

Time to gear up SA's focus on supplier development

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Enterprise and supplier development (ESD) is one of the most sustainable ways to grow South Africa's ailing economy. But, to drive the impact potential of ESD, stakeholders need to come together to forge a path forward.

The University of Pretoria's Gordon Institute of Business Science (GIBS) is, through a series of forums focusing on ESD, encouraging debate around the current state of ESD, offering insights into developments impacting the sector, and exploring meaningful ways to address the effective implementation of ESD.

On Thursday, 29 August 2019, GIBS's Entrepreneurship Development Academy, in partnership with enterprise development advisory firm GrowthWheel, hosted the first in a series of ESD Dialogues. The aim was to address some of the issues being faced by corporations and entrepreneurs within the ESD space, and to explore practical ways to more effectively implement ESD programmes.

The breakfast event brought together five experts from across the stakeholder spectrum: Litha Kutta, director: Enterprise & Supplier Development, Tiger Brands; Busisiwe Ngwenya, executive manager: Compliance, B-BBEE Commission; Hank van Rensburg, head: Supplier Development, ABSA; Gary Joseph, CEO: SA Supplier Diversity Council and Malcolm Farrell, CEO: SCNet - Supply Chain Network. The panel discussion was moderated by renowned development economist, columnist and radio presenter, Ayabonga Cawe.

A number of themes stood out, the first being that ESD is of national interest. As corporations actively build up a black supplier base and help to grow these entrepreneurial ventures, this will give the economy a much-needed boost. Furthermore, these suppliers will go on to play a vital role in job creation in an economy battling 29% unemployment.

But, for this to happen, ESD programmes require complete buy-in from all stakeholders across society, particularly within the executive structures of South Africa's large corporations. The call was made for ESD to become a strategic imperative for companies, rather than merely a tick-box exercise. Van Rensburg asked: "What are we out to achieve, why do we not have a shared agenda?" Change, it was agreed, needs to come from the top down. Kutta emphasised that most corporations are reluctant to change. He noted that, as an ESD practitioner, "I spend most of my time convincing people to do the right thing." Even where a company has dedicated ESD champions, the internal systems often don't support or facilitate ESD implementation.

In addition, there was universal acknowledgement that ESD must be given its rightful place within an organisation's procurement processes. Currently, too many companies have lumped ESD into their human resources or corporate social responsibility initiatives, rather than into procurement. By making this change, small suppliers will stop being viewed as 'charity cases' and rather as important contributors to the supply chain. Ultimately, ESD is a business imperative – one that should be incorporated into business strategy. Joseph reiterated that, in the pursuit of economic transformation, even shareholders have to become economic patriots.

The call to formalise ESD suppliers into an organisation's procurement processes means that procurement managers would then be able to actively take ownership and responsibility for these relationships. Procurement managers would be better able to ringfence specific procurement opportunities for black entrepreneurs. It was acknowledged that under the current corporate structures, small suppliers are often getting the breadcrumbs left over after larger, more entrenched suppliers have received their slice of the pie.

Ngwenya urged procurement departments to find the gaps in their procurement needs and create new markets for black and women-owned suppliers to fill these. This requires procurement departments to become less controlled in their

procurement strategies and to move away from buying only from entrenched suppliers in order to make room for new players.

But it's not just about procurement. Supplier relationships also have to go a step further when corporations are dealing with small firms. Joseph commented on how the supply chain functions in large companies are very transactional, and relationships between suppliers and procurers are predicated on power and price. He emphasised the need for organisational cultures to change so that opportunities for partnership could be created. Van Rensburg spoke about corporations finding, growing and transforming within this area, meaning that procurement departments actively need to find these suppliers, help them grow through specially designed initiatives, and thereby actively transform the procurement sector. Farrell gave practical examples of how this can be done, stressing that if companies embrace ESD and employ a little innovative thinking, huge leaps can be made to grow the ESD sector.

Ultimately, it was agreed that:

- entrenching ESD into the South African economy requires all stakeholders to work together;
- the space needs to be professionalised and standardised, so that ESD practitioners are held to standards of good practice;
- corporations need to open their doors to support small suppliers from a procurement, education and infrastructure perspective;
- small suppliers should be forthcoming about what they can offer and the type of help they require in order to effectively deliver; and
- companies procuring from small firms should help with administrative hurdles such as suppliers having liability insurance, which can prove a barrier to entry.

The morning's discussion only touched the tip of the iceberg. The ESD environment offers immense opportunities for economic inclusion across South Africa, but the sector is not performing to its full potential due to its complexity and the dominant perception that is a challenging space. Kutta advocated for stronger cohesion among ESD practitioners with a view to not only transform organisational supply chains, but to enhance ESD within and across sectors.

It was widely acknowledged that currently companies are merely complying with regulations but, for the economy to prosper, South Africa may need less regulation and rather a universal commitment to the greater good. Only by corporates actively committing to transforming their supply chains does the country have any hope of guaranteeing future generations a chance at securing sustainable incomes, jobs, and economic and social opportunities.

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