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# How to...?

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

## Brief 1: Boosting procurement from local businesses

Produced by  
Overseas Development Institute  
Business Linkages in Tourism



In collaboration with:  
Tourism Business Council of South Africa  
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the dti  
Department:  
Trade and Industry  
REPUBLIC OF SOUTH AFRICA



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## PREFACE

The purpose of the 'How To...?' series is to assist tourism companies to take advantage of opportunities to contribute more to the local economy. The intended audience is tourism businesses of various sizes and operational types. Other guidelines already describe what to do, and why, for more responsible, sustainable or empowered tourism. This How To series focuses on *how* to do it. It provides practical tips drawing from the experiences of successes and failures.

In addition to an executive summary, there are four briefs in the series. These are:

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

The first three focus on different types of local linkages and thus may be used by different operational staff (chefs, buyers, guest relations officers, lodge managers etc). The fourth brief gives tips on how to manage corporate change in order for any of the first three to be effective in the long-term.

Tips 📌, Warnings ⚠️, Examples 📌, Government and Institutional issues 🏛️, Useful tools 🛠️, Quotes “” are marked throughout.

There are several issues that are only touched upon in this brief, but expanded upon in one of the others.

Additional copies can be downloaded from [www.odi.org.uk/rpeg/research/pro-poor\\_tourism/howto.html](http://www.odi.org.uk/rpeg/research/pro-poor_tourism/howto.html)  
Hard copies are available, free of charge, from Business Linkages in Tourism. Contact Adrienne Harris, [bizlink@tbcsa.org.za](mailto:bizlink@tbcsa.org.za).

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Many tourism operators gave up time to be interviewed and provided information on their experience:

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The drafts were reviewed by Steering Committee members and a Review Group comprising Wolfgang Thomas (Centre for Responsible Tourism Research at Cape Peninsula University), Clifford Ross (City Lodges), David Rattray (Fugitives' Drift Lodge), Justin Pooley and Irene Visser (IFC), Alan Louw (Lesedi African Lodge / Tourvest), Ted Stilwell (National Accommodation Association South Africa), Michael Warner (ODI), Harold Goodwin (Responsible Tourism Partnership), Wayne Duvenage (SAVRALA) and Morne Bosch (Spier). Participants at a Pro Poor Tourism (PPT) Pilots workshop also provided comments on summary drafts.

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## Acronyms and key terms

Acronyms	Definitions
BEE	Black Economic Empowerment
DEAT	Department of Environmental Affairs and Tourism
FTTSA	Fair Trade in Tourism South Africa
GSLWPA	Greater St Lucia Wetland Park Authority
IFC	International Finance Corporation
ITESP	Integrated Tourism Enterprise Support Programme
NGO	Non Governmental Organisation
PDI	Previously Disadvantaged Individual
PPT	Pro Poor Tourism
SAVRALA	South African Vehicle Rental and Leasing Association
SMME	Small Medium and Micro Enterprise
SRA	Stormsriver Adventures
TBCSA	Tourism Business Council of South Africa
THETA	Tourism and Hospitality Education and Training Authority
ZAR	South African Rand

Key terms	Definitions
Local linkages	Linkages between a tourism company and the local economy include: procurement of goods and services from local businesses, recruiting local staff, using local excursions and tourism services or encouraging guests to use them, joint venture partnerships with community trusts or local employees, and a range of operational agreements with local residents and neighbours. This brief focuses on procurement linkages, i.e. buying supplies from businesses that are small, local and black.
Procurement	Used here to cover direct purchase of goods, sub-contracting of services (even if paid by guests) and employment of staff.
SMME	In <b>the dti</b> BEE Scorecard, an SMME is defined as having turnover of up to ZAR10 million per annum <sup>1</sup> . Other definitions use number of employees – generally 10, 20 or 50.
Small business	An entity with an annual turnover of less than ZAR5 million and with a staff complement of less than 50 employees. <sup>1</sup>
Black Owned SMME	An SMME which has more than 50% direct ownership and management by black people. A “Black Empowered SMME” means one which has between 25% and 50% direct ownership and management by black people. <sup>1</sup>
Black people	Refers to African, Indian and Coloured South African Citizens. <sup>1</sup>
Local	A term that needs to be defined by each business, to identify enterprises and partners in the immediate vicinity, <b>page 7</b> .

<sup>1</sup> Tourism BEE Charter and Scorecard

# Boosting Procurement from Local Businesses



Procurement is often a missed opportunity to stimulate the local economy, as most tourism companies tend to deal with large – possibly distant – well-established suppliers. While changing procurement practices is neither quick nor easy, in the right circumstances it can be an effective way to gain local social licence, diversify the product, increase customer satisfaction, decrease operating costs, and/or perform better on the BEE Scorecard.

Development of small and micro businesses can transform the local economy. Many such enterprises are ‘survivalists’ – operating under such constraints that the entrepreneurs do not earn a decent living from them. But if they can secure new contracts, upgrade production, and invest in expansion, the businesses can thrive, which in turn creates further local linkages and growth. The potential for job creation is considerable.

This brief focuses on procurement from businesses that are local, small and black, not just on black empowered enterprises, because the overall purpose is to stimulate economic development in the locality.

It focuses mainly on procurement by the accommodation sector, as this is where there is most potential for procurement from smaller, local and disadvantaged entrepreneurs, e.g. for supplies of food, soft furnishings, guest amenities, security, laundry and gardening services. But the potential for wholesalers and retailers further up the chain to seek out local suppliers of, for example, transport, office supplies or office services should not be ignored. The principles outlined here apply in many situations.



*Vegetable sellers at Umngazi River Bungalows*



## BENEFITS

Local procurement is one way for a tourism company to make a difference to the local economy and, at the same time, reap some real economic and non-economic benefits for itself.

### Positive utilisation of core competencies

Local procurement is a way to harness the core competencies of tourism businesses for local impact, as opposed to making philanthropic gestures. In both urban and rural areas small entrepreneurs are in urgent need of market access, capital and opportunities to upgrade, invest and expand. The tourism sector can provide a direct market, as well as advice and support, for emerging entrepreneurs. Tourism contracts can act as a spring-board for local firms to improve their overall marketability.



### Cost-saving

Although not always the main objective, local supplies may also be cheaper. This was true at Spier Village Hotel where sourcing laundry services locally with a new enterprise has saved costs.

Umngazi River Bungalows on the Wild Coast sources all its fruit and vegetables locally, and contracts services from over 80 local suppliers. The benefits are multiple.

- good staff morale drives high quality service
- customers appreciate the high level of service and warmth of welcome
- customer satisfaction drives high occupancy (averaging over 95% in 2004, with over 80% of guests being returning visitors) and awards (e.g. Best Family Hotel for three years in a row, hence permanent position in the AA Accommodation Awards Hall of Fame)
- customers like to watch the linkages at work, for example, the donkey carts and vegetable sales.

### New, or more distinctive, products and services

Where local people provide services or products that are distinctive, guests value the difference. At Stormsriver Adventures, an FTSA-accredited adventure company in the Eastern Cape, virtually all guides are recruited from the local community, and ZAR1 million has been spent on staff training. Customers are highly enthusiastic about the professional community guides, and even those visitors who arrive not wanting a local guide are impressed.

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### Product enhancement, increased guest satisfaction, and brand recognition

While guests might not always be directly affected by who supplies the linen, laundry or carpentry, they do benefit from the indirect effects on staff morale and strong corporate values.

For Stormsriver Adventures, the emphasis on local job creation has led to close relations with the community, which now understands the economic benefits of tourism.



*"Our approach to staff involvements is so liked by our guests that it has given us an identity. It was never planned." (Judi Rebstein, Jan Harmsgat)*

### Social licence and reputation

Strong links between a tourism business and local suppliers won't go unnoticed by local residents, or the local municipality.

### Scorecard points and government recognition

In the new Tourism BEE Scorecard ([www.environment.gov.za](http://www.environment.gov.za)), 14% of the score is awarded on enterprise development and 15% on affirmative procurement (until 2009).

*"Small business development and affirmative procurement have the potential to account for a large proportion of BEE activity in the tourism sector, and are especially significant for those companies whose current shareholding structure places constraints on their ability to increase black ownership" (Tourism Business Council 2002<sup>2</sup>)*



<sup>2</sup> Tourism Business Council Empowerment and Transformation Annual Review, 2002.

## CONSTRAINTS

### Lack of acceptable local suppliers and products

The quality, quantity and reliability of local supplies may be inadequate – or may be perceived to be so by buyers. There is a real risk that, if the new supplier can't meet demands, staff will be unable to source necessary goods or services, which will impact negatively on service delivery.

Many required products or services are not available locally, so it may be necessary to help entrepreneurs to set up. Even where suppliers do exist, lack of information, transport and marketing networks makes it difficult for buyers to link with suppliers.

The process for identifying local, small, BEE suppliers was extremely challenging for Spier – principally because no centralised database of suppliers existed in the area. The local small business development agency had only two garden maintenance companies and one baker on their books. All potential suppliers had to be identified through a process of time-consuming research and investigation.

### Price

Buying in bulk from established suppliers secures discounts, preferential servicing and other benefits. Interfering in these arrangements to shift to local supply can be difficult and costly.



### Exclusionary procedures and policies

Some tourism establishments have existing contracts that bind them to a particular supplier for a set period – and some are even contractually obliged to use the same supplier for new contracts.

Small companies with narrow margins and tight cash flows can't wait 30 days or more for payment. Changing payment schedules to accommodate these suppliers is disruptive of office routine and negatively impacts cash flow. Requirements for insurance, health regulations and VAT registration can exclude small local suppliers.

Sun City, a resort visited by 600,000 tourists a year, has a central buying warehouse which procures goods for the whole complex. This area essentially pays for itself in terms of the savings it is able to generate from buying in bulk and negotiating low prices.



### Inertia and staff resistance to change

When things are working well, employees get into a comfort zone, and it is hard to motivate for change. Also – if staff members are incentivised only on financial performance, they will tend to stick with established, low risk, suppliers.

However, these constraints are not insurmountable, as the many examples in this brief illustrate. Combining a willingness to innovate with a hard-headed sense of what is commercially feasible can deliver changes in the supply chain that are of benefit to both sides.



*Addressing the problem of wrinkly paper in local card production for Sun City.*



## DIFFERENT APPROACHES

There are a number of broad approaches to increasing local sourcing, although they often overlap, and there are many elements in common.



### The strategic approach

A strategic approach to revising procurement is distinguished by the fact that setting overall policy goals comes first, and that there is a long-term agenda of supply chain reform.



*"Just asking questions leads to a process of change. It gets people to think. [Since the supplier questionnaire was sent out] I've had people collar me to tell me how discussions and processes are under way." (Adrian Enthoven, Spier Holdings)*

Advantages of a strategic overhaul include:

- with time and commitment, enormous change is possible
- decisions are made logically, options are prioritised and implementation is resourced
- supply and demand are simultaneously addressed, balancing the quality of local suppliers and the internal procedures that affect demand.



**If top management is serious about leveraging the purchasing power of the company for impacting on the local economy, then adopt a strategic approach to revising procurement policy and procedures.**

In 2004, Spier decided to overhaul its procurement policy as part of its new approach to sustainability. One of the aims was to increase sourcing from suppliers that were small, local, owned by PDIs, and/or good environmental performers, so as to enhance Spier's impact on the local economy and environment.

Between 2004 and early 2005, Spier undertook a comprehensive survey of all its suppliers, set new targets for procurement, and developed a system for rating all current and new suppliers, based on their performance in nine social, economic and environmental areas. This information-gathering process provided a clear picture of the current supply chain, a baseline for setting targets for changes in supplier profile, and revealed key areas where suppliers were scoring low on sustainability issues. The process of asking questions also stimulated attention to the issues and, in some suppliers, catalysed a process of change.

Spier chose to prioritise local, SMME, and black criteria, in preference to national BEE, but "local" had to be carefully defined. Based in Stellenbosch, Spier defined "local" as an enterprise that has its sole office, or head office, located within the Stellenbosch, Khayelitsha, Somerset West, Gordon's Bay, Strand and Eerste River region (defined on a supplier map). An enterprise with 75% of the workforce and 35% of procurement in that area also counted as local. Regional is the broader Cape Town metropolitan areas and wineland regions not within the immediate Stellenbosch locality.

### Defining terms for setting objectives

Defining terms is crucial for translating aspirations into action. Definitions determine what is done, what is measured as success, and where the resulting economic benefit flows.

- if the policy objective is set as supply from SMMEs, the easiest route to compliance may be supply from white-owned SMMEs
- if the policy objective is set as sourcing from PDI or BEE enterprises, the new supplies may be from companies that are neither local nor small, so have little impact on the company's local standing
- if the overall policy aim is to maximise impact for local economic development, the programme will require an objective look at suppliers, in terms of locality, size and PDI ownership.

*"If we had gone for a piecemeal approach, it would have been much more difficult." (Tanner Methvin, Spier Holdings)*



Working in Klein Begin laundry at Spier



## The ad hoc, product-led approach

The ad-hoc approach focuses on setting up contracts with one or more suppliers in response to a specific opportunity. Usually this would involve an addition to existing supplies rather than a replacement. Table 1 shows the benefits and limitations.

Table 1: Benefits and limitation of a product-led approach

Benefits	Limitations
Makes good use of an opportunity	Likely to involve only micro expenditure
A small start can lead to much else	It requires time, buy-in and commitment for a relatively small shift in procurement
It gets communication going between the company and at least one SMME supplier	It doesn't necessarily change or challenge the overall procurement pattern
Practical demonstration starts changing perceptions of suppliers, and of company staff.	Ad hoc measures alone may not work if a change in policy objectives or procurement procedures is needed for efficient local sourcing



**If you have already spotted an opportunity with a local supplier, and have limited top management commitment to change, then an ad hoc product-led approach may be the best way forward.**



Sun City's procurement is generally done at corporate level, while its engagement with local projects is usually via its substantial corporate social investment (CSI) programme. However, Sun City is developing links with some local small suppliers where product potential is high. The approach combines CSI support and mentoring with a commercial supplier relationship. This approach began with Thula Baba, a babysitting service, and is being extended to RECOPRO, a small business of four local people, which is now supplying the resort with hand-made greetings cards and recycled engraved glass products. Although this is an ad hoc approach, it is intended that the programme be significantly expanded under an overall strategy for boosting local business and developing a 'made local' brand.

## The destination-wide approach

One company acting on its own is limited in its effect, but several companies, government and other stakeholders all working together can significantly help in developing new businesses and boosting the local economy, **Tip 7**. If government, or other agencies, provide supportive inputs, and other companies come in as buyers, the potential for local business linkages is much greater. For example, companies and government can arrange 'meet-the-buyers' expositions targeted at local suppliers.

Working up the tourism chain is also important. Travel agents, tour operators, transport operators and booking agents can procure from local suppliers, or give preferential deals or referrals to those businesses that procure locally.

**If you are situated in a remote, or defined, area, it's worth sounding out your neighbours and major contractors to see if this approach can work.**

At Magaliesburg in Gauteng, a number of tourist and related businesses have set up the Magaliesburg Security and Community Development Association. The companies plan to collectively raise around ZAR40 000 per month, from business alone, towards local initiatives. The leading incentive is a joint security initiative, which will tackle and reduce the growing problem of crime in the area. This gives the operators a commercial return on their engagement, while creating a platform for a number of linkages to develop.



"Local" a term that each company needs to define locally. 'Local' beneficiaries are not covered explicitly in the Tourism BEE Scorecard or the BEE Act. The draft Toolkit for Public Private Partnerships<sup>3</sup> in the Tourism Sector defines 'local' as: a geographic area specified by the institution in the Request for Proposals, being either within a specified kilometre radius of the proposed project site or named village(s) or town(s) or settlement(s) within such a radius.

The Responsible Tourism Guidelines<sup>4</sup> recommend setting targets to increase the proportion of goods and services sourced from within 50 km of the business, aiming for a 20% increase over 3 years, and ensuring 25% of goods on sale to guests are from within 50 km. They also recommend increasing customers' opportunity to buy local artifacts produced within 20 km of the enterprise.

<sup>3</sup> Tourism PPPs Toolkit, Volume 1, draft for comment, May 2005.

<sup>4</sup> Responsible Tourism Guideline, Department for Environmental Affairs and Tourism: [www.icrtourism.org/International%20Initiatives/Responsible%20Tourism%20Guidelines.doc](http://www.icrtourism.org/International%20Initiatives/Responsible%20Tourism%20Guidelines.doc)



# Getting Going

## TIP 1: PRIORITISE OBJECTIVES, ENSURE MANAGEMENT BACKING

### Define your objectives

It is necessary to clearly define your corporate objectives before embarking on local procurement, as different products and providers will serve different corporate objectives.

Table 2: Different corporate objectives served by linkages – and their implications

Reason for developing new supply linkages	Implications for sourcing strategy and potential for local SMMEs
Cost-cutting	Local suppliers may be more cost-efficient and so are worth exploring
Quality improvement	Can include high quality local suppliers of niche products (e.g. speciality foods). Unlikely to include newly established suppliers.
Government policy, and BEE Scorecard	To increase affirmative procurement score – focus on black suppliers – whether local, or small, or not. To increase ‘enterprise development’ score – support local entrepreneurs to upgrade to become suppliers.
Product differentiation, enrichment	High potential for local suppliers of distinctive regional and cultural products.
Local social stability	Target suppliers need to be in a geographically defined local area. A large number of small contracts are most likely to generate high visibility locally.
Improved governance, more efficient procurement	Likely to lead to a fresh look at who is supplying what, and how contracts are decided. High potential to update the supplier network with local businesses.
Out-sourcing, re-structuring around core business	Driven by efficiency gains, usually leads to established companies coming in, unless ‘in-sourcing’ is chosen
In-sourcing	Driven by both efficiency gains and aim of supporting staff to become entrepreneurs. High potential for establishing local supply.

**Policy objectives need to be set at the right level – ensuring commitment from the top, but with sufficient devolution to those who engage at local level.**

Defining your targets depends on your own situation and location – don’t just cut and paste.



### Build management support

Management support is essential to the success of the project, whether it is an ad hoc initiative on one product, or a procurement review. Newcomers in the supply chain will result in changes somewhere in the company, which can easily create tension or trade-offs with other corporate goals. Lack of management support may result in internal power plays, politics and empire building, which could potentially result in the failure of more than the supply chain project, *Brief 4*.



### Appoint a driver

The process needs a driver or champion to make it happen, *Brief 4, Tip 7*. S/he needs to understand exactly what senior management wants to achieve and needs to have the mandate and resources to see it through. Some staff resistance to change is likely, *Brief 4, Tip 9*, so the champion needs to be able to work across departments.

**The champion needs to be backed by a clear mandate, resources and lines of authority.**



## TIP 2: PRIORITISE PRODUCTS AND SUPPLIERS

Due to various factors, some products just work better than others – and, sometimes, the ones that work brilliantly in one place flop in another. You need to carefully decide which products to source locally.

### Criteria for prioritising local sourcing opportunities

#### Your demand

Identify products that could be shifted to a local supplier, or that face increasing demand, and so have good potential for bringing in a new supplier. Consider products where there are problems in the existing supply relationship – a problem can be turned into an opportunity, as was the case with Spier’s new laundry, *Tip 4*. Also consider potential new products that could be required by the company and brought into the supply chain.



Jan Harmsgat Country House, a family-run guest house in Swellendam, has had many successes, but also a few failures. Two women were given the opportunity to turn the laundry into their own business. One declined and the other did it for a year, increased her income to about ZAR500 for a 30-hour week, but then decided it was too much hard work.

#### Quality, price, quantity, and reliability of local products and producers

Identify local suppliers that can meet the standards required, supply sufficient quantity in the peak season, and offer a reliable service. Or find suppliers that could do so with available assistance. Ensure that pricing includes all overheads, and choose suppliers that have the dynamism to make the business work long term.

*“She could not make the leap to working the hours during the high season and then slow down over the off season. She wanted to take her leave over the busy Christmas season when her peers were enjoying the festive season. She was not the right person, she was not an entrepreneur.” (Judi Rebstein, owner Jam Harmsgat Country House)*

**Not everyone wants to become an entrepreneur. Look for those who do. Use gut instinct and be willing to take a risk.**



#### Generating some visible ‘quick wins’

Quick wins can encourage change. At Spier, the visible success of the laundry has shown that local suppliers can work, and thus opened the way to more difficult but higher impact initiatives, *Tip 4*.



#### Products with a theme

If several local products can be marketed together, they are more likely to flourish. A range of craft or food products can be sold with a ‘made local’ brand or as part of a themed event. This increases their appeal to tourists, and can generate synergies in terms of business support, transport, marketing, and skills development.

#### Potential for significant local economic impact

Local impact depends on the number of producers, and who has the jobs. Services such as baby-sitting and sewing can have a high impact because they are labour intensive and employ women, who generally have less income and spend more of what they earn on the family. Products that involve high levels of unskilled labour, particularly agricultural goods, will be significant for the poor.

However, the impact of taking business away from existing suppliers also needs to be considered. Suppliers may be large white companies, but may have good performance on employment equity and social investment. Consider the knock-on impacts of changing suppliers, as many local people just want to find employment. Building the capacity of existing suppliers to take on more local employees can make a significant contribution to the local economy and community relations.



## Logistics and practicalities

Assess whether potential suppliers have adequate infrastructure, such as electricity, water and transport, particularly in the high season. Transport could be another procurement opportunity.

## Contractual obligations

Check your existing contracts to see if there are any contractual obligations that require continued use of existing suppliers.

## Regulations and permits

Check potential suppliers have, or can obtain, the requisite legal permissions and licences. The informal economy operates outside the legal commercial framework, but an established tourism operator can't. Secure the assistance of local government in facilitating change.

## Potential opportunities and challenges in sourcing food locally

Food and beverages accounts for about 30% of all tourist expenditure, which, if was spent locally, could transform the local economy. Yet tourism enterprises spend surprisingly little locally, even when farmers are nearby. Problems particular to sourcing agricultural products include seasonality of production, health and safety regulations, inadequate transport, small volumes, and unfamiliarity with the formal market.



**Look at ways to assist local farmers with supply, and to ensure your demand for their products.**

**Visit farmers, send chefs to the fields, bring farmers to the restaurants.**

**Ensure farmers and chefs both anticipate seasonality of supply and demand, and that this is accommodated in contractual agreements.**

**Make a feature of fresh local produce on your menu so as to stimulate demand for local foods, and reap the benefits via customer interest.**



*Sun City supports a nearby hydroponics project supplying lettuces to the resort.*



New legislation requiring fishermen to have licences stopped local seafood sales to hotels on the Wild Coast. Umngazi River Bungalows' purchases of local marine and inter-tidal products slumped by 60% from over ZAR150,000 in 2003 to ZAR60,000 in 2004, and Mbotyi River Lodge's purchases of around ZAR35,000 per year ceased. One year after the promulgation of the changes, Marine and Coastal Management had still not issued licences. This left the fishermen with nothing but the black market for their livelihoods, and left the lodges unable to provide fresh fish to their guests because they can't break the law.

Legislation to protect the environment or health and safety can have devastating impacts on local suppliers, particularly when implementation procedures are inadequate.



Umngazi River Bungalows is renowned for its high occupancies – 95.7% in 2004 – and low seasonal fluctuation. It also stands out from other hotels for the high percentage of supplies that are sourced locally. It buys all fruit, vegetables and chicken from local farmers, spending over ZAR86,000 per year.

Farmers started production under supervision in the lodge's vegetable garden and moved to their own plots when they had fine-tuned production techniques. The thrice-weekly delivery of produce by donkey cart has become a feature of the resort.

Factors contributing to high local sourcing include substantial investment in training, the owners' local links and language fluency, long-term tenure, and low seasonal fluctuation. The fact that the surplus could be sold via Boxer Supermarkets, which is under the same ownership as URB, greatly reduced the farmers' risk in becoming involved in market-oriented production.



# Helping Local Entrepreneurs Enter the Supply Chain



## TIP 3: USE NEW NETWORKS TO FIND NEW SUPPLIERS

Finding out about local suppliers can be a challenge if your existing commercial networks lie elsewhere. Asking around will increase awareness in the local community and create new networks:

- ask staff
- contact local business associations and chambers of commerce
- contact provincial government, small business support organisations, and local NGOs
- go walking, driving, visiting, shopping
- speak to competitors
- tap into local networks, particularly church networks
- ask one local supplier to recommend another. Find out which electrician and uniform supplier the security firm uses. Ask the gardener for a carpenter, and vice versa.

Don't raise expectations during those first conversations.

Be prepared for on-going consultation to get the process going.



Spier actively went searching for new local suppliers and, when they couldn't find established ones, sought out potential ones. The facilitator visited townships, community projects, local SMME development agencies, local business associations and craft centres.

The process has been intensive, involving a champion at director level, and a part-time facilitator. As much effort has gone into changing how operational staff work, as on developing the emerging suppliers themselves, with many lessons learned on both sides. While the demands of the process have been high, the business benefits have also been high, including cost saving and local support. Existing suppliers are reporting to Spier on how they are changing. New small suppliers are expanding, and operational staff are looking at procurement options in a new light.

The Halcyon Hotel Group has found that the approach to affirmative procurement is often linked to staff development. As PDIs are promoted into management, they liaise with suppliers that they know and trust, who are often also PDIs. Halcyon's Bay Hotel has over 70 suppliers from PDI backgrounds. On the other hand, others note that it is the attitude and open-mindedness of the buyer, irrespective of skin colour, that really makes the difference to opening doors to new enterprise.



**Encourage local staff to draw on their own networks to introduce new suppliers.**

**Ensure your buyer is open to finding new suppliers.**

*"Make sure you've chosen the right product and partner...Make sure it is totally local." (Michelle Webber-Steyn, Sun City)*



### Tips for encouraging new suppliers.

The International Financial Corporation (IFC 2000 pp 211) provides the following tips for local subcontracting:

- make information on purchasing policies and upcoming contracts available as early as possible to allow local businesses adequate preparation time
- break contracts into smaller pieces to encourage greater local competition
- shape contracts to make them compatible with the capabilities of local businesses
- offer technical assistance and training to local contractors
- encourage outside contractors to partner with local businesses when awarding contracts
- assist potential contractors in acquiring credit
- help local businesses write their company profiles, and
- provide guidance, and direct local business owners to sources of management and administrative support services.



## TIP 4: PROVIDE INFRASTRUCTURE AND EQUIPMENT ON SITE AND CHANGE CONTRACT SPECIFICATIONS

Instead of expecting an emerging supplier to provide a door-to-door service, consider an approach where the company supplies the infrastructure, and contracts the service provider for operations. Perhaps even provide a production place on site, which enables much closer initial contact between the buyer and supplier.

To ensure competitive tendering, take care not to create unfair competition. Offer SMME support services to all interested eligible parties. Avoid providing information to one supplier about specific forthcoming tenders, but concentrate instead on general business management skills, technical competencies and access to finance.



**Break contracts into smaller chunks that can be handled by small entrepreneurs.**

**Consider providing work space, infrastructure, and/or operating plant that can be used by a small supplier.**

**Ensure payments are made promptly, and at a time that enables suppliers to pay staff.**

**Challenges, with the right attitude and communication, can often turn into significant opportunities.**

**Continually communicate and test understanding.**

When Spier put out a tender for a new laundry service in mid 2004, several operational details were designed to facilitate a new entrepreneur. For example, the tender specified:

- the use of previously unemployed people to staff the operation
- an eight hour operating shift period with no night shift to reduce costs relating to transport
- the contractor would receive payment before month end in order to facilitate staff salary payments and payments to creditors
- the contract was based on an anticipated wash volume for which a set fee was to be paid.

As Spier owned the equipment, they would take responsibility – on condition of good management practices – for maintenance and servicing.

Once the contractor was selected, he was given an extensive service level agreement detailing all expectations, conditions, regulations and procedures. The service level agreement outlined roles and responsibilities of all parties, and formed the basis of all aspects of the supply relationship.

Shortly after opening, one of the machines broke down. There was a risk that this would prove that such a new enterprise couldn't provide the reliable service required. But, due to the determination of the newly appointed contractor, who "made a plan" the clean items were delivered on time. This success actually reinforced the relationship, and reduced concerns over delivery.

Informal daily interactions were complemented by regular structured meetings. Over several months, as issues were resolved, and capacity developed, demand from other parts of Spier increased. The business volumes have doubled, and further expansions are planned.



Tender documents and the service level agreement used by Spier are available on [www.pptpilot.org.za](http://www.pptpilot.org.za)

Do not expect even the most defined set of wording to be understood in the same manner by all parties.

The initial start up period takes more time than anticipated and, regardless of the levels of planning, many things can still go wrong. Do not release your existing supplier until everything is up and running.



*Bernie Samuels of Klein Begin laundry at Spier and the washing machine that broke down in the first month.*



## TIP 5: PROVIDE TECHNICAL SUPPORT AND MENTORING TO LOCAL ENTREPRENEURS

Sometimes it is necessary to help SMMEs get started, or assist emerging ones to reach the required standards. However, the challenge is to find a way to combine a commercial relationship with a mentoring one, as the supply chain simply will not last if it is not commercially realistic.

### Provide mentoring from the beginning

A new supplier may start with very little understanding of the market and expectations of the company or guests. An established business can provide many types of useful advice on internal management, customer expectations and marketing.

Over time (months or years) ensure the business relationship shifts to a totally commercially sustainable one.

Draw up a service level agreement or other form of contract with the SMME supplier to clarify delivery expectations.

Consider assisting the local enterprise to secure the necessary licenses and permits from government.

Take time to work with the potential supplier, and ensure that s/he has a clear understanding of the expectations before work commences, or orders are produced.

Ensure suppliers understand that inclusion in the supply chain does not mean continual contracts, and are focused on how to remain competitive at all times.

paying staff, buying supplies for large orders, or purchasing simple operating equipment. Loans and equity are hard to access if they lack collateral and a track record. But a supply contract can provide a guarantee of income to help secure the necessary finance. Your company may also be able to use networks and contacts to help the small supplier find financial support *Brief 3, Tip 3* on financing partnerships.

Assist suppliers to access finance. Document contract agreements so that they can be used as an income guarantee. See resources page for contacts in SMME support organisations.

If several tourism businesses collaborate, they can provide greater resources for early capacity building of local SMMEs.

If you are not able to provide technical support to the SMME, provide a very clear understanding of the service level required and encourage them to seek assistance from a support agency to achieve it, *Tip 9*.

### Assist in accessing finance

Lack of capital is a major constraint for small businesses. Without capital, they cannot invest in upgrading production, and may not even have sufficient working capital for

At Sun City, the baby-sitting enterprise received intensive support at first. Sun City staff sat with Thula Baba staff to do their accounts and invoicing, and Sun City subsidised the operations and marketing. Gradually Thula Baba has become more independent, and has expanded to a new crèche. There are now approximately 100 local babysitters, who collectively are earning around ZAR 40,000 to 50,000 per month. Sun City is envisaging the same kind of support for the glass and card-making enterprises.



*"From the beginning, Sun City helped with financial management. If I have a problem I usually go back to them and ask them." (Doris Mothega, Managing Member, Thula Baba Babysitting Services)*

*"Make sure it is sustainable, with on-going support. If you're going to start something, understand that you're going to hand-hold for quite a while. And make sure you can assist with the marketing for some time to come." (Michelle Webber-Steyn, Sun City)*





### Help out when things go wrong

When a supplier is in difficulty, you may have to end the contract, as a tourism operator cannot afford unreliable or low quality supplies. But sometimes problems provide the opportunity for greater improvements and closer partnership to improve the supply.

**When problems emerge see whether, instead of giving up, it's rather time to go in and help.**

**Assisting SMMEs with very strict financial and stock control can be essential.**



On the other hand, several companies have learnt that it is important to let local SMMEs make their own mistakes.

At Umngazi River Bungalows, the owner sits down with local guides, caregivers and contractors at the start of the year when rates are set, and discusses their fee increases. When the river guides put up their fees too much, they found demand went down. Long term, that was more useful than the hotel insisting on reducing their fees.



The independent catering company providing meals to Stormsriver Adventures' (SRA) guests ran into problems due to bad management and disappearance of stock. The ZAR140,000 loss was carried by SRA who underwrote the catering company, and paid the creditors to salvage the operation. At this point, March 2004, the management team was removed, and SRA came in with assistance on stock control, accounting, infrastructure and administration. An employee, who had started as a boat ticket seller took over the entire accounting and administration function for the catering company. She also has shares in the company, which is 51% owned by local women. SRA has committed itself to this initiative and, by year end Feb 2005, a significant improvement was seen, with the company reducing its loss by ZAR120,000. An acceptable profit should be evident by year end 2006. SRA caterers are already the biggest supplier to SRA, which spends about ZAR 1 million on 26,000 guest meals annually. In addition the bakery sells 3,000 loaves of bread per month to the local area. SRA provided the equipment, infrastructure and premises, for which the catering company pays a nominal rental.

Spier brought in a new construction contractor in January 2005 but soon discovered he had major cash-flow problems, which forced him to use Spier's deposit to fund other items. One option was to end the contract and count the losses. Instead Spier accountants sat with the contractor and helped him to work out a financial plan. He has been able to work off the amount owed, and continues to do work for Spier, but with a far more robust approach to financial management.



Local Jams sold at Stormsriver Adventures' restaurant

## TIP 6: IN-SOURCE CONTRACTS TO HELP LOCAL BUSINESSES GET STARTED

One way of helping entrepreneurs get established is in-sourcing. This involves identifying functions that are currently provided by staff, and could be provided by those same people as an independent business. Though it shares some technical elements with out-sourcing it is fundamentally different, given the emphasis on enterprise building. Both involve retrenchment of employees, the removal of a set of skills and a function from the operating company, and the procurement of the same services via a contracted company – usually by those very same individuals that were retrenched.

*"The aim now is localisation of outsourcing ... people need a run at it themselves." (Dan Ntsala, Sun City)*



**In-sourcing can help a small business get started.**

But the key difference is that in-sourcing has a strong empowerment agenda, and involves supporting the staff to set up their own businesses. For in-sourcing to work, the operating company must work with the in-sourced company to build capacity and ensure the contract works.

Sun City is looking at options for in-sourcing, and looking at products where existing staff members have the skills necessary to become an owner-manager and an independent supplier. One option is in flowers. A local staff member already runs the resort's flower supply, and could be assisted to set up a floristry business. This is seen as quite different to out-sourcing, with its concomitant redundancies.



*Flower sellers in Cape Town*



## TIP 7: HELP SUPPLIERS REACH ECONOMIES OF SCALE AND COPE WITH SEASONALITY

A major problem for small suppliers is that their limited market prevents them from achieving economies of scale. As a result, they can't afford vehicles and other key equipment, and overhead costs of administration and regulation are oppressive. When supplying to the tourism industry, the problem is compounded by seasonality as, for at least three months of the year, their tourism client is likely to demand little.

### Encourage suppliers to explore other markets

A big tourism resort can offer such a large market that suppliers can scale up production. For example, Sun City would be able to buy all the cards and glasses that RECOPRO could produce. But in most cases, other ways to achieve economies of scale

are needed. A supplier that is totally dependent on one client is vulnerable. Encouraging suppliers to find other customers, and to adapt their products for local or export markets, is likely to enhance their products and competitiveness, and increase the development impact of the enterprise.

Helping to improve the broader marketability of existing suppliers is all the more important for those SMMEs under short-term contracts, where the economic benefits of the contracts are short-lived. If longer-term contracts are not possible, e.g. due to seasonality, tourism companies can ensure that during the contract period, support is strategically targeted to raising the capability of suppliers to access other similar or related markets. Ask your short-term sub-contractors and suppliers what you can do to help them access other contracts. The answers may be surprisingly simple and cost-effective, e.g. testimonials, certificates of reliability, progression to recognised quality standards (ISO9,001 and 14,001 etc.) or advice on marketing strategies.

Some suppliers that have successfully expanded to include non-tourism clients include taxi services, tyre mending and sewing services that are also used by local residents. In addition, processed foods and high quality crafts can be exported to distant markets.

In Malawi, Luwawa Forest Lodge is in a deep rural area in the Viphya Mountains, three hours north of Lilongwe. A women's group started off supplying wine to the lodge and for direct purchase by tourists. Their market has expanded to include sales to local residents and workers, who buy the bulk of their output. In just three years the women entrepreneurs have banked around MK100,000 (over ZAR 5,000). Similarly the peanut butter produced for the lodge is also sold at the nearest market town, Mzimba, 30km away. However, this is limited by transport difficulties. The lodge owner transports palm oil soap to the market in Lilongwe, in return for part of the proceeds. In Lilongwe, the producers get MK80 for a bar that cost MK5-10 to produce.

**e.g.**

include non-tourism clients

**Consider ways of assisting with transport, marketing and other logistics for local suppliers to reach other markets.**



**e.g.**

### Work across the destination with other tourism businesses

It is rare that one tourism operation can supply a big enough market to keep a business going. But if all the companies in a defined area were to work together with local suppliers, they could create a sizeable market.

In the Western Cape, the provincial government has developed an initiative to support suppliers by taking a destination approach, the Integrated Tourism Enterprise Support Programme, or ITESP. This is premised on the idea that business development support to SMMEs should be accompanied by development of their market across a range of tourism establishments. After a pilot, the full programme was launched in 2005, with 20 SMMEs participating.

Jan Harmsgat Country House uses festivals, events and a responsible tourism column in the local newspaper to put local suppliers and tourism operators in touch with each other. The lodge brought in local suppliers of horses, taxi services, chairs, arts and crafts, choirs, wire work, a caterer and a brass band for a large wedding. Thereafter, all these suppliers were profiled in the responsible tourism column, along with their contact details.

**Provide information on local suppliers through tourism networks and destination-wide organisations.**

**e.g.**



## Work up and across a corporate chain

Another approach is for SMMEs to supply all different sites within one company – so long as the products can be transported cost-effectively. Wilderness Safaris, which operates 45 lodges in southern Africa, is implementing such an approach with its new partners in Makuleke in Kruger, and Mkambati on the Wild Coast. It is supporting local SMMEs to produce items such as uniforms, furnishings, and furniture. For example, Makuleke suppliers will be making Shangaan textiles and marabaraba games.

**Assess whether other properties and businesses within your own company could purchase from local suppliers.**



### Support producers to sell via producer associations

A producer association can provide the wholesale and marketing facilities that individual farmers or producers can't afford. It can also provide a forum for product development and enhanced communication. Such a body helps the producers by taking over the marketing role, and also helps tourism operators who can work with one outlet rather than many suppliers.

In Kosi Bay in KwaZulu-Natal, work is underway to develop local SMMEs that can supply the developing tourism market, and assist them to work together in marketing and product development. A particular feature of this work, implemented by Business Linkages in Tourism, and funded by the Ford Foundation, is that it is occurring just as tourism is developing at Kosi Bay rather than after the destination is developed. The aim is for local businesses to develop capacity at the same time as new establishments are planned, so that they can compete for supply contracts at the start.

An assessment of Madikwe Game Reserve showed that once a substantial number of lodges were operating, a considerable increase in the development of local suppliers became feasible. In 2003, 79 local people were employed in SMMEs and peripheral establishments in the Madikwe area as a direct consequence of the reserve's establishment. The percentage of lodge procurement from SMMEs was still low and constrained by limited skills, but nevertheless notably higher than averages for other lodges in big five wildlife areas. This was largely due to the concentration of lodges providing economies of scale.<sup>5</sup>

e.g.

### Iron out seasonality

Seasonal variations in demand creates uncertainty for new suppliers, and makes it harder to invest in expanding production.

If items are non-perishable, it may be possible to stagger demand so that a minimum amount is still purchased during low months. If this is not possible, at the very least let local suppliers know well in advance that a seasonal slump is to be expected.

**Make sure suppliers are well forewarned of seasonality. Do what you can to maintain demand in the low season, or assist them to find markets elsewhere.**



*Wilderness Safaris staff at Rocktail Bay lodge.*

<sup>5</sup> Piers Relly, May 2004. Employment and Investment in Madikwe Game Reserve, South Africa.



## TIP 8: CONSIDER USING A FACILITATOR TO LIAISE BETWEEN YOUR BUYERS AND SUPPLIERS

There can be a great deal of legwork involved in developing new supply linkages, so it may be necessary to appoint a facilitator, either internal, as at Sun City, or external, as at Luwawa Forest Lodge and Spier. Spending time developing possible new suppliers may conflict with the buyer's main task, which is ensuring a constant and reliable supply of goods at a competitive price, with minimum risk. Nevertheless, it is essential to ensure the buyer is part of the process and is open to adapting current practice.



At Spier, the PPT Pilots Programme provided a facilitator, Gareth Haysom, who did much of the detailed work on gathering information and sourcing new products. He reported to the sustainability director, liaising with both suppliers and operational staff of Spier Holdings.

**Use a facilitator or assistant who has time to do the detailed work with suppliers and focus on liaising with all role players.**

**External facilitators have the advantage of independence from internal agendas and responsibilities.**

**Internal staff members have more operational knowledge and perhaps a longer term view.**

**The facilitator should be impartial and able to work across departments.**

In seven years of operation, Luwawa Forest Lodge has been able to stimulate five different local enterprises. Three produce products from local natural resources, namely fruit wine, peanut butter and palm oil soap, and two provide cultural activities – tours to Donija Nkhoma village, and dancing by local men and women. This process has been largely facilitated by skilled volunteers from the American Peace Corps and the British Voluntary Services Overseas (VSO). Lodge owner, George Wardlow, says he is busy running the lodge – ‘just about keeping my head above water’ – and has little time to undertake the considerable legwork involved in dealing with communities, organising committees and setting up projects, so these volunteers have proved invaluable.



### Some facilitation lessons learned at Spier

The functions of the PPT facilitator at Spier included:

- seeking out local suppliers in the townships and neighbouring areas, consulting databases, asking through networks
- helping draw up tender documents and service level agreements
- liaising between buying departments and new or potential suppliers. Providing continuous but diminishing liaison during contract operation
- conveying issues and concerns from operational staff to senior management in a constructive way
- being the first point of call when problems arose
- analysing data from the supplier questionnaire and drawing out summary results.

Lessons learned from this about facilitation:

- be aware of how little the supplier and buyer may know of each other and each others' products and needs. Build understanding
- ensure both parties agree on ways forward, share the same understanding, and that agreements are documented
- arrange regular communication. Keep both sides informed of developments
- assume that pride and self esteem are part of the process. Draw out the issues and present them in a manner that does not undermine either party
- empower the supplier and buyer so that, increasingly, they deal with each other directly
- expect things to go wrong, and turn the crises into opportunities. This builds both parties' confidence to address issues rather than give up
- communicate, communicate, communicate, communicate, communicate.

## TIP 9: ASSIST LOCAL SUPPLIERS TO DRAW ON OTHER EXPERTISE

The core competence of a tourism business is not SMME support. Yet many small and micro emerging suppliers are likely to need training, credit, business planning advice, and product and market development services. While expert advice from a tourism operator can be invaluable, it may be more effectively provided by other organisations.

Business development services are provided by a range of government schemes and NGOs, some of which, e.g. the Tourism Enterprise Programme, focus particularly on the tourism sector. The fact that an SMME has a contract to supply an established tourism operation will often make it easier to secure assistance and input from such schemes.

Sometimes it may be worth paying for the new supplier to receive mentoring. Spier has done this for a new contract to clear alien vegetation. In addition to the ZAR 150,000 contract to a local black entrepreneur, they paid ZAR 30,000 for a specialist to mentor the entrepreneur and build capacity long term.

**Encourage small suppliers to seek out assistance from other sources, and facilitate their networking with the local business community.**

**Talk to local government about support services for tourism. Make inputs into the local Integrated Development Plan so that local government support is planned in. Link in to other destination initiatives.**

**Help suppliers identify partners who can supply expertise on technical issues involved in production. Consider subsidising costs if necessary.**

Despite this extra cost, the total contract price was still considerably cheaper than the next closest tender.

Research across several safari lodges found that, where there are external support agencies dedicated to building links between the local informal economy and tourism businesses, the revenue generated for the local economy by small business linkages is significantly greater than in other areas (Massyn, 2004<sup>6</sup>).

Technical input from other businesses may also be essential. RECOPRO at Sun City went into a partnership with Green Glass for accessing technology of glass recycling.

The GSLWPA established a Social Environmental and Economic Development (SEED) programme, whose tasks include mentoring and support to local small businesses in the St Lucia area, and ensuring their participation in procurement. This has helped ensure that a large number of contracts in the infrastructure phase have been awarded to SMMEs. The proposals of the preferred bidders for the eight sites that have been awarded indicate the intention that 40% of procurement for goods and services in the construction and operational phase will go to local SMMEs.

Klein Begin Laundry encountered great difficulties in completely cleaning the serviettes, partly due to the ban on bleach, and partly due to black face paint used at Moyo restaurant. An expert from a chemicals company was brought in. His advice resulted in many improvements in the wash quality. Despite his expertise, though, the face paint stains remained so, on his advice, the restaurant was persuaded to discontinue the black paint.

e.g.



*Top quality cleaning of Moyo Napkins by Klein Begin laundry which uses technical advice from a chemical company.*

<sup>6</sup> Massyn, P. J. 2004. African game lodges and rural incomes: Some key southern African trends.

# Increasing Local Staffing and Wage Flow

## TIP 10: PAY A LIVING WAGE

As a rule, the greatest cash flow into a local community from a tourism business is in the form of wages of local staff. This usually accounts for over 70% of local earnings from tourism, and is the most visible link with tourism for most community members. However, the sector is known for paying low wages. In many operations, the biggest single increase in community cash flow could be achieved by ensuring all staff receive a living wage. The importance of wages and employment is highlighted by FTSA in its first two criteria for assessing tourism sites accreditation:

- equal pay for men and women doing the same work
- wages and benefits that allow employees to live with dignity.

FTSA points out that to date there has not yet been any systematic investigation into employment and wage conditions in the South African hospitality sector. Nor has there been any recent sectoral determination in the industry, which would have set in place minimum wages and related stipulations. However, case study research of restaurants in Bloemfontein in 2000 documented patterns that are likely to apply across the country (and beyond). The authors found discrepancies between the Basic Conditions of Employment Act and the actual working conditions of waiters – long working hours, low and unpredictable wages, and a lack of stability.

Studies in lodges around Madikwe found that local residents occupy 72% of the employment positions, but earn 43% of the remuneration bill. Similar patterns are seen in other safari lodges. Women suffer a double disadvantage because they earn less than local men, as well as earning less than outsiders.

**Paying a decent living wage to unskilled and semi-skilled staff could be the greatest boost to local incomes the tourism sector could make.**



*Locally recruited guides run adventure tours at Stormsriver Adventures.*

## TIP 11: REVIEW RECRUITMENT PROCEDURES TO INCREASE OPPORTUNITIES FOR LOCAL APPLICANTS

Most tourism operations already employ a high proportion of local staff, particularly in unskilled and semi-skilled positions, but boosting local recruitment can quickly increase local cash benefits.

Employment is often the priority of local people. Indeed, efforts in Madikwe to stimulate SMME linkages have been bedevilled by community preference for wage contracts. This is therefore a key area, and is not to be ignored. Find mechanisms for identifying local candidates. Existing staff networks and other local community networks are useful. However, because jobs are so prized, recruitment quickly gets political, with risks of nepotism, corruption, or hostility between aspirant applicants. In Maputaland, PPT facilitators working for Wilderness Safaris spent a great deal of time reaching an understanding that, although the local community, through their trust, might recruit people for jobs, the final selection and allocation of portfolios is a management decision.

Wilderness Safaris prioritises recruitment from the immediate neighbouring community, and works with the local community trust on selection. For example, initial recruitment for the new lodge at Manzangwenya, near Rocktail Bay, in GSLWP, was done by a team of three – a community trust member, a lodge manager, and a PPT facilitator, Zeph Nyathi. Seventy local people were interviewed for 30 new jobs. In more established Wilderness Safaris lodges, local employees have moved up into skilled positions, such as guiding and lodge management.

Loss of trainees and staff along the way is inevitable. Some get poached and some leave for other reasons, but some are just not suitable. Technical skills can be taught, but tourism also requires a certain approach to work, which not everyone has. The tourism trade, in particular, requires excellent service – which is different from servitude but may be seen as that in some communities. And it requires staff to work through holidays in the peak season. The needs of the tourism industry will be new to rural people who have never been tourists, so such issues must be explained over time. Companies such as Imvubu Lodge and Jan Harmsgat Country House, that employ only local people, have successfully found suitable employees, but they admit they have encountered problems with some staff members, who did not stay.

eg.



**Start with more local recruits than you need on a trial basis, and expect attrition.**

*"It's not just technical skills to look for, but the approach to work." (Judi Rebstein, Jan Harmsgat)*

*"Once you start working with them, you see what they are lacking. Then see if you can provide it and if they want to get over it." (Joy Bennett, Imvubu)*



*Lena Vergotine (left), the un-schooled girl turned acclaimed chef at Jan Harmsgat, with Michelle Dolf, Rita Mentoer and owner Judi Rebstein.*



## TIP 12: INVEST HEAVILY IN TRAINING OF LOCAL STAFF

Experience of several businesses has demonstrated the success of investing in staff training in order to enable unskilled local people to move up to semi-skilled and skilled positions.

### Investment in Training pays off

Stormsriver Adventures began in 1998 with three tourism products and four staff members. By May 2005, it had 16 products and a staff of 80, 50 of whom are permanent. Eighty-four percent of all staff is local. Adventure guides – highly-trained guides who take tourists on forest canopy tours, river trips and through a range of 16 products – make up 65% of the total staff complement. This has been achieved through a massive investment in training combined with a philosophy that no tourism activity is considered unless it has job-creation potential.



*"Don't assume people know things. Cover everything in the training." (Judi Rebstein, Jan Harmsgat)*

Jan Harmsgat Country House is located in a very rural area near Swellendam, where many local people have never been to school. Through a process of careful recruitment and intensive training, local women now hold key jobs in the enterprise. Apart from the owners, the staff numbers ten – eight from local farms and two from nearby Barrydale. The chef, Lena Verboten, started 13 years ago learning how to make jams. She now creates her own menus and receives rave reviews in the media, and accolades from guests. Training techniques include bringing in visiting chefs for short periods, taking the staff to restaurants in Cape Town, and sending them to a workshop at the Gourmet Food Show.



The biggest single investment to date has been ZAR1 million borrowed for training. The cost of training has been a burden, particularly as by July 2002, THETA owed SRA ZAR450,000. Outside training was too expensive, so SRA developed their own training while using outside assessors to provide accreditation. Guides are reassessed every six months.

The results are remarkable. The owner, Ashley Wentworth, estimates that in one and a half years, a new recruit can be trained up to the level of lead river guide. And that an investment of ZAR20,000 can create one new job. This type of tourism is highly labour intensive. For example the tree top canopy tour required ZAR1 million investment in infrastructure and marketing, and it created 25 full-time and 30 part time jobs. This contrasts favourably to investment/employment ratios elsewhere, both in tourism and in other sectors.



*"You've got to be in it for the long run, not for short-term return." (Ashley Wentworth, owner, Stormsriver Adventures)*

While the company's values emphasise employment creation, it is done on business principles. The Labour Act has been strictly applied, with warnings and

dismissals, and random breathalysers where necessary. Guides are monitored via client comment forms and incident reports. There is no confusion here between strategic objectives for employment-generating growth and being a soft employer.

**Plan and budget up-front for investment in training.**

**Make use of a variety of training sources and approaches. Bring in visiting experts and send staff to events. Get accreditation for your own training, and find out about other training courses locally.**



Canopy tour run by locally-trained guides at Stormsriver Adventures.



## SUMMARY, CONCLUSION AND CHECKLIST

There is massive potential to benefit both your company and local entrepreneurs by bringing new suppliers into the supply chain. This approach can be disruptive of existing procurement routines, but also highly rewarding, leading to improvements in procurement systems, product innovation, efficiency gains, customer satisfaction, increased staff morale and, of course, enhanced relations with the local community.

### Principles

- think laterally
- carefully select which products and suppliers to start with, based on feasibility and corporate objectives
- be willing to adapt ways of doing things to reduce barriers to emerging suppliers. Use your business expertise and strength to assist them
- recognise that it will affect operational staff roles, and needs careful roll-out
- protect core business and critical inputs while piloting new suppliers
- expect the process to change direction and gain momentum.

### How Government can make a difference

This brief focuses on what companies can do, but supportive actions by government include:

- ensuring emerging suppliers have ready access to finance, business support and training
- assisting emerging suppliers to secure the necessary licences for commercial operation
- catalysing destination-wide initiatives to bring tourism operators and suppliers together to achieve economies of scale
- providing databases and networks so that operators can find new local suppliers
- ensuring the Scorecard and other BEE measures incentivise supply from small and local enterprises, and not just one or two massive contracts with empowered corporate suppliers
- ensuring coordination between and within government departments in terms of requirements of, and support for, SMMEs
- investing in tourism skills training in poor areas to increase the supply of qualified entrants.

### Checklist

Before committing your company to investing in local procurement, ask:

- ✓ Which corporate objectives will be served by supply chain reform, and what type of suppliers or products are priorities?
- ✓ Is there management support for innovation and changes to operational practice?
- ✓ Who will be the champion to drive the process, and who will do the time-consuming leg-work?
- ✓ Which are the most feasible local goods, services, or staffing measures to start with, and to demonstrate results?
- ✓ How can the company adapt procurement to help new entrepreneurs enter the supply chain? Is there scope to use new networks and change tender processes and payment procedures?
- ✓ How much mentoring and business advice can company staff provide to new suppliers? Can we also help them to bring in outside sources of assistance?
- ✓ Which employees will need to interact with new suppliers, and how do their roles need to change?
- ✓ How will new suppliers be incorporated into normal daily practice, and how will we shift from a mentoring relationship to a fully commercial one?
- ✓ Is the company already committed to paying a fair living wage and recruiting and training local staff?
- ✓ Do we have Brief 4 to assist in incorporating local procurement into daily operations?



# RESOURCES AND FURTHER INFORMATION

## 1) National Business Support Schemes

Organisation	Details	Contact information
<b>Financial support:</b>		
Black Business Suppliers Development Programme (BBSDP), <b>the dti</b>	Provides eligible black enterprises with a cost sharing grant to acquire training in management, enterprise specific skills (accreditation, enterprise specific skills (accreditation, software development, etc) and marketing.	Gabriel Makhonxa 012 394 1438 gabrielm@thedti.gov.za
Small Medium Enterprise Development Programme (SMEDP), <b>the dti</b>	Grant incentive scheme for qualifying capital assets.	Justice Ngwenya 012 394 1271 justicem@thedti.org.za
Industrial Development Corporation's (IDC) Tourism Business Unit	Finances loans larger than ZAR1 million. Requires owner's contribution of 40% or more total project value, although this is reduced to 20% for empowerment projects.	Katinka Schumann-Bester www.idc.co.za 011 269 3509 katinkas@idc.co.za
Khula Enterprise Finance	Banks can apply for a guarantee that acts as collateral for 80% of the total loan amount to an SMME(loans of ZAR50,000-ZAR1million). Plus gives information on Retail Finance Intermediaries.	Mr Martin Theron 012 324 8236 khulapretor@iafrica.com
National Empowerment Fund (NEF)	Provides equity and quasi-equity finance for economic empowerment transactions involving Historically Disadvantaged Individuals.	Ms Maud Khumalo 011 772 8014
<b>Training/Technical Support:</b>		
Small Enterprise Development Agency (SEDA), <b>the dti</b>	Agency for small business development; incorporating the previous Ntsika Enterprise Promotion Agency and Namac Trust. Entrepreneurs get help with business plans; technical advice; marketing; information on export support, tenders, incentives.	0860 103 703 seda@seda.org.za
Community Public Private Partnership (CPPP), SEDA	Provides support to various community based enterprise development.	Thuli Fakude 0860 103 703 tfakude@seda.org.za
Tourism Enterprise Programme (TEP) (Head Office Gauteng)	Provides services for growth and expansion of tourism-related SMMEs.	Nomsa Ngwenya 011 804 5750 Nomsa.Ngwenya@eciafrica.com
Foundation of African Business & Consumer Services (FABCOS)	Provides business courses to FABCOS Small Business Members; plus access to cheaper trading stock.	011 333 3701
Tourism, Hospitality, Education and Sport Training Authority (THETA)	Tourism Learnership Project to boost skills in the tourism and hospitality sector.	011 803 6010 info@theta.org.za

## 2) Tourism Organisations

Organisation	Details	Contact information
Tourism Business Council of South Africa (TBCSA)	Engages with all stakeholders to create an enabling environment for tourism development. Publications include: How to Start and Grow your Tourism Business (with DEAT); South African Tourism Industry Empowerment & Transformation Annual Reviews 2002 & 2003.	012 654 7525 tourism@tbcsa.org.za www.tbcsa.org.za
<b>the dti</b> : Tourism unit	Leads tourism investment programme; supports niche export markets; implements projects to improve sector competitiveness; a first point of contact for tourism businesses to access <b>the dti</b> offerings.	Kate Rivett-Carnac 012 394 1185 katec@thedti.gov.za Sifiso Mthembu - Deputy Director 012 394 1184 sifisom@thedti.gov.za
DEAT: Chief Directorate Tourism Development	Aims to: support transformation of tourism industry, particularly by providing opportunities for black business participation; facilitate implementation of tourism investment programmes; undertake focused research promoting tourism development and transformation.	Chief Director: Mahandra Naidoo 012 310 3846 mnaidoo@deat.gov.za Directorate Tourism Business Development Director: Lisa-Ann Hosking 012 310 3746 lhosking@deat.gov.za
Business Linkages in Tourism	Provides services to industry and government to facilitate pro-poor approaches in the tourism industry.	www.tbcsa.org.za/blt bizlink@tbcsa.org.za
Fair Trade in Tourism South Africa (FTTSA)	Encourages fair and responsible business practice; provides independent accreditation of establishments.	012 342 8037/8 info@fairtourismsa.org.za
Cooperative Marketing Alliance (ComMark Trust)	A British-backed development programme adapting existing services so that they become accessible for smaller businesses and start-ups.	Paul Zille 011 802 0785 Email: paul@commark.org

## 3) Web Resources

Web resource	Web address
Tourism BEE Scorecard (DEAT)	www.environment.gov.za or www.tbcsa.org.za
Broad-Based BEE Bill. <b>the dti</b> .	http://www.thedti.gov.za/bee/beebill.pdf
Code of Good Practice for BEE in PPPs	http://www.thedti.gov.za/bee/CODESOFGOODPRACTICE.htm
Fair Trade in Tourism South Africa Resource Centre	http://www.fairtourismsa.org.za/resourcecentre/index.html
Guidelines for Responsible Tourism. DEAT. 2002.	http://www.icrtourism.org/International%20Initiatives/ Responsible%20Tourism%20Guidelines.doc
Small and medium enterprise (SME) Toolkit (IFC) - toolkit for SMMEs to learn sustainable business management practices	http://www.ifc.org/Ifcext/sme.nsf/Content/SME_Toolkit
Pro-Poor Tourism Pilots in Southern Africa – pilot site reports and tools used	http://www.pptpilot.org.za
Briefing Paper No. 2: inputs into the supply chain	http://www.pptpilot.org.za/Briefing%20papers/paper2.pdf boosting local
Briefing Paper No. 3: Tourism-agricultural linkages: Boosting inputs from local farmers	http://www.pptpilot.org.za/Briefing%20papers/paper3.pdf
Pro Poor Tourism Partnerships – international research and programmes on PPT	www.propoortourism.org.uk
The Tourism Industry and Poverty Reduction: A Business Primer. Roe, D. et al, 2002. Briefing Paper 2	www.propoortourism.org.uk/final%20business%20brief.pdf
Investing in People: Sustaining Communities through Improved Business Practice. A Community Development resource Guide for Companies. IFC, 2000.	http://www.ifc.org/Ifcext/enviro.nsf/Content/Publications (available to order)
African Institute of Corporate Citizenship (AICC)	http://www.aiccafrica.com
A Practical Guide to Good Practice: Managing Environmental and Social Issues in the Accommodations Sector. Tour Operators Initiative: Centre for Environmental Leadership in Business (USA)	http://www.toinitiative.org/supply_chain/HotelGuideEnglish.pdf
Small Business project (SBP) in South Africa – facilitates linkages with SMMEs	http://www.sbp.org.za



## BACKGROUND INFORMATION

The material in the 'How to...?' series draws heavily on the experience of 5 companies that were 'pilot partners' in the Pro Poor Tourism Pilots project (2002-2005). The 5 pilot sites are described below. Further information on the project can be found on [www.pptpilot.org.za](http://www.pptpilot.org.za).

### Wilderness Safaris' Rocktail Bay Lodge

- an upmarket coastal destination within the Coastal Forest Reserve of Maputaland
- accommodation is 5 star and consists of 10 tree lodges and a family unit (but is expanding)
- Wilderness Safaris is a large safari/ lodge operator that currently operates 45 camps/ lodges in 7 countries
- PPT focus was on strengthening the existing partnership with Mqobela community and developing a new partnership with the Mpukane community.

### Spier Leisure

- Spier Village Hotel is outside Stellenbosch in the winelands of the Western Cape
- accommodation consists of 155 rooms, targeted at the four star market
- Spier is owned by Spier Holdings, a large, family owned operation that also includes a winery and other leisure products
- it currently receives approximately 500 000 day visitors per annum
- PPT focus was on assisting Spier with the revision of its procurement policy and practice.

### Sun City

- Sun City is the largest resort in Southern Africa, renowned for its casino and entertainment, but expanding its appeal to families, business and sporting enthusiasts
- the resort has over 1,500 rooms in four 3 to 5 star hotels plus a time-share complex
- approximately 600,000 guests stay annually.
- Sun City is owned by Sun International, a large southern African hospitality company
- PPT focus was in small enterprise development for local suppliers.

### Ker & Downey, Tanzania

- Ker & Downey operates exclusive photographic and trophy hunting safaris in Tanzania's national parks
- it has 14 private concessions with a total area of over 32,000sq kilometres
- the business case to enhance PPT linkages rests on the need to secure the future of the hunting industry
- PPT focus was on how to restructure its range of community donations and interventions for more strategic input.

### Southern Sun

- Southern Sun Sandton Precinct consists of six hotels and the Sandton Convention Centre located in Gauteng province
- PPT partners, the 4 and 5 star InterContinental, Crown Plaza and Holiday Inn hotels have a total room capacity of approximately 1,700
- PPT focus was on strengthening links with its neighbour, Alexandra Township, mainly via township tours

### Fair Trade in Tourism accredited sites

To produce the 'How To...?' Series, interviews were held with operators at many other sites, many of which are accredited by Fair Trade in Tourism South Africa, (Calabash Tours, Jan Harmsgat Country House, Stormsrivier Adventures, Shiluvuri Lakeside Lodge, Lesheba Wilderness, Imvubu Nature Tours). More information on each of these is available at: <http://www.fairtourismsa.org.za>

Business Linkages in Tourism is a new business set up to continue PPT facilitation services on a self-financing basis, beyond the PPT Pilots project. It is initially housed in TBCSA. It provides services in the strategic planning and facilitated delivery of: product development based on local business linkages; procurement of goods and services locally; cultural and heritage product development; sustainable local partnerships for tourism development; development of clusters and networks for tourism-led development.

Contact Adrienne Harris ([bizlink@tbcsa.org.za](mailto:bizlink@tbcsa.org.za)) [www.tbcsa.org.za/blt](http://www.tbcsa.org.za/blt)

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*"The aim now is localisation of outsourcing ... people need a run at it themselves."*

*"Make sure you've chosen the right product and partner ... Make sure it is totally local."*

*"From the beginning, Sun City helped with financial management. If I have a problem I usually go back to them and ask them."*

### **Stimulate local enterprise**

*"Our approach to staff involvements is so liked by our guests that it has given us an identity. It was never planned."*

*"If we had gone for a piecemeal approach, it would have been much more difficult."*

*"Don't assume people know things. Cover everything in the training."*

*"Drive up your occupancy and reduce your seasonality, to create a market which reduces uncertainty for growers of fresh vegetables and fruit."*

### **Opening the supply chain**

*"Make sure it is sustainable, with ongoing support. If you're going to start something, understand that you're going to hand-hold for quite a while. And make sure you can assist with the market for some time to come."*

*"It's not just technical skills to look for, but the approach to work."*

*"You've got to be in it for the long run, not for short term return."*

*"If entrepreneurs wish to succeed they need to know that they must develop a 'UNIQUE SELLING POINT' which sets them aside from everyone else. If they settle on the mundane, the rewards will be mundane."*

*"She could not make the leap to working the hours during the high season and then slow down over the off season. She wanted to take her leave over the busy Christmas season when her peers were enjoying the festive season. She was not the right person, she was not an entrepreneur."*

*"Deliver then promise."*

### **Mentorship and commercial relationship**

*"Just asking questions leads to a process of change. It gets people to think."*

*"Mentorship is critical."*

*"Once you start working with them, you see what they are lacking. Then see if you can provide it and if they want to get over it."*

*"Small business development and affirmative procurement have the potential to account for a large proportion of BEE activity in the tourism sector, and are especially significant for those companies whose current shareholding structure places constraints on their ability to increase black ownership ... 'Affirmative procurement', understood in its broadest sense, entails a commitment to procure goods and services as far as possible from black-owned businesses, especially small businesses."*