

# Action needed as slow or no-payers put black empowerment firms in a pickle

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CHOOSING the right black economic empowerment (BEE) partner for your company is critical. It should in no way make empowerment itself an additional risk.

Over the past few years we have seen changes in political leadership affecting not only BEE partners, but also companies' empowerment credentials. However, changes in leadership promise opportunities for broad-based beneficiaries.

The companies that are likely to remain stable are those that have chosen the right partners.

It is not a good feeling when a company loses a BEE partner, for whatever reason – especially during these trying times when they need to focus on dealing with the recession, rather than sorting out their empowerment status.

South Africa has been in a recession for some months now and it is putting pressure on the government to play a leading role in assisting businesses, especially BEE small, medium and micro enterprises (SMMEs). Procurement decisions need to be taken quickly.

Some of these decisions entail putting together systems to improve

payment runs so that payments to service providers are made once or twice a week, instead of once a month.

This would ease cash-flow difficulties. Also, if government departments want to implement new projects and procure services, they need to make decisions quicker.

That way they might save businesses from shutting down because of the recession.

Surviving the recession requires businesses to ensure their processes are more efficient.

Besides private and public sector organisations, ordinary South

Africans need to help stimulate the economy.

Suppliers need to be careful to not mess up orders, because that could cost them clients.

The government should help prevent the exploitation of small businesses by big business, where payments for services are made late or, in some instances, not at all.

In April, Empowerdex and the Financial Mail released the results of a survey of the top 200 empowerment companies listed on the Johannesburg Securities Exchange and the AltX, the alternative exchange.

Some of these companies look

good on paper, but how many of them have forced BEE SMMEs out of business because they paid accounts late, if at all? We have heard of companies that take 90 to 120 days to pay small businesses.

Small businesses, naturally, like big business to procure services from them, especially if contracts look lucrative.

However, some big businesses only procure from BEE SMMEs to gain procurement points, without necessarily having any interest in helping the small businesses to grow.

If big business takes a long time

to make a payment it can be disastrous for the cash-flow of small businesses – perhaps putting them out of business.

It is high time the authorities criminalised late or non-payments for services.

The emphasis on discouraging government departments from using business consultants also poses difficulties.

It threatens the survival of many service providers, most of which are small businesses.

Government officials might also become reluctant to appoint service providers, which could harm our

economy. It might lead to still more instances where government departments fail to spend their budgets.

We should not forget that one of the reasons work is outsourced to service providers is because public sector organisations lack the capacity to deliver.

Let us rather encourage SMME service providers to deliver proper services and continue to procure from them. It will be disastrous for business and the country to lose entrepreneurs.

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