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The viability of conservation and social forestry outreach nurseries in South Africa

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APPENDIX 3

MANUAL FOR PRACTITIONERS:

Managing an outreach nursery as a business

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EXECUTIVE SUMMARY

This manual was written due to numerous requests from practitioners and community participants for additional advice on improving the business management of nurseries, as many outreach nurseries struggle with business management. It often takes 5-10 years of hard work and financial sacrifices on the part of community participants for nurseries to achieve financial viability.

A useful booklet called '*My Nursery. How to set up and run a community nursery*" provides advice on building a nursery, growing plants and business management, including the writing of business plans, managing a bank account, administration, paying tax, managing staff, etc. It is suggested that these manuals should be used together, as we have tried to provide additional advice rather than duplicating material that is already available. Lessons learned through a study on the viability of outreach nurseries are summarised in a report called 'The viability of community nurseries' (Botha et al. 2006). While many of the suggestions in this manual may also apply to other types of outreach projects, not all of them are necessarily relevant to each project. The objectives, local environments and circumstances of each project differ.

The first section of the manual presents an overview of managing the nursery as a business with discussions on planning, organising, working with people, setting up controls and monitoring. The second section focuses on marketing.

Planning

Many of the problems experienced by outreach nurseries might have been avoided through more detailed planning. A nursery was not always the best way of achieving either natural resource management or socioeconomic objectives. During planning, it is important to think of a range of different strategies that might enable you to achieve your goals. A viability study then needs to be carried out, including an assessment of available resources (including water, soil, the time available to work on the nursery, whether there is enough money to cover expenses until the nursery starts to earn an income, and how this might affect participants). Assessments also need to be conducted of available resources (physical, financial, human, natural, social and time) available and those in short supply. A business viability study is critical, with particular emphasis on marketing. A survey of potential customers and their needs is critical – many nurseries have not been able to sell their products because they grew the wrong types of plants. An understanding of the social conditions that the nursery will be operating in is also important, as is a consideration of the possible impacts of the project on community participants. How will they survive until enough income is generated to pay wages? Do they have other sources of incomes? How much time do they need to spend on other livelihood activities e.g. earning an income or producing food to support their households? What will happen if the nursery does not work?

It is also important to think about other factors that might affect the business, either positively or negatively. For example, economic, social, physical, legislative, political, environmental and international factors can have a strong influence on the survival and management of a nursery.

Once this groundwork has been carried out, objectives need to be drawn up. These need to be detailed enough to help people achieve their goals and to use in future monitoring. They need to be *specific, measurable,* and be acceptable to all the participants, preferably fitting their needs and lifestyles. They also need to be *flexible,* in case circumstances change (for example, unexpected floods or drought, economic problems or personal problems) and *attainable*.

The selection of a site for the nursery is one of the most important management decisions to be taken. Some nurseries in this study lost sales because they were built far from their customers. Others were far from the homes of participants, resulting in high transport costs. The physical requirements of the nursery (such as soil, water) need to be considered, as is infrastructure e.g. adequate roads, telephones and water pipes.

Working with people

Working with people effectively is one of the most challenging aspects of business management. People need to be clear about the tasks and responsibilities that have been allocated to them, and a system needs to be in place to make sure that these tasks are carried out.

Apart from the fact that we are required by law to make sure that employees are treated fairly, having poor relations with employees usually leads to loss of business performance and productivity. On the other hand, a cooperative working environment often leads to higher productivity and fewer losses through carelessness or theft. In this study, community participants regularly worked for a long time without being paid because it took longer for the nursery to start earning money than had been expected. Many people dropped out because they became unhappy and demoralised. A few became angry, and stole money, tools and/or plants.

Setting up controls

Effective controls can help reduce theft as well as a wastage of resources. If people know that effective controls are in place, they are less likely to be tempted to ‘borrow’ an item without permission because they know it will be noticed. It is also easy for tools or other products to be used carelessly or wastefully, if there are no controls in place, which can cost a business a lot of money.

The type of controls that are developed needs to suit the project and participants. Appointing a semi-literate person to manage the books of a large business is almost certainly going to lead to problems unless s/he is given consistent a lot of help for a long time. In a group, it is often better to divide the tasks that involve the handling of money between different people For example, one person can be made responsible for making out invoices. Another can make out receipts. All receipts, invoices, petty cash slips, etc could be given to a different participant to enter into the books and check. This needs to be done regularly so that problems can be checked while peoples’ memories are fresh. This type of system is not always possible if there are not enough people at the nursery at any one time to be able to do this.

People should be made responsible for looking after the tools that they use, and making sure that they are packed away each day. One person could be made responsible for equipment maintenance, checking it regularly to make sure that it is all there and being looked after.

Marketing

A range of marketing problems were experienced. These included (1) lack of transport; (2) difficulties in finding markets; (3) lack of promotion of the nursery or its products; (4) a lack of understanding of the different types of markets; (5) a lack of understanding of the different types of customers and their behaviour and (6) a failure to develop different types of products suited to particular customers.

Market research is vital – *before* the project starts! Potential customers need to be identified. They then need to be asked what type of products they would buy. It is no good guessing, growing a lot of stock and then discovering that people do not want these species. It is also important to identify and learn more about possible competitors. Are there other people growing plants in the area? If there are, is it likely that an additional nursery will be able to earn enough money to be viable? Are there any types of products that people could use instead of cultivated plants? For example, in the medicinal sector, people could buy plant products from markets rather than buy from nurseries.

There are different ways to analyse markets. A first step is to identify the social characteristics of possible customers. A lot of information on incomes and the social characteristics of people from different areas is available through the state census, and can be found on the internet (http://statssa.gov.za). Local municipality and organisations involved in development activities in the areas concerned should also be able to help. It is important to try to identify a number of different groups of customers. For example, people from different residential areas might have different socioeconomic characteristics. Within the same area, people can have different needs. For example, families might need plants that provide for food and medicine. Women might want ornamental species to grow attractive gardens. People might buy certain plants as gifts, or to plant to celebrate the birth of a baby or remember the death of a loved one. Teachers could buy certain species to improve the school grounds or to use as educational tools.

Other information needs to be obtained directly from possible customers. A questionnaire can be drawn up to help obtain this information. Discussions with friends, family and existing customers can also be informative, but market research must extend beyond your circle as these people probably share your views, or they might tell you what they think you want to hear.

Products

Without market research it is very difficult to select the types of products that people will want to buy. Many nurseries in a study of 65 projects grew plants that people were not interested in buying, for example, focussing on trees when customers had very small gardens. Vegetable seedlings were a popular starting point, as there is usually a high demand for these. However, it is important to choose seedlings that customers would not already be growing themselves. Ornamental flowers and shrubs are also often fast sellers.

Developing a range of products to suit different types of customers helps to increase sales as there are more choices available and spreads risk. If one market is reduced for some reason, you should have an alternative to fall back on. A product range can be developed by growing different types of plants as well as different sized bags that are sold at different prices. Many people also want to buy products that are associated with gardens, for example, compost or gardening tools.

Pricing

It is not easy to work out the most suitable price to charge for a product. Firstly, you need to know how much you spent in producing the product (including rent, office administration, labour, water, fertiliser, bags and other materials). You then need to add an extra margin so that you can earn a profit. However, prices also need to be competitive with other nurseries and fall within the range that customers are willing and able to pay. Many nurseries in this study struggled to set prices that customers were willing and able to pay, and still earn enough to enable them to cover their costs and earn incomes. Product diversification could help to deal with this difficulty. People who have less available cash could then buy smaller but cheaper plants, while those who have more spending power would be able to buy larger plants.

Marketing communications

Marketing communications include (i) advertising the nursery and its products; (ii) providing information about cultivation to customers and (iii) developing good relations between those involved in the nursery and others who could affect or are affected by the project e.g. supporting organisations, funders, the community in which the nursery is situated, customers and the broader public.

In this study, people advertised their nurseries in different ways. Some printed leaflets telling customers about specials. Others sold plants at pension days, or rode through the community with plants loaded onto a bicycle and trailer. One project held art competitions for school children. All the participants felt that signboards were important, but these were sometimes stolen. Marketing communications need to be carried out consistently.

Paying attention to human relations is even more important in communities that are struggling with high levels of unemployment and poverty. All the projects in this study as well as many others from different sectors have found that working under these conditions is not easy. If people think that a project or business is doing too well, or if too much attention is focussed on one individual or group, jealousies may arise. Staff from organisations need to be sensitive to these potential problems. The key to working successfully in a largely impoverished community is to keep the project and peoples' profiles modest, and to be seen to be contributing to the greater good of the community.

Conclusions

Managing a business is not easy. Following basic business management principles (planning, organising, administration, working effectively with people and marketing) can help stay on track. Additional support is often available through government agencies or non-governmental organisations. It is also important to make sure that other objectives such as social and environmental goals are not forgotten. Evaluating businesses regularly can help to make sure that all the objectives are being tackled, and whether they are being achieved. Problems can then be identified early and action can be taken to correct them.

INTRODUCTION

Nurseries are a popular way of trying to improve the management of plants that are pressurised through high levels of harvesting. Conservation and forestry organisations have set up thousands of projects with local stakeholders throughout the world to try to achieve natural resource management objectives and, often, to help people earn incomes or improve their food security. Unfortunately, many of these nurseries have not survived, and it has proven difficult to achieve both natural resource management and socio-economic objectives. Of a survey of 48 South African outreach nurseries, 26 were no longer in existence, 16 were only just surviving and 6 were earning steady incomes. Of the 26 that had closed down, more than half had lasted less than two years.

Why do so many nurseries fail? Are these projects the best way of involving communities in plant conservation? Is it possible for nurseries with conservation objectives to earn enough money to enable community participants earn incomes? If they do have a role to play, how can management be improved to enable the nurseries to survive, produce meaningful benefits for community participants and achieve conservation objectives?

A study was carried out to identify the main problems being experienced by people involved in the setting up of outreach nurseries, so that others would be able to avoid common mistakes through the sharing of experiences. The main lessons learned through the study are summarised in a report called 'The viability of community nurseries'. Additional papers summarising lessons learned through the experiences of 65 South African nurseries and examining commercial viability, social processes and impacts on community participants are also available (see Further Reading).

In addition to conservation and, sometimes, health objectives, most South African outreach nurseries also aim to earn help community participants generate incomes, or at least earn enough to cover their expenses. However, as with any small business or project, developing a nursery is risky. Even if funding can be obtained, or materials such as shade cloth and equipment are donated, it takes a lot of hard work, time, persistence and patience to succeed. Building the physical structures such as shade-houses and fences is usually the easiest part. Developing social processes and efficient business systems is much more difficult and often takes longer than was expected at the planning stage. Many community participants in this study paid for equipment and materials from their own pockets, which was usually difficult as most came from households where people were unemployed. Some community participants also experienced social problems such as conflict and loss of credibility in the community if the project did not do as well as hoped.

This manual is divided into two sections. Part 1 provides an overview of the business management of nurseries. *Planning* is a first and vitally important step in developing any business. Once plans have been set up, different resources need to be accessed and *organised* and people need to be *led* to work as a team to achieve their goals. *Controls* also need to be set up to keep costs as low as possible, to reduce theft and make sure that the goals of the project have been achieved.

Part 2 looks at marketing, which was identified as one of the main difficulties being experienced in the development of nurseries. Many people think that marketing is only to do with finding markets and advertising products. Although these are important, marketing actually includes all the actions that are

needed to get a product from a seller to a customer. This includes: (i) understanding the needs of potential customers; (ii) developing products that meet these needs; (iii) setting prices and (iv) getting products to customers in good condition and when they need them. In the case of a nursery, this would usually mean that plants must made available to customers at the start of or during the rainy season, and that the plants are strong and healthy, so that they are likely to survive transportation and planting out.

PART 1. MANAGEMENT

Planning

Although planning does not guarantee that a business will succeed, many small businesses fail because their owners do not spend enough time and effort developing proper plans. Few projects in the study of 65 nurseries had carried out detailed planning, and many of the problems that were experienced were a direct result of this. Sometimes, a nursery was not the best way to help people obtain the plants that they needed, nor was it the best way to improve the management of plants in the area. Some nurseries were started to help people from a specific community to have access to seedlings nearby. Unfortunately, few people could afford the plants as unemployment rates and poverty levels were high. Starting a nursery is also not always the best way of helping people to earn incomes. It took 5-10 years of hard work for those nurseries that had started earning steady incomes to achieve this.

Planning is a tool to help people decide where they want to be after a certain amount of time, and to work out how to get there – it is rather like a road map that provides direction and, if up to date, some information on what to expect about conditions ahead, for example, the type of roads and how many toll gates on each route. A road map will not provide information on travelling conditions or the possibility of problems ahead such as storms, breakdowns or accidents although it can sometimes provide alternative routes or information on the nearest places to get help.

Planning involves assessing the resources that are available, as well as those that still need to be found. It includes identifying factors in the environment that may affect the business, as well as possible opportunities and threats. Planning also helps measure progress, so that people can see whether they are achieving their goals or not. Detailed planning can help participants consider whether it is possible to achieve different types of goals at the same time (for example, social, conservation and financial goals), or whether some goals might clash with others.

Although the time and effort that is needed to plan effectively might seem high, it is preferable to identify potential problems in advance, rather than waste years, money and energy trying to set up a nursery that stands little change of succeeding. Much of the information that is generated during the process can also be used when drawing up the business plan (for further advice on drawing up business plans, see the Food and Trees from Africa booklet, ‘My Nursery’). Planning can also help to coordinate the resources and efforts of community participants and different supporting organisations.

The planning of any outreach project needs to incorporate an assessment of alternative strategies for achieving objectives, available resources, a social probe and a business viability study, depending on the nature of the project.

Today, most businesses also include an ‘uncertainty’ factor in planning and management. We live in a fast changing world, and we often need to adapt our strategies to meet future needs and challenges, while also keeping our customers satisfied today. This is why it is important to keep our eyes on things happening around us all the time, both within the nursery and outside it.

Is a nursery the best option?

Before a nursery is started, it is important to think about different ways of achieving the goals of participants, remembering that not all goals will necessarily be shared by all participants. Although this sounds obvious, people often decide on the first idea that comes to mind during the planning stage. Many plants could be grown in people’s own gardens or fields, which would save time and money as people would be able to look after their plants in between their other activities, rather than having to set time aside regularly to travel to a nursery site and work there.

As already mentioned, it is not easy to earn money from a nursery. If this is a main aim, it is important to work out how many plants need to be sold to cover costs and earn the amounts of money expected by community participants as compensation for their time and efforts. Who would the plants be sold to? What prices would be charged? Can potential customers afford to pay the prices that would have to be set to earn enough money to cover costs and help community participants earn incomes? If prices are too high, people will not buy the plants. If they are too low, the nursery will not earn enough money to meet its expenses. Box 1 and Appendix 1 show how to work out how many plants need to be sold achieve various financial goals.

It takes time for a nursery to start earning money. Unless outside funding is available, it is important to consider how community participants are going to survive during the time it takes to build the structures, grow stock and find markets. Do they have other sources of incomes? If they do, how much time do they need to spend on their other livelihood activities e.g. earning an income or producing food to support their households? Will they have enough time to carry out all these activities? Will community participants be operating individually, or will they be working as a group? Working as a group can help lower the costs each person has to pay and spread the workload between different people. But it also means that more benefits have to be produced, as these need to be shared amongst more people. It is also sometimes difficult for groups to work together over the long periods that it takes to establish a nursery. Smaller groups of 4-8 people usually work better than larger groups, because communication is easier to manage in a smaller group than in a large one.

Not all outreach nurseries are set up to generate incomes. In India, Nepal and Tanzania, for example, farmers started small nurseries to grow seedlings for their own use, using building materials such as poles, reeds and thatching grass from their own environment to build shade houses.

Box 1. Calculating the number of plants you need to sell to be able to (a) cover your expenses and (b) earn a set profit.

As everyone knows, to earn money in business, you need to sell products at a higher price than it costs to make or buy them. If a seedling costs R1.00 to grow, and it is sold for R5.00, the profit on that plant is R4.00.

To calculate the number of plants you need to sell,

1. Add up all your expenses per month, for example:
    - staff wages
    - rent
    - water
    - growing cost per plant (see Box 2 for estimates of costs of different sized bags)
    - the amount you want to earn
    - transport
    - anything else you can think of.

Say the total comes to R2 500 per month.

2. After a time, plants of different sizes will be available for sale. But at first most of your plants will be small. To keep things simple, let us assume you decide to sell ½ litre bags at R5.00 per plant.

This means you need to sell:

R2 500 plants / R5 = 500 plants per month to cover your costs.

If you want to make a profit (for example, R500 per month), you will need to sell:

[R2500 (your costs) + R500 (the profit you want to make)] / R5 = 600 plants per month.

In other words, you need to sell 600 plants X 12 months = 7 200 plants in one year.

3. Because people usually plant their plants in the rainy season, at least 7 200 plants will need to be sold over (mostly) 3-4 months of the year.

Box 2. Estimates of the cultivation costs of different sized plants.

The cost of growing a plant depends on its size, the materials used to grow it and the species grown. Fast growing species that do not need a lot of care will be cheaper to grow than those that need a lot of attention. These price estimates are based on plants using local soils as a growing medium and compost made by the nursery.

Bag size	**½ litre**	**2 litre**	**10 litre**
Average propagation-to-sales time	1-6 months	3-12 months	12-24 months
Production cost /bag (Rands)	R0.60-0.70	R1.20-R1.30	R2.80-R2.98

What resources are available?

Any business uses a wide range of resources, some of which may be available to the owners of the business, while others may be obtained from the immediate environment, and still others may have to be bought. In the case of a nursery, these would include:

- *physical* resources such as building materials, seed, fencing, soil, water, manure for compost, etc. Many outreach nurseries in South Africa have failed because they were set up in places where soils were not suited to cultivation and/or the water was of poor quality. Not only did this create problems within the nursery as people struggled to produce quality plants, but local customers also struggled to grow plants.
- *financial* resources, to set the nursery up and meet daily running costs.
- *human resources* – this includes the people who are needed to do the work and manage the business, but also customers and, possibly, funders and advisors from organisations such as the Dept of Agriculture, conservation organisations or non-governmental organisations (NGOs). Apart from physical labour, human resources include the knowledge, skills, abilities, time, and social contacts and support.
- *information* - different types of information contribute to the running of a business. For example, information on existing competition, or the possibility of a new nursery being developed closeby can help participants or owners of a nursery to develop strategies to lower the chances of losing customers. Economic information can help identify possible opportunities or threats. If many people from a nearby mine are going to be retrenched, unemployment could affect sales. Information is also critical to effective marketing. For example, the more you know about the types of people who are likely to buy plants, the easier it will be to choose and design products that will meet their needs and tastes. As another example, marketing opportunities could arise if you find out that there is to be a celebration in a particular community, or a school event at which products can be sold or advertised.

  Information is available from many sources, including newspapers, television, radio, magazines and the people around you. Supporting organisations can play an important part in providing information that would be otherwise difficult to obtain. The municipality, libraries and internet are also useful. If these are not available to community participants, supporting organisations can usually help.

Thinking through the different stages of nursery establishment

It is useful to divide the project into its different parts and ask as many questions as possible about how each of these will be handled if you are planning a nursery. If the nursery is already running, these questions could be modified to evaluate activities. The different stages of developing the nursery could include: (1) the building of physical structures; (2) finding seed, (3) growing plants, (4) selling plants, (5) advertising the nursery, (6) finding customers; (7) selling to customers; (8) getting plants to customers; (9) reducing 'people problems'; (10) administration (managing the books; managing money, including bank statements; financial records; looking after stock, controls, etc); (11) existing and expected costs for each of these, and ways of reducing expenses; (12) how many plants need to be sold to cover costs.

The five 'asking words' can help develop the questions that need to be considered: *what* (and *with what*), *where*, *why*, *how* and *when*. Using number (1) above as an example, the five 'asking words' produce the following questions: Why are you building the nursery? Are there any alternatives? Why is this the preferred alternative? Who will build the structure? Where will it be built? Why will it be built on a specific site? Is this the best site? How will it be built? When will it be built? What resources are needed? Similar questions can be asked about each topic, also considering how factors in the different environments might affect the process, as discussed on pages 10-12.

Market research also needs to be carried out during the planning stage, to identify potential customers and assess whether they would be prepared to buy plants, and to get a better idea about the types of plants that they would need or want. Many nurseries failed because this step was not carried out, and time and money was spent growing plants that nobody would buy.

The competition also needs to be checked out. Are there any other nurseries in the area? If so, would you be operating in direct competition with them? How would your products differ from those of the competition? Do you have a competitive advantage? Can the area support more than one nursery, given the size of the population and the social characteristics of the people living there. Experience has shown that areas of high unemployment often struggle even one nursery if there are no additional markets.

Appendix 2 suggests additional questions to ask when planning or, if the nursery already exists, looking for ways to improve your business management.

What type of nursery is best suited to the needs of community participants?

Different types of nurseries have different advantages and disadvantages. For example, some nurseries grow their stock (growers). Others sell products that they buy from other nurseries or growers, and are known as retailers. Some nurseries do both. You need to work out the costs and benefits between growing your own plants and buying stock. If a lot of land and good soil is available, it may be better to grow your own stock, especially if there are commercial nurseries with less space closeby as they may be willing to buy from you. If you have little space, it may be difficult to grow as many plants as you need to sell to enable the nursery to survive. It is always important to manage stock carefully to make sure that there is enough of a range of products on offer to provide for the needs of customers, while at the same time not over-extending the resources of the nursery.

It is also important to think about the type of legal entity that would best suit the nursery, for example, a sole proprietor, partnership, section 21 company, etc. The choice of legal structure depends on the needs and skills community participants as well as the nursery. A summary of some options is presented in Appendix 3.

Factors that affect the running of a business

All projects and businesses are affected by a wide range of factors. An understanding of how these might affect the nursery can help participants take advantages of opportunities or develop strategies to reduce the effects of threats.

Economic, social, physical, legislative, political, environmental and international factors take place outside the nursery, but can have a strong influence on its survival and management (Figure 1). An example of an economic factor that is likely to affect a nursery would be a large increase in petrol prices that results in everything becoming more expensive. This, combined with a high unemployment rate, means that people have less money to spend on plants. On the other hand, if the economy improves and more jobs become available, people should have more money to spend on plants.

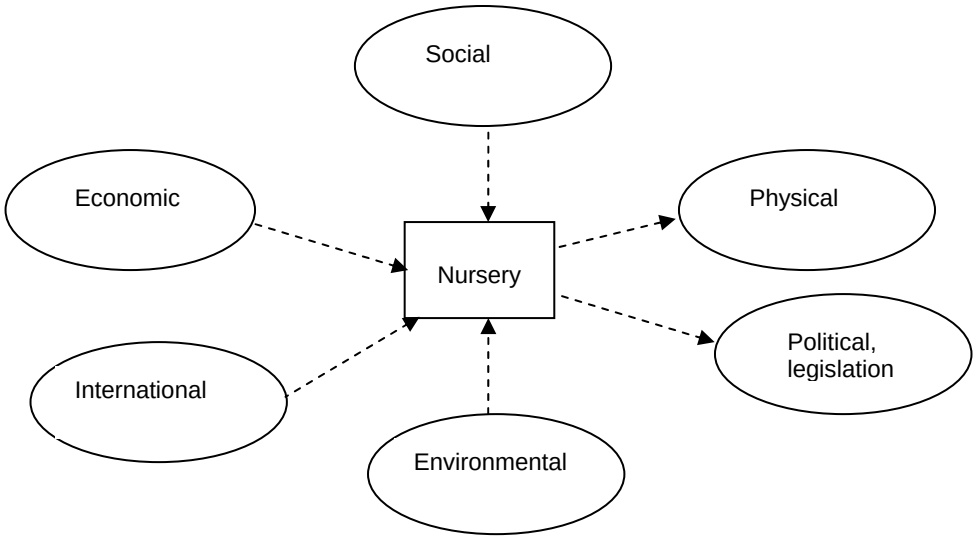


Figure 1. Factors outside the nursery that may affect it.

Legislation also affects all businesses as owners, managers and staff have to operate within the national legal framework. Sometimes, as happened with some nurseries in this study, legislation is introduced that negatively affects a business. The CARA Act (Conservation of Agricultural Pests Act) created difficulties as many nurseries had to destroy stock because it became illegal to sell invasive species.

Social factors outside the nursery often severely complicate and slow down its development. Numerous projects and businesses have been torn apart through power struggles. Similarly, jealousies arising through the implementation of the project can negatively affect the project and result in severe conflicts amongst community members. On the other hand, support from local leadership and the community can boost everyone's morale during difficult times, and can sometimes increase available resources as people share knowledge and their social connections.

There are also many different factors within a business that affect its management (Figure 2). For example, if the mission, aims and objectives of the business are to provide plants to green school grounds and to educate learners, the stock and volumes produced and sold would probably not be as high as a nursery that was aiming to earn enough income to support 8-10 people. While earning money is an important objective in most community nurseries in South Africa, many also try to achieve social and conservation objectives. It is usually difficult to achieve all of these at the same time, although a lot depends on the types of social and conservation objectives. For example, urban greening and mine dump rehabilitation objectives were found to be easier to achieve than growing medicinal plants, because the types of plants needed for the first two tend to be faster growing and easier to cultivate than many species used for traditional medicine. The markets of the first two are also less complex than the traditional medicines sector.

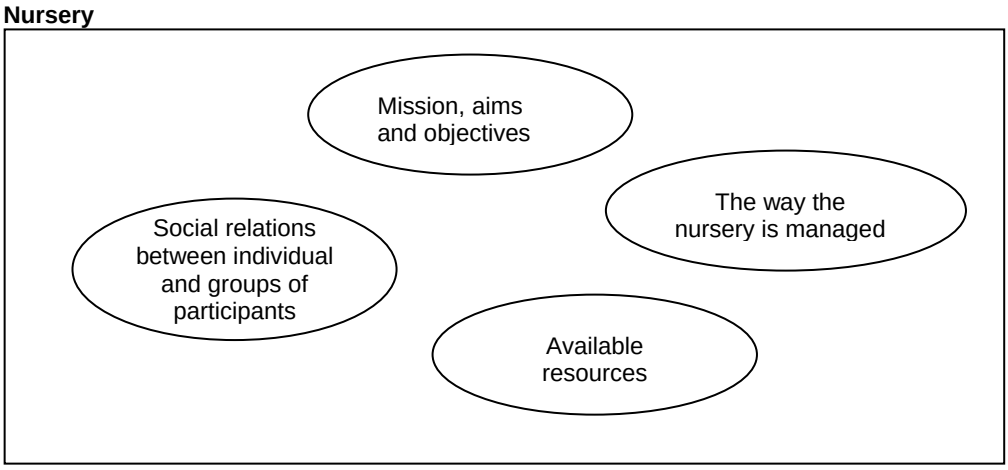


Figure 2. Factors within a business's own environment that affect it.

A nursery is also affected by way the project is managed through the attitudes and behaviour of leaders, the social relations between staff and leaders, and the way that resources are managed. Social relations can often be even more complex in projects that are supported by a number of outside organisations.

Then there are factors that affect the nursery's markets. These include customers (their needs, how much money they have, their behaviour, their social characteristics, etc), as well as competitors (for example, the nursery starting down the road); people who sell plants for a business; suppliers; and all the opportunities and threats that arise through these different factors (Figure 3).

Many managers hope to grow plants to sell to international markets. However, it is very difficult to achieve this as the quality of plants needs to be very high and there are often international laws that affect the export of plants. Most countries would require the plants to be kept in quarantine before they can be sold, to make sure that they are not carrying any disease that can negatively affect plants in their own country. The costs involved in exporting plants are high. If you feel that you might have a product that would be in demand overseas, there are people who specialise in exporting plants who could be able to advise you on whether there is a possibility of entering the international markets.

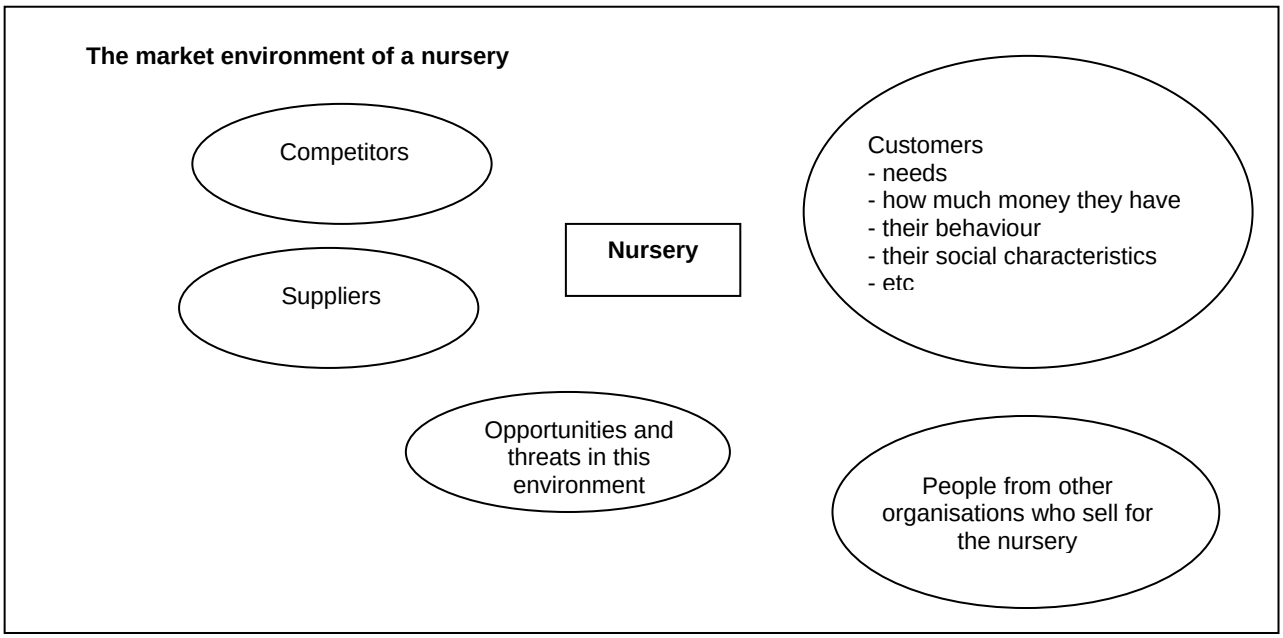


Figure 3. The market environment.

Choosing the place to build the nursery

The location of a business is one of the most important management decisions to be taken - many projects and businesses have failed because they were established in the wrong place. A number of nurseries in this study lost sales because they were built far from their customers. Others were far from the homes of participants, resulting in high transport costs. Some nurseries were established in arid areas with poor quality water and soils. Many projects struggled to get plants to their customers as neither they nor their customers had transport. Even if transport is available, long distances can raise costs unless transport is well managed.

The physical requirements of the nursery (such as soil, water) need to be considered, as do business and transport. Infrastructure such as adequate roads, telephones and water pipes are also important. Poor roads increase wear and tear on vehicles and raise transport costs, and often limit the types of customers who will visit the nursery. Nurseries relying on business from the general public need to be easy to get to and preferably, seen from the road although signboards can help if this is not possible. Some participants felt that certain customers were afraid to visit their nurseries because they were afraid of crime. Again, people need to think of ways to deal with this at the start of the project – solutions depend on the area and resources available.

Although people often have to make do with the land that has been allocated to them, it is important to consider the consequences of a nursery that is established in an unfavourable location.

Setting objectives

Although some people work very hard, they never manage to achieve their dreams because their activities are not organised and they spend time doing things that are not important. Setting objectives helps provide direction, so that peoples' work, energy and efforts are spent as productively as possible while moving them towards their goals. Objectives also help to evaluate progress. After a few months, participants can compare the objectives that were previously set to see whether these were achieved. If they were, new objectives can be set. If not, the reasons for this can be identified early and ways to solve the problem can be explored,

rather than carrying on with activities that are not producing the desired results. Regularly checking that objectives are being met helps to make sure that *all* the objectives are being achieved. Sometimes, if people are under pressure to earn money, they forget their other goals – for example, getting benefits to the community or trying to improve the management of plants. Evaluations can help to re-focus attention on all the important aspects of the project.

The first step in setting objectives is for community participants to draw up a picture (often known as a vision) of what they would like to achieve through the nursery. Although this is basically peoples' dream for the business, it helps to provide focus, and inspire pride, loyalty and group spirit. This vision can also often be used in marketing materials. An example of a vision for a group of traditional healers could be: 'to grow medicinal plants to meet the needs of our patients and those being treated by other traditional healers, and make sure that these valuable plants and medicines continue to be available for our children and grandchildren in the future'. An example of a vision for a community entrepreneur could be: 'to develop a business to leave to my children to give them a better start than I had, and to help conserve the beauty and diversity of the plant life in this area'.

From here, more specific objectives can be drawn up. Most businesses and projects have a number of objectives, including financial, production, social and environmental goals, although some of these overlap. A social and business objective of a nursery could be to provide customers with plants that they want and can afford (these would need to be specified, based on market research). A business goal could be to earn money to keep the nursery going (the amount calculated according to Boxes 1 and 2) and to pay participants a certain wage for the work they have put in (again, specific amounts). A natural resource management goal could be to improve the management of wild plants such as those used in traditional medicine, stating how this will be achieved and measured. An example of a specific production and natural resource management goal could be to plant 20 fruit trees into the school grounds to provide learners with shade and extra nutrition. Most businesses develop long-term plans for about 3-5 years, as well as medium-term plans for 1-2 years and short-term goals that include monthly, weekly and even daily plans.

Although most nurseries in this study had developed objectives, they were not detailed enough. This meant that they were not very effective as either a planning or evaluation tool. Objectives need to:

- be *specific* –the 'asking words' of who, what, why, when, how and where should be answered.
- fit the *needs* and *lifestyles* of participants. For example, if community participants already work full-time, an objective stating that everyone must work 35 hours a week may cause personal problems and conflicts within the group. Similarly, if a certain amount of money needs to be raised from participants to meet the costs of the nursery, think about the circumstances of the unemployed people in the group, or those with lots of children to support.
- be *flexible,* in case circumstances change (for example, unexpected floods or drought, economic problems, participants experiencing personal problems) **or** *if the original objectives are not working and are unlikely to work in the foreseeable future*).
- be *measurable* and relate to a particular time, so that it is possible to see whether they have been achieved. This means that you need to include quantities wherever possible. For example, grow 2 000 seedlings per month. Or: earn enough money to cover our costs this year (expected to be R10 000).

This means at least 2 000 seedlings need to be sold at a profit of R5 each, or 4 000 seedlings at a profit of R2.50 each.

- *within reach* – while it is good to aim high to make sure that the nursery does as well as possible, it should be possible to achieve the objectives. Setting ambitious objectives that are impossible to achieve only leads to discouragement. Also, the nursery should not create high levels of additional stress for community participants. Many people participating in projects like this are already experiencing high levels of stress in their daily struggle to provide enough food and money to support their households.
- *acceptable* to all the participants in the group, to the broader community and to the institutions and funders who support the project.

Additional example of detailed objectives are:

- To grow 15 000 seedlings this year if the pipes are laid by October, otherwise grow 7 500 seedlings.
- Each participant to produce 420 seedlings per month.
- To sell 5 000 seedlings to the public at R5 per plant and 8 000 seedlings to landscapers at R3.75 per plant.
- To have two school groups visit the nursery each month.
- Grow 1600 extra seedlings to provide each visiting learner and teacher with plants to grow in their own gardens.

ADMINISTRATION AND ORGANISING

All businesses and projects need to be well managed. When a number of people are working on the same project, it is important to be clear about the tasks and responsibilities of each person. For example,

- people need to know what work they have been allocated
- somebody needs to check that the work has been done
- somebody needs to look after the finances (e.g. make sure that bills are paid, that receipts are given to customers, that sales are recorded, that money is deposited into the bank regularly)
- somebody needs to make sure that enough new plants are grown to replace stock that has been sold
- somebody needs to make sure that the nursery always looks neat and tidy, that the plants are well cared for and that tools, buildings and other implements are looked after.

In this study, most nurseries had kept receipts. Some also regularly counted their stock (the number and type of plants in the nursery). But, generally, the level of record keeping was low. Records are important in helping to control theft, but can also help to manage the resources available to a project. For example, keeping records can help you to see whether certain types of customers prefer a particular type of plant, and can warn you that you need to start stocking up species that have sold well. The type of accounting systems that are set up depend on the type of legal structure, but should be kept as simple as possible. Of course, it is essential that they are kept up to date.

The person given the responsibility of looking after the financial records must be able to read and write, and know how to carry out these tasks. Supporting organisations need to work with the person and the group until they are able to manage these activities on their own. Everyone involved in the project needs to understand that it takes time to develop these skills. They also need to be aware that mistakes are part of

the process of learning. In some projects, people were accused of stealing when they struggled to balance their books. It is also critical to make sure that report backs are held regularly both to the group and, if necessary, community, so that problems can be identified and dealt with early.

A different administration system is usually needed when plants are sold to large organisations than when products are sold to private individuals or smaller organisations. All large companies have developed systems to try to make the placing of orders and payments of accounts as simple for the organisation as possible, and to help control resources. Unfortunately these do not always favour their suppliers. If an opportunity arises to sell products to large organisations, it is usually necessary to work within their systems, which is not always easy as many organisations work on a 60-90 day payment system. Community participants need to know from the start how an organisation's system works and how long delays in payment are likely to be to help them better manage their cash flow. From the organisation's side, it is important to try to streamline administrative systems as far as possible for projects of this nature. Several large organisations have been prepared to simplify their ordering and payment procedures, which has helped the project and community participants considerably.

When a nursery starts to earn profits over a certain level, taxes need to be paid. The amount of tax depends on the type of business structure that has been set up. Most supporting organisations have staff or contacts who would be able to provide advice on this. But *do not leave it*. If the Receiver of Revenue finds out that tax has not been paid, the project could be fined and penalties may need to be paid. If a project is registered as a charity (PBO) or Section 21 company (?) it could apply for tax exemptions. If the nursery is set up as a cc or partnership, it is worth employing a professional accountant to help fill in tax forms and make sure that legislation is complied with. Many accountants who work with private clients and small companies charge reasonable rates although, of course, these depend on the amount of work they need to do. At least part of these fees are likely to be covered through their knowledge of the legal tax deductions that can be made.

Additional administration activities involved in running a nursery are discussed in the booklet 'My nursery'.

WORKING WITH PEOPLE

Unfortunately, not all nurseries in the study had good relations with their employees. This was often due to inexperience. Community participants need to understand the labour legislation that applies to projects of this nature as South African law requires that everyone working in a business needs to know which labour laws affect them. Since 1994, South African labour law has been changed to make sure that the rights of employees are protected. The Basic Conditions of Employment Act (75 of 1997) covers hours worked, leave, payment of wages and giving notice to leave the business. It also prohibits child labour and forced labour. A summary of the Basic Conditions of Employment Act is provided in Appendix 4. A full copy is available through the Dept of Labour: http://www.labour.gov.za/docs/legislation/bcea.

Apart from legal requirements, poor relations with employees usually lead to loss of performance and productivity. Problems arise when people try to force others to do what they want, and prevent them from discussing problems that they are experiencing. While it may be possible to physically do this (for example, force someone to work for you because they owe you money), inevitably the other person will become resentful. This will not only result in the person not working to their full potential, but bad feelings and poor

morale is also likely to spread to other members of the group, lowering productivity. Working together to find solutions where everybody wins not only solves the particular problem under discussion, but builds trust and confidence amongst people that future problems can be dealt with in a similar way. Building a cooperative working environment can lead to higher productivity and fewer losses through carelessness or theft.

Managing a project or business entails balancing the needs of the project with the needs of people. While this sounds obvious in theory, it is often difficult to implement, especially when people are working together under tough conditions. Most people join groups to achieve both physical benefits (such as an income and improved food security) as well as those that cannot be seen and touched, e.g. improved knowledge and social benefits. Leaders need to be able to motivate others to achieve certain tasks and activities to get them closer towards their goals, as well as manage the communication and relations between individuals and the group. If a leader manages human relations well, but neglects to make sure that tasks are carried out, the project will not succeed in achieving its goals. Similarly, managing tasks well and neglecting social relations will negatively affect the project. It is a like riding a bicycle – you need both wheels forward to move if you want to progress.

Groups who reported that they were working well together in this study said that they sat down and discussed problems when these arose. If there was a disagreement (which did not often happen), they would sit until everyone was satisfied that the problem had been dealt with. This did not mean that everybody always got their own way. Although they tried to find solutions to problems that everybody was satisfied with, sometimes compromises had to be reached. Over time, there is always give and take in any relationship. It is also helpful to have guidelines in place to provide procedures that should be followed if thorny conflicts should arise. These can be included in the constitution.

All the nurseries struggled through a lack of funds to pay community participants wages. Although some were working on a volunteer basis, the understanding was that money generated by the nursery would be used to pay them. The time taken to produce earnings was regularly under-estimated, which meant that volunteers ended up working for a long time without getting paid. Some projects experienced a high number of drop outs as people became discouraged at working for a long time without being paid, which meant that new participants had to be trained repeatedly to carry on with the work. In several projects, participants stole money and/or materials from the project to make up for money that they had not received. At other projects, community members paid project expenses out of their own resources. When people dropped out of the project, the remaining participants had to pay a higher proportion each month, further straining their household budgets. These types of difficulties need to be considered during planning, bearing in mind that it can take 5-10 years to produce financial returns in a project of this nature.

SETTING UP CONTROLS

All resources need to be controlled to make sure that they are not wasted and, in the case of physical and financial resources, to reduce theft and misunderstandings. While some of the suggestions that follow may seem to imply that people should not trust each other, the opposite is in fact true. Effective controls can help reduce conflict and suspicion by preventing problems, or providing an early warning system that enables them to be dealt with before they grow. If people know that effective controls are in place, they are less likely to be tempted to ‘borrow’ an item without permission because they know it will be noticed.

Money, tools and plants were stolen in numerous projects, sometimes by people outside the project and sometimes by participants. Because controls were not regularly carried out, thefts sometimes went unnoticed for a long time, resulting in high losses.

Controls also help manage expenses, as participants can easily check whether they need to buy replacement stocks or equipment. Regularly running out of materials is inefficient and costs a business time, money and productivity. Good record keeping also helps keep good relations with customers and suppliers. For example, it is easier to check whether accounts have been paid or still need to be paid. Regular stock takes can help to see which product lines are selling well, and to build up products again before they run out.

Money is a main cause of arguments in development projects and business, both when there is not enough of it and when money becomes available through funding or profits. Conflicts often arise if participants feel that money has not been properly accounted for. Sometimes people suspect money or equipment has been stolen, even if no thefts have taken place. These shortages can be due to expenses being higher than expected, wastage of resources or because an inexperienced treasurer or clerk made an error in the books. Regardless of the cause of the problem, people are often hurt unnecessarily during these conflicts.

It often helps to divide up the tasks that involve the handling of money amongst different members of the group so that an individual is not tempted to take money. For example, one person can be responsible for making out invoices, another can make out receipts. All receipts, invoices, petty cash slips, etc are given to a different participant to enter into the books, and check. This should be done regularly so that if there is a problem, it can be checked while peoples' memories are fresh. This type of system is not always possible if there are not enough people at the nursery at any one time to be able to do this. A system needs to be developed that suits the project.

Similarly, people should be made responsible for maintaining the tools that they use, and making sure that they are packed away each day. One person could be made responsible for equipment maintenance, checking it regularly to make sure that it is all there and being looked after. Monitoring is a further type of control that can help keep a project on track.

MONITORING

*Monitoring is a critical part of management, although a detailed discussion is beyond the scope of this manual. Several useful manuals can be downloaded from the internet (see Further Reading). Monitoring can help people identify problems that are slowing down the achievement of their objectives and show which activities are less successful than others. The type of monitoring that needs to be carried out depends on the project and the situation. An annual evaluation may be enough for small-scale projects, with checks on activities being made on, say, a monthly basis to evaluate whether progress is being made and where problems are occurring. The most basic form of monitoring is an evaluation to assess whether the objectives of the project have been met. This can only be done if objectives are specific and measurable, as discussed under planning. In addition to assessing objectives, a SWOT analysis is useful to assess the strengths, weaknesses, opportunities and threats to the business, to help it to improve its position. Evaluating the

impacts of the project on the well-being of participants can also be valuable. There are a number of manuals available to assist people with monitoring.

PART 2. MARKETING

A range of marketing problems were experienced by all the projects that participated in this study. These included (1) lack of transport; (2) difficulties in finding markets; (3) lack of promotion of the nursery and its products; (4) a lack of understanding of the different types of markets; (5) a lack of understanding of the different types of customers and their behaviour and (6) a failure to develop different types of products suited to different types of customers.

When planning marketing activities, it helps to think of the four P's of marketing: Product, Place, Price and Promotion (called marketing communications in this manual, because of the emphasis on developing relationships rather than just trying to promote the project and products). But before you can think more clearly about the best ways to deal with each of the four P's, an understanding of your customers is necessary.

Finding and choosing markets

There are different ways to analyse markets. A first step is to identify the social characteristics of the people who may form a customer group. A lot of information on incomes and the social characteristics of people from different areas is available through the state census, which is available on the internet (http://statssa.gov.za). Local municipality and organisations involved in development activities in the areas concerned should also be able to help with this type of information. It is important to try to identify a number of different groups of customers. For example, people from different residential areas might have different socioeconomic characteristics. Within the same area, people can have different needs. For example, families might need plants that provide for food and medicine. Women might want ornamental species to grow attractive gardens. People might buy certain plants as gifts, or to plant to celebrate the birth of a baby or remember the death of a loved one. Teachers could buy certain species to improve the school grounds or to use as educational tools.

Other information needs to be obtained directly from possible customers. A questionnaire can be drawn up to help obtain this information. Discussions with friends, family and existing customers can contribute information, but your friends and family might tell you what they think you want to hear. They might also have opinions that are similar to yours, so you need to actively seek out other opinions as well. Appendix 2 (D) provides some suggestions on points to consider when trying to understand customer behaviour, product selection and other aspects of marketing.

Know your customers

An understanding of the characteristics and behaviour of your customers is very important. Without this, it will be almost impossible to choose the right products to sell at the right time. Many nurseries have wasted a lot of time, money and effort growing plants that people did not want and that they were later not able to sell.

A lot of work has gone into studying how customers choose, buy and use products and services that are offered in shops and other businesses. Even so, understanding customer behaviour is not easy. People may

say that they want one thing, but then act in a different way while they are shopping, because they see or hear something else in the environment that makes them change their minds. Despite this, it is important to try to study their needs, wants, perceptions and shopping behaviour. This includes understanding the cultural and socioeconomic factors that influence customers. For example, if people are living in an area where there is a high level of unemployment, will they be able to afford to spend money on plants for their gardens, even if they want them? Do people from different communities have different needs and wants? People from wealthier areas may have more money, but be nervous about driving to a place that they do not know, especially if they are afraid that the crime rate may be higher there. They may also prefer different types of plants. Do individual customers from a particular area want the same species as conservation organisations who are buying plants for greening programmes? The style of buying of organisations such as municipalities and conservation organisations differ from private individuals. For example, although you may receive a large order from them, you often have to wait longer for payments, which can create difficulties with cash flow.

You can learn much about the way that people buy products by thinking about the different ways in which you and your family shop, as well as by watching (inconspicuously!) customers when you go shopping. Sometimes, people buy for convenience. They do not spend time looking for the 'right' product. They just pick up the nearest one, or a product they trust because they have used it many times before. For example, most people would not spend much time comparing prices or differences between loaves of bread. Similarly, people usually know which brand of washing powder they prefer. In a nursery, people buying vegetable seeds for their home gardens might do this because they are not spending a lot of money and they know the type of vegetable they want (e.g. tomatoes, spinach, etc) but are not too fussy about which company produced the seeds.

When people are buying a more expensive item, for example, a fridge or a television, they will spend time looking for the best product to suit their needs and compare prices between different shops. In a nursery, people might spend more effort looking for the right tree to plant in their front garden. If there is only room for one tree they might want something that is beautiful, and provides fruit and shade.

At other times, people buy on impulse while they are looking for something else. For example, they come to the nursery to buy vegetable seedlings, but then see pretty annual flowers which they could use to decorate their front gardens and also buy these. When the nursery is set out, try to arrange products so that those that people might buy on impulse are displayed in places where they can be easily seen e.g. at the entrance or near the office where people have to go to pay. Planting an attractive display can also encourage people to buy different selections of plants.

Products

You can lose a lot of money by producing species that people do not want. For example, it might be tempting to grow spinach, as most people like it and it is quick and cheap to grow. However, precisely because of this, people are unlikely to buy spinach seedlings if they are able to buy seeds at lower prices. On the other hand, cabbage needs a lot of space. If you have the land, this may be a good crop to grow and sell locally. Similarly, people with small gardens are not likely to buy many trees. A number of South African nurseries were started to grow trees to meet fuel wood needs of the area. After large stocks of these seedlings were

built up, it was realised that most local residents preferred fruit trees and did not have enough space to plant more than one tree in their small gardens. It is crucial to ask potential customers which products they would like to buy before spending time and money in developing product ranges.

When you sell a plant, you are selling more than just a plant. Yes, the plant is the physical product that the customer takes home. But also you need to understand the real reason that customers are buying the plant. People buy a tree for more than just its green leaves, branches and trunk. Some may buy it because they want ‘nature’ in their gardens. Others value one or more of its uses e.g. shade, fruit, prevention of soil erosion, etc.

You can try to meet the needs of different customers by stocking different types of plants. This can also help lower risk. If one market changes or a product fails, there are others to fall back on. For example, a conservation or greening project may need large quantities of plants to rehabilitate a wetland area or to distribute during Arbour Week. They often place bulk orders and want small, tough plants at low prices. Individual customers who do not earn a lot of money may want to buy plants for their gardens at low prices and are not interested in expensive packaging. Many nurseries have found that vegetables provide a steady source of income that help to make ends meet while they are struggling to develop other markets. Other customers may want a tree that is already quite large, and would be willing to pay a higher price for it rather than wait for it to grow. Shrubs are often a neglected product that would sell very well as they are needed in gardens of all sizes. It is useful to draw up a table with the general characteristics of different customer groups and the type of plants that they are likely to be interested in, based on your earlier market research.

Some products enable you to charge higher prices because you add value to a basic product, for example, pot plants. A nursery in this study encouraged people to give pot plants and trees as living gifts to celebrate the birth of a child, a birthday or anniversary, or to remember a loved one. Perhaps ladies in the area could make good quality pots (with holes in the bottom to allow water to drain) that could be filled with a pot plant. Some pots could also be sold as a separate product. This could help increase the quantity of products sold and help others in the community to earn money through the nursery, helping to spread goodwill.

Nurseries can also stock equipment and products that are needed by people who are gardening, for example, hosepipes, water cans, garden forks, spades and trowels. The nursery could make extra compost to sell to people who do not want to make their own.

It goes without saying that products need to meet acceptable standards of quality, or the nursery will soon be out of business. The standard of quality needed depends on the type of market the plants are being grown for. Horticultural wholesalers have very strict requirements which are usually difficult and expensive to meet. Plants have to be grown in special growing mixtures and meet strict specifications. On the other hand, plants growing in many nurseries run by community groups are tough because they are not watered and fertilised often, making them ideal for landscapers, municipalities, greening projects and the general public.

Additional services could also be provided to add value to products and help improve relations with customers and the broader community. For example, several nurseries in this study offered free gardening advice. You should always tell customers how to plant and look after the products they buy from you, to

improve the chance of the plant doing well. People seldom blame their poor gardening skills if a plant they have just bought dies - they are more likely to blame the nursery for providing poor quality plants. Successful gardening on the other hand is entirely due to their green fingers!

Finally, it is important to understand the strengths and weaknesses of your products in relation to any competition.

Pricing

Finding the most suitable price to charge for a product is not easy. To set prices, you need to know how much you spent in producing the product. This includes all your costs, including rent, running the office (telephones, computers, invoicing, etc), labour and the cost of producing plants. You then need to add an extra margin so that you can earn a profit. At the same time, your prices need to be competitive with other nurseries and fall within the range that customers are willing and able to pay.

Many nurseries in this study struggled to set prices that customers were willing and able to pay, and still earn enough to enable them to cover their costs and earn incomes. One way of dealing with this difficulty could be to stock different size categories of products. For example, people in the community should be able to afford R2 for a small seedling or plug. They would just need to wait a little longer for the seedling to grow. Larger quantities of low priced products need to be sold to earn the same income as products for which higher products are charged. Stocking different types of products helps to balance this and cater for different markets. For example, private nurseries and organisations might prefer to buy plants in ½ litre bags for slightly higher prices. As many of these customers buy in bulk, this could make a worthwhile contribution to the income of the nursery. Wealthier customers who want larger plants could be charged higher prices as extra time and resources are needed to produce these. Depending on where the nursery is situated, and the wants and needs of its customers, fewer plants in this category might be sold. In this way, different sectors of the community and products are catered for, and the nursery is still able to earn enough money to survive. Box 3 summarises how prices affect the number of plants that need to be sold to make profits.

Box 3. Relationship between prices and number of plants that need to be sold to earn a certain profit:

Low prices: large quantities of products need to be sold

Higher prices: fewer products need to be sold

Market researchers have found that people will resist paying higher prices for certain products once they become used to paying lower prices, so it is important not to set prices too low at the start of a project to try to encourage customers to buy. This particularly affects products such as plants, which are not essential items (as are bread, mielie meal and paraffin). People can go without them when they are cash strapped.

Marketing communications

Marketing communications include (i) advertising the nursery and its products; (ii) providing information about cultivation to customers and (iii) developing good relations between those involved in the nursery and others who could affect or are affected by the project e.g. supporting organisations, funders, the community in which the nursery is situated, customers and the broader public.

In this study, people advertised their nurseries in different ways. Some printed leaflets telling customers about specials. Others sold plants at pension days, or bought a bicycle and trailer and rode through the community with a loud speaker. One project held art competitions for school children. All agreed that it was very important to have signboards to guide customers to the nursery. It is also important to constantly keep the nursery in the public eye. Widespread advertising during one season is not necessarily going to produce sales the following year.

One nursery provided an advisory service for local residents in which they visited peoples' gardens free of charge. Although this was time consuming, it helped to improve relationships between participants from the nursery and their customers, and helped participants understand the types of problems being experienced locally. A different project complained that community residents no longer bought plants – but did not know insects were destroying their customers' plants. Advice on cheap, safe ways of controlling insects might have encouraged customers to return to buy more plants.

Today, it is recognised that businesses need to build long-term relationships with people, not just with customers, but also with employees and the broader community. This is partly achieved by providing good quality, reliable products and services, and partly through building a business based on fairness, trust, honesty and treating people as though they matter. Many larger businesses worldwide also try to be seen to be contributing to the community in which they operate, partly due to public pressure and partly because they hope that this will encourage people to support them.

Paying attention to human relations becomes even more important in communities who are struggling with high levels of unemployment and poverty. Numerous projects and businesses from different sectors have found that working under these circumstances is not easy. If a project does not make as much money as hoped for at the start, people may criticise participants for working for free. On the other hand, if the project starts to earn money, people who were scarce during the tough times suddenly want to become partners!

Jealousy was experienced in most of the projects in this study, resulting in gossip, stealing and/or vandalism. Again, contributing to the community can reduce the potential for conflict. For example, some nurseries in this study gave free vegetables and seedlings to those in need. Most promoted the nursery as an educational tool, inviting schools and other groups to visit, giving them free sample plants to take home. Several medicinal plant nurseries trained visiting traditional healers in techniques to grow plants.

Staff from organisations need to be sensitive to the challenges of setting up a nursery in an area experiencing high levels of poverty. Drawing too much attention to a single project or individual can create jealousies that lead to conflict and even violence. This can happen through too much attention being focussed on a few people e.g. too many outside visitors arriving peoples' homes, or the same people being asked to participate in field trips and media interviews. Problems can also arise if the project looks as though it is starting to do too well, without putting something back into the community. The key to working successfully in a largely impoverished community is to keep the project and peoples' profiles modest, and to be seen to be contributing to the greater good of the community.

Getting plants to customers

Although this is obviously is one of the most important marketing activities, it was seldom well thought through during planning. Few projects had reliable transport and most people thought that this would be dealt with once the nursery was established. This seldom happened and a lack of transport continued to be a major stumbling block over the years.

CONCLUSION

Managing a business is a complex process that involves many different skills. Each of the activities (planning, organising, administration, human resources and marketing) that have been discussed is crucial to the successful management of a project or business. In large businesses, highly trained staff specialise in each of these activities. In a small business, the owner or manager needs to know how to do each one! This makes the running of a small business or project very challenging. Fortunately, most of these skills can be learnt or developed through experience. Support is also often available through government agencies or non-governmental organisations.

Although business management is critical, it is also important to make sure that the other objectives such as social and environmental goals of the project are not forgotten. After 5-10 years, a few nurseries in this study started earning enough money to cover their costs, pay employees and even produce profits. However, not all achieved their social or conservation goals. It is important to check that all the objectives are being tackled at regular intervals, because it is easy to lose focus during financial hardship.

Despite the challenges, participants at those nurseries that had started to achieve their goals believed that the hard work and persistence had paid off, and were justifiably proud of their achievement. As one community participant described his experience,

> "[When we decided to start the nursery] …*Madiba was the president ... He said that if there is something that you want, you must do it. That is how we decided to go ahead with the nursery. It was a long, hard struggle, but today the nursery is first. I began working in the building industry, then at a filling station. But I never had such a feeling at any of my other jobs. … the nursery is* ***my*** *nursery. It has really changed me*."

APPENDIX 1. FURTHER READING

Outreach nurseries

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APPENDIX 2. CALCULATING THE NUMBER PLANTS THAT NEED TO BE SOLD TO COVER EXPENSES, AND TO EARN PROFITS.

1. Add up all your expenses for a month. See Box 2, page xx for estimates of costs to grow plants in different size bags.

2. Calculate how many plants you need to sell each month to cover your expenses:

   Expenses / Cost per plant

3. If you want to earn a profit, add the amount you would like to earn to your expenses.

   (Expenses + Profit) / Cost per plant

4. Multiply this amount by 12, to calculate the amount you need to earn each year. A nursery often sells most of its plants during the growing season. In summer rainfall area, this is usually between September and December.

APPENDIX 3. SOME POINTS TO CONSIDER DURING PLANNING AND EVALUATION

These questions need to be considered by both community participants and supporting organisations. Obviously this is not a complete list, and not all the suggestions are applicable to all nurseries.

A. Personal aspects

- What are your personal goals in life?
- Why do you want to start a nursery?
- Do you love plants?
- What do you know about growing plants?
- Are you planning to earn money from the nursery? If so, how much do you know about running a business?
- Do you know how long it has taken other nurseries to provide regular incomes to people who were working on the project?
- How will you earn money to provide for yourself and your family while you are setting up the nursery?
- How much time do you have available? Have you enough time to be able to work on the nursery and earn money or grow food to survive?
- Where will the nursery be situated? Will you be able to afford the transport money to work at the nursery over the years?
- Are you prepared to work for a long time (often 5-10 years) before the nursery starts to earn an income?

B. External environment

Physical

- Where will the nursery be built?
- Is there enough water closeby? Is water available during drought years? Is the quality of the water good enough to support a nursery?
- Are the local soils suitable for cultivation, both at the nursery and for your customers?
- Is regular transport available to get plants to your customers? If not, how will plants be distributed? If someone (or an organisation) has agreed to help, do they understand that regular help will be needed for a number of years? How are you intending to eventually solve transport problems, so that you don't need to rely on someone else? Is this plan realistic?
- What building materials from your local environment could be used to build the nursery, to keep costs as low as possible?

Technological.

- Is any technical equipment needed? It is important to think carefully about the long-term effects of acquiring technical equipment. For example, if a pump is installed, who is going to pay for fuel?
- Is the equipment simple to maintain? Complicated technology often causes problems.

Economic

- What is the economic climate at the moment? What effect could that have or is that having on the nursery industry? How would this economic climate affect possible customers, suppliers, people selling for the nursery and supporting organisations?

- Are there any opportunities arising from the points above?
- What are the threats, and how can you reduce the negative effects of these?

Social

- What are the likely social impacts of the nursery?
- Are there likely to be any changes in relationships with people in the community over the next five years? What are these changes? Why might they occur? What can you do to improve your relationships with different groups in the community?
- How can you improve your relationship with different groups of customers, to encourage them to return to your nursery and recommend it to others? Are there cultural differences that may slow sales? How can you change this? Is there anyone who could help you to bridge these gaps in the beginning?

Organisations

- Identify organisations who could offer the nursery support. What support could they provide?
- Are there any other organisations that might affect the nursery, positively or negatively? How?
- If you are working as a group, do you have an existing organisation? Does one still need to be developed, or are you planning to work as a less formalised group?
- Do you have ground rules for working together, particularly during difficult times that often arise as projects progress?
- Does the organisation have a constitution?
- What benefits are you expecting? How are you going to distribute these?
- What controls are you going to set up to minimise theft and encourage accountability?
- How are you going to resolve conflicts?
- If the nursery is already established, is the institution effective? If not, how could it be improved?
- Are working relations with other institutions healthy? How can these be improved?

Political and legislative environment.

- How does the national, regional and local political situation affect your business? Think about this in terms of positive and negative effects, as well as possible opportunities and threats.
- Are there any laws that affect what you can sell? How could you turn these laws around to your advantage? For instance, perhaps people been growing invasive exotics and are no longer allowed to do so because of the new CARA legislation. Would it be possible to identify alternative types of plants to grow and, working with the organisation that is most active in your area, run an education programme encourage people to replace their invasive aliens and, at the same time, advertise your nursery?

C. The internal environment of the nursery

Resources

- What resources are available to you? List them under the following categories:
    - Financial
    - Human
    - Knowledge
    - Information
    - Technical
    - Other

- How are you going to manage these resources?
- What other resources will be needed? Where will these be obtained from?
- What controls need to be set up?

Objectives

- What is the community participants' vision (dream) for the nursery?
- Draw up objectives for the nursery, with the suggestions on page ** in mind.
- How are the goals you have drawn up for the nursery likely to help you achieve your personal goals?

Management

- How are you going to run the nursery?
- If you are working as a group, how are you going divide up tasks and responsibilities? It is helpful to think about peoples' individual strengths and weaknesses when choosing tasks for them.
- How are you going to make sure that people do their share of the work?
- How will decisions be made? Is there an alternative way of making decisions?
- If there are differences of opinion over the running of the nursery, how will you sort these out? It is useful to work out procedures to be followed in the event of a serious conflict now, rather than trying to do so during the conflict.
- What is the most appropriate business structure for the nursery (see Appendix 4)?

D. Market environment

The market environment includes customers, competitors, intermediaries and suppliers. We will concentrate on the first three as most nurseries in the study did not have many suppliers. It is critical to think about your customers and markets *before* starting a nursery. These questions could also help you if you are trying to improve sales with an existing business.

Factors that may affect markets

- What are the main economic activities in the region?
- What are the main local economic activities?
- What is the size of nearest city, town and/or village from which customers will be drawn?
- What is the unemployment rate?
- Are the settlement patterns mainly urban, peri-urban or rural? Do they have space to group plants in their gardens?
- Is the climate good for growing plants?
- Can customers easily get to the nursery?

Customers

For different groups of people from the public who may be interested in buying plants, think about their

- Age groups
- Gender(s)
- Culture(s)
- Income(s)
- Occupations
- Social class
- Religions
- Education

- The size of a typical family in this group
- The type of family who is likely to buy from the nursery – for example, newly weds, parents with children, extended family with children, parents who work away while grandmothers look after children, older couples whose children have left home.
- The lifestyles of possible customers
- Their personalities. Are they quite traditional, for example, and like a certain type of plant that their parents might have grown? Or are they do they like to experiment and try new things? Do they look down on people who grow plants, or do they think that plants can help to make the environment beautiful? Do they like to sit in the garden and socialise with their friends?
- Are there any organisation in your area that might need plants? What type of organisation is it? Why would they be interested in buying plants? What types of plants would they need?
- Where do they come from? Do they live close to or far away from the nursery? Do they know the area in which the nursery is located? If they don't, will they be comfortable visiting the nursery? If not, how will you get plants to them?
- Do they already grow plants? If not, are they likely to start growing plants? Did they grow plants before, but have now stopped? What would encourage them to grow plants?
- Why would they buy plants? Do they want to grow food plants so that they can save money or have fresh fruit and vegetables? Or do they want to have a pretty garden? Or perhaps plant certain species to prevent erosion in their fields or act as windbreaks?
- When would they be likely to buy plants? Every spring? Special occasions?
- How much money are they likely to have to spend on plants per year?
- What types of plants do people already grow?
- What types of plants or other products would they want to buy?

If your nursery is already established, think about your existing customers.

- Do you have customers who return regularly? Or do most only visit the nursery once, or occasionally? Why do you think that happens?
- How could you increase their loyalty?
- Is there a specific time of the year when most sales made? Are there any other occasions or times of the year that could be used to increase sales?
- Think about your customers' attitude to plants in general, and your products in particular. Are they enthusiastic, indifferent, negative, hostile. Why?
- Are there any other products or services that you could be offering them, to increase sales as well as to improve your relationship with people in the community?
- How could you encourage people to buy plants on their special occasions?

Competitors

- Who are your competitors?
- What sector of the market do they service?
- Could any new competitors appear in the future? Where are they likely to set up their business? What effect could this have on the nursery?

People who could sell products or market the nursery

- Are their any people or organisations who help, or could help, sell or market your products?
- Do your competitors use people or organisations to sell their products?
- If there are none at the moment, are there any interest groups who might be able to help? For example, if you grow indigenous plants, perhaps you could encourage a local gardening club, or a specialist plant club, to market your products. In some areas, outreach nurseries have developed links with private commercial nurseries, who buy plants from them to re-sell to the public.
- Do supporting organisations actively market the nursery? Are there additional ways that they could do this?
- What would happen if the person who is currently working on the project left the organisation?
- What would happen if the organisation stopped supporting the project?

APPENDIX 4. DIFFERENT TYPES OF BUSINESS STRUCTURES

Some aspects of legislation relating to micro- and small- businesses are under review. It is strongly advised that you obtain professional advice on the most appropriate structure for the nursery. This section provides a basic comparison of some options.

Sole Proprietor

This is a simple form of ownership in which a business is owned and managed by one person. The business does not have a separate legal existence apart from the owner. So, for example, if someone sues the business, they are actually suing the owner. The belongings of the owner (for example, house, car and other possessions) are also not separate from the business. This means that if the business goes bankrupt, the owner could lose his/her personal belongings as well, as they can be claimed by people who are owed money to pay outstanding debts.

If the owner dies, the business 'dies' as well. The physical assets of the business go into the owner's estate to be disposed of according to the terms of his/her will. If the owner leaves these assets to a particular person, that person can then carry on with the business.

The owner takes responsibility for all business decisions. Profits are taxed on a personal level according to the marginal tax rate of the individual (i.e. normal tax rates). The owner would need to register as a provisional tax payer.

Advantages

- It is quick and simple to set up and close down the business.
- The business can be more efficiently managed, as the owner can make quick decisions without having to consult numerous partners.
- There are few legal requirements.
- The owner is able to take all the profits.

Disadvantages

- The owner is personally responsible for all debts.
- If the owner dies, the business no longer exists. If the owner wants someone to take over the business after he/she dies, provisions must be made in his/her will. The person who inherits the business would then set up a sole proprietorship
- There is a limited ability to raise capital.
- The owner may lack business skills.

Partnership

A partnership is formed when 2-20 people contribute capital, property, time or skills to a business and agree on how to share profits or losses. Each partner has a share in the business, and an agreement is drawn up stating how the partnership will work. This agreement can either be verbal or in writing, but the latter helps to remind people of the terms of their agreement and provides better protection if something goes wrong.

Partners receive a share of the profits from the business but are also personally responsible for its debts because, as with a sole proprietorship, the law does not separate the owners from the business. It is very important that partners trust each other, and that there are clear internal rules that guide the behaviour of partners. If one partner does something on behalf of the partnership that other members do not agree with, the whole partnership is responsible.

The partnership does not pay tax, but partners need to pay tax on their share of the profits. An annual audit is not compulsory.

The partnership can only be changed if all the partners agree. So, for example, before one partner can transfer his/her share of the business to someone else, all the partners have to agree to this. If a new partner comes in, or a person leaves, the previous partnership agreement is dissolved and a new one drawn up. If a partner dies, his/her share in a partnership can be transferred to someone else, providing this is included in the original partnership agreement. Otherwise, the partnership dissolves on the death of any of the partners.

Advantages

- The business has greater financial strength than a sole proprietor, because more people can contribute.
- Formalities for the setting up and closing down of the business are relatively simple and inexpensive.
- The managerial skills of the partners are combined.

Disadvantages

- Urgent business decisions are often slower if there are many partners.
- Owners have unlimited liability for debts.
- The continuity of the business can be uncertain.
- Partnership accounts are more complicated than those of a sole proprietorship or a cc, because the proportions of the inputs and profits due to partners need to be maintained.

Close Corporation

A close corporation (cc) is formed when 1-10 members contribute capital, property or skills to a business, and register it as a close corporation. It is inexpensive and relatively simple to register as a close corporation, compared with a private company. Once registered, organisation receives a Certificate of Incorporation and the name of the business ends with the letters cc.

Not all cc's aim to earn profits. Profits of a cc are taxed as they are in a company. If members are rewarded for their financial or other input by paying a portion of the company's profits to them as dividends, these are tax free. However, income is taxable. It is usually preferable to draw up a Members Agreement, to provide clear internal rules of how the business will be managed.

A business that is registered as a cc must obey the Close Corporations Act of 1984, which was developed to simplify the legal requirements for small companies. The administration requirements of the Close Corporations Act have been kept as relatively simple, to help small businesses to be run as smoothly as

possible. However, it is very important that members understand the rules and regulations that need to be followed. Although simpler than those of the Companies Act, they need to be complied with.

A close corporation is considered a separate legal entity to members, and is responsible for debts, providing legislation is complied with and the business has not been managed in a criminally negligent way (the question asked by law is: would this action have been carried out by most responsible people?). If any of the members carry out business activities in an irresponsible way or do not comply with legislation, all the members can be held responsible. If the law has been broken, members can be held personally or even criminally liable.

If a member dies, wants to leave a cc, or becomes insolvent, his/her interest in the cc can be transferred. However, this transfer is restricted because the other members also have to agree to it.

Advantages:

- cc's are relatively simple and inexpensive to set up.
- The business can benefit through the combined managerial skills of members.
- Members do not need to contribute capital.
- Profits distributed to members in the form of dividends are tax-free. However, income is taxable.
- The business still exists and can continue after a member dies or retires.
- The business is considered to be a legal person, and members are not personally liable for debts arising through the business.
- An annual audit is not required by law.

Disadvantages:

- It can be difficult to make quick business decisions if there are many members, which can create problems when decisions have to be made about urgent matters.
- Members need not contribute capital, which can limit the amount of capital that is available.
- Members are limited to 10, which can hamper the ability of the business to raise capital.
- There are more legal requirements in the formation and management of a cc than there are with sole proprietors and partnerships.

Private company

A private company is similar to a cc, but is a more organised structure and may have 1-50 members. Private companies need to comply with the Companies Act, which is extremely complicated. There are numerous laws and regulations that stipulate how everything relating to the business must be run. Because of this, this type of structure is not usually suited to an outreach nursery.

As with a cc, a private company is separated from its owners or shareholders, so that they have limited liability for its debts. Company profits are taxed at 30% and personal income is taxed according to the marginal tax rate for individuals. Dividends are paid to shareholders to reward them for their investments in the company. These are not taxed.

Community Based Organisation (CBO)

Organisation formed by the community to represent their interests and implement their management decisions. Rules are drawn up by the community. earn money? CBO's need to apply for tax exemption?

Section 21 Company

Section 21 companies are set up by organisations such as charities and others in which financial gain is not the main objective, for example, religious, educational, environmental, recreational, cultural or communal organisations. The profits of a section 21 company are kept by the organisation to promote its objectives. A section 21 can pay members for services that they provide, but profits are not shared with them.

Business Trust

The people who are responsible for the trust (known as trustees) use the trust and its assets to benefit those who have been allocated to benefit from the trust (known as beneficiaries), as well as to help the trust achieve its aims. A trust is created by drawing up a document called a 'trust deed' which controls the affairs of the trust. The profits of a trust are taxed, but on a different scale to ordinary companies. The members of a trust have limited responsibility for losses. Between one and twenty people can be trustees.

APPENDIX 5. SUMMARY OF THE BASIC CONDITIONS OF EMPLOYMENT ACT, NO. 75 OF 1997

(Dept of Labour: http://www.labour.gov.za/docs/legislation/bcea/summary1.htm)

(Summary to be kept by an employer in terms of Section 30)

The following is a summary of the provisions of the most important sections of the Basic Conditions of Employment Act, 1997.

1. **APPLICATION OF THE ACT: CHAPTER ONE**
    a. **Section 3**
    The Act applies to all employees and employers except members of the National Defence Force, National Intelligence Agency, South African Secret Service and unpaid volunteers working for an organisation with a charitable purpose.
    The Act takes precedence over any agreement.

2. **REGULATION OF WORKING TIME: CHAPTER TWO**
    This chapter does not apply to senior managerial employees, employees engaged as sales staff who travel and who work less than 24 hours a month.
    a. **Ordinary hours of work: Section 9**
    No employer shall require or permit an employee to work more than:
        i. 45 hours in any week;
        ii. nine hours in any day if an employee works for five days or less in a week; or
        iii. eight hours in any day if an employee works on more than five days in a week.
    b. **Overtime: Section 10**
        i. An employer may not require or permit an employee:
            a. to work overtime except by an agreement;
            b. to work more than:
                i. three hours' overtime a day; or
                ii. ten hours' overtime a week.
        ii. Overtime must be paid at 1.5 times the employee's normal wage or an employee may agree to receive paid time off.
    c. **Compressed working week: Section 11**
        i. An employee may agree in writing to work up to 12 hours in a day without receiving overtime pay.
        ii. This agreement may not require or permit an employee to work:
            a. more than 45 ordinary hours in any week;
            b. more than ten hours' overtime in any week; or
            c. more than five days in any week.
    d. **Averaging of hours of work: Section 12**
        i. A collective agreement may permit the hours of work to be averaged over a period of up to four months.
        ii. An employee who is bound by a collective agreement may not work more than:
            a. an average of 45 ordinary hours in a week over the agreed period;
            b. an average of five hours' overtime in a week over the agreed period.
    e. **Meal intervals: Section 14**
        i. An employee must have a meal interval of 60 minutes after five hours work.
        ii. A written agreement may:
            a. reduce the meal interval to 30 minutes;
            b. dispense with the meal interval if worked fewer than six hours on a day.
    f. **Daily and weekly rest period: Section 15**
    An employee must have a daily rest period of 12 consecutive hours and a weekly rest period of 36 consecutive hours, which, unless otherwise agreed, must include Sunday.
    g. **Pay for work on Sundays: Section 16**
        i. An employee who occasionally works on a Sunday must receive double pay.
        ii. An employee who ordinarily works on a Sunday must be paid at 1.5 times the normal wage.
        iii. Paid time off in return for working on a Sunday may be agreed upon.
    h. **Night work: Section 17**
        i. Employees who work at night between 18h00 and 06h00 must be compensated by payment of an allowance or by a reduction of working hours and transport must be available.
        ii. Employees who work regularly after 23:00 and before 06:00 the next day must be informed:

a. of any health and safety hazards; and
b. the right to undergo a medical examination.

i. **Public holidays: Section 18**
   i. Employees must be paid for any public holiday that falls on a working day.
   ii. Work on a public holiday is by agreement and paid at double the rate.
   iii. A public holiday is exchangeable by agreement.

3. **LEAVE: CHAPTER THREE**

The chapter on leave does not apply to an employee who works less than 24 hours a month for an employer and if an agreement provides for leave in excess of the leave entitlement under this chapter.

a. **Annual leave: Sections 20&21**
   i. Employees are entitled to 21 consecutive days' annual leave or by agreement, one day for every 17 days worked or one hour for every 17 hours worked.
   ii. Leave must be granted not later than six months after the end of the leave cycle.
   iii. An employer must not pay an employee instead of granting leave except on termination of employment.

b. **Sick leave: Sections 22-24**
   i. An employee is entitled to six weeks' paid sick leave in a period of 36 months.
   ii. During the first six months an employee is entitled to one day's paid sick leave for every 26 days worked.
   iii. An employer may require a medical certificate before paying an employee who is absent for more than two consecutive days or who is frequently absent.

c. **Maternity leave: Sections 25&26**
   i. A pregnant employee is entitled to four consecutive months' maternity leave.
   ii. A pregnant employee or employee nursing her child is not allowed to perform work that is hazardous to her or her child.

d. **Family responsibility leave: Section 27**
   i. Full time employees are entitled to three days paid family responsibility leave per year, on request, when the employee's child is born or sick, or in the event of the death of the employee's spouse or life partner, or the employee's parent, adoptive parent, grandparent, child, adopted child, grandchild or sibling.
   ii. An employer may require reasonable proof.

4. **PARTICULARS OF EMPLOYMENT AND REMUNERATION: CHAPTER FOUR**

This chapter does not apply to an employee who works less than 24 hours a month for an employer.

a. **Written particulars of employment: Section 29**
   i. 18.1 An employer must supply an employee when the employee commences employment, with the following particulars in writing:
      a. full name and address of the employer;
      b. name and occupation of the employee, or a brief description of the work ;
      c. various places of work;
      d. date of employment;
      e. ordinary hours of work and days of work;
      f. wage or the rate and method of calculating;
      g. rate for overtime work;
      h. any other cash payments;
      i. any payment in kind and the value thereof;
      j. frequency of remuneration;
      k. any deductions;
      l. leave entitlement;
      m. period of notice or period of contract;
      n. description of any council or sectoral determination which covers the employer's business;
      o. period of employment with a previous employer that counts towards the period of employment;
      p. list of any other documents that form part of the contract, indicating a place where a copy of each may be obtained.
   ii. Particulars must be revised if the terms of employment change.

b. **Informing employees of their rights: Section 30**
   A statement of employees' rights must be displayed at the workplace in official languages used at the workplace.

c. **Keeping of records: Section 31**
   Every employer must keep a record containing the following information:
   i. employee's name and occupation;

ii. time worked;
iii. remuneration paid;
iv. date of birth if under 18 years of age; and
v. any other prescribed information.

d. **21 Information about remuneration: Section 33**
The following information must be given in writing when the employee is paid:
i. employer's name and address;
ii. employee's name and occupation;
iii. period of payment;
iv. remuneration in money;
v. any deduction made from the remuneration;
vi. the actual amount paid; and
vii. if relevant to the calculation of that employee's remuneration-
a. employee's rate of remuneration and overtime rate;
b. number of ordinary and overtime hours worked during the period of payment;
c. number of hours worked on a Sunday or public holiday during that period; and
d. if an agreement to average working time has been concluded, the total number of ordinary and overtime hours worked in the period of averaging.

e. **Deductions and other acts concerning remuneration: Section 34**
No unlawful deductions may be made unless agreed to in writing.

f. **Calculation of remuneration and wages: Section 35**
i. Wages are calculated by the number of hours ordinarily worked.
ii. Monthly remuneration or wage is four and one-third times the weekly wage.
iii. If calculated on a basis other than time, or if the employee's remuneration or wage fluctuates significantly from period to period, any payment must be calculated by reference to remuneration or wage during:
a. the preceding 13 weeks; or
b. if employed for a shorter period, that period.

5. **TERMINATION OF EMPLOYMENT: CHAPTER FIVE**
This chapter does not apply to an employee who works less than 24 hours in a month for an employer.

a. **Notice of termination of employment: Section 37**
i. A contract of employment may be terminated only on notice of not less than:
a. one week, if employed for four weeks or less;
b. two weeks, if employed for more than four weeks but not more than one year;
c. four weeks, if employed for one year or more, or is a farm worker or a domestic worker who has been employed for more than four weeks.
ii. Notice must be given in writing except when it is given by an illiterate employee.
iii. The notice on termination of employment by an employer in terms of the Act does not prevent the employee challenging the fairness or lawfulness of the dismissal in terms of the Labour Relations Act, 1995 or any other law.

b. **Severance pay: Section 41**
An employee, dismissed for operational requirements is entitled to one week's severance pay for every year of service.

c. **Certificate of Service: Section 42**
On termination of employment an employee is entitled to a certificate of service.

d. **Prohibition of Employment of Children and Forced Labour: Sections 43-48**
i. It is a criminal offence to employ a child under 15 years of age.
ii. Children under 18 may not be employed to do work inappropriate for their age or that places them at risk.
iii. Forced labour is a criminal offence.

e. **Variation of Basic Conditions of Employment: Sections 49-50**
i. A collective agreement concluded by a bargaining council may replace or exclude any basic condition of employment except the following:
a. the duty to arrange working time with regard to the health and safety and family responsibility of employees (S. 7,9&13);
b. reduce the protection afforded to employees who perform night work (S. 17(3) and (4);
c. reduce annual leave to less than two weeks (S. 20);
d. reduce entitlement to maternity leave (S. 25);
e. reduce entitlement to sick leave to the extent permitted (S. 22-24); and
f. prohibition of child and forced labour (S. 48).

ii. Collective agreements and individual agreements may only replace or exclude basic conditions of employment to the extent permitted by the Act or a sectoral determination (S. 9).
iii. The Minister of Labour may make a determination to vary or exclude a basic condition of employment. This can also be done on application by an employer or employer organisation (S. 50).
iv. A determination may not be granted unless a trade union representing the employees has consented to the variation or has had the opportunity to make representations to the Minister. A copy of any determination must be displayed by the employer at the work place and must be made available to employee's (S. 50).

f. **Sectoral determinations: Section 51**
Sectoral determinations may be made to establish basic conditions for employees in a sector and area.

g. **Monitoring, enforcement and legal proceedings: Sections 63-81**
i. Labour inspectors must advise employees and employers on their rights and obligations in terms of employment laws. They conduct inspections, investigate complaints and may question persons and inspect, copy and remove records and other relevant documents (S. 64-66).
ii. An inspector may serve a compliance order on an employer who is not complying with a provision of the Act. The employer may object against the order to the Director-General: Labour, who after receiving representations, may confirm, modify or set aside an order. This decision is subject to appeal to the Labour Court (S. 68-73).
iii. Employees may not be discriminated against for exercising their rights in terms of this Act (S. 78-81).

h. **General**
It is an offence to:
i. obstruct or attempt to influence improperly a person who is performing a function in terms of this Act;
ii. obtain or attempt to obtain any prescribed document by means of fraud, false pretences, or by presenting or submitting a false or forged document;
iii. pretend to be a labour inspector or any other person performing a function in terms of this Act;
iv. refuse or fail to answer fully any lawful question put by a labour inspector or any other person performing a function in terms of this Act;
v. refuse or fail to comply with any lawful request of, or lawful order by, a labour inspector or any other person performing a function in terms of this Act;
vi. hinder or obstruct a labour inspector or any other person performing a function in terms of this Act (S. 92).
