

# How to...?

Tips and tools for South African tourism companies on local procurement, products and partnerships.

## Executive summary

September 2005

### Investing in local linkages - a win-win

Building local business linkages is a way to demonstrate your commitment to the local economy, and at the same time develop your business. Companies that develop local products, procurement, and partnerships can benefit in many ways. They win local recognition, social licence to operate, enhanced staff morale, greater customer satisfaction, stronger branding and points on the Tourism Scorecard.



Sangoma Safaris in Maputaland



Fresh local vegetables at Umngazi River Bungalows

There are myriad ways tourism businesses can create mutually beneficial linkages with local communities or entrepreneurs. The common principle is to go beyond making donations, and invest in doing business differently for mutual benefit.

Doing business differently means adjusting your operating practice so that commercial goals are achieved, but at the same time more local impact is delivered. For example, guests are served tomatoes, but local farmers earn the income; a new lodge is built, but co-investors are communities; the product offering is expanded to include traditional refreshments and cultural events, and local entrepreneurs gain custom and marketability. The company and the local economy thrive together.

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# Different types of local linkages

## Procurement from local enterprise

Procurement is often a missed opportunity to stimulate the local economy, as most tourism companies tend to deal with large, possibly distant, well-established suppliers. Procuring goods and services, instead, from businesses that are small, black and local can transform the local economy.

Many potential local suppliers are 'survivalist' – operating under such constraints that the entrepreneurs do not earn a decent living from them. But if they can secure new contracts, upgrade production, and invest in expansion, the businesses can thrive, which in turns creates further local linkages and growth. The potential for job creation is considerable.

While changing procurement practices is neither quick nor easy, in the right circumstances it can be



an effective way to gain local social licence, diversify the product, increase customer satisfaction, decrease operating costs, and/or perform better on the Tourism Black Economic Empowerment Scorecard.

*A new local laundry business servicing Spier Hotel*

## Local staffing and wages

As a rule, the greatest cash flow into a local community from a tourism business is in the form of wages of local staff, but the sector is known for paying low wages. In many operations, the biggest single increase in community cash flow could be achieved by ensuring all employees receive a living wage.

Other ways of extending employment benefits to local communities include reviewing recruitment practices to increase opportunities for local applicants, and investing more heavily in appropriate training of semi-skilled local staff.

## Local cultural and heritage products

Cultural and heritage products make a southern African trip unique and memorable for tourists. They provide the word-of-mouth stories that bring return guests, and they can draw an ever-widening range of South Africa's population into the tourism industry. They are also a key way for companies to diversify their product and stimulate the local economy.

There is a vast amount that established tourism businesses can do to help local cultural products and businesses thrive, such as developing an archaeological excursion for guests in partnership with local residents, supporting a local dance festival, providing business and marketing advice to a music business, training local guides as specialists in local history and environment, or integrating local crafts into hotel furnishings.

A tourism destination that thrives on local cultural products will open up many opportunities for local people. Of course disadvantaged South Africans must not be pigeon-holed into one corner of the tourism industry but, if the cultural and heritage products are not developed to full potential, myriad entrepreneurial opportunities will be closed off to those who could most benefit from them.

## Building local partnerships

Partnerships at the local level are about tourism companies delivering economic and social benefits faster, to a higher quality, to a broader number of people or more sustainably, than could be achieved by acting alone or through conventional contractual or consultative relationships. Innovative partnerships between tourism business and local communities can link the 'first' and 'second' economies to the benefit of both.

In a partnership or joint venture both parties usually hold equity, but there is a range of options that may include elements of business partnership, along with other operational agreements.

A defining feature of partnerships is that both partners share risks and benefits. In this way it is different to conventional stakeholder consultation or local charity.

# Ten top reasons to invest in building local linkages

The core reason is to boost the local economy, while also bringing numerous and varied long term benefits to your business.

## 1. Improved customer satisfaction

Customer satisfaction emerges as the top-ranked business benefit identified by owners/managers of tourism operations that are strongly committed to local linkages.

Customers ask about company practice and like to learn about how rural women with little schooling became chefs and administrators at Jan Harmsgat Country House, about how the community campsite was set up at Mbotyi River Lodge, how Wilderness Safaris co-owns lodges with the local communities, and what FTTSA accreditation means at Shiluvuri Lakeside Lodge, Spier, Stormsriver Adventure and others. Customers enjoy the fruits of partnerships – quite literally watching the local vegetable sellers bring their donkey carts to the back door at Umngazi River Bungalows.

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## 2. Enhancement of brand and USP

Competitive advantage is gained from a more distinctive product. Companies that invest locally stand out from others.

For Stormsriver Adventures, the emphasis on local job creation is a core part of the brand, of customer satisfaction, marketing, and of close relations with the community.

## 3. Greater local support and social licence to operate

Local residents will be the first to see how a business contributes to the economy. This in turns reduces local risk and crime, opens new opportunities for local product development, and translates into constructive relations with local municipalities.

At Mbotyi River Lodge, substantial support from the wider community is seen in the fact that there has been a 'huge change' in crime levels. In the past, even a sock on the washing line was liable to be stolen. Since a community partnership was established, there has been no burglary at the campsite for 2 years, and the lodge had 14 months solid without any theft.

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## 4. Staff morale and improved service

When local staff see the company delivering for their community, it increases staff morale, resulting in improved customer service and guest satisfaction.

At Umngazi River Bungalows, which sources all its fruit and vegetables locally, and contracts services from over 80 local suppliers, good staff morale drives high quality service. This results in high customer satisfaction and, consequently, high occupancy rates (averaging over 95% in 2004, with over 80% of guests being returning visitors).

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## 5. Diversification of product

Local linkages can increase the range of available guest activities, for example, visits to local artists, community tours, and trips with local guides. These all add to the tourist experience. Quality local products - soaps, cards, decor - can add flair and distinction.

At Shiluvuri Lakeside Lodge, where guests are encouraged to visit local artists at work, and local culture is profiled, occupancy has increased 25% in the last three years. Shiluvuri management believes their approach has led to improved staff morale and enhanced visitor experience. Their subsequent Fair Trade in Tourism certification results in increased recognition from local stakeholders and the wider industry.

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## 6. Industry awards and recognition.

Awards bring coverage and added credibility.



Damaraland Camp, a partnership between Wilderness Safaris and the Torra Conservancy in northwest Namibia, won a 2005 WTTC (World Tourism and Travel Council) Tourism for Tomorrow Award. Wilderness' Rocktail Bay Lodge won an award for best community practice at the WSSD (World Summit on Sustainable Development) in 2002. Jan Harmsgat Country House and Old Gaol Coffee Shop, their partner, jointly won the Western Cape Award for Entrepreneur of the Year in 2003, which led to a substantial rise in new bookings. Mbotyi River Lodge has its Imvelo Award sitting in the bar, where it is a frequent topic of conversation.

*An award-winning partnership at Old Gaol Coffee Shop*

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## 7. Word-of-mouth marketing and media coverage

Contact with local people provides the stories people tell – to friends or readers.

Spier estimates that their Fair Trade in Tourism certification has led to over 52 mentions in print between October 2003 and end 2004. The value of this coverage for 2004 was over ZAR300,000.

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## 8. Preferential recognition and increased scores on the Tourism BEE Scorecard

Preferential recognition from government and increased scores on the Tourism BEE Scorecard can result in greater success in acquiring concessions or licences, and in securing business from local or national government for conferences and corporate accommodation.

The new Tourism BEE Scorecard recognises activities that support local enterprise (enterprise development), support community initiatives (social development) or increase affirmative procurement.

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## 9. Access to responsible financing

Institutional lenders, such as International Finance Corporation, Development Bank of Southern Africa and, increasingly, some commercial lenders and individual investors, focus on responsible business practice in their deals.

Both Wilderness Safaris and Spier are clients of IFC (International Finance Corporation), which emphasises responsible business behaviour in its deals.

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## 10. Improved corporate governance and organisational development

Working out how to boost local linkages has knock-on effects that improve other aspects of the business – such as how procurement works, how staff participate in processes, or how new products can be brought on stream.

*"Going through the [FTT] accreditation process was very useful. It made us focus on new issues and debate them." (Paul Miedema, Calabash Tours, and winner of International Responsible Tourism awards)*

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# What this brief provides

This brief outlines ways in which tourism companies can increase their contribution to the local economy and, at the same time, enhance their businesses. It is a summary of four "How To...?" briefs. These provide more detailed information, not only on what companies can do, and why, but how they can do it.

Although many tourism companies make substantial charitable donations to local causes from their pre-tax profit, these are entirely separate from day to day business and are not self-sustaining. On the other hand, the local linkages outlined here harness the core competencies of businesses to create and maintain sustainable relationships with local communities.

Perhaps your company has a policy statement relating to local benefit from their enterprise, but has not yet prioritised what mechanism to use. Perhaps priorities have been set, but implementation is proving to be a challenge. Many industry leaders realise the need to deliver more, but need help to realise their goals – to figure out what works and what doesn't. The "How To...?" series can help.

## The four briefs in the series are:

1. **Boosting procurement from local businesses**
2. **Stimulating local cultural and heritage products**
3. **Building local partnerships**
4. **Setting corporate priorities and managing internal change.**

Copies are available, free of charge, from Business Linkages in Tourism. Contact Adrienne Harris, [bizlink@tbcsa.org.za](mailto:bizlink@tbcsa.org.za).



Growing lettuces for Sun City



SMMEs: small, medium and micro enterprises

## Three core principles for companies investing in linkages

- Innovate. Be prepared to think, and do business, differently
- Protect the core business. Find linkages that make long-term business sense
- Work inside and out. Support local entrepreneurs, but carefully manage internal change in the way business is done.



# A dozen tips for CEOs

1. **Put local linkages on the corporate agenda and make them a priority.** Just starting a discussion gets people thinking – and changing. Once linkages are a priority, then resources, opportunities, and finding ways around problems will follow. Think beyond donations to how business practice can be changed and leveraged for local gain.
2. **Match local linkages to corporate drivers of change.** Appraise the drivers of your business, and work out where local business linkages can – with some lateral thinking – meet your long term needs. Turn current challenges into opportunities and energy for change. If essential services are getting pricey, don't just renegotiate; consider how to restructure and re-tender them to empower local people.
3. **Combine innovation with protection of the core business.** While innovation carries risks, don't undermine the business core. Keep new products as an optional add-on until quality is assured. Set clear terms for suppliers, excursions or equity partners.
4. **Plan a process of internal change, and resource a champion.** Work out how the company will implement new approaches, but allow for flexibility in the face of new opportunities and staff participation. A champion needs to drive the process – liaising with local partners, and working it through with staff. The champion needs time, resources, and management authority to work across departments.
5. **Ensure business linkages are incorporated into daily operational practice.** New linkages may be catalysed by a champion or facilitator, but they must then become part of the routine and daily operation of all affected staff members.
6. **Don't underestimate your offer.** Recognise how much value can be gained from relatively little input from you and your staff. Your 'business DNA' and expertise can make a massive difference to local entrepreneurs. And remember the Tourism Scorecard recognises time input, not just cash input, to enterprise development.
7. **Be practical and patient.** Invest for the long-term, ensuring all staff members understand the projected gains but, at the same time, get going. Learn by doing, build trust by doing, and when the first problems arise, knock them on the head to show it can work!
8. **Be ready to adapt.** Although you may need to change your working style to build trust and effective collaboration with communities, stick to key business principles. Don't compromise on core values, such as legal issues and financial responsibility.
9. **Work with others.** Working with competitors can be hard, but it is often the best way to create economies of scale for local businesses, and thus sustained change. Help local partners draw on government, business development agencies, and non-governmental support.
10. **Be prepared.** Be prepared to invest time and commitment into implementing local linkages. And be prepared to be pleasantly surprised at the momentum that is gained, and rewards you can reap.
11. **Communicate, communicate, communicate.** Lack of information breeds suspicion. Communicate internally within the company, and externally with local partners. Dialogue generates the best new ideas.
12. **Use the "How To...?" series.** Take advantage of the experiences of others and give your staff the opportunity to learn from the successes and challenges of pioneers in the field of local linkages. Equip your staff with some practical tools and guidance on how to implement the company's goals. Give the procurement guide to your purchasing officer, F&B manager, and GM. Give the cultural and heritage products guide to your GM, guest relations officer and concierge. Give the local partnerships guide to your GM, your planning team, and your CSI manager. Finally, look through the corporate change guide, and then hand it on to the champion you appoint!



Canopy tour with highly-trained local guides, Stormsriver Adventures