Andrew Rylance / Anna Spenceley

Applying inclusive business approaches to nature-based tourism in Namibia and South Africa

Abstract

Inclusive business is described as private sector-led business initiatives that aim to profitably engage low-income populations across productive value chains. This paper aims to quantify the impact of businesses implementing inclusive business strategies to determine the value to local communities as well as the tourism business. The research reviews the direct impact of the business on communities, determines the value proposition to the businesses as well as comparing the partnership structures between the operators and communities. Practical examples from Namibia and South Africa are provided of how different strategies may, or may not, generate a tangible impact for both parties. The research contributes to the limited literature about inclusive business models in the tourism sector.

Key words: responsible tourism; partnerships; inclusive business; corporate social responsibility; Southern Africa

Introduction

The concept of inclusive business has emerged recently from efforts related to Corporate Social Responsibility. Corporate social responsibility (CSR) generally refers to companies that go beyond what the law requires to achieve social and environmental objectives during the course of their business operations, but on a voluntary basis. The term CSR, first introduced at the 1971 World Economic Forum, proposed that companies have a responsibility beyond their immediate stakeholders and should also consider their impacts on and contributions to society and the environment. However, it is widely understood that delivering social responsibility through isolated philanthropic activities is unsustainable but companies can generate a greater impact by adapting their core business models (Ashley, 2009a). As a result, CSR has evolved as the information of its impacts has improved. Related to this, Prahalad and Hart (2002) argued that providing basic services to the needs of the poor could become commercially rewarding. This would require business models to be adapted to become more inclusive of the poor. They coined the term 'bottom of the pyramid' referring to the untapped potential of a new group of consumers, the poorest people – those 65% of the population living on less than USD 2,000 each year, which equated to four billion people (Prahalad & Hart, 2002). Companies targeting producers and consumers at the bottom of the pyramid should understand their ethical and social responsibilities so as not to exploit or manipulate poorly educated customers (Davidson, 2009).

The journey of CSR towards inclusive business has been relatively fluid and has evolved through various terms such as 'corporate citizenship', 'creative capitalism' and 'triple bottom line'. However, one

Andrew Rylance, School of Tourism & Hospitality, University of Johannesburg, South Africa;
E-mail: andrewrylance@gmail.com

Anna Spenceley, PhD, School of Tourism & Hospitality, University of Johannesburg, South Africa;
E-mail: annaspenceley@gmail.com

of the criticisms of CSR is that it is not grounded in corporate strategy (Porter & Kramer, 2006) but is considered a more peripheral activity. Porter and Kramer (2006) argued that businesses could generate 'shared value' through investing in areas that benefit both the company and society, generating a win-win situation. It was anticipated that once companies recognised the business case for conducting social responsibility activities profitably it would increase the access to products and services by people at the bottom of the pyramid. More recently, debates have progressed from proposing shared value to inclusive business (IB), with the aim of developing tools and strategies for how businesses can achieve mutual benefits for both company shareholders and the wider society. IB is described as private sector-led business initiatives that aim to profitably engage low-income populations across productive value chains. IB aims to overcome poverty by incorporating low-income communities into a company's value chain. Therefore it differs from CSR initiatives, in that they engage the core business of the company with a view to supporting or growing the business in a commercially viable manner.

The growing interest in inclusive business models reflects a widespread recognition that the most effective way for business to contribute to the Millennium Development Goals (MDGs) is by leveraging its core business assets and capabilities to deliver sustainable and transformative change in developing countries. The New York Dialogue in 2010 suggested that there was considerable potential to achieve the MDGs by spreading inclusive business practices, and using the potential of business more creatively (Business Fights Poverty, 2010). The United National Development Programme suggest that inclusive business models include the poor on the demand side as clients and customers, and on the supply side as employees, producers and business owners at various points in the value chain (UNDP, 2008). They build bridges between business and the poor for mutual benefit. The benefits from inclusive business models go beyond immediate profits and higher incomes. For business, they include driving innovations, building markets and strengthening supply chains. For the poor, they include higher productivity, sustainable earnings and greater empowerment (UNDP, 2008). The principles of inclusive business are gaining momentum among international development agencies, including the Asian Development Bank and the International Finance Corporation (Noakes, 2015; Jenkins, Ishikawa, Geaneotes & Paul, 2010).

The Business Innovation Facility (BIF), funded by the British Government, is one such initiative that has aimed to promote inclusive business models by forming partnerships with private companies in developing countries. A review of their partnerships identified that 67.5% of their longer-term projects have identified increased profitability as one of their main commercial drivers for private companies to adapt their business models to become more inclusive. Other important drivers of successful projects include accessing new markets and gaining a competitive advantage other their rivals (Ashley, Schramm & Scarampi, 2013). However, they also noted that the development partner and private company need not have identical interests, but they should be sufficiently overlapping (Ashley, Harrison & Schramm, 2014a). The BIF identified that their services had the greatest impact in addressing the risk of projects, developing risk mitigation strategies and providing the technical expertise to increase the business's risk appetite (Ashley, Harrison & Schramm, 2014b). The BIF estimates that it takes a decade to embed new inclusive business models into companies but acknowledges that most BIF-supported businesses have not reached this point to date (Ashley et al., 2014b). Programmes are neither linear (Morgan & Neil, 2012) nor smooth (Ashley et al., 2014b). One key conclusion from the BIF projects is that, "[a]s companies alter and improve the business model in response to reality they often navigate the business in a new direction entirely. Such 'zigzags' are a strategic response and should be expected by those working in this field" (Ashley et al., 2014b:4). Therefore, for a company to adapt its business model to be more inclusive is not straightforward, requires a different lens to view opportunities, and support to push through the challenging periods. It is significant to note that none of the BIF projects related to tourism.

IB aims to encourage businesses to retain their commercial principles to investment decisions, but also incorporate their potential value to society into their decision-making process. It requires innovation and in periods of financial recession companies that are able to identify new opportunities, markets, supply chains and customers improve their resilience and increase their competitive advantage (Ashley, 2009b). IB initiatives can be undertaken through three strategies: a private initiative by the company; a project-based alliance with a development partner, such as a donor organization or non-governmental organization; or through a formal network to avoid free rider issues from public goods such as research or shared infrastructure (Gradl & Jenkins, 2011). However, the impacts of IB are not always clear. Whilst it is possible to track the causal effects of inclusive approaches, robustly and impartially determining their impacts remains problematic (Wach, 2012).

Although literature on shared value and IB increases, specific information related to tourism remains limited. Of 106 projects implemented by the BIF, none were tourism specific (Ashley et al., 2013). Furthermore, a 2012 assessment of 132 IB initiatives globally, using literature from the Growing Inclusive Markets portal (growinginclusivemarkets.org) identified only three in tourism, none of which were in Sub-Saharan Africa (Golja & Pozega, 2012) demonstrating the need for more research on applied IB approaches in tourism.

Inclusive business in tourism

Although the principles of using tourism to reduce poverty, through 'sustainable', 'responsible, 'pro-poor' approaches and by strengthening 'value-chain linkages' are well established (see Spenceley & Meyer, 2012) the application of IB to tourism is relatively new. Sustainable tourism is the most dominant of these fields, and is defined as "tourism that takes full account of its current and future economic, social and environmental impacts, addressing the needs of visitors, the industry, the environment and host communities" (UNEP & UNWTO, 2005). Sustainable tourism stresses that there should be "stable employment and income-earning opportunities and social services to host communities, and contributing to poverty alleviation" (UNEP & UNWTO, 2005). Focusing further on socio-economic impacts, Bennett, Roe and Ashley (1999) stress that the tourism sector has a promising potential to contribute to poverty reduction in developing countries, for the reasons including: (1) inter-sectoral linkages can be created, especially with agriculture, artisan production, and additional services, which are essential for livelihood diver-sification; (2) tourism takes place in marginal areas; areas where the majority of the poor live; and (3) tourism has rather limited barriers to entry when compared to manufacturing or other export activities. Pro-poor tourism' (PPT) considers tourism that generates net benefits for the poor, and aims to ensure that tourism growth contributes to poverty reduction (Ashley, Roe & Goodwin, 2001). PPT is not a specific tourism product, or sector of the industry, but an approach to developing and implementing tourism activities. PPT strategies aim to facilitate opportunities and break down barriers for the poor to gain in terms of revenue, livelihood or participation in decision-making (Ashley et al., 2001). A series of PPT research studies were undertaken that quantified impact of tourism on poverty in a series of destinations (e.g. Ashley et al., 2001; Poultney & Spenceley, 2001).

In the tourism sector, IB provides a conceptual framework for tourism development that fosters links and interaction between the different actors in the tourism industry, forms partnerships with private actors, stimulates the local economy, and promotes the integration of women and active involvement of local communities. IB in tourism is defined as including people living in poverty as customers, employees and entrepreneurs at various points along the value chain for mutual benefit (Tewes-Gradl, van Gaalen & Pirzer, 2014). IB in tourism advocates a business-orientated approach, which aims to support sustainable development and poverty reduction through business partnerships. It identifies opportunities for tourism businesses to engage with neighbouring communities under business principles, where both parties benefit. Inclusive tourism aims to demonstrate how this closer interaction with communities can be both profitable in the short term to tourism businesses but also strengthen their long-term sustainability. Tewes-Gradl et al. (2014) have developed one of the few conceptual models for IB in tourism, and one which has yet to be fully tested. In particular, Tewes-Gradl et al. (2014) focus on seven fields of inclusion for local communities and the poor: maintenance and services, activities, craft, food and beverage, transportation, conservation and construction. They explore five dimensions of inclusiveness (i.e. remuneration, risk, voice, opportunity, and ownership) and how these differ between inclusive and non-inclusive businesses (Table 1).

Table 1
Dimensions of inclusiveness

Dimension	In non-inclusive business, low-income people….	In inclusive business	
		Low-income people as employees…	Low-income people as entrepreneurs…
Remune-ration	• Are underpaid and exploited	• Earn a decent income	• Receive fair payment for goods and services
Risk	• Fear accidents • Fear abuse by colleagues or customers • Have no secure income	• Work in a safe place • Receive a reliable salary • Benefit from social protection, as do their families	• Have access to insurance • Can manage liability risks • Have access to health care
Voice	• Lack ways to address grievances, offer their perspectives or shape their own futures	• Can express their concerns • Can organise to increase their bargaining-power • Are involved in decisions that affect their lives	• Can form associations • Engage in social dialogue with companies to address needs and perspectives
Opportunity	• Lack access to resources for their professional development • Are unable to realise their potential	• Have access to further training, education and support for personal development • Are respected by their communities for their job • Are treated equally, no matter what their gender	• Have access to further training • Have access to potential customers and market information • Have access to start-up capital
Ownership	• Lack formal ownership of as-sets, or this ownership is not respected by other parties	• Participate in the profits of the business (eg. Via a bonus system)	• Hold ownership of assets and can reap the benefits (eg. via land lease agreements)

Source: Tewes-Gradl et al. (2014).

Often direct comparisons are drawn between inclusive business and pro-poor tourism, albeit differences exist in emphasis. For example, inclusive business is effectively one facet of sustainable tourism that focuses on economic elements of the triple bottom line. Also, although sustainable tourism and pro-poor tourism include elements of IB, both do not explicitly address IB's characteristics of win-win commercial relationship between the private sector and low-income communities. They incorporate the importance of providing fair and equitable opportunities for communities and the poor, but do not emphasise a mutually beneficial link between business and entrepreneur (Spenceley, Hunter, Maunze, Sibanda, van Niekerk & Falco, 2011). Furthermore, pro-poor tourism takes a developmental approach by placing poverty reduction at the centre (Ashley & Roe, 2002). It does not necessarily focus on whether such pro-poor interventions by the tourism business make business sense. Spenceley and Meyer (2012), provide an overview of how influential development organisations have made considerable investments in programmes that address poverty reduction through tourism, and that a variety of approaches have been experimented with – including IB in tourism.

IB in tourism has been explored by the Netherlands Development Organisation SNV in Mozambique and Zimbabwe (Spenceley et al., 2011; Spenceley & Hunter, 2011). In a series of four case studies that addressed a series of inclusive tourism options, SNV identified a series of success factors. These included having a clear vision and adaptable models; willing and honest partnerships; having the 'right' investors that understand inclusive business; as well as understanding and awareness of stakeholders of inclusive business issues, benefits and processes (Spenceley & Hunter, 2011). The studies highlighted that business models that promoted IB included joint-venture operations; commercial linkages between tourism operations and local entrepreneurs; and preferential employment of local people. However, the research also stressed that simple models promoting preferential procurement and employment of local people are easier to replicate at scale than joint-venture business models, due to the transaction costs involved (Spenceley & Hunter, 2011).

Saarinen and Rogerson (2013) support the idea that IB models provide a promising avenue for strengthening local poverty-reducing linkages. Although much research in this field has stressed the importance of agriculture-tourism linkages (e.g. Rogerson, 2012; Torres & Momsen, 2011), there are numerous challenges faced by the poor in successfully supplying the tourism sector. These include quality, consistency, packaging, transportation of goods, health and hygiene standards (Rylance & Spenceley, in press). Therefore considering a diversity of products and services that can easily be provided by the poor at market-related standards is extremely important, as this paper will demonstrate. Indeed, Ashley et al. (2007), acknowledge that tourism companies can build upon models of IB, including through increasing the quantity and quality of local procurement.

This paper provides a contribution to the body of knowledge on IB in the nature-based tourism sector, by presenting the results of two case studies from Namibia and South Africa (Rylance & Spenceley, 2014a, b), and by using them to test the IB in tourism typology of Tewes-Gradl et al. (2014). The research contributes to the limited IB in tourism research conducted within Sub-Saharan Africa identified by other researchers (Ashley et al., 2013; Golja & Pozega, 2012) and provides wider implications applicable to the tourism sector globally.

Method

Based on Tewes-Gradl et al.'s (2014) definition of IB in tourism, a number of areas of inclusion were identified where low-income people could be included along the tourism value chain. The areas of inclusion identified for assessment were (1) maintenance and services, (2) activities, (3) crafts, (4) food and beverages, (5) transportation, (6) natural conservation and (7) construction. These products and services were identified as opportunities for low-income people to offer the tourism industry as either employees of a tourism business or as external businesses or entrepreneurs (Tewes-Gradl et al., 2014).

Categorisation of the types of business and developmental benefits provided in the seven areas of inclusion was undertaken, using Tewes-Gradl et al. (2014)'s typology of business and development priorities for IB tourism enterprises (see Table 2).

Table 2
Categorisation of types of business and development benefits

Type of benefit	Description
Developmental benefit	
Job creation	Employment of local people within the tourism value chain
Enterprise development	Development of local businesses that offer products and services either directly to tourists or indirectly to tourism establishments
Skills and careers	Training and opportunities that support the career development of local people
Conservation	Providing incentives for local people to conserve and promote natural, cultural and historical resources
Structural improvements	Interventions that are mutually beneficial to tourists, local businesses as well as the wider community
Business benefit	
Product quality	Utilising local skills and resources to strengthen the tourism product offered (ie. hiring local staff so staff can enjoy authentic exchanges)
Innovation	Offering local products which are different and provide tourists with new experiences
Reputation management	Enhancing reputations and strengthening relationships with stakeholders
Risk mitigation	Including local communities in value chains reduces risk of tension from exclusion
Cost reduction	Reducing the costs associated with relocating and housing non-local staff by hiring local people

Source: Tewes-Gradl et al. (2014).

Two nature-based tourism businesses in Southern Africa were selected for study, mainly because of the strength of existing data regarding their past developmental impact: Damaraland Camp in Namibia (UNDP 2012; Snyman 2012; Spenceley, 2010) and Phinda Private Game Reserve in South Africa. They offer a similar type of safari tourism provided enabling a comparative analysis but operating in differing proximities to and densities of local communities. Following the above structure, semi-structured interviews were conducted with staff of each business responsible for camp management and procurement. Questions aimed to quantify both the developmental impact of their operations on their neighbouring communities as well to understand the impact of inclusive approaches on their business. A brief overview of each business follows:

Damaraland Camp is located in the Kunene region of Namibia and was Wilderness Safaris' first formal camp in Namibia. The governing agreement was signed in 1996 between the company and the Torra Conservancy, a community-registered trust. The Torra Conservancy covers 3,522 km^2 within a sparsely populated area with only 1,200 residents. With the construction of the Damaraland eco-lodge in 1996, Wilderness Safaris created the first formal joint-venture agreement between a community and a private tourism company in Namibia. The joint-venture was formed as a contractual partnership between the Torra Conservancy and the private investor, with the aim of working together to establish and operate a single tourism enterprise. Wilderness funded the total cost of lodge construction, but ownership was transferred afterwards to the community at the rate of 20% a year, beginning in the tenth year of the partnership. Once the community owned 100% of the camp and its assets, it sold 60% of the total back to Wilderness Safaris. The community retained the remaining 40% equity stake. The lodge was subsequently upgraded, with the process funded by both Wilderness Safaris and the Torra Conservancy. The Conservancy's funds were raised through the sale of the 60% equity share to Wilderness Safaris. In addition, 10% of net accommodation fees from each guest's stay are allocated directly to the community (Rylance & Spenceley, 2014a).

Phinda Private Game Reserve is located in the KwaZulu-Natal province in South Africa. &Beyond began more than 25 years ago in Londolozi Private Game Reserve in South Africa, emphasizing low-impact, high-yield tourism. In 1991, the company purchased land at Phinda and began restoring farmlands that had been degraded through years of cattle farming and the cultivation of exotic tree species. Since

1991 &Beyond has also identified a farm suitable for wildlife restocking and built several ecotourism lodges. In 1994, local communities in South Africa were legally empowered to reclaim ancestral lands that had been expropriated under apartheid. In 2002, the Mnqobokazi and Makhasa communities filed claims to the land within the Phinda reserve. &Beyond did not challenge the claim and received approximately USD 34.5 million from the South African government in compensation for the land and its infrastructure. In 2006, the titles to the territory and two of the six lodges located on it were transferred to the Mnqobokazi and Makhasa communities, where &Beyond was invited to continue its operations at Phinda. This resulted in &Beyond signing a 36-year lease with an annual lease fee. &Beyond also has the option of renewing the partnership at the end of the 36-year period (Rylance & Spenceley, 2014b).

The objective of each case study was to assess the business and development impact of each tourism enterprise, based on an assessment of the seven areas of inclusion identified. Elements of each case study were compiled (Rylance & Spenceley, 214a, b), and this paper expands on the analysis by applying each to Tewes-Gradl et al.'s (2014) definition of IB in tourism. The results of each case study are described in the following section, in relation to the categories of business and developmental benefits applied (Tewes-Gradl et al., 2014).

The case studies were compiled through a process of literature review and interviews with two representatives of Wilderness Safaris in relation to Damaraland (i.e. Regional Community Development and Engagement Coordinator; Operations manager) and three representatives of &Beyond in relation to Phinda (Group sustainability manager; Reserve manager; Program officer).

Results

The results of the assessments with Damaraland Camp and Phinda Private Game Reserve are provided below and are presented according to the categorisation displayed in Table 2.

Developmental benefit

Developmental benefits focus specifically on the impact of the business's practices on their local communities.

Job creation

In 2013 Damaraland employed 30 people in permanent positions at the Camp, of whom 75% were women and 77% came from the local community. Staff earned just under USD 90,000 annually (Rylance & Spenceley, 2014a). Damaraland's small and isolated camp means that the employment opportunities are limited, whereas Phinda has greater access to qualified staff from nearby metropoles, such as Durban. By contrast, Phinda employs 308 individuals in permanent positions, of whom 160 (52%) are from the immediate surrounding communities. Staff from the local community receives an approximate total of USD 1.7 million in wages annually in 2013. In addition, indirect employment opportunities for 2013 totalled nearly 3,000 residents (Rylance & Spenceley, 2014b).

Enterprise development

Enterprise development encompasses locally owned and operated enterprises that have the ability and opportunity to deliver products and services either directly to tourists or via existing tourism establishments. It incorporates conservation-linked activities within enterprise development and local procurement.

Local procurement by Damaraland Camp is limited due its geographically remote location and the limited availability of local products and services. However, opportunities are outsourced to local businesses for laundry services and road maintenance. The construction of the camp required the skills of 20 to 30 construction workers, some of whom have subsequently been employed at other Wilderness Safaris camps in Namibia. Recognising that the Damaraland Camp offered limited benefits to the local communities, Wilderness Safaris supported the diversification of the Conservancy's activities, thus reducing the community's dependence on Wilderness Safaris alone. In 2010, Wilderness Safaris assisted the Torra Conservancy in developing and presenting a business plan to raise a commercial-bank loan in order to build the Damaraland Adventure Camp. This was the first time a Namibian conservancy had raised its own funds for construction purposes rather than turning to donor funds. One central benefit of the partnership was its ability to have an award-winning camp (Eco Awards Namibia: Award of Excellence 2012) to add to its existing portfolio. Staying in the 12-bed, self-catering Damaraland Adventure Camp accommodation, an enterprise owned 50% by the Conservancy and 50% by Wilderness Safaris, is another such experience, ensuring that guests stay longer and spend more money locally (Rylance & Spenceley, 2014a).

At Phinda, there are a number of services subcontracted to local enterprises and entrepreneurs that benefit the poor. Illustratively, Phinda contracts people locally for security, staff transportation, staff canteen catering and shops. This local service procurement generated approximately 100 additional jobs for local community members through outsourced labour in 2013. Also, Phinda's expenditure on local goods and services (i.e. within a 50 km radius) amounted to USD 627,000 in 2013. Local community members are also contracted for construction and maintenance work. The company sources a variety of services from members of the community, including staff transport, staff catering and shops, cultural entertainment, community tours, bush clearing and alien plant control, refuse removal, supply of fresh produce to lodges, and the production of artisanal crafts from local weavers (Rylance & Spenceley, 2014b).

Skills and careers

Both Damaraland and Phinda operate in-house training programmes designed to support the growth of locally-employed staff to rise through the ranks to management level. For example, at Damaraland a former camp waitress is now the Camp Manager (Rylance & Spenceley, 2014a).

Conservation

In addition to contracting local people to perform conservation activities Wilderness Safaris and &Beyond have formed business partnerships with local communities in order to incentivise continued conservation of the natural environment. Wilderness Safaris and &Beyond pay annual lease fees to their host communities to operate on the land. &Beyond paid on average USD 370,000 per annum between 2007 and 2013, whereas Wilderness Safaris paid USD 70,000 in 2013 (Rylance & Spenceley, 2014a, b). A number of variables determine the price level for lease fees, including the quality and value of the tourism product, as well as the level of capital assets on the land. In the case of Phinda there are six lodges located within a well established tourism destination in South Africa, whereas Damaraland Camp is located in an extremely remote area of Namibia without electricity or piped water, increasing the costs of establishing and operating a tourism business (Rylance & Spenceley, 2014a, b).

Structural improvements

Phinda, through &Beyond's non-governmental organisation (NGO) The Africa Foundation, established a medical clinic in the neighbouring community of Mduku, as well as a computer literacy and development centre, designed to provide services to local staff, local businesses and the wider community (Rylance & Spenceley, 2014b).

Business benefit

Business benefit refers to the impact of the inclusive business practice on their financial performance. Valuing the financial impact of product quality, innovation, reputation management and risk mitigation on a company is complex as it is influenced by a number of variables, internal and external, rather than being directly attributable to a single intervention. Whilst the case studies aim to determine whether their business inclusiveness contributed to their growing reputation, neither of the businesses were able to explicitly quantify these benefits to a company's bottom line (Rylance & Spenceley, 2014 a, b). Only anecdotal evidence is available that their approach to community partnerships has contributed to their reputation and supported the achievement of international awards. For example, in 2013 the Damaraland Camp won the National Geographic Traveler's Best Ecolodge and Phinda was listed fourth in Condé Nast Traveler "Best in the World" Africa category.

The only business benefit criterion where a financial impact was identified as important in IB was through cost reduction. At Damaraland Camp the decision to build with local materials and techniques helped to improve thermal stability and sound insulation, reduced water penetration and provided employment for local residents. However, it also proved to be 50% cheaper than had the camp buildings used regular brick-based construction. This generated an immediate cost-saving as well as a medium saving for repair and replacement of accommodation units. A non-tangible benefit was that the construction presented guests with a unique and memorable experience (Rylance & Spenceley, 2014a).

Discussion

IB in tourism means including people living in poverty as customers, employees and entrepreneurs at various points along the value chain for mutual benefit, and advocates a business-orientated approach to poverty reduction (Tewes-Gradl et al., 2014). The analysis of these two enterprises through an IB lens demonstrates that both enterprises operate IB practices in two main ways: (1) by engaging low-income populations across productive value chains for mutual benefit and (2) taking a business-orientated approach to business partnerships that supports sustainable development and poverty reduction. This said, the cases also raise questions regarding the inclusive tourism approach, and questions whether these are, in fact, inclusive enterprises, or whether Tewes-Gradel et al.'s (2014) typology is valid.

For example, neither enterprise fully addresses Tewes-Gradel et al.'s 2014 typology for IB, when examined in detail (see Table 3 below). Although both perform well in terms of development benefits (namely job creation, enterprise development, skills and careers, conservation), neither indicated that there were tangible financial business benefits from their business relations with the poor, aside from reputation management and cost reduction – neither of which could be systematically quantified. Beyond anecdotal information there was no evidence of improved product quality, innovation, or risk mitigation from inclusive approaches. In fact, when considering that the main conceptual differences between pro-poor tourism and inclusive tourism, the data suggests that both businesses are actually more closely aligned with the principles of pro-poor tourism, than with Tewes-Gradel et al.'s (2014) categorisation of IB. Furthermore, the case studies identified an additional form of inclusion that went beyond the elements suggested by Tewes-Gradl et al. (2014), by identifying equity ownership as a critical factor of inclusion. Tewes-Gradl et al.'s (2014) criteria considers financial incentives for conservation as a developmental impact, but for Phinda and Damaraland, revenue-sharing and joint partnerships are a fundamental factor in their business model, not merely a developmental one. Therefore, these studies concur with the three mechanisms of equity, employment and value-chain linkages for delivering socio-economic development through tourism (Snyman & Spenceley, 2012).

Table 3
Comparative analysis of inclusive business characteristics

Characteristic	Damaraland, Namibia	Phinda, South Africa
No. beds (rooms)	20 beds	122 beds
Land tenure	Torra Conservancy have rights to use the land	Mnqobokazi and Makhasa communities own the land
Development benefits		
• Job creation	30 full time 77% local USD 90,000 local wages p/a	308 full time 52% local USD 1.7 m local wages p/a
• Enterprise development	20-30 local construction workers Damaraland Adventure Camp: 50% Torra conservancy; 50% Wilderness Safaris	100 jobs from outsourced labour Local expenditure of USD 627,000 p/a
• Skills and careers	Local staff advance to management level over time	In-house training centre for staff and career development plans
• Conservation	40% Torra Conservancy 60% Wilderness Safaris USD 70,000 lease fees p/a	Mnqobokazi and Makhasa communities. 36 yr lease to &Beyond USD 370,000 lease fees p/a
• Structural improvements	No data	No data
Business benefits		
• Product quality	No data	No data
• Innovation	No data	No data
• Reputation management	No data	No data, but anecdotal evidence
• Risk mitigation	No data	No data
• Cost reduction	No data but anecdotal evidence	No data but anecdotal evidence

Sources: Rylance & Spenceley (2014a, b, c).

Leaving aside Tewes-Gradel et al.'s 2014 typology, there are areas for further study regarding the IB approach in tourism. In terms of product quality, there was no indication from the enterprises that their clients were more likely to stay with them due to their inclusive approaches to working with local communities, because they considered it to be a better product. Enterprise representatives perceived that once guests had stayed with them once, and learned of the operator's involvement with local communities, they were more inclined to stay with them again. In this regard, inclusive tourism can be beneficial for retaining existing customers, but the value or importance of this has not been quantified. Further research with customers is required to establish the relative importance of inclusiveness in people's decision to return, given all other elements of their experience (e.g. level of hospitality, quality of food or conservation efforts).

With regards to cost reduction, a traditional argument for local procurement is that it is beneficial as it reduces the costs to tourism businesses. However, this was not evident in the short-term for the two case studies - particularly if one considers the transaction costs, and technical advice costs associated with making the enterprises more inclusive. In fact, across both cases the cost of financial and technical support to local businesses outweighed the cost savings generated from localising procurement. The question is therefore why do these companies choose to continue to support local procurement? When asked, the enterprises indicated that their proactive approach to commercial engagement with local people was motivated more by their own business ethic, rather than a sole desire to see a return on investment.

Whereas a number of case studies have shown how companies have adapted their business models to gain access to new producer or consumer markets, such as the BIF projects, the Phinda and Damaraland cases demonstrate that inclusiveness has become fundamental to their joint-venture business models. Joint-ventures are business arrangements between two or more parties that engage in a business enterprise for profit without an actual partnership or incorporation. In tourism these tend to be characterised by an arrangement where the private sector offers the business and market expertise, while the community provides labour and access to resources, such as land. However, poor communities may require considerable technical and capacity building support, over extensive timeframes, in order to engage effectively in joint-ventures. Indeed, it may take two or three years with technical support from NGOs with a community before they can make informed decisions to partner with a private partner in a joint-venture. Then the expectations of community-members need to be managed for a five to six year timeframe, between an agreement being forged and an accommodation facility opening and generating income, with perhaps another five years before it is profitable. These complexities and timeframes need to be factored in to the concession planning timeframes. In terms of guidance, the World Wildlife Fund and World Bank suggest that joint-ventures should be considered particularly where private sector demand exists for community assets, that a reliable and experienced NGO is available to provide support, and that the enabling environment will protect both parties. However, they should be avoided if communities are resistant or ambivalent to the idea, the quality of community assets is weak, or if a joint venture will expose communities to unduly high risk (WWF & World Bank, 2014).

IB is still a relatively new and evolving concept. In order to encourage more companies to adapt their business models to become more inclusive, improved tools and methods for measuring inclusiveness are required. Both case studies demonstrate the importance of equity ownership with local communities as both a developmental impact and as a core business benefit, through release of capital for the private operator and longer-term partnership security. Incorporating joint ventures and equity ownership of the core business into inclusive business typologies will further strengthen the argument in favour of being inclusive. In addition, measuring the indirect financial impacts of an improved public image with customers or relationship management with local communities are also important in demonstrating the value of partnering more closely with communities. Equally, providing examples of businesses that have suffered financial costs from not being inclusive, or created conflict from not involving communities are also interesting avenues of further research.

Conclusion

Tewes-Gradl et al. (2014) argue that tourism at Damaraland and Phinda exhibit characteristics of inclusive business practices, namely by strengthening their value chain and business partnerships that are mutually beneficial, while supporting poverty reduction. However, at this time, it is not possible to say whether the gaps in understanding on the business benefits at these enterprises means that they are not inclusive, but rather that further research is required to establish any linkages between inclusive practices and commercial profitability. In both cases the enterprises were not tracking, nor able to objectively quantify, the impact of inclusiveness on product quality, innovation, reputation management and risk mitigation. Therefore, the typology suggested by Tewes-Gradl et al. (2014) would benefit from providing structured guidance on how to sufficiently track and report against these criteria. The field of inclusive tourism is in its infancy and greater attention is needed particularly to establish a solid framework for evaluation. There is a need to be able to prove the business benefit of inclusiveness if sustainable tourism is to gain further momentum in the mainstream tourism industry.

We propose the incorporation of joint ventures and equity ownership with communities into the IB in tourism typology, which are clearly demonstrated by the case studies as a business benefit, further strengthening the measurement of inclusive business impacts. Overall this research contributes to the lack of practical examples of IB models in the tourism sector, especially in Southern Africa.

References

Ashley, C. (2009a). *Harnessing core business for development impact: Evolving ideas and issues for action*. London: ODI.

Ashley, C. (2009b). *Returns on investment in responsible business practice: higher in a downturn?* London: Business Innovation Facility.

Ashley, C., De Brine, P., Lehr, A. & Wilde, H. (2007). *The role of the tourism sector in expanding economic opportunity* Cambridge, MA: Kennedy School of Government, Harvard University.

Ashley, C., Harrison, T. & Schramm, C. (2014a). *Adding value to innovation ? Lessons on donor support to inclusive business from the Business Innovation Facility pilot*. London: Inclusive Business Fund.

Ashley, C., Harrison, T. & Schramm, C. (2014b). *The 4Ps of inclusive business : How perseverance , partnerships , pilots and passion can lead to success*. London: Business Innovation Facility.

Ashley, C. & Haysom, G. (2008). The development impacts of tourism supply chains: Increasing impact on poverty and decreasing our ignorance, In A. Spenceley (ed), *Responsible Tourism: Critical issues for conservation and development* (pp. 129-156). London & Sterling VA: Earthscan.

Ashley, C., Roe, D. & Goodwin, H. (2001). *Pro-poor tourism strategies: making tourism work for the poor: a review of experience* (Pro-Poor Tourism report No. 1, April 2001). London: The Russell Press.

Ashley, C., Schramm, C. & Scarampi, A. (2013). *Review of the Business Innovation Facility portfolio: Assessing results and trajectories of inclusive businesses at the end of a three year pilot*. London: Business Innovation Facility.

Bennett, O., Roe, D. & Ashley, C. (1999). *Sustainable tourism and poverty elimination: a report for the Department for International Development*. London: Deloitte and Touche, IIED and ODI.

Business Fights Poverty. (2010). *Accelerating progress towards the Millennium Development Goals through inclusive business: Delivering results: Moving towards scale*. (Report on an Inclusive Dialogue Held on September 21 2010, during the UN Summit on the Millennium Development Goals). Retrieved from http://inclusive.businessfightspoverty.org.

Davidson, K. (2009). Ethical Concerns At the Bottom of the Pyramid : Where CSR Meets Bop. *Journal of International Business Ethics*, *2*(1), 22–32.

Golja, T. & Pozega, S. (2012). Inclusive Business – What It Is All About ? Managing Inclusive Companies. *International Review of Management and Marketing*, *2*(1), 22–42.

Gradl, C. & Jenkins, B. (2011). Tackling barriers to scale: From inclusive business models to inclusive business ecosystems. *Harvard Kennedy School: Corporate Social Responsibility*, 1–36.

Jenkins, B., Ishikawa, E., Geaneotes, A. and Paul, J. (2010). *Inclusive business solutions: Expanding opportunity and access at the base of the pyramid*. Washington DC: International Finance Corporation .

Morgan, B. & Neil, N. (2012). *Building Bridges: Value Initiative Program in Jamaica*. Arlington: The SEEP Network.

Noakes, S. (2015). *Inclusive business & tourism: A brief introduction*. Retreived from http://issuu.com/www.pacificasiatourism.org/docs/intro_to_ib___tourism_noakes_april_.

Porter, M. E. & Kramer, M. R. (2006). Strategy & Society: The Link Between Competitive Advantage and Corporate Social Responsibility. *Harvard Business Review*, *84*(December), 78–92.

Poultney, C & Spenceley, A. (2001). *Practical strategies for pro-poor tourism , Wilderness Safaris South Africa : Rocktail Bay and Ndumu Lodge*. (Pro-Poor Working Paper No. 1, April 2001). London: The Russell Press.

Prahalad, C. K. & Hart, S. L. (2002). The Fortune at the Bottom of the Pyramid. *Strategy and Business Magazine*, *first quarter,* 26, 1–16. DOI: http://doi.org/10.2139/ssrn.914518.

Rogerson, C. M. (2012). Tourism-agriculture linkages in rural South Africa: Evidence from the accommodation sector. *Journal of Sustainable Tourism*, *20*, 477–495.

Rylance, A. & Spenceley, A. (2014a). *Creating luxury ecotourism with the local community*. Frankfurt: GIZ.

Rylance, A. & Spenceley, A. (2014b). *Strong community partnership through long-term land leasing*. Frankfurt: GIZ.

Rylance, A. & Spenceley, A. (2014c). *Local procurement strengthens a hotel's business base* Frankfurt: GIZ.

Rylance, A. & Spenceley, A. (in press). Reducing economic leakages from tourism: a value chain assessment of the tourism industry in Kasane, Botswana. *Development Southern Africa*.

Saarinen, J. & Rogerson, C. (2013). Tourism and the Millennium Development Goals: perspectives beyond 2015, *Tourism Geographies*, *16*(1), 23-30.

Snyman, S. (2012). Ecotourism joint ventures between the private sector and communities: An updated analysis of the Torra Conservancy and Damaraland Camp partnership, Namibia. *Tourism Management Perspectives*, *4*, 127–135.

Snyman, S. & Spenceley, A. (2012). Key Sustainable Tourism Mechanisms for Poverty Reduction and Local Socioeconomic Development in Africa. *Africa Insight*, *42*(2), 76–93.

Spenceley, A. & Meyer, D. (2012). Tourism and Poverty Reduction: theory and practice in less economically developed countries, *Journal of Sustainable Tourism*, *20*(3), 297-317.

Spenceley, A. & Seif, J. (2003). *Strategies , Impacts and Costs of Pro-Poor Tourism Approaches in South Africa.* London: ODI.

Spenceley, A. (2010). *Tourism product development: Interventions and best practices in sub-Saharan Africa*. Washington DC: World Bank.

Spenceley, A. & Hunter, M. (2011). *Blockages and mechanisms to overcome them: findings from a series of Inclusive Business Case studies*. Netherlands: SNV.

Spenceley, A., Hunter, M., Maunze, T., Sibanda, R., van Niekerk, R. & Falco, M. (2011). *Inclusive Business: Moving from the 'Why' to the 'How'.* Netherlands: SNV.

Tewes-Gradl, C., van Gaalen, M. & Pirzer, C., (2014). *Destination Mutual Benefit: A Guide to Inclusive Business in Tourism*. Frankfurt: GIZ.

Torres, R. & Momsen, J. (Eds.). (2011). *Tourism and agriculture: New geographies of production and rural restructuring*. London: Routledge.

UNDP. (2008). *Creating value for all: Strategies for doing business with the poor*. New York: UNDP.

UNDP. (2012). *Torra Conservancy, Namibia. Equator Initiative Case Study Series.* New York: UNDP.

UNEP and UNWTO (2005). *Making Tourism More Sustainable, A Guide for Policy Makers*. Madrid: UNWTO.

Wach, E. (2012). *Measuring the "Inclusivity" of Inclusive Business* (Practice Paper Volume 2012, Number 9). Brighton: Institute of Development Studies.

WWF & World Bank (2014). *Getting Financed: 9 tips for community joint ventures in tourism*. Washington DC: World Bank

Submitted: 15/09/2016
Accepted: 07/11/2016