

Catalysing Inclusive Growth

A Policy Framework for SME-Large Firm Linkages in South Africa (2000–2026)

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ABSTRACT

The persistent challenge of economic dualism, characterised by a dominant large-firm sector and a fragmented small and medium-sized enterprise (SME) base, has constrained inclusive growth and industrial development. Despite longstanding policy recognition of the need for business linkages, implementation has been inconsistent and outcomes limited. This analysis aims to develop a coherent, implementable policy framework to catalyse sustainable and equitable business linkages between large corporations and local SMEs. It seeks to identify the systemic failures in previous approaches and propose targeted interventions. The study employs a qualitative policy analysis, synthesising data from government reports, industry case studies, and programme evaluations. It utilises a process-tracing approach to examine the evolution of linkage policies and their on-the-ground efficacy. Analysis reveals that voluntary, non-enforced linkage programmes have achieved minimal penetration, with fewer than 15% of major corporations running structured supplier development schemes. A predominant theme is the misalignment between corporate procurement practices and SME capabilities, creating a persistent 'missing middle' in value chains. Effective SME-large firm integration requires moving beyond aspirational policy to a structured, incentive-based model that addresses both supply-side constraints and corporate procurement behaviours. The current ad-hoc approach is insufficient for systemic change. Policymakers should mandate linkage reporting for JSE-listed firms, establish a centralised supplier development fund with matched funding, and introduce preferential procurement scoring for verified local SME development. A dedicated linkage ombudsman should be appointed to mediate disputes. business linkages, SME development, industrial policy, inclusive growth, supplier development, procurement, South Africa This paper provides a novel policy mechanism based on a 'comply-or-explain' regulatory model for corporate linkage reporting, coupled with a tiered incentive system to foster genuine partnership rather than transactional subcontracting.

Keywords: *SME linkages, inclusive growth, economic dualism, Global Value Chains, Sub-Saharan Africa, industrial policy, supply chain development*

Article Highlights

- Identifies systemic failures in voluntary SME-corporate linkage programmes.
- Proposes a 'comply-or-explain' regulatory model for corporate linkage reporting.

Core Policy Recommendation

Mandate linkage reporting for JSE-listed firms and establish a tiered incentive system to foster partnerships, not just subcontracting.

- Advocates for a centralised supplier development fund with matched funding.
- Highlights the persistent misalignment between corporate procurement and SME capabilities.

This analysis synthesises two decades of policy evolution and on-the-ground efficacy.

ABSTRACT-ONLY PUBLICATION

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