

RED DOOR BUSINESS PLAN

(Public Information)



DEPARTMENT OF ECONOMIC DEVELOPMENT AND TOURISM



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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 born. 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 RED Door concept will be rooted in the culture of the community in which it will operate. The Red Door will be congruent and supportive of national small business development strategy – enhancing the objectives of the Small Enterprise Development Agency (SEDA).

The Red Door is a one-stop-centre where SMMEs are able to access a single point to seek assistance. Expert, friendly and supportive staff at these Red Doors will navigate 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), 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). Local Government is identified as a key partner for the RED Door.

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.

1. Introduction

1.1 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 entrepreneurship 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.

1.2 Evolution of Red Door

The concept of the Red Door is not new – it borrows extensively from other models. Successful examples of this concept are Investec's initiative, "The Business Place", Brazil's SEBRAE, Northern Ireland's Business Support Centres and Israel's Small Business Development Centres. 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. Importantly, Red Door is far broader and deeper than any South African initiative encompassing all government information and services offered for supporting small business.

2. The Concept

2.1 Description

The RED Door is a conveniently located centre that offers information and advice to any potential and existing entrepreneur whether he or she wants to start a new business or expand an existing business. The Red Door is staffed by personnel who are well-trained, competent, sensitive to the needs of entrepreneurs and focused on delivering a service to clients that not only increases the number of businesses in the community, but also increases the sustainability of existing businesses. The services offered by each Red Door will be determined by the needs of the clients in the area in which it is located. All advice and support will be provided to the client in a language in which the client feels comfortable (i.e. English, Afrikaans or Xhosa) and on a level that he/she understands.

2.2. 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 of giving impetus to SMME development in the area, especially where this has been identified in its Integrated Development Plans. Very few rural municipal areas have any type of facility for the support of small business. Also, 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.

Having buy-in and support from national, provincial and local agencies by no means guarantees success. Success however, will be dependant on the value that the local business communities attach to the concept. Research and experience has shown that such initiatives become meaningless to the very communities they were meant to serve when service standards are poor, staff lack capacity and are insensitive to the needs of the clients, products and services are limited to that which the staff are able to offer (most often only to micro and survivalist entrepreneurs) and the organisational model is inappropriate.

2.3 Strategic Objectives

The strategic objectives of the Red Door programme is to implement support programmes and a develop service delivery network that will increase the contribution of small businesses to the economy of the Western Cape.

Every Red Door centre will have the following aims:

- The increased formation of small businesses from the predominantly previously disadvantaged communities;
- Increased entrepreneurial talent, whereby job seekers become job creators, especially among the youth, women and the disabled;
- Increased rate of enterprises graduating 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 small business services;

2.4 Measuring success

In measuring the success of a Red Door the following will be included as success indicators (including qualitative measures):

- Number of clients assisted in with advice and information;
- Number of outreach programmes and the number of clients assisted through these programmes;
- Number clients who start businesses;
- The number of jobs created through those businesses;
- Level of usage and repeat visitation;
- Sustainability of the businesses that have been assisted;
- Expressed interest in further training and education;
- Number of clients who become employers/d;
- Perceived value by youth, women, partners and community;
- Established community partnerships.

2.5 Functions

The functions of the Red Door are as follows:

- Provide advice, information and support to small businesses;
- Design, develop and implement small business support programmes in order to:
 - Build sustainable and competitive enterprises;
 - Promote and enhance entrepreneurship;
 - Assist in the creation of an enabling operating environment for small business;
 - Provide access to non-financial resources and capacity building services;
 - Facilitate access to finance by service providers to small businesses and small enterprise organisations;
 - Provide market access, procurement and market linkages for small businesses;
 - Strengthen the capacity of service providers to support small businesses;
 - Strengthen the capacity of small businesses to compete successfully domestically and internationally;
 - Build and maintain a network of competent support service providers;

2.6 Client Approach

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.

2.7 Operations and Core Services

Generally, clients will not need to make appointments. They are accommodated as and when it suits them during weekly office hours as well as Saturdays.

Upon entering the Red Door the client's details will be captured and where necessary, a diagnostics will be done to determine the precise needs of both the client and his/her business. Once the diagnostics is completed a unique development plan will be drafted for the client.

The centre will provide relevant business information and resources, and access to networking and other business opportunities.

Clients will be assisted in accessing services such as those listed in the table below:

Business ideas and franchising	Capital and funding access
Business Plan writing	Manufacturing advice
Government incentives and programmes	Statutory registrations (e.g. SARS)
Completion of tender documents	BEE strategies and deal structuring
Turnaround strategies	Business profiling
Patent search and registration	Legal advice
Export and import logistics	Buying and selling a business
Viability and profitability analyses	Cash flow analysis
Market research	Strategic planning
Global market opportunities	Business set-up
Mentorship	Product development

2.8 Other services and facilities

Clients will be able to use the Internet to access information, business opportunities, business research, generate ideas or communicate with suppliers and clients.

Complementary to this are meeting rooms and training facilities that 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.

2.9 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 Red Door will maintain an active presence in schools, places of worship, community organisations or wherever entrepreneurship needs to be promoted and fostered – the community outreach programme. 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.

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.

2.10 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.

2.11 Target Market

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.

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 will ultimately heighten the awareness of all available support services, nurture an entrepreneurial culture and create options for people in the rural communities.

2.12 Location and Site Selection

The location for a typical Red Door is of paramount importance. The proper selection of locations and sites need to be carefully considered and not based on the influence of narrowly focussed groups. The initial identification of locations for the Red Door will be done in close collaboration with the district and local municipalities. In considering possible locations these municipalities must consider the critical mass of people and the business needs of the areas – it will make little sense to consider locations where populations are low and the need for business services (as a result of low consumer demand) are minimal. It is envisaged that the Local Economic Development units within the municipalities will play a leading role in this process. Once a broad location has been identified, the selection of the specific site will need to meet the following criteria;

- Highly visible and easily accessible to walk-in traffic;
- Close proximity to public transportation;
- Near youth populations;
- Shop/ store front or within a centre that attracts significant numbers of people from surrounding areas;
- Close proximity to other community amenities;

- Easily accessible for the disabled.

The internal layout of the Red Door facility shall provide for:

- A training area suitable for at least 15 people;
- 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 2 clients;
- All locations should be wheelchair accessible

2.13 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 Department (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.

2.14 Benefits of Red Door

(a) *Benefits for government*

Red Door will act as a funnel in channelling all relevant government small business support services to a point (centre), which is convenient to the local community. In heeding the President's call, all spheres of government are

obligated to support entrepreneurship and small business development. 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;
- Celebration and drawing awareness of the successes of entrepreneurs from the community.

(b) *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;

(c) *Benefits for Funders and 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.

3. Conclusion

It is envisaged that the RED Door through the direct intervention of the Provincial Government and in collaboration with various stakeholder will begin to address the key objectives of government, which is ultimately job creation and stimulation, a vibrant Western Economy and the creation of sustainable livelihoods for all her citizens.

The principles of iKapa Elihlumayo are strongly upheld through the RED Door concept and these are: Dignity, Equity and Prosperity. The RED Door embodies tangibly the pursuit of overall well-being of its constituencies.