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Investigating interdependent and conflicting objectives in South African SMME policies: Competitiveness vs. Employment creation

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ABSTRACT

Local and international research on small enterprises speaks to the importance of Small, Medium and Micro Enterprises (SMMEs) in contributing to their respective economies and the potential of these enterprises to generate employment. The National Small-Business Strategy, as proposed in the 1995 White Paper on Small Business, was developed to assist the processes of employment creation and economic growth through assisting SMMEs in becoming more competitive in the global marketplace. Debate as to the effectiveness of this strategy and the subsequent development programmes has given rise to claims of conflict between the goals of economic growth and employment creation potential of SMMEs. The purpose of this research is therefore to determine links between employment creation potential and growth potential through increased competitiveness of ten South African SMMEs. Semi-structured interviews were conducted with owner-managers of each of the SMMEs. The interviews focussed on issues of competition in the respective markets, competitive practices, labour issues, technology issues and perspectives on the South African business environment. Additional interviews were conducted with a human development consultant and a politician at municipal level with experience in small enterprise development. The additional interviews covered the same broad topics as the SMME interviews but from perspectives removed from those of the owner-managers. Thematic Content Analysis (TCA) was used to extract themes emerging from the interviews from which links between competitiveness of the SMMEs and employment creation potential could be drawn. Results show that SMMEs aiming to become more competitive will tend to limit their dependence on labour to minimise costs and productivity constraints. Therefore, the policy objectives of economic growth and employment creation through SMMEs are divergent. The research adds to the body of knowledge on South African SMMEs and points to the need for continued research, particularly in developing up to date statistics on the SMME economy.