

# How big business can help small entrepreneurs excel

By [Tommy Strydom](#)

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According to the ANC policy document on activating small businesses and co-operatives, many black entrepreneurs would be more successful if they had some form of targeted financial support, such as tax breaks and improved market access. Supply chains in the public and private sectors can be opened up to small- and medium-sized black businesses to reach this target.



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A targeted programme to assist black entrepreneurs set up small businesses and co-operatives will fill a gap in the assistance currently offered to black industrialists. While current efforts to support black entrepreneurs are valuable, it is important to consider access to the complete range of services they need to be successful.

## Incentives for big business

Governments should create incentives for big businesses to help small and medium enterprises gain a competitive advantage. Good deals in insurance and the financial markets, for instance, are only available to entrepreneurs with an established reputation and sound financial footing. Therefore, governments should ensure that projects run cash positive to enable small and medium enterprises (SMEs) to meet their commitments and build a track record. SMEs do not have large cash reserves and need to be paid regularly and on time to ensure their financial stability.

Black SMEs are efficient because they have a very low overhead structure. But they cannot get the same credit or pricing as large businesses and therefore are unable to get good deals from established businesses.

The best way to promote black SMEs is to involve them in public/private partnerships, where the expertise of the private sector is incorporated into infrastructure projects traditionally carried out as public projects, making them more efficient. SMEs often have the required skills for a project and their employees benefit directly from their success.

## Spreading wealth and opportunity

Successful SMEs can use the opportunity offered by the construction of infrastructure to invest in African countries. SMEs can also mobilise large numbers of workers, in turn spreading the wealth and opportunity much wider than organised business and in a more sustainable way. Therefore, it is important to ensure opportunities for SMEs and black entrepreneurs to learn the skills of tendering and procurement. Governments are the biggest investors in infrastructure, so they are key to unlocking the business potential of SMEs, by creating the environment conducive to investment in business in the long term. On the other hand, private sector funding accounts for a large portion of the funds entering developing countries in Africa from developed countries.

The private sector has been expanding in developing countries and businesses have started to focus on activities such as public/private infrastructure projects, which in turn contribute to job creation and enable SMEs to contribute to the gross domestic product of developing countries in Africa.

## **New African Contract**

Access to public procurement contracts can reduce the failure rate of SMEs. Governments must ensure that policy and procedures allow them to enter the market by adhering to the principles of the New African Contract that is less rigid than traditional contracts. The New African Contract is well-suited to SMEs, because it's relationship driven and accepts uncertainty as a reality of life and all parties enter the relationship with a willingness to adapt and compromise.

The New African Contract can assist the industry overcome challenges, such as a lack of capacity in government and professional structures tasked to implement infrastructure projects, which lead to the sub-standard quality of products and a drop in infrastructure development.

World markets are volatile, which has a negative influence on developing economies and, therefore, it is vital that SMEs have access to improved technology, better quality and service delivery and a large capacity base so they can create employment.

As big business in the construction industry, we should encourage SMEs to build strategic relationships with us so that all of us can benefit from this demand.

## **ABOUT THE AUTHOR**

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