The Role of Business Development Support Services in Promoting Competitiveness among SMME

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Background Information on Competitiveness

- Competitiveness refers to the ability of a business to compete, grow and be profitable.
- It is the ability to ‘consistently and profitably produce products that meet the requirements of an open market in terms of price, quality, etc. (Martin 2004).
- Failure to be competitive results in loss of market share and questions viability of the business.
- Competitiveness is influenced internally by factors such as size of business, ownership characteristics and available resources.
- Competitiveness is influenced externally by market conditions, globalization and country/industry specific legislation.
Competitiveness of the South African Economy

- Overall ranking of 53rd most competitive economy. This is mostly influenced by sophistication of our financial markets and efficiency of goods markets.
- Most of this competitiveness, however, is attributed to South Africa’s large and established businesses.
- Small enterprise competitiveness, both locally and globally remains a challenge.
Competitiveness of South Africa’s SMMEs

According to the SBP’s SME Growth Index for 2013:

- Two thirds of surveyed small enterprises showed an increase in turnover, with average increase in turnover of 13% (denoting small real, above inflation growth).
- Only one third of the surveyed small businesses indicated an increase in number of people employed.
- About 71% said it has become harder to operate a business, largely due to:
  - Lack of skilled staff.
  - Burdensome regulations.
  - Local economic conditions.
  - Lack of finance.
  - Cost of labour.
Role of Business Development Support Services

- Business development support is critical in addressing the competitiveness related challenges that small enterprises face.
- The competitiveness of small businesses needs to be elevated to levels that enable them to compete with established local companies as well as in the global marketplace.
- The capabilities of South African entrepreneurs are not sufficient to elevate the competitiveness on their own.
- Business development support services need to be provided with clearly defined competitive outcomes in mind.
- Outcomes are improved profitability and efficiency which should result in business growth and increased access to local and global markets.
Role of Business Development Support Services

- Business development support services need to focus on the following areas in improving small enterprise competitiveness:
  - Physical resources (increasing technology use and investment).
  - Networking (outside collaboration, using innovation to collaborate).
  - Human resources (improving quality of management).
  - Supply conditions (gathering knowledge of the industry, ensuring uniqueness of product).
  - Administrative routines (ease of decision making and knowledge sharing within the small business).
  - Innovation (product, technology and marketing innovation).
  - Demand conditions (increasing size of market share).
Seda Initiatives in enhancing SMME Competitiveness

- Seda products and services are offered to SMMEs with the goal of increasing competitiveness and capabilities.
- The business model looks at SMME development as a series of interventions, based on the unique challenges and opportunities of the small enterprise.
- Key interventions that seek to enhance competitiveness are: manufacturing support, supplier development, technology transfer, quality and standards implementation, product testing, mentorship and coaching, incubation.
- Success implementation of these interventions results in increased efficiency, access to markets, increased rate of survival for small businesses and improved profitability.
Thank You