



# RED DOOR BUSINESS PLAN



DEPARTMENT OF ECONOMIC DEVELOPMENT &  
TOURISM



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# 1. Executive Summary

The small business sector the world over has been instrumental in absorbing general unemployment and especially among the unskilled jobless. Bearing this in mind, the Western Cape Department of Economic Development and Tourism has identified a very distinctive gap, which exists in offering efficient and quality business support and advice services to SMMEs.

The business support agencies in the province that do exist are sparsely distributed in the rural hinterland or concentrated in the city metro. Additionally, there does not appear to be an adequate range of services in terms of type, levels and language.

To address the problems of SMMEs in the Western Cape, the concept of the Red Door was borne. The Red Door itself is not an entirely new concept. Although indicators and best practices were borrowed from highly successful initiatives such as those in Brazil, Northern Ireland and Israel, the concept is rooted in the culture of the community in which it will operate.

The Red Door is a one-stop-shop where SMMEs are able to access a single point to seek assistance. Expert, friendly and supportive staff at these Red Doors will hand-hold clients through a process of business advice, be their requirements very basic or highly sophisticated. The Red Door will be a familiar brand where entrepreneurs can access reliable business information as well as government and private sector tender opportunities. The entrepreneur will be guided through his/her business journey ensuring that optimum success is achieved. The Red Door will also provide a resource facility, internet access and a training and capacity building curriculum.

Any entrepreneur in the Western Cape will be welcome as a client of a Red Door. Special attention will be given to entrepreneurs and business owners who fall within the youth, women and disabled categories. Service providers to the

Red Door will be secondary clients of the Red Door. The service providers will be used extensively for business referrals and linkages.

Partners in this project will include national and provincial government departments, parastatals, members of the DTI COTTI (e.g. CSIR, Khula, Ntsika-NAMAC, Umsobomvu Youth Fund), local government, labour, civil society, business associations and chambers of commerce, informal business associations (e.g. hawker's associations), big business and local SMME-support organisations (both private and NGO sectors).

A specific process will be undertaken to use as selection criteria for the locations of the Red Door. This will be done in collaboration with most importantly the local authorities and other stakeholders. It is aimed that over the next 3 years, 35 Red Doors will be spread throughout the province.

No fixed method of ownership of a Red Door is prescribed however; corporate governance principle will be put in place to ensure transparency and efficient management and operations of each Red Door.

Finally, the services of the Red Door will not be confined to the walls of the office in which it will operate. Extensive outreach and capacity building programmes will be rolled out to surrounding communities, schools, farms, demobilised soldiers, etc. Much of this will be done in co-operation with service providers.

## **2. Introduction to the RED Door**

### **2.1 The need**

A quick survey of the number of general DTI-accredited support centres (e.g. Local Business Service Centres) for SMMEs across the province will reveal the existence (and in many cases the merely surviving) of about 7 such centres. In geographic terms only 2 (West Coast Business Centre and South Cape Business Centre) serve the entire rural region of the province and the rest are concentrated in the Cape metro. A myriad of problems continue to plague these centres, including flawed funding models, poor capacity among staff, etc. The result is low impact on entrepreneurship and establishment and growth of small businesses.

SMMEs through entrepreneurs should be the sponge that soaks up the unemployed and contributes to a vibrant economy. Yet, annual reviews show that efforts to encourage the growth of SMMEs are not getting the job done. Arguments for this failure range from a poorly conceived national SMME strategy to ineffectiveness of government support agencies. However, our SMME sector is still characterised by the following:

- Prevalence of micro and very small enterprises;
- Large segments still not being competitive;
- Lack of entrepreneurial and business skills;
- Limited innovativeness and lack of technical skills;
- Limited use of modern technology;
- Limited graduation of businesses, e.g. from micro to small.

If our efforts to maximise small business contribution to employment and economic growth, the need for the Red Door is apparent and it will assist in:

- Raising the rate of new small businesses formation with growth potential;
- Increasing the rate of graduation of the micro into small or medium-sized categories;
- Decreasing the undesirable mortality rate of small businesses that are or could soon be viable undertakings and;

- Raising productivity of existing small businesses.

The attached **Annexure 'A'** gives a clear indication of the Departmental Real Enterprise Development Plan which ultimately is the guiding strategy for the Red Door.

## **2.2 Evolution of Red Door**

The concept of the Red Door is not new. The more successful examples of this concept can be found in Brazil (through the SEBRAE – a governments-supported non-profit, private institution, which is a result of a union between private and public sectors), Northern Ireland, Israel (the Small Business Development Centres part-funded and supported by the Israel SMEs Authority) and Hertfordshire (UK). Even our existing Local Business Service Centres can be considered somewhat of a one-stop-shop for entrepreneurs.

The Red Door borrows extensively from the aforementioned, but takes on a distinctive Western Cape flavour. Each Red Door will harness and reflect the culture, drive and enthusiasm of the local inhabitants.

## **3. The Concept**

The RED Door is a one-stop-shop, user-friendly, walk-in centre that helps with the ‘how to’s’ and “next steps” for anyone who wants to start, improve or expand a business. The Red Door is staffed by personnel who are trained to introduce entrepreneurship to people, get them excited about entrepreneurship and help navigate them towards reaching business goals.

It aims to:

- Nurture people along the entrepreneurial path and provide an option for determining the economic component of their lives;
- Provide an environment which lead to values, attitudes, personal qualities and skills needed to be successful in today’s economy;

- Equip the community and potential and existing entrepreneurs with the tools, attitudes and opportunities to make positive contributions and effective constructive change;
- Support people in their desire to create their own work within their own communities;
- Lessen unemployment by turning job-seekers into job-creators.

The Red Door approach recognises that different people need different types of support and information at different times, and that people have different learning styles. To accommodate this individuality, the Red Door offers one-on-one personalised support services to clients to assist them in choosing the right public and private sector resources to access and in an appropriate sequence. In effect, the Red Door staff members are *peer navigators* – they assist clients to discover what they should do next, and where they can look for assistance. The Red Door not only demystifies the process of starting a business, but also breaks down the barriers that hinder entrepreneurs to establish and run a business.

Generally, clients will not need to make appointments. They are accommodated as and when it suits them during weekly office hours as well as on a Saturday between 10h00 and 14h00. The centre will provide relevant business information and resources, and access to networking and other business opportunities. Use of the internet is provided for business research and idea generation. Referral to government resources and quality business development service providers assists clients with technical and management requirements for such things such as:

- Business plans;
- Access to finance;
- Accounting and legal services;
- Computer and other skills training;
- Tender information and advice;
- Access to government information and incentives;
- Import and export advice;
- Manufacturing advice;



- Assistance with client relations, marketing and research

Complementary to this, meeting rooms and training facilities will be available for business use, as well as opportunities to showcase products and services. Workshops and seminars on a range of business related topics and skills development will be scheduled regularly as part of the curriculum at the Red Door.

The Red Door environment will need to be conducive to networking amongst entrepreneurs. A library of relevant information to assist individuals with business ideas, starting a business, support services, legal entity information, tax guides, directories and business journals is an important aspect of the centre.

Once a client has started a business, the RED Door's job is far from over. Ongoing access to peers, mentors, planning support and information will then be provided by the centre.

The Red Door will also maintain an active presence in schools, places of worship, community organisations or wherever entrepreneurship needs to be promoted and fostered – the community outreach programme. Staff of the Red Door will go regularly into schools to facilitate customised workshops for educators and learners in all grades from primary to high schools. Red Door outreach will extend throughout the community, working closely with education, social services, the business community and other entrepreneurship-related stakeholders to heighten awareness of all available support services, nurture an entrepreneurial culture and create options for people in their home communities. Collectively, we will achieve the extraordinary.

#### **4. Target Market**

4.1 The Red Door's broad target market is *any* entrepreneur who wants to start, expand or fine-tune a small business or micro enterprise. Youth from the previously disadvantaged backgrounds are a focus, as are women entrepreneurs, although not exclusively. It will also assist disabled individuals and provide access to relevant opportunities and support groups. Furthermore,

the facility will serve as an important source of tender information and support – for both public and private organisations.

4.2 SMME service providers constitute a secondary target market and are clients of the Red Door by way of business referral and linkages. The Red Door outreach will extend throughout the community by forming partnerships and working closely with educational institutions, youth organisations, the business community and other entrepreneurship related stakeholders. These networks heighten the awareness of all available support services, nurture an entrepreneurial culture and create options for people in the rural communities.

## **5. Key Challenges**

Certain factors are critical to the success of the RED Door and its ability to deliver relevant services. From the perspective of the external environment, national SMME strategy and policy formation needs to address the issues faced by the sector, specifically looking at access to markets and the micro finance environment.

From a Red Door perspective, in order to refer clients to quality and reasonably priced service providers, an accreditation (soft or hard) needs to be developed and a network of relevant service providers established.

Due to the nature of the business, hiring staff with suitable qualities, skills and experience will ensure that clients are satisfied with the advice and leave them with a positive feeling from the experience.

An extensive initial marketing plan will be required to ensure that SMMEs, entrepreneurs, SMME-support service providers and communities are aware of the service. The key would obviously be in promoting the Red Door as place where advice and support can be received in a friendly, caring, non-discriminatory and empathetic manner.

The efficient tracking of client progress by way of effective database management provides the crucial measures of success, namely growth in small businesses, and job creation.

Sufficient human capacity, infrastructure, and funding are essential to deliver quality services, resources, programmes and access to business opportunities. Here the ongoing stakeholder contributions are critical as well as the formation of revenue generating projects and funding partnerships in order to ensure long-term sustainability.

## **6. Strategic Objectives and log frame**

The following broad objectives of the Red Door will be adopted:

- The increased formation of small and micro enterprises from predominantly previously disadvantaged communities;
- Increased entrepreneurial talent, whereby job seekers become job creators, especially among the youth;
- Increased rate of micro-enterprises into small and medium sized enterprises;
- Increased viability (survival rate) of small and micro-enterprises;
- The Red Door is branded as a one-stop hub for the provision of quality SMME-support services;

In measuring the success of a Red Door the following will be included as success indicators:

- Number clients who start businesses;
- The number of jobs created through those businesses;
- Level of usage and repeat visitation;
- Sustainability of the business;
- Expressed interest in further training and education;
- Number of clients who become employed;
- Perceived value by youth, women, partners and community;
- Established community partnerships



## Specific Objectives

### 6.1 Objective 1: Client perspective

*To provide relevant services to the needs of the target market*

#### Output 1

**Ensure Red Door is adapted to the needs of the entrepreneurs in different areas, specifically youth and women**

Activities	Means of verification	Targets		
		Year 1	Year 2	Year 3
<b>1. Research and Development</b>				
Draw up a marketing plan	Plan ready for implementation	Draw up plan	Update plan	Update plan
Commission sector-based research into upstream and downstream opportunities for small and micro-enterprises in the region	Number of sectors analysed	Commission research	Update research	Update research
<b>2. Establish appropriate referral base</b>				
Establish a referral network of service providers focused on small and micro-enterprise capacity building, development and funding in the area	Number of service providers on database & Spectrum of service providers covered	Establish database	100% increase	100% increase
Assess the quality of these service providers	Clients referred show progress	Review service providers on database	Annual review	Annual review
Establish and implement a business skills development program	Level of completion of programme design Number of outreach programmes piloted	Establish links with accredited courses		
Enhance small and micro-enterprise utilisation of	Increase number of referrals to	10%	10%	10% increase

government resources, in particular DTI programmes Develop key relationships with government departments involved involved in SMME locally and nationally	government resources	increase	increase	
<b>3. Recruit clients</b>				
Develop and implement a focused outreach programmes as per the needs of the area. Special attention being given to youth and the unemployed: <ul style="list-style-type: none"> <li>• Approach youth/women leaders in area</li> <li>• Train Red Door staff to run entrepreneurship programmes in schools (utilise Umsobomvu Youth Fund voucher system)</li> <li>•</li> </ul>	Level of completion of programme design Number of outreach programmes piloted	Complete 4	Update 8	Update 8
Develop and implement an focused women's outreach Programme	Level of completion of programme design Number of outreach programmes piloted	Complete 4	Update 8	Update 8
Develop and implement an entrepreneurial capacity building Programme focused on youth and women	Level of completion of programme design	Complete	Update	Update
Develop and implement focused and customised marketing Campaigns	Level of completion of marketing campaigns around key events. Increase awareness of Red Door			
<b>4. Service Clients</b>				
Consult with new clients	Utilisation of Red Door (as per DOPMS) No. of youth No. of women	1000 30% 40%	1500 30% 40%	2000 40% 50%
Assist clients using the internet for business research	Total (as per DOPMS) Youth Women	1000 30% 40%	1500 30% 40%	2000 40% 50%

Organise workshops on business related issues for clients	Number of workshops held	6	12 (1/month)	12 (1/month)
	Number of participants at workshops	120	240	240
Refer clients to appropriate service providers	Number of clients referred	600	1200	1200

**Output 2**  
**Ensure that the Red Door can assist with business linkages**

Establish business linkages to enhance small and micro-enterprise access to public and private sector procurement in these sectors. <ul style="list-style-type: none"> <li>• Provide a PC portal for business registration and accreditation, as well as the chance to view procurement and tender opportunities</li> <li>• Training in tender process and assistance in documentation process</li> </ul>	Level of increase in small and micro enterprise referrals		Set up system and arrange training	
Develop product or service specific networking opportunities. Host 1 sector specific networking function per month	Number of networks established Number of networking activities held		5% increase 12	5% increase 12

**6.2 Objective 2: Financial Perspective**  
**To ensure that the Red Door is viable in the long term**

<b>Output 1</b> Explore new revenue generating projects towards long term sustainability	Rand value of additional revenue			
<b>Output 2</b> To implement effective financial management systems	Level of completion and compliance with zero qualifications audit report	100%	100%	100%

**6.3 Objective 3: Internal Business Process Perspective**  
**To ensure that the organisational structures, processes and operational activities meet client, partner and stakeholder expectations**

To develop effective and efficient business process systems to ensure service delivery	Level of completion of key systems: 1. Database 2. Filing system	Set up within 6 months		
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Build a database of micro and small enterprises in the area Use Red Door database to capture relevant information on existing business, and business created through the Red Door in order to track and create opportunities	Level of completion Accuracy of database		Complete database Follow up on clients	Complete database Follow up on clients
Establish effective tracking mechanisms to measure the progression along the entrepreneurial continuum	Level of completion	Ongoing	Ongoing	Ongoing
To implement performance agreements with staff	Level of performance agreements			
To acquire appropriate skills and capacity	Critical vacancies filled with suitable staff Staff structure approved			





## **7. Benefits of the Red Door**

### *Benefits for the Community*

A Red Door site can only be successful if it is owned and operated at the community level. Community stakeholders will set the targets and direction of programme delivery. Utilising the Red Door system, the following can be anticipated:

- The Red Door will act as a marketing agent to heighten the community's awareness about available programmes, support services and initiatives and celebrate local entrepreneurship related successes;
- Job creation and opportunities for local youth to work at the Red Door sites;
- Celebration and drawing awareness of the successes of entrepreneurs from the community.

### *Benefits for local youth*

The Red Door will:

- Introduce entrepreneurship to youth and get them excited about exploring entrepreneurship;
- Act as a stepping-stone to jumpstart ideas and build on local youths' potential;
- Act as a catalyst in nurturing partnerships focused on initiating meaningful interventions and initiatives and accessing/drawing needed resources to the community;

All of the above will serve to expand local youth's vision of what they are capable of achieving empowering them to take control of their own futures. More specifically, the Red Door will provide an opportunity for youth to access personalised support and assistance with the "how to's" and "next steps" of starting, operating or expanding a business.

### *Benefits for Funders and Delivery Partners*

Building partnerships and working in a complementary manner with all community stakeholders is key to sustainable success. Funding and delivery partners will enjoy the following benefits:

- Red Door staff will maintain high activity levels in the community, heightening awareness and interest in available community programmes, services and initiatives;
- The Red Door will act as a bridge to available community resources and support services;
- The informed and calculated referral services will better prepare clients to take their next steps and result in an increased number of better informed clients for other community support services;
- Provincial government will endeavour to work co-operatively and collaboratively with community agencies, support organisations, schools, the business community and other stakeholders to achieve a more integrated and client centred approach to service delivery; pool resources in promoting common mandates; promote discussions to increase the efficiency and reduce the cost of entrepreneurship-related service delivery in the community; propose joint client supports/interventions/initiatives in the furtherance of common objectives; and initiate joint mapping of the gaps in service delivery/support and promote partnering to address such areas

## **8. Partners and stakeholders**

The successful establishment and running of the Red Door will be impossible without buy-in and support of local and national stakeholders. Partners in this project will include national and provincial government departments, parastatals, members of the DTI COTTI (e.g. CSIR, Khula, Ntsika, Umsobomvu Youth Fund and NPI), local government, Library Business Corners, labour, civil society, business associations and chambers of commerce, informal business associations (e.g. hawker's associations), big business and local SMME-support organisations (both private and NGO sectors).

Of special significance here is the support of the local authority. The local authority will need to view the facility as a means giving impetus to SMME development in the area, especially where this has been identified in its Integrated Development Plans. Very few rural area municipal areas have any type of facility for the support of small business. The Red Door will play an important role in the local authority's implementation of its preferential procurement policy. The link between the recently established Economic Development Units (in the district municipalities) is obvious – local information gathered by these units need to feed into the activities of the Red Door.

The Red Door will serve as an access point for the products of provincial and national governments, DTI and its associates (e.g. CSIR, Khula), providing easier access to rural inhabitants. The facility will also serve as a point of delivery for the programmes and projects run by, e.g. provincial Public Works' emerging contractor programme, Economic Development & Tourism's SMME-support programmes.

## **9. Site Selection Criteria**

### *Factors Supporting Community Selection*

Community suitability is demonstrated when:

- Community representatives demonstrate that there is interest and support from key stakeholders who are interested in established a Red Door in their community;
- Involved stakeholders express a belief that the Red Door will compliment existing business support, youth and educational services in the proposed community;
- The youth unemployment rate exceeds 10%;
- The proposed area to be served has a population exceeding 10 000.

### *Factors supporting Site Selection*

Proposed sites shall be:

- Highly visible and easily accessible to walk-in traffic;
- In close proximity to regular traffic routes and public transportation;

- Located near youth populations;
- A store/shop front;
- In close proximity to other community amenities.

### *Facility Specifications and Layout*

The typical Red Door shall ideally have the following:

- The facilities shall feature a training/workshop area suitable for a minimum of 12 people in a group learning sector;
- A staff workstation shall be located near the entrance to allow for prompt greeting of visitors and clients;
- Hours of operation shall be clearly posted on the entrance of the site;
- Facilities must feature an area for business card display, wall of fame, product display;
- A minimum of 180 square metres of area;
- An internet area serving at least 3 clients;
- All locations shall be wheelchair accessible

## **10. Gaining Initial Community Support**

The following should be approached for support:

- Local business support agencies;
- Community groups and organisations;
- Government representatives at all spheres;
- Potential funding agencies;
- Individuals who may provide expertise and leadership in support of the application, start-up and operation phases;
- Community economic development agencies;
- Other stakeholders that have a vested interest in entrepreneurship, community economic development, business development, youth, education or job creation.

## **11. Red Door Look-&-Feel**

### **Furniture, Fittings & Equipment**

Each Red Door will have uniform décor and although the layout of each site will differ, the following furniture, fittings and equipment should be a standard at each site:

#### *Communications*

- Outdoor signage
- Indoor signage (logos, decals, etc.)

#### *Computers & audio visual*

- Computers and peripherals
- Internet connections
- Printers
- TV/VCR
- OHP
- Flipchart and paper

#### *Office equipment*

- Client telephones
- Fax machine

#### *Furniture*

- Sofa(s)
- Furniture for 5 staff members
- Workshop/boardroom furniture
- Counters for computers
- White board and bulletin board
- Kitchen equipment

### *Secure storage space*

- Filing cabinets
- Storage cabinet area for PR material;, inventory, office supplies

### *Display units*

- Shelving/ book case for resource material
- Pamphlet racks
- Display case for client's business cards and promotional material
- Suggestion box

### *Supplies*

- Appropriate magazines and books, stationery, folders/files
- Cash float for small purchases

## **12. Models of ownership and governance**

There is no fixed model of ownership that is prescribed. In adopting a specific ownership model, the following will serve as guidelines:

- Good corporate governance;
- Community and stakeholder inclusivity;
- Appropriateness for local conditions

The following types of ownership or membership combinations can be selected:

- 100% managed and funded by the PGWC (with non-financial support being received from any other private or public sector bodies);
- 100% managed and funded by a local authority (with non-financial support being received from any other private or public sector bodies);
- Funded and managed by a partnership between local and provincial government;
- Funded and managed by both private and public sector organisations.

Where the RED door is funded and managed by a combination of partners, the constitution of the selected form of ownership must:

- State the organisation's name;

- State the organisation's main and ancillary objectives;
- State that the organisation's income and property are distributable to its members or office-bearers, except as reasonable compensation for services rendered;
- Make provision for the organisation to be a body corporate and have an identity and existence distinct from its members or office-bearers;
- Make provision for the organisation's continued existence notwithstanding changes in the composition of its members or office-bearers;
- Ensure that the members or office-bearers have no rights in the property or other assets of the organisation solely by the virtue of their being members or office-bearers;
- Specify the powers of the organisation;
- Specify the organisational structures and mechanisms for its governance;
- Set out the rules for convening and conducting meetings, including quorums required for and the minutes to be kept of these meetings;
- Determine the manner in which decisions are made;
- Provide that the organisation's financial transactions must be conducted by means of a banking account;
- Determine a date for the end of the organisation's financial year;
- Set out the procedure for changing the constitution;
- Set out a procedure by which the organisation may be wound up or dissolved;
- Provide that, when the organisation is being wound up or dissolved, any asset remaining after all its liabilities have been met, must be transferred to another non-profit organisation having similar objectives.
- Also refer to attached '**Annexure B**' for job description of the resident business advisor.

### **13. Budget**

The budget for a typical Red Door (first year of operation) is forecasted as follows:

**DRAFT BUDGET: RED DOOR**



<b>Expenditure</b>	
<b>Start-up costs</b>	
Furniture and fittings	75,000
Office equipment	70,000
Computers	70,000
<b>Operating costs</b>	
Capital expenditure	20,000
Servicing equipment	5,000
Internet: leased lines	54,000
IT Support	50,000
Software licences	4,000
Telephone and fax	54,000
Stationery	25,000
Postage	2,000
Consumables	12,000
Photocopier	18,000
Rent	144,000
Bank Charges	5,000
Legal Costs	4,000
Insurance	6,000
Travel	40,000
Staffing:	
* Business Manager	150,000
* Entrepreneurship apprentice	50,000
* Entrepreneurship apprentice	50,000
* Entrepreneurship apprentice	50,000
* Entrepreneurship apprentice	50,000
* Assistant Manager	
UIF Contribution	5,000
RSC levies	1,600
Skills Development levy	5,000
Staff Development	30,000
Technical assistance	10,000
<b>RED Door Activities</b>	
Workshops	30,000
Information/resources	6,000
Outreach activities	40,000
Subscriptions	4,000
Staff training	60,000
BDS Networking Activities	15,000
Marketing	30,000
<b>Company accounts</b>	
Bookkeeper	15,000
Auditors fee	6,000
Secretarial services	8,000

<b>Sundry Expenses</b>	
Ad hoc budgeted	15,000
<b>TOTAL EXPENDITURE</b>	1,288,600

## 14. Outreach Programmes

The Red Door needs to be more than a facility where advice is sought – it needs to engage with community members on an outreach basis where and when required.

The outreach programme can include courses and projects run off-site engaging with the following:

- Schools and other educational institutions – youth entrepreneurial development;
- Farms – small scale emerging farmers;
- Community centres and multi-purpose centres – areas on the periphery of the Red Door.

All programmes and projects need to be properly structured addressing the needs of the targeted audience. Again, the appropriate level (pitch) and language of the programme is of paramount importance. Where training programmes are run, these must be accredited by the South African Qualifications Authority.

## 15. Training and capacity building

The importance of this aspect, especially in the rural areas, cannot be over-emphasised. If our model of business support considers the capacity and competence of a person to start and manage a business instead of the traditional collateral-based criterion for obtaining loan funding, then the issue of training becomes abundantly clear.

Training and capacity building will be performed by:

- The Red Door – non-specialised, basic business skills and entrepreneurship, tendering, etc.
- Service providers comprising the Red Door network – specialised, intermediate and advanced training in marketing, production, etc.

The three important aspects underlying all training undertaken by both the Red Door and the services providers are:

- Appropriate education levels;
- Appropriate language (for the area);
- SAQA accredited.

# **16. ANNEXURES**

## ANNEXURE A

### **16.1 THE REAL ENTERPRISE DEVELOPMENT PLAN**

#### **A. Introduction**

Entrepreneurship has been acknowledged worldwide as the engine of economic growth. Without small business development, the economy stagnates, employment declines and ultimately the general standard of living deteriorates.

A recent exercise undertaken by the Department of Economic Development & Tourism suggests that, with the right kind of support from Government, the SMME sector could generate between 50,000 and 60,000 jobs a year in the Western Cape.

However, the historical legacy is daunting. A vast proportion of the population was either excluded from participating effectively in the economy or was actively discouraged from establishing its own businesses. Poverty also acts as an enormous barrier to establishing businesses. The resource poor seldom are able to offer financial institutions any meaningful collateral to obtain loans. The result is that the greater majority of our citizens face insurmountable obstacles when attempting to enter the formal economy. This is not only a tragedy for the poor and marginalized but it is a barrier to the optimal functioning of the economy as a whole.

While Government initiatives to promote SMMEs in the past have been well-intended, the Department has concluded that two things need to happen: that we need to make a quantum leap in the level of support we are giving to promoting SMMEs and that we need to address the problems in a holistic and integrated manner.

Inextricably linked to these broader intentions are the issues surrounding rural SMMEs. The constraints and support needs of rural SMMEs in the province will require coordinated interventions that will combine demand-side and supply-side interventions. On the one hand, rural SMMEs require programmes that will expand the demand for goods

and services. On the other hand, they require interventions to enhance their capacity to exploit emerging opportunities.

To tackle these challenges, the Department has identified six core elements that contribute to the success of entrepreneurs and, therefore, need to form the key thrusts in its major drive to assist SMMEs.

In essence, entrepreneurs need:

- To be able to access sound business information, advice and support services close to where they are situated and at low costs;
- To have an effective and reliable network of business support service providers who can assist them;
- To be able to access business opportunities;
- To be able to access finance easily;
- To be able to develop appropriate skills and competencies.
- To have access to appropriate manufacturing accommodation and key trading sites.

In the light of the above, the department has proposed a package of solutions to tackle these problems head on under the banner of Real Enterprise Development or RED for short.

## **B The RED Initiative**

There are main thrusts to the Real Enterprise Development (RED) Initiative.

- The RED Door
- The RED Support Network
- Access to RED Finance
- Access to Opportunities
- Skills Development
- Access to good spaces and sites to do business
- Access to appropriate technology

## **C The RED Door**

In rural areas, there are few places for SMMEs and potential entrepreneurs to seek information, advice and services. In the City, there are many but often one does not know where to start.

Over the next three years, the department plans to establish a network of 35 welcoming, supportive and easy-to-access one-stop-shop information, advice and service hubs for enterprises and potential enterprises spread across the municipalities in the Province, with several in the City of Cape Town.

The roll out will commence with seven this fiscal year, one in each district and two in the Unicity. The balance will be established over a three-year period.

The offices will have a uniform look and feel and will be branded similarly as The RED Door. The RED Door will be advertised extensively so that all an enterprise or potential enterprise needs to do in order to find help is remember one fact: that the RED Door is the place to go for help.

Service will be provided in three languages and at two levels of education.

The standard RED Door office will consist of the following key components:

- advisers and mentors who will service the needs of the enterprise on a long-term basis,
- a data base which will provide customized printed information to the enterprise based on language, economic sector, size, geographic location and educational level of the particular enquirer and
- an Internet Café to allow enterprises to plug into global business opportunities made available to them in real time by a specialized Provincial business intelligence unit.

The RED Door will be the dispenser of basic advice and advisers will refer clients to a wide range of specialist service providers (public sector, private sector and NGOs) for specialized advice, information and services.

The hallmark of a RED Door office will be that an adviser will act as an anchor for the client through his/her search for information or the quest to obtain a solution to a business problem, irrespective of how long it takes.

Each RED Door will offer a full curriculum of relevant courses in three languages over a period of a year.

#### **D The RED Support Network**

At present there is a wide variety of advisers and service providers which offer free, subsidized and fully billed information, advice and services to those who wish to establish enterprises or to make their enterprises more competitive. However, the services are not even in quality, coordinated, representative of all the categories of assistance that are needed or easily accessible to all citizens across the Province in a language of their choice.

The department will work with service providers to build a strong, varied and easily accessible network (called The RED Support Network) representing all the common categories of information, advice and services which are needed by both potential and established entrepreneurs to create, develop and enhance their enterprises.

This will not be a formal organization but will be an initiative:

- to identify, document and seek the co-operation of available players;
- to act to fill the gaps in service provision if and where these exist;
- to help to develop capacity to ensure high quality services and advice is provided consistently and
- to ensure availability of all of these services to citizens and enterprises evenly across the Province, in three languages and at a variety of educational levels.



Information, advice and services will be provided in at least the following areas:

- business idea development,
- business plan development,
- financing [loans, incentives, grants and investment recruitment],
- technology,
- sourcing and procuring inputs,
- operating skills,
- management skills and HRD,
- quality management,
- packaging,
- logistics,
- export and import processes,
- tender application skills,
- legal advice,
- IT advice,
- financial management advice,
- marketing (domestic and global)
- client care.

Where necessary, the department will help finance those service providers who offer good quality rare services. Existing service providers will not be replaced but will be strengthened. The department will help fill the gaps in service provision by outsourcing the provision of certain needs.

Where necessary, the department will subsidise the provision of specialist services to selected enterprises where need exists and where the service could result in significant increases in employment.

## **E Access to RED Finance**

The single most difficult-to-overcome problem experienced by small businesses is gaining access to finance. SMMEs often complain about the stringent and rigorous requirements of banks and other financial institutions. Entrepreneurs and potential entrepreneurs often have few resources and nothing to offer as collateral for a loan. These circumstances are a source of enormous frustration to entrepreneurs and a huge blockage to the development of effective SMMEs in the economy.

In the short term we need to find finance for SMMEs, which fall outside of the net cast by the banks and traditional financial institutions. In the longer term we need to change the minds of the mainstream financial institutions.

In this light, the department has set itself a target of raising at least R50-million a year over the next three years to capitalize a loans fund (termed RED Finance) which will provide finance to SMMEs who do not meet the standard criteria for loans from mainstream banks and financial institutions.

A prerequisite for a loan from RED Finance will be that the beneficiaries participate in a comprehensive mentoring and skills development programme tailored for the needs of the enterprise and the entrepreneur. In this way we will ensure the sustainability of the enterprises and guarantee that the loans will be repaid for other enterprises to use.

The department will also engage in a vigorous campaign to encourage financial institutions to change their standards to allow more SMMEs access to their conventional loans. To achieve this we will set up a special unit to explore every possible source of funding which can be made available to SMMEs and to ensure that there is also funding for survivalist enterprises.

## **F More RED Solutions**

Information, advice, support, mentoring and access to finance will go a long way towards increasing the number and success rate of SMMEs. However, as stand-alone port measures, these elements will not necessarily result in a flood of new SMMEs unless new business opportunities are opened up for emerging entrepreneurs, entrepreneurship is encouraged and developed and SMMEs are given access to good sites from which to operate.

To ensure success, a fully integrated approach is needed which also addresses the following needs:

- *Skills development:* The acquisition of relevant vocational, technical and business skills is generally regarded as one of the critical pre-conditions for success in small enterprise. Every RED Door office will run a full curriculum of beginners' and advanced courses in a variety of areas critical to success in business. Courses will be offered in the main languages of the region and at two levels of education. At a later stage, on-the-job training will be included.

The department sees entrepreneurial training in schools as the basis for cultivating entrepreneurship. Equally important, is facing the challenge of skilling the currently unemployed and the so-called "unemployable". The vision is to dramatically reduce the flow of poorly skilled youth entering the economy while simultaneously reducing the pool of unemployed adults. In both cases human resource development is the key.

- *Access to opportunities:* The department will engage the key players in 11 targeted sectors to help create opportunities for SMMEs in their industries. There will also be an intensive campaign to encourage big business to procure from SMMEs. We will intensify the use of procurement by the public sector to create opportunity for SMMEs. We will facilitate access to

affordable franchise opportunities. We will help shape and pioneer successful business ideas that can be easily replicated.

- *Space to manufacture and places to trade:* We will mobilize public infrastructure budgets to create spaces for manufacturers and traders to locate themselves optimally.
- *Access to appropriate technology.* Just like training, finance and business premises, technology is often seen as an important factor influencing the success of small enterprises, but not always accessible to them. This applies to both ends of the technology spectrum, viz. sophisticated technology needed for the competitiveness of small enterprises in the modern manufacturing sector, and “appropriate” technology for small enterprises operating in the labour intensive, low skill spheres. Both of these areas deserve more attention and may justify direct government assistance.

## **ANNEXURE B**

### **16.2      JOB DESCRIPTION**

#### ***JOB TITLE: BUSINESS MANAGER***

##### **A.      JOB PURPOSE**

The realisation of the Red Door concept and the successful management of this initiative.

##### **B.      KEY RESPONSIBILITIES**

To ensure the physical establishment of the Red Door and the strategic and operational management of the office once established.

##### **Implementation phase:**

##### **1. Project management of startup activities of the RED Door in terms of:**

- Managing all logistics and décor pertaining to setting up of office namely: furniture, fittings, equipment, supplies etc
- Sourcing suppliers
- Co-ordinating aspects relating to the implementation of systems and operations
- Develop and implement a business plan and budget.
- Administering and managing finance with regard to the implementation requirements.
- Developing and manage an asset register
- Administering and manage the procurement of stock
- Placing of advertisements for posts
- Oversee the recruitment and selection of office staff

- Co-ordinating the logistics and administration pertaining to the launch of the RED Door

Operational phase:

2. Management of the RED Door in terms of:

- Research and development of a marketing plan, (sector based research).
- Establish an appropriate referral base, (a network of quality service providers) focused on small and micro enterprise capacity building, development and funding in the area.
- Recruitment and servicing of clients by developing programmes and a strategy for community outreach initiatives. These programmes would need to be structured accordingly to address the needs of the target market, (youth, disabled, women, schools, farm workers, farmers, community centre development initiatives).
- Promote, monitor and administer all programmes and services offered through the RED Door.
- Maintain community awareness, including presentations, workshops, field trips, site visits and training sessions
- Monitor the performance of the RED door and initiate changes where necessary
- Preparation of activity and statistical reports
- Ensure the creation and atmosphere of an enabling environment for entrepreneurship development for start up small businesses and those businesses already in operation.
- Develop processes to ensure service delivery
- Draft funding proposals
- Develop and maintain a database to ensure the capturing of accurate and up to date information on existing business created through the RED door to keep track and to create additional growth opportunities.

- Maintain open and active lines of communication with stakeholders and network members
- Training and building capacity of entrepreneurs
- Ensure that the RED Door can assist with business linkages to enhance small and micro enterprises access to public and private sector procurement in the various sectors.
- Develop product and service specific networking opportunities.
- Ensuring that the RED Door is financially viable in the long term by exploring sustainable new revenue generating projects.
- Develop and nurture local community partnerships and liaise with small business development counterparts nationally and internationally by applying international best practice. Facilitate platforms for interacting with key stakeholders in the industry. Liaison with all private and public stakeholders, CBO's, NGO's, district municipalities, FBO's, business development counterparts, local, provincial.
- Co-ordinate the development of community outreach training manuals which are in line with the South African Qualifications Act
- Training and scheduling - delegation of duties to staff.
- Support staff in accurate and consistent use of internal communication, database and computer systems.
- Implementation of performance agreements with staff and
- Ensure staff acquires the necessary skill and capacity to deliver efficiently and effectively.

## **C. SKILLS PROFILE**

### **1. Educational requirements**

- Minimum of a commercial degree or diploma;
- A valid code 08 Drivers' license

### **2. Experience and competence**

- A minimum of 5 years experience in providing support services to SMMEs;

- Experience and competence in business plan writing, business mentorship and the provision of business advice;
- Extensive links and knowledge of private and public sector SMME-support organisations and programmes;
- Project management.

### **3. Personal characteristics**

- Performance driven
- Well organized
- Self starter
- Self motivated
- Self disciplined
- Confident
- Ability to communicate at all levels
- Creative and innovative thinker
- Ability to initiate, drive and maintain processes