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Okaviceto Tourism  
Corporate Governance in an SMME



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## Okaviceto Tourism: Corporate Governance in an SMME

Nicodemus Makaza was the owner and CEO of Okaviceto Tourism, a small tourism business that operated in South Africa's North-West province. In July 2016, he was in the process of rebuilding the business after a break-up between the three founding directors (himself and two others) and financial mismanagement by one of them, had almost led to the demise of Okaviceto Tourism. He wanted to ensure that this time there were no governance failures and wondered how to achieve this.

### Background on Okaviceto Tourism

Makaza, Tony Mofokeng and Terry Mokgatle started Okaviceto Tourism was started in 2009 as a close corporation. Its main area of business was that of conducting safaris and tours to pristine destinations around South Africa. Tony, with seven years' experience in sales and marketing, became responsible for marketing, Terry, with ten years in finance and administration, became responsible for financial management. Makaza was responsible for running company operations. The company employed ten people, including the three directors. The three directors each had an equal share in the company and had equal power in decision-making. There was therefore no chief executive officer (CEO).

### Problems arise

For the first few years, the company performed well and the relationship between the directors themselves and between directors and staff members was good. However, this started to change when the relationship between Mokgatle and the other directors began to sour. Mokgatle stopped respecting the collective management ethos among the directorship, and started wanting to do things his way or not at all. This caused a lot of tension between the three directors.

The conflict between the directors spilled over into the rest of the organisation, leading to gossiping, grumbling and backbiting. In addition, company profits started to suffer, because the directors lost touch with their customers and employees, and focussed on the troubles they were experiencing as a directorate instead of how to maintain and grow their business.

The situation got worse when Makaza and Mofokeng confronted Mokgatle. He refused to change the way he was working and instead embezzled a large amount of funds and walked out of the business, leaving Makaza and Mokgatle to start again.

Makaza believed that there were opportunities in the tourism industry and decided to revive the business. But Mokgatle decided to take up a full-time position as a development manager in a larger organisation. He did, however, agree to provide consulting services as necessary.

### A New Beginning

Makaza restarted Okaviceto as private limited company with himself as the CEO. He believed that having one person as the CEO would be better for the business than the previous arrangement, as it would allow for clearer vision, more effective planning and a clear line of control. In addition, it would remove the top-heavy bureaucracy that had imposed a costly burden on the company.

He took over leadership responsibilities within Okaviceto and delegated marketing and financial responsibilities to other suitably qualified people within the company. He made sure that all new employees were furnished with the company's vision, mission and objectives. He put in place structures to ensure worker participation in decision making and to ensure clear communication between him and his employees. To develop his professional skills and thereby enable him to manage his company more effectively, he enrolled for a masters in business administration and did courses in life coaching and neuro-linguistic programming.

Makaza's efforts paid off. Productivity and teamwork improved, as did the company's competitive edge. As a consequence, profitability also started to improve.

## Challenges

Makaza felt that his greatest challenge, as the owner and sole director of Okaviceto Tourism, was to make time to think strategically about the business and ensure that it operated ethically. He seemed to spend most of his time executing the day-to-day operations of the company and to have little time to think in the longer term about where to take the business. He realised too that as the owner and director of the business, there was no individual or board to whom he was accountable and that this had the potential to make ethical failure easier.

Makaza wondered what he could put in place to mitigate these weaknesses.

## Questions

**What are the corporate governance challenges facing Nicodemus**



**Which of these challenges should be prioritized when rebuilding the business**



**Why is governance so important in the SME context**



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