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## Addressing Leakages between the Tourism Hotel Sector and Other Sectors in The Bahamas

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# Walden University

College of Management and Technology

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2020

Abstract

Addressing Leakages between the Tourism Hotel Sector and Other Sectors in The

Bahamas

by

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MBA, University of Miami, 2004

BS, Florida International University, 1989

Dissertation Submitted in Partial Fulfillment

of the Requirements for the Degree of

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## Abstract

In The Bahamas, the hotel sector imports the majority of its goods and services, rather than buying goods and services from local small and medium enterprises (SMEs) at levels that support tourism SMEs sustainability and growth. Termed an economic leakage hotel reliance on imports has negative effects on the development of tourism-related SMEs in Nassau and Paradise Island in The Bahamas. The purpose of this study was to explore and examine why high tourism economic leakages exist between the tourism hotel sector and other sectors in The Bahamas. To address this problem, this case study used a qualitative method approach utilizing primarily the Pro-Poor Tourism conceptual framework. Twelve in-depth interviews provided participants' representing varied components of the tourism hotel sector including SMEs that support the tourism sector were interviewed for this study. Using a computer assisted qualitative software; Atlas.ti8 was used to aid with the data management and analysis process. Four themes emerged from the interviews and help to summarize the contributing factors to the leakage between the hotel sector and tourism SMEs. The themes were as follows; (a) contributors to tourism leakages, (b) current linkage strategies and perceived linkage obstacles, (c) tourism SMEs development and support, and (d) a sense of Bahamian pride to produce Bahamian goods and services. The results of this study suggested that the entire tourism community make the commitment to support the development of tourism linkages in a new way; and as a result the development of tourism SMEs, and watch the socio-economic benefits that these bring i.e. entrepreneurship, job creation, and an improved quality of life for Bahamian citizens.

Addressing Leakages between the Tourism Hotel Sector and Other Sectors in The

Bahamas

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## Dedication

This study is dedicated to my wife; Liz, and my children; Chelsi, Chad and Charlot who bore this burden and stood behind me every step of the way. I am ever grateful for their buoyancy and supporting me over the years. They never gave up on me even when I gave up on myself, they are the winds beneath my wings.

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I would be remised if I didn't stop here to thank my committee. My chair; Dr. Barrow who always had a word of encouragement even when I was not producing results. There are very few like her and I am happy I selected her as my chair (and, she accepted) to be a part of this journey, she made a difference. I thank her for vividly painting the finish line and for putting up with me in crossing that line. And. my 2<sup>nd</sup> committee member; Dr. Dool for his time, patience and guidance throughout this journey, thank you.

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## Chapter 1: Introduction to the Study

The focus of this qualitative exploratory case study is to explore and examine why high tourism leakages exist between the tourism hotel sector and other sectors in The Bahamas; specifically, on Paradise Island and Nassau, using the pro-poor tourism (PPT) conceptual framework. As I will illustrate in the literature review, PPT research has been done on related topics, particularly identifying the benefits and challenges of the development of tourism-based small and medium enterprises (SMEs) that support the tourism hotel sector. In this pursuit, PPT has identified sources that reduces current tourism economic leakages in an effort to improve tourism hotel sector economic linkages that advance the sustainability of tourism SMEs within host communities. Enhancing linkages contribute to poverty reduction, job creation, and enhance local citizen' quality of life (Meyer, 2006).

Tourism has made important contributions to the economies of the Caribbean for decades and has become the dominant economic sector for most countries within the Caribbean. In fact, tourism is the single largest earner of foreign exchange in 16 of the 30 countries in the region (WTO, 2002). For example, in The Bahamas, the US Virgin Islands, the Cayman Islands, and St. Lucia, the share of tourism in GDP (Gross Domestic Product) is 60% or more according to the WTO (2002) report. In The Bahamas and the wider Caribbean, there has been a strong focus on mass tourism development. Mass tourism is the dominant tourism model found in a number of Caribbean destinations and is reliant on high numbers of air and cruise ship visitors, heavily built environments, and short average stays of tourists (Torres, 2002; McElroy, 2003; 2006). Many have argued

that this strong focus on tourism development means that other sectors of the economy have been essentially neglected (Rodenburg 1980). In particular, The Bahamas has traditionally branded itself as a sun, sand, and sea destination but product diversification efforts have been sluggish.

If Bahamian hotels use local products, this may imply a more sustainable path for tourism SMEs linkage development. In many destinations, the main competitive advantage of local agricultural producers is that they are able to offer 'ultra-fresh' produce, which can attract premium prices from the high-end of the tourism market (Meyer, 2006). Some researchers have argued that the promotion of regional food can stimulate local agricultural production and linkages to the tourism industry (Torres 2003). Meyer (2006) argued that supporting community development can generate positive publicity and improve the reputation of companies/destinations involved. Additionally, Lovins (2007) supported this notion when he argued that the companies that make this change to tourism hotel-community engagement will develop competitive advantage as these contributions to community development can also enhance approval from guests and others who are concerned about local community welfare.

This study assesses the benefits and challenges of the development of tourism SMEs in the tourism hotel sector in Nassau and Paradise Island in The Bahamas. Small and medium enterprises in the area of tourism in the developed world have increasingly depended on the tourism hotel sector and high potential for SMEs development and growth in The Bahamas exists. Tourism SMEs play a significant role in the shaping the development of tourism in ways which will provide an equitable source of income within

island communities such as The Bahamas. However, such entrepreneurship undertakings are limited in The Bahamas and little information is available on this topic.

### **Background**

In The Bahamas and the wider Caribbean, mass tourism has provided a considerable source of foreign exchange and employment opportunities that also resulted in industries often dominated by large, foreign-owned businesses, resulting in significant economic leakages outside of the countries and limiting opportunities available for local citizens to claim a significant share of tourist expenditure (Weaver, 1993; McElroy, 2003; Pattullo, 2005). For the most part, foreign ownership of travel, accommodation, and entertainment results in the majority of tourism expenditures profiting foreign entities rather than local economies and this is a significant leakage problem in The Bahamas and the Caribbean (Madley, 1996; Pattullo, 2005; Meyer, 2006).

In The Bahamas, mass tourism has led to a situation where the actual local community economic benefits from tourism are far less than their expected potential in the development of SMEs particularly in manufacturing, agriculture and the creative and cultural sectors, and the associated employment opportunities (Meyer, 2006). The Bahamas' national tourism economic leakage is that 85% of every tourism dollar is leaked out of the economy, as stated by the Director General of Tourism, Joy Jibrilu, in (Mckenzie, 2016). Importantly, the hotel sector in particular is not making the most of the economic development opportunity presented by tourism to ensure there are links to the local economy (Meyer, 2006).

Several authors (Neck & Dockner, 1987; Kotey & Meredith, 1997; Bhutta, Rana, & Asad, 2008) posited that tourism SMEs are known as the solution of economic progress and modernization with high employment potential, creation of income, and scientific progression. Tourism SMEs are seen to be essential components of tourism because they provide authentic cultural experiences that are important in differentiating destinations from each other and attracting tourists to the destination (Ritchie & Zins, 1978; Dunbar-Hall, 2001; Harrison, 2002). Tourism SMEs are also seen as beneficial to increasing local participation in the industry, reducing economic leakages, and increasing levels of entrepreneurship among local residents (Smith, 1998).

While small tourism enterprises provide a number of benefits to the industry, in mass tourism destinations, these businesses often find it difficult to compete with their larger counterparts, making their survival unstable (Bastakis et al, 2004; Dwyer et al., 2009). Other considerations for the failure of small tourism enterprises are the events of changing market conditions that makes mass tourism vulnerable like extreme natural events and financial crises (Hildmann & Stierand, 2010; Cioccio & Michael, 2007). Contributing to the failures of these small tourism enterprises are the lack of financial capital, business experience, marketing prowess, and industry connections in mass tourism destinations (Smith, 1998).

To address the tourism hotel sector leakage phenomena, this research focused specifically on linkages initiatives that improved tourism SME development and its benefits to the local economy; job creation is by far the biggest local opportunity. According to the Caribbean Development Bank's report "*Tourism Industry Reform*,



*Strategies for Enhanced Economic Impact, 2017,*” reported measures that could support linkages with local communities include the development of SMEs that make it easier for tourism businesses to source locally and programs that help local entrepreneurs gain access to capital required to develop a business. Meyers (2006) suggested that in order to increase backward linkages and local participation in the industry, it may be necessary for public and private sectors to implement or expand capital availability and training programs.

### **Problem Statement**

The general problem is that in the Caribbean, economic leakage in the tourism sector is high. For example, tourism leakage in the Caribbean averages around 40% of gross foreign exchange earnings (Clayton and Karagiannis, 2008; Meyer 2006). The Bahamas is positioned at the upper tier of contributing Caribbean countries with its tourism leakage at 85%, while other Caribbean countries range between 22% and 67% (Mckenzie, 2016; Clayton and Karagiannis, 2008). In The Bahamas, there is little to slim support and promotion by its government for SME establishment and growth, as exists in other Caribbean countries. This lack of encouragement to strengthen economic linkages between tourism hotel sector and local tourism SMEs negatively impact the sectors of manufacturing, agriculture, and the creative and cultural industries sectors that contribute significantly to economic leakages and opportunity cost (Meyers, 2006). The tourism hotel sector is not buying goods and services from businesses in the local communities at the levels that support SME sustainability and growth. Meyers argued that when tourism

hotel sector goods and services are imported, it leads to economic leakages where monies flow out of the destination.

The specific problem has a negative effect The Bahamas' tourism hotel sector's high leakage is having on the development of tourism related SMEs in Nassau and Paradise Island in The Bahamas (McKenzie, 2016; Meyer, 2006). The Bahamas' tourism hotel sector contributes significantly to this high leakage problem with a leakage rate of 85% producing a negative multiplier effect and there is little incentive to encourage development and sustainability of tourism related SMEs, which means the opportunities for local economies are slim to nothing (McKenzie, 2016; Meyer, 2006; Thomas, 2016).

Although there have been studies on the plight of small tourism enterprises in the Mediterranean (Bastakis et al., 2004), Africa (Kirsten & Rogerson, 2002; Mshenga & Richardson, 2013), and Europe (Halme & Fadeeva, 2000), there is a lack of studies on the challenges that SMEs face in the Caribbean and, by extension, The Bahamas. In particular, there is a need for further study of tourism SMEs in mass tourism destinations such as The Bahamas, given the high percentage of expenditure spent by tourists on accommodation and the importance of hotels influencing choice of destination (Cooper et al., 1998; Morrison, 2004). To address this gap, this study will build on previous research PPT which is a conceptual framework for analyzing and developing linkages, and reducing leakages between the hotel sector and neighboring communities. The PPT conceptual framework is based deductively on a critical review of the literature, coupled with first-hand experience in PPT action-research. The existing research suggests the tourism hotel sector is not making the most of the economic development opportunity

presented by tourism and there are opportunities to enhance economic linkages to the local tourism SMEs within the host communities (Meyers, 2006). Little is understood about how the hotel sector in Nassau and Paradise Island in The Bahamas (geographical areas of focus in this study) impacts the economic stability of those who that depend on the development of SMEs in these host communities for employment (Hepburn, 2013).

### **Purpose of the Study**

In The Bahamas, the lack of opportunity for SMEs to sell their goods and services directly to the hotel sector for various reasons contributes to the high leakage that negatively impacts the development and growth of these small and medium enterprises particularly in the manufacturing, agriculture, and the creative and cultural sectors (Thomas, 2016). Addressing the negative effect of The Bahamas' tourism hotel sector's high leakage is having on the development of tourism related SMEs in Nassau and Paradise Island in The Bahamas (see McKenzie, 2016; Meyer, 2006) is the pivotal purpose of this study. The purpose of this qualitative exploratory case study will be to explore and examine the current tourism hotel sector leakages and specifically how this leakage affects tourism related small and medium enterprises development in the sectors of manufacturing, agriculture, and creative and cultural in Nassau and Paradise Island in The Bahamas. According to Terzioglu and Gokovall (2016), there is no detailed study that specifically considers the leakages between the tourism hotel sector and the local economies, the contributions and leakages, nor the possible reasons and outcomes of these contributions and leakages. To fill this gap, I will conduct in-depth interviews with relevant stakeholders to explore and examine the leakages and linkages opportunities

between the tourism hotel sector and the manufacturing, agriculture, and creative and cultural sectors in Nassau and Paradise Island, in The Bahamas.

### **Research Question**

The overarching question for this study is: How does The Bahamas' high tourism economic leakage problem negatively affect the growth and development of tourism related small and medium enterprises (SMEs), specifically, the manufacturing, agriculture, and creative and cultural sectors that support the tourism hotel sector in Nassau and Paradise Island in The Bahamas?

### **Conceptual Framework for the Study**

The conceptual framework for this study will be the pro-poor tourism (PPT). According to Meyer (2007), PPT is a conceptual framework for analyzing and developing linkages and reducing leakages between the hotel-sector and neighboring communities. As such, PPT is a good fit for this study. PPT is based deductively on a critical review of the literature, coupled with first-hand experience action-research (Meyer, 2006). Meyer further suggested that PPT action opportunities encompass both core and non-core activities within the tourism hotel sector.

The theory of PPT has in recent years received attention from academia, key industry and donor organizations. However, little emphasis has so far been given to situating the PPT debate within the general literature on tourism and development. According to Meyer (2007), this framework focuses on linking macro-economic concepts, such as leakages and multipliers, to micro-economic action opportunities for the mainstream accommodation sector in developing countries. As such, PPT brings

together the well-established tourism literature on economic impacts on the macro level with the more recent PPT literature that focuses on action on the ground. Bringing together a wide range of past and present research, four types of potential linkages are proposed by PPT and align well with this study: (a) employment; (b) sourcing and procurement; (c) tourism small and medium enterprises development and outsourcing; and (d) other types of partnerships such as donations.

The PPT conceptual framework lends itself to exploratory inquiry and compliments the over-arching research question. The overarching question for this study focuses on how is The Bahamas' high economic leakage problem affecting the growth and development of tourism related SMEs specifically the manufacturing, agriculture, and creative and cultural sectors that support the tourism hotel sector in Nassau and Paradise Island in The Bahamas. The characteristics of PPT conceptual framework makes its use ideal for this level of inquiry by analyzing and developing linkages to reduce leakages between the hotel sector and neighboring communities (Meyer, 2007). PPT supports and aligns with the study instruments; open ended questions with face-to-face interviews were conducted to address current tourism economic leakages and linkage opportunities as perceived by the stakeholders. It is important that the high tourism economic leakage problem is discussed in detail with the individuals it impacts to understand how it affects the growth and development of tourism related SMEs, specifically the manufacturing, agriculture, and creative and cultural sectors.

### **Nature of the Study**

The nature of this study will be a case study with a qualitative focus. The qualitative exploratory case study is used to explore those situations in which the intervention being evaluated has no clear, single set of outcomes (Yin, 2003). First, a qualitative exploratory case study research approach is consistent with exploring and examining the phenomena of tourism hotel sector leakages and linkages in Nassau and Paradise Island in The Bahamas. Second, the study will take on an exploratory approach to identify how the linkages can be improved and seek solutions to obstacles that hinder linkages development between the tourism hotel sector and tourism-related SMEs. Open ended questions with face-to-face semistructured interviews will be the appropriate research method due to the exploratory nature of the research. Semi-structured interviews are particularly useful in this research context, offering researchers great flexibility in the way questions are phrased and the order in which they are asked (Quivy & Campenhoudt, 1992). This research will be an analysis and review on linkages best practices that are currently operational in neighboring jurisdictions to identify if any of these best practiced tourism hotel sector linkages initiatives can be applied in Nassau and Paradise Island, The Bahamas. According to Krippendorff (2013), this method enables the organization of information in categories and its analysis in a more methodical and orderly way, allowing specific inferences to be made.

The case study design included in-depth interviews with stakeholders: hotel procurement personnel, tourism vendors in the manufacturing, agriculture, and creative and cultural sectors, tourism associations' representatives, government officials including

at the Ministry of Tourism, members of the private sector involved in tourism, donors, tourists, and beneficiaries of this initiative. For this study, 12 participants were drawn purposively from the stakeholders to reflect the purpose and aims of the study. All interviews were 35 minutes to 1 hour, open-ended questions with face-to-face interviews addressed the current views of tourism leakages and what can be done to improve the linkages between the tourism hotel sector and other sectors. All of interviews were recorded via digital recorder and notes also were taken during all interviews to corroborate what is stated with what participants want to express while not being recorded. Interviews were conducted at various locations to facilitate participants' convenience. Once interviews were completed, they were transcribed and coded for analysis and findings.

### **Definitions**

The specialized terms used in this study including variables under investigation are defined below;

*Leakages:* Leakage is a term used to describe the percentage of the price of the holiday paid by the tourists that leaves a destination (in terms of imports or expatriate profits) or never reaches the destination in the first-place due to the involvement of 'Northern' based intermediaries (Meyer, 2006).

*Linkages:* The term "linkages" for most studies is synonymous with investigation of the proportion of imported food to domestic food utilized by the tourism industry (Pattullo, 1996).

*Local sourcing:* The term “local sourcing” is the distribution of control and decision making towards the local populations and thus ultimately increasing tourism's impacts on the local economy (Fennell, 1999).

*Pro-poor tourism (PPT) conceptual theory:* PPT is defined as tourism which brings net benefits to the poor. Based on a worthwhile injunction to help the poor, it is distinctive neither theoretically nor in its methods, and has become too closely associated with community-based tourism (Harrison, 2008).

*SMEs development:* The development of small and medium businesses in developing countries that contribute to local development rather than the invitation of TNC's in the tourism industry which significantly reduces tourism's potential for generating broadly based growth, as well as the net financial advantages that the industry brings to developing countries (Brohman, 1996).

### **Assumptions**

An assumption in this study is that the data on why tourism leakages exist will guide the development of tourism SMEs, including provide economic benefits of hotel tourism to stimulate other sectors of the economic sectors of manufacturing, agriculture, and creative and cultural sectors. More precisely, I assume that pertinent information can be gleaned from coded interviews to further develop PPT. Strengthening linkages through hotel sector local sourcing, even though it is perceived to contribute positively to SMEs and community development, is not known to what extent nor units of measurement that can be employed to measure the benefits to the development of



SMEs and the host communities. Another assumption is that all participants will answer the questions honestly and completely during the interviews.

### **Scope and Delimitations**

The focus of this study is the negative affect that economic leakage has on the development of SMEs and by extension job creation and other related opportunities within the host communities due to tourism hotel sector's not maximizing the purchasing of goods and services from SMEs in the manufacturing, agriculture, and the creative and cultural industries sectors in Nassau and Paradise Island, The Bahamas (see McKenzie, 2016; Meyer, 2006). This focus was chosen because The Bahamas' tourism hotel sector contributes significantly to the economic high leakage with a tourism leakage rate of 85% (Mckenzie, 2016). By addressing this problem, I may bring an awareness of a solution to the problem of economic leakage in The Bahamas. These findings may inspire stakeholders to reduce the negative multiplier effect within the host communities and develop incentives to encourage development of tourism related small and medium enterprises and strengthen linkages between the tourism hotel sector and tourism SMEs see (McKenzie, 2016; Meyer, 2006; Thomas, 2016). The fact that very little research has focused on the relationship between tourism hotel sector and tourism SMEs in the Caribbean (Mwaijande, 2007) is the main reason this research was undertaken. It is time that The Bahamas devise strategies that encourage the tourism hotel sector to purchase and promote local purchasing of goods and services from local SMEs businesses in the local communities at the levels that support sustainability and growth of these enterprises.

The Bahamas is an archipelagic nation in the Atlantic Ocean stretching approximately 200 miles in width and 600 miles in length. With the closest island of the country being just 50 miles from the USA, the nation has been able to capitalize on its proximity to attract an increasing number of North American tourists. Since the 1950s, the Bahamian government has invested heavily in the development and promotion of tourism for the nation and the industry has seen significant growth, from 1.5 million tourists per year in the early 1970s to over 6 million tourists per year by 2014 (Bahamas Ministry of Tourism, 2011; 2015). Tourism is the primary industry for the nation, accounting for more than half of GDP, wages and employment (World Travel & Tourism Council, 2015). However, this study will only focus on the hotel sector in Nassau (the capital) and Paradise Island (attached to Nassau by 2 bridges) and the tourism SMEs in the host communities. There are 63 hotels on Nassau and Paradise Island with 19 of them classified as large hotels with at least 75 rooms (Bahamas Ministry of Tourism, 2011). While large hotels account for 30% of all hotels on Nassau and Paradise Island, they account for 85% of all hotel rooms. These large hotels are mostly international brands with an average of 407 rooms per hotel.

Due to the exploratory nature of this study and the field context, the findings might be transferable only to other similar small island touristic destinations. Destinations particularly in the Caribbean that depend heavily on mass tourism would be suitable. Particularly, those destinations where there are high tourism economic leakages due to the lack of incentive and encouragement to develop and promote tourism SMEs.

### **Delimitations and Limitations**

This study had five delimitations. First, a delimitation of this study is that the participants in the study are volunteers and are known to each other as the tourism industry is rather a small community. Additionally, the participants were purposively selected and may not fully represent the norm of the stakeholders within the tourism hotel sector and other sectors under this study. Second, care was taken in generalizing the results of the research to others because the size of the sample in the study was small, with 12 interviewees/participants; a larger and more professionally diversified group size may have provided more insight into the strategies for tourism SME development. Third, tourism industry structure and performance may have been different among various destinations.

Fourth, another delimitation of this study is that the data is confined to the perceptions of the selected tourism vendor participants who may be already benefiting from a strong economic relationship between themselves and the tourism hotel sector. Perceptions may vary from other tourism vendors such as those vendor participants that are not benefiting as equitably due to weak relationships with the hotel sectors which represents the majority of tourism hotel SMEs. Findings may not be applicable across sectors, as factors related to tourism benefits are sometimes driven by relationships.

And the fifth delimitation, having worked in the Bahamas' tourism industry for 28 years, I had some unconscious and conscious biases from industry experiences. Thus, the literature review conducted for this study and summarized in Chapter 2 also imparted some bias. Literature reviews are often performed before starting the research, but are not

necessarily complete (Urquhart, 2013). Additionally, there was a question of my positionality; positionality could arise during the data collection processes due to my familiarity and tenure in the tourism industry in The Bahamas. I have been employed in the tourism industry for the last 28 years; specifically in hotel operations and related associations. I was familiar with the stakeholders and decision makers that are involved in tourism. Having this knowledge and understanding can bring issues of positionality to the research. To mitigate potential effects of my positionality, I developed a researcher identity/positionality memo which provided a structure at an early stage in the research development process that influenced my research (see Maxwell, 2013). Positionality is determined by where one stands in relation to the research (Merriam et al. 2001). The data collection methods included in-depth interviews and because of their face-to-face nature, the level of my positionality was enhanced. Thus through deep thought processes, I wrote memos to remind myself to approach the data collection process with an objective view, like asking the same question using multiple lenses.

### **Summary**

This chapter highlighted the importance of tourism contributions to the economies of the Caribbean for decades and its dominance as the economic contributor for most Caribbean countries including The Bahamas. Tourism is the single largest earner of foreign exchange in The Bahamas, as noted the share of tourism in GDP is 60% or more (WTO 2002). Meyer (2006) argued that mass tourism has led to a situation where the benefits from tourism are far less than expected in local communities and this strong focus on tourism volume development meant that other sectors of the economy were by

essentially overlooked (Rodenburg, 1980). In The Bahamas, it is critical that the Bahamian government and the private sector recognize the huge potential for “increased linkages” between tourism (hotel sector) and the SMEs in manufacturing, agriculture, and the creative and cultural industries sectors. A lack of this linkage currently contributes to the significant economic leakage and, if addressed effectively, can improve the quality of its citizens’ lives.

The specific problem of this study is the negative affect The Bahamas’ tourism hotel sector’s high leakage is having on the development of tourism related SMEs in Nassau and Paradise Island in The Bahamas (see McKenzie, 2016; Meyer, 2006). To explore the tourism hotel sector leakage phenomena, this paper focused on linkages initiatives that include SME development and its benefits to the local economy; job creation is by far the biggest local opportunity. Additionally, to address the benefits and challenges of tourism SMEs development in the tourism hotel sector in Nassau and Paradise Island in The Bahamas, the research sought to identify sources that can reduce current tourism economic leakages and in an effort to improve tourism hotel sector economic linkages to advance the sustainability of small and medium enterprises within host communities.

As noted earlier, there have been many studies on the predicament of small tourism enterprises development in the Mediterranean (Bastakis et al., 2004), Africa (Kirsten & Rogerson, 2002; Mshenga & Richardson, 2013), and Europe (Halme & Fadeeva, 2000). However, there is a lack of studies on the challenges that these businesses encounter in the Caribbean and The Bahamas. In particular, there is a need for

further study of tourism SMEs in mass tourism destinations such as The Bahamas, given the high percentage of expenditure spent by tourists on accommodation and the importance of hotels influencing destination selection (Cooper et al., 1998; Morrison, 2004).

To address this gap, this study was built on Meyer's (2003; 2006; 2007) work on PPT which is a conceptual framework for analyzing and developing linkages, and reducing leakages between the hotel sector and neighboring communities. The PPT conceptual framework is based logical critical review of the literature, coupled with first-hand experience in PPT action-research.

The focus of this study is the negative affect that tourism hotel sector economic leakage has on the development of SMEs and, by extension, job creation and other related opportunities within the host communities due to tourism hotel sector's not maximizing the purchasing of goods and services from SMEs in the manufacturing, agriculture, and the creative and cultural industries sectors in Nassau and Paradise Island in The Bahamas (see McKenzie, 2016; Meyer, 2006). Existing research focused on tourism hotel sector leakages and the development of tourism SMEs are not considerable, particularly in the Caribbean and The Bahamas. This study built upon existing research to answer the underlying research question, whether strengthening linkages between the tourism hotel sector and tourism SMEs in manufacturing, agriculture, and the creative and cultural sectors will reduce the overall tourism leakage.

## Chapter 2: Literature Review

The Bahamas is viewed as one of the leading tourism destinations in the Caribbean and around the world. The Bahamas' tourism industry is the dominant economic driver accounting for approximately 60% of the country's GDP (The Government of The Bahamas, 2011). The Bahamas and particularly the island of New Providence is geared toward mass tourism. Mass tourism is the dominant tourism model found in a number of Caribbean destinations and is reliant on high numbers of air and cruise ship visitors, heavily built environments and short average stays of tourists (Torres, 2002; McElroy, 2003; 2006). The island of New Providence is geared toward mass tourism products such as mega resorts and cruise offerings (Dillete et al, 2017). The Bahamas reliance on mass tourism has resulted in growth of foreign trade and provision of jobs but has also given rise to significant financial leakages and a lack of local ownership in tourism industries. According to an article in the Tribune, the Director General of Tourism for The Bahamas, Joy Jibrilu indicated that "85 cents of every tourist \$1 earned ultimately flows back out of the Bahamas. One way to curb this trend, she argued, was allowing Bahamian entrepreneurs to sell their goods directly to the hotels and cruise lines" (Mckenzie, 2016, p. 2, Business Section).

The specific problem is the negative effect The Bahamas' tourism hotel sector's high leakage is having on the development of tourism related SMEs in Nassau and Paradise Island in The Bahamas (McKenzie, 2016; Meyer, 2006). This strong focus on mass tourism development meant that other sectors of the economy, particularly small tourism enterprises in manufacturing, agriculture, and the creative & cultural industries

sectors, were inevitably neglected. Bahamian SMEs not selling their goods directly to the hotel sector contributes to the high leakage that negatively affects the development and growth of local SMEs in manufacturing, agriculture and the creative & cultural sectors (Thomas, 2016). As a result, there is a risk that additional development with the intention of hotel sector profit maximization and the development of a stable tourism-based economy may be producing unintended outcomes in terms of impeding local SME economic development particularly for the sectors on which this paper is focused: manufacturing, agriculture, and the creative and cultural industries sectors.

This exploratory case study explored the current tourism hotel sector leakages and specifically how this leakage affects tourism related SMEs development in the sectors of manufacturing, agriculture, and creative and cultural in Nassau and Paradise Island in The Bahamas. According to Terzioglu and Gokovall (2016), there is no detailed study that specifically considers the backward linkages of tourism hotel sector with the local economies, the contributions and leakages nor the possible reasons and outcomes of these contributions and leakages (Chirenje et al., 2013). To fill this gap, I explored the leakages and linkages opportunities between the tourism hotel sector and the manufacturing, agriculture, and creative and cultural sectors in Nassau and Paradise Island, in The Bahamas. PPT conceptual framework was the lens through which the problem was explored and examined to address this gap with the intent of fostering the development and strengthening of linkages. Utilizing PPT, I took an inclusive view of all major stakeholders that benefit from the proceeds of tourism activities with the focus of increasing linkages between tourism (hotel sector) and the SMEs in the sectors of



manufacturing, agriculture, and the creative and cultural industries sectors. PPT is generally advocated as a means of alleviating poverty in developing economies but can also be applied in the context of the Bahamas and its developing sectors. Meyer (2006) argued that more could be done to link the tourism industry to other sectors of the economy so as to increase the overall development of a destination. It is of this view that using the PPT conceptual framework that this paper addressed. The PPT framework has generated a lot of interest and promotion, not only among researchers, but also amongst international and donor organizations (Manwa & Manwa, 2014).

### **Literature Search Strategy**

A review of the literature is essential as it incorporates past experiences into present challenges. The goal of this literature review is to summarize the history of PPT and the obstacles to tourism economic linkages that contribute to tourism destination economic leakages. Only when there is a comprehension of what has already been studied, analyzed, and implemented by others might there be avenues to take these issues further. Initially, using journals, academia articles and database searches the following key terms were researched; academic articles on tourism leakages and linkages, pro-poor tourism, local sourcing, and tourism SMEs development were retrieved and then analyzed in the light of the content analysis method. The majority of PPT research is focused on African countries and the Caribbean. Meyer, in her 2003, 2006, 2007 and 2009, studies was one of the earlier researchers to address the Caribbean tourism leakage as a whole utilizing PPT while exploring how the leakages implication affected countries within the Caribbean. Meyer provided significant insights for this study because she

studied similar island tourism destinations such as St. Lucia and Dominica (Meyer, 2006). I found that theories and models underpinning PPT studies are not only diverse in origin but also in usage, resulting in difficulties in identifying common theories and models. PPT research has been dominated by qualitative methods, although both quantitative and mixed methods approaches are gaining prominence (Truong, 2017).

A further search strategy for this study started with establishing the literature review outline. The ProQuest, Walden Library, EBSCOHOST, and SAGE databases were searched. Also, a Google Scholar search and alert was set up using *tourism, tourism leakage, tourism linkages, pro-poor tourism conceptual framework, and tourism SMEs development* as a key word or phrases produced thousands of publications, a number of these publications did not significantly focus on the tourism–leakage relationship. Sources of information included peer-reviewed journal articles, books, working reports, government statistics, theses, conference papers, dissertations and other types of publications that were not considered in this study. Other sources included World Tourism & Travel Council (WTTC) - The Caribbean reports, The Bahamas Ministry of Tourism Industry Reports, and World Tourism Organization (WTO) Economic Reports-The Bahamas.

To understand the Bahamas' hotel sector's high leakage problem and how it affects tourism related SMEs; specifically, in the manufacturing, agriculture, and creative and cultural sectors, I must first review the literature and the problem through a Caribbean lens. The Caribbean has a long history of tourism development (Schwartz 1999). In 2001, the Caribbean was the largest regional supplier of tourism to developing

countries worldwide (WTO 2002), making tourism one of the main drivers of economic growth in the region. The Caribbean is associated with mass tourism development and much has been written in particular about the Dominican Republic and all-inclusive resorts but very little about The Bahamas. However, much of the writing on tourism in the Caribbean has adopted a very critical political economy stance. In the early 1990s, Freitag (1994) asserted that the gap between the rich and the poor in the Dominican Republic was significant and the nation had been aptly described as "a rich country populated by poor people" (Black, 1986, p. 236). This is evident in The Bahamas, findings show that the political influence of large hotels importation of goods and services, rising of operating costs, and a lack of access to capital has resulted in tourism related SMEs being largely unable to compete and survive with their larger foreign counterparts (Thomas et al., 2016), therefore contributing to The Bahamas tourism significant leakage problem. Thomas further argued that the development of a tourism focused organization that focuses on the needs of small tourism enterprises that can act as a political advocate for these struggling tourism small and medium businesses.

### **Mass Tourism**

Tourism has been considered one of the world's largest and fastest growing sectors and hence an important contributor to economic development (UN World Tourism Organization [UNWTO], 2011). The literature indicates that The Bahamas and the wider Caribbean that there has been a strong focus on mass tourism development (Meyer, 2006). In The Bahamas, for example, tourism and tourism-related construction now account for over 70% of national income, directly and indirectly, and provides

employment for around 60% of the population (Clayton & Karagiannis, 2008). Mass tourism is the dominant tourism model found in a number of Caribbean destinations and is reliant on high numbers of air and cruise ship visitors, heavily built environments and short average stays of tourists (Torres, 2002; McElroy, 2003; 2006). The Caribbean's proximity to the US gives it a natural advantage, as the United States has always been the largest generating market for the Caribbean, providing well over half the total arrivals in the region (Clayton & Karagiannis, 2008).

Mass tourism as a tourist development strategy has been criticized, because of the significant risks for the islands in terms of economic vulnerability. The economic vulnerability stems from an excessive reliance on a single major source of tourists, such as North America (de Albuquerque & Mc Elroy, 1992; Briguglio, 2004). Many argued that this strong focus on mass tourism development meant that other sectors of the economy were essentially neglected (Rodenburg 1980). The Bahamas has traditionally branded itself as a sun, sand and sea destination and product diversification efforts have been sluggish at best particularly in the development of SMEs in manufacturing, agriculture, and the creative & cultural industries sectors.

### **Leakages and Linkages**

Leakage is a term used to describe the percentage of the price of the holiday paid by the tourists that leaves a destination (in terms of imports or expatriate profits) or never reaches the destination in the first place due to the involvement of 'Northern' based intermediaries (Meyer, 2006). Leakages are particularly high in small developing country island economies, for many of which tourism is the principal export earner – examples

are: St. Lucia 45% (Seward & Spinrad, 1982), average for the Caribbean region is reported to be around 70% (Pattullo 1996) while a tourism official of the Bahamas states that in 2016 leakages might have been as high as 85%.

Tourism hotel sector leakages can take three forms; these are realized through the importation of goods and services, control of capital by foreign/multinational firms and employment of non-residents (Terzioglu & Gokovali, 2016). A number of studies warn about the high reliance of the tourism industry on imports and thus the danger of unnecessarily high leakages (Belisle 1983; Taylor et al 1991; Wilkinson 1987). This study will explore the importance of local ownership mainly through tourism related SMEs and linkages between tourism hotel sector and the local economic manufacturing, agriculture, and the creative & cultural industries sectors. Leakages are considerably higher in countries that are highly dependent on tourism when compared to countries with a more diversified and large economy (Meyer, 2006), this is apparent in The Bahamas. The leakage problem has also been compounded by the lack of linkages development between tourism hotel sector and the rest of the local economy particularly the local economic manufacturing, agriculture, and the creative & cultural industries sectors as well as a lack of diversification in local production. The tourism hotel industry imports much of its supplies, largely because local manufacturers, farmers and distributors find it difficult to organize the quantity and quality of goods required.

The level of leakage varies significantly from country to country in the Caribbean, depending on the extent to which the domestic economy is able to meet the needs of the industry (Clayton & Karagiannis, 2008). Leakages occur at several different stages, here

are three that is most prevalent in The Bahamas. Firstly, leakages stem from the direct imports required by the tourism hotel industry and the visitors. Secondly, leakages arise from the import content of investment and overall consumption. Thirdly, leakages refer to expenditure by governments, national tourism organizations and individual firms on overseas promotion in order to sell the destination (Karagiannis and Salvaris, 2002). The Bahamas has to formulate new and innovative strategies to further development tourism related SMEs and promote and increase linkages that limit and reduces current tourism leakages. Hepburn (2013) suggested one way to reduce dependence on foreign imports and increase food security for example is to encourage the production of agricultural products in the country not only for the domestic but also for the international market. While studies have examined agriculture and tourism linkages at varying degrees the need to develop agri-tourism and food security linkages has been a concept that has eluded scholarly literature particularly in regard to The Bahamas. (Telfer 1996; Taylor et al. 1991; Torres 2003; Torres 2000; Timms 2006).

In The Bahamas there is a need for a more focused approach to reducing tourism leakage. Some countries have attempted to reduce expenditure leakage from their tourism sector by developing stronger links between tourism and other sectors in the local economy. Government policy in Jamaica, for example, has concentrated on strengthening the economic links between tourism and agriculture, thereby reducing the need for the tourism sector to import food (Meyer, 2006). Meyer assisted with the development of a Caribbean linkages project initiative to strengthen tourism linkages the project funded by The Travel Foundation and implemented by the Pro-Poor Tourism Partnership in

collaboration with Asonahores (focusing on training in Dominican Republic), the Caribbean Tourism Organization (focusing on production of Caribbean guidelines) and Sheffield Hallam University.

Meyer (2006; 2007) argued that more could be done to link the tourism industry to other sectors of the economy so as to increase the overall development of a destination. This study aims to address and explore how tourism linkages can be developed in The Bahamas by building on the existing literature on pro-poor tourism development and more specifically the promotion and development of tourism SMEs that can reduce tourism leakage significantly if done effectively. This can be achieved; a study example of this is the investigation of how the Botswana Forest Reserves was instrumental in ensuring that the benefits of tourism activities reach those that needed it the most, thus alleviating poverty among local communities through the use of pro-poor tourism strategies (Manwa, 2014).

A number of destinations, largely due to concern over impacts on the environment, the experience of visitors and their target market, socio-cultural and economic impacts have realized the misconception of increasing visitor numbers and instead aimed to focus on one or more of the following three strategies to increase benefits to the local economy: 1) increasing spending per visitor; 2) increasing local participation in the industry; and/or 3) increasing backward linkages and thus reducing leakages (Meyer, 2006). Meyer further argued that spending per visitor can be increased through, for example, provision of handicrafts where such provision currently does not exist. In some cases, there may also be prospects for attracting higher spending visitors.

Backward linkages can be increased through greater use of local agricultural and other products. In order to increase backward linkages and local participation in the industry, it may be necessary to implement or expand capital availability and training programs. These are some of the strategies that the literature presents that aligns with the focus of this paper which is to explore the issue of increasing backward linkages by the development of tourism SMEs.

In the case of food production, the term "linkages" for most studies is synonymous with investigation of the proportion of imported food to domestic food utilized by the tourism industry (Pattullo, 1996). A study by Taylor, Morison and Fleming (1991) measured the hypothetical impacts of a 25% reduction of imports and simultaneously a 25% increase in food supplied by local farmers in The Bahamas, the results were significantly positive to the reduction of tourism leakages and improvements to linkage strengthening between tourism and local agricultural suppliers. According to a number of studies (see for example Bowen, Cox and Fox 1991; Belisle 1983, 1984; Telfer and Wall 1996) there are several factors that have impact on the linkages that can be and are created between tourism and local agricultural suppliers. These include: variations in the availability; consistency; quality of products; tourists preferences for 'known' food stuff; hotels' willing to pay more to guarantee quality and/or reliability; imported goods may be cheaper (such as beer); the quality is not as good (especially hygiene); hoteliers may not be aware of what is available locally; farmers may want to maintain traditional crops and don't diversify into produce demanded by the tourism industry; farmers are not able to increase production; farmers lack information about food



requirements by hotels; hotels and farmers are inhibited from dealing with each other; and, farmers or local suppliers are unreliable in maintaining a regular supply and fulfilling contract agreements.

### **Tourism Small and Medium Enterprises (SMEs)**

In The Bahamas, the linkages between tourism hotel sector and local tourism SMEs have been relatively weak. The Bahamas has depended on the dominance of one traditional sector, tourism combined with the lack of economic innovation. The connection between the local farming community and the hospitality industry has been identified as one of the best opportunities to ease the over reliance on foreign agricultural products (Hepburn, 2013). There are new options such as health, cultural and heritage tourism could help to increase consumption of the region's cuisine and local products, thereby building a mutually beneficial relationship between tourism and other sectors. However, any significant strengthening of these linkages would still require SMEs development; improvements in product quality, more efficient distribution systems, extension training, and access to affordable credit by local producers (Henshall-Momsen as discussed in Karagiannis, 2002; Clayton & Karagiannis, 2008).

The tourism SMEs sector is crucial for improving the livelihoods of the poor (Shah and Gupta 2000). Ashley et al (2000) argued that the SMEs sector is where opportunities for small and medium scale enterprises that maximized the labor provided by the poor so promoting the development of tourism SMEs improves the quality of lives of the citizen in host communities and ultimately improves tourism linkages and reduce leakages. The development of SMEs and tourism hotel sector out-sourcing is another

strategic linkage that can be formed between the formal tourism industry and local SME suppliers. Some argue that far from contributing to local SMEs development, the invitation of TNC's in the tourism industry reduces tourism's potential for producing growth, as well as the net financial advantages that the industry brings to developing countries (Brohman, 1996).

### **Conceptual Framework**

The aim of this study is to develop in-depth insights into perceptions of why the tourism economic leakage is high due to poor and weak linkages between the hotel sector and tourism SMEs, a qualitative exploratory approach to inquiry is used. Pro-Poor Tourism (PPT) is the conceptual framework for this study. Many developing countries have thus embraced tourism as a tool of poverty alleviation (Muganda, Sahli, & Smith, 2010; Truong, 2013), leading to the development of the PPT concept in the late 1990s (Department for International Development [DFID], 1999). By definition, PPT generates net benefits for the poor and those that needs it the most (Truong, 2018). Economic benefits are only one component – social, environmental and cultural costs and benefits also need to be taken into account (DFID, 1999). At the end of the 1990s came the emergence of PPT, defined as tourism which brings net benefits to the poor (Harrison, 2008). According to Meyer (2007), PPT is a conceptual framework for analyzing and developing linkages, and reducing leakages between the tourism (hotel) sector and neighboring communities, this makes it a good fit for this study. The PPT conceptual framework is based deductively on a critical review of the literature, paired with first-hand experience in PPT action-research. Meyer (2006) suggested that PPT action

opportunities encompass both core and non-core activities within the tourism hotel sector. PPT considers that even if the benefits of tourism that reach the poorest sectors of society may seem insubstantial, they are significant in the context of limited domestic economies and can be important in their development (Ashley et al. 2001; Ashley and Haysom 2005; Goodwin 2008; Gascon, 2015).

Pro-Poor Tourism (PPT) can be the solution for local communities' development and environmental sustainability (Chiutsi & Mudzengi, 2012; Scheyvens, 2007; Snyman, 2017; Mudzengi, 2018). The UNWTO adopted the PPT concept, endorsing the Sustainable Tourism—Eliminating Poverty (ST-EP) Initiative in 2003 and establishing the ST-EP Foundation in 2004 (UNWTO, 2011). The UNWTO also considered 2007 a critical year where tourism was consolidated as a key agent in the fight against poverty and a primary tool for sustainable development (UNWTO, 2007). Mudzenzi, take a wider view in recognizing PPT seeks to improve opportunities and earnings of the socio-economically disadvantaged communities (Mudzengi, 2018). Gascon takes it a step further, he noted PPT considers tourism an efficient tool for the reduction of poverty because it allows an increase in income for some impoverished sector of the population. Based on this premise, the main objective of PPT is to increase the 'net income' of the sectors with the lowest income. PPT defines 'net income' as the benefits associated with tourism development minus the possible economic costs (Gascon, 2015). De Kadt's in his 1979 summary, possibly more valid now as three decades ago, laid out the pros and cons of tourism as a development tool. Recognizing tourism's contribution to employment, economic growth, entrepreneurship and inter-sectoral linkages, he also noted it could

exacerbate inequalities at international and local levels (Harrison, 2008). For Example, most tourism profits have instead accrued to private travel agencies never reaching the destination (Muse, 2011). De Kadt (1979) stated that tourism creates jobs, backward linkages with agriculture and other sectors and provides opportunities, particularly for young people and women. It also improves the quality of life for poor people through funding basic facilities, education, and training. Through PPT, local communities can benefit through economic, social, cultural and environmental opportunities that the industry creates (Ashley & Roe, 2002; Mudzengi, 2018).

Proponents of PPT have argued that tourism has more potential for poverty alleviation than other sectors for its particular characteristics (Rogerson, 2006, 2012). However, PPT has had its share of critiques over the years, Goodwin, one of the main theoreticians and champions of PPT, has illustrated that many of these critiques are centered on the practical implementation of the PPT method, rather than on its conceptualization (Goodwin 2008). Harrison argued that while PPT is based on a worthwhile injunction to help the poor, it is distinctive neither theoretically nor in its methods, and has become too closely associated with community-based tourism (Harrison, 2008).

This paper focuses on The Bahamas' high degree of dependence on the tourism sector and more importantly the high level of leakages from the gross tourism receipts particularly in the tourism hotel sector. Significant tourism-generated profits leak out of the local economy. These leakages occur primarily through the import of goods and the return on investment for the international chains (Croes, 2007). To a large extent of these

leakages influences the economic benefits enjoyed by the local community (Fletcher, 1989; WTO, 2004). The overarching question for this study focuses on how is The Bahamas' high economic leakage problem negatively affects the growth and development of tourism related SMEs specifically the manufacturing, agriculture, and creative and cultural sectors that support the tourism hotel sector in Nassau and Paradise Island in The Bahamas. The characteristics of PPT conceptual framework makes its application ideal for this level of inquiry; analyzing and developing linkages, and reducing leakages between the hotel sector and neighboring communities (Meyer, 2007).

This exploratory case study will explore the current tourism hotel sector leakages and specifically how this leakage affects tourism related SMEs development in the sectors of manufacturing, agriculture, and creative and cultural in Nassau and Paradise Island in The Bahamas. To reach this objective, with the PPT approach, several areas of action will be explored that aim to increase the opportunities for paid work, develop tourism SMEs and generate local community income. There are cases that include the funding of Community-Based Tourism projects (Saville 2001; Williams et al. 2001), the support of tourism business policies with large investments that generate work or other benefits for the local population (Ashley 2006; Spenceley and Goodwin 2007; Erskine and Meyer 2012), and the promotion of the link between tourist complexes and the local agricultural and livestock sector in the provision of food (Torres and Momsen 2004; Meyer 2006, 2007).

PPT is considered the pro-poor policy that is applicable to any tourism model, from mass tourism to nature tourism (Deloitte-Touche et al. 1999; PPT n.d.). Mass

tourism, even in its most extreme forms, can potentially be considered a form of PPT. However, PPT considers large-format tourism models to be the best policy for the concrete reduction of poverty (Ashley and Goodwin 2007; Goodwin 2008). PPT's objective is to determine feasible strategies that permit the incorporation of the impoverished sector of the population into the tourism market (Meyer 2009; Gascon, 2015). With the PPT conceptual framework application, it is expected that the research findings will help us understand how that local communities are deriving economic, social, cultural and environmental benefits from the tourism economic sub-sector and how it can be improved through further development of tourism SMEs. And, understand how we can improve and build upon it. Mudzengi (2018) notion that the tourism benefits accruing to these local communities are derived from SMEs that sell artefacts, handicrafts, cultural activities, agricultural produce and fruits to tourists and the hotel sector while continuing to offer paid wage employment in hotels and lodges.

### **Literature Review Related to Key Concepts**

PPT strategies if effectively integrated within general tourism development should: mainstream activities (such as tourism planning) need to be influenced by pro-poor perspectives; and pro-poor tourism cannot succeed without successful development of the whole tourism destination (Harrison, 2008). PPT relies on and must be integrated into, wider tourism systems. Many national tourism development plans are drawn up based on the assumption that the economic benefits of tourism will stimulate other sectors of the economy (Meyer, 2007). PPT is not a stand-alone option. If we think thoroughly about mass tourism, even in its most extreme forms, can potentially be

considered a form of PPT. Strategies derived from a PPT perspective are formulated to incorporate the poor into capitalist markets by increasing the employment and entrepreneurial opportunities (SMEs development), and more collective benefits available to them (Harrison, 2008).

PPT plays a significant role in reducing tourism leakages and strengthening linkages between the tourism hotel sector and other sectors that represent the tourism SMEs (Meyer, 2006). Strategies noted above are clearly relevant to PPT, but they, too, are no more specific to it than examining leakages from destination areas, comparing the relationship of tourism to pre-existing or new SMEs, detailing the new employment opportunities tourism creates, assessing the impacts of capacity building and improvements in welfare, or outlining more general changes, for good or ill, in culture and values. All these approaches have long existed in mainstream tourism and strengthening linkages through hotel sector local sourcing even though is perceived to contribute positively to SMEs and community development, it is not known to what extent nor units of measurement that can be employed to measure the benefits to the development of SMEs and the host communities.

Ashley (2000) challenged us to view PPT as not being focused on the very poorest of society but rather a more appropriate tool for reaching those with assets and skills who at minimum able to engage in the commercial economy; tourism SMEs. Some researchers have argued that PPT does not efficiently inspire the interests of the business sector, which it considers an essential interlocutor for the application of policies that favor the poor (Scheyvens & Momsen, 2009; Hummel & Duim, 2012). Helping the poor

can mean directly helping the better-off clients or employers and to reduce tourism leakages this speaks to the development of SMEs. Trying to avoid benefiting the non-poor is usually counter-productive. As long as poor people reap net benefits, tourism can be classified as “pro-poor” even if richer people benefit more than poorer people (Harrison, 2008). A PPT weakness is that it is often impossible to calculate the benefits PPT initiatives do bring to communities like SMEs development. Accurate assessments of incomes and expenditures in PPT projects are difficult to find; by definition intangible benefits are hard to calculate (Harrison, 2008).

Harrison (2008) traced the history of the PPT concept and critiqued its theoretical and practical foundations. Goodwin (2009) reviewed the first 10 years of PPT and provided important gaps for further studies, such as the need to quantify the impact of tourism on poor people. Although these are useful critiques and reviews, none of them has assessed the theoretical and methodological bases of previous PPT research. Lastly, PPT has been accused of overrating the growth of the tourism sector and rejecting the equal redistribution of its benefits as a strategy in the fight against poverty (Mowforth & Munt, 2003; Hall, 2007; Schilcher, 2007; Gascón, 2009; Scheyvens, 2011; Cicci Pinto & Hidalgo, 2012, 2013; Pérez Galán, 2012; Scheyvens & Russell, 2012). Opposition to redistribution as a necessity to fight poverty is one of the ‘strongest attractions’ of PPT, as repeatedly argued by its main proponents (Ashley 2003; Goodwin 2008; Mitchell 2012; Gascon, 2015).



## Summary and Conclusions

Harrison (2008) noted that Pro Poor Tourism (PPT) practitioners rarely submit their work to academic peer review and recognized academic journals. In such an applied field as PPT, as well as tourism and hospitality overall, the connection between academic knowledge and on-the-ground practice is of vital importance (Goodwin, 2009; Law & Chon, 2007; Troung & Hall, 2017).

This study will promote the furtherance of questions if the use of PPT theories and models necessarily results in effective discussions of tourism as a tool of poverty alleviation through tourism SMEs development by strengthening linkages between the tourism hotel sector and other sectors; manufacturing, agriculture, and the creative & cultural industries. The study also will present effective discussions and indication of tourism as a contributor to poverty alleviation through SMEs development that constitute proof of a model's value; and if the effectiveness of theories and models underpinning PPT studies can be tested easily. Therefore, PPT researchers may be encouraged to clearly report theory and model use in their studies, which may then help to identify common theories or models that effectively guide PPT research. These questions may provide important implications for further research (Troung & Hall, 2017).

The PPT literature is lacking measures that quantify tourism's pro-poor impacts. This is a challenge for two main reasons. First, tourism is a destination-based activity and hence its impacts vary by destination. As a result, there is possibly no "one-size-fits-all" measure that can be pertained to all host communities. Second, tourism is a complex industry that involves many other industries (Troung & Hall, 2017). The majority of PPT

research is qualitative in nature. The gap in the literature have been identified as the application of PPT as a tool to further develop and promote tourism SMEs. To address this gap, this exploratory study will be built heavily on the PPT research works by Meyer with focus in the Caribbean region and Ashley with focus on SMEs. PPT which is a conceptual framework for analyzing and developing linkages, and reducing leakages between the hotel sector and neighboring communities (Meyer, 2006).

In the proceeding chapters, this exploratory study is fixed specifically on the negative affect that economic leakage have on the development of SMEs and by extension job creation and other related opportunities within the host communities as a result of tourism hotel sector's not maximizing the purchasing of goods and services from SMEs in the manufacturing, agriculture, and the creative & cultural industries sectors in Nassau and Paradise Island in The Bahamas (McKenzie, 2016; Meyer, 2006). Open ended questions with face-to-face semi-structured interviews will be the appropriate research method due to the exploratory nature of the research. Semi-structured interviews are particularly useful in this research context, offering researchers great flexibility in the way questions are phased and the order in which they are asked (Quivy & Campenhoudt, 1992). Chapter 2 is an overview of this study's qualitative approach and methodology using a qualitative exploratory case study from the data that is provided in Chapter 3.

## Chapter 3: Research Method

### **Introduction**

In The Bahamas, tourism is an important economic driver. Yet, accompanying the benefits derived from tourism are concerns regarding the negative leakage impacts that come with the type of mass tourism that dominates the Bahamian tourism industry. The purpose of this chapter is to introduce the research methodology for this qualitative grounded theory that addresses this phenomena by examining and exploring the Bahamas' tourism hotel sector's high leakage problem and how it affects tourism related SMEs in the manufacturing, agriculture, and creative and cultural sectors in Nassau and Paradise Island in The Bahamas. According to Terzioglu and Gokovall (2016), there is no detailed study that specifically considers the leakages of tourism hotel sector with the local economies, the contributions and leakages, nor the possible reasons and outcomes of these contributions and leakages. With this study, I aimed to fill that gap.

### **Research Design and Rationale**

To address this gap, this study's qualitative methodology complimented with PPT conceptual framework approach will allow for a deeper understanding of leakages and linkages opportunities between the tourism hotel sector and the manufacturing, agriculture, and creative and cultural sectors in Nassau and Paradise Island, in The Bahamas. The applicability of grounded PPT theory and a constructivist approach are discussed in-depth in this chapter. The research plan, including the methodology, study participants, procedures, analysis method, and ethical concerns, are also primary elements of this chapter.

## **Research Questions**

This study sought to build upon the PPT theory in answer to the following research questions:

Research Question 1: How does The Bahamas' high tourism economic leakage problem negatively affect the growth and development of tourism related SMEs, specifically in the manufacturing, agriculture, and creative and cultural sectors that support the tourism hotel sector in Nassau and Paradise Island in The Bahamas? This open-ended question triggers the inquiry of why this phenomenon exists and highlights the issues surrounding the high leakages and how linkages can be established and strengthened to ensure the benefits of mass tourism can benefit those that need it the most in the host communities through the development of SMEs.

Other research questions are:

Research Question 2: What is the state of current linkages between the tourism hotel sector and tourism small and medium enterprises (SMEs) in host communities?

Research Question 3: What hotel sector linkage best practice initiatives from similar and nearby jurisdictions can be implemented to promote the development of tourism small and medium enterprises (SMEs)?

Research Question 4: What types of support do tourism small and medium enterprises (SMEs) require to succeed and improve linkages with the hotel sector and these businesses?

### **Methodology Selected**

A qualitative case study is appropriate when the goal of the research is to explain a phenomenon by relying on the perception of a person's experience in a given situation (Stake, 2010). As outlined, the aim of this study is to explore and examine the negative implications The Bahamas' tourism hotel sector's high leakage is having on the development of tourism related SMEs in Nassau and Paradise Island in The Bahamas, thus a qualitative approach is the most appropriate approach.

### **Case Study Methodology**

This qualitative study used qualitative exploratory case methodology. Case study is a research methodology typically seen in social and life sciences. There is no one definition of case study research. A case study can be defined as a rigorous study about a person, a group of people, or a unit, which is designed to generalize over several units (Heale & Twycross, 2017). A case study has also been described as an intensive, systematic investigation of a single individual, group, community, or some other unit in which the researcher examines in-depth data relating to several variables.

Using a case study approach, this study explored and investigated stakeholders' view of tourism leakages in Nassau and Paradise Island, The Bahamas. This method of research allowed me to take a phenomenon such as tourism leakages and narrow it down into manageable research questions. By collecting qualitative datasets about the phenomenon, I gained a more in-depth insight into the phenomenon than would be obtained using only one type of data. According to Hyette et al. (2014), researchers who use case study are urged to seek out what is common and what is particular about the

case. This involves careful and in-depth consideration of the nature of the case, historical background, physical setting, and other institutional and political contextual factors (Stake et al., 1998).

The steps when using case study methodology are the same as for other types of research. The first step is defining the single case. A search to determine what is known about the case is typically conducted. This may include a review of the literature, cloudy literature, media, reports and more, which serves to establish a basic understanding of the case and informs the development of research questions. Data in case studies are often, but not exclusively, qualitative in nature. Themes arise from the analyses and assertions about the cases as a whole emerge (Heale & Twycross, 2017). Despite the advantages of case studies, there are limitations. The volume of data is difficult to organize and data analysis and integration strategies need to be carefully thought through.

In line with the principles of case study, this case study will employ pro poor tourism (PPT) conceptual framework explaining stakeholders' views of tourism leakages will be developed based on given questions. In-depth interviews with tourism stakeholders will be conducted and data analyzed using principles of case study. This research study sought to conceptualize the phenomenon of each participant's experience, to understand in abstract terms constructed through coding the data from interviews, and develop understanding based on the interpretation of their shared experiences.

Considering, the focus of this study addresses the limited access for Bahamian SMEs to sell their goods and services directly to the hotel sector contributes to the *high leakage* that negatively affects the development and growth of local SMEs in

manufacturing, agriculture and the creative & cultural sectors (Thomas, 2016). This less than accessibility creates a risk to tourism SMEs development. Hotel sector profit maximization and the development of a stable tourism-based economy are producing unintended outcomes in terms of hindered local SMEs economic development particularly for the sectors that this paper is focused on; manufacturing, agriculture, and the creative & cultural industries sectors. The concept of local sourcing is vital if the tourism leakages are to be effectively addressed, the Bahamian tourism SMEs must be promoted stimulating markets in areas that are currently underdeveloped.

Central concepts of this study revolve around; a) what is already known about leakages and linkages between the tourism industry (hotels) and other sectors, in particular agriculture and local cuisines, crafts, arts and music. b) identify what government and private sectors should be doing to contribute to promote robust economy i.e. job creation, thus minimizing the leakages while strengthening the linkages between the tourism hotel sectors and those sectors. c) to examine the contributions of pro poor tourism conceptual framework as a solution to a long overdue wider debate by combining theoretical knowledge with practical examples (Meyers, 2006). d) And, how the implications of these concepts can benefit a small touristic nation like The Bahamas while identifying new solutions that can contribute to a more robust economy; SMEs development and job creation while enhancing cultural identity through local sourcing, linkages and SMEs development. The tourism hotel sector economic leakage problem in this exploratory study will be addressed by reviewing and discussing the obstacles that hinder economic linkages between the hotel sector and other sectors, specifically; SMEs

in manufacturing, agriculture, and creative and cultural sectors in Nassau and Paradise Island in The Bahamas to bring private and government sectors closer to making more informed decisions.

The case study methodology to be used in this study was developed at the end of the first phase of the project on pro poor tourism Strategies (2000–2001): as a selection of the six case studies were being finalized and before field work began. It was developed by the UK project team, and drew heavily on previous work in fields of responsible tourism, community tourism, sustainable livelihoods, and socio-economics, and on some specific work on pro-poor tourism done in 1999 for DFID with Deloitte and Touche (Deloitte and Touche et al. 1999).

Apart from the practical problems of implementing the methodology as intended, some broader limitations of the methodology need to be recognized, as they affect its value for future use. The methodology was written for analyzing one initiative, one specific case study. A different approach would be needed for analyzing pro-poor tourism (PPT) action or impacts at, say, the level of a destination or country. While the focus on impacts at local level is important, impacts above the local level receive scant attention. For example, impacts on policies or policy-makers, incremental change in market access of the poor, or a wider demonstration affect. The methodology does not provide any tools for assessing these. The written guidance included here only covers part of the assessment process: what to do, what data to collect, and how to tabulate results. Analyzing the information and interpreting it is just as important, but is not covered. The methodology was developed rapidly in the UK. A more constructive process as part of a



longer project would have developed it collaboratively drawing on authors' different skills and experiences. Collaboration would not only have informed the methods, but strengthened the authors' ability to assess and interpret their case studies within the wider PPT context.

Ashley (2002) identified three reasons for sharing the methodology more widely:

a) To encourage or help others interested in assessing tourism initiatives from an explicitly pro poor perspective; b) To provide the frameworks we used for (i) assessing different types of pro poor tourism strategies, and (ii) combining analysis of financial and non-financial impacts on poor people; and, c) To implement the principle that research conducted and funded with the ultimate goal of poverty reduction should be as transparent as possible, and share information widely and free of charge with all those that can make use of it.

### **Role of the Researcher**

I worked in the tourism industry for 28 years and holds a Bachelor of Science in Hotel Administration and a Masters' of Science in International Business. In reviewing the data collection process and determining the role of the researcher, it was decided that in-depth interviews (IDI); inclusive of focus group (not examined in this review) if needed will be the most effective methods. Thus, the role of the researcher as the interviewer realized that one-on-one interviews (held in-person and over the phone) require a lot of time—preparation, participant/s selection, focus, developing approach strategy, coding and re-coding on the researcher and/moderator's behalf in order to get the full benefit of the experience and the needed data to be collected. Trying to establish relations between

cultural events and economic impact is this phenomenological paradigm requires a naturalistic approach that aims to understand this relationship i.e. touristic-job creation in this context-specific settings. Creswell (2013), describes the qualitative research methodology as an investigative concept of inquiry which can apply to different disciplines, fields, and subject matters.

### **Bias and Positionality**

Issues of positionality could arise during the data collection processes due to my familiarity, relationships and tenure in the tourism industry in The Bahamas. I have been employed in the tourism industry for the last 28 years; specifically, hotel operations and related industry associations and boards. I am familiar with the stakeholders and decision makers that are involved in tourism, and by extension cultural tourism. I understand the importance of potential benefits of the development of cultural events and the enhancement of cultural identity to the overall Bahamian tourism industry. As a senior leader in the largest hotel in the country in addition to serving on various tourism boards and associations—I will influence the output in one way or the other. Positionality is determined by where one stands in relation to the research (Merriam et al. 2001). Having this knowledge and understanding can bring issues of positionality to the research. Maxwell (2013) suggested that to develop a researcher identity/positionality memo which provided a structure at an early stage in the research development process including the issues of positionality that influence the research. The data collection methods; in-depth interviews because of their face-to-face nature can enhance the level positionality, thus through deep thought processes the researcher will make memos to remind himself to

approach the data collection process with an objective view i.e. asking the same question using multiple lenses.

### **Study Participants**

A nonprobabilistic, purposive sampling approach will be used. The aim is to interview participants that play key roles and are affected by this tourism leakage phenomena for example appropriate candidates that can participate in the reduction of tourism leakages programs in Nassau and Paradise Island. The sample will be drawn from hotel procurement agents, tourism vendors in the manufacturing, agriculture, and creative and cultural sectors, tourism associations' representatives, government officials of tourism and other members of the private sector involved in tourism, donors, tourists, and beneficiaries of this initiative. The researcher will rely on his professional network to identify potential participants across the stakeholders' categories. Each identified potential participant will be contacted by phone to ascertain interest and the stakeholder presented group will be documented. I anticipated 12 participants for this study, however the final number will be determined by saturation.

Purposive samples are the most commonly used form of nonprobabilistic sampling, and their size typically relies on the concept of "saturation," or the point at which no new information or themes are observed in the data. Although the idea of saturation is helpful at the conceptual level, it provides little practical guidance for estimating sample sizes, prior to data collection, necessary for conducting qualitative research. For this study, the researcher plans to conduct 12 in-depth interviews.

According to Guest, Bunce and Johnson (2006), using data from a study involving sixty in-depth interviews with women in two West African countries, these authors systematically document the degree of data saturation and variability over the course of thematic analysis. They operationalize saturation and make evidence-based recommendations regarding non probabilistic sample sizes for interviews. Based on the data set, they found that saturation occurred within the first twelve interviews, although basic elements for meta-themes were present as early as six interviews. Variability within the data followed similar patterns (Guest, Bunce and Johnson, 2006).

Although theoretical saturation is the most commonly used term in published works, frequency of use within multiple bodies of literature has resulted in its meaning becoming diffuse and vague. To avoid proliferating this transgression, we rely on a more general notion of data saturation and operationalize the concept as the point in data collection and analysis when new information produces little or no change to the code book. Ryan and Bernard (2003) asserted that when and how saturation is reached depends on several things: (1) the number and complexity of data, (2) investigator experience and fatigue, and (3) the number of analysts reviewing the data. Within any this research area, it is understood that different participants can have varied opinions. Qualitative samples must be large enough to assure that most or all of the perceptions that might be important are uncovered, but at the same time if the sample is too large data becomes repetitive and, eventually, unnecessary. If this study remains faithful to the principles of qualitative research, sample size in the majority of qualitative studies should generally follow the concept of saturation when the collection of new data does not shed any further light on

the issue under investigation. It should also be noted that saturation can occur within the first twelve interviews, although basic elements for meta themes can be presented as early as six interviews (Guest et al., 2006).

Nassau and Paradise Island, The Bahamas, was selected as a case study given its status as one of the top ten most visited mass tourism destinations in the Caribbean region (Dehoorne et al., 2010). The preliminary research on the case study site consisted of informal interviews and conversations with representatives from hotel procurement agents, tourism SMEs vendors in the manufacturing, agriculture, and creative and cultural sectors, tourism associations' representatives, government officials including ministry of tourism and ministry of finance, other members of the private sector involved in tourism to confirm validity of the research problem. This preliminary exercise led the researcher to a focus on investigating the type of local sourcing linkages that exist between hotels and these other sectors, the profitability of these SMEs businesses, available financing options and relationships with governmental and private tourism organizations. For the research, the interviews will be semi-structured and allow for open-ended discussion on perceptions of how tourism economic leakages have affected the development of tourism SMEs and what can be done to improve it. The interviewees must be stakeholders and familiar with and to varies degrees affected by the tourism leakage problem. Secondary sources including newspaper reports, legislation and governmental and tourism organization reports related to tourism hotel sector and tourism leakages in the manufacturing, agriculture, creative and cultural sectors will be collected and reviewed.

The tourism hotel sector on Nassau and Paradise Island (NPI) consisted of 63 hotels with 19 of them classified as large hotels with at least 75 rooms (Bahamas Ministry of Tourism, 2011). While the large hotels account for 30 percent of all hotels on NPI, they account for 85 percent of total hotel rooms. These large hotels are largely international brands. Equally, small hotels are largely unique establishments with an average of 28 rooms per hotel. There is a noticeable difference in the location of hotels by size with large hotels being located near the beach while smaller hotels are largely located inland (Thomas, 2016).

Analyzing, and the integration of quantitative data i.e. journal data, industry reports, and surveys; this will be complimented with qualitative data with in-depth interviews being the data collection method in the research design. The participants will be recruited from the researcher's existing professional networks i.e. the Bahamas Hotel & Tourism Association; to include representatives from; hotels, tourism association, ministry of tourism, tourists, local entrepreneurs—agriculture, fishing, manufacturing, arts, crafts and entertainment. A deep analysis will be given to the validation of my research design approach by examining other similar studies using the same demographic grouping.

### **Relationship between Saturation and Sample Size**

Once selected, participants were asked if they wished to participate in the study. They were given an informational letter as outlined by the Institutional Review Board, IRB and verbal consent obtained. According to Guest et al. (2006), the most common sample sizes were 20 and 30, followed by 40, 10 and 25. The significantly high proportion of studies utilizing multiples of ten as their sample is the most important

finding from this analysis. There is no logical or theory driven reason why samples ending in any one integer would be any more prevalent than any other in qualitative PhD studies using interviews. Guest et al. further argued that if saturation is the guiding principle of qualitative studies it is likely to be achieved at any point. Reviewing the nature of this study, I conducted 12 interviews as there does not seem to be any real pattern as to how far PhD researchers adhere to the guidelines for saturation established by previous researchers. A large proportion of the samples (80%) adhered to BERTAUX's guidelines of 15 being the smallest number of participants for a qualitative study irrespective of the methodology. Thus, 12 was the number of interviews for this study even though Leech (2005) suggested that it is a mistake to presume that all qualitative research must inevitably use small samples. However, Creswell's (1998) ranges are a little different, he recommended between 5 and 25 interviews for a phenomenological study of this case study nature.

Ultimately, the 12 qualitative samples for this case study were drawn to reflect the purpose and aims of the study. A study schedule will then be designed. All interviews were 35 minutes to 1 hour or less, open-ended questions with face-to-face interviews will address the current views of tourism leakages and what can be done to improve the linkages between the tourism hotel sector and other sectors. Using a similar method used by Hepburn (2013), all interviews were recorded via digital recorder and notes also taken during all interviews to corroborate what was stated with what participants want to express while not being recorded. Interviews were conducted at various locations to facilitate participants' convenience. Once interviews are completed, they were

transcribed and coded. According to Morse (2008), the skill of the interviewer will have an effect on the quality of data collected and this will have a subsequent effect in achieving saturation (Guest et al., 2006). The sample size becomes irrelevant as the quality of data is the measurement of its value, this is as a result of an interaction between the interviewer and the participant. Therefore, it could be argued that 10 interviews, conducted by a skilled interviewer can achieve richer data than 20 interviews by an inexperienced or novice interviewer. Thus, I being a novice suggested 12 interviews understanding that these factors can affect how and when saturation is reached and when researchers feel they have enough data. In this tourism case study, there will be more participants in the sample that similar in their experiences with respect to their contribution to this study, it would be expected that saturation will be reach sooner compared to a more diverse study.

In this study, the participants were homogeneous in the sense that they are mostly within the tourism industry. These similarities appear to have been enough to render a fairly exhaustive data set within twelve interviews (Guest et al., 2006). At the same time, I was aware that purposive samples still need to be carefully selected, and have the flexibility to increase beyond the 12 interviews if the selected group turns out to be relatively heterogeneous, the data quality is poor, and the domain of inquiry is diffused and/or vague.

### **Instrumentation**

Pro Poor Tourism (PPT) interview questionnaire protocol will be used. Central interview probing concepts revolves around; a) what is already known about leakages,



linkages, and multipliers between the tourism industry (hotels) and other sectors, in particular agriculture and local cuisines, crafts, arts and music. b) identify what government and private sectors should be doing to contribute to promote robust economy i.e. job creation, thus minimizing the leakages while strengthening the linkages between the tourism hotel sectors and those sectors. c) to examine the contributions of pro poor tourism conceptual framework as a solution to a long overdue wider debate by combining theoretical knowledge with practical examples (Meyers, 2006). d) And, how the implications of these concepts can benefit a small touristic nation like The Bahamas while identifying new solutions that can contribute to a more robust economy; SMEs development and job creation while enhancing cultural identity through local sourcing, linkages and SMEs development. All interviews are expected to last 35-minutes to 1 hour or less, open ended questions with face-to-face interviews.

In addition to using the PPT interview protocol, the research gap is supported with documented evidence in regard to the “so what” question and the need to address the tourism leakage problem. Sources included but not limit to; WTTC Reports - The Caribbean-the impact of travel & tourism on jobs and the economy, The Bahamas Visitor Exit Survey-identifying number of visitors, average spent per visitor, perception of authentic Bahamian experience, local newspapers, Industry Journals-local sourcing, guest experience index, World Tourism Organization (WTO) Economic Reports-The Bahamas-tourism direct, indirect and inducted economic contributions to GDP reports and multitude of PPT articles .

According to Ashley (2002), apart from the practical problems of applying the methodology as intended, some broader limitations of the methodology need to be recognized, as they affect its value for future use. The methodology was written for analyzing one initiative, one specific case study. A different approach would be needed for analyzing PPT action or impacts at the level of a destination or country where collaboration would not only inform the methods, but strengthened the researcher's ability to assess and interpret their case studies within the wider PPT context (Ashley, 2002).

### **Validity**

In this case study, I seek to develop an initial understanding of the underlying social phenomenon of interest from qualitative field data. A series of in-depth interviews were conducted, the participants included stakeholder representatives from; hotels (purchasing), tourism association, ministry of tourism, tourists, and local entrepreneurs—agriculture, fishing, manufacturing, arts, crafts and entertainment. The interview questions were designed in such a way as to help the interviewees think about their role in the tourism linkage supply chain; from the local workshop 'to hotel offerings. The first question required participants to report their views on the current state of tourism hotel linkages over the last 5 years and what if anything can be done to improve. The 2<sup>nd</sup> question focused on the current state and obstacles that prevent linkages growth between the tourism hotel sector and other sectors i.e. the inability to meet demand and quality criteria. Question 3 and 4, focused on identifying other jurisdiction's best practices that can be applied locally and the support and enhancement of destination's reputation by

strengthening these linkages. They are all semi-structured and open-ended questions to help to encourage thought and deeper understanding of the social phenomenon. I conducted the interviews over a period of 2 months. The desired number of respondents was 12, and preferably a 50/50 (male/female) split to obtain balance responses and viewpoints. Participation was voluntary, and the participants understood that they could refuse to answer any questions and terminate the interview at any time. Interviewees were informed about the purpose of the research will be given assurance that the interviews would not be shared, and, if quoted in the research results, pseudonyms would replace their actual names.

The interview questions were developed to gain a deeper understanding of the roles and meanings of linkages, SMEs relationships, and cultural promotion through local sourcing from the stakeholder's perspective. The interviewer had extensive conversation with local retailers and vendors in order to gain a deeper understanding of perceived linkages' hindrances in the industry. Multiple follow-up interviews with the same informants were conducted in order to aid the researcher to examine the stability of the data over time. A theoretical sampling method was used, whereby the data collection process stopped when no new information could be obtained.

The interviews were transcribed, and the coding process involves me solely. I read the verbatim transcript line by line. I also compared the coded text for similarities and differences in interpretation. To improve the quality of interpretations and reduce my bias, dialectical tracking between the data and the literature will be done by comparing the data and the theory on a regular basis. In particular, I initially will used open coding

to identify important concepts, which are based on the natural language use by the participants so the meanings of their views are preserved. Similar codes were then grouped into themes. Summaries of the results were presented to the participants to ensure accuracy of the interpretations and to seek further understanding from the stakeholder perspective. This also helped to relate the findings back to their experience, which increases transferability.

### **Data Collection**

This study used the in-depth interviewing method. Qualitative research techniques such as in-depth interviews and case studies have been used generously by a number of researchers investigating tourism (see Broad, 2003; Gray & Campbell, 2007; McGehee & Santos, 2005; Raymond & Hall, 2008; Simpson, 2004; Sin, 2009; Tomazos & Butler, 2010). In-depth semi-structured interviews will be conducted. The in-depth interviews asked participants key questions about their perceptions around motivations, benefits, positive and negative impacts, as well as their support for local sourcing, linkages between tourism hotel sector and other tourism related sectors and their perceptions about the interaction between these sectors. Utilizing this interviewing technique provided the setting for respondents to expand deeply about their perceptions and explanations without endangering the overall goals of the research (Jennings, 2005).

Each interview was tape-recorded in addition to the research notes taken during and after the process. Beginning with familiarization, interviews were transcribed ensuring that accuracy and authenticity of the data were maintained (Ritchie, Spencer, Bryman, & Burgess, 1994). Interviews will be screened through a process of data coding

and smoothing after a systemization and qualitative process (Holsti, 1969). Data coding involves techniques to exclude frequent words that are unrelated to the analysis such as “we,” “like” and “what.” Data smoothing involves standardizing grammatical spelling procedure concerning alternate ways the keywords are presented. Additionally, words with similar meaning will be coded to represent one word, for example, “hotels” and “resorts” will be coded to “hotel.”

I am positioned as a tenured hotelier aiding in connecting with local tourism SME supplier participants that are presently at a disadvantage, requiring me to make special efforts to connect with them in an effort to solve the problem. Such expectations would seem reasonable, and at least in some part grounded in logic, based on works that suggest that people tend to drift toward those with whom they share some level of commonality (Chang & Arkin, 2002).

### **Data Analysis Plan**

Coding as an instrument in research methodology is a short word or phrase describing the meaning and context of a sentence, phrase or paragraph. Coding aided me in understanding the perspectives of the participants and analyzing their collective experiences. A code is a concept that is given a name that most exactly describes what is being said (Engel & Schutt, 2014). In the interview transcript, coding is able to highlight a word, a phrase, sentence, and even paragraph that describe a specific phenomenon. As noted by Rubin and Rubin (2012), interviewed offer an opportunity for in-depth interrogation that provides for rich and detailed information, generates new insights, and presents comparative data among the interview participants.

Codes, categories, and themes are all interconnected. In qualitative analysis, the very process of identifying and connecting the passages of text and clarifying the concept or idea represented by units that are coded is an important part of the analytic process. Coding used in this qualitative exploratory case study allows the researcher to focus the interview analysis on the experiences of the participants in a structured way. Qualitative researchers examine the relationships between the coded text to other coded text elsewhere either for the same person or same case or across the whole data set. Coding helps prevent the researcher overemphasizing the importance of any one aspect early in the study and helps to ensure a thorough analysis of the entire interview (Stake, 2010).

Additionally, to assist with solidifying data analysis, a computer assisted qualitative software; Atlas.ti8 was used to aid with the data management and analysis process. The software will be used to query key words for comparison in conjunction with the manually coded categories and theme and is useful as a repository and for sorting through data (Bryant & Charmaz, 2010).

### **Issues of Trustworthiness**

Due to this case study being conducted in a small island destination, there is a concern with confidentiality. One section of the IRB application that may be a social or economic loss i.e., collecting data that could be damaging to any participants' financial standing, employability or reputation will be the vendors' sector data. Based on the participants' responses it could be economically disadvantageous to them if it is known. Thus, confidentiality is critical, making participants anonymous will address this concern. Confidentiality means that the respondent's identity is known to the investigator but

protected from public exposure. The convention of confidentiality is upheld as a means to protect the privacy of all persons, to build trust and rapport with study participants, and to maintain ethical standards and the integrity of the research process (Baez, 2002).

Ravitch and Carl (2016) argued that it was difficult to demonstrate “trustworthiness” in qualitative research. To that end, qualitative research in its evolution has focus on the accumulation of researches over the years of meanings and understandings of rich and valuable descriptions given to complex social phenomenon centered on the experiences of people in those environments studied. Shenton (2004) noted that the trustworthiness of qualitative research generally is often questioned by positivists, conceivably because their concepts of validity and reliability cannot be addressed in the same way in naturalistic work. A qualitative researcher should make sure that trustworthiness possibly will be appropriate for any area of research that would be investigated. According to Morrow (2005), she noted that credibility in qualitative research is said to correspond to internal validity in quantitative approaches, transferability to external validity or generalizability, dependability to reliability, and confirmability to objectivity.

However, while there are many techniques and strategies and all are important, Burkholder, Cox, and Crawford (2016) suggested that in a qualitative research the following are the most important techniques for conducting trustworthy and high quality research projects; *Credibility, Transferability, Dependability and Confirmability*.

The researcher will apply these techniques to the interview findings; a) Credibility--refers to the plausibility and integrity of the study. The selected participants

are well established in the tourism industry and represent a major knowledge based contributor to many industry initiatives. Strategies to establish credibility will include triangulation, prolonged contact, participants' checks, saturation, reflexivity, and peer review. b) Transferability--refers to the possibility of applying the outcomes to other contexts. This case study will be focused on Nassau and Paradise Island that represent only one out of 21 inhabited islands in The Bahamas and similar island tourism destinations particularly within the Caribbean. The findings and outcomes are easily transferable to the remaining Bahamian islands as all islands face similar local sourcing challenges. c) Dependability-- refers to research procedures that are clearly defined and open to scrutiny. In-depth interviewing and manual coding strategies will be used to establish dependability; such as audit trails and triangulation, these are proven qualitative research data collection methods. d) Confirmability--refers to evidence that the procedures described actually took place. The interviews and coding will be documented, dated, and verified with the participants and confirmed that they actually took place with a high level of reflexivity.

To reduce potential researcher bias, I embraced regular memo writing throughout the study (Urquhart, 2013). To even further address researcher's bias, both memo writing and continuous comparative analysis was utilized to minimize bias, they are both reflective and promote objectivity throughout the study (Birks & Mills, 2015). Birk and Mills further argued that memos serve to remind the researcher of personal thoughts and help the researcher separate thoughts that the researcher might impose on the theory versus the theory that emerges from the data.



### **Ethical Procedures**

There are ethical issues present in any type of research (Orbm Eisenhauer, & Wynaden, 2000). I am aware that one task of the IRB is to make a formal assessment of the risk/benefit ratio and to put forth the question; do the potential benefits of the study outweigh the risk? I was not aware of all the risks involved but sought to minimize if not completely eradicate all known risks. The main ethical questions in this study are whether the potential benefits are worth the risk, and that the people subjected to the risk are informed of its nature and magnitude.

The requirements for data collection differ among disciplines but researchers have a fundamental obligation to create and maintain an accurate, accessible and permanent record of what they have done in sufficient detail for others to check and replicate their work (Skelton, 2005). The researcher plans to employ the in-depth interview collection method as the primary method for this case study. The pro poor tourism (PPT) strategy instruments are reliable and valid as explained and the possible threats to internal and external validity have been identified and measures have been taken to prevent their occurrence.

### **Summary**

Tourism linkages have flourished, contributing to jobs, economic diversification and vitality. Using models from worldwide initiatives such as pro poor tourism (PPT) can help develop successful tourism linkages strategy for Caribbean nations such as The Bahamas. (Hepburn 2008). Qualitative exploratory case study allows for discovering this phenomenon during the research process (Charmaz, 2006). I identified instituting links

between the tourism hotel sector and the growth and development of tourism related SMEs specifically the manufacturing, agriculture, and creative and cultural sectors as it would be valuable for not only the host country but for generating authentic experiences. There is no proportional relationship between tourism demands for authentic Bahamian experiences through local sourcing and the growth and development of tourism related SMEs. This study's approach is to explore and examine current status of leakages and linkages between the tourism hotel sector and the other sectors with the focus to stimulate local development of tourism SMEs by channeling tourism industry benefits of manufacturing, agriculture, and creative and cultural sectors to the host communities while reducing economic leakages. The local development of these tourism SMEs has the capability to stimulate linkages to the tourism hotel sector (Torres et al. 2004).

This chapter guided my analysis methodology process by effectively collecting the data and getting to know the data by listening carefully and recording the data; transcribing the interviews from tape recordings to paper. In doing this, the researcher will have a general idea of what tourism stakeholders are saying about tourism hotel leakages and linkages and what the results are shaping to be through coding techniques, grouping similar types of information together in categories and relating different ideas and themes to one another (Rubin & Rubin, 1995).

In summary, the goal of this chapter is to outline the research method that will be used to answer the research questions, guiding the procedure; study participants selection, data collection and the analysis of the qualitative interviews. There are many elements to this of analysis; including the organizing of the data, finding and organizing ideas and

concepts, building overarching theme in the data, ensuring reliability and validity in the data analysis and in the findings, and finding possible explanations for the findings.

Using PPT conceptual theory to explore and examine current tourism leakages in the hotel sector and what linkages between the hotel sector and other sectors exist and how these linkages can be enhanced through the development of tourism SMEs. All study participants contributed to this theory by sharing their experiences and knowledge and their perspectives on the enhancement of tourism linkages through the development of tourism SMEs. The goal of Chapter 4 was to provide the study results and demonstrate that the methodology described in Chapter 3 was followed.

## Chapter 4: Results

The Bahamas, as many of its fellow Caribbean countries in the region also experience, is tourism dependent and has increasingly become reliant on millions of visitors per year as a channel for economic development (Grandoit, 2005; McSorley & McElroy, 2007; Oxford Economics, 2010). The Bahamian tourism industry is the dominant economic driver accounting for approximately 60% of the country's GDP (The Government of The Bahamas, 2011). While tourism provides a major source of foreign exchange and employment opportunities, mass tourism in The Bahamas has also resulted in industries often dominated by large, foreign-owned businesses, resulting in significant economic leakages outside of the country and limiting opportunities available for locals to claim a significant share of tourist expenditure (Weaver, 1993; McElroy, 2003; Pattullo, 2005). The foreign ownership of travel, accommodation, and entertainment results in the bulk of tourism expenditure profiting foreign entities rather than local SMEs and is a significant problem in the Caribbean (Madley, 1996; Pattullo, 2005; Meyer, 2006). SMEs are essential components of tourism because they provide authentic cultural experiences that are important in differentiating destinations from each other and attracting tourists to the destination (Ritchie & Zins, 1978; Dunbar-Hall, 2001; Harrison, 2002; Morrison, 2004). SMEs are seen also as beneficial to increasing local participation in the industry, reducing economic leakages and increasing levels of entrepreneurship among local residents (Smith, 1998). The purpose of this qualitative exploratory case study was to examine the Bahamas' hotel sector's high leakage problem and how it affects the development of tourism related SMEs; specifically, in the manufacturing,

agriculture, and creative and cultural sectors in Nassau and Paradise Island in The Bahamas. Twelve in-depth interviews were conducted with participants representing varied components of the tourism hotel sector and tourism related SMEs in Nassau and Paradise Island.

This chapter contains the results of the qualitative exploratory methodology case study conducted to answer the research questions:

The over-arching question was:

Research Question 1: How does The Bahamas' high tourism economic leakage problem negatively affect the growth and development of tourism related small and medium enterprises (SMEs); specifically, the manufacturing, agriculture, and creative and cultural sectors that support the tourism hotel sector in Nassau and Paradise Island in The Bahamas?

Other supporting questions were:

Research Question 2: What is the state of current linkages between the tourism hotel sector and tourism small and medium enterprises (SMEs) in host communities?

Research Question 3: What hotel sector linkage best practice initiatives from similar and nearby jurisdictions can be implemented to promote the development of tourism small and medium enterprises (SMEs)?

Research Question 4: What types of support do tourism small and medium enterprises (SMEs) require to succeed and improve linkages with the hotel sector and these businesses?

These open-ended questions triggered the inquiry of why tourism leakages exist in The Bahamas and how linkages between the hotel sector and tourism SMEs can be further developed to improve opportunities for the local community to claim a significant share of tourist expenditure (Pattullo, 2005). This chapter includes a discussion of the process used to analyze transcripts from the 12 individual in-depth interviews and a discussion of the emerging themes. There were two levels of analysis: (a) open coding, and (b) selective coding. At each level of analysis, constant comparison was used to extract the data further, until themes emerged from the data.

### **Participants**

Twelve participants representing varied components of the tourism hotel sector including SMEs that support the tourism sector were interviewed for this study, 11 interviewed in Nassau and one participant was interviewed via phone who lived in Grand Bahama. Appendix B outlines the participants and the discipline they represent, as described in Chapter 3. The 12 participants represented the following: one Ministry of Tourism executive (8%), one Tourism Development Company executive (8%), two hotel procurement professionals (17%), six SMEs (suppliers/vendors) representing manufacturing, agriculture, and creative and cultural sectors (50%), one small business development company (SBDC) executive (8%), and one Bahamas agriculture industrial cooperation (BAIC) executive (8%).

The six SME participants represent 50% of the interviewees, they spoke to their experiences as it relates to the overarching research question. The remaining 50% of interviewees make day-to-day business decisions that affects the development of these

tourism SMEs; they are employed in the public sector (16.6%), quasi-public/private sector (16.6%), and private sector (16.6%) (See Appendix C).

### **Data Collection**

The duration of the interviews ranged from 27 minutes to 1 hour 03 minutes. Eleven face-to-face interviews and one phone interview were conducted with tourism executives, SMEs supporting organizations, hotel executives, and SMEs suppliers/vendors. The participants shared their views regarding how tourism economic leakage problem negatively affected the growth and development of tourism related SMEs; specifically, in the manufacturing, agriculture, and creative and cultural sectors that support the tourism hotel sector in Nassau and Paradise Island in The Bahamas.

The interview questionnaire composed of the above 4 research questions, interviews varied in length, which were anywhere from 7 to 3 pages long once transcribed. The majority of interviews were recorded via digital recorder and notes were also taken during all of the interviews, this was done to validate what was stated with what participants wanted to express while not being recorded. Interviews were conducted at several locations on the island and via phone for one interviewee (in Grand Bahama); a family island in The Bahamas. Once completed, these recordings were then transcribed and coded. Qualitative research technique was mainly one on one in-depth interviews.

I asked the participants questions surrounding their perceptions related to positive and negative impacts of tourism leakages, as well as their support for tourism economic linkages enhancement activities between the tourism hotel sector and tourism SMEs. Utilizing this in-depth interviewing technique provided the environment for respondents

to expand deeply about their perceptions and explanations without endangering the overall goals of the research (Jennings, 2005).

My initial contact with participants was made with the Ministry of Tourism (MOT), Small Business Development Cooperation (SBDC), Tourism Development Company (TDC), and the Bahamas Hotel & Tourism Association (BHTA) to identify local SME representatives in each of the respective sectors for the study, who in turn, identified other community members to participate. Local representatives were asked to identify any representative who had direct involvement with tourism SMEs and local sourcing and later asked to identify representatives who have indirect involvement but have influence on the development of SMEs that support tourism. Due to the nature of this study and the community being close-knitted it can be difficult to penetrate, as well as time limitations to conduct the interviews, the snowball sampling method was deemed appropriate (Noy, 2008). In order to avoid some of the criticisms associated with snowball sampling, an effort was made to approach random SMEs representatives for an interview from the tourism supported SMEs list. However, prior to conducting each interview, participants were asked to identify whether or not they wish to participate and contribute to this study.

### **Data and Analysis**

All interviews were coded manually using open coding. The interviews were analyzed in two phases; a) all SMEs suppliers/vendors (6), b) and, the remaining six participants, allowing focused SMEs analysis time before moving on to the additional participants' group that support and influence the relationship between the hotel sector



and tourism SMEs that supports tourism. I coded each batch and analyzed for categories or themes. Probing questions were guided by the SMEs group responses particularly as it relates to obstacles that hinder the development of SMEs and contribute to overall tourism leakages i.e. access to capital, the need for a cooperative movement or the inability to connect with the hotel sector for not knowing who to contact.

Transcripts were uploaded into computer software ATLAS.ti8 for further analysis. Each interview was coded again manually using the software and then compared to the manual coding initially completed during the interview collection. Coding the interviews again, having all 12 interviews to compare, aided constant comparative analysis techniques critical to grounded theory methodology. This process helped me to remain consistent in emphasizing key points during coding. The open coding results included 48 codes from the manual coding, as shown in Appendix D.

In the next analysis phase, selective coding, I searched to find categories emerging from the similarities in the open codes. I took all the vignettes and the open codes to group them into categories to find themes by linking codes and vignettes from open and selective coding where a direct relationship was clear, five selective coding were found, see Appendix E.

### **In-depth Interviews**

In-depth semi-structured interviews were conducted to provide a more comprehensive picture of tourism leakage between the tourism hotel sector and tourism SMEs. Eleven participants from Nassau, New Providence were interviewed face to face, and 1 was interviewed via the phone from Grand Bahama. Participants chosen for this

study all are employed in tourism; tourism organizations or tourism SMEs. For example, 2 are employed in the hotel sector, 4 in tourism organizations, and the remaining 6 are employed or own tourism SMEs. They all have tourism hotel and SMEs linkages experiences and are aware of the tourism economic leakages problem in Nassau and Paradise Island. The in-depth interviews asked participants key questions about their perceptions around motivations, benefits, positive and negative impacts, as well as their support for tourism linkages strategies and activities, and their perceptions about the interaction between the hotel sector and tourism SMEs. Utilizing this interviewing technique provided the environment for respondents to expand deeply about their perceptions and explanations without endangering the overall goals of the research (Jennings, 2005).

Overall 4 themes that emerged from the respondents, their feedback reflected that by far the development of SMEs is a paramount concern for future tourism development, key areas of issues identified from the feedback included; access to hotel, access to capital, high cost of insurance, the need for machinery and technology, training, and government support. It was important to the respondents that these issues be addressed in order for The Bahamas tourism economy to flourish, once the country could improve these and other related issues that hinder the development of SMEs that support the tourism hotel sector and the industry at large.

The focus of this study was to address leakages between the tourism hotel sector and other sectors that support tourism. In analyzing the participants' responses, there were sub-segments that developed strong linkages that describe why the leakages exist

and they portrayed an optimistic view on how to address the leakage by developing sound linkage strategies through improving current strategies and implementing best practices observed in other nearby jurisdictions. Local sourcing was also an area of focus, the need for the tourism industry to get serious about sourcing locally and putting its resources behind the same by addressing and mitigating the obstacles, implementing training to improve overall products and services quality, and leveraging economies of scales to reduce production cost to enhance competitiveness. The development of tourism SMEs that support the tourism hotel sector was also important to the respondents. The need to access capital, access to the hotels, reduction of insurance cost, the need for a cooperative institution to represent the SMEs, and the further government support of organizations that are responsible for the development tourism SMEs; Bahamas Agriculture & Industrial Cooperation (BAIC), Small Business Development Company (SBDC) and Tourism Development Company (TDC). By far, the need to further develop the tourism SMEs will strengthen local sourcing, enhance linkages and mitigate the vexing tourism leakage that face The Bahamas today, according to the majority of the participants.

### **Discussion**

Like most Small Island Developing States (SIDS), the Bahamas imports far more merchandise than it exports and relies substantially on its strong tourism sector to generate revenue to purchase imports and sustain the local economy, representing more than 60% of its Gross Domestic Product (GDP) (The Government of The Bahamas, 2011).. According the Minister of Tourism, Dionsio D'Aguliar in his 2020 budget present, he stated that: *“The Bahamas welcomed over 7.2 million foreign visitors in 2019,*

*and increase of 9.4% over 2018 numbers”* (Ministry of Tourism, 2020). Government expansion into the development of other sectors of the economy has not been fully been explored and thus contributes significantly to the tourism leakage.

### **Leakages**

Leakage refers to capital or income that exits an economy or system rather than remaining within it (Ali, 2015). Income can leak out of closed systems through a variety of events and mechanisms. Tourism can cause leakage through funds transitioning between those who live in a particular area and chosen tourist destinations. For example; importing goods can also result in leakage when the goods are considered necessary to support local business or interests. Tourism is very important to The Bahamas’ economy, Participant #7 passionately highlighted the importance to address the same and also expressed concern regarding the tourism leakage.

Participant #7 said,

Our GDP last year 2018 was approximately 12 billion dollars, but some 60% contribution of that came from tourism, and that's phenomenal for such a small population, a population of just under 400,000 (Lloyds Bank, Bahamas: Economic Indicators, updated June 2020). But if you think for every dollar that is made in The Bahamas through tourism, every dollar earned, we lose between \$0.75 to \$0.80. That is substantial and the question that we need to ask and we've been grappling with for so many years is; How do we ensure that we keep more tourism dollars within The Bahamas. We just need to create an environment that is conducive for everyone to have a better quality of life. The best way to do that

is creating those linkages between the tourism hotel sector and the Bahamian SMEs directly, so that all the monies are not spent overseas, and the people that really benefit from our tourism experience are those who live in The Bahamas and not internationally.

### **Importation of Tourism Goods.**

Consequently, the trade imbalance remains a major issue in the country. With the implementation of new trade agreements, rising food, fuel and energy costs, the government will need to play a central role and identify ways to mitigate the tourism leakages while ensuring that there are adequate provisions in place to develop tourism linkages. The Bahamas is one of the few countries in the Western hemisphere that has not signed onto the WTO, but has observer status, even though it is extremely dependent on imports, particularly agricultural imports (WTO, 2019).

Participants notably capture the essence of what was shared about imports particularly in the tourism hotel sector. Participant #1, enthusiastically shared her thoughts about the quality of the imports sold to the visitors.

Participant #1 said,

Unfortunately, now-a-days it`s all imported junk and I will continue to say junk that is brought into the country because we buy it from some other place, they probably put a Bahamas stamp on it, and it's the same product that the cruise ship people will find in all of the ports that they stop, it just got a different stamp on it.

Another participant made note about The Bahamas not being able to produce its own food and the weakness of the agriculture sector that contribute to the significant

importation of food and beverage, and challenged the for the hotel sector to take some action in this regard.

Participant #9 said,

Ninety eight percent (98%) of our food and Beverage are imported. What is the hotel sector doing to change that or to foster those relationships that can change it? I think we need a shift in the way we think about this. Locally here in The Bahamas, there's not a lot of agricultural.

The prevailing import question amongst the participants is; Why aren't the hotel sectors making an earnest effort to decrease imports and utilize and support local sourcing?

Participant #2 said,

So why is it when I go into our local hotels, if we're discussing linkages and addressing the manufacturing industry to create those linkages, why is it that we're allowing products to be imported when Bahamians have the capable to produce quality products. Why are you allowing it? We can produce quality Bahamian products like; jams, peppers, the list goes on and on. It should be mandatory for our hotel properties to utilize them, the leakages will decrease. Presently, hotels are importing products that are produced locally. Products produced locally are fresher, taste phenomenal, and guests want that Bahamian experience.

Finally, participant #7 felt strongly that the hotel sector importing in-room amenities that can be made locally contributes to unemployment and doesn't support those SMEs that support tourism and if address can have significant socio-economic benefits for those local communities in which they operate.

Participant #7 said,

If we improve the economics of the Bahamians, many of the social problems we have will follow which impacts everybody, particularly the tourism sector (The Bahamas Voluntary National Review on the Sustainable Development Goals to High Level Political Forum of United Nations Economic and Social Council, 2018). Particularly, the quality of experience for their guest. I keep looking and every single hotel I've ever gone into, there's some commonalities in your room. You go into the bathroom, there is going to be a small soap, small lotion, and small shampoo, all imported. These are being made beautifully in The Bahamas. Let's look at one of our big hotels for example; 3,400 rooms with 2.7 guest per room. Can you imagine if a Bahamian company was making those amenities, the employment opportunities that will be created, hundreds of persons can be employed year-round.

### **Foreign Owned Hotels.**

There is a general belief amongst participants that foreign owned hotels tend to contribute to tourism leakages in their current state. It all starts at the beginning of the Foreign Direct Investment (FDI) process. Local sourcing and linkages with local SMEs

are given very little considerations at the Heads of Agreement (HOA) level. Participant #7 was very passionate regarding the attractiveness of The Bahamas for FDIs, and reflected on their involvement in the process.

Participant #7 said,

I served for 8 years as the Director of Investments, solely responsible for all foreign direct investment (FDI) coming into this country including phases three and four of one of the major hotels and I was involved with the other major hotel from the negotiation stage, as well as many other touristic hotel products that came on stream. So, when I say we are a victim of our success based on our geography, nothing to do with who we are or what we bring to the table.

Geography, just the land mass, we have the availability of land, diversity of the islands, and proximity to the United States. When I talk about the geography in relation to the United States, The Bahamas has all the attractive investment elements; English speaking, dollar on par, incredible infrastructure, all the wonderful things that investors are looking for if you are looking at the positives.

Participant #7 further notably argued that when tourism SMEs linkages consideration are given in HOAs, the enforcement of those considerations are lacking on The Bahamas' government part.

There are so many layers to this linkage question that you ask and cannot just be addressed from a tourism perspective. We have to go to the beginning, the root cause and it should the enforcement, on the government's side. When that trickles down then Ministry of Tourism (MOT) can step it up. It is a multi-prong approach



to the FDI process why local SMEs linkage considerations given in the agreements or if given not enforced, it's something that we are looking for in a future.

Participant #1 said,

We need to instill that local sourcing enforcement by government is articulated in the Heads of Agreements (HOAs). This important to the tourism industry, local sourcing tells the Bahamian story which is all about culture through the guest experiences with local products and services, it needs to be included in these agreements. I have issues with some of the HOAs and I think it's due to the people that are sitting around the table that may not be the right people because they're not representing the interests of those who need to benefit, the local community. I've read some of the HOAs and they are very poorly written, they don't tie the investor in, it's very "loosey-goosey". So the investor can walk away and in most cases the beneficiary in the HOA is not even aware that they are the beneficiary or could be, and I'm speaking about the national trust of the country.

Many of the hotels and a lot of the tourism businesses in The Bahamas are owned by foreigner entities and thus the bulk of revenues either doesn't reach the country and/or transferred out of the country. Participant #1 gave an example of this.

Participant #1 said,

In many cases the money is going straight out the country, left, right and center. For example, the room reservations are booked on the web, the monies are paid on the web and it never reaches the country at all.

Also, there is a belief amongst participants that the big foreign owned hotels impose their idea of what they think the Bahamas should look like and then use their influence to tell what “*Bahamianization*” should look like in their hotels. The general notion is that this is definitely the wrong way to go about it. Big hotels have the resources and finances which they use to “dazzle” the Bahamian public. Participant #1 noted that this is another form of the colonialism and government needs to intervene to preserve the Bahamian culture. Participant #1 stated,

So, the concept I would like to see and I would also like to see our government work along with major hotels that are coming in as new investors to make The Bahamas a more tourism cultural-destination country. Where our hotels, big and small look forward to actually branding and taking the Bahamian culture into their theme and making it what they are selling. This will engage more local SMEs’ products and services.

While tourism SMEs provide a number of benefits to the industry, in mass tourism destinations, these businesses often find it difficult to compete with their larger counterparts, making their survival precarious (Bastakis et al., 2004; Dwyer et al., 2009). This study reveals what factors contribute to the support for tourism SMEs development and cross-cultural understanding as a destination competitive advantage outcome. Expanding the pro poor tourism (PPT) concept to provide a link between more supportive government policies and cross-cultural understanding; bringing the private hotel sector in pro poor partnerships where local driven tourism enterprises may have input in the overall tourism product (Roe, 2001). According to Participant #4, the expectation is that

major hotels consider embracing the concept of local sourcing starting with local food consumption, this will strengthen the linkages between the hotel sector and local food production SMEs.

Participant #4 said,

A specific example we want to promote. If SMEs through a cooperative come to a big hotels and say Mr. Big Hotel how many tomatoes a year do you import? Let's assume there have already been some studies to say where we can properly produce tomatoes in the country. The hotel may say we import 100 buckets of tomatoes a year. As a cooperative with a guarantee from Small Business Development Company (SBDC) that provides guarantees to the financiers, we also have the capacity to provide guarantees to large demanders. This will contribute greatly to local sourcing and SMEs' linkages to the hotel sector.

Over the years, local sourcing by foreign owned hotels has been a challenge for local tourism SMEs. One of the criticisms is that sometimes tourism often fails to benefit the local community as a whole, with tourism incomes being appropriated mainly by foreign owned transnational companies (TNCs) (Meyer, 2006). Sourcing locally is an important component of the tourism industry and it is rarely (if ever) address in official government policies (Wall 1996). When local sourcing is not address in government policies i.e. heads of agreement, it is argued that foreign owned/managed hotels and those of a higher star-rating have a greater propensity to source from international suppliers rather than locals (Meyer, 2006). Local sourcing linkages when mandated in agreements enhances economic opportunities for local SMEs to pursue tourism ventures. Expanding

poor people's economic opportunities will open financial avenues for them to run effective tourism businesses (Ashley et al., 2000).

### **Linkages**

Pattullo's assertion that the term "linkages" for most studies is synonymous with investigation of the proportion of imported food to domestic food utilized by the tourism industry (Pattullo, 1996). Developing inter-sectoral linkages between tourism and other economic sectors should be improved through integrating tourism more closely into local economies thereby to catalyze other local activities (Dodman & Rhiney, 2008, Meyer, 2006).

### **Current Linkages' Strategies**

Procurement by the hotel sector is considered to offer high potential for engaging local tourism SMEs. For the hotel sector, the enhancement of linkages with local SMEs producers represents the foundation for building economic opportunities and correspondingly to catalyze local economic development including pro-poor impacts (Meyer, 2007, Rogerson & Rogerson, 2010). Participant #7 made the below remarks in regards to the importance of incorporating the local citizens at the beginning of the foreign direct investment (FDI) process.

Participant #7 said,

The Bahamas has already have done the smart thing by developing an attractive tourism product for the FDI process. Not only the tourism industry, but this whole idea of emerging markets has been a major attraction for investment dollars for quite some time. If Bahamians as a people can sit and talk long enough they

would realize the common thing in the foreign-owned businesses and in Bahamian businesses are “Bahamians”, and we must find a way to fully capitalize the people and their culture in hotel investment agreements to improve the local economy.

A few of the participants shared a few existing tourism linkages examples.

Participant #1 said,

For example, Marina Village at Atlantis, as a local artisan, I have had the privilege to be able to bring our art and our culture to Marina Village, it has been 3 years since we have been participating in “Art Walk”. We have been able to bring our cultural art works there, as well as people who grow local produce and our native fruits, the local musicians providing local rhythms, and vendors that make the different local juices, jams, pepper sauce and all that sort of local stuff. It is an amazing experience for the visitors. Additionally, some years ago, there was a display in Marina Village where they had a young Bahamian that made jewelry and other items from car tires, very creative.

Participant 2 said,

Baha Mar did an excellent job with their art collection that they have in their convention center. This was a good showcase and financially sound opportunity for artisans, but it was only for a specified project. How do we make this kind of effort a part of our tourism hotel sector DNA? I believe a decision just has to be made by government in conjunction with private sector. Going forward, this is

what artisans and local SMEs want, creating ways to increase revenue earnings for tourism SMEs, this will promote the development of these local SMEs.

Participant 3 said,

Another great story is the Bahamas Hotel & Tourism Association (BHTA) has been doing a vast research and a good job at actually bringing hotels and small businesses together through one of the big festivals, the annual Tru Tru Bahamian Festival. Also, they have been promoting mini Tru Tru Bahamian festivals throughout the hotels during the busy visitor periods.

Participant 5 said,

Bahamas Hotel Tourism Association (BHTA) in conjunction with the Ministry of Tourism presented Tru Tru Bahamian Marketplace a couple of years ago. A forum created to facilitate local SMEs to meet and showcase to the hotel sector procurement agents what products are availability and to start the local sourcing conversation. The objective was to connect tourism SMEs' vendors with hotel purchasers/buyers but the follow up really never came to fruition. I don't know why it didn't but the engagement with the hotels was an opportunity and I felt it was a special efforts on behalf of local SMEs.

Annually, Bahamas Agriculture and Industrial Cooperation (BAIC) and the Bahamas Hotel Tourism Association (BHTA) have festivals, these are all great initiatives for small and medium businesses and we look forward to these

festivals. Booth cost is affordable, and you have 2 days in which you get to showcase and meet purchasing decision makers and festival guests.

Participant 9 said,

They're quite a few farmers here locally that are growing very specialized herbs that meets and in some instances exceed quality of what we need in the restaurants. We just found another farmer here locally out at Lyford Cay, that is able to support hotels with leafy vegetable and ingredients that are in high demand, that are going to be grown and can be tapped into the hotel local sourcing program.

Participant 6 said,

There is a fresh juice program that a local company that provides the hotel with fresh juice every day. Are they coming to us and hotels are looking for them. We also started sourcing coconuts out of Abaco with a representative here in Nassau. A coconut to serve tropical drinks in and when the coconut is cut, treated and cut out, they put a logo of the hotel on it, however they have to treat the coconut. Basically, the dye it very white, the color of the husk is not brown, and it is a very pretty color. We are searching out these vendors with unique products.

Participant 9 said,

Atlantis has a partnership John Watlings to produce Atlantis logoed rum, this is huge for both Atlantis and John Watlings, this is a great local SME and hotel

story. The Minister of Tourism created the Tourism Development Corporation (TDC) for this very purpose, to begin to advance the linkages between the sectors, and to help these SMEs, tourism-related enterprises in particular.

Participant #1 said,

There is a local company in Nassau that produce quality mattresses. Their product is of such good quality, government had to protect their operations from cheap imports. No hotel can bring in a mattress unless they pay 100% customs duty on it, and so guess what happens? They all buy local because it meets the standard.

And finally, Participant 9 said,

In Nassau, another company that hotels are partnering with, they have a great investment in a huge hydro quantic production, harvesting Tilapia fish. They're using the waste product of the Tilapia for fertilizer. And also the fish becomes a bi-product of that and they're able to sell the fish for fried fish for example. The water is naturally mineralized and fertilized so that product comes out superior and it's a low waste water control system.

These stories were relayed by the participants and categorized as existing success tourism linkages examples. The stronger the local tourism linkages, the more the destination is viewed as pro-poor (Mitchell, Ashley, & Mann, 2007). However, there are multiple obstacles that hinder the development of tourism linkages, these obstacles will be address below.



### **Linkages' Obstacles**

There are a number of obstacles noted by participants as it relates to the perceived hindrances to the tourism related SMEs growth and development, these include; the cost of doing business, access to hotels, access to capital, machinery & technology, awareness & education, the need for a cooperative movement, and the need for a certification program.

### **Cost of Doing Business**

In 2020, The Bahamas was again listed as one of the top 10 most expensive countries in the world to live, dropping two spots from last year to land at the sixth most expensive country in the world (Papadopoulos, 2020). Papadopoulos noted that out of the 132 countries on the list, only Switzerland, Norway, Iceland, Japan and Denmark beat out The Bahamas as the most expensive, according to the just-released report by CEOWorld magazine. Most of the SMEs participants believed the cost of doing business in The Bahamas is high and puts them at a competitive disadvantage, particularly when tourism imports are less expensive than locally produced products.

Participant #2 said,

Customs duty and VAT (Value Added Tax) of 12% are charged, they are being put on every single item that is imported including raw materials. A glass jar brought in is at 45% customs duty, while same glass jar brought in with a foreign product i.e. pepper sauce or jam, is brought in at 10%. If the product is already coming in with the glass jar at 10% but as a Bahamian vendor, I have to pay 45%

customs duty to bring the empty glass jar in, that's a problem. This put local SMEs producing these products at a disadvantage because there is a variance of 35% in the custom duties charged alone, making the local product more expensive to produce and thus having to sell at a higher price, the foreign imported products have an advantage.

Participant #1 said,

Another hindrance to hotels-SMEs partnership is pricing, the cost of producing goods and services. Some of the hotel sector managers and owners within the hotel sector don't believe in buying "Bahamian" or locally made products. It's more cost effective for them to import and that has implications on hotel demand for locally made products. I believe there needs to be more faith in locally made products. We have some of the best business people, best artisans anywhere in the world, and I believe the hotel sector needs to have faith in what's being produced locally and give local Bahamian businesses that opportunity in spite of the higher cost.

Wages for low-skilled labor have gone up due to the boom in hotel and cruise ship berth construction, and higher wages lead to uncompetitive prices for local products (Meyer, 2006). Pricing is key to being competitive in business while maximizing organizational value (Deal, 2008).

Participant #9 said,

Labor in The Bahamas is expensive which has contributed to the high cost of producing goods and services locally and this is causing many hotels to look at importation of goods or producing mostly food products in-house, for example we produce our own bakeries in-house.

### **Cost of Insurance**

The ability to afford \$1M insurance coverage for SMEs has also been seen as an obstacle, this level of insurance is required by large hotel properties. Insurance premiums may be unaffordable resulting in lack of sufficient liability coverage (Duval, 2004). In many cases, the participants stated that taking on this expense is prohibitive for SMEs and recommends that a SME-cooperative solution needs to be sort in this regard to mitigate this obstacle.

Participant #5 said,

A lot of the issues and challenges kind of rest within the small businesses themselves. For instance, a number of hotels or hotel partners maybe weary of housing or showcasing some of your products because we lack as a small or medium business the proper insurance, to permit SMEs in that establishment.

Participant #2 said,

One major thing that makes large hotel acceptance to SMEs limited is not having the proper liability insurance. The insurance clause, that's one of the major things that stops SMEs from having access to large hotels, so we need to have an overall liability insurance created through the government or manufacturing association

or SMEs association that SMEs can sign up under, to be able to create that portal for SMEs to go be accepted into the hotels. As an individual SME, I cannot afford a \$M liability insurance.

Participant # 9 said,

Some of the local farmers that want to sell directly to us, cannot because they can't meet our million-dollar liability insurance requirement. That's where a cooperative entity would help them, if they could band together and collectively secure group insurances, this will lower the cost of that insurance for them collectively, then that provides them direct access to hotels.

One of the supporting organization's participant felt the high insurance cost could be address in another way but can put the SMEs at a slight disadvantage.

Participant # 4 said,

The big tourism related SMEs, for example some of the larger tour companies, allow the smaller companies to brand their tours under theirs for insurance purposes. They receive payments for the tours, then they sub-pay and their coverage covers all the smaller companies that sign up. At the end of the day though, the margins for that sub-provider are so small because the big companies takes the lion-share of the revenues and the little guy gets the pennies. So there needs to be some intervention on government's behalf.

## **Access to Hotels**

Another obstacle for tourism SMEs is access to hotels. The lack of organization and communication between the formal tourism hotel sector and local suppliers is often a hindrance for local SMEs (Meyer, 2006). SMEs not knowing who to go to and who are the decision makers make it difficult for local suppliers make products and/services presentations and understand the hotels' local product needs. Participants felt the communication and organization between the hotel sector and tourism SMEs were weak.

Participant #8 said,

Linkage is having the voice. If we can improve within the hotel sector it's getting in there, its accessibility, its access. The local man on the street is hindered a lot from finding out who to get to. Who's the right person in the hotels to go to.

Participant # 4 said,

For a local Bahamian supplier to have access to decision makers in the hotel industry is impossible. Doors are shut. They can't get passed the switch board. So, if they don't know the right person to make the right introduction, they are staggered. How do we break that? How do we say to our hotel partners who do you have in a position front-facing, who can make a decision? Who is empowered to make decisions on behalf of the hotel, it seems it is an even bigger problem with the major hotels.

Participant #7 challenged the status-quo, if economic benefits are to reach those that needs it the most, SMEs that create jobs within the local community needs a change in commitment and philosophy on the hotel sector's behalf.

Participant #7 said,

How do we change the tourism landscape to get everybody to buy into this concept of local sourcing? The more we can produce, and the more we can sell to the hotel sector, the more we reduce the leakage. The local product itself is richly Bahamian branded. How do we get the multinational hotels to buy into that? I think that's something we need to do collectively, public and private sectors. We need to have a seat at table to have this frank discussion. And perhaps this is a challenge that this study can put on the table. How do I use that seat to get the desired decisions at the table with our hotel sector and tourism stakeholders?

Certain types of hotel establishments (all-inclusives in particular) have deliberately limited the interaction between tourists and local businesses, in particular catering establishments and food-sellers (Meyer, 2006). Even when local tourism SMEs are given location access to sell their goods to hotel guests, they are often given undesired locations with low guest foot traffic as noted by one of the SMEs' participant.

Participant #10 said,

In the large hotels, the local vendors are located downstairs. The guest have to take an escalator downstairs where there are a couple of local shops and the local artwork versus being up in the hotel main lobby, where the majority of the guests' traffic. There is this one shop that is uniquely Bahamian and I think they have really amazing local products, but they get no foot traffic. The obstacle is just getting that foot traffic and getting the volume that's necessary to make the

money to be profitable. So, being placed in prime locations with high traffic, high volume, at a price a small company can afford needs attention.

### **Access to Capital**

According to the Deloitte study (Deloitte 2004), a key constraint to working with SMEs is financial conditions, including access to capital. Participants notably highlighted that access to capital and securing financing was a major obstacle for tourism related SMEs. Most local SMEs do not have the financial wherewithal to stabilize and sustain their businesses.

Participant #2 said,

As SMEs' businesses, we don't have the capital to expand our business and enhance resources because we are taking the money to reinvest into inventory and raw materials. So, for all our other business development needs we just don't have the money for them.

Participant #7 said,

SMEs financing is an issue. There are significant amount of Bahamians who have phenomenal and exceptional ideas but they just have no access to capital to manifest these ideas.

Despite the presence of multiple and often interrelated constraints, however, the widespread belief is on what banking policies to support SMEs are based on contributing to the lack of finance which constitutes the main obstacle to the growth of SMEs (Pissarides, 1999). Banking and the process of banking were also noted by participants to

have financial implications for SMEs development. Two of the participants spoke to this issue.

Participant #1 said,

Banks are holding us hostage. In order for us to be able to accept credit cards online, we have to sign these papers with the bank but you have to be able to turn off over a certain amount revenue and for many SMEs this is not reasonable nor achievable.

Participant #3 said,

The banks and merchant numbers, is very frustrating. The ease of doing business in the country has gotten better but that was because they actually had people involved that sat around the discussion table that were able to tell them where the problems are and how to correct it.

### **Machinery & Technology**

SMEs not having access to capital has negative implications on how the business improves particularly to implement capital projects for business growth, specifically the modernization of the business model by upgrading machinery and technology. Martinez-Roman (2014) argued that a relevant research gap is the relationship between innovation and economic performances in tourism SMEs. For example to implement innovative systems in tourism, it requires the application of new IT and management technologies in tourism. This concern was resounding amongst the participants on both sides of the tables; the hotel sector and the tourism SMEs. A few participants noted their experiences



and observations for the needed advancement of modern machinery and technology to improve product quality and quantity to meet demand.

Participant #4 said,

I think two of the challenges particularly on the hotels side are; a) quality, and b) quantities, whether it's in manufacturing or farming, somehow we need to get our heads around that. In many cases you hear there is machinery that is needed, some technology that is needed but the SMEs don't have the capital to embrace that.

What does a SME need to do to attract investors to help them to bring some stability to quality and quantity by modernizing? My business needed a loan when we acquired our turndown service business, we had to buy a new piece of equipment. Not having readily access to capital makes it difficult to meet this demand.

Another SME participant stated not being able to take the investment risk caused the loss of that piece of business due to the insecurity in business demands.

Participant #10 stated,

I'm in a predicament where I couldn't afford the purchase a piece of machinery. I use a lot of manual labor, manual labor in my business is intensive and very expensive. I lost that piece of business because I needed the machinery to produce additional units and scale. I wanted to purchase that piece of equipment but the problem is when you don't have the stability or the volume, a secured contract. How can I can go and buy a piece of equipment and if that one client decides that

they don't want my product next month then I have got this piece of equipment that I now need to pay off. It's a huge predicament, and the reason why I say predicament is because there is not stability of the volume, we need secured contracts with the hotel sector.

Most of the SME participants noted a discomfort investing in machinery and technology even though they knew the investment would improve their capacity and quality, however their bigger concern resided with stability of the demand and having to bear that risk.

Participant #2 said,

I bought a piece of equipment for a hotel property's turndown program because I got a purchase order (PO) for a year. I knew that machine was going to pay itself off because I had a PO for a year. Therefore, I have the stability knowing that I'm going to pay it off. But, when I was asked to produce 20,000 more units for another hotel, then I asked myself should I buy this piece of equipment? I didn't because that would have been a total gamble and I'm so glad I didn't because they said they don't want to do turndowns any more.

### **Awareness & Education**

It is notable that in the Caribbean despite its reputation as a tourist destination, lacks reputable hospitality and tourism educational institutions of internationally recognized caliber (Meyer, 2006). A number of participants felt that the Bahamian populace lacked education and understanding of the potential of developing tourism

related SMEs' businesses and there needs to be a focus on educating Bahamians of the entrepreneurial opportunities that tourism hotel sector presents.

Participant #1 said,

It's education, a lot of the Bahamian people don't understand how much money could be made in the souvenir industry for example. Bahamians have become so lazy, they don't have to work too hard anymore, because we getting paid by the tourism service sectors.

Another participant's response was one of awareness and being informed about the resources local SMEs and locales have and what they have taken for granted.

Participant #2 said,

Again, it's all education. People need to understand what they have is precious. We take so much for granted here because that's just the way we've been living so we don't even think about how important it is. For example, the local conch is taken out of this country and sold back to us and we can't compete with the pricing. Bahamians can't even make a conch product now that can compete with the price that the Asians are willing to sell it back to us for even though they got the conchs out of our waters.

Markwick (2001) argued that the rapid commercialization of the local handicrafts industries has occurred under diverse local conditions and in relation to different methods of production. Participants noted that another production learning and training opportunity is the way local SMEs produce products. End-to-end process is widely used

compared to piece-piece production that can provide more employment and enhance the quality of local products. Participants from SMEs, hotel, and supporting organization responded.

Participants #1 said,

Local artisans and manufacturers for the most part use end-to-end production.

That means they have to start it and they have to end it. And for some reason other countries have been doing a better job at piece-piece production. End-to-end process is more costly to produce. For example, let's talk about the Silver Palms. Using the piece-piece process, somebody who goes and cultivates it, someone harvests it, someone plaits it, someone takes it and cuts it up into earring or slippers or whatever the case may be. So therefore now you have work for maybe 4 or 5 businesses or persons. The product is moving around amongst a few SMEs rather than just one and each time it passes hands value is added. At the same time the government has an opportunity to apply VAT tax as value is added. The process should be more efficient particularly if you add some machinery to it, and people doing their particular phase, they become expertise at it so they should be able to do it a bit faster.

Meyer (2006) argued that the Caribbean is associated with mass tourism development. In The Bahamas, the development of mass tourism on Nassau and Paradise Island was associated with an effort to establish the destination as a haven for wealthy

second-home owners (Cleare, 2007). The tourism visitor figures reflects mass tourism and local SMEs must be able to produce volume while upholding quality.

Participant #7 said,

We have surpass the 7 million visitor arrival mark in 2019 which includes cruise ships and hotel arrivals representing millions of visitors coming in. How do we mass-produced if we are to meet the demand, it is not economically viable for one person or SME to make a product from start to finish.

Participant #1 notably recognized that learning not only needs to occur at the local SMEs and producers' level but needs to happen at the Ministry of Tourism level as well as it relates to promoting local tourism SMEs.

Participant #1 said,

Ministry of Tourism was going to Atlanta to put on an art show to promote The Bahamas and local arts. The ministry agent requested some art from the local artisans. We were told; "just wrap it up and just give it to me." To have the art and not the artist, how do you have the conversations about the art, this is not the way to promote The Bahamas. So, they need education themselves.

And finally, Participant #12 from one of the supporting organizations noted that the tourism community is not aware of the resources within our communities, resources that can help develop our tourism SMEs.

Participant #12 said,

There is a dean of graduate studies at the local university. He writes a column the last Friday of every month, he is well published. I think you are going to begin to see him start to try to get us to formulate long term plan. He is from Malaysia, which is a very robust tourism economy. He is also one of the original architects of the community based tourism (CTB) program in Southeast Asia where it started. We had this expert right here in plain sight, nobody knew his value. I am taking him to Bimini to do the first of the CBT workshops in the Bimini community to begin to get Biminites to understand what it is that's going to happen to their economy when Virgin voyages comes later in the year and they have to be ready for it. The objective is that they will be expose to how to scale to meet the tourism demand for local products that's going to come to their community.

### **The Need for a Cooperative Movement**

A cooperative movement provides a 'network' of close business relationships in certain conditions enables SMEs to become more competitive, thus leading to an enhanced competitive advantage (Baba, 1993). The SMEs' participants noted the need for a common platform for all tourism SMEs advocacy, assistance and support.

Participant # 8 stated,

Tourism SMEs need a louder voice. How can tourism SMEs' businesses have a louder voice? A more unified voice, a sense of advocacy to advance their industries? In my opinion, it would take leadership. It would take a more sturdy

form of leadership to lead and continue to foster the strengthening of the SME business network. And, I feel that forming a cooperative amongst the small medium sized businesses where they can come together as a unit on some particular level to forward an agenda and be on one accord. Yes, one agenda, for example if 5 businesses came together for one common purpose, solidarity provides for a louder voice.

Participant #4 said,

Small and medium businesses are growing, but I think they all take an individualistic approach. If somebody has an idea, they feel good about it and start to develop it. It's not done in conjunction nor fully supported through the SME network of the community, so the value-added that a cooperative can provide does not exist.

Participants suggested that a cooperative would provide a platform to share information; including understanding demand and supply, advocate on development issues, and bring tourism SMEs from across sectors to network and work together.

Participant #3 said,

A platform is needed where you can share information and help each other not only from a business acumen but also marketing, manufacturing, finding products, and finding efficiencies. How could we bring this community together? By using our resources, the government is bringing in these huge conglomerates into the country, people that have resources that we will never be able to touch if it was just me as a small person and if I can connect to that resources of the

tourism SME community as a whole and utilize it, my goodness how my product, my island, my community, and my culture will be promoted.

The lack of networking seem to be a hindrance amongst the tourism SMEs.

George (2007) argued that the development of cooperative alliances has important implications for the health and profitability of individual SMEs, with such a structured cooperative enables a company to become more competitive, thus leading to improved competitive advantage. Most participants supported that it is time that tourism SMEs come together and structure themselves under the umbrella of a cooperative.

Participant #2 said,

The major obstacle that hinder us is not networking amongst yourselves. Yes, amongst ourselves, if we come together and network we will have a better presentation to the big hotels. We have huge properties in Nassau and Paradise Island that take advantage of the SMEs because they are small individual enterprises but if we can have one unified voice, tourism SMEs will be at a better position at the negotiation table. Besides, added benefits includes; support, scale of economies from cost control initiatives, and the ability to bring resources together to meet large demands where currently one enterprise wouldn't be in a position to do so.

Participant #9 said,

Some kind of established co-op for tourism SMEs is needed. What does that look like? Well, I don't know but we can have case studies done to see which format



makes sense for Nassau and Paradise Island and also the family islands. These can be different models based on the objectives. I referenced the one for the Vermont organic farmers association that is doing well. If you take it by sector, let's say you know we're in farming and we're producing the Eleuthera pineapple, it's an excellent sugar pineapple. We use on it on the menu because we want to tell the Bahamian story giving our guests something unique compared to what people would see in the US, and that's 85% of our target market in tourism business.

Participant #5 said,

What is being done to help linkages between tourism SMEs and the hotel sector? It is building relationships and, the creation and strengthening of networks. How structured are those networks? Right now, I feel they're very good but there's a lot more work to be done. I feel that a cooperative will contribute positively to the strengthening of those relationships, moving forward in terms of screening and improving the rapport between local businesses within the community.

As to whether the establishment of the cooperative entity be a private, public or combination of both. One participant representing a quasi-government organization felt strongly that it should be a private sector only initiative.

Participant #4 said,

I believe that the private sector are the ones who are better positioned and trained to assess risks. Risk has to come with a price, and SMEs have to learn that. So for

example if you have a cooperative that is using technology and a SME is benefiting you have a greater fidelity in the contractual relationship.

Participant #8 noted that the creation of a cooperative for tourism SMEs will provide a platform for all members to seek and leverage commonalities and develop unified goals and agendas.

Participant #8 said,

A cooperative will help to develop one overall solidarity agenda across tourism sector SMEs to serve and to protect the culture and economy of our nation through supporting the overall tourism product and hotel sector. I believe this should be done by creating a cooperative approach in which we can bring all tourism SMEs into alignment to ensure that everyone has the larger goal and prepared to move towards that goal together, this will contribute to the strengthening the linkages between the hotel sector and SMEs. Finding ways in which we can cooperate more with the all tourism stakeholders particularly the hotel industry will make those relationships more goal oriented. An effective cooperative can bring all the pieces together i.e. supply, demand, raw product, economies of scale, etc. People working together, partnering together, collaborating together towards one common goal.

Another participant notably emphasized that the cooperative must solely focus on the development of tourism SMEs.

Participant #3 said,

We need a body that can focus on tourism SMEs development 24/7, so it's their primary job. Whether it's cooperative that is in place to advocate on behalf of SMEs with the objective of promoting local sourcing and advocating legislative changes that help tourism SMEs. Another important focus is getting buyers and sellers together on the same trading platform; understanding what the demands are, understanding what the supplies are and execute a supply schedule to meet those demands locally. Some farmers only grow specific produce in certain season. For example, we can grow and consume tomatoes year-round, so they should be having the conversation to ensure all tomatoes that are grown locally are consumed before imported tomatoes are given the same footing i.e. government should be charging a higher tariff on imported produce that can be supplied locally. What is currently happening for example, we have farmers producing excellent mangoes in August, they are trying to sell as many as they could but they have many left over because the hotels are importing mangoes of a lesser quality and cheaper price during the same period. This must stop and a cooperative movement will have the unified voice to address it.

### **Certification**

Meyer (2006) noted that certification is one way that government policies can help tourism SMEs development, by providing clear accreditation schemes and compliance and recognition of local circumstances. Participants noted that producing authentic Bahamian products of superior quality that are certified as a matter of

importance and an area of focus if Bahamian tourism SMEs are going to advance and develop. Certification can be seen as a way to create an impact on destination competitiveness and the promotion of local SMEs businesses and their products (Neto, 2007).

Participant #2 said,

At some point, we need to implement a certification or grading on quality program, where authentically Bahamian and only authentic products and services are sold. No structured body is regulating to see whether they meet the standard. Should a visitor purchase a local product for example a jam, what happens if it becomes rancid, how do they know, if it is in the sun who is watching that? This is a very important piece that is missing, a standardization and certification program.

Participant #3 said,

For example, if there was a “Tru Tru” certification sticker, identifying you as a member of the Tru Tru Bahamian movement forming a group of accredited vendors, you as a buyer would be assured that you are receiving a quality product. This would provide a platform for local SMEs and ultimately provides a link into the hotel sector for local products.

Product standardization, proper packing houses, and standards enforcement were noted by Participant #5.

Participant #5 said,

One of the biggest problem we have is actually getting produces that are grown or farmed on the family islands into Nassau in a condition or a state where it can be provided to the consumer at a high quality and standard. It is a problem we face with large resorts. We have farmers farming but there are no quality control at the packing houses. There are people and the infrastructure in place to create it, for example if a resort requires 5 by 5 tomato, then somebody should be sorting to ensure those tomatoes are meeting the specifications require by the large resorts and that is not happening thus lost opportunity.

Participant #2 said,

Another issue is once you have received the raw material, being able to get the housing and the packaging that meet hotels' requirements and linking with them in order to supply them. Case and point, if jams in The Bahamas are being produced for any major hotel that requires 2 or 3 pallets of jam per month. It is now a challenge to get the raw material to produce that amount, and not having the proper packing and housing facilities to ensure that product standards are maintain across the quantity requested, hotels require same standard on every single unit of jam.

Participant #1 said,

We have to ensure that any tourism SME who enters the visitor's realm, manufacturing or otherwise in The Bahamas, the standard is such that it's

irrefutably the best. Currently, local products are sold to Florida and sold back to hotels because it's packaged better. It's then upon us to train and educate our SMEs to produce at the highest standard, with the required quality packaging.

A participant from the hotel sector notably re-emphasized the need for quality and providing the concept of freshness of product for hotel guest consumption, farm to table.

Participant #9 said,

Getting local SMEs to understand the concept "from farm to table" is what the world is looking for and they want to know that things were picked fresh and put on the table. It doesn't have to be mass produced. Let's forget the tourist's table. Let's just think of our own staff table. For example, in the large hotels, where there are thousands of employees. I was told that by one of the big hotels; it's difficult to get produce locally even for the staff cafeterias because they don't meet the standard of the brand.

The 2<sup>nd</sup> hotel participation refuted this claim, Participant #6 said;

We do have producers in the family islands producing excellent quality produce and ship them to Florida and the hotels purchase the same produce from Florida for the reason that they have a better packaging, and a better marketing model.

Certification represent a way for policy makers to convey a sense of quality and sustainability and the idea of quality is promoted through the intrinsic value of the heritage and assets protected, but also through the sustainable conduct of the community

(Presenza et al., 2014). The majority of the participants agreed that an established certification process will benefit the individuals and collectively the body of tourism SMEs while ensuring the quality that hotels require and ultimately providing the best possible product so that visitors can experience a piece of the Bahamian culture through quality products.

Participant #5 said,

Those of us who have the benefit of being at the discussion table to ensure that our SMEs are producing quality have asked for certification enforcement. For example, the “Tru Tru Bahamian” movement has elevated and it is evolving, SMEs are improving quality every day but we need all SMEs on board. As more and more SMEs get involved with the festivals i.e. Tru Tru Bahamian Festival, I see guests buying more and more of their products. It is concepts like “Tru Tru Bahamian” if established as an authenticity and quality certification system, then we can see that there is light at the end of the tunnel, giving our guests a quality product and experience contributing to our overall cultural tourism product.

According to one supporting organization participant, the importance of certification is being discussed at various private and public sector levels and there is an understanding of its benefits.

Participant #11 said,

At Bahamas Agriculture Industries Cooperation (BAIC), we have been talking about certification and its implementation and enforcement. We have taken that

conversation to Bahamas Training and Vocational Institute (BTVI) about developing the training around local products certification because when you are certified it does even more for your product, it does more for you as a businessperson.

Table 1 represents the number of Leakages vs Linkages responses from participant types. There are 340 Linkages responses compared to 222 Leakages responses. Notably, the SMEs' participants accounts for 164 out of the total 340 Linkages responses.

Table 1

Leakages vs. Linkages Participants' Responses

Leakages and Linkages: Responses from All Participants (12)	Hotels 2 Participants	MOT 1 Participant	SBDC, TDC, BAIC 3 Participants	SMEs 6 Participants	Totals 12 Participants
Leakages	61	39	59	63	222
Linkages	59	34	83	164	340
Total	120	73	142	227	562

### Tourism SMEs Development

There is growing recognition of the important role SMEs play in economic development of a country (Muhammad, 2010). SMEs are often described as efficient and prolific job creators, the seeds of big businesses and the fuel of national economic engines. Even in the developed industrial economies, it is the SME sector rather than the multinationals that is the largest employer of workers (Millieux, 1997).



There are examples of SMEs development strategies in the region. Participant #2 notably referred to Jamaica, a country that is perceived by the participant as having done an excellent job creating and strengthening linkages between its hotel sector and other sectors giving Jamaica a cultural tourism edge, for example its “Eat Jamaican” initiative in their resorts (Meyer, 2006).

Participant #2 said,

Jamaica as a reference, we've been watching Jamaica. They have done a phenomenal job with their linkages sector. They're passionate about it. Everybody in Jamaica can speak to it, so they've got it from top down. The beauty of their linkages sector is called the Linkage Network. The Linkage Network board of directors is chaired by the president of a strong hotel brand. When a hotelier chairs such a board who understands the need of the hotel sector put them in a better position to respond to the linkage needs between the two stakeholders; tourism SMEs and the hotel sector. So how do we replicate that? When I talk about a linkage model, I would love to see that one of the big hotels take on that responsibility and lead by example.

### **Linkages Support Organizations: BAIC, TDC, and SBDC**

There are three entities established by the government of The Bahamas with the responsibility to support SMEs linkage with the hotel sector and the overall promotion and sustainability of SMEs. These entities are the Bahamas Agriculture & Industrial Corporation (BAIC), Small Business Development Center (SBDC), and the Tourism Development Corporation (TDC). They have been quite active in the last few years with

the latter two coming on line within the last 3 to 4 years, this has been a focus for the current government (Robards, 2018). The Bahamas Agriculture & Industrial Corporation (BAIC) is a one-stop-shop agency, ready to assist small business persons with business plans, research, sourcing funding, business advice/counselling and implementation and follow up (as noted on BAIC web site home page at: <http://www.baic.gov.bs/>). The Tourism Development Corporation (TDC) of The Bahamas Ltd. purpose is to create linkages between the country's growing tourism market and its domestic economy, is expected to allow more, ordinary Bahamians to benefit from larger, economic roles in the Tourism sector (Robards, 2019). The Small Business Development Centre (SBDC) is an initiative that advocates for and support the evolution of Micro, Small and Medium-sized Enterprises (MSMEs) in The Bahamas. SBDC aims to increase the ability of our sector to provide employment, diversify wealth and drive the development of a robust and resilient economy (as noted on the SBDC web site at: <https://www.accessaccelerator.org/>).

Participant #3 made note of TDC and SBDC progress thus far.

Two of the agencies, one appointed directly under the government (SBDC) and the other (TDC) under the Ministry of Tourism were newly-formed I haven't experienced any correspondence with them before now. They are fairly new or maybe just beginning to activate and so I feel they are growing and I feel we are definitely further head than we were 4 years ago, they are a work in progress in supporting SMEs. They have a lot work ahead of them as a lot needs to be done to perpetuate the future SMEs' needs that foster the hotel and SMEs relationship. I feel that time is now to perpetuate the change that is needed.

Participants #4, #11, and #12 representing SBDC, TDC, and BAIC (the supporting tourism organizations), spoke to their organizations' progress thus far and the need for more awareness amongst tourism SMEs that these organizations exist to assist with SMEs development.

Participant #4 said,

For me simply it's partnering and networking. I know some years back there was a huge conference being held in New Providence and what we did, the ministry of tourism came together with some of the artisans and everybody was given a certain amount of products to produce. It was a huge conference so you had about 5 SME businesspersons who participated and they were able to complete whatever was needed. All products were the same style and same size, so it was just partnering, understanding exactly what needs to be done. When we talk about machinery, there are government incentives that assist with that and unfortunately there are some small business people who are not aware of that and I believe they ought to come to organizations, corporations such as BAIC, SBDC, and TDC that can guide them and let them know what's available to them.

Participant #12 said,

The Minister of Tourism created the Tourism Development Corporation (TDC) for this very purpose, to begin to advance the linkages between the sectors, and to help these SMEs, tourism-related enterprises in particular. The country's focus for most of the last 50-60 years that we've been in the tourism businesses has been on the foreign direct investment (FDI) and attracting foreign investment leaders, so

very little attention has been paid to the local entrepreneurs. In the recent platform of the current administration they decided to take this on. The TDC is to be a statutory body so we are unlike Ministry of Tourism; we are able to accept donations. They can be restricted donations; you can say this is for training so that it doesn't go into operations. I think that if we get that opportunity to bring in the expertise that is required then you will begin to see the industry move.

Participant #11 said,

There is a story to tell and it's only a Bahamian can tell a Bahamian story. So I think that partnership between the hotel sector and SMEs, if we can truly link them we have a better story to tell the world. It's a win-win scenario, but what role does BAIC play in making that connection? What we have been doing, last year we worked very closely with Tourism Development Corporation (TDC). And, through this partnership, we were able to work with MSC Cruises as they opened their Ocean Cay Development. BAIC was at the forefront with assisting MSC in identifying artisans, retailers to place on Bimini Island. Insuring that Ocean Cay was featuring some of the best artisans and products that The Bahamas has to offer.

### **Hotel Sector Partnerships**

Partnership between the tourism hotel sector and tourism SMEs is important to the success of both parties, SMEs play a key role in providing adequate products and services to tourists by responding to their most specific requirements (Novelli, 2005).

Participant #4 notably recognize the importance of this partnership when a SME can secure a hotel contract.

Participant #4 said,

A SME securing a hotel contract is considered almost a “god or goddess” of your industry. Because they are coveted, contracts are difficult to get and in most cases if you manage it well they last long and they are very lucrative. Even though the margins may be tight for some of the entrepreneurs because of the volume you find that those SME businesses transform and succeed.

The hotel sector and tourism SME partnership can thrive when both parties pursue a joint capital investment that produce a win-win scenario, joint ventures between suppliers and buyers can offer possible solutions (Telfer, 1996).

Participant #10 spoke to the importance of hotel partnerships,

It's a huge thing that I would like to see is when both the private sector and SME can agree to minimize production cost through a partnership, for example if a hotel agrees to help an SME build a manufacturing hub for them to be able to get the specified product at the volumes they require. Then, that means the SME can actually get the quantity and quality to that hotel at a cheaper price. The investment would help the SME and the hotel, that's a win-win partnership.

Participant #3 noted Bahamas Hotel & Tourism Association (BHTA) and Ministry of Tourism (MOT) joint SME initiative.

Participant #3 said,

Bahamas Hotel Tourism Association (BHTA) in conjunction with Ministry of Tourism did the “Tru Tru Bahamian” Marketplace a couple of years ago. The objective was to connect SME vendors with purchasers and hotel buyers. Not too many hotel buyers attended and I hope the thinking is that we will do it again and make it an annual event. Hopefully we will get more hotel buyers to participate and engage tourism SMEs. We need to get more Bahamian companies to consume Bahamian products and BHTA can be a tremendous help in this regard.

Many of the hotels want to keep their guest within the hotel properties for the entire vacation stays. Participants felt that hotel properties could assist by promoting outside of property activities for hotel guests to experience the Bahamian culture. For example, local shopping to improve SMEs selling opportunities at off property sites.

Participant #3 further said,

I think part of the problem is our hotel guest predominantly spend most of their time within the resort itself. They don't tend to spend as much money or spend as much time outside the hotel therefore not putting money into the local economy, for example, shopping at local places impacts the success of tourism SMEs in a local setting. So we need hotel to promote these types of local experiences.

Another opportunity of hotel partnership noted by a few participants was the need to feed the hotel employees, particularly the large hotels in Nassau and Paradise Island that employs over 10,000 employees that need to be fed on a daily basis. If SMEs can fill this need this will be an opportune for local SMEs to support hotels on Paradise Island

and Nassau. One participant recognize this opportunity and suggested hotel and SMEs partner in this quest.

Participant #11 said,

There are approximately 10,000 employees between the two major hotels on Paradise Island and Nassau that need to be fed every day. Why aren't we feeding them with locally produced produce? It is important that hotels meet with the agriculture farmers in the industry. People that are farmers have no mechanism to get the product to the hotel consumer and products ends up rotting. There`s just no infrastructure to support these farmers to get it into the hotels` outlets and hotel employee cafeterias. That is a challenge that need intervention between government, hotels, local farmers and the related supporting agencies.

### **Government Support**

The present government has done more than previous governments to close the linkage gap between tourism SMEs and the hotel sectors with the recent development of the SBDC and the TDC. However, there is a general feeling amongst participants that more can be done to advance the hotel sector and SMEs linkages

Participant #8 said,

The government should be representing the people. They are doing it but not the way I think it should be done. It is 2020 and we are still doing things the 1960`s way, when are we going to grow and elevate to the current time by utilizing all the technology that is available. For example, social media where everything can be found and it is only being used for certain parts of tourism i.e. marketing,

instead of all parts, it can be used to reduce the leakage between hotels and local SMEs. Government need to serve SMEs better; for example, implement legislation that supports tourism SMEs and mandate linkages between the hotel sector and local SMEs. Another government support example, if I am a farmer, and I am farming potatoes, local government in my community should have proper packing house to get my potatoes to Nassau, this assistance will eliminate so much problems for me as a local farmer.

It was noted by the majority of participants that there need to be stricter enforcement of heads of agreements (HOA) with hotels as it relates to local sourcing.

Participant #7 said,

There needs to be a strong focus in every hotel HOA agreement to include local sourcing linkages provision. Addressing employment of locales and mandate the usage of Bahamian products. Sourcing locally, when really pronounced in these agreements must have oversight and enforcement aspects included. As it relates to oversight, who is monitoring it to ensure the agreements are enforced? So, until we get to a place where government is properly oversighting and enforcing these elements of the agreements, we as tourism SMEs will not be successful.

### **Sense of Bahamian Pride**

Throughout the data collection process, while conducting the in-depth interviews, there was a sincere sense of Bahamian pride displayed by all participants, including the one expatriate participant. The general desire to preserve what is Bahamian, the culture, the development of Bahamian tourism SMEs to produce local products and services that



every Bahamian should be proud of was the common thread and paramount to the participants.

Participant #7 said,

The Bahamas is a brand. The Bahamas in 2018 was considered in the top 50 Global brands around the world. When people come to do business with us, they are trying to align themselves with a brand that has global recognition. They want to line themselves with us, because if you go to Asia or Africa, Australia, Northern Europe and you talk about the Bahamas, there is an immediate brand recognition. When you change the thinking to understand that the power rest with the alignment of our brand, the success of many of the enterprises in The Bahamas is because their associated to The Bahamas. The respect that the brand “The Bahamas” is so tremendous that it adds power to that those arrangements, and I have seen it.

Participant #7 passionately expressed the need for total buy-in into what is truly Bahamian throughout the industry at all levels and positioning this concept at the fore front of everything done in the tourism hotel industry.

Participant #7 said,

How do we get those who are in the tourism hotel industry in Nassau and Paradise Island; our investors, our hotel operators, all tourism stakeholders to recognize you`re missing something when you exclude the Bahamas from your product. We are more than just the sun, sand, and sea. So, when you ignore the Bahamian hotel products, food and the culture, you are missing the opportunity to give your

guests the best Bahamian experience that would ensure they return again and again and again. That`s why on our family Islands, the repeat visitors percentages is high at 67%, because they are feeling the authenticity of who we are, and that's why they keep coming back.

Participant #2 compared The Bahamas to Jamaica where it was stated that consumption of Jamaica`s authenticity by visitors and locals alike was by far more successful, thus the linkages particularly between the tourism sector and tourism SMEs were stronger.

Participant #2 said,

In Jamaica, there is a high focus on the cuisine of Jamaican style food. You can have the local dish; aki and codfish in the majority of hotels or in stand-alone restaurants. In the hotels, it maybe not be exactly as it is cooked for the natives but it is Jamaican food. I would like to see more of that done in the Bahamas and I think that will touch a lot of the locally grown products and a lot of the poorer people in the communities because you are now promoting the concept of Bahamian tradition and culture. More of that is needed in the Bahamas to grow our tourism SMEs development through providing authentic Bahamian products and services. Then, tourism will be benefitting those that need it the most.

### **Conclusion**

This chapter contains the results of the analysis, connects the analysis back to the research questions, and demonstrates consistency of the analysis with grounded theory methodology. Twelve participants were interviewed for this qualitative exploratory

methodology study. Interview questions were semi-structured to understand what factors contribute to the overall tourism leakage in Nassau and Paradise Island and allow participants to speak to their experiences as they relate to the overarching research question and what they see as gaps that hinder the development of tourism related SMEs. The twelve participants represented various direct roles of influence and/or execution that have impact on the research question. Participants presented included; Ministry of Tourism, Tourism Development Company (TDC), the hotel sector, and tourism small and medium size enterprises (SMEs) from the manufacturing, agriculture, and creative and cultural sectors, the Small Business Development Company (SBDC), and the Bahamas Agriculture Industrial Cooperation (BAIC).

Consistent with grounded theory methodology, there were two levels of analysis, open coding, and selective coding. Forty eight (48) codes emerged from open coding. Constant comparison analysis aided the analysis techniques critical to grounded theory methodology. This process helped me to remain consistent in emphasizing emerging into categories from the open codes. Additional constant comparison analysis was used to discover the relationships between and within the open codes, 5 selective codes emerged, and four themes. The four themes resulting from this study summarize the contributing factors that participants felt contributed to the tourism leakage between the hotel sector and the tourism, and what gaps can be identify in addressing the overall tourism leakage issue: (a) Contributors to Tourism Leakages, (b) Current Linkages Strategies and Perceived Linkages Obstacles, (c) Tourism SMEs Development and Support, and (d) A Sense of Bahamian Pride to Produce Bahamian Good and Services.

There were a number of factors that contribute to the overall tourism leakages, some controllable but many that requires a national effort due to the exiting model of tourism. The data shows that to mitigate tourism leakage it requires an overall government coordinated effort across government ministries and private sector strategy. The Bahamas needs foreign direct investment to grow, resulting in foreign owned hotels. The importation of goods and services is high because there is little national focus on producing local good and services. To strengthen linkages between the hotel sector and the tourism SMEs, current linkages practices must be scrutinize for the sake of advancement and obstacles must be tackle head on i.e. cost of doing business, access to hotel, and a need for an tourism SME cooperative with common goals and objectives to further develop tourism SMEs are also found in this chapter. Chapter 5 includes summary for the critical analysis and discussion on the four themes.

## Chapter 5: Discussion, Conclusions, and Recommendations

### **Introduction**

The purpose of this qualitative study was to identify factors that contribute to the overall tourism leakage in Nassau and Paradise Island. Allowing participants to speak to their experiences as they relate to the overarching research question and to identify what they see as gaps that hinder the development of tourism related SMEs.

This chapter includes discussions of the major findings as they relate to the PPT conceptual framework. Findings focused on the development of tourism SMEs in Nassau and Paradise Island, tourism leakages, gaps in tourism linkages between the hotel sector and tourism SMEs, and implications that may be of value to tourism stakeholder community at large, including the government, who work together to improve the development of The Bahamas' tourism. The participants suggested the concept of putting Bahamians first by promoting local tourism SMEs' products and services in Nassau and Paradise Island hotels and throughout The Bahamas. This study's discussions also included the hotel sector and tourism SMEs linkages gaps and how these can best be addressed. The chapter concludes with a discussion of the limitations of the study, areas for future research, and a brief summary.

This chapter contains discussions and the future research possibilities to help answer the overarching question for this study which is, How does The Bahamas' high tourism economic leakage problem negatively affect the growth and development of tourism related SMEs; specifically, the manufacturing, agriculture, and creative and

cultural sectors that support the tourism hotel sector in Nassau and Paradise Island in The Bahamas?.

Using PPT as the conceptual framework, I sought to explore, via in-depth interviews, participants' insights as to why the tourism economic leakage is high. In their perception, one of the reasons was due to weak linkages strategies that currently exist between the hotel sector and tourism SMEs. Using a qualitative exploratory approach to the inquiry, this study findings are aligned with the historical research. However, PPT as a conceptual framework must advance as developing countries embraced tourism as not only a tool for poverty alleviation (Muganda, Sahli, & Smith, 2010; Truong, 2013) but also a tool to advance societies that depend on tourism as an economic driver for emerging countries, such as The Bahamas.

This study builds on PPT conceptual theory, identifying four key themes as a result from this study summarizing the contributions that participants provided that impact the tourism leakage between the hotel sector and the tourism SMEs. The topics identified in addressing the overall tourism leakage issue, included: (a) contributors to tourism leakages, (b) current linkages strategies and perceived linkages obstacles, (c) tourism SME development and support, and (d) Bahamian pride to produce Bahamian goods and services. Some factors relate primarily to the individual SMEs, and some are a combination of the relationship with government, the hotel sector, and other tourism stakeholders. All of these factors help contribute to an environment where tourism linkages between tourism SMEs and the tourism hotel sector are challenged and can grow.

## **Interpretation of the Findings**

While tourism leakages are connected directly to weak linkages, tourism SMEs development current practices and opportunities are some of the underlining solutions to the mitigation of tourism leakages by the promotion of tourism linkages between tourism SMEs and the tourism hotel sector. The four themes identified in Chapter 4 have a dynamic dimension to each of them, as to what is the most important changes that need to be addressed. Each theme is described in detail in the following sections.

### **Contributors to Tourism Leakages**

This current study focuses on The Bahamas' high degree of dependence on the tourism sector and more importantly the high level of leakages from the gross tourism receipts particularly in the tourism hotel sector. This study in agreement with Croes (2007), as it relates to the fact that significant tourism-generated profits leak out of the local economy and in most cases never reaches the country, as noted in Chapter 4 by a few of the participants. Most participants re-emphasized Croes's position regarding the level of imported goods particularly by large hotels, resorts, and international chains.

This current study concludes that the mitigation of tourism leakages is critical for the health of The Bahamas' economy and in particular the significant leakage that results specifically between the tourism hotel sector and the tourism SMEs. In agreement with the historical literature, the high tourism leakages are having a negative effect on development of local tourism SMEs and hotel sector linkages, missed-opportunities (McKenzie, 2016; Meyer, 2006) to strengthen these linkages. This study reveals that because Bahamian tourism SMEs are not selling their goods and services directly to the

hotel sector contributes to the *high leakage* that negatively affects the development and growth of local SMEs in manufacturing, agriculture and the creative & cultural sectors (Thomas, 2016). The two major hotel sector contributors to leakages identified in this study are a) importation of tourism good and services, and b) most hotel properties are foreign owned. In the data, one participant representing a large resort procurement process ventured to say that their hotel is importing approximately 98% of its food and beverage for effective costing strategies, quality, and required quantity reasons. Another participant noted that because the majority of the hotels are foreign owned, in many cases the revenues never reaches the island; reservations are booked and payment settled on line at an out-of-country location. As a result, there is a risk that additional development with the intention of hotel sector profit maximization and the development of a stable tourism-based economy may be producing unintended outcomes such as impeding local tourism SMEs economic development particularly for the sectors that this paper is focused on; manufacturing, agriculture, and the creative & cultural industries sectors. Most participants described these two contributors as having significant negative impact, thus increasing tourism leakages and as a result hindering tourism linkages between the hotel sector and tourism SMEs.

The findings of this study support the contribution of Brohan (1996), the development of tourism SMEs and tourism hotel sector out-sourcing is another strategic linkage that can be formed between the formal tourism industry and local SME suppliers. Hotels forming strategic alliances with local SMEs can be beneficial to both; reducing hotel operating costs and improving efficiencies while supporting local SMEs.



However, many hotels choose not to embrace this opportunity. Brohan further argued that hotels are far from contributing to local SMEs development, the invitation of TNC's in the tourism industry reduces tourism's potential for producing growth, as well as the net financial advantages that the industry brings to developing countries, such as The Bahamas.

This study reveals that tourism hotel leakages occur at several different stages in agreement with Karagiannis and Salvaris (2002). This findings of this study revealed that the most prevalent tourism leakages in The Bahamas were; a) leakages stem from the direct imports required by the tourism hotel industry and the visitors. b) leakages arise from the content of investment agreements, particularly concessions given to foreign direct investments (FDI) and the lack of consideration given to local sourcing in the heads of agreements (HOAs). And, c) leakages refer to expenditure by governments, national tourism organizations and individual firms on overseas promotion in order to sell the destination. Little focus was given to the latter due to the make-up of the participants, only the one ministry of tourism executive could speak to this subject who indicated that this ministry spends about \$35M to promote The Bahamas as budgeted in the 2019-2020 budget presented by the Minister of Tourism, Dionisio D'Aguiliar, this does not include what is spent by the promotion boards (Ministry of Tourism, 2020).

According to Terzioglu & Gokovall (2016), there wasn't a detailed study that specifically considered leakages of the tourism hotel sector with the local economies, the contributions and leakages nor the possible reasons and outcomes of these contributions and leakages. However, I seek to understand the possible reasons and outcomes of these

leakages. In this study, participants emphasized the need to reduce tourism imports, the trade imbalance remains a major issue in The Bahamas. Also, with the implementation of new trade agreements, participants notably pointed out the increased tourism related imports; food & beverage, souvenirs, building material, clothing, fuel and energy. This increase in tourism imports have a negative impact on tourism SMEs ability to sell directly to hotels.

This study supports Clayton & Karagiannis (2008) position that the Caribbean's and particularly The Bahamas which has the closest proximity to the US gives it a natural advantage, and as such, the United States has been the largest generating market for The Bahamas, providing well over eighty percent of the total arrivals. This study is also in agreement with Croes (2007) that countries such as The Bahamas' high degree of dependence on the tourism sector and more importantly the high level of tourism leakages from the gross tourism receipts particularly in the tourism hotel sector present an linkage opportunity for local tourism SMEs. Additionally, this study supports that these leakages occur primarily through the importation of tourism goods and services, and revenues never reaching the country due to foreign owned hotels receiving payments via on-line at an out-of-country location, predominately in the United States (US).

Study participants noted that the tourism hotel industry imports much of its supplies from the US, largely because local manufacturers, farmers and distributors find it difficult to organize the quantity and quality of goods required. Participants recommended developing a cooperative movement to organize local tourism SMEs to meet this need. Participants in the study suggest that remedy must be sort and the

government to intervene and play a central role in mitigating the tourism leakages while ensuring that provisions are implemented to ensure tourism SMEs thrive while improving the linkages. This study's findings are in agreement with Thomas (2016) assertion that it is evident in The Bahamas, that the influence of large hotels' importation of goods and services and rising of operating costs has resulted in tourism related SMEs being largely unable to compete and survive with their larger foreign counterparts.

Additionally, participants notably mentioned the negative impact of foreign owned big hotels, resorts and transnational nationals (TNC) and influence they have on tourism SMEs. This study findings are in agreement with Brohman's position that they are far from contributing to local SMEs development. The invitation of big hotels, resorts and TNC's in the tourism industry reduces tourism's potential for producing growth, as well as the net financial advantages that the industry brings to developing countries (Brohman, 1996). It was noted in participants' responses that government need to address TNCs through the foreign direct investment (FDI) process, articulating local sourcing considerations in the heads of agreements (HOAs), identifying which ministries are responsible for over-sight and enforcement of the same.

This study findings align with and supports the current Director of Tourism's position that because of The Bahamas reliance on mass tourism has resulted in growth of foreign trade and provision of jobs but has also given rise to significant financial leakages and a lack of local ownership in tourism industries. And, one way to curb this trend, she argued, was allowing Bahamian entrepreneurs to sell their goods directly to the hotels and cruise lines" (Mckenzie, 2016, p. 2, Business Section). This study also revealed that

unfortunately, we are importing “junk” products that are not authentically Bahamian made, products that can be found at any port, as noted by Participant #1.

### **Current Linkages Strategies and Perceived Linkages Obstacles**

This study identified a few successful examples where out-sourcing and linkages were practiced and strengthened. However, there are a number of obstacles noted by participants as it relates to the perceived hindrances to the tourism related SMEs growth and development, these included; the cost of doing business, access to hotels, access to capital, machinery & technology, awareness & education, the need for a cooperative movement, and the need for a certification program.

With that said, I agree with Mudzengi (2018) suggestion that the tourism benefits accruing to local communities are derived from SMEs that sell artifacts, handicrafts, cultural activities, agricultural produce and fruits to tourists and the hotel sector while continuing to offer paid wage employment in hotels and lodges. However, most of the SMEs participants felt generally that the cost of doing business in The Bahamas is high and puts them at a competitive disadvantage, particularly when tourism imports are less expensive than locally produced products.

In addition to the general high cost of doing business, I recognized there are other obstacles that require research focus that were not addressed historically by the Pro Poor Tourism (PPT) conceptual studies but necessary to further PPT researches. This study identified the following tourism SMEs’ obstacles; a) The cost of insurance as a hindrance to tourism SMEs operating and development. SMEs inability to afford \$1M insurance coverage has also been seen as an obstacle, this level of insurance is required by large

hotel properties, according to participants. This study's findings found that for SMEs taking on this expense can be prohibitive and need some resolution i.e. a SME-cooperative strategy to mitigate this obstacle through a shared-cost strategy. b) Access to the hotels, which is another obstacle that is seen as easy to address. Just knowing who to go to, who is the decision maker that SMEs can make products and/services presentation to within the hotel organization. And, c) Access to Capital, the ability to secure financing giving tourism SMEs the ability to modernization their business model, upgrade machinery and technology. In addition to the obstacles noted, this study's findings also highlight the need for awareness and education with the tourism SMEs community. A number of participants felt that the Bahamian populace lack education and understanding of the potential of developing tourism related SMEs' businesses. This study findings reveal that there is a view that there needs to be a focus on educating Bahamians on the entrepreneurial opportunities that tourism hotel sector presents. Finally, participants in this study overwhelmingly agreed that there is a need for a cooperative movement providing a common platform for all tourism SMEs advocacy, assistance and support. As one participant stated; "*tourism SMEs need a louder voice*". Finally, participants noted the need for a certification program to authenticate and grade Bahamian products, certification was noted as a subject of importance and an area that require focus if Bahamian tourism SMEs are going to advance that requires development and implementation.

Hotels expect a minimum standard and assurance that quality and authentic Bahamian products are being produced and sold to them. To address SMEs selling

directly the hotel sector, this study is aligned with Thomas (2016) as it relates to Bahamian SMEs not selling their goods directly to the hotel sector contributes to the *high leakage* that negatively affects the development and growth of local SMEs in manufacturing, agriculture and the creative & cultural sectors. An opportunity to harness SMEs exposure to hotels and the wider community is through community based events. This study findings align with Saville (2001), Williams et al. (2001), Torres & Momsen (2004), and Meyers (2006), participants recognized that there are some opportunities for community-based tourism projects in support of developing tourism SMEs that generate work or other benefits for the local population; for example, supporting community based festivals like the Tru Tru Bahamian and BAIC annual festival. These give tourism SMEs exposure and an opportunity to showcase and sell their products directly to hotels and the community at large.

Strategies noted above are clearly relevant to PPT and in some cases have long existed in mainstream tourism and have proven to strengthen tourism SMES and hotel sectors linkages relationships. Participants in their responses perceived them to contribute positively to SMEs and community development; however, it is not known from qualitative studies to what extent nor units of measurement that can be employed to measure the benefits to the development of SMEs and the host communities (Torres & Momsen, 2004).

Overall, the participants' general observation is that "linkages" are critical and important to the development of tourism related SMEs and the tourism industry at large. Tourism SMEs linkages are important to the whole concept of tourism and hotels, major

to medium to small homegrown suppliers, and even to the small one-man vendor on the street side who the staff of hotels support. As one participant put it, “the stronger the linkages between the hotel sectors and SMEs that support tourism, more monies flow throughout the host communities, providing jobs and reducing leakages”. The more the money can exchange hands and circulate within the host communities the stronger the linkages.

### **Tourism SMEs Development and Support**

This study in this modern time, agrees with Ashley (2000) who challenged us to view PPT as not being focused on the very poorest of society but rather a more appropriate tool for reaching those with assets and skills who at minimum able to engage in the commercial economy; mostly tourism (SMEs). Generally, PPT advocated as a means of alleviating poverty in developing economies but can also be applied in the context of the Bahamas and its developing sectors. Participants’ responses aligned with Shah and Gupta (2000), that the tourism SMEs sector is crucial for improving the livelihoods of the poor. This study also embraces Ashley et al (2000) assertion that the SMEs sector is where opportunities for small and medium scale enterprises that maximized the labor provided by the poor or less advantage so promoting the development of tourism SMEs improves the quality of lives of the citizen in host communities and ultimately improves tourism linkages and reduces leakages.

This study findings are in agreement with Meyer (2006), who argued that more could be done to link the tourism industry to other sectors of the economy so as to increase the overall development of the destination. This study has noted throughout this

study, that government, hotel sectors, supporting institutions, and tourism SMEs can do more to strengthen the linkages between the hotel sector and tourism SMEs. This is the path and view that the PPT conceptual framework guides.

In The Bahamas, the linkages between tourism hotel sector and local tourism SMEs have been relatively weak. This study agrees with Hepburn (2013), that The Bahamas has depended on the dominance of one traditional sector, tourism combined with the lack of economic innovation. The connection between the local farming community and the hospitality industry has been identified as one of the best opportunities to ease the over reliance on foreign agricultural products that the hotel sector so much relies. One participant made note about The Bahamas not being able to produce its own food and the weakness of the agriculture sector that contribute to the importation of food and beverage and other hotel sector products, and challenges the hotel sector to take some action in this regard. According to one hotel procurement professional who participated in the study.

98% of our food and beverage are imported, what is the hotel sector doing to change that or to foster those relationships that can change it? I think we need a shift in the way we think about this. Locally here in The Bahamas, there's not a lot of agricultural (Participant #9).

The prevailing import question amongst the participants is why aren't the hotel sectors making an earnest effort to decrease imports by utilizing and supporting local sourcing? This study findings are also in agreement with historical research, Henshall-Momsen as discussed in Karagiannis, (2002), and Clayton & Karagiannis, (2008); any significant



strengthening of these linkages would still require SMEs engagement and development; improvements in product quality, more efficient distribution systems, extension training, and access to affordable credit by local producers.

### **Pro Poor Tourism Approach**

This study findings agree with Meyer (2007), that PPT as a conceptual framework that relies on and must be integrated into the wider tourism systems. Many national tourism development plans are drawn up based on the assumption that the economic benefits of tourism will stimulate other sectors of the economy. However, this study findings reveal that if this position is be carried out in The Bahamas, it requires all tourism stakeholders including government to come together and made a commitment to ensure that the hotel sector is fully committed to improving the linkages between the hotel sector and tourism SMEs. According to Participant 3, why should products to be imported when Bahamians have the capacity to product quality products. It should be mandatory for our hotel properties to utilize them, only then will leakages decrease. Presently, hotels are importing products that are produced locally. Products produce locally are fresher, taste phenomenal, and guests want that Bahamian experience, according to Participant 4.

This study findings agree with Meyer (2006), that PPT plays a significant role in reducing tourism leakages and strengthening linkages between the tourism hotel sector and other sectors that represent the tourism SMEs. Historical research as it relates to PPT are clearly relevant to examining leakages from destination areas and comparing the relationship of tourism to pre-existing, detailing the new employment opportunities

tourism creates, assessing the impacts of capacity building and improvements in welfare, or outlining more general changes, for good or ill, in culture and values. This study findings align with Clayton & Karagiannis (2008), that any significant strengthening of these linkages would still require SMEs development.

In The Bahamas, tourism SMEs is even more critical, as a young and emerging country for its economic sustainability and growth. Tourism being its number one industry, the SMEs that support tourism must be at the fore front and focus in order for The Bahamas to thrive. Examples of SMEs development strategies in the region that was noted in the study came from Jamaica. Jamaica was noted to have done an excellent job creating and strengthening linkages between it hotel sector and other sectors giving Jamaica a cultural tourism edge. As Participant 3 stated,

They have done a phenomenal job with their linkages sector. They`re passionate about it. Everybody in Jamaica can speak to it, so they've got by from top down.

The concept of their linkages initiative is called the Linkage Network.

This study`s participants noted that hotel sector partnership is most vital to the success of tourism SMEs and their survival. There must be open dialogue between the hotel sector and tourism SMEs with the focus to deepen the relationships and partnerships. As The Bahamas depend on the tourism industry, so are tourism SMEs dependent upon the hotel sector embracing them and developing relationships i.e. contractual agreements. Participant 4 stated,

A SME securing a hotel contract is considered almost a “god or goddess” of your industry.

According to Meyer (2006), when the hotel sector and tourism SMEs relationship is focused on one or more of the following three strategies, benefits are increased in the local community. The strategies are: a) increasing spending per visitor; b) increasing local participation in the industry; and/or c) increasing linkages and thus reducing leakages. Through collaboration between the tourism hotel sector and tourism SMEs, the above can be achieved.

This study's findings recognized the need for organizations that are charged with the oversight of tourism SMEs development, notably they are; Bahamas Agriculture & Industrial Corporation (BAIC), Small Business Development Center (SBDC), and the Tourism Development Corporation (TDC). These organizations are still quite young and developing themselves, they will require the continued support; national focus and appropriate financial budget to execute their responsibilities no matter which government administration is in power. This study agrees with Meyer (2006) and De Kadt (1979), when government policy supports the strengthening of these economic links between the tourism hotel sector and other sectors, the results is the reduction in leakages. For example Jamaica's tourism-agriculture focus reduces the need for the tourism sector to import food, according to Meyer.

### **Sense of Bahamian Pride**

Throughout the data collection process, a sense of pride was a sincere display and expressed by all participants toward local tourism SMEs producing Bahamian products and services. This study findings are in agreement with Mudzengi (2018) assertion that the tourism benefits accruing to these local communities are derived from SMEs that sell

artifacts, handicrafts, cultural activities, agricultural produce and fruits to tourists and the hotel sector while continuing to offer paid wage employment in hotels and lodges. This study revealed that there is an additional benefit; the “sense of pride” producing those artifacts, handicrafts, cultural activities, agricultural produce and fruits for tourists and the hotel sector. There was a common desire between participants to preserve what is Bahamian, the culture, the development of Bahamian tourism SMEs to produce products and services that every Bahamian should be proud. Bahamians show a sense of pride for all things Bahamian and to see who they are and what they can produce as a global recognized brand (Participant 7). This sense of Bahamian pride need to be further examined to understand its implication on tourism SMEs growth and development.

### **Implication for Theory and Research**

Chapter 2 included the description of Pro Poor Tourism (PPT) conceptual framework used in this study. How this study’s findings align with this conceptual framework is discussed in the following sections.

#### **Pro Poor Tourism**

By definition, PPT generates net benefits for the poor and those that needs it the most (Truong, 2018). Economic benefits are only one component – social, environmental and cultural costs and benefits also need to be taken into account (DFID, 1999). The results of this study aligned with PPT conceptual framework, tourism brings net benefits to the poor in host communities (Harrison, 2008). This study further aligns with Meyer’s (2007) suggestion that it brings action-research to the study, the analyzing and developing linkages, and reducing leakages between the tourism (hotel) sector and

neighboring communities. However, PPT conceptual framework is based deductively on a critical review of the literature, paired with first-hand experience in PPT action-research. This study is in agreement with Meyer (2006) position that PPT action opportunities encompass both core and non-core activities within the tourism hotel sector.

The motivations of the hotel sector to reduce leakages by utilizing local tourism SMEs products and services throughout their operations are important, as this study's findings highlight the importance of developing this linkage and as a result the development of tourism SMEs. In pursuit to further develop tourism SMEs, using the PPT framework this study's findings agree with Harrison's (2008) assertion that trying to avoid benefiting the non-poor is usually a counter-productive effort. As long as poor people reap net benefits, tourism can be classified as "pro-poor" even if richer people benefit more than poorer people. It is easy to try to avoid the rich benefiting from tourism SMEs development but they must co-exist and be co-benefactors in this process. Additionally, this study is in agreement with Harrison's position that PPT weakness is that it is often impossible to calculate the benefits that PPT initiatives bring to host communities, such as SMEs development. Accurate assessments of incomes and expenditures in PPT projects are difficult to find; by definition intangible benefits are hard to calculate.

As noted in the results of this study, the PPT literature is lacking measures that quantify tourism's pro-poor impacts. This is a challenge for two main reasons. First, tourism is a destination-based activity and hence its impacts vary by destination. As a result, there is possibly no "one-size-fits-all" measure that can be pertained to all host

communities. Second, tourism is a complex industry that involves many other sectors (Troung & Hall, 2017).

This study's findings found that PPT research is most effective when approach qualitatively in nature. The literature support the application of PPT as a tool to further develop and promote local tourism SMEs, it made a good fit for this study. This exploratory study was built heavily on the PPT research works by Meyer with focused on the Caribbean region in which The Bahamas resides with focus on the development of tourism SMEs.

While this study findings are in agreement that the big hotels in Nassau and Paradise Island are foreign owned, imposing their idea of what they think the Bahamas should look like and then use their influence to execute what "*Bahamianization*" is in their hotels. This concept puts the local tourism SMEs at a disadvantage because it excludes them, and most the study participants felt that this is definitely the wrong way to go about it. The concept of "*Bahamianization*" gives the tourism hotel sector and tourism as an industry competitive advantage, only Bahamians can embrace telling the Bahamian stories through their products and services, and ultimately guests receiving and consuming those products and services experience the Bahamian culture. The idea of leveraging culture as a competitive advantage is an area that PPT can be utilize to further explore and build upon its existing literature to support its objective of getting tourism benefits to those that needs it the most, the host communities, by promoting the local culture, products and services. Participant 2 stated that government needs to intervene to preserve the Bahamian culture.

Big and small hotels needs to take the Bahamian culture into their theme, this will engage more local SMEs' products and services while creating competitive advantage (Participant 2).

The results of this study suggest that PPT also address the question; how do we get the hotel sector to fully buy into the strength of The Bahamas brand? not only sun, sand and sea, but also the people. Participant 7 passionately expressed the need for “buy-in” into what is truly Bahamian throughout the hotel industry at all levels and placing this concept at the fore front of everything we do in the tourism industry. And, if executed well, visitors will have a unique Bahamian hotel experience, after all that is why they specifically choose The Bahamas.

This study findings agree with Meyer in her 2003, 2006, 2007 & 2009 studies that to address the Caribbean tourism leakage as a whole, utilizing PPT allows the exploration of how the leakages implication affected countries within the Caribbean, and specifically this study focused on The Bahamas. Utilizing PPT in this study, provided significant insights that were presented by participants into why the leakages exist and what cause of action is required to mitigate the tourism leakages in The Bahamas between the tourism hotel sector and tourism SMEs, similarly there are cases in other Caribbean countries, Meyer identified St. Lucia and Dominica in her work.

This study's findings recognize and promote that the use of PPT theories and models and its results in discussions of tourism as a tool of poverty alleviation for host communities (Meyer, 2006). However, the findings of this study strongly supports Ashley (2000) assertion that PPT conceptual framework can not only being focus on

poverty alleviation but in emerging countries, such as The Bahamas; focus on getting the benefits of tourism to those that need it the most, the host community which is a form of poverty alleviation. This position provides for effective discussions surrounding tourism as a contributor to poverty alleviation in rural areas but when applied to emerging countries focus to be placed on tourism SMEs development in host communities. As Ashley noted, this constitute proof of a model's future value, and the effectiveness of theories and models underpinning PPT studies can be tested easily. Therefore, PPT researchers may be encouraged to clearly report theory and model use in their studies, which may then help to identify common theories or models that effectively guide PPT research based on context. These questions may provide important implications for further research (Truong & Hall, 2017).

### **Implications for Practice**

This study's participants were heavily weighted (50%) toward tourism SMEs, to ensure there was SME representation across the varied sectors that support tourism in Nassau and Paradise Island; manufacturing, agriculture, and creative and cultural sectors. Therefore, bias may be undermining the results of this study in favor of the tourism SMEs to attain perceived equity for growth development opportunities, selfish intentions to reduce tourism leakages between the tourism hotel sector and tourism SMEs. To a large extent of these leakages influences the economic benefits enjoyed by the local SMEs and by extension the wider community (Fletcher, 1989; WTO, 2004). This study's over-arching question feeds into this bias: How is The Bahamas' high economic leakage problem negatively affects the growth and development of tourism related SMEs



specifically the manufacturing, agriculture, and creative and cultural sectors that support the tourism hotel sector in Nassau and Paradise Island in The Bahamas.

As noted in the study by Participant #9, in The Bahamas, 98% of hotel sector's food and beverage are imported, what can the hotel sector do to change that or to foster more-beneficial relationships with tourism SMEs in corroboration with government and other supporting organizations i.e. BAIC, TDC, and SBDC, to change this? There needs to be a national mind-shift in the way we think about this, locally there's not a lot of agricultural. The connection between the local farming community and the hospitality industry has been identified as one of the best opportunities to ease the over reliance on foreign agricultural products (Hepburn, 2013). Arguably, agriculture presents a public-private opportunity to reduce tourism leakages by further developing and supporting tourism SMEs in the agriculture sector, re-balancing the current foreign agriculture products importation. The entire community has a stake in helping to create a more balanced approach to tourism SMEs development and growth opportunities, as history indicated that legislation can help to move the dial in creating equity in the distribution of the tourism revenues while strengthening the linkages between the tourism hotel sectors and other sectors, empowering tourism SMEs to growth while reducing the leakage of the tourism dollar. The tourism industry has not yet demonstrated the ability to drive substantial change in creating tourism SMEs equity when it comes to the distribution of tourism revenues.

The results of this study suggest that The Bahamas tourism policies may not be as progressive as those in other more advanced countries, for example a study that

investigated how the Botswana Forest Reserves was instrumental in ensuring that the benefits of tourism activities reach those that needed it the most, thus alleviating poverty among local communities through the use of pro-poor tourism strategies (Manwa, 2014). However, in The Bahamas, any significant strengthening of tourism linkages between the hotel sector and tourism SMEs will still require a focused approach to tourism SMEs development; improvements in product quality, more efficient distribution systems, extension training, and access to affordable credit by local producers (Henshall-Momsen as discussed in Karagiannis, 2002; Clayton & Karagiannis, 2008).

If The Bahamas wants to continue to compete in the international tourism marketplace, attracting more visitors to its shore; it needs to devise strategies to strengthen the linkages between its tourism SMEs and the hotel sector, leveraging its unique-cultural competitive advantage. Then, tourism leakages will reduce because more local tourism SMEs will be engaged, thus lowering its current tourism leakage percentage of 85% as noted earlier by the Director General of Tourism in chapter 2. Lowering tourism leakages will result in a more robust Bahamian economy, more jobs creation and more Bahamian owned SMEs. Throughout the history of The Bahamas, it is viewed as one of the leading tourism destinations in the Caribbean and around the world. The Bahamas' tourism industry is the dominant economic driver accounting for approximately 60% of the country's gross domestic product (The Government of The Bahamas, 2011). As noted in the Botswana Forest Reserves study, The Bahamas' government might wish to consider more progressive tourism linkages laws to become a country that just as it is attractive to its visitors, it should also be attractive to its residents

while improving their quality of life by mandating legislative initiatives that ensure that revenues of tourism is distributed equitably throughout host communities, mitigating tourism leakages.

Another area of opportunity as noted in Chapter 4 that supports the better understanding of how to mitigate tourism leakages is the role that “the Bahamian sense of pride” plays in the motivations for SMEs to produce products and services of the highest quality that meets or exceeds global standards while enriching the visitor experiences with Bahamian culture. As noted in Chapter 2, The Bahamas reliance on mass tourism has resulted in growth of foreign trade and provision of jobs but has also given rise to significant financial leakages and a lack of local ownership in tourism industries. According to the Director General of Tourism for The Bahamas; Joy Jibrilu in her interview with The Tribune dated June 16<sup>th</sup> 2016, she stated that “85 cents of every tourist \$1 earned ultimately flows back out of the Bahamas. One way to curb this trend, she argued, was allowing Bahamian entrepreneurs to sell their goods directly to the hotels and cruise lines” (Mckenzie, 2016). Heightening the “Bahamian sense of pride” will encourage and promote more and more tourism SMEs to produce products and services of the highest quality that will not only result in current Bahamian entrepreneurs being successful but will also attract new Bahamian entrepreneurs to deliver at the level of this new expectation. Thus, reducing tourism leakages, improving and strengthening current tourism linkages, while developing tourism SMEs and improving quality of life for residents in host communities.

The results of this study show that there is a general consensus amongst participants that foreign owned hotels tend to unintentionally or intentionally promote the tourism leakages in their current business model. It all starts at the beginning of the Foreign Direct Investment (FDI) process. This study's findings suggest that local sourcing and linkages with local SMEs be given a more intentional focused and significant considerations at the Heads of Agreement (HOA) level which requires the engagement and fortitude of government to mandate and enforce local sourcing in these agreements. If realized, this strong focus on local sourcing development means that other sectors of the economy particularly tourism SMEs in the manufacturing, agriculture, and the creative & cultural industries sectors will be promoted and supported at the national level. Local SMEs will be selling more of their goods and services directly to the hotel sector, this supports the lowering of the tourism leakage that currently negatively affects the development and growth of these SMEs in the manufacturing, agriculture and the creative & cultural sectors (Thomas, 2016).

### **Limitations and Recommendations for Future Research**

While I still agree that qualitative research was the right choice for this study, qualitative research tools, such as in-depth interviews used in this study are not designed to capture hard facts. More credibility could be given to this study if coupled with quantitative research, using mixed method might have been more impactful. For example, a survey designed for quantitative research, and subsequent statistical analysis, may offer more evidence to strengthen the data discovered using qualitative research tools.

Several areas for future research on addressing tourism leakages are; the development of tourism SMEs and the role a sense of pride in this process, and the creation of a tourism SME cooperative could add to the findings in this study. Some future research recommendations are as follows;

1. A mixed method study could be developed to understand and quantify the impact of initiatives to develop local SMEs i.e. reduction of tourism leakages, increase in jobs, increase visitor spent, and increase in local tourism SME ownership. Since several participants in this study cited that government politics and rotation of administrations have impact on national agendas that affect the development of tourism SMES as having a negative implications.
2. Another area of focus to study, is the role that “sense of pride” and its motivation to improve the production and quality of goods and services produced. Possibly soliciting candidates from different sectors and age groups that would be willing to answer survey questions over a 5 to 10 year period to determine if there are large shifts over time in the motivation of an individual to want to own their own tourism SME businesses and their view on tourism in the long term for the country.
3. Another suggestion is a quantitative study when couple with this study’s findings, a study using a larger and more diverse population. Potentially comparing the perspectives of government with foreign direct investment (FDI) investors and what common expectations and objectives can be agreed upon to address the tourism leakages at the beginning of the FDI process.

4. With regard to a further qualitative research, using a more focused tourism SME participants and hotel sector procurement agents combination, to better describe and understand the role of the hotel procurement representative and the motivation to address tourism hotel leakage.
5. And finally, a broader demographic and diversity of participants can give more insight into the development of tourism SMEs and the motivation contributors of the concept of “sense of pride” to produce quality goods and services and its impact on cultural tourism as noted in is this study.

### **Conclusion**

The thought of a modern-day tourism model in The Bahamas exhibits deeply rooted economic, social, cultural and structural barriers for tourism SMEs development is generally accepted in this study, and biases is still evident today. Motivating factors for the hotel sector to embrace tourism SMEs has to be mandated in tourism foreign direct investments (FDI) process and articulated in the HOA agreements. One area that needs immediate attention is the inconsistency of product quality and quantity that was noted by the hotel sector procurement participants. It is imperative that this be address if tourism SMEs are going to take advantages of growth and advancement opportunities. This study findings suggest that SMEs growth opportunities are still a barrier today.

The Bahamas and particularly in the island of New Providence are geared toward mass tourism Mass tourism and is the dominant tourism model which is reliant on high numbers of air and cruise ship visitors, heavily built environments and short average stays of tourists (Torres, 2002; McElroy, 2003; 2006). If the tourism leakage problem is

to be properly addressed, the development of tourism SMEs is vital to The Bahamas as a nation, where tourism leakage is at approximately 85% according to the Director General of Tourism, Joy Jibrilu (Mckenzie, 2016). The tourism community collectively can work together to improve the development of tourism SMEs provided clear hotel sector-tourism SMEs linkages objectives are agreed upon in order to mitigate the current tourism leakages. For example, a study by Taylor, Morison and Fleming (1991) measured the hypothetical impacts of a 25% reduction of imports and simultaneously a 25% increase in food supplied by local farmers in The Bahamas, the results were significantly positive to the reduction of tourism leakages and improvements to linkage strengthening between tourism and local agricultural suppliers. However, there is no data in this study or others that suggests that there are consistent policies, cultures, and values for tourism SMEs or the development of these businesses. The focus ought to be an environment where The Bahamas is consistently creating opportunities for tourism SMEs growth by strengthening current linkages between the hotel sector and tourism SMEs, and laws implemented that equip tourism industry where tourism SMEs are considered to balance the tourism revenues distribution in an equitable way. To achieve these, there is much work to be done, once pursued they will advance The Bahamas in the global tourism race in attracting new markets, particularly cultural-tourism.

The results of this study suggested that there are four themes related to addressing tourism leakages while providing motivating factors for tourism SMEs and the tourism community at large to contribute to the development of tourism SMEs for the long term and the success of The Bahamas tourism industry: (a) Contributors to Tourism Leakages,

(b) Current Linkages Strategies and Perceived Linkages Obstacles, (c) Tourism SMEs Development and Support, and (d) A Sense of Bahamian Pride to Produce Bahamian Good and Services.

All of these factors help contribute to an environment where tourism linkages between tourism SMEs and the tourism hotel sector are challenged and can grow. Local sourcing between the tourism hotel sector and local tourism SMEs priorities were emphasized as a high priority national need if The Bahamas is to grow its tourism product for generations to come.

The further development of SMEs was consistently cited as vital to tourism SMEs staying motivated, particularly as SMEs are seen as the gateway to new tourism linkages. Supporting SMEs to improve the quality-consistency and quantity of products produced creates a foundation for both hotels and SMEs to connect and further develop linkages relationship between both.

While a sincere sense of pride was displayed and expressed throughout the data collection process by participants, it was quite interesting to hear how this attribute impacted the quality, consistency and the quantity of products produced, and more so, the satisfaction it brought to the tourism SMEs participants, this should be further explored. Participants shared varied descriptors about how they viewed sense of pride and the role it plays in product quality which positively contributes to strengthening the linkages opportunities between the hotel sector and themselves. Some descriptor words used included; *sacrifice, authentic, perfect, Bahamian, and proud*, to describe their sense of pride. Even in the face of a project financial dis-advantage, SMEs' participants viewed



such projects as a growth opportunity to secure the hotel relationship, but more importantly to produce the very best product they can be proud of even though they were at a financial disadvantage.

Participants described securing a solid hotel linkage opportunity with tourism SMEs as being successful. When describing how they felt about hotel linkages with tourism SMEs included phases such as; “securing a hotel contract, I was considered a god of my industry”, as noted by Participant #4. Hotel contracts are difficult to get and having one opens other opportunity doors, for example access to bank financing. When the hotel sector linkage with tourism SMEs works, these businesses transform and succeed.

The Bahamas has to formulate new and innovative strategies to further the development tourism related SMEs in an effort to reduce tourism leakage. Hepburn (2013) suggests one way to reduce the tourism leakage is to reduce the dependence on foreign imports and increase food security for example government develop strategic food production plans, execute those plans, support SMEs, and enforce legislative linkages mandates articulated in tourism head of agreements (HOAs). The production of agricultural products in the country should not only be provided for the domestic consumption, but also for hotel guests’ consumption and evenly the international market. The results of this study suggested that the entire tourism community make the commitment to support the development of tourism linkages in a new way; and as a result the development of tourism SMEs, and watch the socio-economic benefits that these bring. Hopefully, this challenge can be taken on by both private and public sector for the continued economic health of The Bahamas that currently depend on tourism as its

dominant economic driver accounting for approximately 60% of the country's gross domestic product (The Government of The Bahamas, 2011).

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## Appendix A: Research Questions

Pro-Poor Tourism (PPT) aims to increase the net benefits for the poor from tourism, and to ensure that tourism growth contributes to poverty reduction (Ashley, Roe & Goodwin, 2001). Using PPT strategies, this paper aims to unlock opportunities for the poor with focus on tourism small and medium enterprises. This not only includes the analysis of the vital economic costs and benefits, it also focuses strongly on social, environmental, cultural and political aspects of livelihood costs and benefits, thus moving away from seeing tourism solely as income generator.

The key questions that this paper attempts to answer as guided in Meyer (2006) study. This is a qualitative exploratory methodology case study.

The over-arching question;

RQ1: How does The Bahamas' high tourism economic leakage problem negatively affect the growth and development of tourism related small and medium enterprises (SMEs); specifically, the manufacturing, agriculture, and creative and cultural sectors that support the tourism hotel sector in Nassau and Paradise Island in The Bahamas?

Other supporting questions;

RQ2: What is the state of current linkages between the tourism hotel sector and tourism small and medium enterprises in host communities?

RQ3: What hotel sector linkage best practice initiatives from similar and nearby jurisdictions can be implemented to promote the development of tourism small and medium enterprises?

RQ4: What types of support do tourism small and medium enterprises require to succeed and improve linkages with the hotel sector and these businesses?

## Appendix B: Number of Participants and Roles

<b>Participant Type/Sector</b>	<b>No. of Participants</b>	<b>Percentage %</b>
Ministry of Tourism (MOT)	1	8%
Small Business Development Company (SBDC)	1	8%
Tourism Development Company (TDC)	1	8%
Bahamas Agriculture Industry Corporation (BAIC)	1	8%
Hotel Operators	2	17%
Vendors: manufacturing, agriculture, and creative and cultural sectors	6	50%
<b>Total:</b>	<b>12</b>	<b>100%</b>



## Appendix C: Participants Schedule by Sector

**Participants Schedule:**

SMEs: Manufacturing, Agriculture, and Creative & Cultural Sectors	6	50.0%
Public Sector: Ministry of Tourism, Tourism Development Company	2	16.6%
Quasi-Public/Private Sectors: BAIC, SBDC	2	16.6%
Private Sector-Hotels	2	16.6%
<b>Total:</b>		<b>100%</b>

Abbreviations:

BAIC-Bahamas Agriculture Industrial Cooperation

SBDC-Small Business Development Company

## Appendix D: Open Code Schedule

**Open Codes**

EXPORTED GOODS  
IMPORTED GOODS  
LEAKAGES  
LEAKAGES-Foreign Ownership  
LEAKAGES-Reduction  
LINKAGES  
LINKAGES-Best Practices from nearby Jurisdictions  
LINKAGES-Current Strategies  
LINKAGES-Development  
LINKAGES-Future Research  
LINKAGES-Improvement  
LINKAGES-Obstacles  
LINKAGES-Obstacles Solutions  
LINKAGES-Promotion  
LINKAGES-Support  
LOCAL ECONOMY  
LOCAL SOURCING  
LOCAL SOURCING-Family Islands  
LOCAL SOURCING-Hindrances  
LOCAL SOURCING-Lack of Training  
LOCAL SOURCING-Ministry of Tourism  
LOCAL SOURCING-Natural Resources  
LOCAL SOURCING-Quality & Quantity  
LOCAL SOURCING-Quality Control  
PRIDE-Sense of  
PRO PRO TOURISM  
SECTOR  
SECTOR-Agriculture  
SECTOR-Creative & Culture  
SECTOR-Manufacturing  
SMEs  
SMEs-Access to Capital  
SMEs-Access to Hotels  
SMEs-BAIC  
SMEs-Barriers  
SMEs-Development  
SMEs-Machinery  
SMEs-Promotion  
SMEs-Small Business Development Company  
SMEs-Support

SMEs-Technology  
SMEs-Tourism Development Corporation  
TOURISM  
TOURISM-Bahamas  
TOURISM-Cultural  
TOURISM-Mass Tourism  
TOURISM-Millennials  
TOURISM-Promotion

## Appendix E: Selective Coding Schedule

**Selective Codes**

LEAKAGES-Politics

LINKAGES-Solutions Implementation

LOCAL SOURCING-Solution Strategies

SMEs-Access to Insurance

SMEs-Cooperative Movement