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BUSINESS TRUST

Number 3

Learning Series

sTEP by sTEP: SMMEs, Job Creation and Transformation in the Tourism Industry

A Case Study of the Tourism Enterprise Programme (TEP)

The Business Trust Learning Series was established to enable the Business Trust to reflect on the lessons learnt from its work. While its primary purpose is to enlighten the Business Trust, it is hoped that the lessons captured in the series will be useful to others.

The case studies, which are written by Business Trust management and others close to the Business Trust, do not replace the formal external evaluations conducted as part of the Business Trust's extensive evaluation programme.

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and Transformation in
the Tourism Industry

A Case Study of the
Tourism Enterprise Programme (TEP)

Written by Christa Kuljian for the Business Trust
March 2008

Acronyms

B&B	-	bed and breakfast
BEE	-	black economic empowerment
CEO	-	chief executive officer
DEAT	-	Department of Environmental Affairs and Tourism
dti	-	Department of Trade and Industry
GEAR	-	Growth, Employment and Redistribution strategy
HDE	-	historically disadvantaged enterprise
SAB	-	South African Breweries
SATSA	-	Southern Africa Tourism Service Association
SDIs	-	Spatial Development Initiatives
SMMEs	-	small, medium and micro enterprises
SOTODA	-	Soweto Tourism Development Association
TAMIS	-	Technical Assistance Management and Information System
TEP	-	Tourism Enterprise Programme
TTAF	-	Training and Technical Assistance Fund
WSSD	-	World Summit on Sustainable Development

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Prologue

“I’ve been on a boat for more than 20 years,” says Freddy Marthinus. “It’s generational. My father was a fisherman, but line fishing is getting bad. Now I’ve started my own business in tourism,” he says. “I’m 42 and I’ve decided it’s time to look in another direction for my future.” Marthinus is from Arniston in the Overberg region of the Western Cape. He and his wife have three sons at school. In August 2007, he drove 200km to Cape Town to attend an information session on the Tourism Enterprise Programme (TEP).

The information session takes place in a small room filled with 20 people who’ve come from Pinelands and Athlone in Cape Town, and as far afield as Arniston (in the case of Marthinus) to learn more about the Tourism Enterprise Programme. Through the window, Marthinus can see Table Mountain and Devil’s Peak, but instead he focuses on the white board at the front of the room where Alfred Diphatse, a TEP business development consultant is addressing the group.

“TEP is a programme to facilitate the growth and expansion of small, medium and micro enterprises (SMMEs) in the tourism economy and to create job opportunities. The programme was started by the Business Trust and is now funded by the Business Trust and the Department of Environmental Affairs and Tourism (DEAT),” says Alfred Diphatse as he points to the first set of blue magnets on the white board. “TEP is a national programme. It is run provincially by different small companies. When you pressed the bell this morning, you saw a sign for African Equations. We are the company that runs TEP in the Western Cape.” Marthinus’s sturdy, weathered hands take notes. He’s excited about the prospects for his new company – offering tours of the coastline and whale watching – but he knows he needs support for his business to grow.

Another TEP consultant, Tina Scott, continues with the briefing, placing a set of yellow magnets on the white board. “These are the things that TEP cannot support,” she says. “Working capital, purchase of assets, salaries, investments and loans.” Then she picks up a set of red magnets to show what TEP can support. The magnets read, ‘marketing,’ ‘memberships,’ ‘tourism-

related training' and 'professional assistance'. She explains that TEP offers support on a cost-sharing basis, contributing up to 50 per cent of the costs for these services.

After the presentation, TEP consultants speak to small groups to address individual questions. Marthinus says: "I've already got training as a tour guide, but I want to buy my own boat. I see that TEP can't help me with the boat, but you can help me with marketing activities and a business plan. That's what I need now." He chats with a friend from Arniston who recently started a catering business and who also made the long drive to Cape Town. They agree: "*Ons is by die regte plek.*" (We have come to the right place.)

Introduction: The genesis of the TEP model

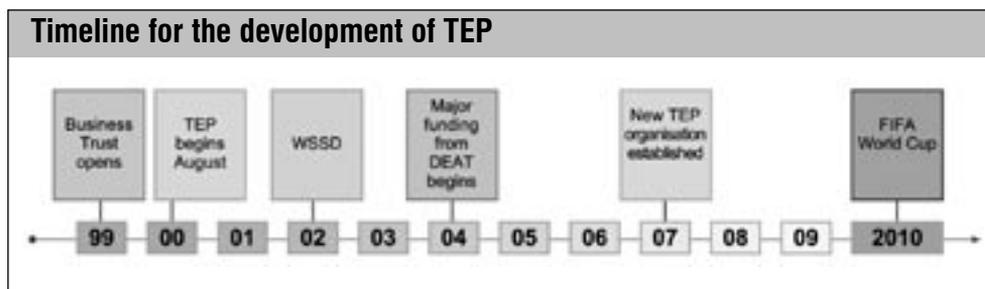
The need to create jobs

The Business Trust was established in 1999 to help create jobs and build capacity while building a co-operative relationship between business and government. At the time, the new government had spent five years focusing on policy development to shape a democratic South Africa. Mandela's term as president was drawing to a close, and there was growing concern about the pace of policy implementation and delivery. The Business Trust grew out of the idea that business could help address selected aspects of South Africa's socio-economic challenges, especially concerns about rising unemployment. This goal was in keeping with resolutions taken at the 1999 Job Summit.

The Business Trust wanted to help create jobs, but how? Finding an entry point for work on enterprise development proved a challenge. The Business Trust was cautious about entering the arena of 'small business development' and was wary of creating another programme that simply provided finance, training or technical assistance. Most small business development strategies had produced disappointing results. In addition, the South African institutions supporting small business were not meeting with success.

The Business Trust's focus on creating jobs and building capacity made it wary of creating another programme that simply provided finance, training or technical assistance.

DIAGRAM 1



The potential of tourism

Several factors pushed the Business Trust towards the tourism sector. The first was promising research that illustrated the potential of tourism in a changing South Africa. In 1998, the Stanford Research Institute conducted a study which concluded that tourism had five times the job-creation potential

In 1998, tourism had five times the job-creation potential of any other sector in the country.

of any other sector in the country, its closest rival being construction. Tourism was known to be labour intensive with low barriers to entry in terms of skills and costs. Furthermore, its growth had the potential for a high spill-over effect on other industries. While fewer than a million tourists visited South Africa per year before 1990, the figure had grown to

5,8-million in 1999. Despite these trends, there was still skepticism – from within the business community and from the World Bank – about promoting tourism as a development intervention.

The second factor was the suggestion of Ron Stringfellow, chief executive of Southern Sun, that the tourism sector provided significant potential for job creation. Stringfellow recognised the potential growth of the tourism sector in South Africa and pointed out that the sector was growing globally as well. While there was extensive debate at the time about the government's macro-economic strategy, the Growth, Employment and Redistribution (GEAR) strategy,¹ the Business Trust was trying to find a practical way to support job creation on the ground. The suggestion from Stringfellow came at the right time. According to Brian Whittaker, CEO of the Business Trust: "The fact that the idea was suggested by someone in the business community got the business community to pay attention."

Thirdly, policy developments within the government were also a factor. In the midst of rising unemployment, the South African government was beginning to deliberate on how to promote labour-intensive development. This fitted in well with the *White Paper on Tourism*, which was promoting enterprise growth in the tourism sector along with improved marketing and

¹ GEAR put increased emphasis on fiscal discipline and reduced debt.

skills. These issues dovetailed with the Business Trust's intention to build partnerships between business and government. Brian Whittaker remembers: "We had the opportunity to lock into emerging government policy and move it forward." As a result of these trends, agreement was reached that the Business Trust would work with the tourism sector to create jobs. However, the decision to focus on individual firms took much longer to unfold.

"We had the opportunity to lock into emerging government policy and move it forward." - Brian Whittaker, CE Business Trust

A focus on firms

Originally, the Business Trust explored the potential for working in certain geographic areas and dovetailing with government's Spatial Development Initiatives (SDIs).² However, this idea was soon set aside because the Business Trust had difficulty in establishing a viable approach. Rather than focusing on development in certain geographic regions, the Business Trust decided to focus on the development of individual small firms. This shift in emphasis – and the resulting change in the programme's starting point – shaped the development of the Tourism Enterprise Programme. The programme would have taken a very different direction if the focus had been at the regional level, or if it had been on policy development instead of on the practical needs of individual firms.

The decision to concentrate on individual firms led to a focus on transactions – meaning the selling of goods and services to customers. Instead of focusing on capacity building or financing, the Business Trust decided that the TEP model should focus on promoting transactions. By early 2000, the Business Trust had embraced this approach. "It looked as though we might have an angle that was different to what most others were doing in small business development," says Whittaker.

The Business Trust decision to concentrate on individual firms led to a focus on transactions – the selling of goods and services to customers – instead of focusing on capacity building or financing.

² As part of one of South Africa's key policies, initiated in 1996, SDIs are aimed at promoting industrial development in areas of high poverty and unemployment.

The theory was that increased transactions would result in increased revenue and turnover. For example, if entrepreneurs like Freddy Marthinus in Arniston were assisted to increase the number of transactions with tour operators and individual clients, then their small businesses would grow and become more sustainable. In addition, if the transactions continued to grow, then the growing small business would require additional staff, and new jobs would be created.

Reflecting on the Tourism Enterprise Programme's model design, Adam Saffer (TEP's first programme director) says:

For many successful SMMEs, the real threshold break was their first procurement contract with a large organisation [such as a hotel or a tour operator] ... this gave the SMME the opportunity to demonstrate that it could actually deliver on time, on budget, and on spec. This often led to a scaling-up process under the one buyer and then competitive opportunities to expand further afield. It isn't the only way small firms become sustainable, but it was a prevalent one which we thought we could replicate, given funds to 'grease the skids'. (E-mail correspondence with the Business Trust, March 2007)

Saffer adds that one of the early challenges of the transaction model was to get small businesses and large companies to work together. The large, predominantly white-owned firms did not have confidence in the historically disadvantaged SMMEs to deliver. SMMEs had little confidence that the large companies would work with them, and tender requirements were often cumbersome. The TEP plan was to help SMMEs prepare for and submit tenders, review contracts, build capacity and ensure delivery. Saffer says:

... After the SMME successfully delivered on a few contracts, we could step back and a trusting and scalable relationship was born. Then, after a few hundred or more of these linkages took place, we would hopefully reach the tipping point and see a sea change in the overall attitude by both buyers and suppliers towards these sorts of cross-cultural linkages. (March 2007)

Whittaker comments: “I think we were some of the first people to say: this is not about the finance or the skills, it’s about the transaction.” Instead of focusing on inputs, the TEP focused on outputs.

TEP origins in the private sector

When the Business Trust sent out a request for proposals in 2000, it was looking for an organisation that could support small enterprises to develop linkages with larger companies and increase their sales. The Business Trust could have appointed a state agency, a non-profit organisation or a commercial company to manage the programme. But, perhaps unsurprisingly, given the Business Trust’s roots in the private sector, it decided to appoint a private sector agency, ECIAfrica, to manage the programme. The decision stemmed from the rationale that it would be best for a business which itself operated in the marketplace, to support small entrepreneurs entering the market.

The decision to appoint a company to manage the programme, stemmed from the rationale that it would be best for a business operating in the marketplace to support small entrepreneurs entering the market.

In turn, ECIAfrica proposed to subcontract to companies in the provinces led by local entrepreneurs who would understand the challenges of small businesses. This resulted in subcontracting to black-owned companies such as Silulu Investments in Mpumalanga and African Equations in the Western Cape. TEP’s intention was to keep the organisation ‘lean’. The initial plan was to set up an operational presence in provinces where the tourism potential was high.

Despite the fact that the Tourism Enterprise Programme’s origins were in the private sector, government soon took notice of TEP. In 2000, the Minister of Environment and Tourism, Valli Moosa, who was on the board of the Business Trust, actively endorsed the programme. Senior DEAT officials worked with the Business Trust on a co-ordinating committee to oversee key Business Trust programmes, and also sat on TEP’s steering committee. With TEP starting to show excellent results, DEAT convinced the Treasury to provide significant public funding. The first formal co-operation agreement between DEAT and the Business Trust providing R37-million for the expansion of

TEP was signed in 2004. Increased government funding had a significant impact on TEP’s development.

TEP was thus a private sector initiative with a unique perspective on enterprise development. Each of the decision-making points described above led to the development of an intervention designed specifically for the tourism sector (summed up in Diagram 2 below).

The intention was to strengthen small tourism firms by helping them to link commercially with larger players in the tourism industry.

The TEP model engaged with both sides of a transaction. TEP had to work with large companies as potential buyers on the one hand, and with SMMEs as potential sellers on the other. TEP helped to identify the constraints on both sides and helped the SMMEs access services to address these constraints (see Diagram 1 and Table 1 below). TEP constructed a model that could be explained easily to its own staff, as well as to those outside the programme. The intention was to strengthen small tourism firms by helping them to link commercially with larger players in the tourism industry. The hope was to increase turnover and jobs within small businesses. Over the next four years, this model would become even more successful than anyone had anticipated.

DIAGRAM 2

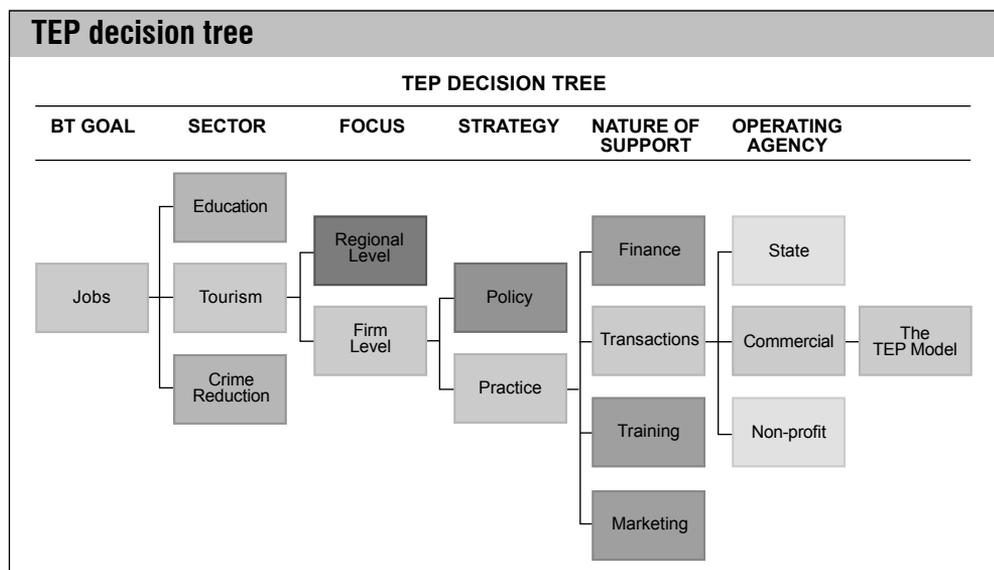


DIAGRAM 3

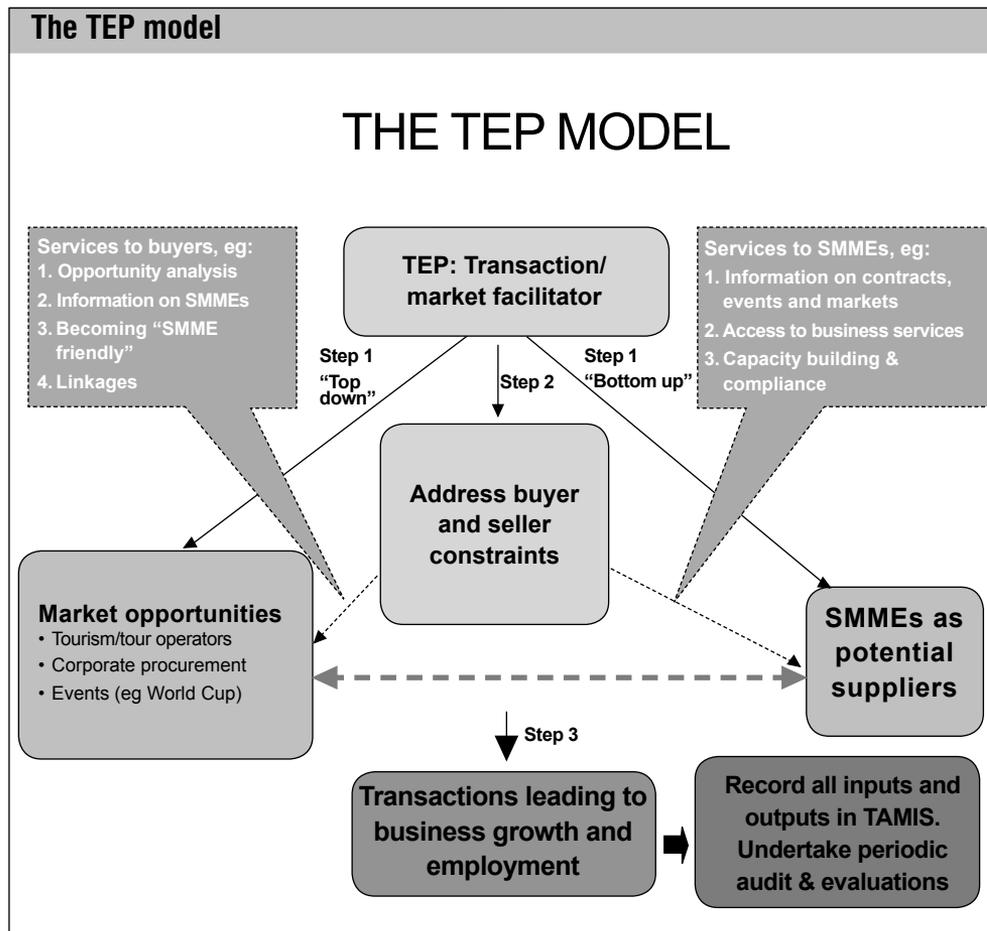


TABLE 1: The TEP model

Sector specific	TEP focuses on the tourism sector.
Firm focused	TEP works with individual small businesses.
Transaction driven	TEP focuses on the goal of increasing transactions (sales) by convincing larger companies to buy from SMMEs.
Commercially operated	TEP is managed by private sector companies rather than by government agencies or nonprofit organisations.
Nationally managed	TEP is a national programme with unified operations and management, and the benefit of provincial consultants and operations.
Target driven	TEP is required to measure its results in terms of enterprises supported, value of transactions secured and jobs created.

Organisational structure

The Business Trust provided R60,4-million to fund TEP for a four-year period from 2000 to 2004. On 1 August 2000, the Business Trust contracted Ebony Consulting International (subsequently, ECIAfrica) to implement TEP over this period. It took several months to contract staff and provincial subcontractors, set up an office and implement systems, and field operations began in late 2000.

ECIAfrica subcontracted three independent companies to operate in three provinces – one in Durban, one in Bloemfontein and another in Cape Town. TEP was run, nationally and provincially, by commercial companies, all of which were running their own enterprises at the same time. Business principles, therefore, guided not only TEP beneficiaries, but also its managers. Had TEP been based in a public sector agency or the nonprofit sector, it would probably have developed differently. TEP's roots in the private sector influenced the programme model as well as its development over time.

Subcontractors brought knowledge of local conditions and networks, introduced racial diversity in the management structure and put local SMMES in touch with other small businesses.

In addition to supporting small enterprises in Gauteng, ECIAfricahandledtheoverallmanagementandadministration of the programme. This included financial management and reporting, audit and evaluation, management of the database and preparation of reports. This approach provided a single point of contact for the Business Trust, minimised programme management costs, and enhanced the consistent implementation of the programme. The use of subcontractors brought knowledge of local conditions and networks, introduced racial diversity in the management structure and brought local SMMES into contact with other small businesses.

However, from the start, there was unease among some people in the tourism industry around ECIAfrica's role in TEP, because it was the South African subsidiary of a US-based company. Concerns around ECIAfrica and the need for black economic empowerment absorbed significant time and energy from TEP management and shaped the organisational structure of TEP in the years to come. Six years later, in 2006, the issue eventually came to a head and a

new company, Imbumba Tourism Services, was formed. Imbumba gave the subcontractors greater influence and reduced the role of ECIAfrica. But at the time, in 2000, the Business Trust stood by its choice of ECIAfrica as the company to manage TEP, as it offered an innovative approach.

TEP's first programme director, Adam Saffer, who played a role in the conception of the programme, brought a strong private sector approach to TEP, given his training at Harvard Business School. However, he combined this with a devotion to the development challenge. Saffer resigned from TEP in March 2001 and a new programme director, Tim Anderson, came on board in May 2001. Anderson, an engineer by training, also came from the private sector, having spent 20 years at South African Breweries. Anderson had worked in the area of small business development as the director of SAB's owner-driver programme, which encouraged black truck drivers to establish their own distribution companies in the 1980s. Anderson took the vision of the transaction-based, entrepreneur-focused programme crafted by the Business Trust and Saffer, and implemented management structures, processes and systems to make sure that the programme was achieved. He managed the programme over a six-year period until he left in March 2007. While there was some turnover in management and staff initially, the set of consultants working with TEP over the years has remained consistent. These consultants include provincial managers such as Gay Mokoena, Malick Mather, Shareen Parker, Brian Avnit and Ben Cederstroom. In an environment in which there is frequent change, this consistency has provided TEP with an important knowledge base and a strong foundation for networking in the tourism industry.

In an environment where there is frequent change, the consistent presence of TEP's consultants provided the programme with a strong knowledge base.

While government did not initially fund TEP, the Department of Environmental Affairs and Tourism (DEAT) was a partner from the beginning. Mahandra Naidoo, Chief Director for Tourism within DEAT, was an important supporter of TEP. He championed TEP's work and advocated for funding for the programme, which led to increased government support over time. Initially, DEAT supported a training initiative at TEP in 2003. It began providing major funding support in 2004.

Another organisational factor that had an impact on the programme in the early years was the fact that the Business Trust was scheduled to wrap up its work in December 2004. In mid-2001, there was a sense of urgency to produce results because, under the auspices of the Business Trust, TEP had just three years to operate before closing down in June 2004. However, despite the fact that TEP had begun as a fixed-term project, its life was repeatedly extended, and ultimately a different scenario unfolded that explored giving TEP greater permanence. In the meantime, however, between 2000 and 2004, TEP was most concerned with testing the model and getting results.

Testing the model: August 2000 – June 2004

Methods of TEP support, including the Training and Technical Assistance Fund (TTAF)

During the start-up period, TEP needed to establish relationships with key stakeholders in tourism in several of the provinces that held tourism potential. One of the first promising entrepreneurs supported by TEP was Bernard Marobe in North West Province. Marobe was a self-starter who identified the potential in the tourism industry and started his own business in 2001. After working in the industry for 15 years, he opened Mankwe Safaris in the Pilanesberg Nature Reserve.

“I sold my house. I sold my car. If I had had a wife, I would have sold her too,” jokes Marobe who now drives a burgundy Nissan truck. As Mankwe Safari’s first employee, Marobe says: “I was doing the game drives. I was doing reception. I was doing everything for the business.” At the beginning, the business had very little capital to purchase vehicles and finance operations. It wasn’t clear whether it would survive. “I hate to say it,” says Marobe, “but during that period, I almost took my life.”

Today, Marobe looks far from defeated. With the swagger of a bodybuilder (“I work out three times a week,” he says), Marobe walks in safari shorts

amongst his fleet of green vehicles. From two vehicles at the start, Mankwe Safaris now operates 16 – six cars for tours and transfers, and ten safari trucks for game drives. Staff capacity has grown from one in 2001 to six the following year, and 16 people in 2007. “I am what I am because of TEP,” he says. “They supported me left and right. They didn’t just give me a fish. They were teaching me so I could go to the dam and look for a shark.”

“TEP didn’t just give me a fish. They were teaching me so I could go to the dam and look for a shark.”
- Bernard Marobe

Mankwe Safaris was a new company in 2001, at the same time as TEP was developing its model and opening its doors. Marobe believes TEP’s strengths during those early days were its willingness to assist small entrepreneurs, good communication about the services it provided and being easily accessible. Malick Mather, the TEP manager responsible for North West Province remembers having breakfast with Marobe one Monday morning to discuss how TEP could draw on its Training and Technical Assistance Fund (TTAF) to offer him support. They started by producing brochures, and Mankwe Safaris went on to draw on the TTAF nine times between 2001 and 2004 for a total of over R60 000 in support.

TTAF finances the provision of services on a cost-sharing basis (i.e. the entrepreneur covers half the cost). These services include business planning, legal advice, certification and membership support, and support for exhibitions and marketing. TEP contracts specialist service providers to provide these services.

Helping to find a market and increase sales

During the first few years, Marobe asked TEP to help him print marketing material, to attain membership of the Southern Africa Tourism Service Association (SATSA), and to attend exhibitions. “First they helped me with brochures and business cards,” he says. “Then they helped me participate in exhibitions like Indaba (an annual tourism trade show sponsored by the DEAT).” The promotional materials helped Marobe’s business to project a professional image to potential clients, and the SATSA membership helped to strengthen customer confidence in his business. “Booking agents always check the SATSA membership certificate,” says Marobe.

This aspect of TEP's work was to become a mainstay of the organisation's approach to supporting small tourism firms. A 2004 evaluation of TEP found that in its first four years, TEP predominantly provided exhibition assistance to its clients. Other forms of marketing assistance came a distant second, followed by training. TEP clients who were quite small, drew far less on other services such as accounting, legal support, certification, membership and research, which were used more by the medium-sized SMMEs. In later years, TEP recognised the need to segment the SMMEs and began to tailor its services accordingly.

Despite TEP's emphasis on exhibitions as a way of boosting transactions for small businesses, Marobe emphasises that entrepreneurs should prepare well for exhibitions and need support on how to make the best use of the marketing opportunity. "It takes time to build relationships. The first time you meet someone, they say 'nice to meet you, bye bye'. The second time you meet them, they say 'nice to see you, bye bye'. The third time they see you, they take notice. That's how I build my clientele."

For Mankwe Safaris, exhibitions have played an important role in building the business – 51 per cent now comes from international customers.

Fifty-one percent of Mankwe Safaris' business now comes from international markets and 49 percent is local, so for Mankwe Safaris, exhibitions have played an important role in building the business among international customers. Mankwe takes its customers on tours to see the Big Five – elephant, rhino, buffalo, leopard and lion. But Marobe jokes that he's got his eye on another big five – China, the United Kingdom, Germany, Holland and the United States.

Emphasis on business linkages

TEP was built on the basic principle that larger buyers of goods and services – such as corporates, large enterprises and tour operators – provide a potential market for SMMEs. So, in addition to encouraging SMMEs to do business with larger enterprises, TEP also encourages larger enterprises to do business with SMMEs. A good example is the huge Sun City resort and entertainment complex, which is situated close to the Pilanesberg. "Without Sun City, I'd be nothing," says Marobe. He knows that without a link to this major market, Mankwe Safaris would not have been able to grow as it did.

Malick Mather remembers the time when Mankwe Safaris did not have access to Sun City. “Mankwe Safari trucks couldn’t go into Sun City. They lost a lot of business because they couldn’t pick up clients at the door. There was only one company that had access to Sun City. That was Pilanesberg Game Trackers,” says Mather. “As TEP, we had a few meetings with Sun City management to say, ‘Here is an HDE [historically disadvantaged enterprise] doing business in your area and you only have a non-HDE service provider.’ We talked to the North West Parks and Tourism Board, which was a shareholder in Sun City, to ask them to assist, but it didn’t go anywhere. Those were some of the frustrations we faced.”

But Marobe persisted and was eventually able to develop a working relationship with Sun City. As Marobe describes it: “Sun City doesn’t get into bed with any Tom, Dick or Harry and certainly not just because you are black. They are a five-star service.” Marobe says he struggled for the first few years but that the breakthrough came in 2004. By then, Marobe says, “with TEP assistance, I marketed my company abroad, and that helped Sun City to realise my potential. I made the case that I could add value to Sun City. They decided to work with me and they started to market us in their in-house magazine. In 2007, they gave me a five-year contract. We are giving Pilanesberg Game Trackers a run for their money.”

In 2002, when TEP had started looking for ways to link SMMEs to larger market players, South Africa was preparing for the World Summit on Sustainable Development (WSSD). TEP identified the WSSD as a potential buyer of goods from SMMEs, and made contact with the procurement manager, negotiating an agreement for WSSD to outsource procurement to TEP so that SMMEs could benefit. As a result, when 200 WSSD delegates needed office space at the Sandton Convention Centre, TEP made sure it was SMMEs that provided the furniture, rugs and the gift packs filled with crafts. The WSSD was just one example of TEP’s ability to develop awareness and capacity on both sides of a transaction.

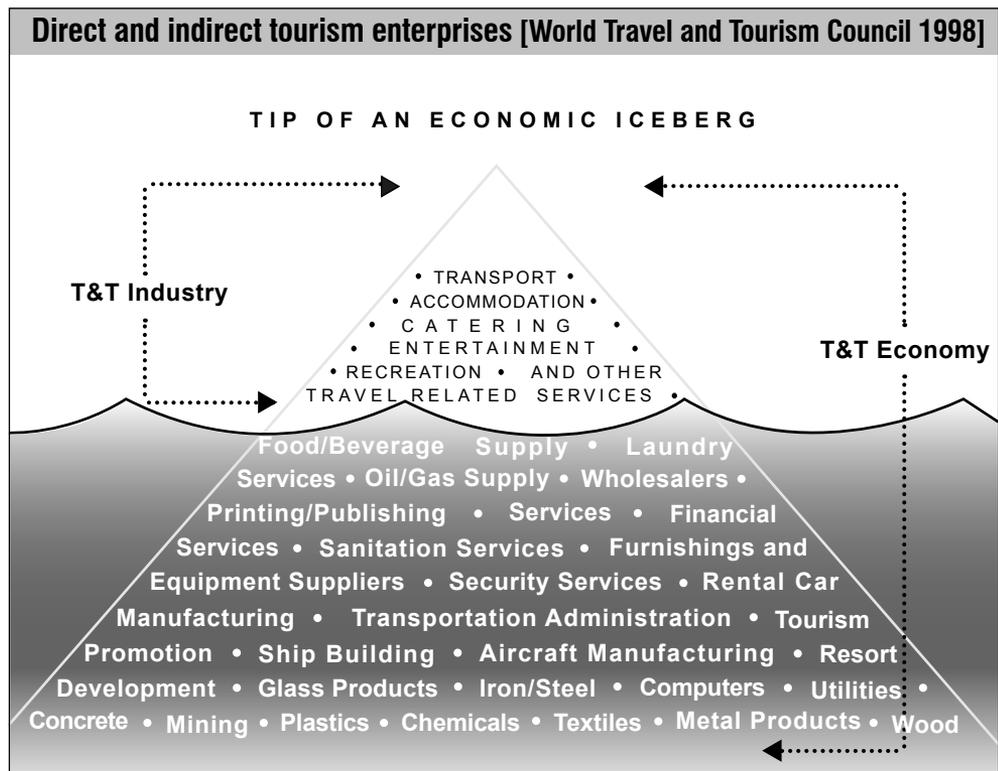
The WSSD example also points to a distinction between two types of enterprises that qualify for TEP support. The first type is ‘direct tourism enterprises’ such as bed-and-breakfast establishments, tour guides and

Direct tourism (through B&Bs, tour guides and transport services) opens opportunities for a wide range of activities in the broader tourism economy.

transport services. The other type is, ‘indirect tourism enterprises’, such as a furniture maker that might sell his wares to a hotel or conference centre; or suppliers of other services such as security and maintenance (see Diagram 4). TEP has forged a larger number of business linkages with ‘indirect tourism enterprises’ than with ‘direct tourism enterprises’. This

illustrates how direct tourism is the tip of the iceberg and opens up opportunities for a wide range of activities in the broader tourism economy, as illustrated in the figure below.

DIAGRAM 4



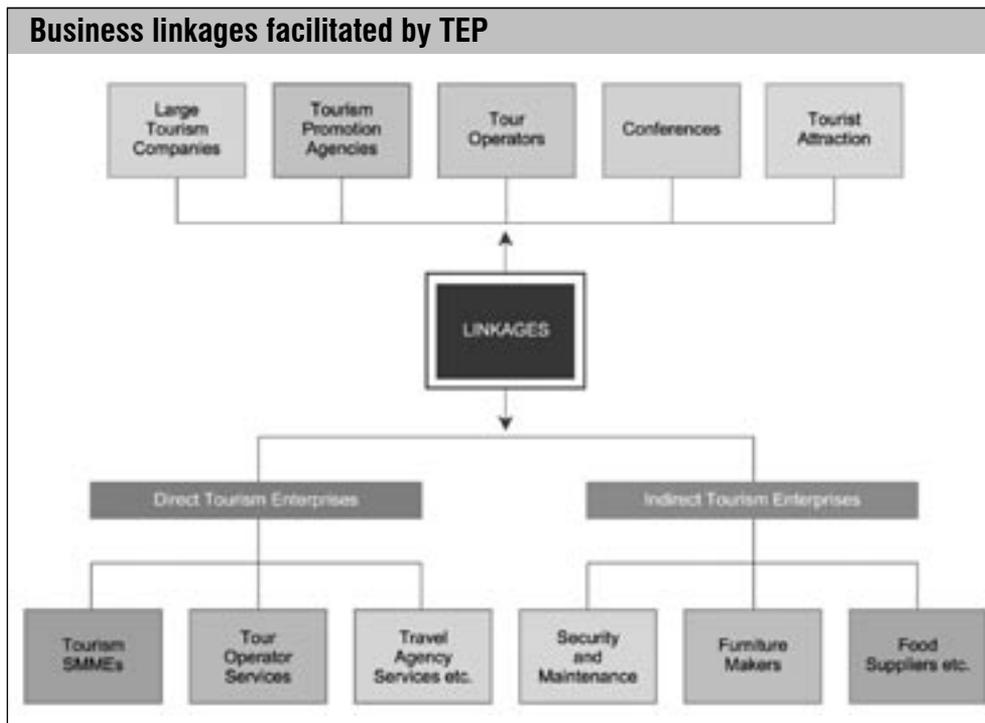
“It was difficult to get through the door [at WSSD],” says the owner of Phumelela Interiors, an interior design and office furniture supply firm established in November 2000. “Competition from white companies was intense. Everybody wanted to be there.” In 2002, TEP approached Phumelela Interiors to fulfil a

contract for WSSD worth R500 000, which made a significant contribution to the firm's turnover of R3-million that year. Phumelela Interiors' owner says that she would not have been awarded the contract without TEP's assistance. "Afterwards, we used the World Summit contract to market ourselves," she says. "It gained us market credibility and enhanced our image." While the company's turnover fell markedly in 2003, it did complete transactions with several new large customers. The new customers cannot be attributed to TEP, but the marketing facilitated by TEP certainly helped.

Malick Mather remembers getting the call saying that WSSD was going to need a steady supply of bottled water. "We've got to find an SMME that bottles water," said Mather. They put out the word and found that there was such a company in Midrand called Minerale. "I told them that we were going to have to test them. We wanted to make sure that we could call them on Friday at five and ask for a delivery by Saturday at nine. They did it. They delivered. And they still supply Sandton hotels with water today," says Mather.

Other examples of larger companies that TEP has approached to facilitate transactions with small tourism firms include Southern Sun, the Airports Company of South Africa and the Robben Island Museum. TEP also conducted research on potential business linkages with the National Parks, casinos and the Department of Environmental Affairs and Tourism. Their business linkages approach is outlined in Diagram 5.

DIAGRAM 5



Helping to access service providers

Another important aspect of the TEP model is that TEP does not provide support directly to SMMEs. Instead, it stimulates SMMEs to use independent service providers. Generally, SMMEs are not familiar with the practice of drawing on business services such as business planning, accounting and marketing, and instead try to go it alone. TEP thus encourages SMMEs to see the value of these services, and draw on them in the future, with or without TEP support. On the other hand, many service providers are not geared to

TEP has encouraged service providers in business planning, accounting and marketing to adjust their products to the SMME market.

meet the needs of SMMEs. TEP encourages service providers to adjust their products to this market. Engagement with service providers and SMMEs is another example of TEP's facilitation role. This aspect of the model has made a significant contribution to creating a market among SMMEs for service providers. In its first four years, TEP registered 561 service providers. By the end of its seventh year, it had registered over 1 000.

TAMIS, targets and results

When entrepreneurs like Freddy Marthinus and Bernard Marobe requested support from TEP, not only were they required to provide their company's name and address, but they also had to offer information about the company revenues and employment figures. TEP kept track (and still monitors) all this information using a computer programme called Technical Assistance Management and Information System (TAMIS). TAMIS was not designed specifically for TEP; it was existing software run on Lotus Notes that met many of TEP's requirements. Each SMME that received TEP support had to sign an agreement to share monthly data so that TEP could measure changes in revenues and employment creation. For example, TAMIS recorded that Mankwe Safaris increased its annual turnover from R900 000 in 2001 to R1,4-million the following year and R1,6-million in 2003.

TEP has placed strong emphasis on targets since its inception, which has shaped the TEP model and its operations. Once a small business registered with TEP, TEP staff gathered information regarding whether it was a historically disadvantaged enterprise (i.e. black-owned), the value of new transactions or sales, and the number of jobs created since receiving TEP support. Many development programmes worldwide operate without targets or indicators, and find it difficult to measure impact and results. One of the targets measured by TAMIS is the number of transactions that take place. Transaction in this case refers to a sale or invoice issued.

Since its inception, TEP has placed strong emphasis on targets, which has shaped the TEP model and its operations.

Given the seasonal and part-time nature of many tourism jobs, a permanent 'job' was defined as 200 person-days of work in one year. TEP later defined these 200 days as 'one person-year of work'. Thus, TEP's four-year target of creating 2-million person-days of work converts to 10 000 person-years of work, or 2 500 person-years each year.

TEP targets also included reference to the issue of transformation and black economic empowerment. There was the expectation that 75 per cent of SMMEs helped by TEP would be historically disadvantaged. TAMIS also tracked the percentage of historically disadvantaged enterprises that were direct (and indirect) tourism enterprises, and how many of them achieved increased transactions after receiving TEP support.

The TEP targets for 2000 – 2004 were as follows:

- To foster transactions with SMMEs with a commercial value of R450-million
- To generate a minimum of 1 000 transactions between SMMEs and larger companies within the tourism economy
- To ensure that 75 per cent of the 1 000 transactions involved historically disadvantaged enterprises (HDEs)
- To provide technical assistance to and measurably assist at least 2 000 enterprises
- To create between 10 000 and 50 000 job opportunities (measured in person-years of work consisting of 200 days of work per year).

Overall, data recorded by TAMIS included:

- the number of enterprises registered
- the number of enterprises assisted
- the number of transactions since TEP assistance
- the number of historically disadvantaged enterprise transactions since TEP assistance
- the number of job opportunities added (person-days) since TEP assistance
- the number of service providers registered
- the amount of training and technical assistance fund (TTAF) monies spent.

In 2001, TEP commissioned Gobodo Chartered Accountants (SA) to audit TEP's annual performance reports, which they have done annually since then. Gobodo verified the results by reviewing monthly reports submitted by the enterprises, and by conducting selected interviews and site visits. In select cases they checked information back to the SMME's source documents.

As TEP results started to come in, they showed greater success than many had expected. By the end of year two, TEP had exceeded most of its targets and continued to do so in years three and four. Over the first four years, TEP assisted over 2 000 enterprises. It also registered 561 service-providers that were available to assist TEP clients with support from the Training

and Technical Assistance Fund (TTAF). TEP calculated that its clients had created 3 367 272 additional person-days of work as a result of TEP support, which translates to 16 836 person-years of work.

Having quantifiable targets helped to set TEP apart from other SMME-development programmes. TEP's achievements and outputs were measurable and could therefore be shared more easily.

Having quantifiable targets helped to set TEP apart from other SMME-development programmes.

When one compares the overall expenditures of the TEP programme over the first four years, including administrative costs (R60 449 055), with the increased transactions conducted by TEP clients over the same period (R1,095-billion), there appears to be an excellent return on investment. Table 2 illustrates the growth over the four-year period.

TABLE 2: Cumulative performance against targets: July 2000 – June 2004

	Years one and two (00 – 01)	Year three (02 – 03)	Year four (03 – 04)
Enterprises assisted			
Target	350	710	1 150
Actual	579	1 313	2 029
Number of transactions			
Target	200	560	1 000
Actual	463	1 049	1 552
Number of HDE transactions			
Target	150	420	750
Actual	357	720	1 068
Enterprises w/transactions			
Target	205	277	365
Actual	313	785	1 202
HDE enterprises w/transactions			
Target	155	209	275
Actual	245	583	867
Value of transactions			
Target	R 90 000 000	R252 000 000	R450 000 000
Actual	R201 647 031	R632 398 126	R1,095-billion
Increased job opportunities (person-days)			
Target	400 000	1 120 000	2 000 000
Actual	1 145 660	2 296 379	3 367 272
Registered service providers			
Target	85	75	100
Actual	289	420	561
TTAF spend			
Target	R4 814 745	R9 814 745	R15 814 745
Actual	R3 380 331	R7 594 349	R14 678 946
Total TEP Exp			
Actual	R19 450 978	R36 965 541	R60 449 055

Source: All data come from TAMIS, except for total TEP expenditures, which were provided by the TEP finance manager.

Expansion and diversification: July 2004 – June 2007

New strategies in a changing environment

At least three factors led to TEP's continuation beyond its original four-year lifespan. First, the Business Trust received a new lease of life in November 2003 during the meeting of President Thabo Mbeki's Big Business Working Group. During the meeting, President Mbeki indicated that there was interest in extending the Trust as a partnership between business and government.

Second, there was growing support for enterprise development in the tourism industry from different quarters within government. In particular, there was growing interest from the Department of Environmental Affairs and Tourism in terms of seeing TEP as a vehicle for job creation and transformation within the tourism sector. As Lisa-Ann Hosking, former chief director of the department said: "We realised the provinces and municipalities couldn't do everything. TEP could provide support to government with tourism enterprise development."

Of course, there would have been little continued support for TEP if it had not shown encouraging results. TEP had overshot its quantitative targets for both enterprise growth and job creation, which impressed the Business Trust and the DEAT. They were not ready to see the programme close when it was meeting with such success.

As a result, TEP received a commitment of a further R80-million over three years from July 2004 to June 2007. Unlike TEP's first four years, during which it had been funded solely by the Business Trust, this new tranche of funding was provided jointly by the Business Trust and the government.

As a result of this additional funding as well as lessons learnt during its first four years of operation, TEP made certain changes to the programme. While it continued to facilitate transactions with individual SMMEs, it also recognised the need to differentiate its clients and provide more customised support

TEP continues to facilitate transactions with individual SMMEs, but in its fifth year of operation, it recognised the need to differentiate its clients and provide more customised support.

where possible. There was also a growing recognition that TEP needed to look at the bigger picture and better address the needs of SMMEs within the larger tourism industry. As a result, TEP introduced a number of new strategies and special initiatives to promote increased impact. TEP's years of experience in dealing with the needs and realities of small firms at the grassroots

level informed this period of expansion. These new initiatives included:

- subsector initiatives
- the 2010 Soccer World Cup programme
- the One-of-a-Kind craft trade show
- expanded training programmes
- provincial collaboration and association development
- the Tourism BEE Charter and Scorecard
- toolkits for SMMEs
- the High-Potential Client Pilot Project.

Subsector initiatives

After consolidating its core programme, TEP began to explore different subsectors of the tourism economy that could benefit from targeted programmes. Some of these subsectors included food and beverage, accommodation, arts and crafts, eco-tourism and cultural heritage. The tourism industry is diverse and includes opportunities in business tourism, medical tourism and subgroups with enterprises of different sizes, growth potential and geographic spread.

The accommodation subsector moved forward in Soweto with growing numbers of entrepreneurs setting up bed-and-breakfasts. Kate Luthaga, owner of Vhavenda Hills Bed and Breakfast, was one of the first B&B owners in Soweto to be assisted by TEP.

Sitting at her diningroom table next to the breakfast buffet, Luthaga displays her homemade scones and muffins. The fresh white lilies on the table match

the curtains and the cushions on the chairs. “We were seven ladies and one gentleman,” says Luthaga as she describes the group of people in Orlando West, Soweto, who decided to start bed-and-breakfast guesthouses in 2002. The guesthouses are not far from Vilakazi Street, the famous road where both Nelson Mandela and Bishop Desmond Tutu once lived. “We thought we could share guests because our houses are small. But we are in the right area for tourists,” says Luthaga.

“TEP helped us with brochures and business cards in 2002, but it was very quiet,” Luthaga recalls, looking down and smoothing the tablecloth. “Then TEP helped us to go to an exhibition in Sandton and to the Indaba in Durban. We started to see many changes from there. Now we have guests every week.” Luthaga acknowledges that most guesthouses aren’t so lucky. “B&Bs in Pimville are suffering. They are not near the tourist sites.” The occupancy rates in Soweto are generally very low. Most tourists visit, but do not stay overnight. In 2006, as part of an effort to promote business linkages, TEP helped Caxton Newspapers to organise their annual editors’ conference in Soweto. Luthaga co-ordinated the accommodation requirements with ten B&Bs for the 38 delegates. With a bright, wide smile, Luthaga says: “If our local people are not scared of Soweto, then we’ll be okay.”

In 2005, Vhavenda Hills was chosen as one of five B&Bs in Soweto to pair with Southern Sun on the Adopt-a-Guesthouse programme (the number rose to 23 in April 2007). Luthaga says the initiative helped her with training on the computer and in financial management, as well as receiving new linen. “I used to struggle to wash, dry, iron and change linen between when the guests left at 11am and the next guests arrived at 2pm. Now I have three sets for every bed.” But as Malick Mather points out: “B&Bs don’t need Southern Sun’s old linen and cutlery. They need their overflow, and a percentage of their guests.”

The 2010 World Cup Programme

Another special initiative that links to the accommodation subsector is a programme focused on preparations for the 2010 Soccer World Cup. TEP wants to make sure that 10 000 of the 55 000 beds needed for visitors in 2010 are

TEP wants to make sure that 10 000 of the 55 000 beds needed for visitors in 2010 are provided by SMMEs.

provided by SMMEs. TEP is working with MATCH, the institution responsible for ticketing and accommodation during the World Cup, to encourage them to become more SMME-friendly. TEP is also conducting surveys of SMMEs in each of the nine host cities in South Africa.

These surveys include baseline research on what SMMEs exist, assessments of their state of readiness, as well as the interventions required to help SMMEs comply with MATCH standards. TEP's goal is to make sure that SMMEs gain the maximum economic benefit from the 2010 World Cup.

Participating B&Bs will have to sign a contract with MATCH in order to appear on the FIFA website and gain international exposure. (The FIFA website received 4,2-billion hits during the German World Cup in 2006.) Then each establishment will have one year in which to be graded by the Grading Council. "We had a problem with the MATCH contract at first," says Kate Luthaga, "but TEP helped change that, so now we've signed." The benefits from this process should continue beyond 2010, as participating SMMEs will gain market access previously unavailable to SMMEs for global marketing opportunities, and their grading will give them an advantage. Luthaga is hopeful that 2010 will help boost her business. "If my beds are full every night," she says, "I can make a living."

The One-of-a-Kind craft trade show

The One-of-a-Kind craft trade show caters specifically for the craft industry and is TEP's most successful subsector strategy to date. TEP recognised that the support needed by crafters was completely different from the support required by other tourism-related SMMEs. One-of-a-Kind was TEP's first attempt to refine its service offerings according to the specific needs of an identified market segment. Launched in 2004, the exhibition offers the best of South African craft to local and international buyers. In 2006, the show attracted external funding of more than R4-million from the Department of Trade and Industry (the dti) and various provincial government departments. One-of-a-Kind was initiated, developed and implemented by TEP. It is now largely funded by the dti and the provinces. Sales during the five days of the 2006 trade show totalled more than R2-million between the 214 exhibitors, while aftershow sales exceeded this amount.

Expanded training programmes

The TEP training programme began in 2003 and expanded substantially in subsequent years. TEP developed comprehensive training courses specifically aimed at building capacity for tourism SMMEs. These included tourism awareness, business skills and exhibition training, as well as support for dealing with HIV and AIDS in the workplace. These courses are delivered in collaboration with provincial tourism associations, local municipalities and accredited training institutions.

Provincial collaboration and association development

TEP has played an important role in bringing together various provincial stakeholders to promote and develop tourism in the province. The most successful province in this regard is the Western Cape, where the provincial government, the provincial tourism promotion agency and the corporate sector have come together to form the Tourism Business Forum. The forum successfully developed a strategic plan for tourism enterprise development in the Western Cape and produced a mentorship programme that paired SMMEs with established tourism businesses. This was the only programme of its kind in the country until it was replicated by TEP in KwaZulu-Natal and the Northern Cape. While KwaZulu-Natal has also developed a provincial tourism forum, other provinces have been slow to follow. It hasn't always been easy to facilitate co-operation. As Lisa-Ann Hosking says: "Finding alignment between TEP and what's happening at the provincial level can be a challenge."

TEP has facilitated the establishment of provincial tourism business forums, the most successful of which is in the Western Cape.

Despite this, the 2006 TEP evaluation concluded that TEP had played an important role in the provinces. "TEP offers a facility to provinces and local municipalities that have the desire to offer focused support to tourism SMMEs, but do not have a dedicated assistance programme of their own. There is increasing referral of SMMEs by provincial tourism departments and authorities to TEP." Also, it is in TEP's interest to strengthen the capacity of provincial government institutions, as TEP cannot do it alone.

Soweto is one example of where TEP's support to a tourism association has been a particular challenge. In 2003, TEP supported the launch of the Soweto Tourism Development Association (SOTODA). In 2005, TEP

Tourists continue to visit Soweto during the day and stay in hotels in the suburbs at night.

published a survey of tourism products in Soweto in an effort to strengthen opportunities for SMMEs there. However, despite research and the resources TEP has devoted to Soweto, challenges still remain. There are nine tourism associations in the area which would benefit from greater consolidation. Tourists continue to visit Soweto during the day and stay in hotels in the suburbs at night. Of the 140 000 visitors per annum, only 1 500 of those stayed overnight in Soweto. TEP's research presents a series of recommendations and points out that fragmentation in the industry results in lost opportunities. These factors constrain Soweto's capability to reach its potential as a tourist destination.

The Tourism BEE Charter and Scorecard

The launch of the Tourism BEE Charter and Scorecard in May 2005 offered many opportunities for SMMEs, as it required tourism companies to promote enterprise development. Along with the Charter Council, TEP is offering assistance to those companies who wish to improve their BEE rating, especially in terms of procurement and enterprise development. TEP has begun a pilot programme with six hotels in four provinces to explain the charter and its requirements, to give each hotel a baseline assessment, and to set objectives to improve their score for enterprise development. TEP has always seen links between large companies and SMMEs as an important source of skills, markets and finances for SMMEs. Therefore, this new initiative relates directly to TEP's desire to open up new opportunities for the SMMEs it assists.

Toolkits for SMMEs

The lack of access to tourism- and business-related information has consistently been a barrier to SMMEs. To address this challenge, TEP developed a set of toolkits to assist tourism SMMEs with various skills and capabilities, including:

- legal compliance
- website planning and development
- business planning
- marketing
- business administration

- communication
- the tourism channel
- quality assurance and customer care.

TEP launched this initiative in order to expand its reach. These toolkits are distributed nationally in five languages, are available from the TEP website, and are used in interactive workshops in each of the nine provinces. This approach has allowed TEP to work with many SMMEs at the same time, addressing their most basic challenges.

The High-Potential Client Pilot Project

An analysis of TEP's client base revealed that more than 70 percent of TEP's clients are microbusinesses that employ five people or less. However, there is a smaller group of TEP clients who are growing relatively fast and may be able to graduate from small to medium-sized enterprises if they are given the proper support. It is specifically for this group that TEP developed the High-Potential Client Pilot Project.

More than 70 percent of TEP's clients are microbusinesses that employ five people or less.

Ilios Travel in Cape Town, one of TEP's clients with the highest turnover, was chosen to participate in the pilot. "Turnover is vanity but bottom line is sanity," Mohamed Baba, managing director of Ilios Travel, reminded the TEP provincial managers at a meeting in August 2007, as he reported back on his experience of participating in the pilot project. In a crisp white shirt and blue-striped tie, Baba said: "This project has changed our business tremendously. We had been growing, but there was no profit. We were creating more jobs, but I wasn't sleeping at night. You can only extend your bond so much and then you can't extend it any more." The project twinned two private sector experts – one in finance and one in tourism – with selected TEP clients.

Medium-sized SMMEs often need individualised, cost-effective mentoring. But Brian Whittaker says that the pilot project, whose results have yet to be analysed, appears to show that as you move up the value chain, the service that the client needs requires a high level of skill that demands a high fee. Whittaker says: "We still have to work out how that fee can be funded so that the benefit justifies the cost." The skills needed to help a client participate in an exhibition

The skills needed to help a client participate in an exhibition are not the same as those needed to restructure a business and build a new financial model.

are not the same as those needed to help a client restructure his business and build a new financial model. This issue has implications for TEP's future strategy and staffing.

The expansion and diversification of TEP in its later years means that different skills are required to implement different aspects of the programme. As one TEP consultant observed: "Now, it's like managing an octopus, a highly structured octopus with many arms and legs."

Continued results

TEP continued to perform well in years five to seven in terms of its targets for increased transactions and job opportunities. By the end of TEP's seventh year, in June 2007, TEP had assisted 3 947 SMMEs, which recorded increased transactions of over R3-billion. Over the same seven-year period, TEP clients recorded increases of over 8-million person-days, which translates to 40 571 person-years of work (see Table 3 below).

In addition, TEP's overall return on investment was impressive. The facilitation cost per person-year of work created was R3 533. This figure was calculated by dividing the total amount of funds invested in the programme over seven years (R143-million) by the number of person-years of work created in the same period (40 571 person-years, which is calculated from 8 114 200 person-days). Also, for every R1 spent on TEP over the seven-year period, R22 of turnover was generated – an impressive track record.

TABLE 3: TEP cumulative performance: 2000 – 2007

TEP cumulative performance: 2000 – 2007		
Enterprises assisted	Number of firms	3 947
Value of transactions	Rand (billions)	3,07
Work created	Person-days	8 114 200
	Person-years	40 571

Clearly, these continued results had an impact on the decision to continue the programme. In addition, the introduction of the government's revised macro-economic strategy, the Accelerated Shared Growth Initiative for

South Africa (AsgiSA), in 2006 promoted job creation within tourism. As is discussed below, the Business Trust and the Department of Environmental Affairs and Tourism developed plans for TEP to continue beyond 2007.

Changing the organisational structure

Initially, ECIAfrica managed TEP and subcontracted the management of provincial operations to local companies. Given the fact that ECIAfrica was a white-run, American-owned firm, and as a result of pressure for greater black economic empowerment (BEE) in the structure of TEP's management, ECIAfrica reduced its management role and increased the role of individual subcontractors.

In 2006, a new entity was established to meet this objective. Imbumba Tourism Services (Pty) Ltd was established by ECIAfrica and its four partner companies: African Equations, Ceder Investments, Goldon Sport Trading and Silulu Investments. This change in structure brought ECIAfrica and its former subcontractors into a single, jointly owned company. ECIAfrica, a US-held company, wished to broaden its ownership to include BEE partners and meet the needs of the Department of Environmental Affairs and Tourism (DEAT) and the Business Trust. However, there continued to be concerns that ECIAfrica was dominating the new structure. As Business Trust programme director Dumisani Ntombela put it: "Issues of process are becoming almost as important as the results we produce."

On 23 June 2006, the board of the Business Trust approved a plan for TEP for the period 1 July 2006 to 30 June 2010. The plan extended transaction support to a further 2 000 small enterprises to conduct an additional R1,8-billion worth of transactions, to support an additional 28 000 person-years of work, and to complement this with an extended training programme.

Despite this vote of confidence for TEP, the programme and its organisational future was not secure. The Business Trust and the Department of Environmental Affairs and Tourism knew that they would have to come up with a plan for TEP to become sustainable.

Institutionalisation – from project to organisation: 2007 – 2010

TEP goes independent

In February 2007, the Business Trust and DEAT took the decision to establish an independent Section 21 company to manage the Tourism Enterprise Programme. There were several motivations for this decision, predominantly related to financial sustainability and governance. Whittaker says: “We were hoping, given the basic success of this model, that TEP could be more than an appendage of the Business Trust.”

In terms of financial sustainability, TEP needs the capacity to raise funds for its operations in the future. The new organisation will be in a position to raise funds not only from the private sector and national government, but also from provincial and local government and international sources, and may be able to generate revenue from the sale of services.

In addition, there were concerns about the programme being managed by consultants. DEAT came under significant pressure from critics of ECIAfrica and Imbumba who said that a substantial national programme should be implemented by staff or contracted programme managers, and should not be under the control of independent consultants.

The decision to establish an independent Section 21 company to manage TEP was intended to create a stronger governance structure with a more sustainable base.

The Business Trust agreed that an initiative managed by a consultancy sounded more like a project. If a substantial programme like TEP was to be sustained, then the Business Trust was willing to explore how best to create a stronger governance structure and a more sustainable base.

There appeared to be consensus about the wisdom of establishing a new TEP organisation. However, change can be difficult and this change process was not without its challenges. Major concerns included maintaining TEP’s

knowledge base and managing this period of uncertainty without losing the valuable complement of people who had worked on TEP over the years. One TEP contractor represented a common feeling, saying: “It’s now August 2007. We’ve been told that, as of 1 April 2008, we won’t have our jobs.” When asked, “Are you nervous?” he replied, “Very.”

In March 2007, a TEP memo outlining the proposed changes recommended that:

In order to phase in new management, it would make most sense to retain the originally subcontracted regional service providers as contractors to the new Tourism Enterprise Partnership, and appoint its own management to replace the general management currently provided by ECIAfrica. (p. 4 under point 5.6)

However, doing this would present an enormous challenge. Over the years, TEP’s management has grown and developed along with TEP. Given the way TEP has grown over the past seven years, replacing the entire management team would result in a steep learning curve for the new management, and would result in the loss of a great deal of organisational memory. The March 2007 TEP memo went on to say that “most of the risk would be associated with the potential loss of management capability that has been built up over the past seven years, largely in and through ECIAfrica.” As Job Mokgoro, managing director of ECIAfrica puts it: “The new organisation should recognise the importance of institutional memory.”

Mahandra Naidoo, former chief director in the Department of Environmental Affairs and Tourism, and now senior operations manager with MATCH, says: “TEP is a valuable instrument that enhances small businesses. You don’t want to lose that expertise. TEP’s structure was built on intellectual property and that needs to be retained.” TEP has had the benefit of several long-serving staff members that are well known in the tourism sector. As Bernard Marobe says: “Business is like a marriage. You want to know someone first or you might be getting into bed with a snake.”

Plans for the future

The existing TEP plan for 2008 will rely on the selection of a new CEO who can lead TEP into the future. The plan includes an extensive scope of work, including:

- Support for national, provincial and local authorities especially to enable them to capitalise on the potential of the 2010 Soccer World Cup
- Implementation of the expanded TEP Toolkit project
- Support for corporations to meet Charter requirements
- The development of a programme to support the longer-term development of enterprises capable of expansion
- The development of tourism routes and other subsectors within tourism
- The establishment of a tourism enterprise fund to provide capital to tourism enterprises.

The Business Trust is moving forward on schedule to establish the new organisation. The new TEP was legally established as a Section 21 company in early 2007 and a board of directors, with representatives from both business and government, was named in July 2007. Tony van Kralingen, managing director of South African Breweries, is the chairperson of the new TEP board. He believes there is a clear role for TEP to play in the future. “TEP has been very successful in helping small enterprises get off the ground,” he says. “It makes good commercial and societal sense for TEP to continue. We hope to build even bigger success stories going forward.”

Bernard Marobe of Mankwe Safaris also believes that TEP must continue its important work in the long term. He agreed to serve on the new board, which met for the first time in October 2007. As one of TEP’s beneficiaries, he wants to assist other small tourism enterprises and give back to the organisation that helped Mankwe Safaris to grow. “TEP assists our government to create jobs,” he says. “It’s tackling unemployment and poverty – that is what keeps me going. When small businesses grow, they grow with the masses. TEP has a role to play, even beyond 2010.”

Critical success factors

Several factors have contributed to TEP's success over the years. These include the following:

- **A sector-specific focus.** TEP was one of the first enterprise support programmes to focus on a single sector, namely tourism. At first, there was the risk that choosing one sector would result in limited opportunity. However, the narrower focus on tourism served to strengthen the TEP model, enabling TEP to build its knowledge and capacity more strategically. TEP built its understanding of the tourism sector and the needs of small enterprises in that sector and the model has the potential to be replicated in other sectors.

TEP was one of the first enterprise support programmes to focus on a single sector, namely tourism.

As a result of its single-sector focus, TEP also built a network of contacts within the tourism industry that would have been greatly diluted had the programme targeted small enterprises across the board. TEP became a “big fish in a small pond” and was able to contribute to broader issues within the tourism industry, which raised TEP's profile.

- **A transaction-based approach.** One of TEP's significant features is its focus on transactions. Rather than focusing on training or on the provision of finance, TEP works to bring together SMMEs and buyers. Tim Anderson says: “A business transaction is the only thing that has a hope of creating sustainability. Hand-outs don't.” Septi Bukula, who twice conducted independent evaluations of TEP, says that small businesses tell him: “If you can't give us market access, it all accounts for nothing.” TEP's decision to focus on supporting sales and increased revenues meant that TEP's success was not measured according to the provision of services alone. SMMEs had to enter into more transactions and create more job opportunities, or TEP would fail.

“A business transaction is the only thing that has a hope of creating sustainability. Hand-outs don't.”
- Tim Anderson

- **Target-driven.** From its inception, TEP was required to measure its results in terms of the number of enterprises supported, the value of transactions that followed TEP support, and the numbers of jobs created. It is not uncommon for large development initiatives to set fuzzy indicators and have little capability to measure their impact. As Chris Rogerson concluded in his 2003 report on support to tourism SMMEs: “TEP is one of the few funding initiatives that operates with clearly defined and explicit programme goals” (p. 38). TEP’s targets pushed TEP consultants to reach larger numbers of enterprises and keep their eye on achieving increased revenue and jobs. TAMIS also provided an audit trail for independent verification of TEP’s achievements and gave greater credibility to its impact, which was one of the reasons that government decided to support the programme. As Lisa-Ann Hosking, former chief director in the Department of Environmental Affairs and Tourism, said: “When we reported to Treasury to get money for TEP, what they looked at was the numbers.”
- **Private sector influence.** TEP was initiated and developed within the private sector, having been originally conceived and funded by the Business Trust. As Septi Bukula describes it: “TEP is an example of a private sector programme that is driven by social objectives. The objectives were similar to those of government, but the method of operation was like business.” As a result, TEP had the ability to move quickly and take risks. This might have been different if the Business Trust had locked itself into the government’s SDI programme, an option it had initially explored.

In addition, TEP was managed by a private sector company, ECIAfrica, and subcontracted other commercial companies to manage it at the provincial level. As Job Mokgoro, managing director of ECIAfrica says: “TEP is a public-private-private-private partnership.” Adam Saffer argues that this private sector approach was a key factor in the development of the TEP model. Tim Anderson agrees that the private sector had an impact on expectations within TEP, and that TEP managed for performance. “In ECIAfrica, if you didn’t meet your targets, you got fired.”

- **Use of local management.** TEP operates nationally. However, the programme has always been managed locally by provincially based tourism companies, which in turn are managed by local entrepreneurs. This aspect

of operations strengthened the TEP model. Provincial managers each had a different strategy, based on the context and historical conditions in their province, and they were able to build on their own networks. Shareen Parker of African Equations in the Western Cape says that by using this approach, “TEP was building on a set of pre-existing relationships.”

- **Role as facilitator.** TEP is not a service provider. From the outset, TEP has defined its role as facilitator. It brings together different parties – SMMEs, buyers and service providers – to work together on a regular basis. TEP facilitates relationships between service providers and small enterprises, thereby building an infrastructure that will remain when it steps back. TEP also facilitates business linkages, using various mechanisms including introductions, information provision, attending trade shows, approaching large business, and others, to facilitate linkages with SMMEs.

In addition, TEP played an instrumental role in facilitating the Tourism Business Forum in the Western Cape and pulling together the various stakeholders involved in the One-of-a-Kind craft exhibition. From the outset, TEP has recognised the importance of bringing together various players in the tourism industry to support SMMEs.

Challenges and lessons learnt

As TEP was rolled out, and as the programme expanded, certain tensions developed that raised questions and challenges for the model. It is important for TEP to reflect on and learn from these areas of tension, which are relevant as TEP moves forward. These issues and challenges are also relevant to broader discussions about development strategies in South Africa. Some of these issues are discussed below:

- **The role of measurement and targets in the programme’s development.** There are certain difficulties with all forms of measurement, especially when it comes to attributing outcomes to development interventions. Many small business development programmes face this challenge of linking cause and effect, especially in terms of job creation. Septi Bukula frames the challenge in this way in the 2004 TEP evaluation: “The entrepreneur may simply be carrying out the growth plan he or she has always had.”

Presumably, TEP was one of several factors, including the entrepreneur's leadership, market conditions and access to finance, that enabled the small business to expand and hire more people. The fact that TEP developed clear programme goals and targets related to job creation, and consistently met them, indicates that the programme has had a positive impact. It is TEP's sound methodology and implementation of data collection that makes it possible to debate the impact of the programme.

The same question of cause and effect arises in terms of recording transactions and sales. TAMIS attributes to TEP any increase in sales for the SMMEs after the point of receiving TEP assistance. Herman Leach of Gobodo Chartered Accountants, who has overseen the TEP performance audits since its inception, says: "You'll never be in a position to say it is or it is not [due to TEP interventions], but you can't sit back and wait for inflation to meet your targets." While it is difficult to assess an exact correlation between an increase in revenues and TEP assistance, there is certainly an association. A survey conducted for TEP's 2004 evaluation found that nine out of 16 TEP clients claimed that they would not have achieved increased sales without TEP's assistance.

TEP's targets for transactions (leading to increased revenues) and job creation have also had an impact on TEP operations in the field. TEP staff knew that they had to target particular subsectors of the tourism industry in order to meet their targets. It was not possible to increase the number of jobs created merely by supporting bed-and-breakfast establishments and individual tour guides. Table 4, developed by TEP, shows how taking a more differentiated approach helped TEP meet different targets.

TABLE 4: Strategies for meeting different TAMIS targets

<p>High Revenues, Low Jobs Technology-based enterprises:</p> <ul style="list-style-type: none"> • Travel agencies • Automated manufacturing of goods employs a few skilled people 	<p>High Revenues, High Jobs Corporates and large buyers:</p> <ul style="list-style-type: none"> • Multiyear cleaning contracts • Luxury lodge sector
<p>Low Revenues, Low Jobs Small tourism operators:</p> <ul style="list-style-type: none"> • B&Bs, tour operators, guides • Restaurants 	<p>Low Revenues, High Jobs Community-based enterprises:</p> <ul style="list-style-type: none"> • Crafts • Food supplies to lodges

Questions about targets and data raise another issue – sustainability. TAMIS keeps recording its clients, transactions and jobs on the database, but there is uncertainty about whether these enterprises are sustainable. Of the 7 830 tourism SMMEs that have been registered since TEP’s inception, over 4 370 are still active on the TEP database, 2 025 are not active, and close to 1 400 cannot be contacted. Given the seasonal nature of tourism, the industry tends to create jobs that are part-time and impermanent. As one TEP client, Mohamed Baba, says: “What’s the point of creating jobs today and losing them tomorrow?” However, it is important to remember that when TEP was initiated in 2000, the sustainability of enterprises was not one of TEP’s objectives. Rather, the key objectives were increased transactions and job creation. In order to measure whether TEP has been successful in terms of enterprise development and sustainability, new targets will have to be established and implemented. TEP would also benefit from creating targets that relate to women-led enterprises and geographic spread, in order to measure success in these areas.

TEP’s key objectives were increased transactions and job creation, not enterprise sustainability.

In addition, TEP could make a valuable contribution to the support of SMMEs in the tourism industry if it were to commission a complete analysis of the TAMIS data collected to date, in order to more fully assess the lessons learnt.

- **Maintaining a balance between focus and diversity.** How does one balance quantity and quality, breadth and depth, to achieve the best return on investment? At the start of its operations, TEP targeted large numbers of enterprises. This made sense given the significant growth in the number of small enterprises within the tourism industry. However, as TEP now begins to offer different kinds of support to more segmented groups of SMMEs, the question of strategy and the amount of time spent with each SMME will continue to come up. In general, TEP provides limited follow-up with its clients. Septi Bukula puts it this way: “There’s no doubt TEP is a good programme, but it’s largely hit and run.” While this comment suggests that relatively little time is spent with each client, it is important to consider the alternative. If TEP worked over the long term with 120 clients instead of 2 000, it would not necessarily ensure that those 120

would become more sustainable, grow at a faster rate or create more jobs. TEP would, therefore, benefit from research to explore the comparative advantages, costs and benefits of offering more time and support to each client. Findings from the High-Potential Client Pilot Project, which is underway, will certainly offer some guidance in this respect.

The FinMark Trust completed a survey of small businesses in Gauteng and released the findings in November 2006. The survey established a continuum of seven types of small businesses (from informal street vendors to more formal, registered businesses) and may offer some guidance to TEP in terms of return on investment. The survey confirmed that it is the larger small businesses, those that already employ an average of five people, that

are most likely to be the engines of economic growth and employment creation. However, those businesses also tend to be run by people with tertiary and higher education. Businesses that start up out of necessity as a source of income are not inclined to be the drivers of job creation. This suggests that if TEP is most concerned about job creation, then it should focus on the higher-end SMMEs. What is clear from the survey is that a major improvement in the education system is needed in order to produce a larger number of skilled entrepreneurs who can create enterprises that harness growing opportunities in the economy.

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TEP has recognised the need to diversify its interventions. Deciding between kick-starting larger numbers of clients with short-term interventions and focusing on the sustainability of a smaller number of clients over the longer term is no longer a simple trade off. The answer is probably to do a little bit of both.

- **Managing the relationship between public and private imperatives.** Historically, the priority of the Business Trust has been job creation. During the first four years of TEP, the priority was to have a return on investment to create jobs. No one was focusing on sustainability. However, the government envisages a broader set of objectives and obligations, including transformation within the tourism economy.

Given AsgiSA's focus on tourism as a priority, TEP is facing increased pressure to take on the many challenges facing government in the tourism

industry. As TEP received larger amounts of funding from DEAT, it also widened its focus from merely the number of transactions taking place, to include training, special initiatives for the 2010 Soccer World Cup, support for the Tourism Charter, support for local authorities and provinces, the Toolkit Project, and other initiatives. The point was to open up more opportunities for SMMEs. One could either see this as a natural maturation of the programme, or become concerned about the dilution of the attention to the core business. As Brian Whittaker says: “It’s a classic business problem as to how much diversification is good for you; and at what point you diversify out of the business that you were really good at.”

The findings of the FinMark survey echo loudly in terms of the distinct strategies needed for small businesses to create jobs or to foster transformation. TEP will have to balance both imperatives. Job creation on its own is not sufficient if it only provides jobs for white, middle-class males. Fortunately, this was not the case with TEP as it achieved its target that 75 percent of the transactions it supported should be with HDEs. Yet, creating low paying, temporary jobs within black-owned small businesses is not sufficient to achieve economic transformation either.

Linking SMMEs with larger companies is one way that TEP works to create ongoing job opportunities. According to the 2004 TEP evaluation, in its first four years, TEP linked its clients to 56 large companies. Thirty-two of these companies were based in Gauteng, nine in the Western Cape and seven in KwaZulu-Natal. These are the three provinces where the economy is strongest and where many large firms operate. However, there is still a need to strengthen the geographic spread of business linkages in the other six provinces and to foster increased opportunities for tourism SMMEs to establish business linkages with the larger tour operators. The 2006 TEP evaluation concluded that while much work has been done to strengthen the SMME side of the linkage, much more effort could be made to work with the large tourism companies. The evaluation concluded that the number of major new business linkages between established tourism enterprises and their black-owned SMME counterparts showed a sharp reduction in the later years of the programme. This trend will have to be reversed if TEP is to make inroads for SMMEs in the future. As Tim Anderson says: “TEP needs to make more progress on the buyer’s side. We need a toolkit for big companies.”

Epilogue

On 25 September 2007, Shareen Parker, provincial manager for TEP in the Western Cape, travelled to Arniston. She met with a group of entrepreneurs, including Freddie Marthinus, the former fisherman who was starting his own tourism business. Marthinus registered his company as Arniston Adventures and made a link with an established tour operator in Hermanus. Marthinus also began discussions with the Arniston Hotel about securing a contract to run their travel desk. During TEP's visit, Parker connected Marthinus with a hotel in Constantia that runs a travel desk. "Freddie will get some training there on running a hotel travel desk," says Parker. "It will fit in well with his whale-watching business."

Another development in the area is that the local municipality has identified a building they own that they want to set up as a centre to support local entrepreneurs. TEP is supportive of efforts to support local entrepreneurs. "For many people, this is about venturing into the unknown of the business world," says Parker. "Providing support for them is long term and must be done in conjunction with other players; not by TEP alone."

There are thousands of entrepreneurs in South Africa who hope that TEP will continue its important work. The success of the process for TEP to become independent – the transition from project to organisation – will determine whether small businesses like Freddie Marthinus's continue to benefit from TEP's support, so that they can grow and create jobs.

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Interviews conducted for the compilation of the case study

- **Tim Anderson**, former Programme Manager: TEP
- **Mohamed Baba**, Managing Director: Ilios Travel, TEP client
- **Lawrence Bilikwana**, Deputy Programme Manager: TEP
- **Tumi Bopape**, Business Development Consultant: TEP Gauteng
- **Septi Bukula**, author of two TEP evaluations: Upstart Business Strategies
- **Keith Burrows**, Finance Manager: TEP
- **Lindsay Daniller**, Senior Manager: 2010 Host City Programme, TEP
- **Albert Diphatse**, Business Development Consultant: TEP Western Cape
- **Hannelie du Toit**, Marketing and Communications Director: TEP
- **Saguna Gordhan**, Chief Operating Officer: Business Trust
- **Lisa-Ann Hosking**, former Chief Director: Department of Environmental Affairs and Tourism (DEAT), now with the Development Bank of Southern Africa (DBSA)
- **Herman Leach**, Gobodo Chartered Accountants
- **Wandile Lukuzo**, Business Development Consultant: TEP Gauteng
- **Bernard Marobe**, Mankwe Safaris, TEP client, current TEP board member
- **Job Mokgoro**, Managing Director: ECIAfrica
- **Mahandra Naidoo**, former Chief Director: Department of Environmental Affairs and Tourism (DEAT), now Senior Operations Manager: MATCH
- **Malick Mather**, Provincial Manager: TEP North West, Limpopo
- **Freddie Marthinus**, Arniston Adventures, TEP client
- **Gail McCann**, Manager: Toolkit Project, TEP
- **Shareen Parker**, Provincial Manager: TEP Western Cape
- **Tina Scott**, Business Development Consultant: TEP Western Cape
- **Abdul Kader Shaikhnag**, Senior Business Development Consultant: TEP Gauteng
- **Brian Whittaker**, Chief Executive: Business Trust



The Business Trust Learning Series was established to enable the Business Trust to reflect on the lessons learnt from its work. While its primary purpose is to enlighten the Business Trust, it is hoped that the lessons captured in the series will be useful to others.

sTEP by sTEP: SMMEs, Job Creation and Transformation in the Tourism Industry is the third case study in the series and focuses on the work of the Tourism Enterprise Programme (TEP). TEP was established by the Business Trust in 2000 and later funded by both the Business Trust and the Department of Environmental Affairs and Tourism (DEAT). The programme focused on helping individual firms, in tourism, to increase their transactions – the selling of goods and services – as a basis for growth and job creation. Outstanding results over a seven year period led to the institutionalisation of the programme. In 2007, TEP was constituted as an independent Section 21 Company devoted to the longer-term development of small enterprises in the tourism economy. This case study outlines some of the factors that contributed to TEP's success and sets out some of the challenges that lie ahead.