

5 things SMEs need to keep in check in South Africa

By Lara Du Plessis

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Growing a successful small business is much like running the Comrades - it takes time, endurance, and determination to make it to the finish line. In South Africa, this can be a challenging but worthy path. According to McKinsey's latest report, small businesses make up over 98% of all businesses in SA and employ between 50% - 60% of the country's workforce. Not only are SMEs the backbone of the country, but they account for 34% of the country's GDP. This is only set to increase if SMEs have the relevant support needed to give them a leg up.



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As a small business owner in 2022, it's your role to ensure that your business strategy has been re-adjusted post-pandemic, so that you are able to respond to ever-changing consumer demands, and have an innovative game plan to stay ahead of your competitors.

Here are five things every SME should keep in check in SA:

1. Let's talk taxes and finance

From the word go, recording and tracking your finances need to be a high priority. According to the *South African State of Small Business* report for 2022, late payments are still a top concern for businesses' survival, with more than 25% of those surveyed reporting that they are owed money outside of their normal payment terms.

Accounting and invoicing platforms like Xero, Zoho Books and DoughGetters provide solutions for SMEs to prevent cash flow issues.

Recouping your debts from your customers can be easily resolved by integrating effective accounting and invoicing software programmes – the earlier you set this up, the better for your business.

Finances and taxes go hand in hand, and if your finances are all in order, you'll easily be able to file your taxes.

There are certain situations where your business may qualify for tax exemptions, and this can significantly reduce the tax you owe SARS. If you don't have the time or energy to focus on filing your taxes, it might be necessary to seek advice from professionals.

2. Business insurance and funding

The Covid-19 pandemic coupled with load shedding has had a negative impact on SMEs, and unforeseen events like these could halt business operations completely. Business insurance offers entrepreneurs peace of mind by creating a safety net for unexpected events.

The type of insurance you should take out is entirely dependent on your industry. Navigating your business insurance options can be quite daunting and difficult to understand.

Financial stability is essential for small business growth in South Africa, but entrepreneurs are often unable to secure funding simply because they aren't aware of the different options available to them. According to [McKinsey](#), 36% of SMEs in South Africa were not receiving government loans or support, and at least a quarter of businesses surveyed was not making use of payment relief options such as UIF and PAYE.

A lack of access to financial products paired with very little financial education means business owners aren't thriving at the rate they could be.

3. Brand development

Branding is essential for SMEs who want to see significant expansion in their businesses. Even for B2B businesses, branding creates recognition, reputation and trust, which leads to better conversions. Whether it's word-of-mouth, above-the-line or below-the-line advertising, each form of marketing is beneficial in letting more people know about your business.



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Nurturing your customers to become brand ambassadors is incredibly valuable in ensuring your business is a sustainable one. When budgets are tight and challenges arise, one of the first areas small business owners want to cut is their marketing. This is a serious mistake that can put your business at a disadvantage and make it difficult to recover from tough times.

4. Well-structured operations

Early-stage SMEs often struggle when it comes to managing their operations effectively, whereas larger companies have the luxury of larger teams and departments who have extensive experience and knowledge of business functions. If you don't have the funds just yet to hire an operations manager, a logical next step is setting up a basic operational process, as even small efficiencies can affect your bottom line significantly.

Spend time researching effective already-built tools that are geared at improving productivity, business processes and communication. According to Xero's *State of Small Business* report, two-thirds of small business owners say that technology has become more critical to them since the pandemic began. Businesses are gearing up for growth in the next 12 months, with 85% of SMEs investing in boosting tech and cloud skills.

5. Expanding your team

Growing your team at the right time is a science, and the hiring process shouldn't be taken lightly. Before going down this route, you need to know what the ideal team size would be, as you don't want to grow too rapidly. What aspects of your business do you need to focus on more? South African entrepreneurs often take on more work than they can handle, and this can be damaging to both your cash flow and outputs.

No matter how great your product or service is, or how cutting-edge your technology is, if you don't have a strong team behind you, it's unlikely that your business will be successful in the long run. It takes a village to build and sustain a successful company, so make sure you surround yourself with people who are just as passionate about your vision as you are.

Upskilling your team is a key success lever for SMEs, not only does it affect your bottom line, but it will attract better talent in the long run. People want to work for businesses where they can continue to learn and grow in meaningful ways.

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