**ADVANTAGES AND DISADVANTAGES OF SMMES**

**ADVANTAGES**

Flexibility - SMMEs have the ability to react to changes in the market. There is no hierarchy in place that slows down the decision the decision making process. If the business owner sees that there is an opportunity to challenge the competitor, he/she can do it without obtaining approval from the board of directors.

Customer interaction- Another competitive advantage for SMMEs is that customer interaction with the management team takes place on a regular basis. The owner then has the opportunity to fill the customers' needs with additional products, a change in pricing or enhancements in customer service.

Passion- When a business is run by a smaller number of people or just one individual, you often see more passion. That passion hasn’t been diluted by a large staff and or altered by compromised vision.

Independence- With less bureaucracy comes more independence. Small business entrepreneurs are able to exercise with much more independence which is often part of what for them into running a small business in the first place

Local contributions - small businesses typically circulate more of their revenue back into their local community. This makes the local economy more resilient, which in turn makes the global economy more resilient

Sustainability- small businesses are less likely to harm the environment. They are more likely to be catering to their locale, which means less driving and more walking they are more likely to engage in wasteful practices like leaving lights on. They often operate from home and therefore don't use store or office space.

**DISADVANTAGES**

Poor quality of products - SMMEs tend to produce products of poor quality because they lack the proper equipment. Today's consumers are educated about their right and will only spend their money on a product with quality that addresses their needs. Similarly for suppliers, retailers demand high quality products in order to satisfy the needs of the customers. As such, government has seen it fit to put into use the Botswana Bureau of Standards in order to address product quality and compliance to standards. SMMEs should acquaint themselves with the mandate of such organizations and take advantage of their services.

Poor or no record keeping on the performance of the business- A number of SMMEs are still faced with the problem of keeping proper financial information which they can use to keep track of the performance of the business. In cases where records are kept, they do not fully portray the performance of the business. In order to overcome this challenge, SMMEs should contact organisations such as LEA as they offer training in record keeping and management. This will equip SMMEs with the basics skills to better understand their financial information.

**Business Management in SMMEs**

Business management is a vast component of running a business as it includes planning, controlling, organizing and leading. There is the financial management, risk management, human resource management and strategic management, which are categories of management. As a whole, the different types of management play a big role in the success or failure of a business.

Management is defined by (Williams, 2015) as getting work done through others, whilst being concerned with efficiency and effectiveness. In SMME’s organizing involves designing adaptive organisations and human resource management; which is management of an organisations work force. Human resource management relates to management tasks such as recruiting and selecting candidates for jobs, hiring and educating/training the work force, rewarding of SMME employees and making sure their work environment is safe and pleasant.

Strategic management and planning in SMME’s are more or less the same as they both entail defining the company’s goals and strategising on ways to achieve the goals. It has been found that SMME managers should review their strategies so as to accommodate dynamic strategic changes and to ensure continued strategic relevance over time (Bititci, 2007) (Ates, 2007). Planning involves setting goals, developing effective ways to achieve the goals, tracking their progress and maintain flexibility; meaning being aware that in due time plans may have to change so the business has to be able to adapt its goals to the ever changing business environment.

Financial management is how organisations manage their funds and doing so successfully. SMME’s have different financial goals and characteristics when compared with those of large enterprises resulting in a need for different financial techniques and sources of funds. Sources of funds for SMME’s mainly come from the founders, friends, relatives, private backers and trade credit and debt from the capital market in the form of short-term or long-term loans (especially from banks). Risk management is the forecasting and evaluation of financial risks together with the identification of procedures to avoid or minimize their impact. Financial management and risk management work hand in hand.

Providing guidance and motivation for SMME employees with the goal of achieving set group or organisational goals is known as leading (Williams, 2015). As part of training for managers of SMME’s they are taught to motivate and lead the work force towards achieving goals. Motivation would include identifying the employee’s unsatisfied needs and providing them with ways to satisfying the needs and hence motivating the employee. Controlling is establishing standards to achieve set goals, comparing actual performance against standards, and taking corrective action when necessary (Williams, 2015).

**Management issues in SMMEs**

Low quality products are one of the issues in business management amongst SMMEs. It’s becoming an alarming issue because their low quality products put them at a disadvantage in the local market; they compete with higher quality products from other countries .This also makes penetrating the international market difficult. Botswana Bureau of standard is one of the measures that were employed by the government in order to help curb the issue.

Lack of market is another growing issue amongst these small, macro and medium sized organizations in Botswana. Most all the business in Botswana hinge on the government for market. In other countries such as the United States the private sector plays a bigger part in offering markets to SMMEs unlike in Botswana where the government takes the advanced position. According to an article by Keikantse Lese (Lesemela, 2013)mela (mmegi February 2013) Standard Chattered aimed at expanding SMES product base .They made advances by developing products aimed at changing the needs of SMEEs. Lack of market ultimately leads to low revenues and this causes some small enterprises to close down. One can say lack of market contributes to the overall rate of unemployment in Botswana.

Lack of capital is a constriction to the expansion and development of small enterprises. It places limitation in the ability of enterprises to afford required resources and services. A study by Morewagae et al. (1995) reported that out of 1140 micro-enterprises surveyed in 1992, 74% revealed lack of finance as the primary constraint. This affects enterprises as they are limited in producing goods and services for consumers, this will produce low profit influencing entrepreneurs to give up and shut down their business contributing more and more to the unemployment rate of Botswana

Due to Lack of proper entrepreneurial skills newly established businesses tend to end up as failures. This is because they fail to adhere to various start up procedures. These include to reserve a unique company name, sign the declaration of compliance, register the company, open a bank account, register employees for workplace injury insurance, Obtain Tax Identification Number (TIN) from the Botswana United Revenue Services and Obtain an industrial license from the Industrial Affairs Department, Ministry of Trade and Industry; or obtain a trade license from the Gaborone City Council. Poor financial knowledge, for example, on basic finance management, proves a real challenge to small business owners. This includes insight and skill on what to do when a payment is received, how to manage that capital, and even how to invest to nurture the business further. Entrepreneurs lack the skills to perform these functions because most of them did not receive the proper education or training on starting up and running a successful business

**Government’s roles in small medium and micro enterprises**

Small, medium and micro enterprises (SMMEs) have been considered the engines of growth in developing countries. Despite the importance of SMMEs, barriers do exist as harsh regulations imposed by the government may stunt the growth of these businesses. The government could making efforts in dealing with commercial banks to offer SMMEs loans because they do not have security, the government could do so by developing a supporting legal and regulatory framework that protects SMMEs from high interest and providing collateral to banks. An effective regulatory framework will encourage competition as more people will not be reluctant to start up SMMEs because excessive license requirements will not be a key barrier anymore, this would also attract international and regional banks with better SMME supporting policies to enter the market as businesses are legitimately registered making it easier for them to access funds from these banks. Hussain, Millman & Matlay (2006) argue that even though governmental support is essential for SMMEs during the start-up phase, most of them do not get adequate government support

**SMMEs impact on the economy (Botswana)**

Smmes, by numbers dominate the world stage as they make huge contribution to gross domestic product and unemployment with estimates showing that about 95% of enterprises across the world are smmes accounting 60% of private sector employment (Ayyagari et al. 2011). The contribution of SMEs to economic fundamentals varies across countries from 16% of GDP in low-income countries (where the sector is typically large but informal) to 51% of GDP in high-income countries. Smmes tend to be more labour intensive and at a macro level, therefore, provide a substantial contribution to employment. A World Bank survey of 47,745 businesses across 99 countries revealed that firms with between 5 and 250 employees accounted for 67% of the total permanent, full-time employment (Ayyagari et al. 2011). SMEs were also creating more jobs than large enterprises. Between 2002 and 2010, on average, 85% of total employment growth was attributable to SMEs (de Kok et al. 2011). In Botswana over 90% of the businesses rely on the government for market, microenterprises appear to last longer than their counterparts in many other developing economies. At the time of the survey, just under23 percent of the sample were businesses that had started within the past two years, close to 30 percent had been in business for 10 years or longer. (table from promoting enterprise page 8 slide 19)