase the intake numbers with hopefully 60. This will also ensure that the labs (kitchens) are fully utilised on a daily basis. This will also improve our sustainability". The interviewee added that it is advisable to have more than one intake per year, and confirmed that their current facilities will be able to accommodate an increase in intake.

- Hotel School C also confirmed that they will not be able to increase their intake: "No, the kitchens can take only 16 students at a time. So, the practical classes will not be enough. Lecturers will need to repeat more

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classes, increasing their workload. We will need more resources; we will need to divide the students into more groups".

- Hotel School D indicated that they will not be able to increase their FTEs. However, should they have been able to, it would have improved their financial sustainability.

- Hotel School E responded that it will not be possible for them to increase their intake, as "we only have two kitchens, that take 32 each – to increase the number of intake, we will need another kitchen. We will need two additional classrooms for theory".

- Hotel School F mentioned that the Faculty Enrolment Plan determines their intake figure. However, the interviewee added that "we cannot enrol too many students due to the nature of our facilities, which cannot accommodate large groups. We currently divide the intake into smaller groups (cycles), and lecturers need to repeat classes in terms of different cycles". The interviewee also added that their facilities will have to be expanded in order to take in more students. The interviewee stated that, according to a sustainability model they use, which is based on undergraduate and postgraduate enrolments, FTEs, research output, and third-stream income, the School remains close to the enrolment figure in order to be financially sustainable. The interviewee further indicated that, "in terms of quality, in your skills kitchens you have to be careful, because you cannot have too many students in a kitchen at once, as you then need to bring in additional resources, such as staff and Teaching Assistants, increasing your salary expense. Even on the service side, in the restaurant, you need to be mindful of the ratio of staff to students. You will need additional resources, as service is about repetition. However, if it is done in a strategic manner, and you have additional resources, it can be done, without compromising quality. With online offerings it might be possible to grow the numbers, but industry is not too keen on online offerings at this stage". This will improve our sustainability". Another

interviewee noted that it is advisable to have more than one intake per year.

6.5.4 South African universities' hotel school interview research question 4

Questions: Do you have a formal marketing plan for the hotel school?

As FTEs are directly influenced by the knowledge of the available courses at HEIs, it was of interest to the researcher on how the hotel schools market their schools. The first question was aimed at determining whether the schools have their own formal marketing plan.

Only one the two hotel schools who were deemed financially sustainable has a specific marketing plan. The other hotel school, Hotel School E, explained that the main reason for them not having a specific marketing plan is finance and, more specifically, budget related: "If we had a budget, we would have someone specific go to visit schools in our area".

From Section 5.3.2.1.1 as from page 158, it is seen that Hotel School A does not have a formal marketing strategy due to budgetary constraints and the lack of staff who can focus on marketing the School. Further discussions led to the interviewee indicating that Hotel School's marketing is done by people who are not directly involved in the School, and therefore "one can question the quality of information and marketing they do for the Hotel School". The marketing done by the marketing department is focused on student enrolment, and not on specifically marketing the Hotel School's facilities.

None of the other hotel schools have a specific marketing plan either. The three deemed hotel schools who were deemed not financially sustainable echoed the lack of a budget as the main reason for not having a specific marketing plan, with Hotel School B explaining that it is as a result of university budgetary restrictions. This School is also not allowed to do

marketing on its own, as the university does the marketing on behalf of all departments. The interviewee of Hotel School A ascribed the reason for not having a formal marketing strategy in place to budgetary constraints, and the subsequent lack of staff who can focus on marketing the School.

All the schools agreed that, although they do not have sufficient funding available to conduct marketing on their own, hotel-school-specific marketing is necessary, for the following reasons:

- Hotel School B: "It (referring to the institutional marketing) doesn't work. The time they go out is not the best. Their choices of schools are also a problem. We are losing a number of students who we think could have been successful. Marketing is really a frustrating part, and I know if we can do it our way, we can be getting there".

- Hotel School D: "The institution's marketing is too broad. Hospitality Management is a very specific discipline, and we find that we need to do more marketing on our own to educate the scholars on what the course is about".

- Hotel School E: "The institution's marketing focus is too wide".

It was also explained that the universities' marketing staff do not have sufficient specific knowledge or information regarding the Hospitality courses to provide possible applicants with accurate information.

> *Questions: What does it entail? How do you ensure that you register the best candidates from the potential pool of applicants?*

Hotel School A markets itself by participating in institutional Open Days; using Facebook; and inviting secondary schools to visit them (as seen in Section 5.3.2.1.1 as from page 158).

Hotel School F, which was deemed financially sustainable, explained the importance of their marketing as follows: "In the past, we did not have a dedicated person in the School for marketing. The impact of this was seen in the under-enrolment, due to the lack of awareness at schools about our programme offerings". It was further noted that "the institution/university's marketing is too broad in its focus, and we need to go the extra mile to get the focus on our sector". This School's formal marketing plan involves the marketing of their academic courses, as well as their operational facilities (conferencing, banqueting, restaurants, and coffee shop). Marketing involves school marketing, and participating in key industry exhibitions. It also utilises social media extensively and quite successfully. The School has its own open day, in addition to the institution's open day. "We involve the industry partners in our own open day. This allows one-on-one sessions with the high school learners". The school profile needs to be more visible, and should be linked to the institutional brand.

All of the hotel schools that were deemed not financially sustainable do market their schools on their own, within their limited budgets. Most of them participate in their institutions' open days, and invite schools to their own open days, even if those are not executed according to a specific marketing plan. However, in the case of Hotel School B, "this (referring to the institutional open day) was also not done in the past two years". The interviewee added that many potential candidates are attracted at open days.

Other methods used to market the schools included the following:
- Hotel School B: "We are using our work-integrated learning (WIL) to market us". In the past, this School hosted annual banquets for WIL employers and their employees, and in this manner marketed the School. The employers would provide feedback on how the School's students are doing in terms of WIL, and what can be improved. The School was then also introduced to the hotels' employees, who would possibly be interested in studying at the school. This was a good marketing tool. However, "due to budgetary constraints, this is not possible anymore". Due to university

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policy, the School is also not allowed to use social media as part of marketing.

- Hotel School C: "We visit hotels nearby for their career expos".

- Hotel School D's marketing entails the use of social media applications and the university's website. They conduct regular school visits and open days.

> *Question: Which strategies do you have in place to improve the marketing of your hotel school?*

This question was met with negativity from all schools, as all of the interviewees felt that, due to budgetary constraints, it is not possible to improve. However, Hotel School A and E mentioned that having a specific/dedicated staff member to visit schools in the respective areas would assist in marketing. Although Hotel School F already has a specific focus on marketing, it was indicated that "continuous improvement and constant communication on social media is necessary, and we need to grow in social media".

6.5.5 South African universities' hotel school interview research question 5

As FTEs are determined by the respective hotel schools' selection processes, or the lack thereof, one of the sections of the interview schedule used during the interviews at the hotel schools focused on the selection process. Questions were asked to determine the respective hotel schools' current selection process, and to investigate whether the improvement of their selection process was deemed necessary.

> *Question: What does your hotel school's selection process entail?*

Graph 6.3 below provides a summary of what the selection processes at the South African universities' hotel schools entail:
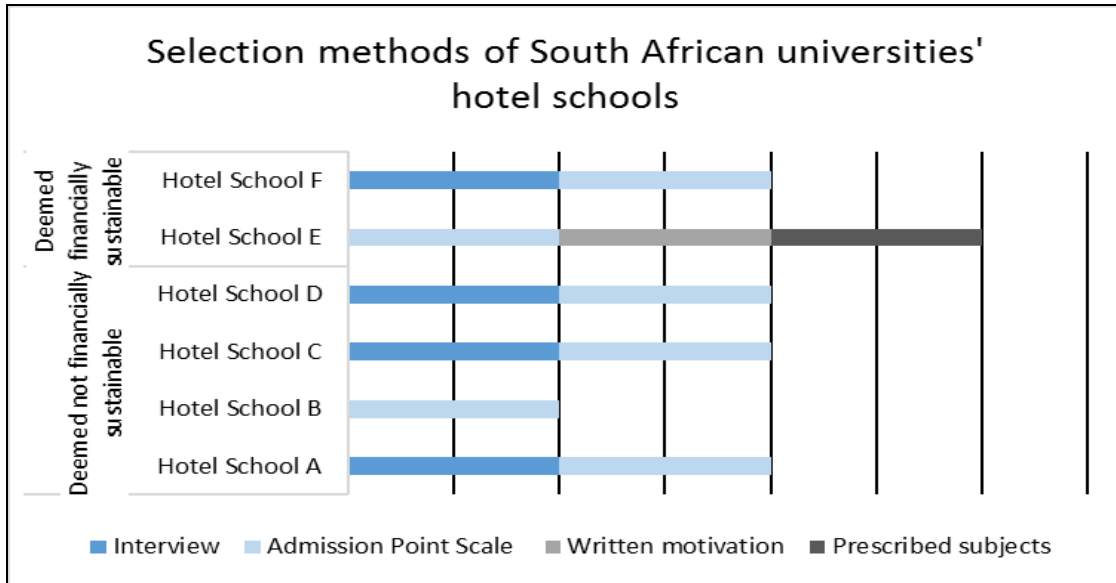
Graph 6.3   Selection methods of South African universities' hotel schools

The graph indicates that all of the hotel schools use the APS Admission Point Score (APS) in their selection processes, and specifically as the first point of departure for selecting candidates. However, at Hotel Schools C, D and F, interviews are conducted with the candidates whose APS scores are sufficient. Although Hotel School E indicated that they do not conduct interviews anymore, the interviewee stated that they deemed it necessary to include interviews in their selection process again. All schools indicated that interviews with applicants are necessary to ensure that the selected candidates are knowledgeable about the content of the Hospitality Management course.   Interviews are seen as a requirement for the selection of students, for the following reasons: "Many of the students coming from school are not ready"; "scholars from disadvantaged schools do not know what is Hospitality"; and "APS is not always the best predictor of a good candidate".

The selection of FTEs at Hotel School A (as discussed in Section 5.5.1.1.1 as from page 177) is based on the combined score obtained from psychometric testing/assessment and an interview. Only candidates with a minimum mark of 50% for English as Home Language or First Additional Language, and an APS of 27 or higher, are invited for an interview, which is conducted by Hotel School staff. Candidates with an APS of more than 32 are automatically admitted to the programme. Previous or current experience in the hospitality industry, as well as selected subjects at school, improves the candidates' chances of selection.

Further discussions on the selection methods used at these schools led to interviewees providing the following information:

- Hotel School B indicated that their staff are no longer involved in the selection process. Students are selected by the Registrar's Office based purely on their APSs. It was mentioned that they used to conduct interviews as part of their selection process, and that they were responsible for the selection process. During that time, they "did not have a high dropout rate like now". The interviewee added that "the quality of the type of student went down; we are struggling with that now".

- The interviewee of Hotel School D added to his discussion on their selection methods that, due to an online system being used at their institution, applicants do not get feedback on their applications early enough, and this poses a challenge for their selection.

- Hotel School E's interviewee indicated that, although they do not conduct interviews anymore, they see the need to, confirming with "we need to do interviews again".

- Hotel School F assists applicants to undergo an electronic selection, should it not be possible for them to physically attend an interview. As a control measure, they ensure that interviews are always conducted by more than one staff member. If from the interview it is noted that an

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applicant has no real knowledge of the industry, the student is advised to go and do research, and to return for a follow-up interview. The interviewee explained: "We are not their first choice – we need to try to get the students for whom this is their first choice".

> *Questions: Are you planning on improving or changing the selection process? If yes, which strategies would you implement?*

All the hotel schools confirmed that they deem it necessary to improve their selection processes by either using or adding the following methods:

- Hotel School A confirmed that there is a definite need to improve their selection processes. It was recommended that a "practical component" be brought into the selection process. The interviewee also mentioned that a compulsory period of industry exposure should be necessary before an applicant is accepted for the course. The "course and industry awareness" of the student should be tested during selection.

- Hotel School D: We have to improve our selection process, because "we are getting the number of students, but they are not the target student (type of student)".

- Hotel School F would like to do a pre-screening with applicants, and added: "We plan to send out a questionnaire to students to fill in online", from which you will get a sense of whether you should be interviewed or not.

- Hotel School E: "We need to do interviews again".

- Hotel School B indicated that, although they would like to improve the process, they will not be allowed to do so.

6.5.6 South African universities' hotel school interview research question 6

> *Questions: What is your hotel school's average dropout rate, from the first to the second and third year, for the past three years? What is your hotel school's throughput rate from Year 1 to Year 3 for the past three years?*

As dropout figures directly influence the TOU grant, the researcher was interested in these ratios of the South African universities' hotel schools, the reasons ascribed to it, as well as any strategies these departments have implemented to decrease it, where necessary.

The average dropout rate within the first year, and the throughput rates after three years, are provided in Graph 6.4 below:

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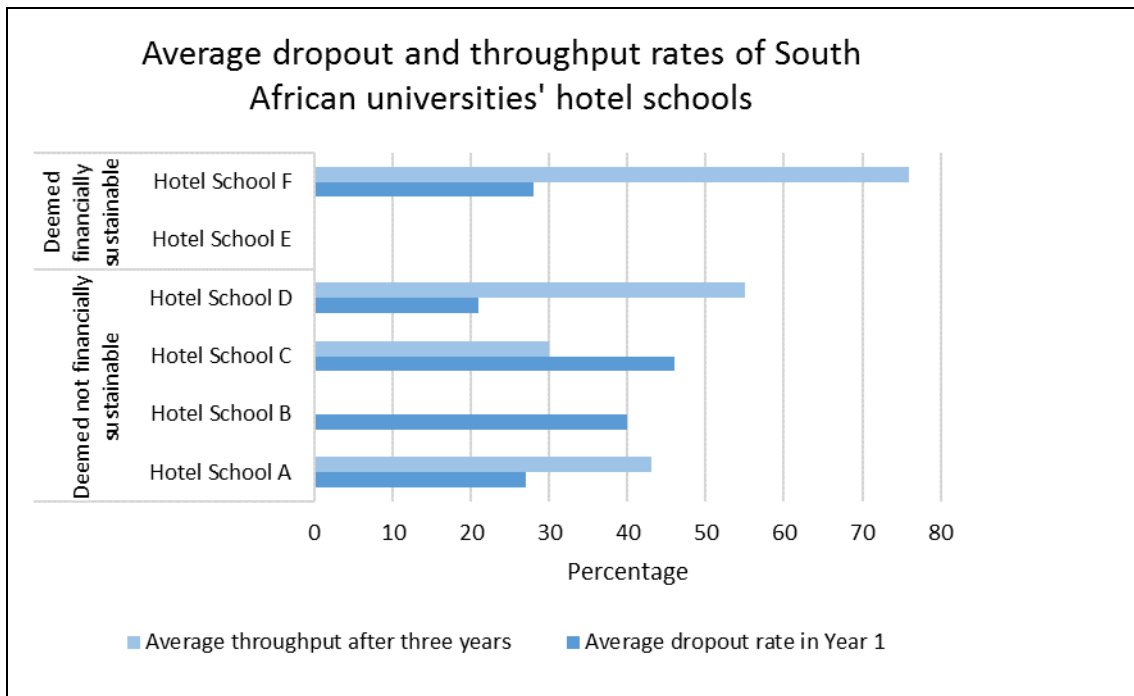
Graph 6.4   Comparison of the dropout and throughput rates of South African universities' hotel schools

The interviewees provided only the dropout rates for the first year, and not the second and third years, as the researcher requested.

The graph indicates that all the schools have an average dropout rate of more than 20% within the first year of study, with Hotel School D's dropout rate being at 21%, and Hotel School C's dropout rate being at 46%. The throughput rates of the schools range between 30% (Hotel School C) to 76% (Hotel School F). The average dropout rate of Hotel School A after Year 1 is 27%; however, it has been as high as 42%, as seen in Section 5.5.1.1.2 as from page 177.

The interviewee of Hotel School C voiced his concern about the dropout rate by commenting that it is "very bad; very very high". On the other hand, Hotel School E responded that their dropout rate is "not high". Hotel School B only provided the average dropout rate for the first year, but not the average throughput rate after three years, while Hotel School E could not provide the researcher with either rates.

> *Question: Which factors would you ascribe to the (relatively high) dropout rate?*

All of the interviewees at the South African universities' hotel schools agreed that financial problems are the main reason why students drop out:

- The interviewee at Hotel School A indicated that the relative high dropout rate in this School is ascribed to the financial problems of the students, students' poor knowledge of the course and the industry, and the fact that many of the students are "not prepared for higher education" (referring to the level and the workload).

- Hotel School F provided another reason for the dropout of students as "poor choice of course".

- Hotel School E agreed, by mentioning that students also drop out when they realise that the course for which they are registered, is not the course they want to do. The interviewee added that students who come from disadvantaged schools do not know what Hospitality is, as proper knowledge about the course is not provided to them by their Life Orientation teacher.

- The interviewee of Hotel School C voiced his concern by indicating that most of the students that enrol with them are from rural areas, and have never seen a hotel. They do not have sufficient knowledge to make an informed choice. The interviewee confirmed the reason for the relatively high dropout, by indicating that it occurred "simply because of the marketing problem". "Applicants lack knowledge", and "we do not get the right students", were added.

- Hotel Schools D and E added that the Hospitality Management course is frequently the second choice for students, resulting in "walk-in students".

- The HoD of Hotel School B clarified: "If marketing was better and we reached the correct target students, the dropout would not be that high". It was added that marketing should include potential applicants visiting the school, and experience the facilities.

- Another reason provided for the relatively high dropout rate was provided by Hotel Schools B, E and D, who agreed that students also dropout due to a heavy workload. According to Hotel School E, an additional reason for the dropout is the fact that parents are not involved in students' studies, and students do not take responsibility for their own studies.

> *Questions: What strategies do you have in place to decrease the dropout rate? If you have implemented any of these strategies already, how successful were they in decreasing the dropout rate?*

- Hotel School B indicated that, apart from student support, the faculty established an Academic Excellence Office. This office employs mentors to support students by organising workshops on aspects such as reading and writing skills. Tutors are also appointed for the so-called "bottle-neck" subjects, and lecturers attend courses on how to improve their lecturing skills. However, according to the interviewee, the success of these strategies is not always guaranteed, as students mostly attend these reading and writing skills sessions towards the end of the term, closer to assessments. Nonetheless, the additional classes from mentors and tutors are "quite successful".

- Hotel Schools A and F indicated that their students also receive mentoring by BTech students and staff, and supplementary instruction classes are presented by BTech students in selected subjects where pass rates are a concern. Hotel School F added: "Kids (referring to the students) learn better from younger 'teachers' (referring to the BTech students)". As Hotel School F finds that financial problems are the main reason for dropout, this

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School mainly supports their students financially. This is done through fundraising for "missing-middle" students by contacting industry and alumni for donations. Industry partners are invited to "brand" classrooms, thereby providing additional income to the School, while WIL industry partners are motivated to assist students with bursaries. "Through this, we assist students who struggle to register by paying registration fees and tuition fees – depending on academic results. Dropout affects your sustainability, as it decreases state funding. When you assist students with paying their fees, throughput is improved". The success of this strategy is confirmed, as dropout has decreased since students have been assisted financially.

- Hotel School C indicated that marketing of the School must improve, and that "we must get the right students to register", as they believe this will decrease the dropout figure.

- Hotel School D responded that including interviews as part of their selection process will decrease the dropout rate. The interviewee further believed that the dropout figure will be lower if the institutional online registration system problems can be resolved.

6.5.7 South African universities' hotel school interview research question 7

Question: Does your hotel school have an extended curriculum programme (ECP)?

At the beginning of this study, the researcher assumed that an extended curriculum programme (ECP) can assist in the throughput of students, and therefore this question sought to determine whether the visited hotel schools offer an ECP, and, if so, what the perceived benefits of such a programme are. The offering of an ECP at the South African universities' Hotel Schools are indicated in Graph 6.5 below:
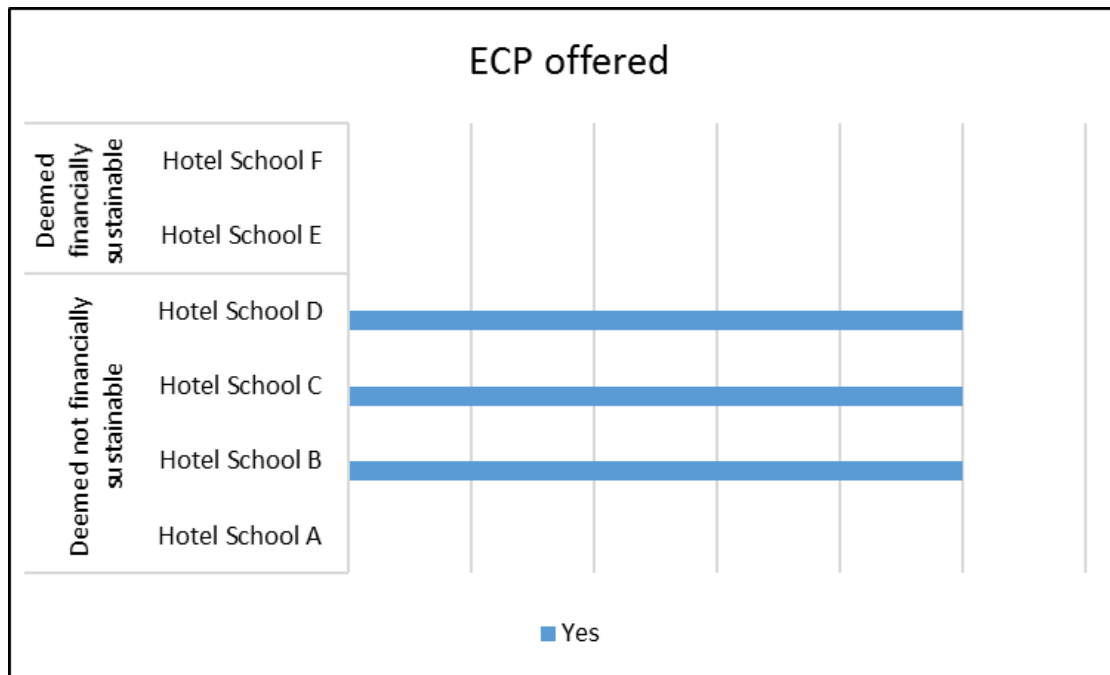
Graph 6.5   Comparison of the offering of ECPs at South African universities' hotel schools

None of the hotel schools who were deemed financially sustainable offer an ECP, while three of the hotels schools that were deemed not financially sustainable offer this programme. Hotel School A does not offer an ECP; however, discussions have been held on the possible offering of such a programme in the future.

- Hotel School F justifies their decision not to offer an ECP as "the diploma is long enough", and "there are mixed feelings around the success of an ECP".

- Hotel School E provides the "lack of infrastructure" as the reason why they do not offer an ECP.

> *Questions: If yes, what would you say are the benefits of this programme for your hotel school?   If no, do you have plans for developing such a programme, and why?*

- An interviewee of Hotel School A indicated that the offering of an ECP might improve the throughput rate of the students.

- Hotel School D explains that the ECP they offer is a separate course from the mainstream diploma. Students who obtain an average mark of 65% or above are automatically accepted into the mainstream diploma, which benefits the mainstream diploma in terms of enrolment figures. Other benefits perceived by the interviewee are: "It is a stronger student that comes from ECP"; the ECP students are "more motivated and hard-working students, and are more prepared for the mainstream".

- Hotel School B views an advantage of offering an ECP as the fact that students who really want to study Hospitality Management, and who are really interested in the subject, registers for the ECP. The interviewee elaborated on the benefits of an ECP by stating that the dropout rate of students in ECPs is low.

- Hotel School C indicated that their first year of the Diploma in Hospitality Management is divided into two years, and are offered to students that do not qualify for the mainstream diploma. The benefits are that the ECP assists the students "who would not have been registered otherwise", and, as the content is split into two years, it provides the student with "more time to digest the content". This interviewee assumes that these students would have "failed or dropped out" in the mainstream diploma.

6.5.8 South African universities' hotel school interview research question 8

> *Questions: Please explain the seniority levels of your staff (Senior Lecturer, Lecturer, Instructor and Junior Lecturer; academic and operational).*

- The staff structure of Hotel School A, as can be seen in Section 5.5.2.1 as from page 184, comprises a total of 17 staff members, including an Operational Manager, a Senior Administrative Assistant, one Senior Lecturer, five Lecturers, four Junior lecturers, three Lecturer's Assistants, and two Technical Assistants (one vacant). The lecturing staff is responsible for all classes, be it for practical or theory subjects. The Operational Manager is responsible for overseeing all operational aspects of the School, while a Purchaser and a Stock Controller report to the Operational Manager.

- The staff structure of Hotel School B consists of academic staff, which includes Associate Professor(s), Senior Lecturer(s), Lecturer(s) and Junior Lecturer(s), while the operational staff consists out of a Restaurant Manager and Chef. The interviewee added that "the restaurant is supposed to run as a business unit", and to be responsible for operational staff's salaries, as it is not sustainable/viable to have these salaries included as part of the Hotel School's lecturing salary budget.

- Hotel School C employs academic staff, including Professor(s), Senior Lecturer(s) and Lecturer(s), as well as operational staff, which includes Chef(s) and Restaurant Manager(s).

- The academic staff of Hotel School D consists of Associate Professor(s), Senior Lecturer(s) and Lecturer(s), while Technicians lecture practical classes, and forms the operational staff component.

- Hotel School E employs a Director, who manages the School's academic and operational aspects. Academic staff consists of an HoD, Senior Lecturer(s), Lecturer(s), Junior Lecturer(s) and Lab Assistant(s). The latter operate in the kitchens. Operational staff comprises of a Restaurant Manager, Executive Chef, Chefs, Food and Beverage Instructors, Front of House Manager, and Operational Marketing Staff, who are focused on marketing the restaurant.

- The staff component of Hotel School F consists of academic staff, of which Professor(s), Associate Professor(s), Senior Lecturer(s) and Lecturer(s) form part. It also has a strong operational staff component, of which an Operational Manager, Executive Chef(s), Store Manager(s), Floor Manager(s), and Instructors (for the kitchen and front of house) form part.

> *Question: Are all academic staff required to do research? If no, why not? Do your academic staff operate at the maximum output levels in terms of research?*

Academic staff is required to generate research outputs, as this is a state-funded element towards HEIs, and thus influences financial sustainability. The researcher was interested in determining the strategies employed by the hotel schools to ensure their staff's research performance, as well as their strategies to motivate staff towards research outputs.

All of the hotel schools confirmed that their academic staff are required to do research, but that they do not perform according to the expected maximum output levels. The relatively poor research output performance of Hotel School A is also provided in Section 5.5.1.1.3 as from page 179.

The responses of the other South African universities' hotel schools were as follows:

- An interviewee of Hotel School A indicated that the lack of supervision capacity influences the research output of this School. The academic hours of practical lecturers prevent them from focusing on further studies, while the process to apply for external research funding is also regarded as a challenge. It was also mentioned that "not everybody is a researcher".

- Hotel School B stated that, although the specific annual research output goals are mostly met, "we can improve". "Workload is a huge drawback", as well as discouragements related to institutional policies. The interviewee added that "research needs confidence", and that is what many staff lack.

- Hotel School C: "Our research output is not good because staff are busy with their own studies", and their lecturing workload is too high.

- The interviewee of Hotel School E responded with "I cannot force them", "writing is another story", and "we are not so research focused". It was also mentioned that practical lecturers "cannot be forced to do a doctoral".

- Hotel School D indicated that all academic staff are required to have an annual research output of 0.2 credits, and provided the reasons for the underperformance as "limited time available and workload, and academic administration takes a lot of time". A further justification was that "at this stage, staff focus mostly on getting their qualifications".

- Hotel School F provided the reason for their underperformance by ascribing it to "fear because they have not done it before". Academic staff are "hiding behind their workload", which is justifiable in the case of practical lecturers, as they "have a disadvantage due to the long hours of their classes".

This follow-up question served to determine which strategies are used to motivate staff to increase research output. The following responses were received:

- Hotel School A: Academic staff will be motivated when their workload is reduced, and "support is provided in an informal way". Administrative duties should also be reduced significantly.

- Hotel School B has a dedicated staff member who is responsible to motivate and coach staff towards improving their research.

- Hotel School C stated that "it is very difficult to do that, because they are overloaded".

- Hotel School D indicated that "we want to do more research in groups, where staff with similar research work together on an article".

- Hotel School E encourages staff to attend conferences, and they pay for all costs associated with such attendance.

- Hotel School F: The interviewee indicated that staff are motivated to write up their current practices in their field – in their teaching, practical classes, etc. Staff are not prepared to supervise postgraduate students. However, staff are requested to supervise BTech students, which "prepares them for supervision in a small way". Staff are also motivated and supported to attend conferences, so that they can "conquer their fear", and to "get together in a social manner, through which an environment for research is created". Recognition of and appreciation for progress with research should be provided to staff. Another strategy to motivate staff, is to

appear a Research Professor to specifically enhance staff's research outputs.

6.5.9 South African universities' hotel school interview research question 9

Questions: Do you make use of part-time lecturing staff? If yes, why is it necessary? Is the use of part-time lecturers an effective way to save costs without compromising quality?

As the focus of this study is on the financial sustainability of hotel schools, and therefore considers expenses, the researcher was interested in determining whether these schools also had the additional expense of part-time staff that adds to an already high staff salary expense.

From the responses, it was evident that all of the interviewed schools make use of part-time lecturers.

The researcher was, however, interested in determining the reasons for the use of part-time lecturers, and, more specifically, whether the interviewees considered the use of part-time lecturers as a cost-saving strategy, without compromising quality.

- According to an interviewee of Hotel School A, the quality of lecturing is compromised by the use of part-time lecturers, as these staff members are not available for departmental meetings; do not always understand institutional processes; and are not available for consultation.

- Hotel Schools B and E only use part-time lecturers for BTech classes, employing retired lecturers, as these classes are offered after hours. However, Hotel School E is not convinced that this saves costs. The interviewees agreed that retired lecturers are experienced, and therefore the quality of lecturing is, according to them, not compromised.

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- Hotel School B mentioned, that due to budgetary restrictions, "we are encouraged to rather use part-time lecturers on a contract basis, rather than appoint someone permanently".

- Hotel Schools A and D use part-time lecturers to relief full-time lecturers when they are on sabbatical or maternity leave, and believe that using part-time lecturers to relieve a portion of the workload of full-time staff can also assist full-time staff to increase their research outputs. However, Hotel School A mentioned that "lecturing quality can be compromised, as these staff members are paid hourly, are not full-time staff members, and are therefore not always available for consultation".

- Hotel School C does not agree, and does not think that the quality of lecturing can be guaranteed, while costs are saved.

- When comparing part-time costs to the cost-to-company figures of full-time staff, Hotel School F does see the use of part-time lecturers as a cost-saving strategy, but also believe that the quality of teaching can be compromised.

Question: What are your future strategies in terms of the use of part-time lecturers?

- Hotel Schools A, C and D want to use part-time lecturers less, and only when it is deemed absolutely necessary.

- For Hotel School B, the current practices of using retired academics to lecture senior classes will remain.

- Hotel School F admits that, when they struggle to fill permanent lecturing positions with sufficiently qualified staff, and they frequently do, they will have to make use of part-time lecturing staff.

6.5.10 South African universities' hotel school interview research question 10

> *Question: How has the Fees-Must-Fall campaign influenced your tuition fee income?*

As seen in Section 2.6.2 as from page 79, tuition fees form the second income stream of South African HEIs, which has been faced with enormous challenges, such as the #Fees-Must-Fall campaign. The researcher was interested in the effect that this campaign had on the tuition fees of the schools. The following responses were received:

- Hotel School A: This campaign has had a major influence on the growth of tuition fee income. Another interesting influence was mentioned: that functions that were scheduled at the Hotel School had to be cancelled due to this campaign, which had an effect on the School's third-stream income for that year.

- Hotel School B also added that the influence of this campaign was "extremely bad".

- Hotel School D indicated that this campaign definitely had an impact on the School, as some students refused to pay tuition fees after the campaign.

- An interesting response from Hotel School F was that: "It helped to keep class fees at the 2015 level, as this is already an expensive course to offer".

6.5.11 South African universities' hotel school interview research question 11

> *Questions: Have you benchmarked your hotel school's tuition fees with other similar institutions? If yes, how does it compare to other universities' hotel schools?*

At the beginning of this study, the researcher made the assumption that the tuition fees of all the South African universities' hotel schools were relatively high when compared to those of other academic courses, as was found to be the case at CUT's Hotel School. It was also assumed that high tuition fees have an impact on the enrolment figure, as well as the dropout rate of FTEs. For these reasons, the researcher was interested in determining whether the other schools have benchmarked their tuition fees with each other, and if so, how it compares.

The following feedback were received:
- Prior to phasing in the Diploma in Hospitality Management in 2017 (as seen in Section 5.3.3 as from page 159), Hotel School A benchmarked the tuition fees of the phasing-out Diploma, with those of other South African universities' hotel schools. During this benchmarking, it was found that this School's tuition fees were relatively higher, than those of other schools, and this was corrected.

- Hotel School B has not done benchmarking on tuition fees.

- Hotel School C responded: "No, but it will be interesting to see how we compare."

- Hotel School D confirmed that their tuition fees were benchmarked in 2012. However, at the time of the interview, the interviewee was not sure how their tuition fees compared to those of other South African universities' hotel schools.

- Hotel School E was in the process of benchmarking their tuition fees at the time of the interview,

- Hotel School F indicated that their tuition fees were benchmarked, and that it "compares well" with those of other schools.

> *Question: Apart from the tuition fees, do you charge students additionally for items such as uniforms, knife sets, etc.?*

- As can be seen in Section 5.5.1.2.1 as from page 181, Hotel School A requires of Hospitality Management students to purchase a full uniform as well as a knife set. This increases tuition fees, and the researcher was interested in determining whether this was the case at other South African universities' hotel schools. The responses to this question were as follows:

- Hotel School B: Knife sets form part of the subject fee for Culinary Studies, while the courses in Wine, Pastel, Opera and First Aid are charged additionally.

- Hotel School C: "No, they buy their own uniform and knife sets." The interviewee added that this is a challenge, as not all of the students buy the uniform, or they do not buy the correct uniform. The School also finds the purchasing of the knife sets to be a problem, as the students do not buy it, and then attend practical class without it, which is not effective.

- Hotel School D indicated that these expenses are included in the tuition fees.

- At Hotel School E, students buy the uniforms and knife sets themselves; however, it forms part of the overall costs of their studies. Referring to the

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students purchasing it themselves, the interviewee added: "this gives us many problems".

- Hotel School F confirms that students need to purchase these items, but that "it increases their cost of study". This School has attempted to assist the students by purchasing knife sets, and keeping it in the kitchens. The importance for the students to possess a uniform was confirmed by this interviewee, as it forms part of the health and safety requirements in, for example, the kitchen, and "the industry they will be joining is a uniformed one".

6.5.12 South African universities' hotel school interview research question 12

Questions: Which strategies do you have in place to generate additional income for the hotel school? Do you offer additional short courses? If yes, which strategies do you have in place to ensure sufficient enrolment figures? If no, why not?

Financial sustainability can only be achieved when income is maximised. The researcher assumed that additional income is generated by South African universities' hotel schools by either utilising their operational facilities, or by offering short courses. The rationale for this question was thus to determine which strategies the schools apply in order to increase their income:

- Hotel School A depends mainly on functions and events in the School's function venue and restaurants to increase their income. No additional short courses are offered (as seen in Section 5.5.1.3 as from page 182).

- Hotel School B leases their kitchens to another HEI that offers culinary courses during recess periods. They also offer wine courses to students of other departments within their institution.

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- Hotel School C obtains income from its restaurant and conference centre.

Apart from leasing their conference facilities, the two hotel schools that were deemed financially sustainable (Hotel Schools E and F) offer short courses in Hospitality Management as a block-release programme, building credits towards a degree. This short course is offered to trainees who are currently employed in the industry, and, due to space, a limited number of students are enrolled. Hotel School F ensures sufficient enrolment numbers through the marketing department, while Hotel School E annually sends invitation letters to hotels, inviting their employees to enrol, as these courses are then usually paid for by the respective hotels as well. Additionally, Hotel School E utilises their restaurant, boardrooms and student kiosk to increase their income, while Hotel School F lease their facilities and conference rooms, and obtains income from events, their restaurant and coffee shop.

- Hotel Schools A, C and D acknowledged the need to offer short courses, and intend to develop and offer it in the future.

> *Questions: Which operational facilities does your hotel school have to support the generation of additional/third-stream income?*

As elaborated on in Section 5.3.2.2 as from page 158, the building in which Hotel School A is housed determines the facilities this School has available to utilise for additional income. The researcher was interested in determining the extent of the operational facilities of other South African universities' hotel schools.

The schools have the following operational facilities:

- Hotel School A has one operational kitchen, one fine dining restaurant, a first-year restaurant, and a function venue.

- Hotel School B has kitchens and a wine laboratory that are used for additional income generation, as mentioned in the section above.

- Hotel School C uses their restaurant and conference centre to generate additional income.

- The student training restaurant, with a small conference area, is used at Hotel School D to raise additional income.

- Hotel School E uses their restaurant, boardrooms and student kiosk to generate additional income.

- Hotel School F has the following operational facilities that are used for the generation of additional income: skills kitchen, industrial kitchen, commercial kitchen, bistro, coffee shop, and conference rooms.

Questions: What are the operational hours of your hotel school's operational facilities? Do you host events over weekends or holidays?

As an employee of Hotel School A, the researcher was aware of the limited operational hours of this School's facilities, and assumed this to be an important aspect in generating third-stream income. The researcher was interested determining whether this was the case at other South African universities' hotel schools as well.

- As can be seen in Section 5.5.1.3.1 as from page 183, the operational hours of Hotel School A are extremely limited. The School's two restaurants are open for limited sessions (either lunch or dinner) two to three days per week.

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- The restaurant of Hotel School B forms part of another department (Logistic)'s budget, and thus do not influence the School's income. For this reason, the hours were not provided.

- The restaurant of Hotel School C is only open for lunch five days per week. "In the past, when the restaurant was open to the public, the restaurant was open seven days per week. We had many problems with it, that is why we do not operate it over weekends now". The restaurant is only open to "internal clients".

- Hotel School D offers breakfast and lunch, and operates their restaurant five days per week.

- Hotel School E's restaurant is open seven days per week for breakfast, lunch and dinner.

- Hotel School F offers breakfast, lunch and dinner; operates their restaurants five days per week; and indicated that weekend functions will only be accepted should it make "financial sense".

> *Questions: Who manages these facilities?*

As all academic classes (theory and practical), as well as functions and events in operational facilities at Hotel School A, are offered and managed by academic staff, the researcher was interested in determining who was responsible for these aspects at other South African universities' hotel schools.

Three scenarios became evident from the interviewee's responses:

- As mentioned above, at Hotel School A, the academic lecturers are responsible for all the practical training and/or work of the students in the

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kitchens and restaurants, while an Operational Manager oversees the operations.

- At Hotel Schools C, E and F, operational staff manage the operational units.

- Hotel School D indicated that lecturers manage the operational facilities; however, the interviewee indicated that "this is not practical". They do have a Chef who assists in the kitchen, though.

The researcher probed the interviewees to provide more information on their schools' staff structure – specifically whether there is a definite split between academic and operational staff. The following feedback were received:

- As mentioned above, it is only at Hotel School A where academic staff both lecture and manage the operational facilities. The hours of practical classes are extensive, which has a negative effect on these lecturers furthering their qualifications, or, where applicable, their research outputs. The operational facilities of the School are managed by an Operational Manager, but the actual practical classes in the kitchen and restaurant, as well as the operational hours of the two restaurants, are managed by academic staff.

- Hotel School B: The academic staff consists of an Associate Professor, Senior Lecturers, Lecturer and Junior Lecturers. The salaries of the operational staff, namely a Restaurant Manager and a Chef, do not form part of this School's salary budget.

- Hotel School C has two separate staff structures: academic staff, consisting of Professors, Senior Lecturers and Lecturers, and operational staff, consisting of a Chef and a Restaurant Manager. Lecturers teach the practical classes, but the operational units are managed by the operational staff.

- Hotel School D's staff structure is also divided into academic staff (Associate Professor, Senior Lecturers and Lecturers), and operational technicians, who are responsible for the practical classes.

- The staff structure of Hotel School E also consists of an academic and operational department. The academic staff comprises Senior Lecturers, Lecturers, Junior Lecturers and Laboratory (Kitchen) Assistants, while a Restaurant Manager, Executive Chef, Chefs, Food and Beverage Instructors and a Front of House Manager make up the operations department. Moreover, there is a dedicated staff member for the marketing of the restaurant.

- The staff structure of Hotel School F also consists of two separate units, namely academic staff and operational staff. The academic staff are responsible for teaching. The interviewee mentioned that the "operations unit's mandate is to run the operations and make profit", but warned that clear communication with academic staff is required to ensure that academic outcomes are met by both academic staff and operational staff. Operational staff (i.e. the Operational Manager and instructors) and academic staff need to work together and "deliver the diploma together". It was added that: "when academic staff have to do both (practical classes, run the operations and present academic classes), it does not work". The interviewee regards the School as "one School, with an operational unit and an academic unit"; a so-called "working laboratory".

> *Questions: Do students work in these facilities as part of their practical training? Are students remunerated for their work, or does the practical training hours form part of subjects/modules' notional hours?*

As the remuneration of students will decrease the profits made during functions, the researcher was interested in determining what other hotel schools' arrangements with their students are in this regard.

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As seen in Section 5.5.1.3.1 as from page 183, practical classes form part of the Hospitality Management course offered at Hotel School A, and therefore students are required to work at functions. Students are not remunerated for this work. However, when functions are booked outside of their scheduled classes, students are remunerated.

All of the schools require of their students to do practical training in the kitchen(s) and restaurant(s), which forms part of their curriculum. Hotel School F indicated that the students are also required to work during recess periods, with the exception of the December recess, as this forms part of their academic notional hours.

On the question of whether or not students are remunerated for their work in the operational units of the schools, Hotel Schools B, C and E indicated that students are not remunerated for their work, except if they work longer hours than what is stipulated in their learner guides. Hotel Schools D and F clearly stipulated that their students are not remunerated for their work in the restaurants at all.

> *Questions: What measures do you have in place to manage operational expenses?*

Financial sustainability can only be achieved when expenses are managed well. Measures to manage expenses, as well as knowledge of factors hindering it, are thus of importance for this study, and the responses of the interviewees were as follows:

- At Hotel School A, purchasing for all three departments (senior restaurant, first-year restaurant and Hotel School demonstration expenses) is done within the one department. For monthly food and beverage purchases, monthly requisitions are completed for each of the three different units, and for each supplier. Requisitions are first approved by the Line

Manager, before the order numbers are issued by the Finance Section. Order numbers are then received for each of the requisitions for each supplier, and are valid for one month. For all other purchases, such as flowers, small loose items, or equipment, quotations are sourced, after which a requisition is completed, and once-off approval is received, on an ad hoc basis. Menus for specific days are developed by the responsible practical lecturer for the various restaurants. Function sheets for the following week's functions are discussed in a weekly operational meeting, where each practical lecturer (for the kitchen and the restaurant) are provided with a copy of the function sheet. The practical lecturers are responsible for checking the stock-on-hand in their department's storerooms, in order to complete their department's stock order sheets. These stock order sheets are sent to the Operational Manager, who will check the orders and quantities, and provide an indication of the preferred suppliers, in order to guide the Purchaser, who is responsible for processing the order. This is also a precautionary measure to ensure that incorrect orders are corrected, and to clarify any uncertainties with the practical lecturers. Should the required stock be available from a different unit's storeroom, the Operational Manager will transfer requested stock between the units, if it will reduce wastages or the over-stocking of certain ingredients. As the Stock Controller position is currently vacant, delivered goods are checked in by the Operational Manager, and invoices are verified against the individual purchase orders to double-check that the items that were requested, were received. Purchasing are done under three different General Ledger Accounts (GLAs) according to the three units: senior restaurant, first-year restaurant, and Hotel School demonstration expenses. At the end of the month, the Purchaser will do a reconciliation for each order number for the entire month. For amounts of R10 000 or less, this reconciliation is signed off by the Operational Manager, while the HoD will approve reconciliations for amounts above R10 000. Reconciliations are submitted to CUT's Finance Section, for payments to be made to creditors.

- Hotel School B: Kitchen stock is ordered by the Culinary Lecturer by means of a requisition that is sent to the Technical Assistant, who then orders the stock. When delivered, the stock is received by the Operational Manager, and issued to the kitchens. Stock takes are done.

- Hotel School C mentioned that, for the past six years, their budget has not been increased, placing strain on the purchasing of stock for practical classes, as "the biggest expense in the Hotel School is in the kitchens". Controls that have been implemented at the time of the study include: the Store Man orders stock using requisition forms, and an Assistant receives the stock. The HoD has to approve all orders. They are planning to "tighten the controls" by ensuring that all recipes used in the kitchen are standardised and costed on an annual basis. This will then be compared to the available budget, and, without jeopardising quality, menus will be adapted accordingly. The interviewee added that it is necessary to examine the menus, the ingredients required, and the seasonal availability of the ingredients, and to then adapt the menus according to the availability of the ingredients. The interviewee did, however, emphasise that quality teaching must not be compromised, because "quality teaching gives quality students".

- Hotel School D indicated that they have weekly budget meetings, and all purchases go through Technicians, after which they are approved by the HoD, and daily purchases are checked against the lecturers' requisitions.

- Hotel School E indicated that they divide their annual operational budget into four terms, and control it in terms of their operational requirements. All expenses are controlled by the operations office, and checked by the Financial Controller before it is purchased. A Pastel system is also used to manage their operational expenses.

- The Store Manager, Assistant and Operational Manager manage inventory and wastage at Hotel School F. Standardised recipes are used to control

inventory expenses, while frequent stocktakes are done to manage usage and wastage. This School has one main storeroom, from where all stock is issued to all the other storerooms, which assists in controlling the stock. The interviewee summarised her answer by saying that they try to "make everyone more cost-conscious".

> *Question: Are there factors that influence the optimisation of your hotel school's additional/third-stream income?*

The following responses were provided to this question:

- The limited operational hours of Hotel School A, as provided in Section 5.5.1.3.1 as from page 183, is a factor that negatively influences the School's income. Another factor that an interviewee mentioned included that, during menu planning, selling prices must be determined, while keeping in mind that such prices are developed for an educational training restaurant. Selling prices should thus be kept as low as possible, in order to attract customers, and consequently increase revenue in the restaurants, while exposing the students to working with customers. Therefore, menu items are frequently sold at cost price or even lower. However, the quality of education and exposure of students should not be jeopardised, and therefore profit is not optimised. Furthermore, optimal income generation is influenced by the fact that Procurement staff are not knowledgeable about the Hotel School's environment and requirements, and thus their policies and decisions are not always to the benefit of the Hotel School. The institution has a list of prescribed suppliers on a database, which prevents the School from purchasing items from cheaper suppliers. In fact, these procedures rather increase than contain the costs of the required products.

- The interviewee added that the marketing of functions and events is "seriously lacking", thus negatively influencing occupancy percentages.

Facilities are not utilised to their full potential, due to the fact that practical classes, during which these restaurants operate, are limited. Restaurants are only in operation during academic weeks, which demotivates guests to visit the Hotel School, as they are uncertain about specific academic weeks. The first-year restaurant experiences competition on campus, as students rather buy what they can afford, and not necessarily value for money. This restaurant is also not located in an area where many potential customers walk past it. In addition, practical lecturers in these departments have to focus on lecturing, furthering their studies, attending workshops, and administrative duties. Hence, their sole focus is not on the restaurant as an income generator.

- Hotel School B: "Too many rules, because we could do so much more before". The interviewee added that, in the past, they were more flexible in planning more "things/courses/weeks, and increasing income", as well as do marketing.

- Hotel School C indicated that most functions, and therefore income, come from other institutional departments. Another factor that influences their income is that "we are supposed to give a high-quality service, but there is an expectation that we must be cheap".

- Hotel School D stated that: "If short courses can be marketed and managed by the Hotel School, it will increase third-stream income". The restaurant should be managed in a professional manner by operational staff, and should be in operation for longer hours, seven days per week. This will also allow for the hosting of more functions, thus increasing profit. The last factor mentioned by this interviewee is that the safety on campus, or the perception of safety on campus, should improve.

- Hotel School E stated that "We are not using our facilities optimally due to institutional challenges. Another challenge is the current crop of students that we have (referring to the #Fees-Must-Fall campaign)". According to

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the interviewee, the #Fees-Must-Fall campaign has "really damaged our reputation" due to the suspension of academic classes, and the cancellation of scheduled functions. Therefore, business could not continue. Another factor mentioned by this interviewee, was that functions and events depend on marketing. "If we had a dedicated person to only market functions and events, it will assist in increasing our third-stream income".

-   At Hotel School F, the institution's centralised procurement practices are a challenge. For example, sourcing or reviewing new suppliers is problematic, which hampers optimisation. It would be ideal if the School could purchase directly from suppliers.

Question: How do you envisage a future increase in third-stream income?

-   The interviewee of Hotel School A recommended that the operational facilities need to become "fully operational", and that it should be more flexible, accommodating functions and events on a more frequent basis. A focused marketing strategy must be implemented on campus, after which it must be extended to the public. Staff should be able to operate the facilities seven days per week, with students scheduled to assist during the operational hours.

-   The interviewee further indicated that the School can take hands with CUT in marketing the Department. The University has identified fields of marketing for the unit, which marketing is then done by people who are not directly involved in the Hotel School. Therefore, one can question the quality of information and marketing they do for the Hotel School.

-   The marketing done by CUT's marketing department and Faculty of Management Sciences are more focussed on the enrolment of students, and not at all on the marketing of the Hotel School's facilities.

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- Operational staff should have better control over menus or standardised menus, and costs competing with competitors in the industry – thus, profit margins can be increased.

- Operational staff should be focused on, and driven by, third-stream income generation, and should not pay undivided attention to certain projects, as is currently the case with lecturers.

- Operational staff could also do demonstrations that will improve the marketing of the Hotel School and, once again, snowball into other means of income and marketing, thus positioning in the School in the market.

- Many function requests are declined due to a lack of Chefs, Food and Beverage staff, and students to fulfil the request, as these individuals are busy with classes or other job-related requirements. Several business opportunities for the Hotel School are lost in this manner.

- At Hotel School B, all departments are motivated to increase third-stream income. "We can grow in short courses". Leasing more of the School's facilities to other HEIs will also assist in this regard.

- Hotel School C indicated that "we want to get the public back into our facilities".

- The interviewee at Hotel School F stated that: "Yes, we have to, due to budgetary pressure. With international benchmarking, it was found that with those hotel schools, they all have a signature restaurant – build something signature attached to the hotel school. We are planning to relaunch our restaurant".

6.5.13 South African universities' hotel school interview research question 13

Questions: What is your hotel school's staff-student ratio for theory and practical classes (kitchen, restaurant)? Is it possible to increase the staff-student ratio to save costs? Please explain your answer.

The staff-student ratio is greatly affected by the type of instruction, be it theory or practical, provided to students, which then impacts on the number of academic hours required. These, in turn, affect the salary expenses of an academic department. The researcher was interested in benchmarking the hotel schools' staff-student ratios for theoretical and practical classes, with the latter referring to classes that are conducted in the kitchen or restaurant. Table 6.2 below provides a comparison of the staff-to-student ratios of the South African universities' hotel schools.

	Theory classes	Practical classes
Hotel School A	1:60	1:12
Hotel School B	1:160	1:15 (22 max)
Hotel School C	1:120	1:16
Hotel School D	1:60	1:15
Hotel School E	1:150	1:22 (32 max)
Hotel School F	1:40	1:32

Table 6.2   Comparison of the staff-student ratios of South African universities' hotel schools

As seen from Table 6.2 above, the staff-student ratio for practical classes are relatively low overall, and ranges between 1:12 to 1:22, with a specified maximum number of students. Without exception, all the interviewees confirmed that they have to divide the students into groups, and have them rotate in cycles, with lecturers repeating classes. This increases the lecturers' academic hours, and thus results in the schools having relatively high salary expenses.

The follow-up question, aimed at determining whether it is possible to increase the staff-student ratio, was also met with uniform negativity. Again, all the interviewees agreed that it will not be possible. The following explanations were given in this regard:

- Hotel School A indicated that their kitchens can only accommodate 12 students at a time. The practical lecturers cannot control more than that; otherwise, additional staff would have to be appointed. An interviewee added that the quality of assessment with larger groups are compromised. When larger groups are present in the kitchen, the safety aspects within the kitchen also become a concern.

- Hotel School B confirmed that it would not be practical.

- Hotel Schools C, E and D agreed that the available space in the kitchens does not allow an increase.

- Hotel School F indicated that: "For theory classes it (to increase student numbers) is ideal, but for practical classes, it is not possible".

6.5.14 South African universities' hotel school interview research question 14

Questions: CUT makes use of a RAM, a process through which resources earned by the University are distributed to budget holders for usage, thereby empowering those budget holders. Which resource distribution model does your institution use?

As explained in Section 5.4.3 as from page 167, and in Section 5.4.4 as from page 169, CUT makes use of a RAM. From these sections, it evident that CUT's Hotel School does not compare well with their peer institutional departments.

The researcher was interested in determining whether the interviewees of the hotel schools have knowledge of a RAM, or any typical/similar model that is used by their institutions. It was also of interest to the researcher to determine how these schools compared against other departments in their institutions, should such a model be applied.

Hotel Schools D, E and F responded that their institutions make use of a RAM, while Hotel School B indicated that they use a different model. Hotel School C had no knowledge of such a model, or whether a similar model is used at their institution.

> *Question: According to the model used, how does your hotel school's financial allocation/budget compare to that of other departments?*

Similar to Hotel School A (as discussed in Section 5.4.4 as from page 169), Hotel School D responded that they do not compare well with other departments, and commented that they are "poor" in comparison, and that their "department is in the red".

Hotel Schools B, E and F responded that they compare well with other institutional departments, and provided the following reasons for this:

- Hotel School B: The Hotel School was "in the red" until a few years ago, but it improved. One reason that the interviewee ascribed to this improvement, was that staff became more involved in research. The School's situation also improved due to the restaurant not forming part of the school's income and expenses anymore, and, consequently, the the Restaurant Manager's and Chef's salary structure being transferred to another department. Another reason for the improvement of the figures was an increase in the enrolment figure from 120 to 160 students.

- Hotel School E indicated that: "Our faculty subsidises other faculties, mainly because we are the biggest faculty; almost half of the University's students are in our faculty". In the past, "it was a struggle to introduce a research culture in this vocational department. Over the last two years, we have increased our publications tremendously, from which we pull funds additional to tuition fees, and that helps to sustain this School". The interviewee added that projects such as short courses also "supplement the student fees".

- Hotel School F stated: "Due to small numbers, poor, but green, but moving upwards". The interviewee added that, due to their research output, "research keeps us afloat" even when they have a decrease in student numbers or throughput. As a result of the staff-to-FTE ratio, "our salary expenses are high due to practical classes, but we try to manage a good mix of undergraduate students and postgraduates".

Graph 6-6 below displays the six hotel schools according to their deemed financial sustainability, as well as the positive or negative stance according the RAM used by their institution.

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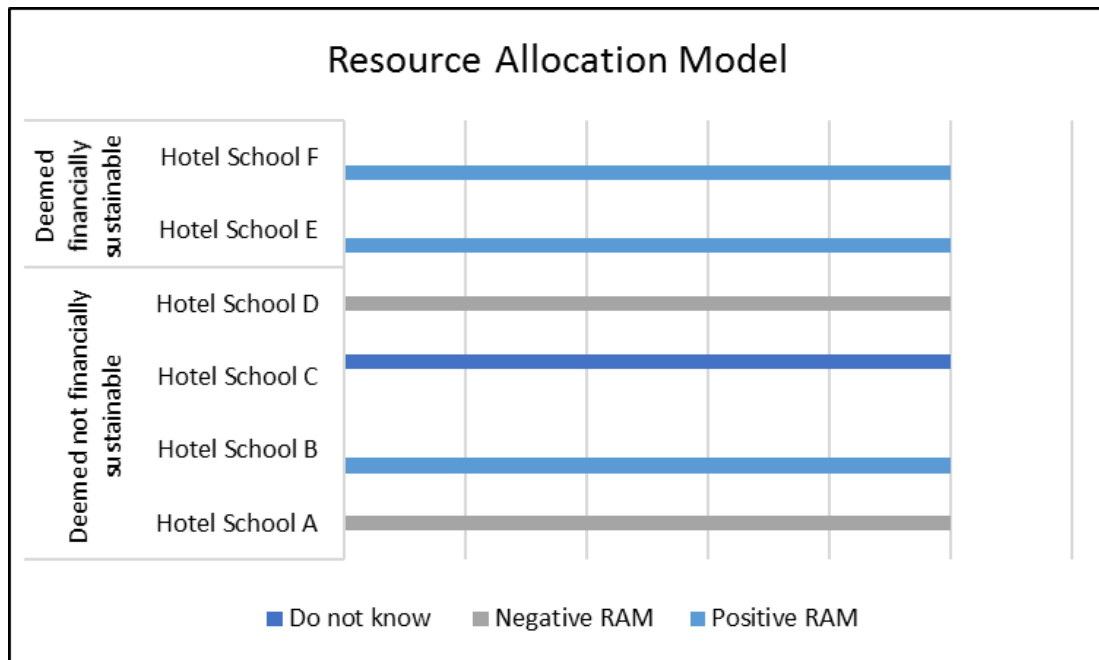
Graph 6.6 Comparison of the deemed stance of the South African universities hotel schools' RAM in relation to other departments

From Graph 6-6 above, it can be seen that both hotel schools that were deemed financially sustainable have knowledge of the RAM used in their institutions, and that their departments' RAMs are positive. Of the other hotel schools that were deemed not financially sustainable, two admitted that their RAMs are negative, while one indicated that they are not aware of the RAM used at their institution.

6.5.15 South African universities' hotel school interview research question 15

Questions: Do you have an alumni network? If yes, how are you utilising this network to the benefit of the hotel school? What role does the alumni network play/which benefits do this network have for your hotel school? Which strategies have you implemented, or will you implement, to enhance your alumni network?

This question originated from the findings from the interviews held at the top international hotel schools, as these schools all deemed it important to have a

strong alumni network. The researcher was therefore interested in determining the extent of alumni networks at South African universities' hotel schools:

- Of all the hotel schools interviewed, only Hotel School F has a formal alumni network, and use it extensively. The interviewee confirmed: "Yes, we have a good network – that is where we got (raised) a huge sum of money from for the missing-middle campaign". This School uses social networks to build their alumni database. The network is further built, and communication with alumni managed, through "events for and with them to showcase our School to the industry; appointing alumni on our advisory committee; using them to teach as guest lecturers; giving recognition to them for accomplishments; and inviting them to our open days to talk about their own experiences". This School believes that a strong alumni network assists in WIL placements and recruitment, and confirmed the importance of such a network with: "There's power in the alumni network – use it".

- Hotel Schools A and E confirmed that they have alumni Facebook pages on which job opportunities are posted, and that are used as a tool of communication between alumni and current students. However, the pages are not optimally managed.

- Hotel Schools B, C and D confirmed that their institutions have alumni networks, but that they do not have a formal network.

In the following section, the codes and themes identified from the findings will be identified and discussed, and conclusions will be made.

6.6   THEME IDENTIFICATION, DISCUSSIONS AND CONCLUSIONS

As explained in Section 4.7.1 as from page 136, an inductive/deductive data-analysis approach was applied in this study. The researcher developed a

framework, identifying codes and themes as it emerged from the literature study. This framework informed the interview schedules of both sets of interviews, as well as the actual coding process, while additional codes and themes were being added as the analysis of data progressed. Being so close to the data, the researcher followed an interpretive approach, allocating codes and categorising it under themes according to data interpretation.

In the following section, the findings of the international hotel school interviews (as provided in Section 6.4 as from page 196), and those of the South African universities' hotel schools (as provided in Section 6.5 as from page 215), are discussed categorised under identified themes. Examples of interviewee responses are provided, and, where deemed appropriate, are quoted verbatim.

At this point, it is important to be reminded that the main objective of this study is to formulate a sustainable financial management strategy for South African universities' hotel schools. Various informative definitions of financial sustainability are found in the literature, and are provided in Section 3.5.1 as from page 100. However, according to the researcher, the bottom line of financial sustainability remains maximising income and managing expenses.

Therefore, two overarching themes were identified, namely:
- maximising income, and
- managing/minimising expenses.

As mentioned in Section 4.7.1.3 as from page 141, a computer-based data management programme, Atlas.ti, was used to assist the researcher in the coding and categorising of the data. The codes, sub-themes and themes that the researcher identified as having a relationship with another theme or sub-theme were identified and are discussed accordingly.

6.6.1 Overarching theme: Maximising income

The income streams of a hotel school, and more specifically CUT's Hotel School, are discussed in Section 5.5.1 as from page 176. It includes first-stream (Teaching Input Sub-block Grant, Teaching Output-block Grant, Research Output Sub-block Grant), second-stream (tuition fees) and third-stream income (income from short courses, functions and events). An increase in these income streams will improve financial sustainability, but should, however, be practically feasible. Themes and sub-themes influencing these income streams were identified from the data gathered.

6.6.1.1 Theme: Marketing

Internationally, all the interviewees emphasised the importance of a well-structured marketing strategy towards improving financial sustainability. The marketing of a well-reputed school that has established itself as a brand within its institution, and that promotes itself, its vision and quality academic offerings, will attract excellent students, which, in turn, will increase FTEs and decrease dropout rates. Dedicated staff member(s) are responsible for the marketing of these schools, as well as managing industrial relations and building the alumni network. These schools use their strong alumni networks in their marketing campaigns, and found it of significant value to recruit applicants and to motivate current students.

From the interviews at South African universities' hotel schools, it became clear that, with the exception of one school, as discussed above, the hotel schools are mainly dependent on their institution's marketing departments. One of the two hotel schools that were deemed financially sustainable do, however, have a specific marketing plan. The other school provided the lack of financial resources as the reason for not having a formal marketing strategy. It was also agreed that the institutions' marketing is too broad, and that the universities' marketing staff do not have sufficient specific knowledge regarding the Hospitality courses and industry to effectively market the schools. This was made clear by the following responses: "it doesn't work";

"the time they go out is not the best"; "we are losing a number of students who we think could have been successful"; "marketing is really a frustrating part, and I know if we can do it our way, we can be getting there"; and "the institution's marketing is too broad. Hospitality Management is a very specific discipline, and we find that we need to do more marketing on our own to educate the scholars on what the course is about".

The importance of specific and additional marketing, beside the institutional marketing, is proven to be of high importance to these schools. Even the one school who implements a specific marketing strategy of their own, believes that "continuous improvement and constant communication on social media" is necessary, and that they "need to grow in social media". The other schools confirmed the importance of marketing. Although they do not have sufficient funds available to implement a formal hotel-school-specific marketing strategy, they do implement a few marketing plans of their own.

The researcher is of the opinion that a hotel-school-focused marketing strategy should be developed and implemented by dedicated staff within the hotel schools. Sufficient resources should be made available to cover the salary of such a staff member, who will be responsible for managing and co-ordinating the implementation of this strategy. Such a position can also be financed through third-stream income. The marketing strategy should be focused on all the academic offerings of the schools, as well as the operational facilities they have to offer. The researcher is of the opinion that a well-implemented and well-managed hotel-school-specific marketing strategy will improve the information of the possible pool of applicants, thereby improving FTEs; decreasing the dropout rate, and thus improving the throughput; increasing third-stream income; and, therefore, improving financial sustainability.

6.6.1.2 Theme: Increase teaching input units

Not surprisingly, the enrolment figures at South African universities' hotel schools were significantly lower than those of the top international hotel schools. The top international schools have an annual enrolment of between 600 and 1 100 students, while the South African universities' hotel schools enrol between 70 and 165 students on an annual basis. The recommendation from the international hotel schools was, however, clear: to improve financial sustainability, the annual enrolment figure needs to increase. It was also recommended that more than one intake per year can assist in increasing enrolment numbers. It was also interesting to note that the annual enrolment figures of the South African hotel schools that were deemed financial sustainable, were approximately double than those of CUT's Hotel School. However, no clear relationship between deemed financial sustainability and the number of FTEs could be found, as two of the other hotel schools that were deemed not financially sustainable hotel also enrol almost double the number of students than CUT's Hotel School. However, one of the South African universities' hotel schools indicated that they ascribe the improvement in their RAM figures to an increase in FTEs. The final suggestion is that an increase in FTEs is required to ensure taht facilities are optimally used, while students are not overloaded with work.

Accepting the advice from the top international hotel schools, and considering the significantly higher FTE figures of the South African hotel schools that were deemed financially viable compared to those of CUT's Hotel School, the researcher thus concludes that an increase in FTEs will increase tuition fee income, and thus might improve financial sustainability.

The logical next factor to consider would then be whether an increase in FTEs is possible, given available facilities and staff available at the South African universities' hotel schools. Although most of the interviewees indicated that such an increase will benefit their schools financially, the overwhelming negative answers from the South African universities' hotel schools to the

matter in question appeared to be a clear-cut answer: No, it will not be possible to increase FTEs. As specific facilities, such as kitchens and restaurants, in which to train students are required, and the number of students that can be accommodated in these facilities is much smaller than in the case of a regular theory class, students are divided into smaller groups. This results in academic staff being required to repeat (already lengthy) practical classes. This will have an effect on the use of part-time lecturers, which, in turn, will increase the salary expense. Furthermore, as it is, the research output of academic staff is negatively influenced by the high academic hours of practical lecturers. The latter will be discussed in a subsequent section.

Nonetheless, it was agreed that, with additional resources, such as staff, kitchens, classrooms and other facilities, an increase in FTEs will be possible. However, considering the increase in salary expenses and the increase in number of facilities and other resources, a higher number of FTEs might also have the opposite effect on the financial sustainability of a hotel school.

The researcher's point of view is that an increase in FTEs will improve financial sustainability, if done in a strategic manner, with available additional resources, such as staff and facilities, and without compromising quality. Ways in which this can be achieved, including increasing the diversity of academic offerings, offering online courses, and having more than one intake in a year.

6.6.1.2.1 Sub-theme: Tuition fees

As financial challenges, which are discussed in a subsequent session, are provided as one of the main reasons for the relatively high dropout of students, it can be assumed that tuition fees may be considered as a contributing factor to the recruitment and retainment of students. It is safe to conclude that the tuition fees of a Hospitality Management course are relatively higher than those of other academic courses, considering the costs

of consumables and equipment, as well as the number of subjects that form part of this qualification. In addition, the uniform and knife set a Hospitality Management student is required to have, must be bought, either as part of the tuition fee expense, or as an additional expense. The international and South African hotel schools that were interviewed, agreed that the uniform is a compulsory component of a student's preparation for the industry, as it prepares the student for the "uniformed industry". In the kitchen specifically, the uniform is also a safety measure. Differences of opinion were, however, found regarding the necessity of each student possessing a knife set.

The researcher is of the opinion that a hotel school's tuition fees should be benchmarked regularly, to ensure that they are on par with other South African universities' hotel schools. Measures to decrease expenses within the school (to be discussed in Section 6.6.2.3 as from page 284) will assist in lowering the applicable subjects' costs as well. The knife set, or at least the content thereof, should be re-evaluated.

6.6.1.2.2 Sub-theme: extended curriculum programme (ECP)

Although none of the hotel schools that were deemed financially sustainable offer an extended curriculum programme (ECP), the benefits of such a programme were evident. These mainly included increased FTEs, decreased dropout rates, and improved throughput rate. A negative aspect regarding the ECP, is that it increases the length of an "already lengthy diploma". In addition, none of the hotel schools that were deemed financially sustainable offer an ECP. However, as evidence was found that this programme decreases the dropout figure of Hospitality Management students, the researcher is of the opinion that the benefits of an ECP outweigh this negative aspect. Therefore, the offering of an ECP will have a positive influence on financial sustainability. The researcher thus concludes that the development of an ECP will be of value to a hotel school that experiences relatively high dropout rates.

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6.6.1.2.3 Sub-theme: Academic offerings

The South African universities' hotel schools offer a variety of academic qualifications, while some have a specialisation built into their diploma. One of the South African universities' hotel schools that were deemed not financially sustainable, added that they could move towards financial sustainability if "we can add another course, such as Food Service Management". Although no clear relation could be found between financial sustainability and the offering of master's and doctoral degrees, it is worth noting that the two hotel schools that were deemed financially sustainable both offer these qualifications.

The researcher is of the opinion that hotel school should offer master's and doctoral degrees as part of their academic offerings. This will enhance the output of postgraduate students, and will vastly increase the Research Output Sub-block grant.

6.6.1.3 Theme: Increase teaching output units

TOUs are dependent on the number of graduates at the level of non-research master's degrees and lower. The Teaching Output Sub-block Grant is influenced by students' length of study. As dropout and throughput rates influence TOUs, these are major concerns in terms of the income, and thus the financial sustainability, of hotel schools. From all the interviews held both internationally and in South Africa, it was evident that the dropout and throughput rates at South African universities' hotel schools are two major concerns.

6.6.1.3.1 Sub-theme: Decrease dropout rates, and increase throughput rates

Being mindful of the demographics of the top international hotel schools that were visited, and noting their dropout rates, it can be deduced that a small student dropout percentage can be expected at hotel schools. According to these hotel schools, this can be ascribed to students being uninformed about,

or unprepared for, the Hospitality industry; students lacking passion for the industry; and the physical nature of a Hospitality course. These schools have a significantly lower dropout rate than the CUT Hotel School, which they ascribe to good or very strict selection processes.

The dropout rates at the international hotel schools range between 5% and 15% on average, which is also significantly lower than that of the South African universities' hotel schools, where the average dropout rate at all the schools is higher than 20% within the first year of study. The dropout rate at one of the South African universities' hotel schools even varies to as high as 46%, while CUT's Hotel School reported a 42% dropout rate in 2014.

The one hotel school that was deemed financially sustainable has the highest throughput rate, namely 76%, while the lowest throughput rate at one of the hotel schools that were deemed financial unsustainable, is 30%.

According to the South African universities' hotel schools, the reasons for the high dropout rate include financial difficulties; the workload of the students being too high; and unprepared and ill-informed students.

Financial difficulties
The first reason for the relatively high dropout rate agreed upon by the South African universities' hotel schools, was students' financial problems. Considering the far-reaching debates around this aspect in South Africa, and the subsequent #Fees-Must-Fall campaigns, this is not a surprise.

The researcher is of the opinion that, should students be supported financially, the relatively high dropout rates will decrease, and, subsequently, the throughput rates will improve. Additional income, through fundraising from industry partners and alumni, can be used to assist academically deserving and financially needy students. The success of such a strategy has been confirmed at one of the hotel schools that were deemed financially sustainable, as the dropout rate at that school has decreased significantly.

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Workload of students

The South African universities' hotel schools reported the relatively large workload of Hospitality Management students as the second reason for the relatively high dropout rates at these departments. The researcher assumes that a large workload is a uniform aspect of Hospitality Management courses, and is related to the specific character of the course, as well as the fact that the course entails theory and practical subjects. Considering the workload of a Hospitality Management student, the researcher is of the opinion that three aspects are of importance in this regard: adherence to the registered NQF-level credits of the qualification, and therefore the notional hours thereof; the pressure on HEIs to increase third-stream income, which, in the case of hotel schools, are mostly possible through the practical work that students perform during functions; and the concern that this aspect influences the dropout rate. The last two factors both have an impact on the schools' income, and thus impacts the schools' financial sustainability. As the workload is a contributing factor to the relatively high dropout rates, hotel schools should provide even more academic support to students on a continuous basis. The effectiveness of academic support, such as mentors and tutors, should also be ensured. Another proposal is that hotel schools should ensure adherence to the notional hours of their qualifications.

Ill-prepared students

The third reason provided for the relatively high dropout rate, was that the applicants are ill-informed about the course and the Hospitality industry, which results in students dropping out, usually within their first year of study.

The researcher is of the opinion that an informed and knowledgeable pool of applicants is only possible with a proper, well-directed, hotel-school-specific marketing strategy that is focused on the correct target market. Such a strategy should be focused on establishing the school as a brand within the institution, with a clear vision, and offering high-quality qualifications. Attention should be given to ensure that employability (i.e. a career) is used as a selling point as part of this strategy. The marketing strategy should be

supported by sufficient financial resources; steered by dedicated Hotel School staff; and focused on providing information and sharing knowledge on what the Hospitality course and, more specifically, a career in the Hospitality industry, will entail. This hospitality-focused marketing strategy should include inviting applicants to visit the school, experience the facilities, and be informed of the academic courses offered, and the industry itself. An alumni network can also assist in marketing the school, the course and the industry. Clear and continuous communication via social media, a website and other media is required. High school learners can be invited to summer schools, where they visit the hotel school for two weeks to experience the school and the courses on offer.

The benefits of such a strategy are clear: applicants will make better choices, based on sound knowledge of what the Hospitality course entails; less walk-in students will enrol for the course; and the "right" students will be selected. This, in turn, will decrease the dropout rate.

6.6.1.3.2 Sub-theme: Selection process

From the interviews at the top international hotel schools, it was clear that these schools use very strict selection processes, frequently covering a full day. The selection processes focus on testing the applicants' potential, and thus entails the testing of language, numeric and hospitality-related skills. In addition, applicants are only admitted if they have work experience in the Hospitality industry. The schools use their alumni network to provide candidates without any prior experience with the opportunity to work in the industry for a week or two prior to the selection interviews.

The current selection processes of the South African universities' hotel schools include a combination of, but not all, of the following: APS scores, interviews, a written motivation, and prescribed subjects. However, as indicated above, not all of the schools use all of these methods. They further indicated that, due to the applicants being ill-prepared, the interviews often

become information sessions, during which the interview panel merely provides applicants with industry- and course-related information.

There is no clear relationship between the selection methods applied by the South African universities' hotel schools that were deemed financially sustainable, vs. those who were deemed not financially sustainable. However, all the hotel schools confirmed that they regard it as necessary to improve their selection processes. The general feedback was that improved selection processes need to ensure that the best target students are selected from the potential pool of candidates. The target students should be knowledgeable of the course and the Hospitality industry, and the Hospitality Management qualification should be their first choice. From the interviews at the South African universities' hotel schools, the researcher deducted that improved selection processes will lead to lower dropout rates.

The researcher recommends that, in order to improve the hotel schools' selection processes, interviews should form a compulsory part thereof. However, before an interview is granted to an applicant, pre-screening should take place with the applicant, and an applicant must undergo a period of industry exposure, even if it is only for two weeks. Should these two requirements be met, the candidate can be invited to an interview, to be conducted by Hotel School staff. A follow-up interview should be conducted with candidates who, during their first interview, had the required APS score, but did not prove to have sufficient knowledge of the industry or the course. Should the candidate be unable to visit the school for the interview, due to unforeseen circumstances or financial limitations, electronic selection should take place. The alumni network can be used to assist in providing applicants with the opportunity to work in the industry. Industry partners can also be invited to assist with the selection process by participating in the interviews.

6.6.1.4 Theme: Increase research output units

Internationally, it is not compulsory for lecturing staff to be involved in research. Rather, all staff are required to keep themselves updated and informed in "their line of business, have good relations with industry and didactics", and understand research. Should they undertake research, it is "industry focused". Research activity depends on a staff member's position, as it was indicated that, for example, Professors' main focus will be on research, while "lecturers are here to lecture", and instructors are not expected to conduct formal research, but to only keep abreast of the current trends in their area of expertise. The general feedback from these top international hotel schools was that lecturing staff should not be involved in formal research. Specifically, in terms of Hospitality lecturers being involved in formal research, the interviewees mentioned that "Hospitality is a matter of practical people", while the reverse is also true, "a researcher is not a maker". It is also worth noting that most lecturers at these hotel schools already obtained master's degrees.

All of the South African universities' hotel schools confirmed that all of their academic staff are required to do research. However, they do not perform according to the expected maximum output levels. The main reasons ascribed to the insufficient performance in terms of research outputs included the large workload of lecturing staff; the lack in confidence to do research; and staff primarily focusing on obtaining their qualifications.

The positive impact of an increased research output level was highlighted by one of the hotel schools that were deemed financial sustainable, who indicated that the income they receive from research keeps them sustainable, even when they have a decrease in student numbers.

6.6.1.4.1 Sub-theme: Workload of lecturing staff

In the researcher's opinion, the workload of lecturing staff has increased significantly in recent years. Their duties reach far beyond lecturing and the

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ever-increasing academic administration duties, also including constant support to unprepared students, to enable them to be successful in their studies, and activities aimed at increasing third-stream income. The pressure to produce research outputs has also increased since the technikons transformed into universities in 2004. At hotel schools specifically, it was found that the hours for practical classes are extensive, and that this has a negative effect on practical lecturers' ability to further their qualifications or, where applicable, increase their research output. Therefore, it was not surprising that the interviewees at the South African universities' hotel schools ascribed their academic staff's relatively low research output to, amongst others, the large workload of these staff members.

The researcher is of opinion that the staff structure of hotel schools should be divided in two divisions, namely academic staff and operational staff. Producing research should remain one of the main functions of the academic staff, while the operational staff should be responsible for supervising the operational facilities, and should be exempted from delivering compulsory research outputs. The operational staff should rather focus on ensuring that they keep abreast of the latest developments in their line of work.

The use of quality, pre-selected part-time lecturers can assist in reducing the workload of full-time academic staff, in order to enable the latter to increase their research outputs.

6.6.1.4.2 Sub-theme: Lack of confidence to do research

From the interviews conducted at the South African universities' hotel schools, it became clear that academic staff find it challenging to produce research outputs, as they lack the confidence to conduct research. The fact that many of these academic staff are still in the process of obtaining further qualifications definitely has an impact on this lack in confidence, and on the subsequent low research outputs produced.

It can thus be concluded that an environment for research must be created in hotel schools, which environment should be managed by dedicated staff members who are focused on training and coaching staff. Academic staff should be coached in order to instil confidence in themselves, and progress in research should be recognised and appreciated. Towards this end, consideration could be given to appointing Visiting Professors.

6.6.1.4.3 Sub-theme: Academic staff obtaining their qualifications.

The researcher concludes that the seniority of hotel schools' staff should be increased. A dedicated staff member should be employed to provide sufficient and appropriate support to those staff members who are working towards obtaining further degrees, instilling confidence in them. This will also enhance staff members' capacity to supervise and produce postgraduate students.

6.6.1.5 Theme: Increase third-stream income

The importance of continuously increasing third-stream income for HEIs is discussed in Section 2.6.3 as from page 86, while the importance thereof for CUT's Hotel School is discussed in Section 5.5.1.3 as from page 182. During the interviews, third-stream income was provided as a remedy for financial instability, as one of the hotel schools that were deemed financially sustainable indicated that "even when we have a drop in student numbers, commercial revenue has kept us sustainable". Increasing third-stream income was also advised by the top international hotel schools.

Third-stream income can be increased by optimising the income of all the commercial facilities available to a hotel school. The offering of short courses will also supplement third-stream income, and thus improve financial sustainability.

6.6.1.5.1 Sub-theme: Optimise income from commercial operating facilities

Increase the operational hours of these facilities.

The researcher is of the opinion that a hotel school's operational facilities should be in operation at least five days per week, and that it should offer breakfast, lunch and dinner. Additional hours must be made available to offer these services to the public during weekends and recess periods. Operational facilities must be managed by operational staff, while students should perform their practical work during operational hours.

Increase the occupancy in restaurants.

Whilst keeping in mind that the restaurant is the environment in which students need to train, the restaurant should also be the type of restaurant that is liked by the community. This will improve the popularity of the restaurant, and thus increase occupancy. The facilities can also be leased to the public or other institutions. Through proper marketing in the institution, and in the community, the available facilities will also become known to the public, and will be occupied on a more regular basis.

6.6.1.5.2 Sub-theme: Short courses offered

The international hotel schools' interviewees advised that financial sustainability will improve if short courses are offered in addition to the current qualifications. This was confirmed by the fact that the two hotel schools that were deemed financially sustainable both offer short courses as block-release programmes. These hotel schools also agreed that the offering of well-managed and well-marketed additional short courses "will increase third-stream income". The researcher thus concluded that additional, cost-effective short courses should be developed, based on the needs identified in the industry or market. These courses can also include well-planned online courses, supplemented by contact sessions. The short courses should, however, be properly managed and marketed in order to ensure sufficient enrolment figures, and thus income. The marketing of such programmes should also be done by the dedicated marketing staff member recommended

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above. Online courses, such as a course in Guesthouse Management course, can be offered, thereby increasing third-stream income and marketing the school, while not using the hotel school's facilities.

6.6.1.6 Theme: Alumni network

As mentioned in Section 6.5.15 as from page 263, this theme emerged from the first set of interviews held at the top international hotel schools, as all the interviewees deemed a strong alumni network of importance to financial sustainability. The reasons provided for this important aspect, included that it could add value to the marketing of the school; employment possibilities could be created through alumni; short courses could be offered to alumni; and alumni could assist in the recruitment of students, and with WIL placements.

A well-managed and active alumni network was found at only one of the hotel schools that were deemed financially sustainable. This school justified the effort they put into such a network by mentioning that they raise funds from alumni for the school and the students. The interviewee echoed the benefits of a strong alumni network as assisting in WIL placements, and recruitment. Although the other schools do not have such an active alumni network, they acknowledged the possible benefits of such a network.

The researcher concluded that a strong, well-managed alumni network can benefit a hotel school in various ways. It is advised that such a network be built and maintained by a dedicated staff member, who should ensure constant communication with the network, and that the school benefits optimally from the network.

6.6.2 Overarching theme: Manage/minimise expenses

International and South African interviewees agreed that the offering of courses in Hospitality Management is relatively expensive, especially when compared to offerings in other academic disciplines. The relative high cost is

mostly due to the cost of facilities, equipment and consumables. One of the hotel schools that were deemed not financially sustainable confirmed this statement, providing the reason for their non-sustainability as "because our department is a very expensive department. We need to buy inventory every day. We need to have up-to-date equipment to teach students on, in the correct way. This is expensive".

6.6.2.1 Theme: Operational unit

The researcher concluded that hotel schools' expenses can be decreased, and their financial sustainability thus improved, if their operational facilities are managed as separate entities. This was found to be the case at one of the South African universities' hotel schools, who testified that their RAM figures improved once the restaurant no longer formed part of its income and expenses, with the Restaurant Manager and Chef's salary structure residing under another department. One of the schools also indicated that "the restaurant is supposed to run as a business unit".

It can thus be concluded that a hotel school should be managed as one department within the institution, with two separate units in its structure. The salaries of the operational staff (for example a Chef and a Food and Beverage Manager) should be covered by the operational unit's budget, and should not form part of the school's salary expense for lecturers. This unit will then have the mandate to produce third-stream income, while the staff in the unit will be exempted from producing compulsory research outputs.

It is also concluded that it will make financial sense for the operational unit to be awarded the authority to manage its income and expenses as an independent unit, for the following reasons:
- Institutional procurement policies are not conducive to the requirements of a hotel school, as suppliers are dictated, and lengthy ordering and purchasing procedures complicate these daily procedures.

- The finance department's employees do not have insight into a hotel school's environment, and, therefore, do not make decisions that are supportive of profit maximisation at a hotel school.
- Cost containment can be better managed by searching for best prices for the preferred quality and type of product.
- Unique ingredients that are not found in everyday stores can be purchased from suppliers that are not prescribed by the finance department.
- A more hands-on approach to manage income and expenses can be followed. In this way, discrepancies could be resolved faster, and accurate and current reports could be produced, with monthly reports being submitted to the institutional finance department.
- Supplier relationships can improve, as turnaround time will improve.
- Improved control over expenses will increase profit.
- Decision making will improve, as decisions will be made quicker, at the point of the matter, and problems will be resolved timeously, thus ensuring the continuous operation of the hotel school.
- Staff morale will increase, and staff will become more responsible, as they will have current and accurate financial information readily available.

6.6.2.2 Theme: Salary expenses

6.6.2.2.1 Sub-theme: Staff-to-student ratio

From the interviews at the top international hotel schools, it was established that their theory classes are offered to an average of 20 to 35 (maximum 40) students per group, while practical classes are offered to groups of between five and 12 students. At South African universities' hotel schools, theory classes are conducted to groups of 40 to 160 students, while practical classes are offered to an average of between 12 and 22 (maximum 32) students per session. As such a relatively small ratio in practical classes is the norm at CUT's Hotel School, it was reassuring to establish that the staff-to-student ratio in other South African schools' practical classes was relatively similar to that of CUT's Hotel School. Even more so, when comparing this ratio to that of the top international hotel schools, it was confirmed that there is a definite

reason for these relatively low ratios, namely that: students attend these practical classes in smaller rotating groups because the kitchens can only accommodate a specific and limited number of students at a time; safety is a major concern in kitchens, and is more manageable with a smaller group of students; and lecturers can control only a small number of students in a practical class, such as a kitchen. For these reasons, the interviewees agreed that it will not be possible or practical to increase the staff-to-student ratio in practical classes.

The researcher thus concluded that, although the staff-to-student ratio in practical classes increases the number of academic hours for lecturers, and thus the salary expenses, the status quo should remain.

6.6.2.2.2 Sub-theme: Staff structure

All of the top international hotel schools that were interviewed clearly distinguish between academic lecturing staff and operational instructors, who are also called "lecturers in practical arts". Their staff component consists of lecturers at an academic level, and instructors, who manage the kitchen and restaurant, on a practical level.

Similar staff structures were found at the South African universities' hotel schools, with academic staff (lecturing staff) and operational staff (instructors or technicians) being responsible for their respective areas of duty. Academic staff lecture, while operational staff supervise or manage the operational facilities. From the interviews, it was seen that only CUT's Hotel School has a staff structure in which the academic staff is responsible for lecturing both practical and theory classes. From the interview discussions at both the international and the South African hotel schools, the researcher derived that such a structure is not practical. The main reason for these views is that the academic hours of academic staff who lecture practical classes becoming unpractically high, which has a negative impact on their research outputs, or their attainment of a further qualification.

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The researcher concluded that the staff component of a hotel school should be structured in two separate components, namely an academic and an operational component. Academic staff should lecture and produce research outputs, while operational staff should supervise the operational facilities and drive third-stream income, but should not have any research responsibilities. The operational facilities of the school should be managed by an Operational Manager, and the actual practical classes in the kitchen and restaurant, as well as the operational hours of the two restaurants, should be the operational staff's responsibility. Clear communication between the two staff structures will be a requirement, in order to ensure that students receive the same level of instruction from both staff units.

6.6.2.2.3 Sub-theme: Part-time lecturers

Although part-time staff are an additional salary expense, adding to an already relative high staff salary expense, all of the interviewed South African universities' hotel schools make use of part-time lecturers.

The researcher is of the opinion that the use of part-time lecturers should be limited as far as possible, as it increases the staff salary expense, while the quality of lecturing could not be confirmed. Part-time lecturers should only be used in the event of academic staff being on maternity leave, when the appropriate level of expertise cannot be found within the permanently employed staff, or to relieve staff members to ensure research outputs. Should part-time lecturers be used, they should be closely monitored, to ensure the quality of the teaching provided.

6.6.2.3 Theme: Reduce operational expenses

All the schools that were interviewed, both internationally and nationally, confirmed that offering a course in Hospitality Management is relatively expensive due to fact that equipment and consumables have to be bought. All the South African universities' hotel schools apply stock control measures

in order to manage these expenses, including during the requisition, ordering, receiving, holding and issuing of stock. All the interviewees at the South African universities' hotel schools agreed that institutional purchasing practices hamper the rapid ordering and purchasing of stock, which is a requirement for all of the schools.

The researcher is of the opinion that, as mentioned above, the operational facilities of a hotel school should be managed as a separate unit within the school, which unit should be responsible for generating profit (i.e. third-stream income), after covering all its expenses (salaries included). One central storeroom should be used to receive and issue stock from and to all the smaller storerooms. Controlling the ordering and purchasing of stock should be the Operational Manager's responsibility, and should be executed in the school, without institutional policies influencing it.

Concluding remarks:

The findings from the interviews at the South African universities' hotel schools reveal that six of these schools do not deem themselves as financially sustainable departments within their institutions. Of these schools, one interviewee mentioned that "we are moving towards it" (sustainability).

Two of the six South African universities' hotel schools deem themselves as financially sustainable, and admit that they find it challenging to remain as such. Being mindful of this, as well as of the global and national funding-related challenges with which HEIs are faced (as discussed in Section 2.4.3.1 as from page 43), it can be deduced that all of these schools can benefit from a strategy towards improving financial sustainability within their institutions.

6.7 CHAPTER SUMMARY

In this chapter, the lessons learnt from the literature on higher education funding in South Africa, and what sustainable financial management entails,

were summarised. Thereafter, the findings of the interviews at the top international hotel schools, as well as those at the South African universities' hotel schools, were analysed. The findings were presented according to the interview questions, with the rational for each question being explained. Furthermore, codes within the data were identified during data analyses, which codes were subsequently categorised under themes. These themes were discussed, and conclusions were drawn.

The following chapter will articulate the sustainable financial management strategy for South African universities' hotel schools.

CHAPTER 7

A SUSTAINABLE FINANCIAL MANAGEMENT STRATEGY

7.1 INTRODUCTION

This study originated from concerns raised about the negative financial situation of CUT's Hotel School in comparison to that of peer academic departments within the faculty. The researcher conducted a literature search on the higher education environment in which this School functions, as well as funding-related challenges that might influence its financial sustainability. Interviews were held with representatives of top international hotel schools, as well as South African universities' hotel schools, after which findings were provided, analysed and discussed.   This chapter provides the sustainable financial management strategy for South African universities' hotel schools, as based on the results and discussions that were presented in the previous chapter. The chapter concludes with recommendations for future research, as well as an indication of the limitations that the researcher experienced during the study.

7.2 GOAL OF THE CHAPTER

Based on the literature review in Chapters 2 and 3, and the results presented in Chapter 6, this chapter is aimed at the provision of a sustainable financial management strategy in order to realise the main objective of the study.

7.3 A SUSTAINABLE FINACIAL MANAGEMENT STRATEGY FOR SOUTH AFRICAN UNIVERSITIES' HOTEL SCHOOLS

7.3.1 Introduction

The strategy is presented in a systematic format, consisting of interdependent and interacting components. It is built around the three main phases of a

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system, namely: input, throughput, and output, where input is the raw product added to the system, throughput is the changes made to the input, and output is the product that exits the system. In this system, two units are found: an academic unit and an operational unit. Both these units have specific elements that enter the input phase, specific procedures that these elements undergo during the throughput phase, and specific outputs that are produced at the end of the system. The input phase of a system greatly affects the success and the quantity of the output. Therefore, sufficient time and resources are required to ensure that this phase is well planned, and that strategies towards ensuring the quality of input are successfully implemented, in order to improve the financial sustainability of a hotel school.

As the system in this case is a higher education system, the *input* for both the academic and operational units are the students, staff, operational facilities, equipment and consumables. The students who enter the system are dependent on the marketing of the school, and the selection processes followed. The services rendered to the students, the training they undergo, and the courses for which they are enrolled, as well as the support provided to the students, form part of the *throughput phase* in the academic unit. Managing the operational facilities and their expenses, form part of the throughput phase in the operational unit. Together, the academic and operational units are responsible for producing graduates and third-stream income in the *output phase*, while the academic unit has the additional responsibility of producing research output.

The strategy is schematically represented in the Figure 7.1 below, after which all the components, as well as the interdependence and interactions thereof, are explained.
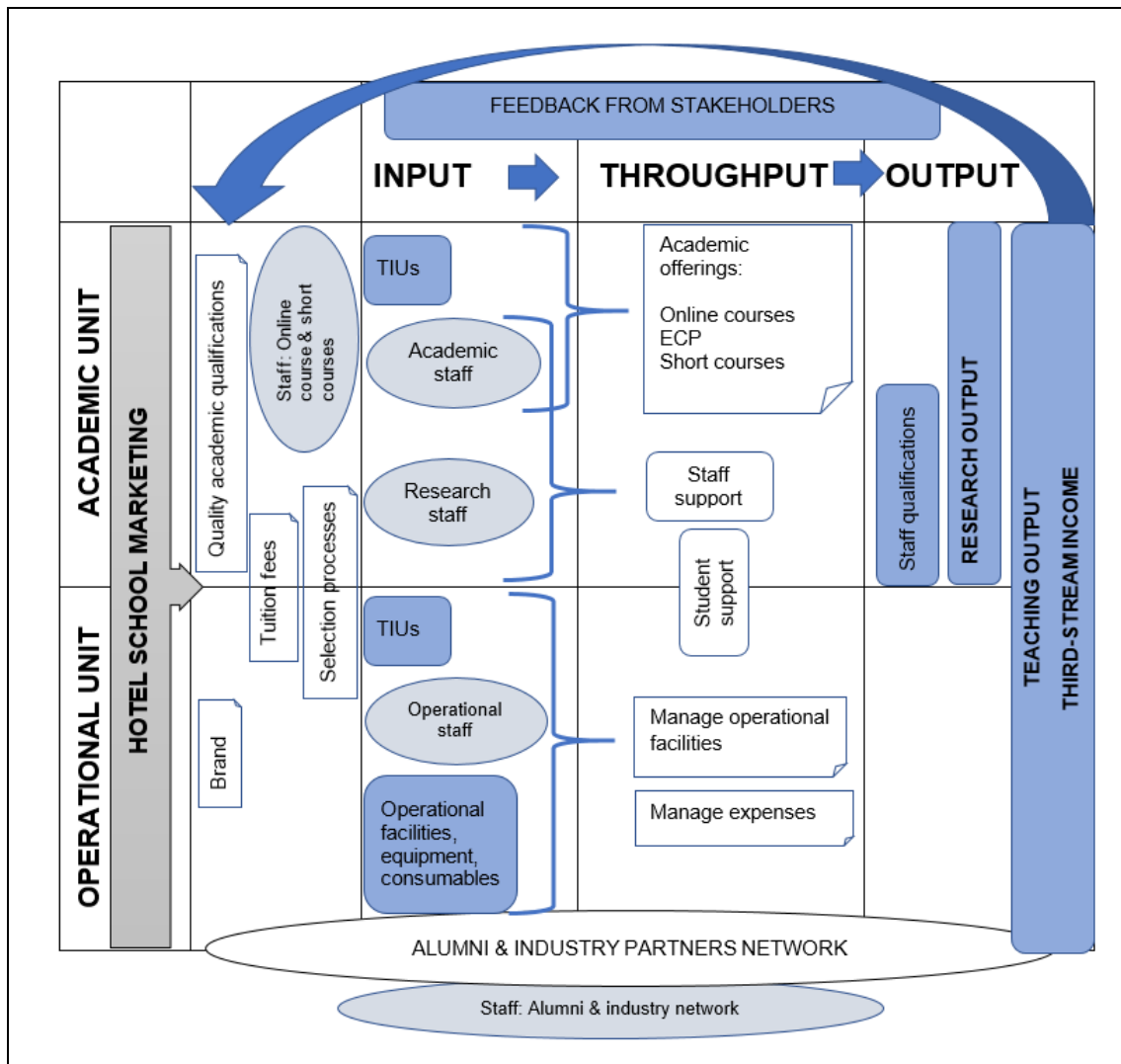
Figure 7.1   Schematic representation of the strategy

The strategy will consequently be discussed, with continuous reference to Figure 7.1 above.

7.3.2 Definitions

The following concepts need to be clarified:

-   A strategy is "a method or plan chosen to bring about a desired future, such as achievement of a goal or solution to a problem" (Business Dictionary, 2016). It provides "the direction and scope of an organisation over the long term, which achieves advantages for the organisation through its configuration of resources within the changing environment and to fulfil stakeholder expectations" (Louw & Venter, 2013:534).

- Sustainability is defined as the capacity to remain productive in the long term (Louw & Venter, 2013:534).

- The stakeholders of the hotel school are identified as students, their parents or guardians, staff, the institution's management, government, employers, work-integrated learning (WIL) partners, and alumni.

7.3.3 Objective

This strategy provides a plan that is focused on improving the financial sustainability of South African universities' hotel schools, by providing direction for them to remain productive over the long term, through the allocation of their resources, within the changing higher education environment, and to satisfy their stakeholders' expectations.

7.3.4 Supportive information

The following aspects need to be explained prior to the formulation of the strategy:

- A hotel school is, first and foremost, an educational department, with the primary aim to produce capable employees to the Hospitality industry.

- In addition, this department, as all academic departments at South African higher education institutions (HEIs), are mandated to produce third-stream income, specifically through the use of their operational facilities.

- The qualifications offered at a hotel school are based on theory and practical subjects, which are offered in different venues by different specialists. For this reason, amongst others, this department should be organised in two units within the system, namely an academic unit and an operational unit.

- Due to practical classes being offered in specific venues, while specific equipment and consumables are being used, the input costs of a hotel school are normally higher than those of departments where subjects are mainly theory based. In order to appropriately prepare students for the Hospitality industry, consumables and up-to-date equipment are required, to ensure that students are exposed to the correct material during their studies.

7.3.5 Hotel school marketing

Sufficient funds should be invested in the marketing of a hotel school. A formal hotel school marketing strategy through which the school, as a brand within its institution, as well as its quality products and services are marketed by dedicated and knowledgeable staff, should be developed. In support of the strategy, supportive marketing material must be developed and distributed for both the school's academic and operational units. Such a well-structured formal hotel school marketing strategy must focus on the unique aspects of the school, such as its location; specialisation courses offered at the school; and specialists in the operations, academic or research fields, and would ultimately determine the input of the hotel school system (as illustrated in Figure 7.1 on page 289).

Hotel schools should aim to achieve the following goals in this regard:

- Establishing constant contact and communication with secondary schools in the area, providing industry and course-related information to the schools, and, more specifically, to the subject advisors at the schools.

- Attracting the best possible applicants within the target market, emphasising all of the quality academic offerings that the school has to offer, and "selling employability".

- Sharing sufficient information about, and application requirements for, full-time courses, online courses, short courses and extended curriculum programmes (ECPs) with the target market, in order to ensure that the targeted enrolment numbers for all the academic offerings are reached. This can be done through marketing at schools, industry partners, and alumni. Industry-related and course-related knowledge must be distributed to scholars to ensure that they are well informed prior to applying to study towards a qualification in Hospitality Management. Information on the selection criteria should also be distributed to scholars to prepare them for the application process.

- Focusing on a definite target market for internal, and potential external, clients, and promoting an awareness of the hotel school, the quality of services provided, the products offered, and the operational facilities available. The latter may include conference venues, banqueting venues, restaurants, and coffee shops.

- Approaching peer institutional departments, other HEIs, corporate businesses, and the public, making them aware of what the hotel school has to offer.

The following components could form part of such a strategy:
- Marketing that ensures that the targeted student enrolment number is reached, and that applicants have sufficient knowledge of the academic offerings of the school.

- Establishing the school as a brand within the institution, and marketing this by ensuring that the vision of the school, its reputation and its products, are advertised. The brand needs to be visible, and should be linked to the institutional brand.

- Using a well-developed and maintained alumni structure to assist in marketing the hotel school. Videos can be made of alumni ambassadors,

discussing their successes, and explaining the role that the hotel school played in these successes.

- Participating in institutional open days.

- Hosting hotel school open days, in addition to the institutional open days, which days can be planned and co-ordinated by the marketing staff. On these days, industry partners can be invited to have sessions with high school learners.

- Offering summer schools to scholars. This would enable scholars to experience the hotel school, and may serve as a marketing tool, persuading attendees to study at the school.

- Developing online courses, and using these as marketing and communication tools to advertise the hotel school's other products.

- Attending hotels' career expos, and participating in other industry exhibitions.

- Extensively using social media applications, such as Facebook and Instagram, as well as the websites of the hotel school and the institution.

- Conducting regular school visits, with close and constant contact with the subject advisors at schools, providing specific knowledge about the hotel school, its industry, the admission requirements, and the academic qualifications offered.

- Inviting and co-ordinating school visits, through which scholars would have the opportunity to experience the facilities within the hotel school.

- Marketing academic qualifications, online courses, and short courses to WIL partners and their employees. Constant communication with WIL

partners, and hosting events for WIL employers and their employees, will assist in marketing the school and its products.

- Applying third-stream income profit to finance the appointment of a Marketing Manager.

7.3.6 Staff structure

The staff component of a hotel school, a core input ingredient, should be organised in such a manner that dedicated staff are responsible for producing outputs in the academic unit, while others are responsible for managing the operational unit. Together, these units are co-responsible for delivering quality and industry-ready graduates, and producing third-stream income in the form of short courses. In addition, producing research outputs will be the responsibility of academic staff, while operational staff will not be required to do research (refer to Figure 7.1 on page 289 for the schematic representation).

The *academic staff* have the responsibility to teach, produce industry-ready graduates, produce research outputs, and, through the delivery of short courses, contribute towards third-stream income. All of these outputs are linked to income generation, and thus financial sustainability. Therefore, the workload of academic staff must be managed in such a way that both these outcomes can be achieved. Academic staff should be empowered to take responsibility for producing research outputs through postgraduate supervision, publishing articles, and producing conference proceedings. Such empowerment must be based on a staff analysis, and should include, where and if applicable, improving the following skills:

- article publication;
- research methodology;
- data analysis; etc.

The focus should be on applied research towards addressing industry needs. One way of managing the research portfolio of a hotel school, is to identify a common theme for research, such as entrepreneurship in Hospitality Management. All researchers can then work on one or two larger projects with sub-parts. By doing that, the total research capacity is consolidated, and research work may be readily integrated. Staff who are registered for further studies, must be supported through workload reduction and sabbatical leave, to allow them to obtain their qualifications and, in that way, build seniority in the academic structure.

The use of part-time lecturers should be limited as far as possible, as the quality of teaching cannot be ensured. It can, however, assist in relieving full-time lecturers during periods of sabbatical or maternity leave, and to relieve the workload of academic staff to enable them to increase their research outputs.

The *research staff* are responsible for producing research outputs, and, more specifically, fostering a positive research culture amongst the academic staff. Academic staff should be motivated through coaching and support to produce research outputs. The research staff will also assist academic staff members to obtain further qualifications, in order to increase seniority in the school. By obtaining their qualifications, capacity for the supervision of postgraduate students is built. Ultimately, research output must be increased, in co-operation with academic staff.

Administrative staff are responsible for supporting the lecturing and research staff by reducing timeous administrative duties.

The operational unit will be managed by *operational staff,* whose main responsibility would be to produce third-stream income. As students will complete their practical training by working in these operational facilities under the supervision of the operational staff, the preparation of industry-ready graduates is as much their responsibility as that of the academic staff. These

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staff members will not have to do formal research, but must, however, keep abreast of the current trends in their area of expertise.

Clear communication lines between the operational staff (Operational Manager, Restaurant Manager and Kitchen Instructors), academic staff (lecturers) and support services staff are required, as they are jointly responsible for delivering the diploma.

Alumni and industry relations staff are responsible for constant communication with alumni and industry. In the event of a suitable candidate requiring industry experience in order to be selected, alumni and industry partners could be contacted to assist with providing a workplace where applicants can complete a period of industry exposure. Funds can also be raised from both these avenues to support students who struggle financially. In addition, sponsorships can be obtained for students' uniforms and knife sets.   Furthermore, alumni and industry partners can be approached to support the hotel school financially by, for example, branding venues in the hotel school.

Figure 7.2 below indicates the proposed academic structure of a hotel school:
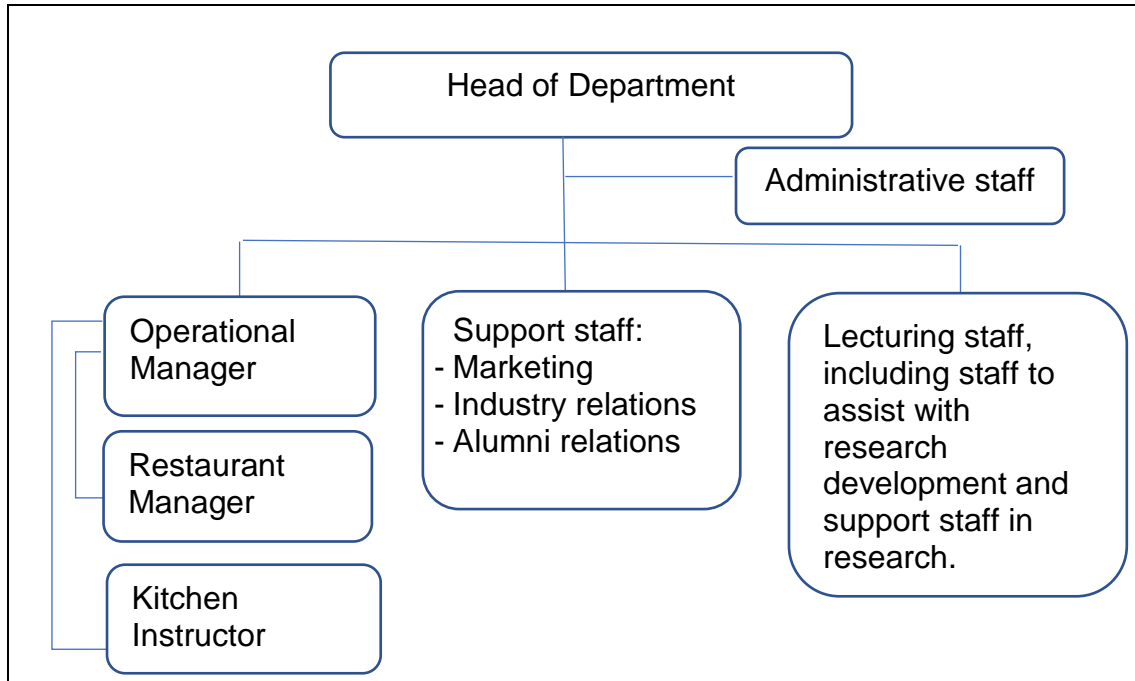
Figure 7.2   Proposed hotel school staff structure

7.3.7 Increase teaching input units (TIUs)

Another core input ingredient is the students who are enrolled for the courses offered at the hotel school (as depicted in Figure 7.1 on page 289). The enrolment figure required to improve or ensure financial sustainability within a hotel school must be determined. This number must then be the enrolment goal. However, the quality of students should not be sacrificed in favour of reaching this target. Apart from considering tuition fee income, the operational facilities of the hotel school, the number of students to be accommodated in practical classes, and the workload of staff, must also be taken into consideration. More than one intake per year should be considered, as it can assist in increasing the number of TIUs. The number of students accommodated in practical classes can be increased by recording demonstration classes, and showing the recordings to larger classes, after which smaller groups of students could get the opportunity to practice skills in the kitchen. This will also assist in reducing the number of times the lecture should be repeated, while more students are accommodated. Proper and creative planning should be applied to ensure that students' activities are scheduled in such a way that adherence to the notational hours of the

subjects are ensured, and that operational facilities are optimally utilised, while not overloading them with work.

7.3.7.1 Selection processes

Rigorous selection processes are required to ensure that the best possible applicants are selected from the pool of candidates. Academic and operational staff are responsible for ensuring that sufficient time is spent on these processes. The selection of candidates should be regarded as one of the main variables of financial sustainability, as the selection of candidates (input) influences throughput, and throughput influences income. The main focus of the selection processes should be to test the "course and industry awareness" of the applicant.

Selection processes should include the following:
-   A pre-requisite Admission Point Score (APS) score;

-   Required previous or current experience in the Hospitality industry. Should the candidate prove to successfully progress through the selection process, and lack only in this aspect, he or she should be advised to obtain industry experience, and return to the Hotel School with evidence to this effect. Should the applicant show potential, industry partners or alumni can be requested to allow the applicant to work with them for a period of time.

-   The completion of a pre-screening test by all applicants, through which an applicant's knowledge of the industry and the course is tested. This can be done by compiling a questionnaire to be completed by the applicants. The test should be compiled in such a manner that it could be completed either in hard copy or online. Based on the results of this test, a decision can be made regarding whether or not to invite the applicant for an interview. Should the applicant be unsuccessful, the questionnaire would provide him/her with the opportunity to do research into what the course

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entails. Should he/she still be interested in enrolling for the course, a second pre-screening test opportunity could be granted.

- Should the applicant have the pre-requisite APS score, and be successful in the pre-screening test, he or she can be invited for an interview. Interviews are to be conducted by both the academic and operational staff of the hotel school. Should the applicant not be able to visit the hotel school for an interview, due to financial or other reasons, other means of conducting the interview should be sought, such as doing a Skype interview. Should the interview prove that the applicant still lacks knowledge of the course or industry, he/ she must be advised to do research into such, and to return for a follow-up interview.

- As part of the selection process, candidates should be required to present their skills by completing a practical component of the course, either in the kitchen, or in the restaurant.

- Applicants' English proficiency and numerical skills must also be tested on the day of the interview.

7.3.7.2 Academic offerings

Offering a diverse mix of academic qualifications will assist in increasing the TIUs, as well as the enrolment of postgraduate students. More than one academic qualification offered on NQF level 6 will address the requirements of a broader spectrum of applicants, and, therefore, increase the TIUs. For example, a Diploma, Master's Degree and Doctorate in Food Service Management, Food and Nutrition, and Food and Beverage Management can, amongst others, be added to the qualifications mix.

An optimal qualification mix, with diplomas, master's degrees and doctorates will also provide increased financial sustainability, as two income streams will be increased. Proper curriculum development, including content focused on

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Information and Communications Technology, Entrepreneurship, and Digital Literacy, is necessary to ensure that quality academic learning programmes are offered. Consulting the alumni network and industry partners on their requirements for these qualifications will greatly assist in improving the quality and relevance thereof.

ECP offered

An ECP may assist in preparing students for the workload of the diploma, and therefore increase the throughput rate. The selection requirements of an ECP can be lower, as the programme itself assists in preparing students for the diploma. Offered as a separate year course from the mainstream diploma, students can be exposed to subjects such as Numeracy, Digital Literacy, and Academic Literacy, as well as practical subjects, such as Culinary Studies, and Food and Beverage Management. Students who successfully complete the ECP can automatically be accepted to the following year of study in the mainstream of the Diploma. This will increase the enrolment figure of the diploma, while increasing throughput, as students should be more prepared to master the content of the diploma.

Online courses

While preserving the quality of education, online courses can be developed by dedicated staff to assist in reducing the contact time. Diplomas can also be offered online, or partially online. Registered students can complete large parts of the subjects online, supplemented by block sessions. Such courses will also attract working students. This approach will increase FTEs, and therefore the number of graduates, without increasing the daily use of the hotel school's facilities and the workload of staff.

Short courses offered

The offering of short courses in addition to formal qualifications will also improve financial sustainability. The following suggestions are made:

- Short courses can be developed to train industry staff. Courses can be developed in collaboration with industry, to ensure that it caters for their

needs. Such short courses may either be credit bearing or non-credit bearing. In case of the latter, the courses may take the form of refresher or upskilling courses. Credit-bearing short courses may be developed in line with the current qualifications offered by the hotel school.

- Consultation work for companies can also assist in increasing income. An analysis can be conducted on companies' needs, and training/research interventions can be developed accordingly.

Expenses related to the development of academic offerings must be managed by co-operating externally, with other hotel schools, as well as internally, with other departments. Co-operation can be achieved by purchasing the curriculum, or parts of it, from other hotel schools, rather than to allocate staff towards this time-consuming task. Internally, the hotel school must seek advice and expertise from other departments to assist in curriculum development. For example, approaching the Information Technology Department to assist with the development of a module in Computer Literacy.

7.3.7.3 Tuition fees

Although tuition fees are one of the main income streams of a hotel school, it impacts the recruitment and retainment of students. Proper benchmarking of tuition fees is required to ensure that hotel schools' tuition fees remain competitive. Costing of subjects, and, more specifically, practical subjects, are required to ensure that the input costs of subjects are included in the subject fees, as this is a major expense.

Knife sets, to be used by students during kitchen classes, must be supplied by the hotel school, and controlled by the operational staff. Sponsorships for knife sets can be obtained from the industry or alumni in order to reduce the input cost for the hotel school.

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The uniform that is bought and worn by Hospitality Management students during all classes, as well as during WIL, remains a compulsory expense for hotel school students. The content of the uniform must, however, be analysed, and it must be ensured that no unnecessary items are included. Sponsorships for specific items can be obtained from alumni or industry partners, in an attempt to control or decrease this expense for the students.

7.3.8 Increase teaching output units (TOUs)

The academic and operational units are co-responsible for producing industry-ready graduates (i.e. output). By providing financial and academic support to students, throughput can be increased, and, subsequently, teaching output can be improved. While the best applicants are selected through a rigorous selection process, it is important to support them during their studies, towards graduation. As the highest dropout occurs in the first year of study, the most support should be provided in this year. Students should be supported in the following ways in order to ensure increased throughput:

7.3.8.1 Academic support

The workload associated with an academic qualification in Hospitality Management is known to be relatively more intense in terms of practical hours than that of other theoretical academic qualifications. It is also deemed as one of the main reasons for student dropout, especially in the first year.

For this reason, the following support must be provided to students, especially first-year students, during the throughput phase:

- Classes must be offered in small groups.

- Sufficient online support must be provided to students.

- BTech students can be appointed as supplementary instructors or tutors to conduct support classes in specifically selected subjects where pass rates are a concern.

- Support must be provided through mentorship programmes, where mentors organise workshops on aspects with which students are struggling, such as reading and writing skills.

7.3.8.2 Financial support

Academically deserving and financially needy students should be supported. This can be done by raising funds from industry and alumni. Funds can, for instance, be raised by inviting alumni and industry partners to brand classrooms or other venues, while students can also be assisted with bursaries and loans.

7.3.9 Increase research output units (ROUs)

Motivating and coaching academic staff towards achieving success in research will result in increased research outputs in the form of postgraduate qualifications completed, articles published in accredited journals, and conference proceedings. For this purpose, a supportive environment in which academic staff can be coached towards success in research, must be established.

Staff who are registered for further studies should be supported in the same manner, but also with a reduction in workload and administrative duties. This will ensure that these staff members obtain further degrees, thus increasing research output. Hence, building seniority in staff, which will improve the capacity for postgraduate supervision, and, subsequently, improve the delivery of postgraduate supervision as well.

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7.3.10 Increase third-stream income

The operational unit is also responsible for maximising third-stream income (output) through the optimal management of its facilities (refer to Figure 7.1 on page 289 for the schematic representation). The generation of third-stream income will be optimised, and financial sustainability improved, by applying the following strategies:

- Operational staff should be responsible for managing the operational unit, and supervising students who are doing practical work in the unit.

- Operational facilities should be optimally used, and operational hours should be maximised, thus allowing for more functions to be accepted.

- Occupancy in these facilities should be enhanced through a thorough hotel school marketing strategy that is focused on marketing the facilities, products and services of the hotel school.

- Restaurants should be open to the public.

- Equipment and consumable expenses should be managed.

Income from short courses will increase third-stream income. This is also dependent on a sound marketing plan, which markets the short courses to alumni, industry employees and the public. Short courses are the responsibility of both the academic and operational units.

7.3.11 Operational facilities, equipment and consumables

The operational facilities of a hotel school, another core input ingredient, are dependent on the hotel school building itself, and/or other facilities allocated to the hotel school by the institution. Facilities must be optimally used for, firstly, the teaching and learning of students, and, secondly, the generation of third-stream income. All facilities must be optimally utilised by staff and

students through proper planning and scheduling of students. Equipment and consumables entering the system must be of the highest value, at the best price.

It is therefore necessary to manage these facilities as optimally as possible, following these measures:

- Ensuring that operational facilities, such as the restaurant(s), are the types that are popular in the area, as well as that they create the correct environment in which students can be trained in preparation for the industry. This can be ensured by conducting a survey amongst the community, to establish their preferences.

- Ensuring maximum occupancy for functions and events in the restaurants. Towards this end, the marketing strategy must be focused on advertising the operational facilities, functions and events at the hotel school. Operational facilities, such as a restaurant, need to be open for at least five days per week, for breakfast, lunch and dinner. Weekend functions must be considered, should it be financially viable.

- Operational staff should manage the operational facilities in such a way that students are, for example, taught on Mondays, while they manage the facilities for the rest of the week under the guidance of the instructors.

- Operational facilities, such as the restaurant, kitchen or function venues, can be leased to other HEIs or internal departments to generate additional income. Clear and concise policies must be in place for these rental agreements.

Expenses should be controlled in an attempt to manage the costs, and improve financial sustainability.

The input expense of equipment and consumables to be used in the training of students, and for the production of third-stream income through functions and events, must be carefully managed. This can be done by taking the following steps:

- Periodic stock takes should be performed.

- Menus for practical classes, for the restaurants, and for functions and events should be standardised and costed, as far as possible. The seasonal availability of the ingredients required for all the recipes must also be controlled, and menus must be adapted according to the availability of the ingredients. These practices will assist in controlling expenses, decreasing wastage, and increasing profit.

- As practical classes are planned ahead of time, stock sheets can be completed and checked, and stock ordered, according to what is required, while considering the stock-on-hand.

- Strict control measures should be in place during the ordering, receiving and issuing of consumables. As a control measure, all three of these steps must be checked by another employee, to ensure that mistakes are minimised, theft is controlled, and, therefore, profit maximised.

- To assist in the control of stock, all delivered consumables must be stored in one central or main storeroom. From here, stock can be issued to the various kitchens.

7.3.12 Alumni and industry partners network

During all the stages of the hotel school system, and for both the academic and operational units, a well-established and maintained alumni and industry partners network has a significant and positive role to play (as can be seen in the schematic representation in Figure 7.1 on page 289). However, the

benefits that such a network can hold can only be secured if dedicated staff are responsible for maintaining and managing such a network. The potential benefits of such a network, are the following:

- Recognising alumni successes will not only be of value to the alumni, but also motivate current students. This can be done by producing videos of alumni ambassadors and their success stories, motivation and biggest achievements. These videos can be shown on social media and the school's website, as well as on television screens in the hotel school. On the one hand, these videos can attract new students, while, on the other hand, they can motivate and inspire current students to complete their course, and through this, an attempt can be made to increase the throughput rate.

- Alumni and industry partners can assist with WIL placements for students and securing job opportunities for graduates.

- Funds to assist students who struggle financially can be raised from alumni and industry partners. An example of a method to raise funding can be an "Adopt-a-student" campaign, where alumni and industry partners "adopt" a student by assisting with his/her financial needs. This will motivate students to continue with their studies, and therefore assist in increasing the throughput rate.

Alumni and industry partners can be approached to motivate students in their studies by providing them with stories of their challenges and successes. Alumni can be invited to speak as guest lecturers in classes, inspire and motivate students on social media, etc. They can also play a major role in curriculum renewal and/or enrichment.

The dedicated staff can build and maintain a strong alumni and industry network through the following:

- The extensive use of social networks to build and maintain an alumni and industry partners' database. The network can further be maintained through constant communication with alumni and industry partners, as well as by involving them in the hotel school's activities.

- Events, at which ambassadors are identified, and successes of alumni showcased, can be organised for alumni. Through this, recognition can be given to alumni on their successes, and students can be motivated to strive towards such goals.

- Communicating the hotel school's activities and achievements to alumni and industry partners can keep them informed of the hotel school's activities.

- Alumni and industry partners can become more involved in the hotel school by being appointed on the hotel school's advisory committee, being invited as guest lecturers, and inviting them to hotel school open days.

- Summer schools or short courses can be developed and offered to alumni in specialised fields, such as digitalisation and financing. This will keep alumni in contact with the hotel school, and increase third-stream income.

7.3.13 Feedback

For a system to be successful, and thus sustainable, feedback from stakeholders, which will be used to effect improvement, where needed, is required. Towards the end of the system, feedback must be solicited from stakeholders, which includes the students, their parents or guardians, industry, alumni, the management of the institution, and WIL partners. The feedback must then be used to update or improve the system, where necessary, in order to improve the quality of the products and, thus, the financial sustainability of the hotel school.

7.4 RESEARCH OBJECTIVES ACHIEVED

The following section provides evidence that the research objectives that were set at the beginning of this study, were achieved.

7.4.1 Primary objective

The main objective of this study was to formulate a sustainable financial management strategy for South African universities' hotel schools.

The strategy towards financial sustainability for South African universities' hotel schools is provided in Section 7.3 as from 287.

7.4.2 Secondary objectives

The following secondary objectives towards fulfilling the main objective were identified:

- Examining the dropout rates at top international hotel schools, and determining how those are managed in order to ensure financial sustainability.

The dropout rates of top international hotel schools were obtained during the first set of interviews held in this research study, and are provided in Section 6.4.4 as from page 200. A discussion on how these dropout rates are managed towards ensuring financial sustainability is also provided in this section.

- Examining the staff-to-student ratios at the top international hotel schools.

The staff-to-student ratios of top international hotel schools were obtained during the interviews held with those schools, and are provided in Section 6.4.5 as from page 204.

- Examining the sources of income of top international hotel schools.

The income sources of top international hotel schools were identified during the first set of interviews held in this research study, and are discussed in Section 6.4.6 as from page 205.

- Examining the qualifications of staff, and the level of research outputs, at top international hotel schools.

A discussion on the qualifications and level of research outputs of academic staff at top international hotel schools is provided in Section 6.4.8 as from page 207.

- Identifying the lessons that can be learnt from top international hotel schools towards improving the financial sustainability of CUT's Hotel School.

A vast number of lessons were learnt from top international hotel schools on the improvement of the financial sustainability of CUT's Hotel School during the first set of interviews held in this research study. These lessons are provided in Section 6.4 as from page 196, and in Section 6.6 as from page 264.

- Examining the financial management model currently used to manage the resources of CUT's Hotel School.

A document analysis provided information on CUT's RAM. A detailed discussion on this is provided in Section 5.4 as from page 164.

- Comparing CUT's Hotel School with other academic departments in terms of financial management.

A comparison between the RAM figures of institutional departments and CUT's Hotel School was obtained through a document analysis, and is provided and discussed in detail in Section 5.4.4 as from page 169.

- Determining how financial sustainability is managed at CUT's Hotel School in terms of the teaching input, throughput and teaching output rates.

This objective was achieved through a document analysis. Evidence of this can be found in Section 5.5.1.1 as from page 176.

- Examining the income sources and major expenses of CUT's Hotel School, and the manner in which those are managed.

Information on the income sources and expenses of CUT's Hotel School, as well as the manner in which those are managed, was obtained through a document analysis, as well as discussions with staff members. The information is provided and discussed in Section 5.5.1 as from page 176, and in Section 5.5.2 as from page 183, respectively.

- Determining whether other South African universities' hotel schools are financially sustainable.

This objective was achieved during the second set of interviews held. The findings are provided in Section 6.5.1 as from page 216.

- Determining which financial management models are currently used to manage the resources of other South African universities' hotel schools.

This data was obtained during the second set of interviews, and is provided in Section 6.5.14 as from page 260.

- Determining how financial sustainability is managed at other South African universities' hotel schools in terms of the teaching input, throughput and teaching output rates.

In fulfilment of this objective, data was obtained during the second set of interviews held in this research study, and is provided in Section 6.5.3 as from page 219, and in Section 6.5.6 as from page 230, respectively.

- Determining the income sources and major expenses of other South African universities' hotel schools, and the manner in which those are managed.

The income sources and major expenses of South African universities' hotel schools were obtained during the second set of interviews. This information is provided in Sections 6.5.9 on page 241, 6.5.10 on page 243, and 6.5.13 on page 259, respectively.

- Identifying the best practices obtained from this study to formulate a strategy to be implemented to improve the financial sustainability of CUT's Hotel School, and that of other South African universities, where applicable.

From the literature review in Chapters 2 and 3; the discussions and explanations in Chapter 5; as well as the empirical findings of this study, as discussed and analysed in Sections 6.4 as from page 196, and 6.5 as from page 215, a strategy towards the financial sustainability of South African universities' hotel schools was developed, and is presented in Section 7.3 as from page 287.

7.5   IMPLICATIONS FOR FUTURE RESEARCH

The researcher recommends the following topics for further research:

- Determining what the Hospitality industry requires in terms of the variety of academic offerings, such as the possible need to offer additional courses in, for instance Food Service Management.
- Determining the number of TIUs that the schools' operational facilities can accommodate.
- Determining the reasons for the relatively high dropout rates of Hospitality Management students, especially in the first year.
- Finding solutions to the relative high dropout rates;
- Developing a strategy towards improving research outputs;
- Determining the predictors of successful Hospitality Management candidates, to improve progression towards graduation.
- Developing a hotel school marketing strategy.
- Determining how to develop and maintain an alumni network.

7.6   LIMITATIONS OF THE STUDY

The researcher experienced the following limitations during this study:

- The interviews at both the international and the South African universities' hotel schools were time consuming. Commitment from the interviewees was required to allow the researcher to conduct the interviews, as well as to remain focused throughout the interview.

- Although letters requesting an interview, as well as the interview schedule, were sent to interviewees prior to the interviews, it became evident during the interviews that the interviewees were not all well prepared in terms of the specific information required. This had a negative effect on the data obtained during the interviews.

- Some of the respondents might not have been in the position of HoD for a long period of time, resulting in little experience in the financial management of the hotel schools in question.

- Answers to interview questions are subjective, as, in many instances, they express an interviewee's own viewpoint, and are thus open to the researcher's own interpretation.

7.7 CHAPTER SUMMARY

The research study is concluded in this chapter. A strategy towards the financial sustainability of South African universities' hotel schools is presented. Thereafter, evidence that all the objectives of the study were achieved is provided. In addition, possible future research topics that originated from this study are recommended. Finally, the limitations the researcher experienced when she conducted this study are identified.

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APPENDIX 1: INTERVIEW REQUEST LETTER TO INTERNATIONAL HOTEL SCHOOLS

■ FACULTY OF MANAGEMENT SCIENCES

27 May 2016

To: Head of Department: Hotel School

Dear Sir/Madam

<u>Request for an interview</u>

I am a doctoral student at the Central University of Technology, Free State (CUT) in South Africa, where I am also the Acting Head of Department (HoD) of CUT Hotel School. The aim of my doctoral studies is to develop a sustainable financial management model for hotel schools at South African universities.

Although CUT's Hotel School is recognised as one of the best hotel schools in South Africa, offering application-driven and career-orientated courses, this Hotel School is struggling to function as a financially viable academic unit in the institution. Various reasons are ascribed to this challenge, of which not all are specific to the Hotel School, but are also related to institutional, national and internationally common challenges. Being mindful of the unique characteristics of the Hotel School in comparison to those of other educational departments at the University, I aim to develop a hotel-school-specific financial management strategy in order to assist not only CUT Hotel School, but also other university hotel schools, to manage their schools in a financially sustainable manner.

I wish to visit your hotel school to conduct an interview with the HoD and any other relevant staff members with insight into the financial management of your school. The interview will be in the form of a case study enquiry, where I will present you with a descriptive case study and historical background of CUT's Hotel School. In this summary, I will also review the operational and financial challenges this Hotel School is experiencing. I will then ask your advice on how to approach these challenges, and which aspects you would regard as vital to include in such a sustainable financial management model. If at all possible, I would greatly appreciate it if I could to have a quick tour around your department, as this will give me insight into your operational management as well.

As you are one of the top ten hotel schools in the world, I would be honoured to visit your hotel school, in order to come and learn from the best.

Regards

Ms Dalene Crowther
Doctoral student in Business Administration and Acting Head of Department: CUT   Hotel School

Prof. AJ Strydom
Dean: Faculty of Management Sciences

Appendix 2: Interview schedule for the international hotel schools

Thank you for allowing me the time to interview you in order to obtain information about your hotel school, and the financial management thereof.

I am from the Central University of Technology, Free State (CUT) in the Free State Province of South Africa. I am currently a doctoral student and the head of the Hotel School, at this institution. CUT is one of seven public universities in South Africa, which has a hotel school or offers qualification in Hospitality Management.

In South Africa, public universities rely on three types of income sources: first-stream, second-stream and third-stream income. First-stream income is government block grants, while second-stream income comprises tuition fees, and third-stream income is derived from other sources, such as contract research, endowments and the commercialisation of intellectual property.

The income of the Hotel School, which is one of six departments within the Faculty of Management Sciences at CUT, therefore relies on the following:
- The number of student enrolments, qualifications awarded, and the research output of the department.
- Our annual student intake, which is capped.
- The number of qualifications awarded, which is influenced by high dropout rates, the high cost of the course, students' level of preparedness and financial constraints of students.
- The tuition fees received from students.
- Third-stream income, such as additional functions, workshops, training offered by Hotel School staff, etc.

As a result of challenges such as the low student throughput rate; high student dropout rate; low research outputs of staff; and the small student intake due to capping, the Hotel School is struggling to cover its expenses, especially its salary expense, with its income.

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Questions:

1. What type of institution (e.g. public, private, etc.) is your hotel school, and does it influence your income?

2. Are you profit driven?

3. Which qualifications do you offer? Duration of study? Throughput rate?

4. How many students do you enrol annually? What is your dropout rate?

5. What is your staff-student ratio (number of students in theory classes, practical classes)?

6. Which factors influence your income – only student tuition fees? What are your income sources?
-   What type of operational facilities do you have?
-   How do you generate additional income?
-   How do you manage your restaurant(s) to increase income?
-   Do you have any other additional projects to generate income?

7. Apart from the cost of the course, do students have additional expenses to cover to be able to enrol for the course, such as for knife sets and uniforms?

8. Are all staff required to contribute towards the school's research output? What are the qualifications of your school's staff?

Appendix 3: Interview request letter to the South African universities' hotel schools

25 May 2017

To: Head of Department: Hotel School

Dear Sir/Madam

Request for an interview

I am a doctoral student at the Central University of Technology, Free State (CUT), as well as the Acting Head of Department (HoD) of the Hotel School. The aim of my doctoral studies is to formulate a sustainable financial management strategy for hotel schools at South African universities.

CUT Hotel School finds it challenging to function as a financially viable academic unit in this institution. Various reasons are ascribed to this challenge, of which not all are specific to the Hotel School, but are also related to institutional, national and internationally common challenges. Being mindful of the unique characteristics of a hotel school in comparison to those of other educational departments at a university, and the challenging South African higher education landscape, it is assumed that other SA universities' Hotel Schools are also struggling to maintain financial sustainability. Therefore, I aim to develop a hotel-school-specific financial management strategy in order to assist not only CUT Hotel School, but also other universities' hotel schools, to manage their schools in a financially sustainable manner, should the need be.

During 2016, I visited four of the top ten best hotel schools in the world, situated in Switzerland and the Netherlands, as part of this study. I gained valuable insight into the financial management of these successful and financially sustainable hotel schools. The data obtained will form part of the strategy to be formulated.

For the second phase of this study, and in order to complete my doctoral study, interviews should be conducted with the HoDs of South African universities' hotel schools, and/or any other relevant staff members with insight into the financial management of the school. After all these hotel schools were visited, a data comparison will be completed; the insight gained during the international interviews will be taken into consideration; and a strategy towards financial sustainable management will be formulated.

Please indicate your availability for such an interview, as well as the availability of potential other colleagues who could participate in the research. Final dates will be confirmed according to your availability.

Regards

Ms Dalene Crowther
Doctoral student in Business Administration and Acting Head of Department: Hotel School

Prof. AJ Strydom
Study Leader and Dean of the Faculty of Management Sciences

Appendix 4: Interview Schedule for the South African universities hotel schools

Questions:

1.   Would you classify your hotel school as a financially sustainable department within your institution?

If yes, why?

If not, how will you manage it towards ensuring financial sustainability in the future?

2.   Which qualifications do you offer?

3.1   How many first-year students do you enrol on an annual basis?

3.2   Do you only have one intake per year?

3.3   Is it possible to increase your intake, or do you have quotas and/or other practical restrictions?

3.3.1   Should you be able to increase your intake, will your lecturing and operational facilities be sufficient?

3.3.2   What will the effect of an increased intake be on your hotel school's financial sustainability, venues, quality assurance, etc.?

4.1   Do you have a formal marketing plan for the hotel school?

4.2   What does it entail?

4.3   How do you ensure that you register the best candidates from the potential pool of applicants?

4.4   Which strategies do you have in place to improve the marketing of your hotel school?

5.1   What does your hotel school's selection process entail?

5.2   Are you planning on improving or changing the selection process?

5.2.1   If yes, which strategies would you implement?

6.1   What is your hotel school's average dropout rate from the first to the second and third year for the past three years?

6.2   Which factors would you ascribe to the (relatively high) dropout rate?

6.3   What strategies do you have in place to decrease the dropout rate?

6.4   If you have implemented any of these strategies already, how successful were they in decreasing the dropout rate?

6.5   What is your hotel school's throughput rate from year one to year three for the past three years?

7.1   Does your hotel school have an extended curriculum programme (ECP)?

7.1.1   If yes, what would you say are the benefits of this programme for your hotel school?

7.1.2   If no, do you have plans on developing such a programme, and why?

8.1   Please explain the seniority levels of your staff (senior lecturer, lecturer, instructor and junior lecturer; academic and operational).

8.2   Are all academic staff required to do research?

8.2.1   If no, why not?

8.3   Are your academic staff operating at the maximum output levels in terms of research?

8.3.1   If no, how do you intend to motivate and empower them to focus in that direction?

9.1   Do you make use of part-time lecturing staff?

9.1.1   If yes, why is it necessary?

9.2   Is the use of part-time lecturers an effective way to save costs without compromising quality?

9.3   What are your future strategies in terms of the use of part-time

lecturers?

10.1   How has the *Fees-Must-Fall* campaign influenced your tuition fee income?

11.1   Have you benchmarked your hotel school's tuition fees with other similar institutions?

11.1.1 If yes, how does it compare to other universities' hotel schools?

11.2   What is the extent of bad debt in your institution?

11.2.1 Which strategies do you have in place to improve/decrease the level of bad debt?

11.3   Apart from the tuition fees, do you charge students additionally for items such as uniforms, knife sets, etc.?

12.1   Which strategies do you have in place to generate additional income for the hotel school?

12.2   Do you offer additional short courses?

12.2.1 If yes, which strategies do you have in place to ensure sufficient enrolment figures?

12.2.2 If no, why not?

12.3   Which operational facilities does your hotel school have to support the generation of additional/third-stream income?

12.3.1 What are the operational hours of your hotel school's operational facilities?

12.3.2 Do you host events over weekends or holidays?

12.4   Who manages these facilities?

12.5.1 Do students work in these facilities as part of their practical training?

12.5.2 Are students remunerated for their work, or does the practical training hours form part of subjects/modules' notional hours?

12.6   What measures do you have in place to manage operational expenses?

12.7   Are there factors that influence the optimisation of your hotel school's additional/third-stream income?

12.8   How do you envisage future increase in third-stream income? Please be as detailed as possible.

13.   What is your hotel school's staff-student ratio for:

13.1   theory classes?

13.2   practical classes (kitchen, restaurant)?

13.3   Is it possible to increase the staff-student ratio to save costs? Please explain your answer.

14.   CUT makes use of a RAM, a process through which resources earned by the University are distributed to budget holders for usage, thereby empowering those budget holders.

14.1   Which resource distribution model does your institution use?

14.2   According to the model used, how does your hotel school's financial allocation/budget compare to that of other departments?

15.1   Do you have an alumni network?

15.1.1 If yes, how are you utilising this network to the benefit of the hotel school?

15.1.2 What role does the alumni network play/which benefits do this network have for your hotel school?

15.2   Which strategies have you implemented, or will you implement, to enhance your alumni network?