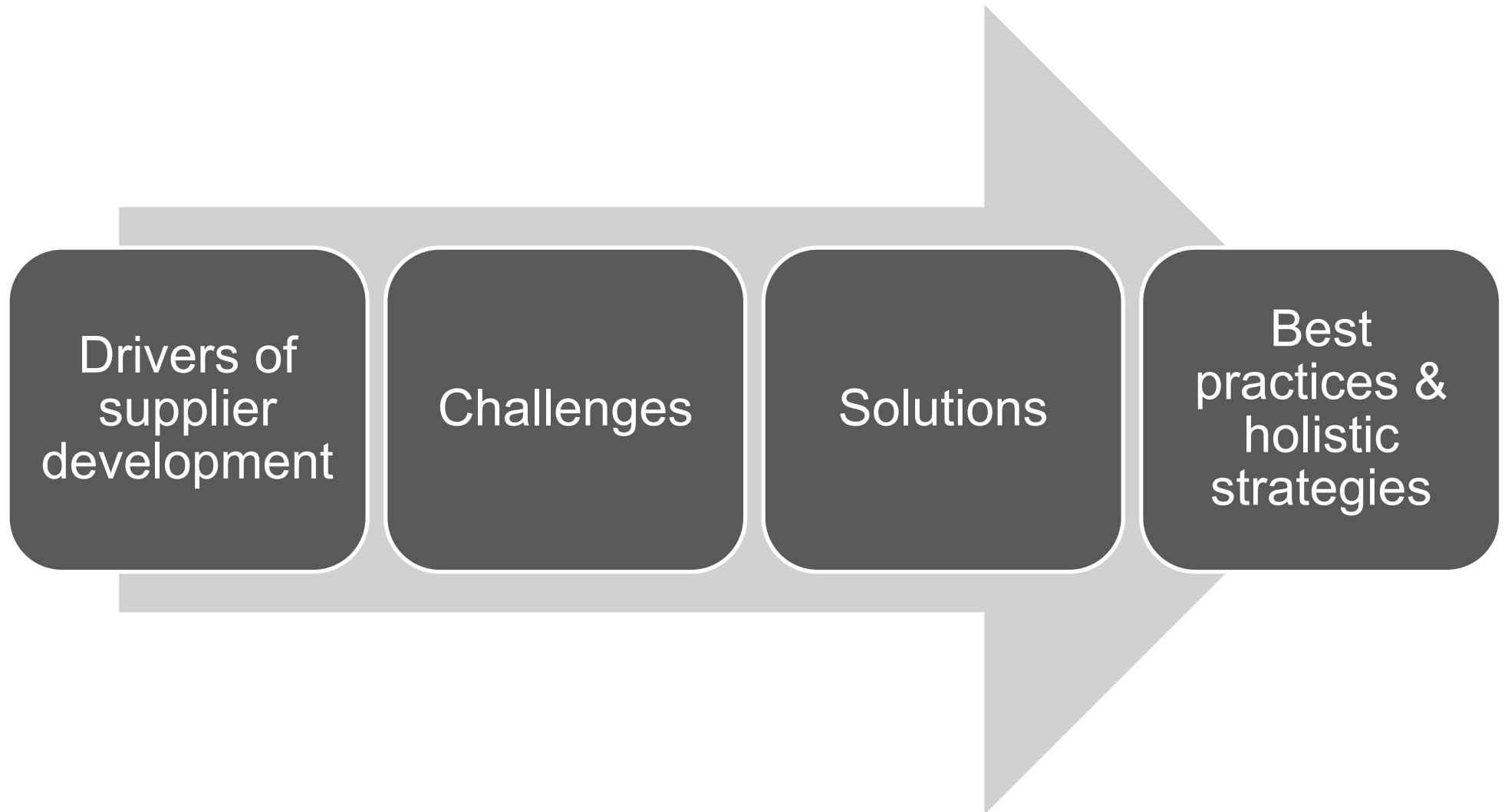


# Supplier Development: approach, challenges and opportunities



**SIMANYE**

ECONOMIC AND EMPOWERMENT DEVELOPMENT





## Background and context



**Reduced lead times and transport costs over time**

**Innovation in the supply chain**

**Overall improved infrastructure and development**

**Social licence to operate (e.g. mining sector)**

**BEE and policy compliance**

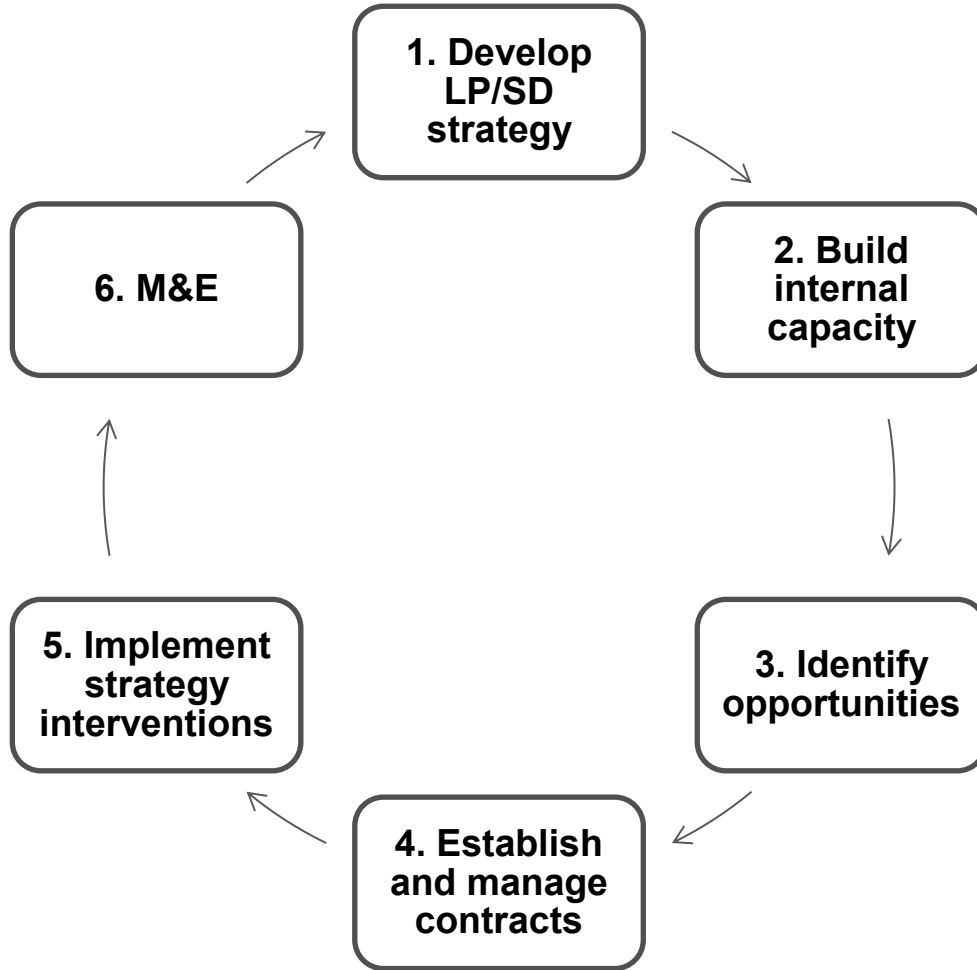
## Challenges and barriers:

- Lack of capacity of local SMEs
- Developing the “right” SMEs
- Stringent on-site requirements in terms of health and safety, etc.
- Information gaps
- Tendering process complexity
- Globally set procurement and global sourcing contracts
- Avoidance of change and risk aversion
- Lack of engagement and contact with local businesses
- ‘Compliance blindness’ and failure to see the business potential
- Lack of buy-in to a process which typically requires significant involvement and co-operation from the implementing business

## Lack of capacity in local SME suppliers, resulting from:

- Lack of funding access, as well as lack of cash reducing ability to wait for long invoice payment times
- Lack of business expertise
- Lack of technical expertise
- Lack of necessary labour
- Less efficiencies of scale
- Lack of other customers

# Supplier development is intrinsically linked to procurement and addresses local and Preferential Procurement challenges as well



## Key procurement strategies include

Supplier development

Supplier parks and business incubation

Ring fencing / set asides

Price matching

Partnerships with large suppliers

Unbundling

Formal weighting systems

Simplification of tenders and contracts



## **Enterprise development versus Supplier development**



# Supplier development and enterprise development

## Supplier Development

### Demand Analysis

Categorisation of procurement spend and analysis by level of risk, level of spend, sustainability of spend, growth, and other relevant factors in order to short-list priority categories for development and increased procurement

### Supply Analysis

An analysis of available types and levels of suppliers locally and matching to the identified priority categories for development to determine shortlist for development

### Enterprise Development

Select enterprises to develop based on need AND highest potential for development



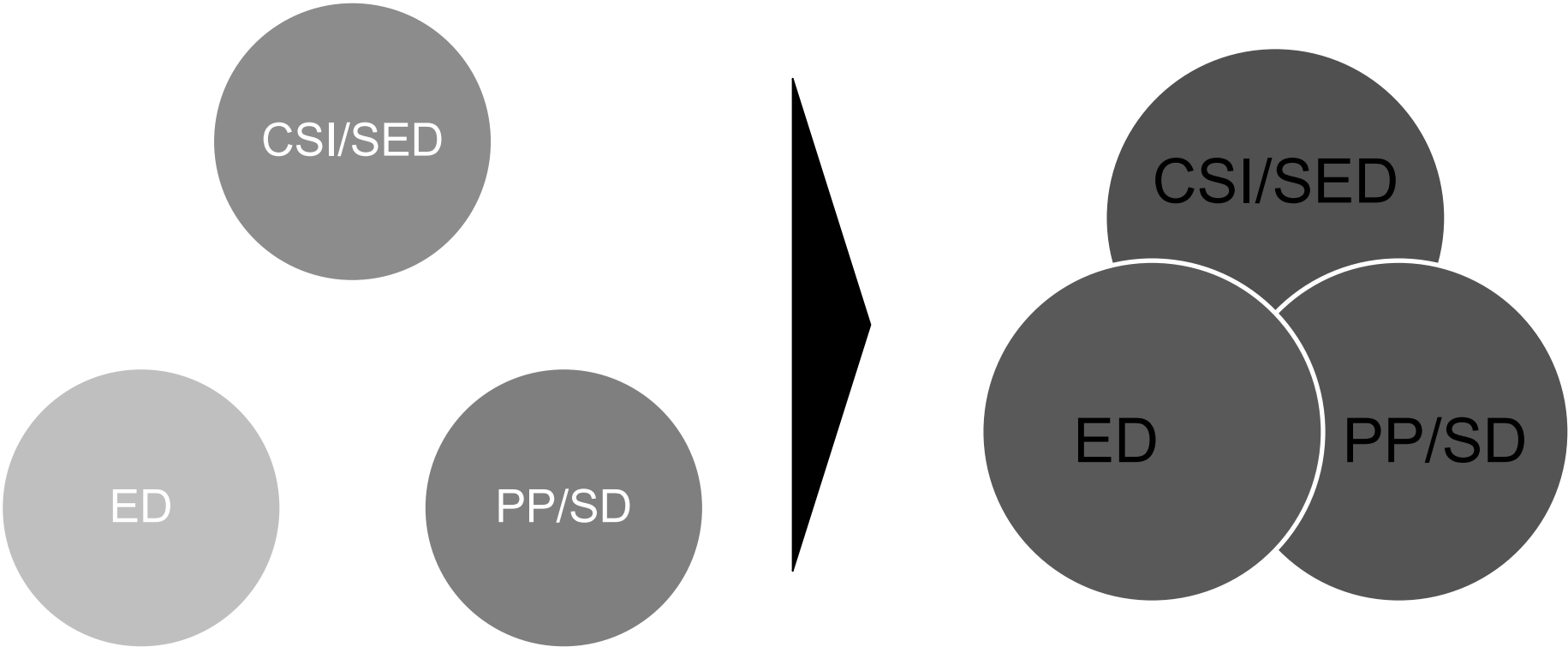
Determine what specific barriers to growth are (i.e. access to finance; financial training; computer skills; etc)



Provide tailored interventions that help overcome barriers (i.e. training, mentoring, finance)

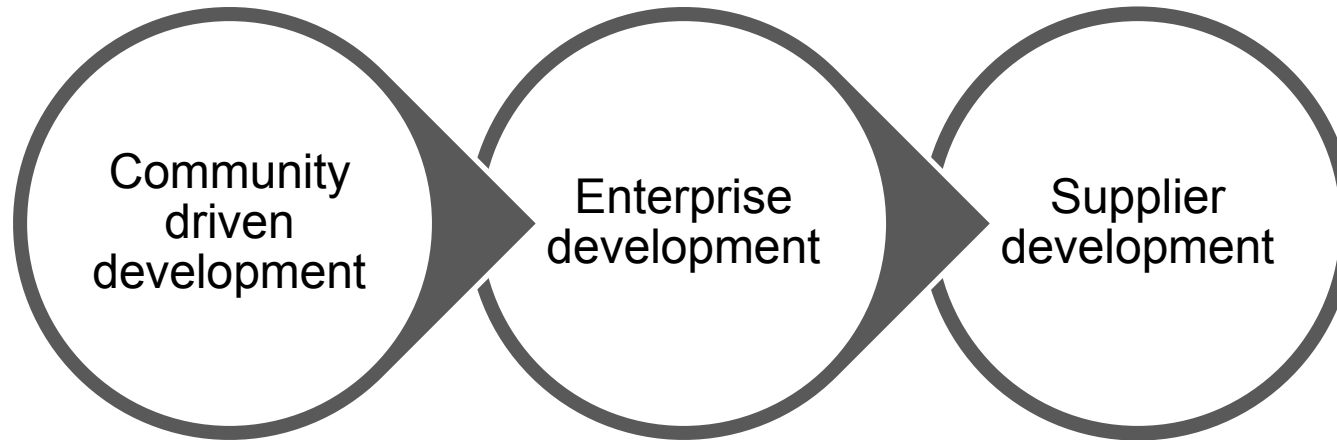


# Supplier development: moving from BEE compliance to strategic value



## Supplier development: a holistic, best practices approach

A holistic approach can help create **shared value**. One method would be to focus on creating linkages and development at all levels and drive development from bottom up and top down:



### Critical success factors

- Selecting the right SMEs to develop
- Establishment of clear goals and outcomes
- Excellent governance and internal communication structures
- Buy-in from top management
- Involvement and participation of supplier development team, procurement team and business end-users
- Measurement and evaluation, and adjustment based on this
- Collaboration, across range of partners (from public, to private to non-profit)