

What a more robust SME sector means in 2024

By [Janice Johnston](#), issued by [Edge Growth](#)

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It has been mentioned often that small and medium sized enterprises (SMEs) are the single most powerful source of job creation and upliftment, especially here in South Africa where high unemployment is such a stark reality. It just makes so much sense to grow a more robust SME sector in South Africa, bringing with it a myriad of benefits for our people and our economy. Sadly, without considerable support, most small businesses fail within the first two years.



Janice Johnston, chief executive officer at Edge Growth Ventures

Stronger collaboration is needed between corporate South Africa and SMEs to unlock greater sustainable growth, and our experience at Edge Growth over the last 17 years has shown us the value of innovation to enhance the resilience and performance within this sector. Never before have the following factors been more important to unlock growth constraints towards a more inclusive and sustainable economic landscape.

Digital transformation

Businesses with strong adoption of technology integration and business process optimisation will be best placed to improve operations, margins and customer value, including augmenting cloud computing, improving data analytic capabilities, and leveraging artificial intelligence (AI). The resultant benefits of such initiatives can enhance efficiencies, streamline operations, and increase cost effective access to new markets and customer segments. There is no doubt that digital transformation is a necessity for sustainable growth within the SME sector.

Energy sufficiency

Load shedding throttles growth prospects for SMEs in particular, through cost and time overruns, operating limitations and loss of customers. It is therefore critical for SMEs to know what kind of solutions exist to become more energy sufficient – including renewable energy (RE) solutions, reducing energy usage along with efficiency saving measures and technology. Proactive use of funding options available for renewable energy will become a key differentiator for SMEs and should be high on the priority list for 2024.

Sustainability

Many SMEs might view sustainability as only applicable to larger companies, given the perceived burden of administrative and financial costs. The truth is that SMEs that integrate sustainability into their core business strategies can benefit from lower operational cost and cost of capital, reduced business risk and new opportunities with a growing customer base that values sustainability and increased trust with stakeholders. Adopting sustainable practices can make a real difference to align with global environmental goals, including waste reduction, renewable energy use, and sourcing eco-friendly materials.

Township economy

The South African township economy is a vibrant and dynamic sector which presents an opportunity for SMEs to expand to new customers, to broaden market diversification and to deliver additional product needs. Given South Africa's untenable levels of inequality, this sector has significant potential for job creation and economic development, contributing to the growth of local economies and improving livelihoods.

Skills development

With SMEs being such large job creators, making up 60 to 70% of the jobs that are available in South Africa, SMEs have the ability to drive skills development and capacity building. Due to their smaller size, the learning environment in SMEs tends to be more hands-on and collaborative, facilitating knowledge sharing and skill enhancement. Investing in skills development also enables SMEs to stay competitive in the market, with upskilled employees better equipped to innovate, adapt to market changes, and contribute to the company's growth.

Remaining agile and innovative within a more enabling environment is how SMEs will be better equipped to thrive – driving economic growth, job creation, and social development.

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