

# SME summit unpacks business challenges

The inaugural Business Day TV SME Summit, held in partnership with Credit Guarantee and the South African Institute of Chartered Accountants (SAICA) in Sandton last week, exposed the myriad challenges facing South Africa's SMEs.

## NDP unpacked

The National Development Plan predicts that 90% of new jobs will be created by SMEs by 2030. Small and medium-sized businesses, however, believe much will have to be done before this prediction can become a reality.



Lindie Engelbrecht.

Lindie Engelbrecht, executive director of Members and Global Alliances at SAICA outlined 10 findings from SAICA's latest SME Insight Report relating to the aims of the NDP. This includes the fact that government and big business need to recognise the role larger, more established SMEs play in achieving the growth and employment objectives of the NDP. According to the report, one of the most significant reasons why SMEs fail is because of cash flow related problems. Government incentives are therefore a necessity for SME growth.

## Digital vs traditional marketing

Vika Mpisane, CEO of ZADNA said an online presence is important because it allows potential clients to be able to find you. In the same way, it is important to register a domain name online, which becomes your unique online presence, as well as renew it annually to avoid theft.

According to panel discussion on integrating digital and traditional marketing, small businesses need to understand their consumers and where to reach them and then invest in the channels they use. The panel, consisting of Velly Bosega, md of Adclick Africa; Dr Carla Enslin, head of strategy and new business development at Vega School; Matthys Esterhuysen, executive creative director of HelloComputer; and Riaan Wolmarans, head of digital audience development at Times Media, agreed that content is key and should be relevant to all stakeholders, both internal and external. Although effective digital strategies can be implemented with relatively small budgets, they said that in order to achieve the greatest impact and ROI, content and brand must be relevant to the channel and add value to the consumer.

Online is the new way to sell, said PayFast's Roslyn Lavery. Already, 1% of retail spend occurs online in South Africa. This is considered the tipping point at which a country is expected to experience exponential growth in the online space.

## Entrepreneur experiences

Steven Cohen, former head of Sage One International, is not a typical entrepreneur. Discussing his career journey with Business Day TV anchor, he said that once he was pointed in the right direction he was confident in his skills, but he always knew his limitations. Networking and meeting people is critical when building a business, he said, adding, "You make your own luck." He emphasised the importance of doing the simple things well – if you do this, he insisted, success will follow. Equally important is to remain focused on your customers at all times.

When running a small business, cash is king and one of the greatest risks is the inability to manage cash flow effectively. CEO of Credit Guarantee Insurance Corporation, Charles Nortje stressed that it does not matter how much profit you are turning, you need to find a way to turn that into cash or your business is not stable. He cautioned against an overdependence on one or two very large clients and the dangers of not having a succession plan in place. SMEs, he said,

should outsource credit referencing to check the payment history and references of creditors and emphasised the importance of taking insurance against bad debt.

Nicola Tyler, founder and CEO of Business Results Group explained how the brain processes information into routine patterns, which essentially allow us to function effectively. However, these patterns are not conducive to the creation of new ideas, a fundamental aspect of entrepreneurship. Using the principle of 'Provocation' (first introduced by Edward de Bono), Tyler explained how it is necessary to break the 'normal patterns' of thinking and create new neural paths that will lead to new ideas which may initially seem to make no sense.

## **Transformation opportunities**

Yusuf Randera-Rees, CEO and founder of the Awethu Project, said SMEs could use transformation as an opportunity to grow their business and at the same time, do good for the country. He insisted that in order to see the opportunities brought about by transformation, people need to witness how it adds value to a business – after all nobody wants to give away 51% of their business simply to keep a client you already have.

One of the greatest challenges for both SMEs and entrepreneurs is gaining access to markets in spite of preferential procurement requirements, which means many large corporates, are actually looking to buy from small businesses. The biggest problem, according to panel of speakers including Allon Raiz, founder of Raizcorp, Martin Feinstein, md of SME-LAB, Zaid Mohidin, CEO of New Generation Mindset and Bernard Swanepoel, president of AHL, is that the procurement model is wrong. Firstly, too many larger corporates place undue funding pressure on smaller SMEs with pricing based on the wrong construct. "We often blow up small businesses unintentionally," admitted Reitz. Government adds to the problem by withholding payments for too long to small businesses.

Secondly, it is difficult and very costly for smaller businesses to comply with onerous procurement requirements with the cost of compliance to a small business much higher relative to turnover than it is to a larger company. The panel agreed that without economic growth it was hard for small businesses to create new opportunities. However, for their part, SMEs need to ensure they are market ready and offer a low risk product or service.

Entrepreneurial start-ups frequently crash and burn as soon as they attempt to scale their business, said Jason Goldberg, founder of 10XE, even though initially they had all the right elements in place. Many changes are required, as an entrepreneurial start-up grows, including the company culture and skills. Goldberg provided a 12-point plan to effectively scale a business saying business owners need to prioritise what matters and do what's right for the business.

## **No panacea**

Entrepreneurship is too often invoked as a panacea to rising unemployment and, while it certainly promises a lot, it rarely delivers on these promises, pointed out Professor Boris Urban, Chair in Entrepreneurship at Wits Business School. It is useful to learn from the mistakes of others, he said, adding that entrepreneurship is not an armchair sport but requires individuals who are highly proactive with a sense of urgency and are able to spot opportunities.

Successful local entrepreneurs Katlego Maphai, CEO of Yoco, Faraimose Kutadzaushe, founding director of Supreme Brand and Mark Forrester, co-founder of WooThemes, said their advice to SMEs and other entrepreneurs was to:

- listen carefully to your customers, engage with them and then respond to their needs;
- leverage your personal networks;
- build your operation around your customer journey;
- spend time thinking about how your company is going to look and grow;
- commit to taking that first step;
- remember to practice perseverance and leave ego aside.

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