The Supply Chain Development Conundrum

Betsy Ings

OPRAH Winfrey believes a mentor is someone who allows you to see the hope inside yourself. As a business mentor this is imperative, since it speaks to the purpose of your relationship with the entrepreneur.

The subject top of mind for entrepreneurs at present seems to be how to hook the big customer; they request help to 'get in' with the big companies and onto their database. This is the hope inside of most SMMEs in South Africa at present.

Supplier development and diversity is a major tool that can enable this hope of the entrepreneur which aligns with our National Development Plan (NDP) 2030, and the first aspiration for the Africa we want as per the African Union's Agenda 2063: "A prosperous Africa based on inclusive growth and sustainable development - Economies structurally transformed to create shared growth, decent jobs and economic opportunities for all." Our NDP has great hope for our SMMEs: setting out ambitious goals for SMMEs, including a target for 90% employment opportunities to come from our sector by 2030. Gauteng Finance MEC Barbara Creecy confirmed her belief at the Smart Procurement World Conference in Johannesburg that, "at the centre of our efforts to fundamentally change the structure of our economy is a vigorous promotion of SMMEs. SMMEs dominate the world business stage and are currently the main type of business."

MEC Creecy quoted a recent World Bank study which found that the township economy is worth more than R10-billion a year: "Given the important role that this sector plays in our overall agenda to transform, modernise and re-industrialise, government continues to use our massive procurement muscle - as well as our vast infrastructure spend at a strategic level - to drive meaningful transformation, empowerment, job creation and economic inclusion."

What is the conundrum we are trying to address to keep the hope of SMMEs alive? Indeed, it is the importance of supplier development through diversity and inclusivity by all stakeholders to create an enabling economy. Supply chain development investment is a major key to the hope that can achieve the economic and transformation goals we strive to achieve - sooner, rather than later.

To achieve economic growth required to meet the NDP and social economic goals, government procurement openings need to be more readily available to small businesses, which at present create the most jobs and employ 56% of the South African workforce.

Supplier diversity and inclusivity is a structured, monitored business programme that encourages the use of historically underutilized vendors as suppliers. Examples of diverse business owners include, but is not limited to ethnic minorities, women, disabled persons, lesbian, gay, bisexual, and/or transgender persons.

Sustainable supplier development is a win-win situation for all: government, big corporates and SMMEs. Above all, it can inspire the hope we so greatly need as an economy, and as a country, right now.

About the author

Betsy Ings is an internationally accredited programme provider to various United Nations organisations and a facilitator of women development and leadership; as well as a community development specialist. Betsy is an ILO Master Trainer in Social Enterprise Development.

Thought Leadership - Taking Stock – reflecting on progress and what lies ahead

Taking Stock – reflecting on progress and what lies ahead

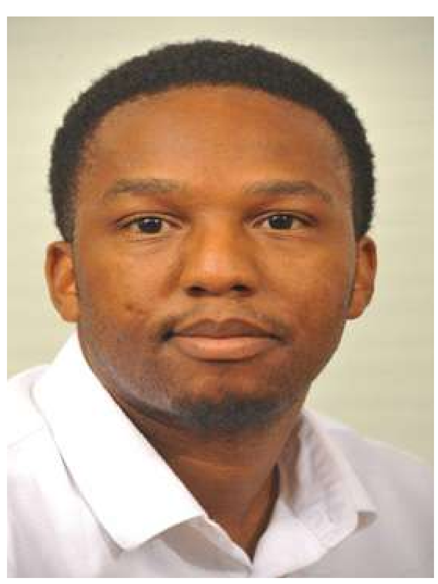
The year 2018, understood in some circles as the year of a "new dawn" marks seventeen years of the Coega Development Corporation (CDC) operations. Reflecting on the years spent navigating a turbulent economic environment, the country's industrial development programme has recorded significant achievements coupled with some major advances over the years.

Equally, the introduction of the Special Economic Zone (SEZ) Act replacing the Industrial Development Zone (IDZ) regulations, which had been the tool that governed IDZs in South Africa, introduced another dimension, the concept of an integrated ecosystem.

The adaptation of the concept into the SEZ act seeks to boost private investment (domestic and foreign) in labour intensive areas in order to stimulate job creation, competitiveness, skills and technology transfer as well as increasing exports of beneficiated products through the establishment of special economic zones.

The CDCs growth trajectory over the past five years has seen it diversify its core targeted sector approach and investment market target to incorporate the changing global landscape. This has seen the organisation surpassing the double-digit growth in new investments for three consecutive years.

Furthermore, the "Look East Approach" has resulted in the organisation expanding into the Asian market



TAKING STOCK: Simlindele Manqina, CDC Corporate Communications & Stakeholder Manager outlines the organisations economic trajectory.

with commendable success acquiring two Fortune 500 companies in the automotive sector. This has led to a R600 million investment by First Automotive Works (FAW), a truck assembly plant. Another acquisition includes a R11 bil lion investment by BAIC a car manufacture, currently under construction in Zone 1 of the Coega SEZ.

This feat has contributed in propelling the SEZ into a new realm as an investment hot spot offering total investor solutions with purpose-built manufacturing including beneficiation of export goods, investment and local socioeconomic growth – skills development and job creation.

Coega SEZ performance has seen it leading the pack in South Africa in attracting investors. Currently the SEZ has forty-two (42) operational investors worth a combined investment value of seven billion (R7 bill).

What lies ahead?

The affirmation of South Africa's investment-grade credit rating and the revised outlook from negative to stable by Moody's sets a new path for sustained efforts in building on existing domestic and foreign direct investment.

In the year 2018, the CDC is poignant with enthusiasm as it awaits the completion of investment projects valued in excess of R12 billion. The projects, which include, Osho Cement – R600 million; Customs Control Area (in the logistics sector); Beijing Automobile International Corporation (BAIC SA) – R11 billion; Hella (Automotive investment in the CDC Logistics Park) – R53.3 million and MM Engineering – R350 million.

In conclusion, as a state owned entity, the CDC is mindful of the competing priorities of the national fiscus. Appreciating the dwindling funding allocation over the years, the organisation has focused its efforts towards a long-term view of becoming self-sustainable. This has led to several efforts undertaken by the organisation in generating revenue separate from the funding allocation by the provincial government. As a result, for the first time since the CDC's inception, the organisation exceeded the half-a-billion rand (R541,8 million) revenue mark in the last financial year.

The 3 principles of tendering in South Africa

Tenders in South Africa are based on three principles:

1. Functionality
2. Price
3. B-BBEE

Functionality

All tenders, whether it is for the Public Sector or the Private Sector, will be evaluated on Functionality. Functionality is the most critical part of any tender response. If you get the Functionality part wrong during your response the chances are good that you will not advance to the following phase of the evaluation process – you will most probably fall out of the race.

When responding to tenders ensure that you understand exactly what is required in the Functionality part of the tender. Read the scope of the tender carefully and respond to direct questions as well as indirect questions. Functionality is the part where you advertise your company so make sure you do it properly.

Price

Most of the tenders that are awarded all around the world and for that matter in South Africa as well, Price will be the determining factor. At the end of the day, all that buyer's want is to procure the best product at the best price.

In South Africa we even have a formula to determine which tender response is ranked where in the tender awarding process. The response or responses with the lowest price receive the most points and the more expensive tender responses receive fewer points. Ensure that your tender response scores the most points in the evaluation process.

B-BBEE

Last but not least, all tender responses will be evaluated on its B-BBEE levels. It does not matter if you respond to a Public Sector or Private Sector tender, your B-BBEE score will always be taken into account to determine the outcome of the tender award.

The Amended Codes of Good Practice that came into effect on 1 May 2015 is very stringent and obtaining a good or high B-BBEE score is going to take a lot of planning and hard work. Ensure that you have a good B-BBEE score to have any say in the outcome of a tender award.

If you want to learn more about the tender process and how to complete a tender correctly contact us to find out more.

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