



Recent changes to the broad-based black economic empowerment (B-BBEE) codes will see many corporates reassess their approach to enterprise development and will encourage a significant shift in their current spending patterns towards black-owned suppliers.

In the original codes of good practice, there were seven categories in which companies were able to score points on their scorecards. The new codes have reduced this to five – ownership, management control, skills development, enterprise and supplier development (ESD) and socio-economic development. ESD is a new scorecard element that combines some elements of the old preferential procurement and enterprise development aspects. It accounts for 40% of the overall B-BBEE score.

What this means in practice is that companies who want to qualify for the maximum of 40 points allocated here, now have to actively help to develop the businesses they procure from. Previously corporates could invest in the development of any black-owned business, now they'll need to procure from these small businesses too.

This shift should mean that there will be a focus on ensuring the long-term sustainability of these businesses – by

investing in them and upskilling them to appropriately service their clients (large corporates) to ensure that they have a better chance of success. This in turn means that money is not merely assigned to a "small business somewhere out there" but rather a living, breathing one that the corporates can get to know and be intentional about helping.

Of course the new regulations assume that there are lots of black suppliers ready and waiting to become part of these supply chains...

Key stumbling blocks

Through The Hope Factory's work with entrepreneurs, we have found that access to markets is a key stumbling block that they face and so we welcome this new legislation as it will help these businesses get a foot in the door. It also reinforces the need for incubator programmes – or "virtual incubator programmes" – that work with businesses in a hands-on way to help them grow and develop.

Annie McWalter is CEO of The Hope Factory, an established Enterprise Development organisation –proudly associated with the South African Institute of Chartered Accountants (SAICA). For more info visit: [www.thehopefactory.co.za](http://www.thehopefactory.co.za).



**fyi:** The Hope Factory's Johannesburg Enterprise and Supplier Development Programme focuses on mentoring entrepreneurs to help them grow and develop both themselves, and their businesses, into credible and reliable corporate suppliers. This is achieved (and measured) through a series of tailor-made business development interventions, culminating in the entrepreneurs being certified as "supplier ready". The range of industries currently represented is incredibly diverse, varying from couch, curtain, shoe, clothing and food manufacturing, through to research, beauty, travel, debt counseling, catering, advertising, engineering and corporate gifts.