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Business must focus on supply chain excellence while DTI dithers on B-BBEE codes

While South Africa awaits the recommendations of the technical task team our Minister of Trade and Industry set up a month ago to look into the ownership pillar of the revised codes for Broad-based Black Economic Empowerment (B-BBEE) the onus on big business to transform its supply chains remains.

Pavlo Phitidis, CEO of Aurik Enterprise & Supplier Development, says that big business must not be side-tracked by the flick-flacks the DTI has made around ownership schemes because Enterprise and Supplier Development (ESD) is still the dominant element of the codes – and rightly so.

“It is in the small and medium business sectors that jobs will be created. There are no other environments that will generate employment and growth at the scale South Africa so desperately needs,” says Phitidis.

“But big business must drive this. South Africa’s corporate sector is the guardian of the economy, and has a huge, dual responsibility to create employment through supplier development and to raise and maintain competitive standards of excellence.

“The ESD element of the B-BBEE codes accounts for well over a third (38%) of the scorecard, and understandably big business is pressed to achieve compliance. However, softening standards to bring new suppliers into its supply chains will only quash the noble intentions of the codes to build a more inclusive economy. It will also cost organisational performance.”

In an economic environment where South Africa’s growth rate has hit an all-time low, Phitidis says it is big business working collaboratively with small that will expand the economy.

“Furthermore, the tough economy serves the ESD element of the new codes well because it compels companies to refocus on their core businesses and buy in the non-core products and services that they need from SMEs.

“Corporates must set and maintain the levels of service they require from their suppliers. It is here that business has an opportunity to set the excellence benchmarks for South Africa. By building successful suppliers, business creates efficient supply chains and effective companies.”

Phitidis says South African entrepreneurs will rise to the challenge that business presents to them in its call for excellence. “The South African entrepreneurial spirit is strong and willing. Suppliers that correct deficiencies to accommodate the standards set by a corporate customer will build muscle in their businesses.”

Some SA businesses are battling with the revised B-BBEE codes because they see government making it only more onerous for them to operate, citing loss of competitiveness as a huge risk attached to ESD compliance.

Phitidis says the reverse is true. “There are big businesses - some of them major global players in key industries - that are showing how the proper application of the ESD requirements makes for good business practice. “They have identified what is core to their operations and what can be outsourced as small and medium enterprise (SME) development initiatives. They have set the standards and are now working hard to ensure their suppliers meet them.”

“South Africa’s corporate sector’s success in meeting the ESD requirements of the revised B-BBEE codes will serve our nation and our future. Let our attention not be diverted away from this fundamental pillar of the codes.”

The Minister of Trade and Industry Dr Rob Davies said on 8 May this year that the findings of a technical task team set up to "explore the

appropriate balance between active (direct) and passive (broad-based schemes) ownership” would make its recommendations to him within 30 days.

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