

Finance and skills the enabler, says SME research

Small to medium businesses in South Africa view the availability and accessibility of finance as important factors which will enable them to compete effectively in this country, while the availability of information and communications technology is less important. Notably, black economic empowerment, while a factor, is not yet perceived to be an enabling factor. These are some of the key findings in the SME Survey released in October 2006.

Sponsored by Standard Bank and Oracle Corporation South Africa and released in October 2006, SME Survey tracks the needs of the SME market in South Africa. Researchers examine factors behind the competitiveness of small, medium and micro enterprises by polling some 6000 companies across vertical markets countrywide.

According to principal researcher Arthur Goldstuck, the perception of the availability of finance as a key contributor to competitiveness may be indicative of the ambition of small businesses to take advantage of positive economic conditions.

Fundamental resources

“Our research has shown that companies are looking for money and looking for skills. Companies need these fundamental resources in order to grow their operations – a likely scenario with the consumer boom that has swept the country this year,” he says.

Goldstuck explains that 91% of companies polled indicated that access to skills and expertise was important; the same number rated access to finance as important.

“The finding that SMEs need expertise further underlines why many Government initiatives fail, in that they expect expertise from SMEs in terms of the complexities of qualifying for grant funding, rather than offering them that expertise,” he adds.

Andrew Krause, Oracle applications director, notes that ICT usage tends to fall into two widely divergent camps in the SME environment: Those that use it as a core business enabler, and those that have little use for ICT solutions.

“This is reflected in the fact that just 46% rate access [to ICT and Internet infrastructure] as highly important. Those that need technology, really need technology. The finding is also perhaps significant, since it leaves the door open for the channel to target non-ICT using businesses and introduce the undeniable benefits that technology has for almost any business,” he says.

Curb consumer spending

Nikki Kearns, director of business banking at Standard Bank, warns that with rising interest rates, businesses across the board may find themselves targeting consumers who are no longer able to fully service their debt. “There has been an uptick in the prolonged low interest rates; Tito Mboweni has publicly stated that it is necessary to curb consumer spending. This could potentially leave SMEs exposed to the possibility of bad debt,” she explains.

She therefore recommends that SMEs eager for finance should focus on the basics – a good business plan and sound financial policy – which in turn will enable them to obtain the necessary funding from recognised institutions. “There is no getting away from the key success factors for starting a small business: Passion for the business, knowing the market, a sound business plan, the ability to turn ideas into actions, planning for good times and bad and the ability to overcome adversity,” she says.

Interestingly, access to BEE status was rated by just 38% of SMEs as very important; however, companies which did find BEE status an important enabler of their ability to compete found it difficult to locate the right partners.

Says Goldstuck: "In terms of a rating of the satisfaction of companies in accessing this resource, just 23% reported contentment. This is an indication, perhaps, of the dearth of appropriately skilled and available individuals in South Africa situation which may take some years to resolve."

For more information, go to www.smesurvey.co.za.

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