

## **DEFINING THE BUSINESS CASE FOR ESD**

## INTRODUCTION

In the current economic climate, ExcOs are concentrating all their efforts on trimming the fat in their budgets and focusing on mission-critical strategies for business success. With so much pressure to enhance competitiveness, improve supply-chain performance, grow their markets and create value for their stakeholders, there is often little time, energy or money left for Enterprise and Supplier Development.

What these same ExcOs don't realise is that ESD, when implemented properly, can act as a powerful tool to meet their business's goals. Rather than representing a grudge purchase or an unnecessary tax on company resources, ESD funds represent a mutually beneficial long-term partnership that is not only good corporate citizenship, but also great for business.

## ADVANTAGES FOR SMALL ENTERPRISE AND SUPPLIERS

### The long and short of it: Advantages for SMEs and Suppliers



#### Short Term

Funding and support from large, established enterprises allow growing businesses to accelerate their growth through improved cash flow, hiring of skilled staff members, purchasing vital equipment, and a host of other business functions.



#### Medium Term

Growth of small enterprises and suppliers is guided by industry best-practices and the requirements of those companies to whom they supply goods and services. By becoming better suppliers with better business structures and management systems, their attractiveness to other enterprises enables greater, more reliable market growth.



#### Long Term

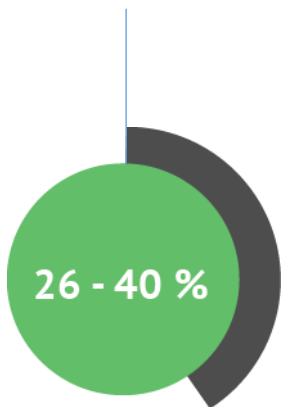
Relationships with clients are strengthened and multiplied, allowing for more rapid growth and job creation. Access to new markets and increased competitiveness allows these suppliers to thrive, eventually becoming large enough to contract and empower small businesses and suppliers in the same way.

## ESD IN NUMBERS

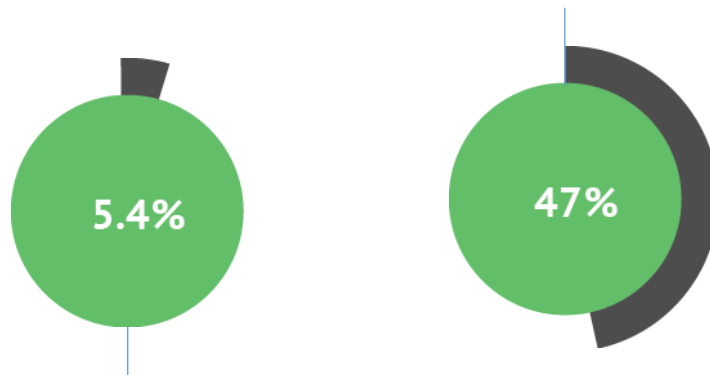
### SMEs are critical to South Africa's Economic Prosperity

Small and Medium-Sized Enterprises are widely lauded as effective drivers of inclusive and sustainable economic growth in South Africa and around the world. Their continued growth will be an essential facet toward promoting economic stability, creating employment opportunities, and positioning South Africa as a feasible opportunity for international investors.

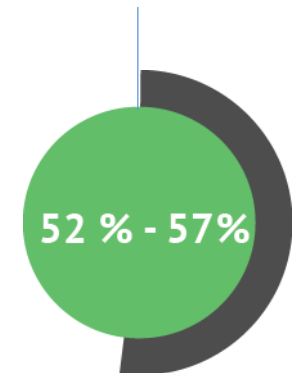
South Africa's unemployment rate  
*(StatsSA, 2015)*



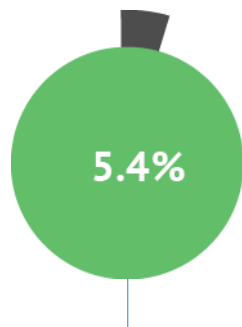
"Meanwhile, Business Partners Limited SME Index revealed that 47% of SMEs in the 2016 fourth quarter reported that they hired new employees in the last year."  
*(SME Index.2016)*



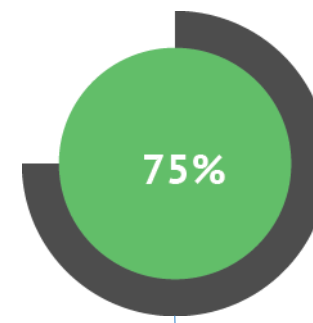
Contribution of SMEs toward overall South African GDP  
*(SARB, 2015)*



"The NDP envisions the South African economy growing by at least 5.4% growth per year over the next 15 years, to treble in size – and identifies the SME sector as a pivotal player in driving this growth."  
*(SME Growth Index.2014)*



SME failure rate in South Africa  
*(PwC, 2015)*



## ADVANTAGES FOR ENTERPRISE

### The long and short of it: Advantages for SMEs and Suppliers



#### Short Term

Enterprises who invest in SMEs through an ESD fund experience an instant boost in B-BBEE ratings and their levels of compliance, a critical practice if they hope to remain competitive when pursuing government tenders



#### Medium Term

By contributing to and supporting the business development of their own suppliers, enterprises become more agile and are able to develop new products more quickly, with a greatly reduced time-to-market. An investment in their suppliers is an investment in the efficiency of their own value-chain, resulting in improved competitiveness and better access to critical markets.



#### Long Term

Over the long term, ESD enables businesses to reduce reliance on monopolies, respond more quickly and effectively to shifting customer demands, and ultimately serve their markets better – not to mention the significant reputational benefits that come with empowering small business and stimulating the South African economy through good corporate citizenship.

## ESD IN NUMBERS

Through careful selection and aligned supply-chain linkage, the development of SME suppliers and partners in a business's value chain creates a sustainable and mutually profitable partnership. Such holistic long-term interventions enable business excellence for all parties involved.

**5-15**

The number of B-BBEE points lost by enterprises due to the 2015 changes in the ratings system.

**40**

The number of B-BBEE points attainable through fulfilling the requirement that big businesses support the development of small enterprises and suppliers – the biggest contributor of the five B-BBEE pillars.

**-18%**

The negative revenue growth rate for SMEs that receive funding, but are subject to no selection process and receive no Business Development Support

**130%**

Revenue growth rate for SMEs that go through the selection process and receive funding, long term Business Development Support, and supply chain linkage.

**432 mil**

Total rand value to date of ESD and Acceleration project investments by Edge Growth (including ASISA, Vumela and Edge Action funds).



**THANK YOU**