

ESD programmes require an implementation partner to unlock tangible value for both corporates and SMMEs

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Enterprise Supplier Development (ESD) programmes are widely acknowledged as critical tools to levelling the playing field that benefit both Small, Medium and Micro Enterprises (SMMEs) and corporates, yet implementing them is often not that straight forward.



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ESD programmes do not always go according to plan due to various reasons, such as an absence of deliberate and well thought through management and planning. When this happens, corporates, as well as their Small and Growing Businesses (SBGs), could be left feeling like the entire process does not live up to expectation in terms of the time, effort and resources expanded to yield the desired tangible benefits.

Yet, getting it right is vitally important, as successfully executed ESD programmes are not only beneficial to corporates and SMMEs, but to the economy as a whole. Supporting SBGs is key to ensuring job creation and sustainability, as well as much-needed economic growth.

A typical ESD programme is designed to bridge the capacity and capability gap between SGBs that want to work with corporates, which in turn are usually reluctant to work with SMMEs. This hesitancy often stems from concerns about working with a small and growing supplier with whom no prior relationship exists. Corporates are often concerned about aspects of capability, capacity, quality, price, service and delivery that a new, small and growing suppliers offers.

Poorly prepared

Despite these concerns, most corporates find themselves trying to include SMMEs in their supply chains, but often grapple with balancing ESD and supply chain strategy design and endorsement, execution capacity and experience, and ESD programme KPI achievement.

On a local level, ESD programmes help businesses meet Broad-based Black Economic Empowerment (BBBEE) requirements. On a global level, most corporates are committed to helping drive supplier diversity, which is linked to some of the United Nations' Sustainable Development Goals (SDGs).

However, from the outset, it needs to be stated that ESD programmes should never be viewed as a “grudge buy” or “tick box exercise”, simply done for the purposes of BBBEE compliance or to demonstrate alignment with SDGs. Rather, a deliberate effort should be made to ensure that ESD brings real benefits to both corporates and SMMEs, thus the critical need for ESD programmes to be aligned with broader business objectives.

Corporates must recognise that, by their nature, SMMEs possess a level of agility that more established suppliers simply do not. Not only are SMMEs well placed to be responsive to meeting the corporate's objectives, but they are also agile enough to keep up with its evolving needs. In some cases, SMMEs can even be ahead of the curve and predict the next innovation or respond to anomalous change that is coming, while having the flexibility to rapidly respond to how they approach a corporate's problem.

The pitfalls

So, where do many ESD programmes achieve limited success? The main problem is that a lot of corporates devise an ESD strategy and strive to be the implementation custodian thereof themselves. Yet, this is tantamount to being the player and referee at the same time and this approach seldom yields sustained success.

Essentially, once a corporate develops its ESD strategy following a best practice strategy framework, it achieves clarity on not only its ESD strategic imperatives, but also the objectives, approach, and tactics thereof. This enables the corporate to create a conducive environment for the ESD strategy to thrive. Done right, this means teaming up with a knowledgeable and experienced ESD implementation partner that will bring on board a robust team of subject matter experts to ensure the realisation of the ESD strategy's objectives.

Many corporates that try to develop and implement an ESD strategy find that they don't always have the depth and breadth of skills to execute it. Rather, their focus should be on providing the right conditions for successful execution and then leverage the right partners to achieve this.

Another common mistake that corporates make is defining ESD strategic principles that are annual. This is more prevalent among corporates that have less experience with developing and facilitating the implementation of ESD programmes. Taking an annual view of an ESD strategy is akin to a shotgun approach, with the corporate rushing to reach as many of its ESD goals as possible in a 12-month period.

Long-term approach

Unfortunately though, this approach generally erodes the potential sustainability and impact of ESD programmes. In reality, a successful ESD strategy and the implementation thereof should span three to five years, with the focus shifting away from chasing a quick win to a long-term approach. This allows the corporate to incrementally deepen the impact and sustainability of its ESD strategic imperatives.

Implementation partners are also key to facilitating SMMEs' entry into the corporate supply chain by being deliberate in addressing the concerns of corporates that are reluctant to enter into a relationship with SGBs. This requires understanding and leveraging a supply chain's preferential procurement Key Performance Indicators (KPIs) to frame the ESD programme. Framing the ESD programme around these desired outputs will ensure that SMMEs meet the corporate's non-negotiable supplier contracting requirements, which will alleviate its concerns and increase its willingness to engage with smaller suppliers.

A successful ESD programme must be a business imperative that is aligned to a business problem that a corporate is seeking to solve. If not, it will fail to achieve the tangible value and depth that stems from the innovation and agility that can be unleashed by adding SMMEs into a supply chain.

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