

A key lesson has been the need to adopt a long-term approach as opposed to short-term interventions. Merely providing an emerging entrepreneur with a cash windfall in the form of an ESD grant is a temporary splurge at best and unlikely to drive long-term sustainability.

This is particularly true if the entrepreneur has never been taught to manage finances effectively, or if there are no plans in place to grow the business through that grant. Corporates are gradually learning that emerging SMEs need far more than the occasional gratuity; they need partners that can take them by the hand and join them in their growth trajectory. The days of paying a grant to tick a compliance box are well behind us.

Too many intermediaries

A significant concern over the past couple of years has been the proliferation of intermediaries in the ESD space. SME trainers and development programmes have dominated the landscape and have become a business sector in their own right. The problem is that most of these intermediaries exist purely to feed off ESD funds rather than to improve the plight of emerging SMEs meaningfully. There is insufficient vetting of the programmes on offer and subsequently very little impact, as corporates desperately look for opportunities to spend their ESD funds to meet their compliance targets. Not only are these intermediaries largely ineffective, they are also mostly not transformed. Ironically, this has led to a large portion of ESD funds being consumed by white service intermediaries as opposed to directly benefitting emerging black SMEs.

Not used for competitive advantage

Another trend that has become problematic is the notion of ESD as a source of competitive advantage. It makes perfect sense, when taken at face value, for a corporate to want to restrict the business activity of a supplier they have invested in over a period of time. They have invested financial resources, non-financial support and a considerable amount of time to grow a particular supplier to the level where that supplier is able to provide product in the required quantities and quality. They would obviously not want to see that same product on their competitor's shelves. However, whilst this may make business sense, it is not in keeping with the intention of the legislation. ESD initiatives should not be about the corporate securing competitive advantage, it should be about the sustainable growth of the SME and that can only be achieved when that supplier has not one but numerous corporate clients.

Collaboration needed

In order to give effect to the intention of the codes, the corporate community needs to shift away from the practice of ESD as a source of competitive advantage. Instead, corporates should start collaborating around various ESD initiatives to drive greater economies of scale for legitimate SME support services and open up greater market opportunities for suppliers by sharing suppliers between corporates.

Successful ESD has the potential to substantially drive real and lasting change in South Africa but we need to start respecting the intention of the legislation, develop platforms for collaborative ESD initiatives and move away from the notion that ESD is merely a compliance exercise. South Africa has vast entrepreneurial potential, just waiting to be unlocked with the right support from corporates.

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