

Edge Growth: Making ED work



*Daniel Hatfield
Director: Edge Growth*

The director of Edge Growth believes that effective ED is about focusing on real business stories that can create long-term change, instead of short-lived 'feel-good' stories.

ED is recognised worldwide as the most powerful means of creating employment and alleviating poverty. In South Africa, the ED component of the BEE scorecard makes approximately R15-billion of private-sector funding available each year. These funds, earmarked to create jobs by building small businesses, provide an unprecedented opportunity to boost economic growth by harnessing the collective power of this sector.

However, three years after the introduction of the codes, ED has yielded little economic growth and low levels of new jobs. According to Daniel Hatfield, director of Edge Growth – specialist leaders in the ED arena – the primary reason for this is that “the majority of ED programmes have not been designed to succeed”.

ED programmes should be socially and politically motivated and should be aimed at transferring wealth to the previously disadvantaged, unskilled and unemployed. However, in order to yield results, these motivators must not be used to drive the design and implementation of the programme.

“Transformation goals will be reached when we start building and growing sustainable businesses and when new jobs are created for the unemployed,” says Hatfield. “This only occurs when sound business principles are applied to assist SMEs. Unfortunately, in South Africa the majority of funders ignore

the principles that govern their own businesses and choose to invest valuable resources in businesses where the economics do not add up. The results are disheartened entrepreneurs, wasted money and no social change.”

If ED is to succeed, funders need to invest in the right businesses that are run by high-potential entrepreneurs who have the relevant skills, passion and vision.

“ED requires a highly specialised competence, as the challenges facing SMEs are far more acute than those facing larger businesses,” says Hatfield. ED thus needs to be performed by niche specialists who have the necessary expertise and experience required to identify high-potential SMEs, as well as the necessary support to assist in overcoming the challenges they face.

“In practice, ED is typically performed by people with the right intentions but who lack the business acumen required to identify the potential pitfalls and opportunities facing the business. As a result little assistance is given at all,” says Hatfield.

“If we are to harness the power of ED, we need to view ED strategically and stop focusing on short-lived ‘feel good stories’, he concludes. “We need to turn our attention to real business stories that have the ability to bring about long-term social change.”

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