

# Proposed new supplier development code set to help B-BBEE scorecards

With the revised Broad-Based Black Economic Empowerment (B-BBEE) codes set to combine Enterprise Development with Preferential Procurement and calling the new element Enterprise and Supplier Development (ESD), it is likely that more stakeholders will target both Preferential Procurement and Enterprise Development to improve their scorecards, as these two elements go hand in hand.

This is the view of Johan Nel, senior manager: supply chain management of Lion of Africa Insurance, who said that, currently, the real challenge for businesses is the sustainable development of new enterprises and the assistance in expanding existing black-owned companies, in order to initiate the ripple effect of economic growth.

"Enterprise and Supplier Development will become the most valuable point element on the new B-BBEE scorecard, as currently Enterprise Development is worth 15 points on the generic and 25 points on the Qualifying Small Enterprises (QSE) scorecard.

"B-BBEE is not only about ownership and employment equity, but about Preferential Procurement and Enterprise Development, all of which are essential components of the entire process.

"Currently, together, these elements account for 35 points out of a total of 105 points and have been noted as two of the 'priority elements' by the government. In the proposed new codes the weighting of this combined element is increased to 40 points, with the other two priority elements being Ownership, accounting for 25 points, and Skills Development, accounting for 20 points. Management Control will account for 15 points and Social Economic Development for 5 points."

## Simplify strategies for business owners

Nel said that combining Preferential Procurement and Enterprise Development elements to create an Enterprise and Supplier Development element will simplify strategies for business owners, making it the quickest route to assist with the transformation of their own business and, ultimately, the country's economy. He said that this is achievable for businesses only by enabling the previously disadvantaged sector of the population to participate sustainably in the economy with all of the accompanying benefits, including increased employment amongst specific disadvantaged sectors of the population, income redistribution and overall economic growth.

"By including specific disadvantaged sectors in the mainstream economy, it is envisaged that the revisions will accelerate economic growth and uplift the previously disadvantaged sectors of the community.

"The emphasis of these revisions should not only be on the utilisation of black-owned companies, but rather to create black-owned companies by providing entrepreneurs with the necessary skills to operate a successful enterprise. Businesses should not only support existing black-owned companies, but also embark on a process of utilising new or alternative suppliers and service providers.

"In order to prepare for the potential requested code changes, companies need to put certain measures in place in their procurement division. Procurement policies, operating procedures and practices need to be developed as soon as possible on sound BEE principles, without having to face legacy challenges, whereby processes and procedures around supply chain management were designed to provide for quantitative results rather than a combination of diverse results, that so many other companies currently tussle with."

## Refinement of processes and procedures

He said that at Lion of Africa Insurance, procurement, an area within the supply chain management department, is

continuously evolving by means of refinement of processes and procedures. "The company has embarked on a web-based electronic procurement system simplifying processes, making the entire procurement process even more transparent and collaborative by means of opening up the company's already developed enterprises to our business partners, measuring BEE on a real-time basis and allowing for immediate corrective action if ever required."

The majority of companies who will be affected by the change to some degree have already started developing strategic objectives in anticipation of the change. "Heading a supply chain division in any sector of the economy pertaining specifically to the B-BBEE codes is a challenge. For any organisation it is a fine balancing act between providing an optimal value proposition to its shareholders, quality services to its internal clients, value-added services to its external clients and sustainable contribution to black empowerment."

Nel said that a critical point for a business to consider in order to make a sustainable contribution to B-BBEE, is its "mindset from the executive management, to the most junior position, as well as the sustainability or longevity of developments".

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