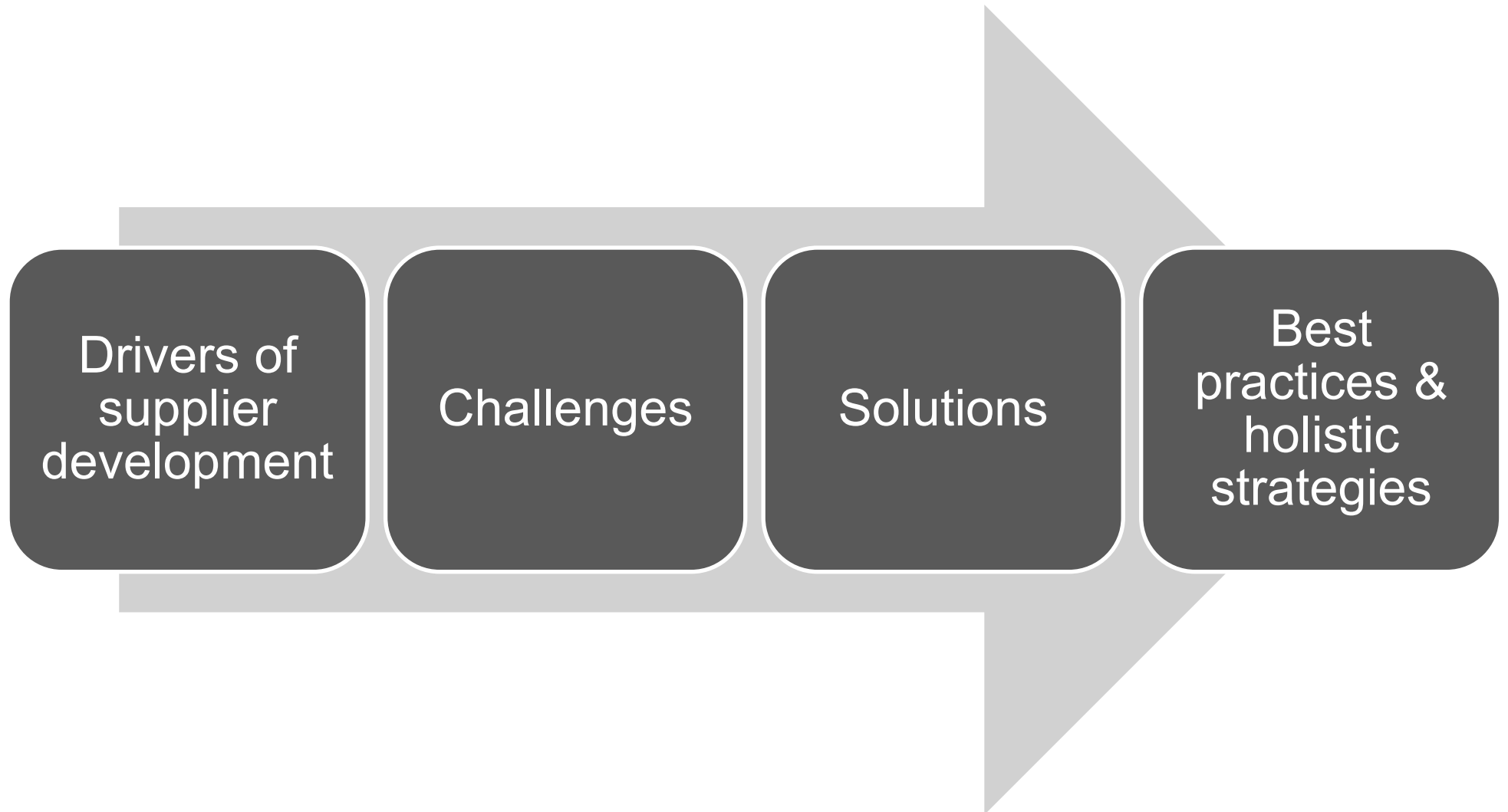


Supplier Development: approach, challenges and opportunities



SIMANYE

ECONOMIC AND EMPOWERMENT DEVELOPMENT



Drivers of
supplier
development

Challenges

Solutions

Best
practices &
holistic
strategies



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

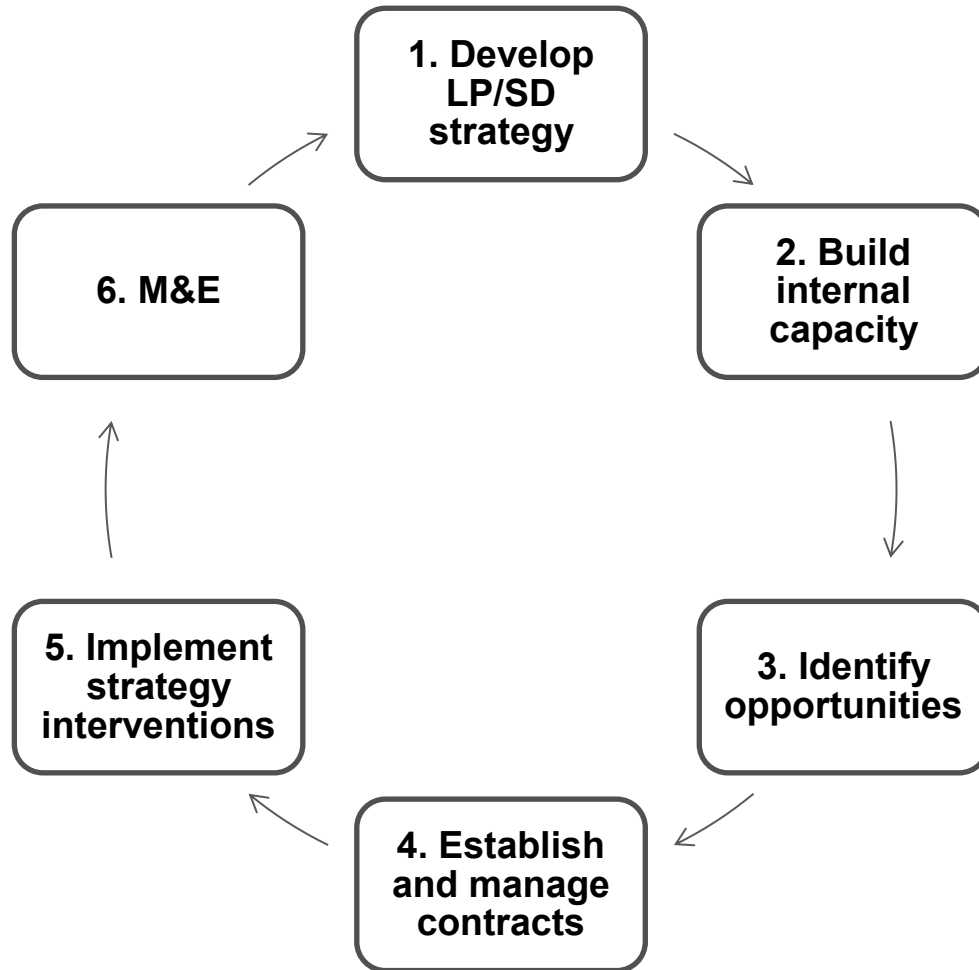
Challenges and barriers:

- 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

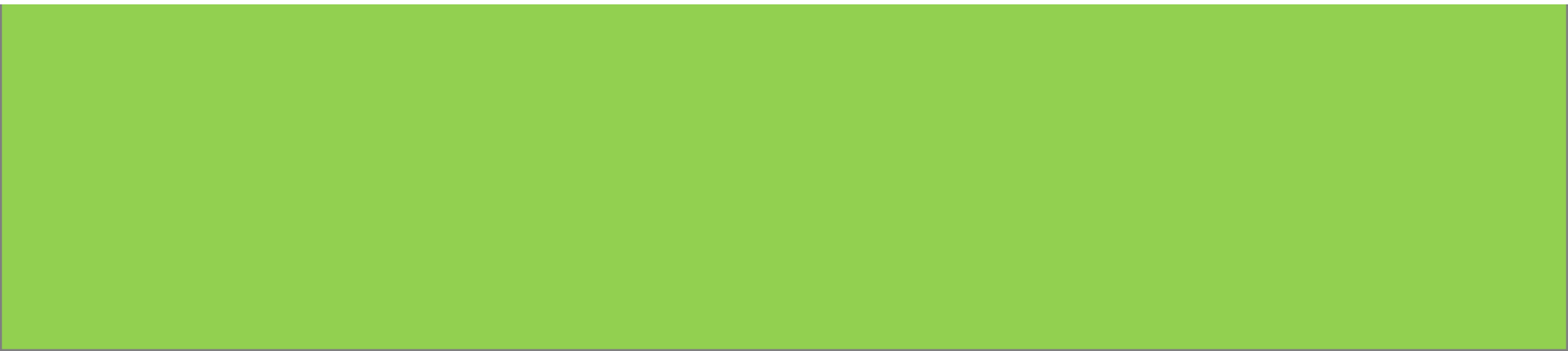
Unbundling

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

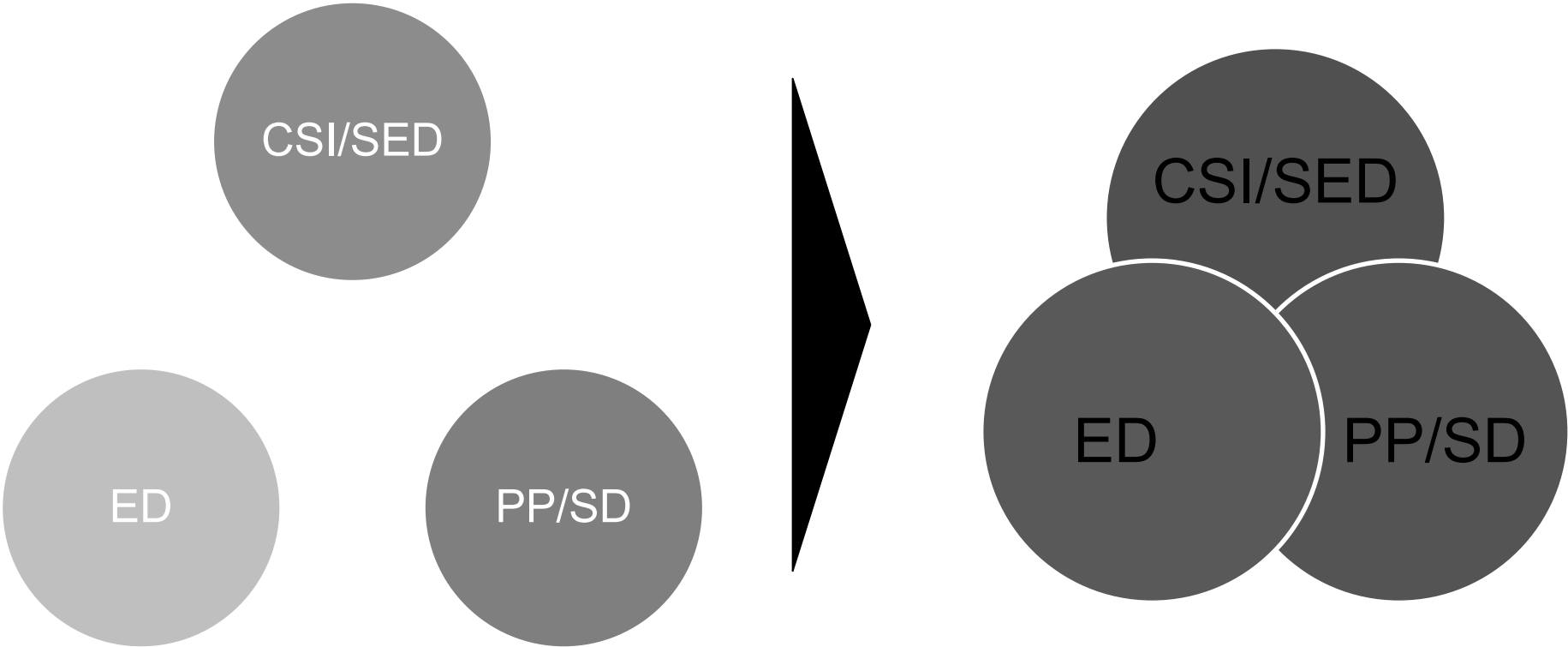


Determine what specific barriers to growth are (i.e. access to finance; financial training; computer skills; etc)



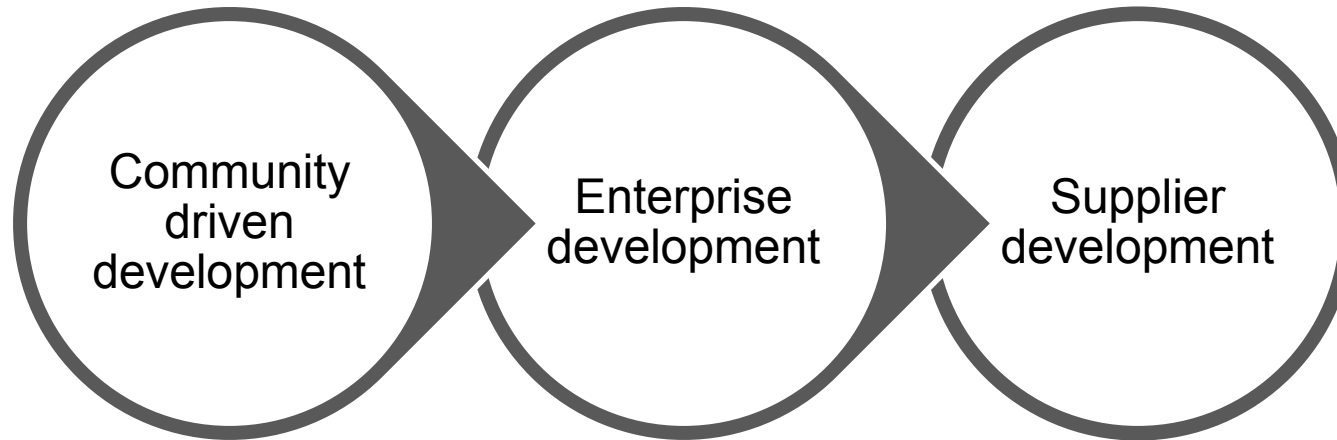
Provide tailored interventions that help overcome barriers (i.e. training, mentoring, finance)

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)