

SPOTLIGHT



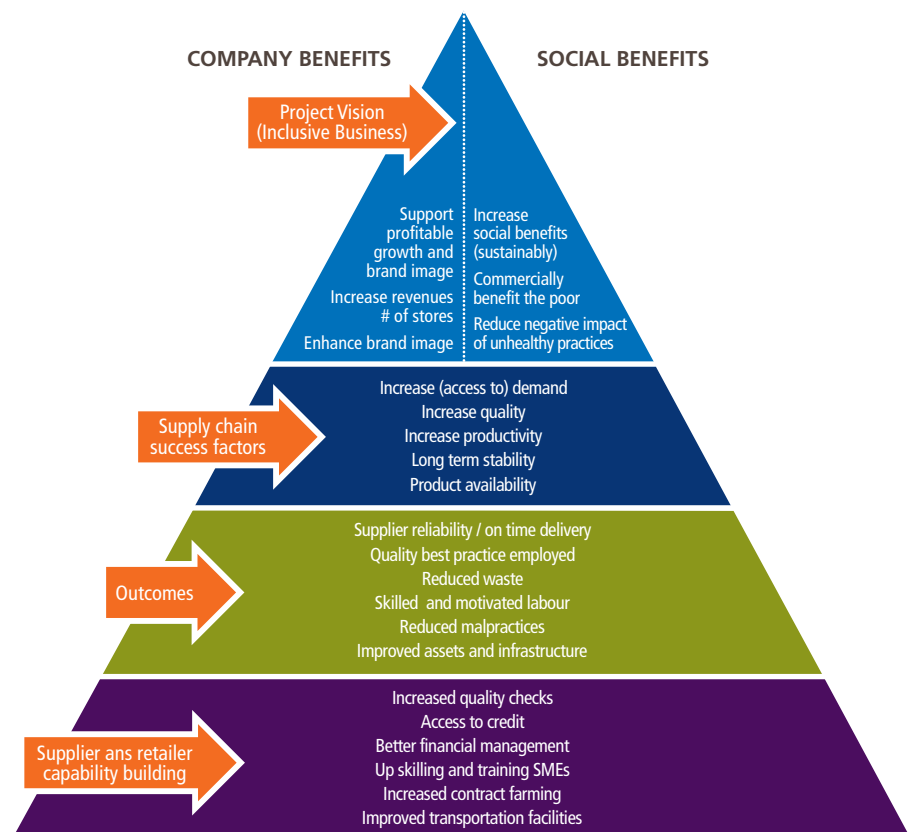
on Inclusive Business

Building SME capabilities in the supply chain: the social and business case

Should retail, processing and manufacturing companies support capability-building within their perishable food supply chains? Why – for commercial gain or social value? And how – what strategies actually work?

These have become critical questions in inclusive business. Small and medium enterprises (SMEs) often constitute the bulk of suppliers to larger firms. Given the constraints they face in accessing finance skills and markets, there is considerable potential for upgrading. Improved SME capacity can benefit the local economy and improve the quality and reliability of supplies for the companies higher up the chain. Internationally, many initiatives are seeking to strengthen SMEs. The question for the larger companies that buy from them, is what role they can play to benefit their suppliers and their own competitiveness.

This Spotlight focuses on the role that formal sector companies can play to strengthen capabilities in the supply chain – and explores the benefits that this can bring. It introduces a range of more detailed SME capacity-building tools that are now public. It is based on the broad experience of the Business Innovation Facility, but it draws particularly on a project in Bangladesh where a supermarket chain is supporting its fresh produce suppliers, to enhance their capacity and help deliver ambitious growth targets.



The Benefits Pyramid

The 'Benefits Pyramid' which came out of this project illustrates the cause and effect that actions have – from supplier training to increased profits and social benefits for the poor.

Inclusive Business Spotlights shed light on specific topics concerned with the development of inclusive business. They are generated from the project and advisory work of the Business Innovation Facility and Innovations Against Poverty.

At the very top of the pyramid, on the commercial side, the ultimate outcomes are increased revenues and enhanced brand image. On the social/development side are economic benefits for the poor and a reduction of unhealthy practices.

At the bottom are the ways in which supplier capability can be built. This can take a number of forms including:

- Helping SMEs access credit
- Encouraging and supporting better financial management
- Up-skilling and training staff and small scale producers
- Increasing the implementation of well-designed contract farming arrangements



Supermarket worker in Bangladesh

How to use the Benefits Pyramid

The Pyramid is a tool for helping companies in the supply chain to understand and communicate the case for actions to make the value chain more inclusive. In Bangladesh it was used to help engage SMEs in a process that included a rigorous assessment of their strengths and weaknesses, followed by the provision of assistance in the areas of their business that required support.



Additional Resources

In order to help companies implement strategies to strengthen the capabilities of their supplier, the Business Innovation Facility has produced further information and tools. They have been generated from real-life experience and work on a project with a well-known supermarket chain in Bangladesh. They can all be found at: www.inclusivebusinesshub.org/page/inclusive-supply-chains-building-supplier-capability

They include:

Supplier Capability Building Tool:

This tool assesses suppliers in the following areas: Strategy and management, procurement and supply, premises, distribution and transport, product quality, interaction with customers, finance, leadership, human resources and IT. This helps to identify any areas which could be strengthened and where the supplier can be supported.

The 'toolkit' includes:

- Easy to use, excel tool
- Guidance – how to use the tool
- Guidance on communicating your plans to your suppliers
- Template for results/scoring
- Template for reporting results

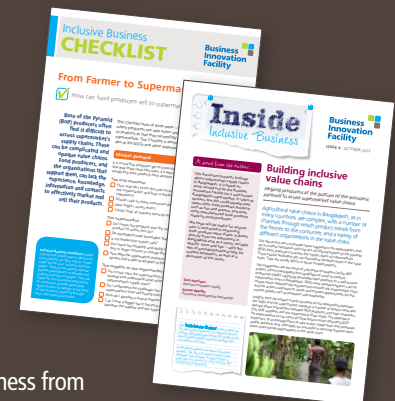
Checklist: From Farmer to Supermarket – this

Checklist looks at three areas – demand, supply and process – where producers can take action and adapt their own processes and/or products so that they successfully secure and maintain business from supermarkets. It is aimed at the producers themselves, and also at the NGOs and other organisations who support them.

Inside Inclusive Business: This document looks in more detail at supply chains in Bangladesh and the ways in which suppliers can be supported.

For more general information on inclusive supply chains go to the 'know how' section on the Practitioner Hub on Inclusive Business:

www.inclusivebusinesshub.org/page/know-how-inclusive-supply-chains



This Spotlight is based on the work of Emma Wardle of Accenture Development Partnerships as part of input from the Business Innovation Facility to the Agora project in Bangladesh.

→ For further information and more resources on inclusive business visit the: www.inclusivebusinesshub.org



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