BUSINESS AND TOURISM ENTERPRISE TRAINING

Module 2.0a:

BASIC BUSINESS

ACKNOWLEDGEMENTS

The materials used to develop this training module were developed and compiled by a number of individuals and organisations over the past 15 years as part of the Namibian CBNRM Programme. Acknowledgement is thus given to all contributing NACSO members, NACSO's international development support partners, and the individual and collective experiences of the NACSO members and partners who made the production of this module possible. The further development of the training material has been made possible with support from MCA Namibia.

CONTENTS of this MODULE

GENERAL TRAINING TIPS

Preparation:

- Prepare each session in advance and ensure all necessary materials and visual aids are available (use visual aids wherever possible to enhance your training)
- Be aware of local customs – remember to open and close the training day with a prayer and give due recognition to any traditional leaders present
- Provide translation services where necessary (this will need to be arranged in advance – it may not be appropriate to ask a participant to translate)

General training and presentation guidelines:

- Use good time management to ensure every aspect of your training is completed – but take into account the possible need for translation and be prepared to slow down if necessary to ensure that all participants understand
- Maintain good eye contact with participants
- Speak clearly
- Keep your training language simple and appropriate to your audience
- Bridge one topic to the next
- Provide clear instructions for activities and check to see if your instructions are understood
- Where appropriate summarise each component of the module
- Avoid reading from this trainer's manual

Visual presentation:

- Write clearly and boldly if using flip charts
- Keep your visual aids clear – avoid blocking participants' view of visual aids

Involving the participants:

- Encourage questions and participation
- Ask questions to get participants thinking about the topic and key issues
- Keep the group focused on the task, but take breaks if participants are tired and losing concentration – be aware of body language
- Be patient and courteous with all participants
- Talk to your participants and not to the flipchart
- Acknowledge the comments and feedback from participants

NB: *Where we wish to indicate that text in this module refers to an activity that training participants are expected to undertake, we have employed this little icon.*

ABOUT MODULE 2.0a: *BASIC BUSINESS*

OBJECTIVES: People who receive training in MODULE 2.0a will gain knowledge on:	1. Basic business concepts: markets, competition, supply and demand, fixed and variable costs, and marketing 2. Ownership and management models: community-run, joint venture, shareholding, and individual ownership 3. How to assess business opportunities 4. Business and financial planning
COMPETENCIES: People who receive training in MODULE 2.0a will be able to:	1. Understand the key elements of a business generally, and in particular a business related to tourism or natural resources 2. Explain the general principles of business and in particular those relating to: a. Supply and demand b. Different ownership and management models c. Business and financial planning
MODULE 2.0a is intended for:	Conservancy staff, enterprise staff, and the Conservancy Committee (and Enterprise Committee if it exists) and community entrepreneurs
Duration of MODULE 2.0a:	The training for this Module will usually last 2 days

To train this MODULE 2.0a you will need to have (enough for everyone):	**Check** ✓
Flipchart stand, sheets and different coloured marker pens ("kokies")	
Module 2.0a Handouts #1 – #7	
Prepared Flipchart Sheets #1+ #2 if you prefer to use them (can be laminated for duplicate use)	
Paper and pens for participants	

The training of this MODULE 2.0a will generally follow this schedule:

TOPIC 1:	Basic business concepts
TOPIC 2:	Ownership and management models
TOPIC 3:	How to assess business opportunities
TOPIC 4:	Business and financial planning
SELF-ASSESSMENT:	Assessing participants' understanding of this Module (Handout #7)

NOTE TO TRAINERS/FACILITATORS: HOW TO USE THIS TRAINER'S MANUAL

If at all possible, this training module should be presented in succession with the 'Tourism Enterprise and Products' (2.2) manual. At the beginning of the training, it is important to ascertain if participants at a workshop have been exposed setting up or managing tourism enterprises. This will enable the trainer to assess the training approaches necessary for a given workshop. If entrepreneurs with enterprise experience are participating in the training, give them ample time to share their experiences with the other participants.

Some topics have been divided into ‘sessions’, with specific amounts of time allocated to them. These time frames are a guide only, and trainers/facilitators might need to adapt them as they deliver the Module.

KEYWORDS and ACRONYMS for this MODULE

business	An organization that seeks to earn profits by providing goods and services.
competition	The contests amongst businesses in a particular market or industry that best satisfies consumer demands and earns profit.
competitors	Business against which a business is vying (competing) against for customers.
consumers	Consumers are those who purchase and consume a product or service.
demand	The willingness and ability of producers to offer a good or service for sale.
Enterprise Monitoring Data	Tools that show what is happening in the business.
entrepreneur	Person who accepts both the risks and opportunities involved in creating and operating a new business venture.
fixed costs	Costs that are unaffected by the number of goods or services produced or sold.
human capital	The mental and physical training and talents of people needed to operate an enterprise.
Individual ownership	Formally called a "sole proprietorship", when a business is owned (and usually operated) by one person who is personally responsible for the enterprise (and its debts).
JMC	Joint Management Committee.
JV	Joint venture – in this instance, a partnership between a private tourism enterprise and a Conservancy.
market	An exchange process between buyers and sellers of a particular good or service.
market segmentation	The process in marketing by dividing a market into distinct subsets (**segments**) that behave in the same way or have similar needs.
Market price (or equilibrium price)	Profit-maximizing price at which the quantity of goods demanded and the quantity of goods demanded and the quantity of goods supplied are equal.
Marketing	Planning and executing the development, pricing, promotion and distribution of ideas, goods and services to create exchanges that satisfy both the buyers' and sellers' objectives.
marketing mix	The combination of product, pricing, promotion and place/distribution strategies used in marketing a product; sometimes called the "4 P's".
monitoring graphs	A tool to display information about enterprise performance.
Principle of demand	The principle that buyers will purchase (demand) more of a product as the price drops.
Principle of supply	The principle that producers will offer (supply) more of a product as price rises.
productivity	A measure of efficiency that compares how much is produced

	with the resources used to produce it.
profit	What remains (if anything) after a business' expenses are subtracted from its income.
shareholders	Those who own part of an enterprise.
shortage	Situation in which quantity demanded exceeds quantity supplied.
supply	The willingness and ability of producers to offer a good or service for sale.
surplus	Situation in which quantity supplied exceeds quantity demanded.
target market	Any group who has similar wants and needs.
tourist	A person who is travelling, especially for pleasure
variable costs	Costs that change with the number of goods or services produced or sold.
visitor comment book	A tool to capture opinions of visitors to the business after the transaction.
visitor register	A tool to capture information about visitors to the business.

INTRODUCTION

1 **LIST:** *The **objectives** of Module 2.0a by writing them on a flipchart sheet. To save time you may prefer to have Flipchart Sheet #1 prepared in advance (or even laminate this one and others for duplicate use).*

Objectives of this workshop: ***you will gain knowledge on –***

1. **Basic business concepts:**
    a. **Markets**
    b. **Competition**
    c. **supply and demand**
    d. **fixed and variable costs**
    e. **marketing**
2. **Ownership and management models: community-run, joint venture, shareholding, and individual ownership.**
3. **How to assess business opportunities.**
4. **Business and financial planning.**

2 **LIST:** *The **competencies** of Module 2.0a by writing them on a flipchart sheet. To save time you may prefer to have Flipchart Sheet #2 prepared in advance.*

People who receive training in Module 2.0a will be able to:

1. **Understand the key elements of a business generally, and in particular a business related to tourism or natural resources.**
2. **Explain the general principles of business and in particular those relating to:**
    a. **Supply and demand.**
    b. **Different ownership and management models.**
    c. **Business and financial planning.**

NOTE: *If participants are unfamiliar with the concept of business generally, you may wish to start the training by exploring what we mean by 'business' and why a general understanding of business is important for Conservancy management.*

ASK: What do we mean by the word 'business'?

3 *Ask participants to consider this question, and then ask for some explanations of the word. Write participants' responses on a*

flipchart sheet under the heading 'What do we mean by the word 'business'?

4 **EXPLAIN:** A business is an organisation that seeks to earn profit by providing goods and services. Profit is what remains after a business' expenses have been subtracted from its income. Profits reward the owners of businesses for taking the risks involved by investing money and time. The prospect of earning profit is what encourages people to open and expand business. Because of this potential for reward, businesses produce most of the goods and services that we consume and can employ many people.

Typical products and services for Conservancies are:

- Campsites
- Lodges
- Arts and craft centres
- Community guides and trackers
- Community tour operations, including guided or interpretive walks
- Traditional villages
- Cultural dancing groups
- Local museums
- Community boat or canoe operators
- Wildlife-related products (game meat)
- Plant-related products (Hoodia, devil's claw)

TOPIC 1: Basic business concepts

Consumers of these Conservancy products are primarily **tourists**.

Session 1: Markets *(approximately 1 hour)*

1 **EXPLAIN:** Businesses operate in a market; a market does not have to be a specific place, but an exchange process between buyers and sellers. The market for any product or service is composed of a number of consumers. These consumers are people or organisations that are willing to buy your product and/or service.

2 **EXPLAIN:** A Conservancy enterprise cannot be "all things to all people"; **target markets** are the groups of people with similar wants and needs whose business you are trying to gain. For conservancies, the target market is often tourists, mainly from abroad. The target market can also be companies wishing to purchase special plant products (commiphera resin, devil's claw) and local or international consumers of crafts, game meats or fish.

You might even have more than one type of target market! These "groups" or sub-sets of target markets are called **segments**.

The intent of segmentation is to identify groups of similar customers and potential customers within your target market. You then need to prioritise which groups to address, understand their behaviour, and then respond with appropriate marketing strategies that satisfy the preferences of each chosen segment.

ASK: Who are your target customers?

3 *Ask participants to consider this question, and write responses on flipchart. Come up with a short definition.*

4 **EXPLAIN:** The first step in profiling your target market is to know who precisely your **customers** are, what their characteristics are, and why they are likely to be your customers. These may be individuals of certain age groups, gender, socio-economic background, and occupations or business customers in specific locations or a combination of the two. Your purpose is to concentrate your marketing on these targeted customers.

ASK: What do you know about your customers?

5 **EXPLAIN:** It is important to find out what potential your business has to generate revenues and profits in your chosen market sector and the only way to do this is to carry out thorough **market research**. The better the data you have about your market, the better equipped you will be to make informed decisions about your business. Good market research will help you

make your most important decision, namely, the sales targets. Your financial backers (e.g. your bank) will also have a keen interest in your sales potential and the market share you believe you can realistically receive.

6 **EXPLAIN:** Determining the size of the overall market will only be possible once you know who the consumers are:

- How many potential buyers or customers there are in your market
- How much they currently plan to spend
- Is the market growing or declining
- What sales levels to aim for

Your target audience will comprise groups of businesses, groups of individuals, or both. Calculating the size of this overall market, that is to say the number of people who could potentially buy from you, will only be possible once you have considered who they are, their unique characteristics, and where they are located. You need to ask yourself whether location or proximity to your service is an issue for your target audience. This is important to help you identify the number of buyers you can reach with your marketing.

NOTE: Establishing the target markets is not a one-off task. If you fail to regularly research what is happening to the size and structure of your market, you will lose touch with your existing audiences and with potential new customers.

Session 2: Competitors *(approximately 30 minutes)*

1 **EXPLAIN:** In business most companies are in competition with at least one other company over the same group of customers. Competition for a limited number of customers is motivation to operate an enterprise efficiently. To gain an advantage over their competitors, an enterprise must produce their goods and services for as little as possible and sell them for as much as possible. To continue to make profit in the face of competition, each business must always try to improve its product while reducing its costs.

2 **EXPLAIN:** Conservancy enterprises might compete with other private businesses (e.g. Namibia Country Lodges, Leading Lodges of Africa), individual-run enterprises (guest farms), and even government owned parastatals (for example, the Namibia Wildlife Resorts). It is important to understand not only who are your competitors, but the product they offer and the price of your competition. In this way, you can determine if your product is the best offer at the most reasonable price in your market.

ASK: What are our competitors up to?

3 *Ask participants to think of how we can find out what our competitors' strategies and actions are. Write responses (only key*

words) on flipchart.

4 **EXPLAIN:** This involves not just collecting data about competitors' market strategies and activities but analyzing the data in depth for greater understanding and decision for effective competition. The following are the elements of analysis:

- What product markets are the competitors in or want to be in?
- What strategies and promotional methods do they use to attract, win and retain customers?
- What do they plan to achieve in those product markets?

Requirements to maintain competitiveness

- Understanding the factors that intensify competition:
  - Expansion, growing profitability or imminent losses, changes in the market and shrinkage in the market demand.
- Understanding competitors' pricing policy, product offer, product quality, service level, promotional methods, product varieties, and value for money they offer to customers.
- Taking timely action in terms of using competitor information to strengthen your business in the marketplace.

Session 3: Supply and Demand *(approximately 30 minutes)*

1 **EXPLAIN:**

- Demand is the willingness and ability of buyers to purchase a product or service. Supply is the willingness and ability of producers to offer a good or service for sale.
- The principle of demand is that buyers will purchase (demand) more of a product as its price drops. The principle of supply is that producers will offer more for sale as the price rises. For example, when the price of game drives is high, some tourists are still willing to pay for it. But when the price goes down, more tourists are willing to pay for game drives. At the lower price, in other words, more people "demand" the product.
- When the price of game drives is low, more people are willing to go on game drives. Over time, however, the conservancy will not have as much money (or incentive) to invest in running game drives. Supply, therefore, is limited. Only if and when the price goes up will conservancies be willing to offer game drives.

2 **EXPLAIN:**

- When conservancies increase supply, there will ultimately be a point at which the price they can charge is the same as the price that a maximum number of is willing to pay. That point is called the market price.
- When considering the potential success of your conservancy's enterprise you must think about these principles of supply and demand. This means the number of products (lodges, campsites, game meat, crafts, etc.) like yours that are available to the market (supply) and the number of consumers (especially tourists) who are in the market for this product (demand).
- What if all conservancies tried to increase their profits by building a cultural interpretation centre? If no one is interested in cultural tourism or the conservancy does not have a low-enough prices to visit the cultural centre, there will be a surplus of cultural interpretation centres in the market. Surplus is when the quantity offered is larger than the quantity demanded at a particular price. The conservancy will lose the money it spent to build the centre!
- On the other hand, if just a few conservancies have cultural interpretation centres and tourists are really interested to attend these, it is called a shortage. The quantity demanded will be higher than the quantity supplied. The conservancy will lose the extra money they could have made from building a cultural interpretation centre.

3 **EXPLAIN:** When the supply is scarce and there is a great need for this product or service in this particular market, the demand is higher than the supply. When this is true, those who already produce this product can charge a high price for it. People will pay for it if they really want something.

Session 5: Fixed and variable costs *(approximately 45 minutes)*

1 **EXPLAIN:** Businesses (enterprises) must try to **keep their costs as low** as possible in order to make a profit. The highest cost of providing a product or service is the cost of workers and also transport. An increase in the amount of work without an increase in pay leads to increased productivity for the enterprise. Higher productivity increases profits for the enterprise.

In Namibia, it can generally be said that it is cheaper to hire people to do a job than to invest in equipment or machines to do the jobs. It is also better for the wider economy and reduces poverty to employ local people than to purchase imported equipment or machinery.

2 **EXPLAIN:** By identifying and controlling its costs, your conservancy enterprise will be better able to earn a profit and be successful. Enterprise

managers need to understand the differences between **fixed and variable costs** and how these differences affect a firm's success. **Fixed costs** are business expenses that are not dependent on the level of goods or services produced by the business. They tend to be time-related, such as salaries or rents being paid per month, and are often referred to as overhead costs. **Variable costs** are expenses that change in proportion to the activity of a business and depend on the number of products for sale, including materials to make the product, water and electricity. Fixed costs and variable costs together make up the total costs of running your enterprise.

3 **DISTRIBUTE:** *Handout #1, '**How to keep your costs low'.** Read the information on the handout. Divide participants into groups and ask them to answer the questions in their groups. Allow groups to present their answers. Discuss.*

NOTE: Success in your business implies that your revenues exceed your expenses, i.e. you are making a profit. Profitability of your business can come about either by increasing your sales or by reducing your expenses or both. Saving on costs means gaining resources for other uses.

Session 6: Marketing *(approximately 2 hours and 30 minutes)*

ASK: What do you think of when you think of marketing?

1 *When thinking about marketing, most people think about advertising, but in reality this is a very small part of marketing. Ask participants to mention what they think marketing is. Write some of the responses on a flipchart.*

2 **EXPLAIN:**

- Marketing is the process of planning and executing the conception, pricing, promotion and distribution of goods and services. The objective of marketing is to **create exchanges** that satisfy both the buyers' and sellers' objectives. In other words, marketing means to find out what customers want and give it to them.
- Marketing can be **expensive**. Most established tourism enterprises spend 15 to 25% of their income on marketing. For start-up enterprises, the amount can be even higher! A good rule of thumb is that expenditures during introduction should be twice the rate currently spent by competitors who have market shares equal to your enterprise's objectives.
- How should the **budget** for marketing be spent? Managers rely on the four principle elements of marketing, often called the 4 P's, to make decisions about how to spend their marketing budget. The 4 P's are Product, Pricing, Promotion, and Place.

- These **4 P's** are the main elements of marketing that a manager has control over. The goal is to make sure decisions about the four P's are focused on your target market, or the customers you expect to use your enterprise (discussed earlier in "what is business").

3 **EXPLAIN:** The 4 P's of the marketing mix: Product, Pricing, Promotion, and Place

Product
The term "product" refers to physical products (accommodation, crafts, natural health products, etc.) as well as services (game drives, guided walks). Here are some examples of product decisions to be made by the enterprise:

- Name of the product or service
- Styling: style of lodge, campsite design
- Features and services: type of game drives, guided walks with traditional healer
- Safety: fencing and lighting
- Quality: for example of food, accommodation and crafts

Price
Some examples of pricing decisions to be made by the enterprise include:

- Seasonal pricing: increase in the high season, discount in the low
- "Bundling": partnership with other campsite to sell a package
- Price flexibility: patrons can negotiate
- Price discrimination: Namibians get 50% off
- Volume discounts: for several nights or a large group

Promotion
Promotion represents the various aspects of marketing communication, that is to say communicating information about the product. The goal is to get a positive response from customers – either buying your product/service or paying more for the same thing. Marketing communication decisions include:

- Advertising
- Personal selling and sales force, a spokesperson for the Conservancy enterprise
- Public relations and publicity: get a journalist to visit the site for free

Place

The issue of place is about identifying the best place to undertake promotional activities. There are two main "distribution channels" for Conservancy products and services:

- Direct, meaning that the enterprise staff communicate with the customers themselves, either through a sales or booking office or the internet
- Indirect, meaning that someone else makes sales or bookings for the Conservancy

NOTE: The marketing mix is the sum of the decisions you make about the 4P's. There are many possible combinations of the 4 P's in the marketing mix. You must make all of these decisions by keeping in mind the target markets of the enterprise.

4 **DISTRIBUTE:** *Handout #2 (2 pages),* ***Marketing mix of a campsite****. Read through the handout with the participants. Divide into groups based on what kind of enterprise they want to discuss, that is each group discusses an enterprise of their choice. Allow each group to present their answers.*

5 **EXPLAIN:** A **marketing strategy** is a process that allows a business to concentrate its limited resources on the greatest opportunities to increase sales and achieve a sustainable competitive advantage.

6 **EXPLAIN:** Defining and implementing a solid marketing strategy is probably the single most important factor that will contribute towards the long-term sustainable success of any business venture; yet, most businesses and potential entrepreneurs don't even have an idea, much less a formal well thought through marketing plan. Even if businesses do have a strategy, it is often not followed. For that reason, small businesses that do have the vision to create a dynamic, customer-focused marketing strategy, and most importantly, have the determination to implement the strategy usually have a significant competitive edge. Small companies succeed by finding a manageable niche in the market place, not trying to sell to every single person in the country. It is these businesses that will have a chance to be something "special" as they will be set apart from their competitors. Most importantly, they will probably survive, thrive and become well-known, successful businesses.

ASK: What is the difference between a marketing strategy and a marketing plan?

7 *Ask participants what they think are marketing strategies and marketing plans. Write down responses on a flipchart and refer back to these once you have explained the two terms in more detail.*

8 **EXPLAIN:** Having a marketing strategy is different from having a marketing plan or, for that matter, a business plan. A **marketing strategy** involves choosing a realistic, measurable, and ambitious goal that you think your business can achieve on a sustainable basis. With a marketing strategy each marketing activity is 100% focused on reaching and surpassing that goal. Marketing strategies serve as the fundamental underpinning of marketing plans designed to fill market needs and reach marketing objectives.

9 **EXPLAIN:** The vast majority of business in Namibia and elsewhere in the world in all sectors market themselves in the same way as their competitors do. They do this because it is easy, and most business owners think that they know their products and services better than anyone else; as a result they promote themselves in terms of what they understand, but the problem is that often their customers do not understand. What they should be doing is differentiating themselves from their competitors by creating a unique selling proposition that gives them a real competitive edge.

10 **EXPLAIN:** A **marketing plan** will be a component of the overall business plan and will include all of the tactics and actions that are designed to achieve the overall strategic goal. It will also include a timetable for their implementation. In other words, the plan will detail what you will do to make the strategy happen.

NOTE: To succeed in your market you need to keep up-to-date with changes in customer preference and buying patterns. Don't take your eye off the customer. If you stop focusing on your market, your strategy will fall apart.

11 **SUMMARISE:** Topic 1 covered the basic business concepts and terminology on knowing the market and how to market your product and services, assessing the competition, supply and demand of products and services, and the fixed and variable costs that need to be calculated to ensure a successful business. Does anyone have any questions before we move on to the next topic?

TOPIC 2: Ownership and management models

Session 1: Business ownerships and management *(approximately 45 minutes)*

1 **EXPLAIN:** Businesses can have different kinds of ownerships each with distinct legal implications. The most common forms are as follows:

Kinds of business ownership:

- **Sole proprietorship:** A sole proprietorship is a for-profit business owned by one person. The owner may operate on his or her own or may employ others. A sole proprietorship is a form of self-employment and the name of the business is the same as the name of the owner.
- **Partnership:** A partnership is a for-profit business owned by two or more people or organisations, e.g. conservancy and private sector operator. A partnership agreement, with all terms and conditions, has to be drawn up by a legal entity. The tourism and hunting joint venture agreements between private operators and conservancies are partnerships. Some conservancies have also entered into shareholding agreements where the private sector operator and the conservancy both are shareholders in a business.
- **Corporation:** A corporation is a business that has a separate legal personality from its members. Corporations can be either government-owned or privately-owned, and privately-owned corporations can be organised either for-profit or not-for-profit. A for-profit corporation is owned by shareholders who elect a board of directors to direct the corporation and hire its managerial staff. A corporation can be either privately held or publicly held. We can also have a closed corporation which requires depositing founding statements with the Registrar's office and applying for the name of the corporation.
- **Cooperative:** Often referred to as a "co-op", a cooperative is a business that can organize for-profit or not-for-profit. A cooperative differs from a for-profit corporation in that it has members, as opposed to shareholders, who share decision-making authority. Cooperatives are typically classified as either consumer cooperatives or worker cooperatives. Many conservancy crafters' groups have organised themselves as co-ops.

NOTE: Businesses of all types should be registered with the relevant bodies, especially the Ministries of Trade and Finance. The legal structure you select determines which specific regulations are applicable and which forms or documents need to be completed and submitted.

2 **EXPLAIN:** Conservancy enterprises differ from other enterprises in that the land is cannot be owned by the business; it is communal land and thus owned by the government. Thus, "ownership" of conservancy-based enterprises is not typical, as with businesses are on private property.

The conservancy can have two levels of "ownership" for a conservancy-based enterprise:

- the land and natural resources of the conservancy, which are communally managed through entitlement by the state
- the assets (including building) of an enterprise

3 **EXPLAIN:** Owners of the enterprise itself must contribute some assets to the enterprise, including land, cash, or some equipment. Because of its "ownership" over the land and resources, conservancies are usually seen to "own" the enterprises within its boundaries. However, the conservancy might establish an enterprise, allow an enterprise to operate within the conservancy that was already established before registration, or new enterprises might open after the conservancy is formed.

4 **EXPLAIN:** The enterprise itself can be owned in different ways. The conservancy could own the enterprise, it could rent some land to an operator, it could enter a profit-sharing agreement with the operator, or it should charge a usage fee for some resources. The options are limitless and depend on how the conservancy would like to manage enterprises to operate in its area.

5 **EXPLAIN:** The ownership of the enterprise is a legal issue. Ownership affects many financial decisions, including taxes and distribution of risk. Owners are liable for the debts of an enterprise. Liability means the *obligation* of the enterprise's owner from *past* transactions. For example, to settle a debt, owner might have to sell assets or provide services on behalf of the enterprise. Because the conservancy is on communal property, it may be difficult for the conservancy to take out a loan from a bank. Banks require **collateral** of some asset to secure a debt obligation. For example, if a person in Windhoek who lives in a house takes out a loan, their house serves as the collateral for the loan. This way, if this person doesn't pay their loan, the bank can take their house, sell the house and get its money back (or at least a part of it) back. Another example might be to ask for collateral in exchange for holding something of value until it is returned. For example, I'll hold onto your wallet while you borrow my cell phone.

The problem that conservancies face is that their main assets (land and natural resources including wildlife) are *communally* managed and owned by the State. Thus it is difficult for the bank to use these kinds of assets as collateral when applying for a bank loan for example.

That is why in some cases, it is better to enter in to an agreement where an independent person or business is the "owner" of the enterprise, and the conservancy is guaranteed a usage fee or proportion of profits.

NOTE: Owners don't necessarily **manage** their enterprises.

6 **EXPLAIN: Managers** need a totally different set of skills to make good decisions on behalf of the enterprise. They must understand finance, people's behaviour, the economy, logistics, accounting, and many, many other aspects of the business. Many small enterprises fail because the manager does not have the right skills and competencies! Managers should also be paid according to their level of responsibility and skills.

Management is the process of planning, organising, leading and controlling an enterprise to achieve the organization's goals:

- **Planning** is to determine goals, developing a strategy to achieve those goals, and designing plans to implement the strategy.
- **Organising** means to figure out how to best arrange resources and jobs to be done.
- **Leading** means that managers have the power to give orders to staff but also the responsibility to motivate the staff.
- **Controlling** means to monitor the enterprise's performance to make sure it stays on track to achieve its goals.

7 **EXPLAIN:** Even in a small enterprise, the job of a manager is very difficult. Managers are expected to make decisions on behalf of the enterprise in order to make as much profit as possible. Management of enterprises within the conservancy should be separate from the management of the conservancy itself. To be efficient and competitive, enterprises should have freedom to make decisions about their own management. The conservancy can appoint a monitor to make sure the enterprise adheres to its core principles, for example capacity building or an ethics code. In a small enterprise, managers can tend to focus on internal issues, things which involve the day-to-day operations.

Decision-making about enterprises needs to be clear. An enterprise can only function if it has clear guidelines regarding who is supposed to make decisions about what. It is better to have individuals who can make strategic decisions that to have many people trying to make decisions with different ideas about how the enterprise should operate.

The manager of the enterprise and his or her staff need clear roles and responsibilities (job descriptions) within the enterprise.

To sum up, the conservancy maintains managerial control over the land and natural resources whether an enterprise is operating or not. The ownership of enterprises in the conservancy can be handled in different ways, but the conservancy must decide how it will benefit from the enterprise. Managers are appointed by the owners of the enterprise to make strategic decisions about how the enterprise will operate.

Next we will review some common ways that enterprises in conservancy's are **managed**. The three main ways are:

1. The community manages an enterprise itself: all management decisions are retained (community-run)
2. When a partnership between the community and another individual or organisation is established: management decisions are shared through a framework (Joint venture and shareholder)
3. When an individual or outside organization management operates the enterprise: management decisions are outsourced with some profit going to the conservancy (individual-run)

NOTE: We will now look at four different kinds of ownership in more detail, i.e. the community-run enterprise, joint venture management enterprises, shareholding agreements and the individual ownership.

Session 1: Community-run enterprise *(approximately 1 hour)*

1 **EXPLAIN:** A community-run enterprise is a form of enterprise management. The purpose is to generate a profit for the community, as organised and represented by the conservancy. The community uses all of its own finances to operate the business and no one outside the conservancy is liable for the enterprise's debts. Accordingly, no one outside the conservancy shares in its profits.

Community-run enterprises are often established with the help of donor agencies and the intention is to generate income for the conservancy. There may be some element of capacity building to assist the conservancy to be able to take over management or operational responsibilities either from the start of the enterprise or at some later date.

However, community-run enterprises can face unique challenges. A community-run enterprise may face difficulty in resolving conflict among members, because management incentives are different than for other (more typical) forms of ownership.

The conservancy could appoint a single manager from within its members or through open competition. But it is vital that this manager has suitable qualifications to take decisions about the enterprise with excellent management skills.

Conservancies may also choose to make strategic decisions about management through voting, where each member is entitled to one vote. One vote per person prevents control of the enterprise by a few influential individuals, but might discourage some people who could invest more to participate. The conservancy must agree to its own style of strategic decision-making for this form of enterprise.

2 **DISTRIBUTE:** *Handout #3, '**To grow or not to grow**'. Divide participants in groups and ask them to answer the questions on the handout. Each group then needs to present their answers which the others take notes and make comments. Discuss.*

Session 2: Joint Venture (JV) *(approximately 30 minutes)*

1 **EXPLAIN:** A joint venture is a form of management for an enterprise. It is a partnership in which individuals, groups, or companies jointly undertake a business for mutual profit. Each partner contributes assets and shares the risks of the enterprise, meaning that each partner contributes something like money, a building, labour, etc.

2 **EXPLAIN:** For Conservancies, the term "joint venture" has come to mean any operation which is not managed by the conservancy. However, a joint venture can involve any type of business and the partners involved can be individuals, groups of individuals, small companies, big companies or any other suitable arrangement. The joint venture can be for one specific project only (like a one-off event or tour), or a continuing business relationship. When a JV is entered into between two or more parties, a proper agreement is signed usually for quite some length of time. A lodge agreement for example would be signed for around ten to fifteen years.

The main reasons for forming a joint venture are:

- **Access to capital (money)**, usually more than N$200,000 or N$300,000. This amount of money is difficult for the conservancy to borrow from a bank, for reasons mentioned earlier.
- **Access to a market**. The conservancy may not know how to access specific target markets, such as international designers seeking craft products and materials, game hunters, high-end foreign tourists, etc.
- **Management capability**. The owner of a business that the conservancy can partner with usually has a good idea of how to recruit a professional manager and make this person accountable for profits the joint ventures. In this way, the conservancy can earn more profit.

3 **EXPLAIN:** Sharing the ownership of an enterprise in this way can help to unlock the development potential of a conservancy. An outside investor brings money and skills to the business and shares in the risk of starting a new enterprise. You need to have a good understanding of financing to be a

partner in a joint venture. Enterprises are risky, especially if they need to borrow a large amount of money to get started. Partners in a joint venture can be liable for money owed if the enterprise fails. That means, if you enter into a joint venture, you are taking a risk that it will fail and you could lose the assets or money you invested or even have to pay back money which was borrowed by the enterprise!

4 **EXPLAIN:** In a conservancy, joint ventures are normally used for: lodges and hunting operations. The reasons for this is that operating these two types of enterprises are especially risky, very complicated, require specialised skills, and are extremely expensive to start-up and operate. The conservancy can benefit from a joint venture in different ways. Members of the community can be employed, trained, learn skills, and have access to new technologies. The Conservancy can earn more profits overall through the joint venture than by itself.

Session 3: Shareholding *(approximately 30 minutes)*

1 **EXPLAIN:** Conservancies can be shareholders of an enterprise within their own boundaries. In this form of ownership and management where an outside company or organisation owns the majority of an organisation, but the conservancy has voting rights in the strategic decisions of the enterprise.

EXAMPLE – WILDERNESS SAFARIS AND DORO NAWAS CONSERVANCY

The Doro Nawas conservancy holds 40% ownership of the Doro Nawas lodge and 34 community members are employed.

The conservancy's shares in the lodge (funded initially by a grant) will ensure income to the conservancy in the form of dividends as well as a percentage of income (instead of lease fees).

The conservancy is essentially Wilderness Safaris' landlord, co-shareholder and decision-making partner. The strengths of the Wilderness Safaris' enterprise management systems ensure that good business management practices will be utilised and that conservancy members' capacity will be built. A solid stream of income is guaranteed to the conservancy.

2 **EXPLAIN:** The profits of the business are divided amongst the shareholders. The conservancy gets a fixed percentage of the profits based on how much of the enterprise it owns.

Enterprises owned in this way hold Joint Management Committee meetings, usually once a year. At these meetings, the shareholders vote on decisions, find out how the enterprise is doing, and ask questions about the enterprise's future plans. The more stock a shareholder owns, the more weight his or her vote holds. Managers of the enterprise then carry out management based on the voted decisions of the shareholders.

This type of ownership arrangement has not yet become popular for community-based enterprises. Part of the reason is that shareholder ownership can be complicated and requires costly legal advice. However, shareholder ownership can help earn more profit for the conservancy and benefit from professional business knowledge and capacity. For this reason, shareholder arrangements with conservancies are likely to increase in future years.

Session 4: Individual Ownership *(approximately 1 hour)*

1 **EXPLAIN:** Individual operation of an enterprise is the first, oldest and simplest form of a business organization. Individual operation dates back to ancient times. Although numerous, most of these businesses are very small because one person does not usually have the investment required to start a large business.

Remember that the conservancy would be entitled to a share of the individual-owned enterprise, based on some agreement between the conservancy and the owner, but the transaction cost should be as low as possible so that the relation between the small enterprise and the conservancy is efficient.

What are the features of individual ownership?

2 *Ask participants to divide into groups. Ask each group to write on a card one advantage and one disadvantage in owning one's own business. On a flipchart sheet write down the two headings and ask groups to stick their cards under the two headings. Discuss.*

Advantages	Disadvantages
Freedom, no need to answer to anyone else	One person is responsible for all of the debts incurred by the business: bills must be paid from own pocket
Management decisions made without conflicts	Depends on the resources of a single individual
Simple to start and/or close	Can be hard to borrow money to start-up
Low start-up costs	

Can be very short-term, e.g., for an event

Tax benefits

3 **EXPLAIN:** The concept of individual-run enterprises is closely tied to (but not exactly the same as) that of an **entrepreneur**. An entrepreneur is a person who accepts both the risks and opportunities involved in creating and operating a new business venture. The typical entrepreneur is often slightly older, whereas a typical employee is younger. An increasing number of women are entrepreneurs, and the failure rate for women's enterprises is actually lower than for men because women tend to be more conservative about growing their enterprise.

Studies of entrepreneurs reveal some common characteristics (personality traits); entrepreneurs are assertive, seek challenges, charismatic, are good at coping with stress, can improvise ("make a plan"), are willing to take a risk, have good self-confidence and area action-oriented.

Individual-run enterprises are not very common in Conservancies, except for some types of craft production. But the potential is there for entrepreneurs to "rent" portions of the Conservancy or its resources for a usage fee or a percentage of profits. Individual-run enterprises can generate benefits for the Conservancy as a whole and help to develop great skills that are widely useful.

4 **DISTRIBUTE:** *Handout #4, **Skills, aptitude and expertise of a successful business person** (2 pages). Discuss page one with all participants. Allow participants to individually complete page 2 of the handout. This information is personal and will not be shared with anybody.*

SUMMARISE: Topic 2 covered the ownership and management models of tourism enterprises. These are the community-run, joint venture, shareholding and individually owned businesses. Does anyone have any questions before we move on to the next topic?

TOPIC 3: How to assess business opportunities

This topic should take approximately 1 hour and 30 minutes

1 **EXPLAIN:** Prior to identifying specific tourism enterprises it is important to have a good understanding of how these fit into the "bigger picture" with regards to tourism development. This requires us to obtain an understanding of current tourism opportunities including existing facilities and activities as well as identifying future opportunities for tourism business development. This can be achieved through the development of **tourism plans**, which can be produced for different "land units" and with different levels of detail:

- National
- Regional
- National Park
- Conservancy
- Concession Area

2 **EXPLAIN:** A **Tourism Plan** is:

- A document that identifies **tourism development opportunities** within a given area.
- Identifies existing tourist attractions, infrastructure & tourism facilities.
- Identifies a range of tourism opportunities to maximize tourism potential of a given area.
- Identifies larger areas which may be zoned for particular land use activities, e.g. photographic safaris, hunting, adventure tourism, 4x4 use, livestock, settlement etc.
- It is a **process** which should be **participatory and involve all stakeholders**, with a strong emphasis on involving communities.

3 **EXPLAIN:** Why we need a **Tourism Plan**:

- It assists in deterring uncontrolled and unplanned developments.
- It ensures that tourism enterprises are established where the tourists markets are or close to the necessary infrastructure.
- It allows resources and support to be focused on the tourism plan recommendations.

4 **EXPLAIN:** In many instances, a conservancy may have already identified what they believe to be good tourism opportunities. These, however, might not fit into the general tourism development and zoning of the conservancy, e.g. there might be logistical problems like water, electricity and access routes, traditional grazing areas or extreme weather conditions. These might also be in areas that are not on the general tourist routes.

It is, therefore, important that someone with an understanding of the **needs and interests of potential tourists and tourism markets** does an initial assessment of any potential sites.

5 **EXPLAIN:** The Namibia Tourism Board generates annual data on tourist arrivals, beds sold by region etc. This data can also help in planning enterprises.

6 **DISTRIBUTE:** *Handout #5, **Accommodation capacity by Month by Region for 2010** (3 pages). Divide participants into groups (by conservancy) and ask them to answer the questions on page 3 of the handout. Each group will then need to present their findings and the rest of the participants should comment and discuss the answers.*

7 **SUMMARISE:** Topic 3 explained how to assess business opportunities. Does anyone have any questions before we move on to the next topic? In topic 4, the final topic, we will look at business and financial planning.

TOPIC 4: Business and financial planning

This topic should take approximately 2 hours

1 **EXPLAIN:** Starting a new enterprise is challenging! The large majority of enterprises that people have an idea to start are not **viable**. Viability means practical or workable. For business, it also means profitable and having the ability to grow. A business is not viable if it does not make money!

2 **EXPLAIN:** Usually businesses don't make enough **profit** to off-set increases in costs and lifestyle of the owners. Enterprises that are not competitive will not survive and grow. People often underestimate the sales needed to break-even financially, and they overestimate their anticipated sales in general.

3 **EXPLAIN:** You need an extremely **strong plan** to establish an enterprise! A Business Plan is essential for those individuals and groups, including your conservancy, who want to start an enterprise. The contents of a Business Plan can vary, but must include some kind of projections (estimations) of sales and profit. You would also include the tourism plan in your conservancy business plan. The business plan must also specify how the business will be owned and managed – remember that ownership and management are different but sometimes get confused.

The following components are typically included in a **Business Plan** for a community-based enterprise:

1. **Cover page**

Contains the Conservancy and enterprise's name, address, telephone number, and key contacts

2. **Table of Contents**

3. **Vision**

What does the business want to achieve? What will be the impact? Why is the business important?

4. **Facilities, products, services, layout and design**

What will the business offer to the customer? What will it look like? How will it fit within the current offerings of the Conservancy?

5. **Capital costs**

The costs of building, infrastructure or equipment and initial operational costs. Usually covering how you will run the business for at least the first three to six months.

6. **Financial projections**

You should be able to demonstrate financial projections for at least a 5-year period! This section might require good outside assistance, but the most important element is from our "quick lesson" on profit and costs – you must keep costs (especially fixed costs) lower than your profit to make money! The financial projections should include all income and expenditures together with how you plan to invest (use, spend) profits. You should understand the difference between financing with cash and other methods.

7. **Competition and demand**

This section will require good research on the other offerings in your market. You should be able to indicate who your current competition is and what they can offer (at what price). You must also show the level of demand – the number of customers that are expected to pay for products or services from the enterprise. How much are these customers willing to pay for your product?

8. **Marketing**

This section should identify the different types of customers you are trying to reach and the range of methods you plan to use to promote your business. How are some customers different than others? How can you reach the most profitable customers?

9. **Management**

You must indicate how the enterprise will be managed. Who is responsible for the day-to-day management and who makes over-arching decisions about strategy? It should indicate how these relationships will be structured formally. There must be a lot of detail so that people are clear on what the relationship is between the enterprise and the Conservancy or wider community.

10. **Staffing**

Staffing is different than management. Staff are people hired to do particular jobs for the enterprise: they may or may not be involved in the management itself. You must indicate how many staff will be required for what jobs, what kind of training the staff will need to do their jobs properly and who will train and supervise the staff.

11. **Operational procedures**

You may choose to integrate some of the operations of an enterprise with that of a Conservancy, or it may operate differently. You must indicate the main operational policies and procedures to be used for running the enterprise smoothly and transparently.

12. **Performance monitoring**

Show how the progress of the enterprise will be measured and what the targets, especially for sales and profits are.

4 **EXPLAIN:** Every enterprise needs money to survive. Otherwise, it will have to close down. Financial planning involves thinking about an enterprise's strategies for reaching a good financial position where it makes profit or at least breaks-even. To draft the plan, managers should ask several questions:

- What amount of money does the enterprise need to meet its start-up and early (3-6 month) plans?
- When will it need more funds? When and how much will it need for on-going expenses based on different scenarios?

- Where will the enterprise get the money to meet short- and long-term needs?
- Is this amount of money going to be enough to make the business viable?

5 **EXPLAIN:** To answer these questions, the manager or entrepreneur must have a clear picture of *why* the enterprise needs money: remember fixed and variable costs? Managers also need to know the costs and benefits of different funding sources (ownership models) and options about the business. Should it grow? Should it change over time? How can managers make such decisions? Let's now look at one technique to help managers make decisions about the financial viability of different proposals.

6 **EXPLAIN:** **Cost-benefit analysis** is a decision-making technique that assesses the positive outcomes (benefits) as well as the negative outcomes (costs) of different decision alternatives. It is a tool for analysis that can be completed while drawing up a business plan or when reviewing the enterprise's strategy. It can help the conservancy to narrow down options between competing proposals for strategies in the enterprises – to find out which is the most *viable* option. Once you have basic understanding of the concept, the doing a cost benefit analysis is not too difficult.

7 **EXPLAIN:** Part of the cost-benefit process requires that you think widely together about all the potential options before making a final decision. This is often where most people and groups fail in their decision-making attempts: they rule out options before these have been properly analysed. Cost-benefit analysis is also very helpful for providing a single number value for each competing option, making comparisons objective and easy.

NOTE: The business plan will be very strong if you can demonstrate that many options were thought through and the plan for the enterprise is the best possible option.

8 **EXPLAIN:** We know that many of small businesses fail because of poor planning and incorrect assumptions about financing. Most simply run out of money to operate. For the last exercise, let's cover any lose ends about **business failure**. If you can avoid all causes of failure, the enterprise will be a success! Even if a business breaks-even financially, it is doing OK.

9 **DISTRIBUTE:** *Handout #6, **the most common causes of business failure.** Discuss with the group and allow participants to share some of their own experiences in managing a business.*

SUMMARISE: Topic 4 explained how to conduct proper business and financial planning. This is the final topic of this manual. Does anyone have any questions before we move on to the next topic? All that remains to do now is the self-assessment exercise.

SELF-ASSESSMENT: Assessing participants' understanding of this Module

Handout #7 comprises a set of questions based on this Module and designed to evaluate the knowledge and skills that participants receiving this training have acquired. It is not intended as a formal test but is meant to help participants assess areas where they have sound knowledge and strong skills, and areas that require further work.

You can either use the questions as the basis of a plenary session with all the participants or – if more suitable – ask them to write their answers out on some paper that you will provide for the purpose.

Although it will help you personally to modify your training approaches should you be able to discuss their answers with participants, they should not feel compelled to share their responses with you. If they are willing to share their responses, either collectively or individually, then use the information that you gather to assess your own training skills. Also note from participants' responses where these printed training materials might require amendment, for example, if an activity or section of the text is proving problematic.

List of Handouts that should be made available for this Module

MODULE 2.0a, HANDOUT #1:	How to keep your costs low
MODULE 2.0a, HANDOUT #2:	Marketing mix of a campsite (2 pages)
MODULE 2.0a, HANDOUT #3:	'To grow or not to grow'
MODULE 2.0a, HANDOUT #4:	Skills, aptitude and expertise of a successful business person (2 pages)
MODULE 2.0a, HANDOUT #5:	Accommodation capacity by Month by Region for 2010 (3 pages)
MODULE 2.0a, HANDOUT #6:	Most common causes of business failure
MODULE 2.0a, HANDOUT #7:	*Self-assessment evaluation for participants*

All Handouts are one page only, unless otherwise specified. Please make sure that you make enough copies for each trainee.

NOTES

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