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EMPOWWERMENT OPPORTUITIES FOR SMMEs

Presentation at the 2012 SABOA Conference



Agenda

- Define SMME empowerment
- Policy perspective
- Empowerment methods
- SABOA progress with SMME empowerment
- Discuss empowerment opportunities
 - Public transport contracting
 - Unsubsidised services
 - Freight
 - Tourism
 - Other new ventures
- Examples of training interventions
- OBE
- The road ahead



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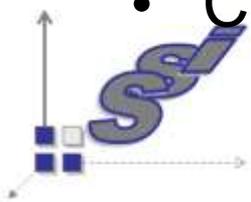


What is empowerment and what can be included?

Empowerment is the key focus of this presentation
Empowerment of SMMEs

An empowered SMME operator in the context of this conference:

- Has a viable transport related business
- Has access to all resources required
- Has the knowledge and know how to manage and operate the business
- Optimises his/her abilities
- Can exploit opportunities to grow



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Policy perspective

All government policy supports empowerment and SMME empowerment

Rural development can be enhanced by SMME empowerment

The New Growth Path released by the Economic Development Minister Ebrahim Patel in December 2010, has set job creation as a country priority, aimed at reducing unemployment by 10 percentage points by 2020, down from the current rate of 25 per cent.

According to independent economist, Mike Schüssler, the government's growth path, aimed at creating 5 million jobs by 2020, was not enough to make the country the average emerging market it wanted to be.



Policy perspective

Finance Minister Pravin Gordhan has announced the details of several initiatives and proposals to boost job creation in South Africa, including a jobs fund, increasing funding for small businesses, and spending on skills, rural development and industrial support.

Government policies should be exploited to accelerate SMME empowerment

Conclusion: SMME empowerment is high on the government's agenda. This is an opportunity



How to empower SMMEs through training

- Skills programmes
- Learnerships
- If successful, learner get credits
- Skills programmes up to 80 credits
- Learnerships range between 120 and 138 credits
- What do both have in common from a SMME point of view?
 - Basic knowledge to start and manage a small business
 - Financial management
 - Costing and budgeting
 - Business plans
 - HRM
 - Operations
 - Maintenance



The “how to” concept

- At the 1998 SABOA Strategic Planning Conference it was decided to develop a manual for SMMEs
- The name later changed to Handbook for SMMEs
- Agreed to empower SMMEs how to do the duties required in the bus industry
- Operates like an instruction manual
- Stepwise procedure
- Provide all the knowledge required
- Provide all the templates requires, e.g. budget, business plan, maintenance templates
- Method to gain knowledge as well as to use while doing the job.



SMME Handbook

GENERAL INTRODUCTION

- 1 PUBLIC PASSENGER TRANSPORT IN SOUTH AFRICA: AN ECONOMIC, SOCIAL AND INSTITUTIONAL PERSPECTIVE
- 2 HOW TO START A PUBLIC TRANSPORT BUSINESS
- 3 STRATEGIC AND BUSINESS PLANS FOR A SMALL BUS OPERATION
- 4 FINANCE, FINANCIAL MANAGEMENT AND MANAGEMENT INFORMATION
- 5 OPERATIONS ROUTING AND SCHEDULING
- 6 MAINTENANCE
- 7 OPERATIONAL INSPECTIONS
- 8 THE ROLE OF THE DRIVER IN VEHICLE OPERATIONS
- 9 HUMAN RESOURCE MANAGEMENT
- 10 COSTING AND BUGETING
- 11 COSTING AND BUGETING
- 12 CONTRACT MANAGEMENT

THESE ITEMS HAVE BEEN REWRITTEN IN OUTCOMES BASED TRAINING COURSES, BUT VARIOUS PROBLEM AREAS STILL EXIST

ENTIRE HANDBOOK INCLUDED IN OBE TRAINING COURSES



SMME knowledge and competency needs

SMME operators need to be competent

- How to plan
- How to secure funding
- How to operate buses
- How to maintain buses
- How to manage people
- How to budget
- How to write business plans
- How to select and appoint people
- How to discipline employees
- How to deal with all other functions of bus transport
- How to implement related government policy



SMME Opportunities

Public transport contracting

- Tender system was viewed as good SMME Opportunity
- Opportunities did not materialise
- Slow implementation of the tender system
- Moratorium on tenders
- Funding problems
- Subcontracting for large operators did not meet all expectations
- SMMEs have been well trained by SABOA and can make a substantial difference
- Empowerment process can commence with a skills programme (80 credits)



SMME Opportunities

Rea Vaya 1B

- Criteria for seat allocation exclude SABOA SMMEs
- Criteria based on coverage, convenience and cost
- Advisor appointed to assist SMMEs

SABOA SMME operations

- It is not Route based but area based
- It is not having scheduled and dedicated shift but operate as per customer demand in the form of Organised groups, Private Hires for Schools, Societies, Scholar Transport, Funerals etc.
- Prices are charged on the entire bus and not as an individual (per passenger)
- Negotiation process still in process
- SABOA firmly believes SMMEs should be part of BRT
- SMMEs are exceptionally well trained and experienced if compared to other participants
- Empower with skills programme



SMME Opportunities

Unsubsidised services

- Employee transport
- Private hires
- Opportunities in tender bulletin
- Shuttle services
- Recent tenders by large institutions such as Eskom and UNISA.
- Tender criteria are favourable from a SMME perspective
- More skills programmes to be presented
- Empower with skills programme



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SMME Opportunities

Freight

- Highly competitive
- Different challenges than the bus industry
- Expensive capital outlay
- However, freight opportunities exist
- Consortia
- Joint ventures
- Cooperatives
- Expanded Public Works programme (EPWP)
- Skills programmes



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SMME Opportunities

Tourism

- 2010 FIFA World Cup was well received internationally
- SABOA Implemented a major Tourism skills programme
- Tourism wheel opportunities
- Other tourism opportunities
 - Guesthouses
 - Tour guides
- More skills programmes to be introduced
- Empower with skills programme



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SABOA Tourism Skills programme

- Create a guided experience for customers
- Participate in sustainable tourism in South Africa
- Care for customers
- Introduce South Africa to tourists
- Oversee arrival and departure of customers
- Apply basic written and oral communication skills
- Maintain and adapt oral communication



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SMME Opportunities

Small businesses at concentration points

- Transport gathers people at concentration points
 - Ranks
 - Termini
 - Stations
- Various opportunities
 - Fast food outlets
 - Dry cleaners
 - Photo shops
 - Hairdressers
 - Any other opportunity at concentration points
- SABOA presented New Venture Creation learnerships and skills programmes to empower SMMEs for these opportunities



New Venture Creation NQF 2 Core unit standards

- Apply basic business ethics in a work environment
- Apply the basic skills of customer service
- Behave in a professional manner in a business environment
- Determine financial requirements of a new venture
- Identify and demonstrate entrepreneurial ideas and opportunities
- Identify the composition of a selected new venture's industry/sector and its procurement systems
- Manage business operations
- Manage finances for a new venture
- Manage marketing and selling processes of a new venture
- Match new venture opportunity to market needs
- Produce a business plan for a new venture



SABOA's contribution to SMME development

- SMME development is a regular objective on the strategic agenda
- Handbook
- Industry key success factors
- Measuring instrument to identify skills areas
- Regular presentation of learnerships and skills programmes
- Plays a key role in the identification of industry critical and scarce skills
- SABOA Development Foundation
- Establishment of consortia
- Regional offices



New basics

- Idea coined in 2001
- Privatisation of bus industry
- Back to basics does not work anymore
- Environment changes so fast that we need new basics
- New basics on social media, green agenda, technology etc.
- 2 New Basics programmes (supervisory and management)
- 2 days
- Need to be updated



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Key success factors

- 1 Securing business
- 2 Shared labour/management vision
- 3 Customer focus
- 4 Standard of fleet
- 5 Decision maker focus
- 6 Organisational efficiency
- 7 Community partnership
- 8 Effective communication internally and externally
- 9 Development of non-core business
- 10 Making a profit
- 11 Skills development
- 12 HDI ownership



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The new Basics measurement tool

1 Securing business

Level 5: Increasing market share as result of successful new products/services at a profitable basis.

Level 4: Retaining market share by combining own and new business at acceptable profit.

Level 3: Retaining of own business and achievement of profit. Unsuccessful in new business ventures.

Level 2: Loss of portion of own business. Unsuccessful in any new business.

Level 1: Loss total business.

Measurement provides a firm basis to direct the empowerment process



Limitations of OBE

- High cost of control
- Long decision making time
- Time required to accredit unit standards
- Massive paperwork
- Portfolios of evidence, e.g. NQF2 portfolio can easily exceed 1000 pages
- Critical knowledge areas not covered in unit standards
 - Inspection
 - Points controlling/regulating
 - Dispatching
- How can the bus industry operate without Inspection, Regulating and Dispatching?



Limitations of OBE

- It is not at all possible to render a efficient bus service without competency in these areas
- Discontinuation of apprenticeship scheme in 1996 was a major mistake
- Huge shortage of artisans
- Insufficient numbers of competent supervisory and management staff



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Current status of OBE

- Discontinued in Education (SA)
- Did not succeed worldwide
- Still alive in SETAS for all industries
- For how long?
- Is a new solution/system required?



Proposed solutions

- Increased use of non-OBE learning material
- Revise the SMME handbook and existing OBE learning material
- Increase training in key areas of the bus industry such as inspection, dispatching and regulating
- Revisit SMME empowerment needs, especially from a future perspective
- Develop a new toolkit for SMMEs to further refine the handbook
- In the meantime, accelerate SMME empowerment through New Venture Creation learnerships and skills programmes
- Increased SMME participation in the BRT system
- Optimise rural development as opportunity
- Rural development can only be successful if mobility is increased



Questions?



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I thank you



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