



## Cracking the 'access to market' nut, the final frontier in supplier development

***If you've been involved in supplier development for long enough, you will have seen this scenario:***

A corporate kicks off a supplier development programme (normally driven by the corporate affairs, transformation and local procurement environments) with the best intent. Some 18 months later, the corporate (usually with the assistance of a specialist supplier development service provider) has at best identified and capacitated a number of existing or potential suppliers who are now ready and waiting for, at the very least, the opportunity to pitch for larger, longer-term contracts. Normally the corporate facilitates a few meetings with miscellaneous people in the procurement department but seldom the end user. Even in the case that the supply decision maker is met, either the business case to take on the supplier or even just grow/extend the contract is not clear and/or the timing to shift spend is not appropriate.

So this is how it usually ends – the corporate is left with infighting, with Transformation irritated that Supply does not buy in and take supplier development seriously, and Supply just thinking that Transformation is completely disconnected from the business' economic realities. But arguably, and most important, the SME is left appreciative for being supported in the growth process but quite often irritated that this capacity has been built (at cost and risk) with no additional access to market.

In fact, often these SMEs, hand-picked by the very same corporate, will not even crack it on to the tender list for their commodity post the programme!

So what has gone wrong and, more importantly, what can be done differently to break this frustrating cycle?

Our view at Edge Growth is that there are 10 golden rules to education for supplier development: some of these are found in global supplier diversity best practice but most have been forged through being corporate implementation partners and seeing what actually works; and probably the best indicator that a supplier development programme is working is the extent to which meaningful off-take to new and existing supplier development SMEs has taken place.

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What instead is advertised by most corporates as supplier development success is the SME growth story and the jobs created. Both of these are essential but don't necessarily speak to long-term sustainability and are not good indicators that this final frontier of supplier development has been breached.

So, to remove the usual suspects that fill a number of these types of articles we will assume all the golden rules pertaining to getting the SME being procurement ready can be taken care of i.e. that through your education for supplier development programme you are able to build SMEs that deliver against the end user

requirements. This is a big assumption but this can and has been done and by making this assumption it will allow me to focus on the rules pertaining to the corporate dynamic. So what are the corporate-related supplier development principles that getting access to market right rely on?



### 1. LEADERSHIP SUPPORT:

Implementing supplier development successfully in almost all South African

corporates is a change management process as it is not currently "business as usual". And it's no different to any significant change management event in large business if there is not strong leadership support – as soon the going gets tough the initiative will fail. In order for leadership to support this initiative the internal champion needs not only to be effective in communicating the burning platform for their business to embrace supplier development but must be able to articulate the business case for all the key stakeholder groups to support this initiative and systematically go about winning them over. Leadership support most effectively translates into supplier development action when it comes in the form of (1) public announcements, (2) executive committee agendas, (3) ring-fenced budgets, and (4) supply executive performance scorecards. If as the supplier development champion you can focus on achieving the above four things you will ensure a fertile environment to solve the access to market question.



### 2. QUALITY DATA AND ANALYSIS CAPABILITY, AND CAPABILITY TO MAKE THIS COUNT:

Unless a corporate has the ability within the supply chain business unit through good quality data and sophisticated demand forecasting tools to understand what the supply demand is likely to look like over the longer term (at least 12 months but preferably

up to five years) it is hard to identify real gaps for supplier development SME candidates to grow into. It should also be emphasised that for this to result in real "gaps" being identified the analysis team has to work closely with the end user, as businesses understanding will make the otherwise desktop exercise practical. An example of this is isolated demand forecasting and DS programmes build SMEs for a commodity where they achieve capacitation and come to market post long-term tenders being awarded.

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### 3. POLICIES AND PROCESSES TO CHANGE THE SUPPLIER SELECTION AND BUYING PROCESS:

The first change in mind-set and process to enhance chances of assessing off-take is to ensure your process of SME development focuses on building a business case for buyers beyond just BBBEE compliance. Although BBBEE compliance is becoming more stringent and more important, this alone will not meaningfully shift spend so set your process up to help the SME build and present a compelling business to the decision maker. To help with this focus on demand areas where there is either (1) a current monopoly/bottleneck that the corporate would benefit from breaking, (2) where proximity of supply enhances competitiveness, or (3) where there is significant growth that could accommodate new suppliers. If purchasing process is set up

to enable the potential supplier to speak to the buying decision maker at the right time (i.e. when the relevant purchasing decision is imminent) and armed with a business case that speaks to his business strategy, demand gaps and highlights a detailed understanding of his product/service specifications you will get results.



### 4. LONG-TERM PORTFOLIO APPROACH:

As developing and integrating suppliers into a corporate supply chain is a complex and time-consuming exercise, corporates need to take a long-term view. To support this mind-set a few things can be done differently. First, although continual measurement is key, ensure the measurements in the first year are relevant to the likely progress (e.g. over and above tracking the SME capacitation process they should be lead measures of how the policies and processes are maturing to support the abovementioned principles). So although regular checkpoints are essential, if you can set up these programmes to be at least three years you are far more likely to make the right decisions for your supply chain and the SMEs involved. It is also important to take a portfolio approach in the selection of the SMEs for the programme as you want to balance non-core, smaller spend priorities where you can get quick wins with significant core commodities which both shift the procurement spend needle and have the ability to become the black industrialists that policy is trying to drive. Having only non-core will result in the programme not being taken seriously and going high spend core only will lead to impatience and could put the business under undue risk.



**5. BEST SD PARTNERS:** In discussing all the above there are certain competencies that it makes sense to build internally (e.g. demand forecasting) while there are others,

particularly those relating to overall programme management and the provision of financial and non-financial support directly to the SMEs, that are normally best outsourced. It goes without saying that for each of these outsourced competencies a corporate should spend time sourcing and due diligence to select the right partners. Education for supplier development is a long-term game and is not easy to get right; you want to work with smart, energised teams with hard capability and track record.

No doubt this is a tough nut to crack but we have a unique opportunity through the education for supplier development pillar of the codes and, if we stick to these principles and keep investing energy and innovative thinking to get this right, like in so many other things in years to come the rest of the world will be looking to South Africa to draw inspiration from our success stories and be holding up what we do as supplier development best practice. ■

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