

## **Late payments, 'tick box empowerment' undermine SA small businesses**

Despite their stated commitment to B-BBEE and to supporting the growth of small business, SA state organisations and large enterprises can hamper small business growth through their procedures and procurement approaches.

This is according to small business experts who were speaking at the opening of the annual Small Business Expo and #BuyaBusiness expo at the Ticketpro Dome in Northriding this morning.

The expert panel told a media briefing that South Africa presented massive opportunities for entrepreneurs, and that significant support and funding was now available for start-ups, but that small businesses often faced growth challenges once they were past the start-up phase.

"Our business development strategies in South Africa need to change," said Dionne Kerr, CEO of advisory firm Siyakha. "If we want to achieve our goals of making small businesses major employers, we have to focus on developing capacity, capability and competence in existing small businesses – we have to focus on growth."

She said government initiatives tended to focus on funding start-ups and businesses generating revenue over R100 million, but neglected businesses in the middle. "Government agencies and large corporates also need to focus on how they buy from SMEs, particularly black-owned companies. There are massive ESD budgets totaling in the region of R82 billion, yet many black-owned SMEs still find themselves at the bottom of the supply chain," Kerr said.

While start-up funding is often cited as a challenge for small businesses in South Africa, Andrew Maren, Founder and CEO of ProfitShare Partners, noted that cash flow was a bigger problem. "Large corporates and state agencies with a policy of only paying in 90 - 180 days severely hamper small business operations. Late payment – or no payment – is killing small businesses," he said.

The panel said that although state expenditure with small businesses had moved from 9% to 28% in recent years, small businesses had to be given opportunities to take on key projects, and had to be paid timeously, in order for them to grow. Empowerment could not be approached as a 'tick box' exercise, and had to support business growth to be effective, they said.

Marang Marekimane, Founder of Business Process Mechanics, pointed out that small businesses were encouraged to employ people, but were left unable to pay their salaries while they awaited payment from large corporates and government agencies.

Another key challenge facing local small businesses was the attitude seen in many procurement departments, they said, with corporate South Africa committed to empowerment at a senior level, but reluctant to award major contracts to small enterprises in practice.

"Big corporates tend to say they can't find small businesses to partner with; or that they are not convinced of their track records and capacity," said Marekimane.

Maren said: "Many excuses come up – corporates can't find black suppliers, or they are concerned about operational or financial risk. The fact is that corporate South Africa is sometimes lazy within the procurement environment."

However, despite the challenges facing small businesses in South Africa, the panel said small businesses still presented massive opportunities for job creation and economic growth. "South Africa is a land of opportunity – you can literally start a business from home," said Kerr." And it's one

of the few remaining countries where hard work actually counts for something.”

“We’re an untapped market – entrepreneurs just need to find a problem and go to market with a solution,” said Maren. “The opportunities are there and this is a good time to be an entrepreneur in South Africa.”

Noting that “The power to fix South Africa’s problems lies in the hands of South Africa’s SMEs,” panel discussion facilitator and ‘Chief Coffee Drinker’ at the SME Movement, York Zucchi, urged small businesses to take advantage of the support and skills development opportunities available at the Small Business Expo.

The Small Business Expo and co-located #BuyaBusiness Expo, presented in partnership with the Eskom Foundation, will run until 8 September at the Ticketpro Dome, featuring hundreds of business opportunities and support services, and over 150 free workshops to help small business owners grow their businesses.

For more information about Small Business Expo, go to <https://www.smallbizexpo.co.za>

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