

Government's call to large businesses to nurture SME sector

Corporate South Africa has a major role to play in driving the growth of small businesses - and every reason to help nurture a healthy SME sector.



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Sage South Africa has added to the call from Deputy Minister of Small Business Development, Elizabeth Thabethe, for the private and public sectors to work together to invest in and support small businesses and cooperatives to reduce the levels of poverty in South Africa.

The National Development Plan envisages that 90% of the 11 million jobs targeted by 2030 will come from the small business sector. Deputy Minister Thabethe recently said that it "is critical that both the private and public sector avail opportunities for small to medium enterprises so as to arm them to tackle the high unemployment we are facing as a country and help create the jobs that our people need."

More can be done

Ivan Epstein, Sage CEO for AAMEA (Africa, Australia, Middle East and Asia) and chairman of the Sage Foundation, says it is important for business and government to work closely together to create a thriving Small and Medium Enterprises (SME) sector.

"A lot more can be done," he says. "SMEs are the vital drivers of the economy. The right kind of support from government and business could spark a significant change in the trajectory of the local economy as a whole."

"Large businesses have a huge amount to gain through a more aggressive focus on the development of the SME segment," adds Epstein. "A stronger SME sector gives big business access to more customers, suppliers, dealers and outsourcing

long term partners. From the public perspective, more healthy SMEs mean more employment, a wider tax base and general prosperity. In other words, a more stable social environment and a healthier economy. This is the ideal context for large businesses to operate in - it's the context every CEO dreams of."

Epstein offers his comments from the context of Sage's long and broad experience in the realm of SME development. The company in addition to its range of software solutions provides user training to SMEs through its national training academy, and offers training in general business skills, such as tax year-end compliance, basic bookkeeping and financial literacy, and HR management. Sage also sponsors the annual 702/CapeTalk Small Business Awards as a driver of SME development.

A helping hand from a big brother

According to Epstein, a helping hand from large business and or government can make the difference between eventual success and failure for SMEs, especially in their early years. "These are the times when cash flow is tight, and when the business is vulnerable, regardless of its long term potential," he says. "Big businesses and government agencies can be incredible customers and partners for SMEs, if the relationship pays attention to their real needs and challenges. Our experience at Sage is that active support allows the SME to grow. The opposite, sadly, is also true. SMEs that don't receive active support often just wither and cease to exist."

"Often the most meaningful financial support is very simple, like paying a small service provider timeously, rather than at 60 days. Equally, basic business mentoring can make all the difference in the world to SMEs, since most don't have the HR, legal, marketing and taxation skills and resources that larger companies do," says Epstein. "We need to invest more aggressively as a country in SME mentoring, and in relevant education and research programmes."

Collaboration can drive growth

So, is Deputy Minister Thabethe's call for private / public sector collaboration in this area realistic?

"Absolutely!" says Epstein. "All stakeholders should seize the opportunity to work actively with government and push for a more prosperous SME sector. SME success will help spread wealth which will lead to increased economic prosperity. It will address our deep challenges of economic inequality, including reducing the social support burden on the state."

"We are eager to hear more about government's plans to support SMEs," Epstein concludes. "From our side, one of the biggest barriers to the success of SMEs in South Africa is education. It would be a wonderful, positive opportunity to work with government to help SMEs face challenges like regulatory compliance, access to finance, skills development and mentoring. Private / public collaborations in this area could make a big change. It's time for us all to figure out how to make these collaborations happen."

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