

More SMME development needed to support construction in South Africa

By [Janine Espin](#)

17 Jul 2019

The ground is shifting under big construction players as market dynamics change and small- and medium-sized (SMME) contractors step up to contribute more to the sector. These SMMEs represent the future of the industry. As sector interests converge, interesting new SMME development models are emerging.



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SMME development in the construction sector is vital, not just to ensure broad-based black economic empowerment (B-BBEE) requirements are met, but to help grow the construction industry. As large contractors continue to restructure, retrenched workers are looking for alternatives and so are construction clients. While the opportunities for SMME contractors are growing, their lack of business and management skills confound their ability to grow.

To help develop these companies and create a solid base of skills in the market to grow the sector, a deeper understanding of SMMEs shortcomings — and how they can be addressed — is required.

Challenges for SMMEs

Construction sector SMMEs typically specialise in, focusing on civils, electrical or concrete work, steelwork or glazing, for example. Their turnovers can reach up to R50m and they may employ anything from 100-200 people. With a strong appetite for work, these companies are more flexible in their approach to pricing, scope of work and willingness to employ local workers.

These characteristics make them attractive to contract winners looking to subcontract key aspects of a build, especially where local input quotas are required. However, to qualify for these opportunities, SMMEs must be able to demonstrate accountability — be able to deliver on time and budget, prove they have the skills and qualifications to complete the project, and comply with labour laws and other legislation. Many SMMEs with grassroots origins are not yet able to operate at this level.



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With preferential procurement and supplier development making up 34 of the total 123 B-BBEE points for large enterprises (as per the Amended Construction Sector Code), it is imperative that SMME development strategies be put in place. But to be successful these investments need to be accurately targeted.

From the SMME's perspective, some of the biggest challenges are knowing where and how to find work, how to bid, how to negotiate contracts, how to comply (with HR and labour laws, B-BBEE requirements, financial reporting), and how to plan and manage projects to meet deadlines and avoid penalties.

As the needs of different sectors begin to converge, we are seeing new solutions to SMME development arrive. EDS is working on an SMME development project that provides an excellent example.

Innovative SMME development solutions

Our client, a large roadworks company, is running a 12-month construction incubator in collaboration with the Department of Roads. EDS worked with the Department of Roads and Transport to identify 36 SMME companies to receive technical road building training from the Department of Roads. The

training ensures standards are met in roadworks projects. The construction company sponsors this training. Over the 12-month incubation period, the SMMEs also receive training in basic business skills from the Department of Trade and Industry's (DTI's) Small Enterprise Development Agency (Seda). EDS monitors and reports on all these efforts against the company's B-BBEE requirements.

The benefits for all players are significant — the country's skills pool grows, the SMMEs gain skills and jobs, and the sponsoring company can access a pool of trained and certified skills to deliver on its contracts.

Start now – collaborate

As public, private and industry needs to converge, it is becoming easier to create innovative SMME development solutions. The winners will be those companies that band together to drive progress and change.

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