

A look at the trends that will drive the development of the SA SME sector in 2023

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Last year was a turbulent period for South Africa's small business sector. With it came all the trappings of a business survival bootcamp: rising petrol costs, supply chain instabilities, high inflation, interest rate hikes, unreliable electricity supply, and a political horizon marked by uncertainty. For the small and medium-sized enterprises (SMEs) who were put through their paces and came out on top, 2023 holds its fair share of obstacles and opportunities, many of which exist within the realm of technological innovation.



This is the opinion of Arnold February, regional investment manager at SME financier, Business Partners Limited. Commenting on the trends that will drive the development of the SME sector in 2023, he explained that: “For insights relating to the macroeconomic outlook for the year ahead and how South Africans will fare in a rapidly changing world, we look to the events in and around Davos for the recently held World Economic Forum Annual Meeting.

One of the golden threads that ran throughout the conference was the emergence of artificial intelligence (AI) as a main driver of progress. Technologies such as ChatGPT, an AI-powered chatbot capable of generating coherent, human-like text, are products of a world in which digital technology holds the key to unlocking the next chapter for business.”

The tide of digitisation will become more pervasive

Accounting software firm, Xero referred to digital technology as a “lifeline for small businesses” in its recent report, which found that over the last year, technology has enabled a large proportion of local SMEs to reach new customers, expand into new areas, improve their processes and reduce their administrative burden.

In February’s opinion: “SMEs need to hone their focus on digital transformation to reap benefits such as increased productivity, better cyber security and lower production costs.”

Looking ahead, investment into digitisation within the SME sector will continue to grow – a theme that provides a segue into another trend he believes will shape the year ahead for the industry.

Talent retention and upskilling to remain a key focus for SMEs

With SMEs relying more and more on automation and integrating their processes with tech-driven tools that can augment and simplify operations, the South African talent pool will continue to face new challenges.

The struggle to find employees whose skillsets are congruent with the development of their industries was one of challenges identified in the most recent quarterly SME Confidence Index conducted by Business Partners Limited. Thankfully, as February asserts, many SME owners are making the connection between finding staff with the right skills and experience to grow their businesses and the need to invest in upskilling and training programmes.

“Investing in human capital will be imperative for small businesses in every sector,” he argues. In addition, February says, the flexibility of hybrid work, greater awareness around employee mental health and building value-oriented workplaces are key areas in which SMEs can demonstrate their commitment to developing and supporting their teams and increase productivity in their businesses.

Digital technology meets human connection in the customer experience (CX)

Summing up his insights on the trends that will shape the SME sector going forward, February states that: “There is enough place for both technological innovation and human ingenuity to co-exist and thrive.”

Nowhere has this confluence become more evident than in the realm of customer experience.

The centrality of the customer experience – or ‘CX,’ as it has become known, rose to prominence during the pandemic years, which saw businesses involved in an anxious scramble to win market share from their competitors.

“Many brands that differentiated themselves by leveraging excellent customer service, came out on top,” said February.

The third edition of the Most Loved Local report, published by Santam, found that South Africans rate a “good experience overall” as the primary criterion for small, locally owned businesses they deem to be the best in their fields. Furthermore, over a third of survey respondents claimed that their experience of a brand or business had become either more important or as important as other factors, since the onset of the pandemic.

As February concludes: “CX within the context of the digital age must have all the hallmarks of good customer experience – friendly service, integrity, empathy and reliability. But, powered by digital tools, we can add a new level of personalisation to the customer experience, as well as more convenience, more choice and better customer relations based on data.”

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