

**Western Cape  
Government**  
Economic Development  
and Tourism

---

# HIGH IMPACT STRATEGIC SOURCING – HOW CROSS FUNCTIONAL COLLABORATION IN THE STRATEGIC SOURCING PROCESS CAN DELIVER SIGNIFICANT SAVINGS

Solly Fourie  
Head of Department  
Department of Economic Development and Tourism

# INTRODUCTION

Public procurement can be used as a mechanism to facilitate market access, enhance import substitution industrialisation through the promotion of local production and content and the associated sustainability of SMMEs.

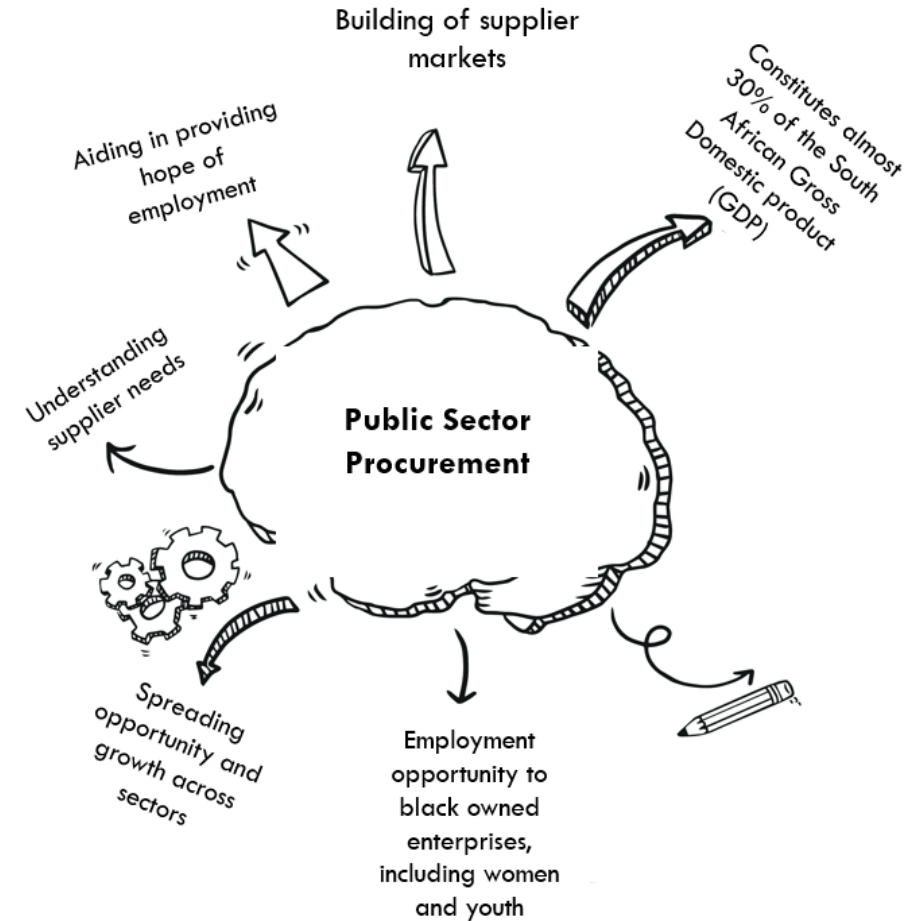
The utilisation of public sector procurement is important with regard to building SMMEs, by integrating them into government's supply chain. It provides a lever to effect economic and social transformation within our economy and society.



With all three suppliers evenly matched on price, quality and technical expertise, Mark resorts to his last remaining selection tool.

# PUBLIC SECTOR PROCUREMENT

Using public sector procurement spending which constitutes almost 30 percent of the South African Gross Domestic Product (GDP) would aid in providing hope of employment and spreading opportunity and growth across all sectors especially to black owned enterprises, including women and youth.



# DEFINING STRATEGIC SOURCING

Strategic Sourcing as a value creator

Integral in the overall strategy for growth

The process for crafting and organizing networks of supply – in line with the strategic and operational objectives of the organization

Public sector has adopted the definition that refers to “a collaborative and structured process of critically analyzing an organization’s spending and using this information to make business decisions effectively” (Mars, 2017)



# FOSTERING SUSTAINABLE BUSINESS

- The size of public procurement in South Africa is estimated to be around 22% of Gross Domestic Product (GDP)
- The most recent procurement spend is in the region of R500bn (Scott, 2016)
- Developing successful and sustainable small enterprises using public procurement would have a significant long-term impact and aligns with the objective of Provincial Strategic Goal (PSG) 1, which is to grow the economy and create jobs.
- Strategic sourcing requires that government adopts a differentiated approach that looks at the strategic importance of the purchase as well as the supply market complexity (Public Sector Supply Chain Management Review, 2015).

## Western Cape Government's Provincial Strategic Plan 2014 – 2019

### Our Provincial Strategic Goals



# WESTERN CAPE GOVERNMENT POSITION ON STRATEGIC SOURCING

---

WCG model aims at shifts in business model from one that is transactional in nature to one that focuses on outcomes

The case for strategic sourcing is based on:

- (i) lack of perspective of what is important
- (ii) ambiguity
- (iii) complexity
- (iv) lack of capacity across the organisation
- (v) lack of a burning platform – project catalyst.

The symptoms of the problem is being felt throughout the process, and by all stakeholders.

# MATURITY LEVELS: DEMAND VS. SUPPLY

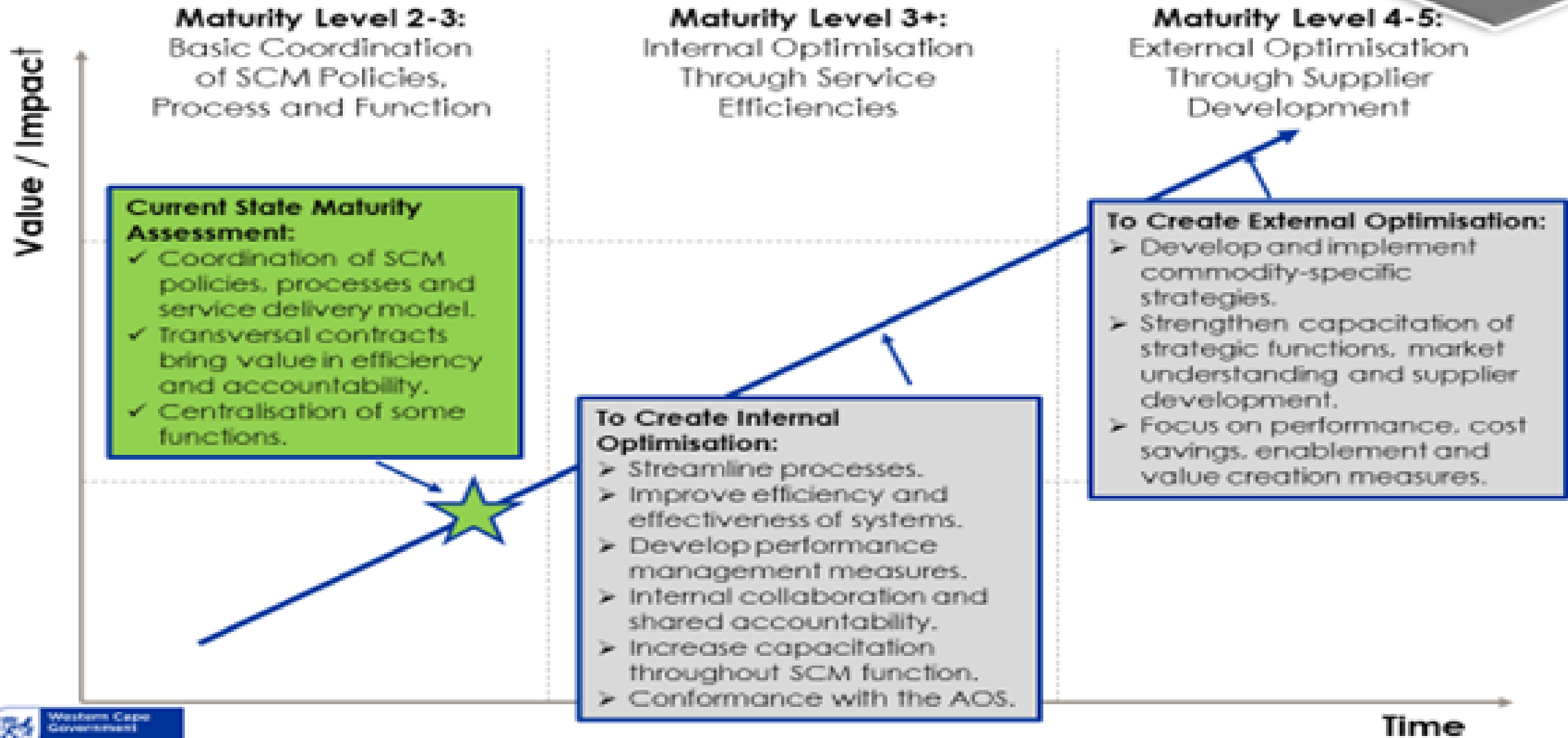
A gap exists between the demand and the supply side. The demand side has grown dramatically over the past 10 years in respect of:

- Transactions
- Internal clients
- Suppliers
- Commodities and complexity of those commodities
- Systems to manage the system
- Regulatory/ policy environment
- Governance structures
- Complexity of contracts
- Needs of our citizen base and our service delivery expectations and
- Risk associated with SCM process from all perspectives

The supply side has not grown in pace and the key questions relate to:

- How can we create a strong foundation from which to operate from?
- How can we find efficiencies within these demand systems?
- How can we work to decrease, consolidate, eliminate, streamline, and decrease the uncertainty of the above demand elements?

# Maturity levels





# CROSS FUNCTIONAL COLLABORATION

---

Provincial Treasury in collaboration with the Department of Economic Development and Tourism (DEDAT) adopted a structured and strategic approach to procurement, which entails the development and improvement of supplier relationships with the intent to create access to markets for suppliers.

The strategic approach is grounded in the strategic sourcing strategy applicable to all security, catering and IT.

The strategic approach to procurement involves a combination of understanding the importance of procurement to enable government to achieve its objectives, identifying suppliers and managing relationships with them whilst obtaining value for money. The existing strategic sourcing strategies for the respective industries (security and catering) will inform the enterprise development projects in the two industries. The focus will be on building the capacity of suppliers and to improve relationships between government and the supplier community.

# STRATEGIC APPROACH TO PROCUREMENT

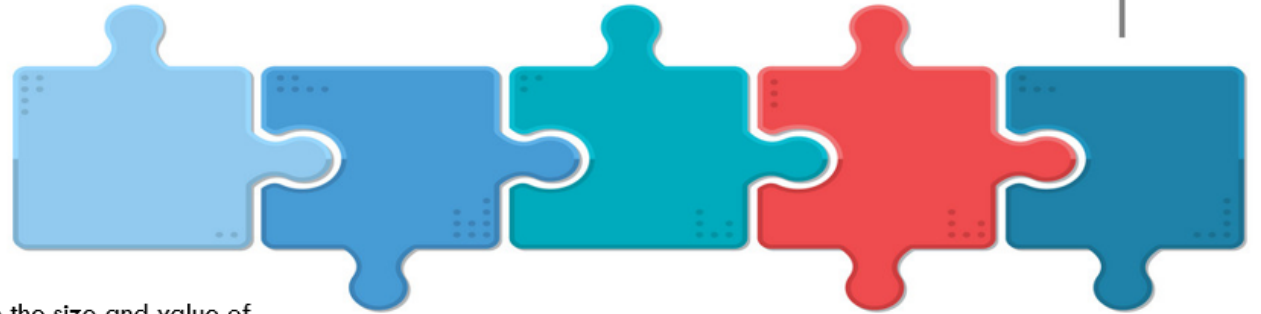
The broader objective is to open up existing and new market opportunities, improve supplier relations and understand supplier needs whilst also ensuring that government receives value for money.

## Strategic Sourcing will benefit government in the following ways:

Greatly reduce duplication of effort. Currently numerous tender processes for similar goods and services take place across departments

Reduce inconsistency in prices; encourage the use and the development of standardized specifications of common commodities and services

Create expertise about commodities among purchasing officials and reduce complexity for end-users; and Improve vendor performance as relationships improve



Use the size and value of spending on commodities commonly purchased across government to leverage the state's buying power

Encourage common government policy positions on certain commodities and services

Increase government efficiency by providing information on government's spending patterns

# CHALLENGES CONFRONTING SMMES

The need for better access to government procurement opportunities.

The importance of on-going training and information sharing workshops to better equip small and medium enterprises to access government contracts.

The survey rates one of the highest barriers to doing business with government as late payments to suppliers.

Communication and education on the Central Supplier Database (CSD) still feature high on the list of all suppliers.

A request to finalize procurement legislation that impacts on SMMEs. The impact of national legislation – although critical – creates uncertainty within a provincial context.

Greater investment in the use of procurement technology.

Streamlining of supplier registration and standardization across all spheres of government.

Targeted procurement of suppliers in a specific geographical area/sector/industry.



# INTERVENTIONS BY DEDAT



The opportunity lies in the support that the Enterprise Development unit will provide to small enterprises and medium enterprises, which will allow them to exploit value chain opportunities presented by different government entities and other state institutions.

Providing support to provincial Strategic Sourcing interventions which will be rolled out in collaboration with Provincial Treasury across the Province.

It will also include education and registration on the CSD, which has a direct impact on expanding the supplier database and opening up procurement opportunities for small and medium enterprises.

B-BBEE sessions which will focus on education and creating understanding in terms of the benefits that B-BBEE compliance yields and awareness and implementation of Local Content and Production.



# SECURITY

A strategic sourcing approach has been adopted and structured for the procurement of security services.

- The total provincial security services spends amounts over R300 000.00, of which the Department of Human Settlements and Transport and Public Works accounts for the majority of the security spend.
- Businesses who benefit from the strategic sourcing interventions in the security industry will achieve efficiencies while government will achieve greater value for money in the procurement process based on the multi-year transversal procurement of security services for the 13-line function departments based on a Framework Agreement.
- Provincial Treasury and the Department of Community Safety (DCS) are responsible for the provision of security services for the Western Cape Government (WCG) and therefor developed the Framework Agreement for the transversal provision of security



# SECURITY CONTINUED

PT and DCS identified the following challenges (informed by a diagnostic analysis) with the current security services contracts, both from the buyer and suppliers' perspective:

- Security services are contracted and managed in a fragmented manner across the Western Cape Government;
- Security services are viewed as an 'add on' that bears little or no relevance to the core business and seen as a cost that provides little to no value;
  - The poor service and performance of security guards;
  - Insufficient supplier development around the security commodity;
  - Lack of supplier readiness;
  - The cheapest does not mean value for money; and
  - Lack of supplier relationship management



# TRAINING SUPPLIER DEVELOPMENT



DEDAT with PT and DCS, in response to the challenges mentioned decided to embark on a bespoke supplier development programme.

This is aligned to targeted strategic sourcing strategies, to shift the emphasis from compliance to improving supplier performance and competitiveness.

The latter approach is to the advantage of procuring entities as well as suppliers. The strategic sourcing approach will build the capacity of security businesses in a sustainable way which will improve their service offering to the WCG.

Supplier development will be in the form of training to suppliers of security services with the objective to improve legislative compliance in the security industry and risk assessment as a key component in risk management planning. Risk assessment is often disregarded, and the reality is that there is an industry-wide shortage of the skills and knowledge to address it.

# CATERING

The WCG has developed a long-term strategy to develop suppliers/businesses within the catering industry with the objectives to grow the industry and create jobs.

The latter involves a strategic approach to procurement which is a combination of understanding the importance of procurement to enable government to achieve its objectives, identify suppliers and manage supplier relationships.

The fostering of sustainable enterprises that are able to take-up the envisaged government supply chain opportunities have become critical in the quest for economic transformation.

One of the building blocks of the strategic sourcing approach is building the capacity of caterers through customised and functional training to enable them to improve on their service offering to provincial government departments.



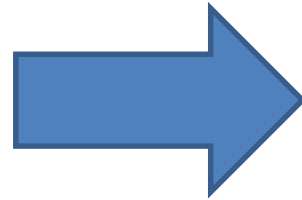


# TRAINING SUPPLIER DEVELOPMENT

In the 2013/14 financial year, the WCG did business with over 1 400 catering service providers.

An attempt to do supplier analysis on this supplier data base proved to be complex given the number of suppliers on the data base. It was decided to adopt a process of supplier rationalisation.

The process of rationalisation is based on a set of objective and relevant criteria which is applied to the relevant suppliers.



Through the rationalisation process suppliers were grouped into four major groups and this process has identified 58 caterers geographically spread-out across the province, inclusive of rural areas who have proved that they have the necessary supplier certification and accreditation and would benefit the most from the customised and functional training for catering suppliers.

# CLEANING SERVICES

The procurement of cleaning services is quite complex since there is a large variation of businesses needs across the different provincial government departments, but regardless, a blanket “one-size-fits-all” procurement approach is applied by departments.

The range of cleaning services required by provincial departments are varied. Despite of the service requirement of the specific department (highly specialized or general), the same procurement approach is applied.

The Department of Health (DOH) conducted an analysis of SMMEs who bid for cleaning contracts but that are unsuccessful. Based on the analysis, it identified a need for more focused interventions designed to assist cleaning service businesses from deprived communities to be compliant.



# CLEANING SERVICES

---

Informed by the analysis conducted by the DOH, the ED unit will partner with the DOH to implement a strategic sourcing intervention to help the businesses to become compliant and potentially become successful when applying for DOH tenders.

The analysis of the DOH indicated the following:

- Lack of working experience in the Health Sector
- Non-compliance to SARS, COIDA, Public liability insurance and UIF
- Absence of financials

The proposed solution to the procuring of cleaning services looks at the design of the future state of the procurement of cleaning services as well as membership to the supplier accreditation body, the National Contract Cleaners' Association (NCCA).

# CLEANING SERVICES

---

NCCA provides professional and management expertise.  
It sets and maintains standards for the contract cleaning industry

The Services SETA recognized the following competencies as critical for cleaning businesses operative in the Health Sector:

1. Health and Sanitation
2. Principles of cleaning in the Health Sector
3. Cleaning operations management certifications

Accreditation will ensure that suppliers are competent, informed and providing cleaning services that meets the organizations' expectations. The Services SETA also provides guidelines for industry related training.

# TRAINING-SUPPLIER DEVELOPMENT

The customized design training is aimed at 30 cleaning suppliers located in different geographical areas across the province. The training will be functional (functional training is defined as training which is focused on the core business of an industry/sector) and will also include business support training.

The training will be conducted in two regions over five days each. The regions identified for the training are the Cape Metro and the Cape Winelands and 15 trainees will be trained at each venue.



# HOW WILL WE MAXIMISE THE BUSINESS OPPORTUNITY

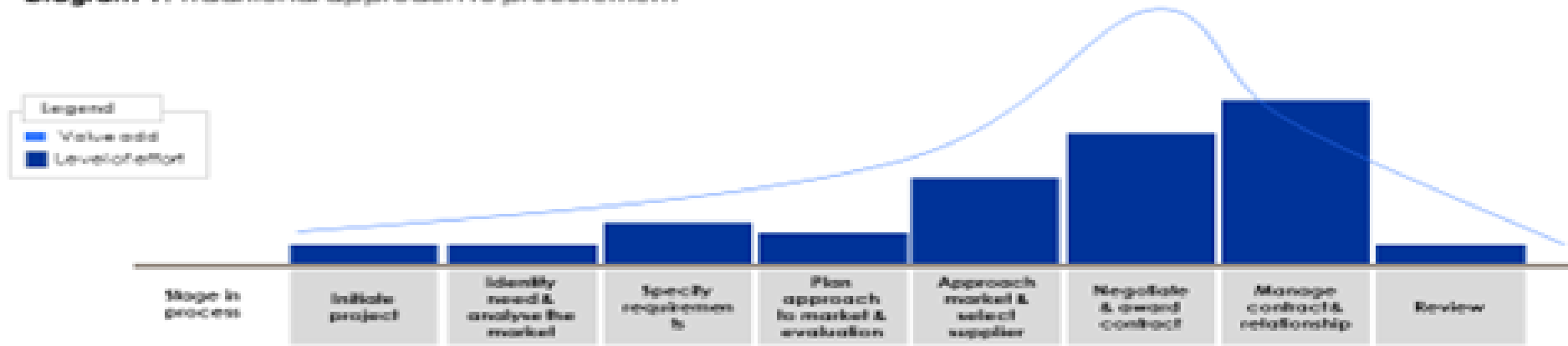
## PROCUREMENT STRATEGY

	FOCUS AREA	SPECIFIC DETAIL FOCUS
<b>Part 1: Procurement Governance, Objectives and Targets</b>	<ol style="list-style-type: none"> <li>1. Organisational Objectives</li> <li>2. Procurement Targets</li> <li>3. Alignment to Organisational Objectives</li> <li>4. Governance framework for Procurement</li> </ol>	<ul style="list-style-type: none"> <li>• Organisational objectives and business strategy</li> <li>• Performance expectation of procurement function through setting targets</li> <li>• Business drivers for procurement objectives e.g. spend visibility and savings</li> <li>• Governance framework for procurement operations</li> </ul>
<b>Part 2: Procurement Planning</b>	<ol style="list-style-type: none"> <li>1. Analysis of Procurement Spend</li> <li>2. Supplier Analysis</li> <li>3. Category Management</li> <li>4. Contract Management</li> <li>5. Forecast Benefits</li> </ol>	<ul style="list-style-type: none"> <li>• Strategic Analysis of procurement activity</li> <li>• Overview of suppliers of the organisation</li> <li>• Assessing complexity at the level of category, related capability and market factors</li> <li>• Areas of focus /risk for contract management</li> <li>• Identify benefits/elements of success for performance reporting</li> </ul>
<b>Part 3: Procurement Analysis</b>	<ol style="list-style-type: none"> <li>1. Strategic Situation Analysis</li> <li>2. Risk Analysis</li> <li>3. Capability Development Initiatives</li> <li>4. Policy, Procedures, processes and systems initiatives</li> <li>5. Planned budget allocation</li> </ol>	<ul style="list-style-type: none"> <li>• Swot analysis on how robust strategy and planning is</li> <li>• Risk identification and consequences are integrated into the procurement decision making</li> <li>• Initiatives to improve the entity's procurement capability</li> <li>• Funding requirements and service delivery considerations, process efficiencies, performance management and value for money etc.</li> </ul>
<b>Part 4: Procurement Implementation</b>	<ol style="list-style-type: none"> <li>1. Performance Management and Monitoring</li> </ol>	<ul style="list-style-type: none"> <li>• Overall supply chain (measurement to test that the entity is efficiently and effectively using its resources in the attainment of its objectives and wider government objectives)</li> <li>• Commodity strategies</li> <li>• Opportunities for transversal contracting, framework agreements/specific engagement model contracting</li> </ul>



# Traditional approach to procurement

Diagram 7. Traditional approach to procurement

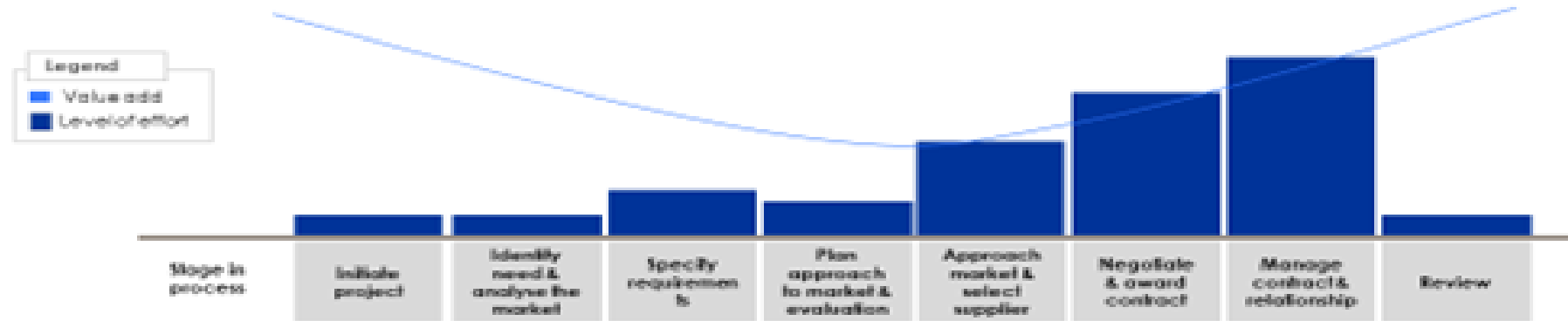


This diagram illustrates a traditional approach to procurement where little time is spent on planning. Effort is generally brought to bear when it comes to approaching the market. As a consequence of insufficient analysis in the planning stages increasing levels of effort are required through contract and relationship management. If the procurement is not reviewed there is little opportunity to benefit from lessons learned.



# Strategic approach to procurement

Diagram 2. Strategic approach to procurement



This diagram illustrates a strategic approach to procurement which methodically works through each stage in the procurement process. The time taken to plan, research and analyse add significant value to identifying solutions that will meet the needs. A focus on relationship development and management means that less time is spent resolving issues and more time applied to assessing quality in delivery and identifying opportunities for cost savings and benefit gains. A strategic approach delivers greater value.





# Contact Us



Western Cape  
Government

BETTER TOGETHER.

**S Fourie**

Head of Department

**Tel:** 021 483 5065

**Fax:** +27 (0)21 483 7164

[Solly.fourie@westerncape.gov.za](mailto:Solly.fourie@westerncape.gov.za)

[www.westerncape.gov.za](http://www.westerncape.gov.za)

---

Thank you