

SA's economic survival depends on sustainability in small business

By [Karmany Reddy](#)

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The lifeblood of South Africa's economy is SMEs, making up more [than 98% of businesses across the country](#) and contributing 39% of the country's GDP. That contribution is also set to increase in the coming years, further cementing the importance of SMEs to our economy. However, these businesses are also the most vulnerable to externally-driven economic fluctuations.



Source: [Unsplash](#)

In the same vein, conversations around sustainability in business, particularly when it comes to small businesses, are gaining increasing importance among multiple stakeholders. This includes investors. In fact, according to the World Economic Forum, in a recent poll, [88% of investors](#) placed equal importance on environmental, social and governance practices in business operating models as they did on financial considerations when making investment decisions.

Sustainability is rapidly becoming an indicator of 'good management' in that it is seen as a key vector in driving innovation, risk mitigation and employee engagement. The poll also found that 60% of employees prefer a workplace that shares their beliefs and aligns with their values, 58% of consumers choose to purchase or advocate for brands that match these belief systems.

Taking this important finding into consideration presents a crucial opportunity to governments and the private sector, who have the power and influence to enable entrepreneurs and SMEs alike to ensure sustainability, both financially, operationally and environmentally, for the long-term.

This can be achieved in a number of ways, all of which include education around sustainable financial best practices, increasing awareness around opportunities, establishing partnerships, and embracing technology as an avenue to sustained success.

Financial best practices

Improving knowledge of sustainable financial best practices is crucial for SMEs looking to expand. Many face challenges in securing funding due to not having the necessary financial records in place. While some entrepreneurs have embraced the modern tools available, many still operate on legacy paper systems.

Proven financial conduct is a prerequisite for many financial institutions, such as banks, when considering loans. Even though many banks have started helping small and medium-sized businesses (SMEs) and are working with the government to do so, more needs to be done to teach entrepreneurs about banking earnings so that they can be tracked and recorded. This will make it easier to apply for a loan.

It has been proven that when governments and the private sector partner with initiatives that educate, support upskilling, resourcing, and funding small businesses, they stand a better chance of thriving. Because it is such a broad term, many do not fully understand what sustainability means when it comes to business.



Why businesses should prioritise sustainability

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Essentially, for SMEs, this means finding actionable ways to borrow, reduce, reuse, and return the resources the business requires without squandering them. Governments must continue to partner with incubators that serve to create initiatives that promote, educate, and enable SMEs in an already volatile economy. This can be done by providing SME networking services, access to technology testing and demonstrations, specialised information, partner matchmaking, educational seminars and the like.

There seems to be a large gap in how opportunities for SMEs are amplified. A survey conducted by [McKinsey and Company](#) found that 36% of SMEs in South Africa were not receiving government loans or support, and a quarter were not making use of payment relief options such as UIF and PAYE.

Besides not qualifying, two factors contributing to this were that entrepreneurs were not aware of the opportunities or did not know where to find the information needed to apply. It is therefore crucial for the government to amplify such opportunities.

One way this can be done is by leveraging various media channels through amplification opportunities online, advertising on social media and other targeted trade media. It can also be made easier for people to share good ideas and success stories about funding and other support services.

Embracing technology

Lastly, businesses of all sizes have also realised that in order to thrive, they will need to embrace technology and the

unprecedented benefits it brings.

With mobile penetration among South Africans at an all-time high (there are 41.19 million active internet users in the country), technology adoption is only set to increase as convenience and on-demand models dominate the market. In today's business environment, management teams need to ponder whether the technology being integrated into the business will assist them in meeting their sustainability goals.

That said, another way for governments to support SME survival is through the provision of training and upskilling of business owners and their staff concerning the use of advanced technologies. Education around some practical examples of technology deployment and the value it creates should be provided to business owners and staff.

This will enable SMEs to embrace their 'technology ecoadvantage' by enabling them to utilise advanced technologies and embrace ways of working that enable profitable solutions that also have a positive impact on [environmental, social, and governance goals](#).

Including sustainable business practices into your business model has the potential to improve profits both traditionally and environmentally. SMEs' ability to meet demands for eco-conscious consumers and products can work to add improvements to the public health and environment, and increase positive brand association - ultimately creating business environments that are future-ready and positively impacting the economy at large.

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