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The Impact of Private-sector led Enterprise & Supplier Development Programmes in South-Africa on the growth of participating SMEs

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SABTIA Africa Tech Conference

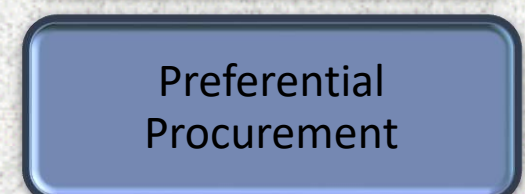
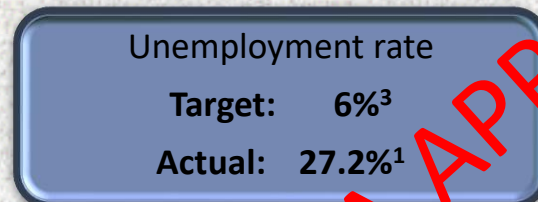
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Technical aspect of the research

Research relevance



- ❖ **Research Aims:** To assess the impact of private-sector Enterprise & Supplier development programmes on the growth of SMEs
- ❖ **Issues arising:**
 - ❖ Corporate will and ability to unlock value-adding opportunities;
 - ❖ Skills development capacity
 - ❖ Operating model and overall management
- ❖ **Benefits:** Opportunity to maximise the SME growth per rand invested in the EDP initiatives



1. Stats S.A QLFS Q2:2018
2. Stats S.A GDP Q2 2018 Statistical Release P0441
3. National Planning Commission: National Development Plan

Methodology



- ❖ 11 private-sector entities
- ❖ ESDPs > 3 years
- ❖ 82% response rate

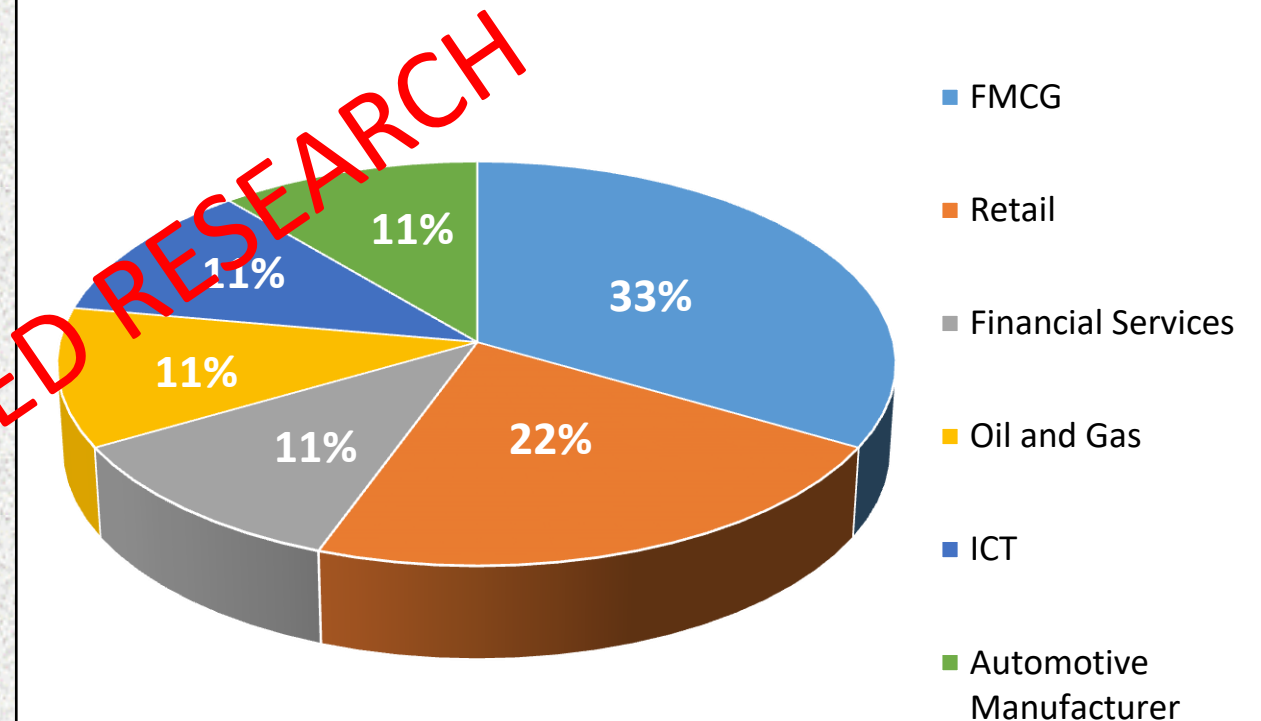


- ❖ ESD Managers/Directors
- ❖ Corporate Affairs Directors
- ❖ Senior purchasing Managers
- ❖ Social Investment Managers

Research method

- ❖ Qualitative study
- ❖ Unstructured interviews

Industry representation



Research Findings (1)

Ability to provide value-adding opportunities

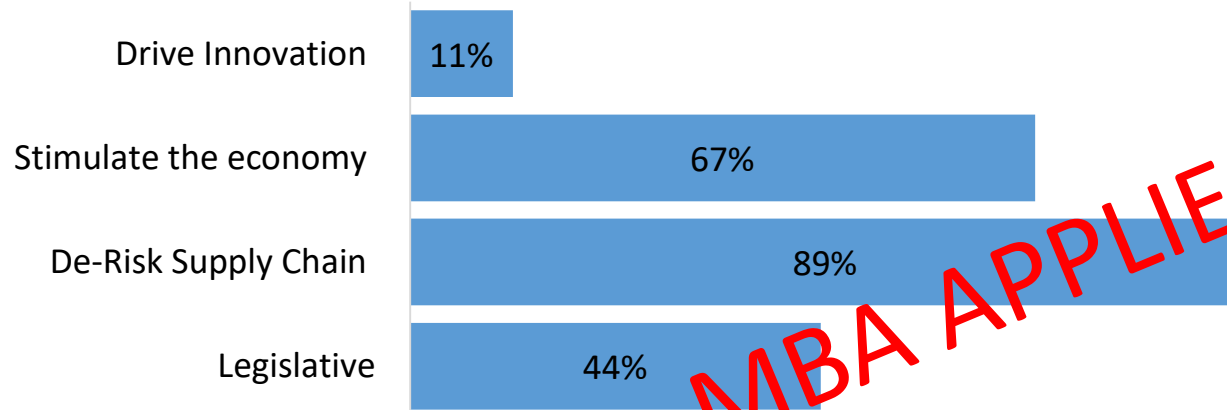


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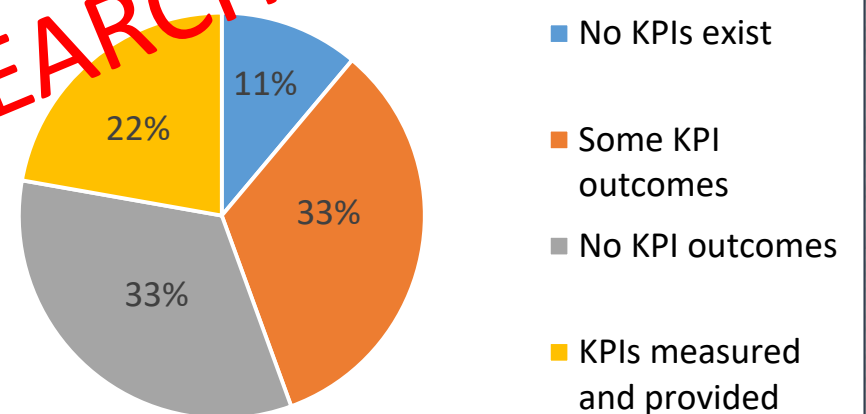


- ❖ What are the intentions of private-sector? Assessed through what they see as objectives of their ESDPs;
- ❖ How do they measure the success of these programmes;
- ❖ What have been the measurable outcomes delivered by the private-sector ESDPs

Objectives of Private-sector ESDPs



KPI measurement



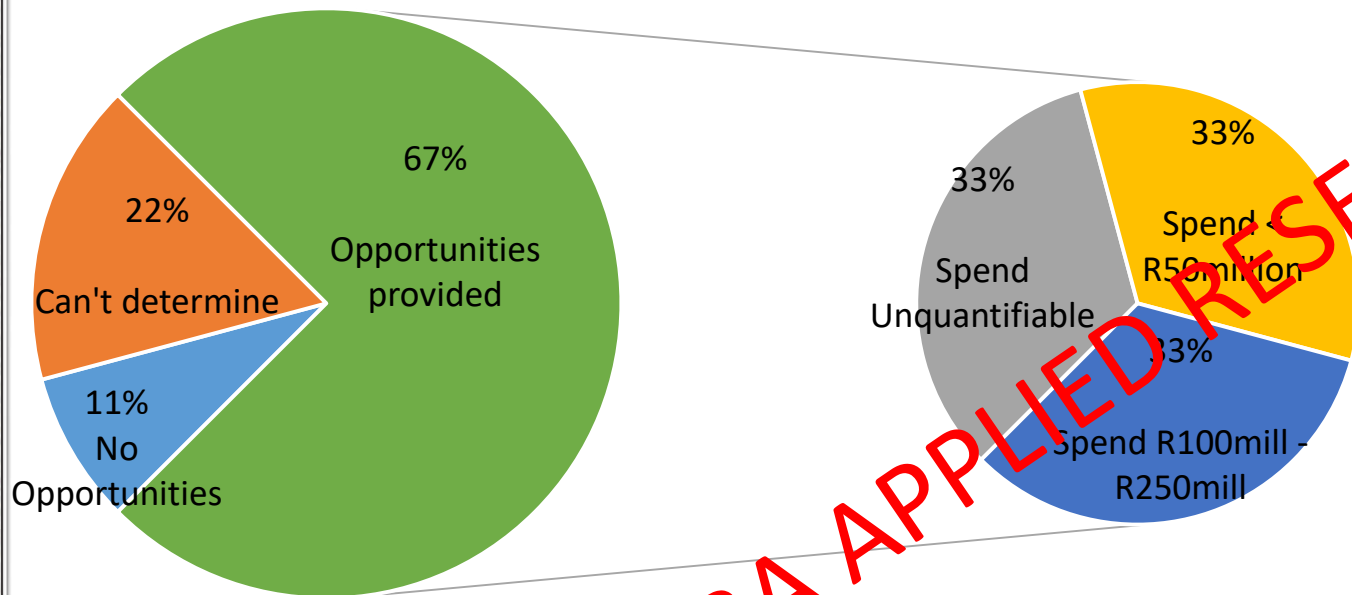
- ❖ Job creation impact measured by 33 % of the population (Reported between 180 – 1700 jobs created)
- ❖ Profitability impact measured by 11 % (Reported 4% profit margin increase)
- ❖ Revenue growth of SMEs not measured

Research Findings (1)

Ability to provide value-adding opportunities



Extent and Value of supply chain opportunities provided to participating SMEs



❖ Value-adding opportunities provided to as little as 6 and up to 208 SMEs

❖ Value of spend presents opportunities for achieving SME scale

- ❖ Corporate will to realise the economic impact is lacking
- ❖ Limited accountability demonstrated by lacking measurement of actions and outcomes
- ❖ Value-adding opportunities still limited reflected by the number of SMEs reached & value of opportunities

Research Finding (2)

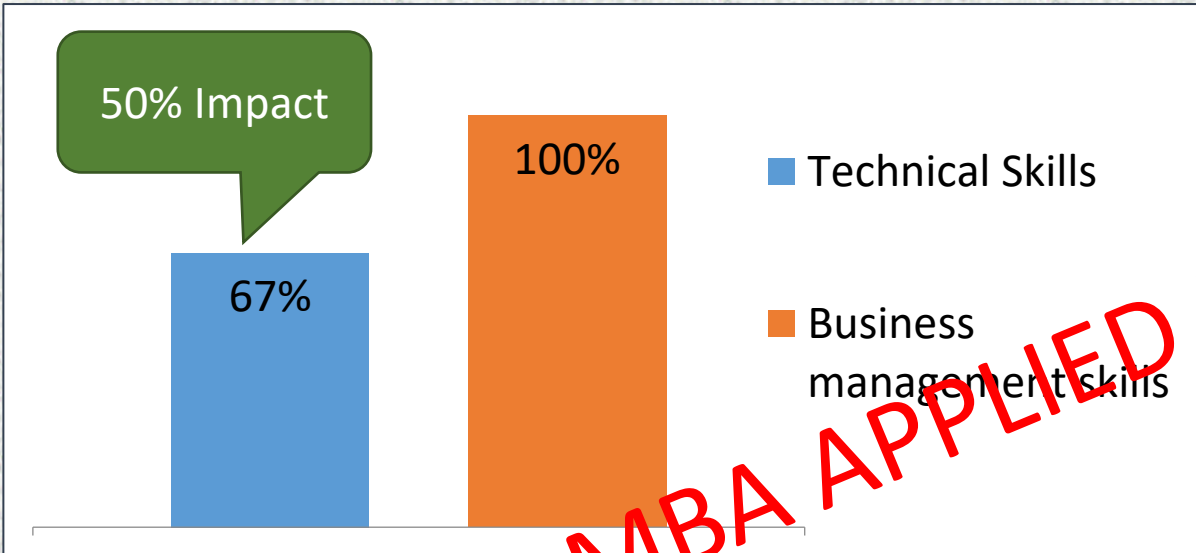
Ability to provide skills to take advantage of value-adding opportunities



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- ❖ To understand the extent to which ESDPs are able to develop the competency of SMEs to enable them to take advantage of value-adding opportunities



- ❖ Programmes adequately provide Business management and skills – Addressing challenge of low survival rates amongst early stage SMEs

- ❖ Programmes also provide Technical skills – allow SMEs to compete for opportunities

- ❖ 50% of programmes providing mixed skills & followed through with opportunities were able to impact SMEs towards growth

- ❖ Competency + Opportunity = Value-add and Impact

- ❖ Skills mix - Technical skills become more crucial in moving more SMEs from survival to growth stage (rapid & sustainable progression)

- ❖ Technical skills to drive innovation-led growth relevant in Industry 4.0

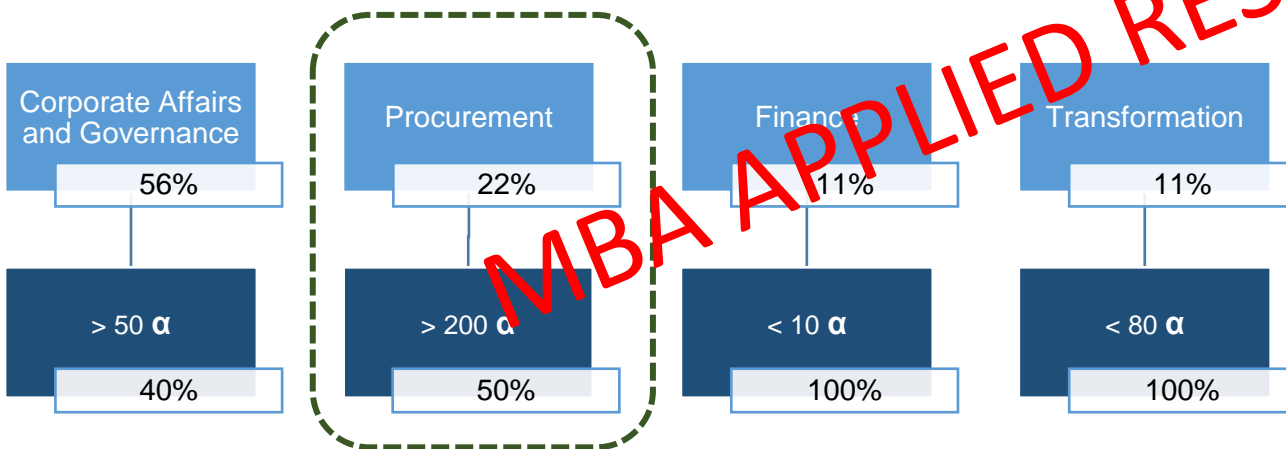
Research Findings (3)

Operating model of ESDPs in private sector



- ❖ To understand characteristics of private sectors ESDPs that impact the growth of participating SMEs (how they are operated and managed)

Organisational design of private-sector ESDPs



- ❖ ESDPs largely managed within Corporate Affairs and Governance

- ❖ Demonstrates the perception that it is a compliance matter

- ❖ Optimal functional area - Procurement

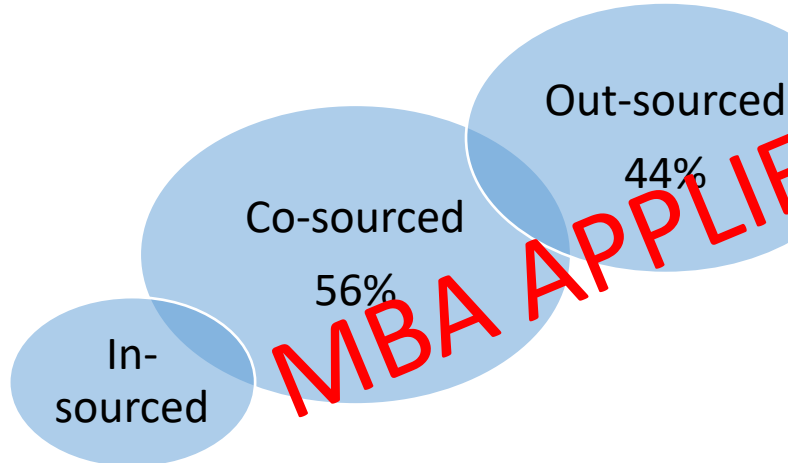
- ❖ Largest impact in terms of unlocking opportunities for SMEs to compete > 200 became suppliers

Research Findings (3)

Operating model of ESDPs in private sector



- ❖ To understand characteristics of private sectors ESDPs that impact the growth of participating SMEs (how they are operated and managed)



- ❖ Role of incubators is of critical importance

- ❖ Strategic alignment is critical in preparing SMEs to effectively compete within organisations/sectors

- ❖ Specific technical/industry relevant outsourced execution partners (11%) - SMEs where able to better compete for opportunities

- ❖ ESDPs are largely handled as a BBBEE scorecard matter - Not yet appreciated for its strategic potential in the business;
- ❖ Role of incubators is as a strategic partner
- ❖ Industry specific, tailored ESDP solutions prepare SMEs to compete

Conclusion

Key Findings



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Private-sector ESDPs not unlocking value-adding opportunities for SME growth envisioned by the NDP



- ❖ Lack of corporate will
- ❖ Private-sector value chains not opened up for SMEs to compete sustainably

Private-sector ESDPs are able to provide skills



- ❖ Skills mix needs to shift to be more relevant in capacitating SMEs to achieve higher competitiveness and sustainable business growth

Operating model of private-sector ESDPs not optimal to stimulate SME growth



- ❖ Poor organisational structure design
- ❖ Lack of strategic alignment in operating model
- ❖ Incubators play an important facilitation and enabling role which can fast-track development process

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Conclusion

What is impact



Competent
Entrepreneurs

- ✓ Increased entrepreneurial activity
- ✓ Inclusivity
- ✓ Business Management & Entrepreneurial skills
- ✓ Critical for survival

Competitive
Enterprises

- ✓ Ability to compete (Deep & Wide)
- ✓ Access to private-sector supply chains
- ✓ Relevant ESDP to entrepreneurs, their business life cycle and sector/industry

Sustainable & Scalable
Enterprises

- ✓ Innovation (4.0)
- ✓ Industry clusters
- ✓ Increase production capacity & profitability

NDP POSITIVE ARENA

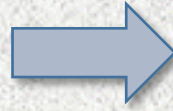
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Way forward

Recommendations

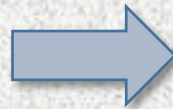


Impact Matrix



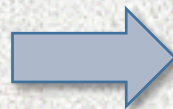
- ❖ Accompany BBEE Scorecard
- ❖ Measure impact of ESDPs
- ❖ Drive private-sector towards ESD strategies that drive real economic outcomes rather than compliance
- ❖ Increase SME Growth per ESD Rand spent

ESDP Accreditation



- ❖ Enable government oversight
- ❖ Benchmark programmes and how to stimulate economic impact
- ❖ Roll-out of best Practice
- ❖ Pursue sector specific programmes of action

Further Research



- ❖ Impact of ESDP at a sectoral level to support the implementation of sector BBEE charters
- ❖ Impact of private-sector led-programmes from the perspective of participating entrepreneurs

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Thank you

Questions and Comments are welcome