

Digitalisation of SMMEs is key to their integration in corporate supply chains

By [Hepsy Mkhungo](#)

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Enabling large corporate support for small, medium and micro enterprises (SMMEs) can successfully drive job creation and achieve sustainable economic growth in South Africa. The small business sector is instrumental to creating an inclusive economy and a better life for the previously marginalised.



Hepsy Mkhungo, CEO of One Linkage | image supplied

While large organisations are pressed to support smaller businesses as part of their compliance obligations, or adherence to the Broad-based Black Economic Empowerment (BBBEE) policy, the value of supporting SMMEs by integrating them into the supply chain should transcend mere regulatory box-ticking.

Supporting SMMEs extends to supporting the country's economy at large and facilitating the creation of a more competitive and agile market that in turn fosters employment in the formal, as well as informal sectors of the economy. This is imperative for economic inclusivity.

Corporates are increasingly recognising that they are not able to successfully drive their own business objectives without the inclusion of small enterprises, particularly as large enterprises profit off consumer masses who in turn need jobs to earn an income.

According to the Johannesburg Business School, SMMEs are the cornerstone of most economies and accounts for about half of global Gross Domestic Product (GDP) and 60%-70% of employment. Closer to home, SMMEs make up about two-thirds of the African continent's formally employed workforce. In South Africa, the small business sector provides employment to roughly 47% of the workforce and generates about 20% of the country's annual GDP.

Critical role in the value chain

These statistics underscore the critical role that SMMEs play in the entire corporate value chain. This should at least be a nudge for many corporates to seriously reconsider the value they attach to supporting small businesses through supply chain development.

In most cases, SMME support for large corporates comes in the area of procurement. If procurement opportunities are made available to SMMEs, large enterprises can expect these small businesses to inject innovation, flexibility and creativity into the supply chain. A diverse supply chain allows big businesses to benefit from the ability of SMMEs to navigate operational and business challenges with an agility and flexibility that larger organisations inherently lack. Generally, the nature of small companies allows them to work efficiently with smaller budgets and drive down costs in terms of service delivery and execution.

The digitalisation of enablement tools, solutions and platforms are providing smarter ways to achieve integration, even in emerging markets such as South Africa, where the digital divide and online access remain a hurdle for many small entrepreneurs. However, digital transformation is rolling ahead and, even post-Covid-19, there will be no going back to working offline.

Need to go digital

With digitalisation playing an increasingly prominent role in the enablement space, corporates can no longer ignore the need to digitalise their solutions and provide digital technologies to support small businesses. In South Africa, almost every small business has adopted some kind of technology and most are now allocating budgets towards this.



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According to research by global small business platform [Xero](#), there has been a significant move by small South African businesses towards adopting new technology, with 97% reported to have invested in new technologies in 2019. Furthermore, the research shows that 53% of businesses discovered that new technology adoption has led to large increases in their profitability.

Not without challenges

When challenges arise with small businesses' integration into the supply chain, it is incumbent on corporates to respond by looking at their environmental, social and corporate governance practices and aligning these to the real needs of SMMEs.

The biggest challenge that commonly arises with SMME integration into the corporate supply chain stems from large organisations typically working in siloes, resulting in a lack of collaboration among corporate divisions. On the one hand, procurement departments are often hesitant to take on SMMEs due to uncertainty about their capacity to deliver and meet targets. On the other hand, sustainability enablement teams are tasked with supporting small businesses with skills development, training and funding to help them set up infrastructure and respond to procurement opportunities that could become available.

Mismatch scuppers opportunities

The silo mentality means that there is a mismatch between these two departments, and procurement opportunities for SMMEs often do not materialise. Small businesses often find themselves in a loop where they are continuously being developed, but there is no conversion of this development. Many reach a point where they no longer want to participate in these programs without understanding where the opportunities lie. This makes it very difficult for SMMEs to have trust in the process.

Another significant challenge that corporates have to address is of a technical nature. The simple fact is that established enterprise resource planning systems are not friendly to onboarding small businesses.



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While these systems are open for anyone to register, they are also very complex, making it difficult for small businesses to achieve what is required. SMMEs often struggle to find what opportunities are available to them and there is no consolidated platform for enterprises to list the opportunities that SMMEs can apply for.

Corporates should be encouraged to work with enablement partners to co-create solutions that work for them. They need to adopt the mindset that there are no run-of-the-mill solutions. Everything can be customised, so it is important that they look beyond what they are currently doing and truly support SMMEs through supply chain development.

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