



Developing Business Linkages between Large Firms and Local SMEs in South Africa: A Policy Analysis

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Abstract

South Africa faces challenges in fostering effective business linkages between large firms and local SMEs, which can drive economic growth and innovation. A literature review and expert consultations were conducted to identify gaps in current policies and propose actionable recommendations. The analysis reveals a significant disparity in procurement practices among large firms, with only 25% of major companies sourcing from local SMEs, particularly in sectors like construction and retail. Current policies are insufficient to bridge the gap between large firms and local SMEs. Recommendations include incentives for larger businesses to increase their reliance on smaller enterprises. Implement targeted procurement policies that mandate a minimum percentage of local content purchases by large firms, coupled with financial support for SMEs in underutilized sectors.

Keywords: *Sub-Saharan, interfirm, industrial policy, small business development, regional partnerships, institutional entrepreneurship, supply chain management*

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