Objectives of the Meeting

- To share with the SPX Network the suite of UNIDO tools that have recently been added to enrich the Programme
- To learn from the practical experiences of SPXs in different country contexts
- To present SPX Network and the ensuing subcontracting and investment opportunities to international investors (MIDEST)
- To design UNIDO technical assistance programmes that are demand-driven
- To collect feedback from SPXs on intended future activities and chart the way forward for more frequent networking events & national fairs
Major sub-contracting trends

• Supplier quality, flexibility and innovation have become important factors in addition to price
• Less, more specialized suppliers
• E-tools to govern the supply chain
• Physical proximity of supplier
• Globalization

Why is subcontracting relevant from a development perspective?

• “Spill-over” effects of foreign direct investment (FDI) to the local economy not realized due to low levels of local content
• Linkages between local suppliers and buyers are weak
• Lack of transparent information about local SME suppliers and their supply capacity
• Lack of awareness of local suppliers about downstream market opportunities presented
• Inability of local suppliers to supply at the quality and quantity required by larger buyers
Objective of the SPX

- Leverage large investors and public procurement (especially state-owned enterprises) to become drivers of SME development
- Purpose:
  - Link local enterprises as suppliers and sub-contractors to large buyer organizations
  - Benchmark the performance and practices of local enterprises against international standards to show management their competitive position
  - Support benchmarked potential suppliers in improving their competitive position through upgrading, finance and international promotion with joint venture partners
  - Respond to need of large investors to find qualified local suppliers and develop local suppliers

SPX “bread and butter” – match making

**Matchmaking Process**

- **Subcontractor**
  - Enquiry
  - Response

- **Subcontractor**
  - Enquiry
  - Response

- **SPX Subcontracting Exchange**
  - „RFQ – Request for quotation“

- **Main Contractor**
  - Enquiry
  - Response
Evolution of UNIDO´s SPX Network

• Programme initiated in the 1980’s
• More than 75 SPX Centres established all over the world
• Assessment in 2007 which led to overhaul
• As of November 2012, database of 4,200 firm profiles among new SPXs and 400 firm benchmarks - growing constantly

UNIDO´s SPX Network today
The SPX methodology

Profiling – what are the areas of activity of the supplier company? (equipment, processes, products etc)
Q: What is done?

Benchmarking – how mature are the business practices and how good is the operational performance of the supplier company when compared to other international sources?
Q: How well it is done?

Buyer engagement – what are the buyer’s sub-contracting strategies and how can their performance needs be met by local suppliers
Q: What is the market relevance?

The profiling phase

• Awareness creation
• Supplier visit
• Entering information into database
• Constant feedback
• Feeding suppliers with opportunity alerts
Information collected in the profile form

- Enterprise general data
  - Address
  - Contact person
- Scale
  - Scale indicators
  - Qualifications
- References
  - Industrial References
  - Quality management and environment
- Financial information
- Partnership information

- Sectors (ISIC)
- Products and Processes (UNSPC)
- Operations
- Machines
- Test and Control Equipments

What is being benchmarked?

**Definition:**
**Benchmarking** is a continuous systematic process for comparing business processes for improvement...

- **FINANCIAL**
  To succeed financially, how should we appear to our shareholders?
- **CUSTOMER**
  To achieve our vision, how should we appear to our customers?
- **PROCESSES**
  To satisfy our shareholders and customers, what business processes should we excel at?
- **LEARNING & GROWTH**
  To achieve our vision, how will we sustain our ability to change and improve?
“Gap analysis” as starting point for supplier development

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<th>Building Blocks</th>
<th>Output Areas</th>
<th>Financial Performance</th>
<th>Internal Processes</th>
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Average supplier

Supplier development

• “The SPX cannot do it alone”
• Composition of team(s) is context-specific
Who can be service providers?

- SME development agencies
- Associations
- Development Programmes
- Professional consultancy firms
- International investors
- Financial institutions (credit, equity, guarantees)
- Universities and Industrial Research Centres

E-learning and supplier development

Demonstration
Buyer identification

- Main sectors: Automotive, machine building, electromechanics, electronics, construction, power generation
- Large investment projects
- Notification of tenders
- Different levels – OEM, 1st tier, 2nd tier
- Sub-contracting Fairs (Midest)
- Public procurement

Procurement requirements can differ

- Cost
- Quality
- Delivery
- Flexibility
- Innovation
- Sustainability
- Reliability
- Relationship
The SPX host institution

- Type of organization(s) – private sector organization, investment promotion agency, SME development agency etc.
- Existing and potential linkages to SMEs
- Partnerships with financial institutions, academia, etc.
- In-country presence
- Assets (HR, finance, facilities)

Benefits to SPX host

- Visibility and enlarged client base
- Policy advocacy instrument
- Networking opportunities
- Access to state-of-the-art tools
Establish basic work principles

1. SPX does not discriminate against or favour certain suppliers
2. SPX does not substitute for specialized commercial services
3. Advice but no interference in manufacturing planning
4. SPX promotes transparency
5. SPX does not enter into commercial dialogue and supplier-buyer negotiations
6. Confidentiality and integrity

Promotion channels

- Visits
- Mailing/e-mailing
- Fairs (MiDEST, Hannover Messe, SUBCON, SITEV, ACIS)
- Utilizing UNIDO Network of Investment and Technology Promotion Offices (ITPOs)
- Seminars and launching events
- Press release
- Advertisement
- Web marketing
Promotion as income generator

Source: UNIDO (2007), A Global Review of SPXs
SPX activities

- Selection of host institution
- Establishment of SPX Unit
- Recruitment of appropriate staff
- Training (profiling training, benchmarking training, buyer engagement training)
- Sensitizing local companies (suppliers and buyers)
- Supervised benchmarking
- Database of benchmarked suppliers linked to MP
- Determining buyer requirements
- Investment opportunities for upgrading suppliers (IPA)
- First 3 years provide free service, after provide a VA service that can be charged for

SPX functions over time

- Link to institutions/agents for supplier development
- Promotion and matchmaking
- Creating benchmarking database
- Creating profile database
- SPX branding & image building
**SPX Performance Criteria**

1. No. of companies visited and registered
2. No. of sectors covered
3. No. of promotional events/fairs/meetings
4. No. of match-making interventions
5. No. of SMEs benchmarked
6. No. of SMEs upgraded and linked to buyers
7. No. of contracts concluded
8. Value of the contracts concluded
9. Sustainability of the SPXs established

**The principle**

The SPX Network is a living network and it is UNIDO´s intention to keep its technical assistance flexible and relevant at all times

The best way to achieve this, is to hear from the SPXs themselves on what their needs and actual requirements are.
Thank you for your attention.

Stefan Kratzsch,
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