

SMEs in the Supply Chain – Procuring from Responsible Businesses

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**BUSINESS
IN THE
COMMUNITY
IRELAND**

The Network for Responsible Business

Objective

- Discuss the benefits and challenges businesses face when procuring from smaller businesses
- Discuss what businesses are looking for in a responsible supplier
- Outline what good practice is in relation to procuring from SMEs and what other companies are doing to support SMEs in their supply chain
- Discuss supplier diversity

Agenda

- Introductions
- Benefits and challenges of procuring from SMEs
- What are businesses looking for in a responsible supplier?
- SMEs in their supply chain – good practice
- Supplier diversity
- Wrap-up

Introductions

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- Name
- Company
- Why you are here today

Procuring from SMEs

Benefits



- What do you believe are the benefits of procuring from SMEs?

Benefits

Competitiveness

Bottom Line

Social Impact

Benefits

Competitiveness

Bottom Line

Social Impact

SMEs suppliers increases the diversity of your supply chain – higher return on procurement costs

SMEs knowledge of local markets can be valuable for large companies trying to enter those markets

Benefits

Competitiveness

Bottom Line

Social Impact

SMEs are quicker to deliver services locally, saving costs

SMEs can supply niche, innovative products or services that larger companies can't or at a lower cost

Benefits

Competitiveness

Bottom Line

Social Impact

Procuring locally from SMEs helps enhance an organisation's reputation in the local community while making a positive social impact – e.g. construction industry

Research suggests that 7 in 10 SMEs increase in revenues and size within 2 years of becoming part of a corporate supplier base

Challenges



- What do you believe are the challenges of procuring from SMEs?
 - In general
 - From a sustainability perspective

Challenges

- Lack of awareness of social and environmental credentials of SMEs
- No capacity to conduct audits of smaller SME suppliers therefore no verification / validation if no public commitments by SME to responsible business
- Increased expectations around human rights along supply chain

What are businesses looking for in a responsible supplier?

Responsible suppliers

According to Sedex, the top five areas of non-compliance by suppliers (large and small) are:



Fire safety



Health and safety management



Level of overtime hours worked



Management systems



Environment

Responsible suppliers



- What does your business look for in a responsible supplier?

Responsible suppliers

- Compliance with regulation
- Adherence to company's code of conduct
- Responsible business practices:
 - Environment
 - Social
 - Governance
- Tier 1 versus lower tiers in supply chain



ESG Criteria

- What ESG criteria do companies include in their supplier assessments?
 - Some organisations leverage Sedex or Ecovadis
 - Large focus on environment as tangible
 - Achievement of standards – e.g. ISO's

SMEs in the Supply Chain – good practice

Supporting SMEs

Research by BITCI in 2015 into how large companies support SMEs found that:



Supply chain initiatives are the most common type of support:

Capacity building with suppliers

Supplier diversity programmes

Supporting local procurement



15% of SMEs in UK received some **mentoring** from a larger business

Supporting SME Suppliers

Supply chain initiatives have the ability to deliver significant impact:



Getting into the supply chain of large businesses is a key challenge for SMEs



Small business owners believe increasing skills of workforce is an effective way to grow their enterprise



7 in 10 SMEs increase in revenues and size within 2 years of becoming part of corporate supplier base

Good practices

- Procurement process is **transparent**
- **Simplified** application and selection process
- Programme to **build supplier capacity**
- Commitment to **Prompt Payment**
- Two way **communication** with suppliers
- **Disclosure** of supply chain information

Examples of initiatives



Commitment to purchase >\$1bn products and services from 5,000 SMEs in 40 companies by 2017 worldwide. Supply Chain Inclusion Programme in the UK and Ireland involved 17 SMEs who were mentored and involved in workshops, 12 of which are now listed with Sodexo providing over 35 products to Sodexo.



In partnership with Bord Bia, Tesco runs a supplier development programme called Taste Bud for Irish food and drink producers. Seven month programme including mentoring and workshops with Tesco buyers and technical experts.

Examples of initiatives



Holds Meet the Buyer events for new wind farms encouraging local businesses (mostly small rural companies) to come and find out what opportunities there are for their business and how they can tender to SSE Airtricity or its subcontractors.



Provides funding for ICE (Inner City Enterprise) which in turns supports start-ups in Dublin city centre. Irish Distillers also supports new distilleries by mentoring them on how to make Irish whiskey.

Examples of initiatives



Runs the thinkbusiness.ie website aimed at SMEs which provides templates, guides, checklists and case studies to businesses starting up, running or growing their enterprise.



GNI's parent company Ervia employs one person full time to run the Small Business Advice Programme. A panel of people with significant business experience, volunteer their time to give practical advice to small businesses.

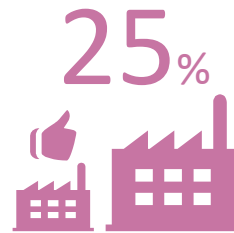
Supplier diversity

Supplier diversity

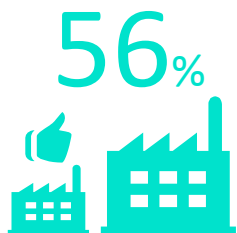


2020

33% of procurement spending to reach SMEs by 2020



25% of contracts from large companies awarded to SMEs



56% of multi-national companies have global supplier diversity programmes aimed at supporting small businesses



One in ten companies in the sample have implemented the global supplier diversity programme in Ireland

Wrap up

Relevant Reading

Members only area on www.bitc.ie

- Stimulating Businesses and the Economy:
 - How large companies in Ireland are supporting SMEs
 - Business case and how to set up initiatives to support SMEs
 - Examples of companies' initiatives to support SMEs
 - Supplier diversity programmes
- Integrating Sustainability into the Company Supply Chain 2016
- Responsible Business and Modern Slavery – the impact on your business
- The Gender Pay Gap – EU & Ireland

Thank You

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