

South Africa's SMME sector is in a world of pain right now

 By [Mitchan Adams](#)

8 Mar 2023

The SMME sector of South Africa is currently suffering. We are constantly being told how this industry is the backbone of the economy and how it's the biggest provider of jobs. But for many SMMEs that somehow survived the dark days of Covid-19, their very existence is now being threatened by the dark days of load shedding and some brutal economic conditions.



Source: [Unsplash](#)

This is more dangerous than we think. What we need as a country is sustainable businesses, which will then provide sustainable jobs, which will then create the future customers for South African businesses.

Greater funding alone isn't the answer. As any venture capitalist or angel investor will tell you, it's no use throwing money at a business that is fundamentally flawed. And mentorship and incubation are always helpful, but won't keep the lights on and the products flowing when cash flow is tight.

That's where we see a real gap in South Africa for venture builders, or VBs – companies that literally build other companies. VBs bridge the gap between funding and mentorship by getting hands-on and dirty with the businesses they invest in, which gives them a far greater chance of succeeding – and that's exactly what the country needs right now as we look to build the economy and grow employment.

How VBs are changing the game

There are three key areas where VBs can transform the SMME sector.

Firstly, they can help SMMEs refine their product offerings to meet the specific needs of their markets. Lack of product-market fit is a major reason why many small businesses fail. VBs work with the founders to stress-test their products, determine whether the concept meets the target market needs and if there is a large enough market for it to be a viable business in the long term. This is key to ensure both sustainability and scalability.

Secondly, they're increasing speed to market by putting the resources in place to create successful operations. For some small businesses, this could be as basic as moving them out of the founder's garage to bigger premises with the right equipment.

And thirdly – and critically – they're exposing the companies they invest into a world of expertise and collaboration. By exposing these SMMEs to a range of experts from designers and software developers to strategic coaches and experienced founders, VBs are providing the experience that small companies need to grow their ventures to the point where they're ready to fly the nest, as it were.



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For us, the real opportunity is to create an approach to enterprise development, supplier development and preferential procurement that will benefit both corporates and small businesses. For example, businesses should be looking to directly co-invest in small black-owned companies, which would be specifically selected to best complement the value and supply chain gaps of the corporate. This would solve for the issue of access to markets and funding.

By identifying and investing in sound and innovative SMMEs which can then scale and grow aggressively to be sustainable, we would be starting to create permanent and valuable jobs. This addresses the challenge of local economic development and growth.

And finally, we have the opportunity to create a platform for all South Africans to participate in the investment and growth of small businesses, and ultimately benefit from the wealth created in the process, without the barriers and limitations of traditional stock investment options. That's a huge step towards a future we all want to be part of.

ABOUT MITCHAN ADAMS

Adams founded - and funded - local venture builder and business incubator Aions Creative Technology earlier this year with two major goals: to incubate and scale local startups to become scalable, sustainable businesses, and help corporate South Africa be better at B-BBEE in the process. By doing this, he believes the country can build the sustainable jobs it desperately needs to ease its crippling unemployment numbers.

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