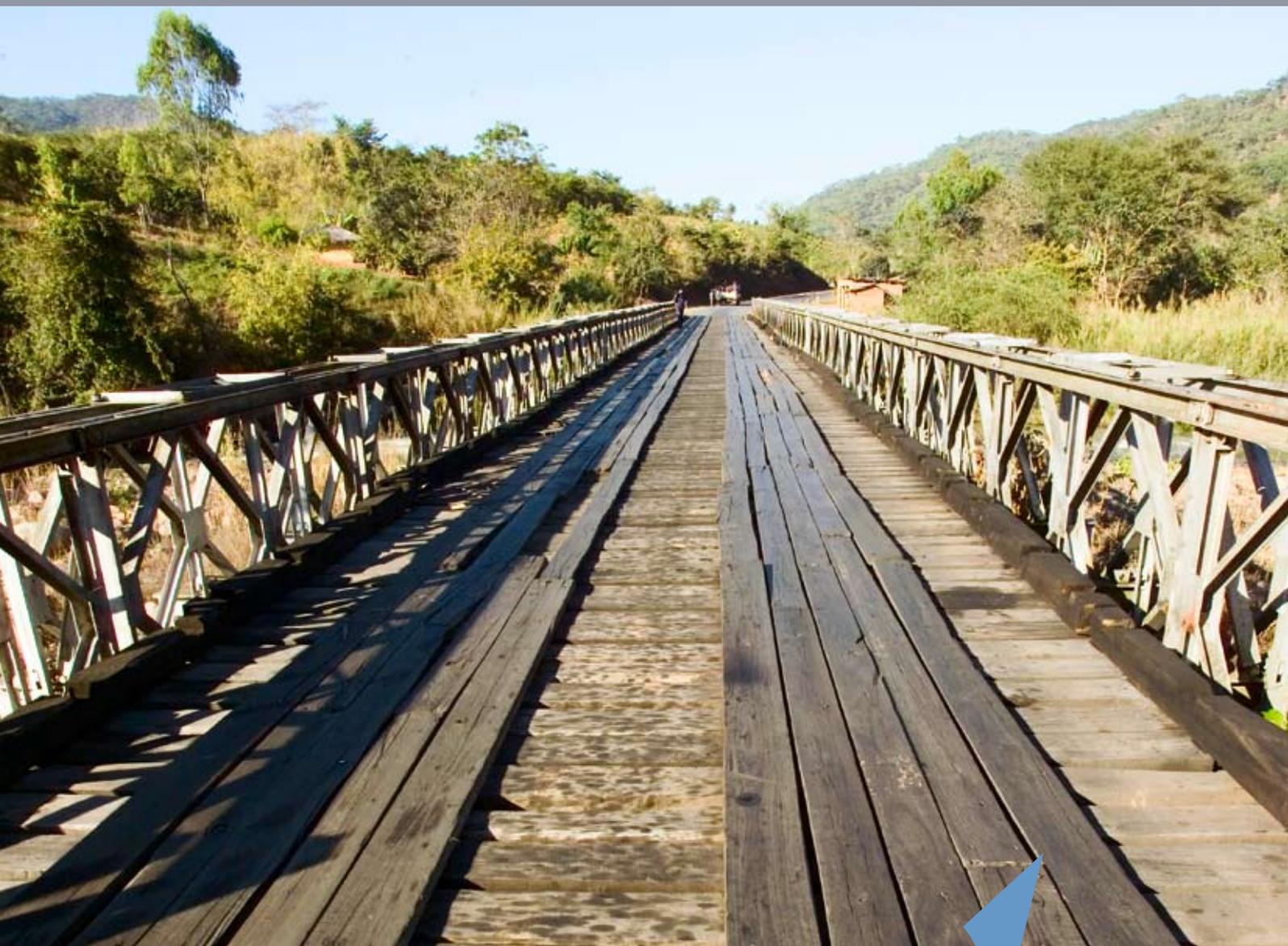


NETWORKS ACHIEVING BUSINESS GROWTH



Corporate participants in Psi Malawi



BP Malawi



National Bank of Malawi



Southern Bottlers & Carlsberg Malawi Brewery Ltd



People's Trading Centre



Packaging Industries (Malawi) Limited



Stanbic Bank



Portland Cement



Unilever



Psi Malawi at a glance

Psi corporates, representatives of Business Bridge SMEs, and SBP's Corin Mitchell

Psi Malawi enables leading Malawian corporations to collaborate with one another, with the Government and with international development agencies to maximise the benefits of their linkages with home-grown small and medium enterprises.

Psi Malawi includes a peer networking mechanism – Business Bridge – that connects SMEs with each other and improves their access to opportunities within corporate supply chains.

Psi Malawi was launched in November 2005, and has attracted the participation of eight large corporations.¹ Through the Psi, these companies reduce the costs and share the benefits of supply chain and local content development. By pooling their knowledge and experience, participating corporations have identified and accredited a range of indigenous small businesses as trusted suppliers. This is a 'win-win' outcome. Local SMEs grow while large companies benefit from better local integration and lower input costs.

Psi Malawi was originally funded by the UK Department for International Development's Business Linkages Challenge Fund. It was facilitated by SBP, an independent private sector development and research organisation based in Johannesburg, South Africa. SBP encouraged corporations to participate in the Psi, working with these companies to develop an information network, and assisting them to facilitate broader local enterprise development.

Now, participating corporations and small businesses are ready to take full ownership of the process, to establish new funding and coordination arrangements that will ensure the long-term sustainability of the initiative. SBP will take up an arms' length strategic support role.

In November 2006, SBP reported on some of the early successes of the initiative from the perspective of the corporations and small businesses involved². Six months on, the initiative continues to thrive. This report provides a deeper insight into the experience of the small businesses involved in Psi Malawi's Business Bridge peer-to-peer networking forum. Business Bridge has achieved tangible benefits for its members.

Developing successful indigenous SMEs

Psi Malawi aims to develop successful SMEs as trusted partners for Malawi's big corporations. This is good for the Psi Malawi member corporations and it is good for the people of Malawi. Stronger linkages between large firms and SMEs increase the developmental impact of large firms' investments. For each kwacha a corporation spends, closer links with small enterprises mean bigger returns in terms of employment, domestic capacity development, and Malawian wealth creation.

To achieve stronger and more valuable linkages between corporations and SMEs, large corporations need good, reliable information about locally based SMEs that can become potential suppliers. SMEs, in turn, often need to develop their professionalism and capacity in order to meet the needs of the large firms.

Psi Malawi helps corporations to find valuable SME suppliers

It is often difficult for large companies to identify small businesses offering products and services relevant to their supply chains. Even when such firms approach them, Malawi's corporations find it difficult to assess their qualifications and experience cost-effectively. This is because expensive and time-consuming visits to individual SMEs have traditionally been required. As a result, when the number or value of transactions is relatively small, efforts to identify reliable small suppliers are likely to be very costly in relation to their possible benefits.

To address this problem, SBP has worked with both large and small businesses to create the tools that allow participating corporations to discover, rank and accredit SMEs. A single supplier database that is shared by the participating corporations has been developed. Companies also record and share their experiences of working with SMEs in their supply chains through the Psi working group.

Companies are therefore able to collaborate cost-effectively and at a large scale – reducing the duplication of effort and facilitating learning from experience across members. The system also helps to identify synergies among companies' existing local supplier development programmes. SMEs benefit too – those that perform well build up a strong reputation and effectively receive free marketing among the Psi participants.

The Psi Malawi Steering Group, comprising the CEOs of participating corporates, is responsible for oversight, vision, strategy and project management



Business Bridge creates confidence

Chris Gondwe of Kabula Industrial Safety Specialists (KISS) describes the main benefit of Psi Malawi as the positive exposure to large corporations that his company now enjoys. Through participation in Business Bridge, Chris' small business has had the opportunity to establish contacts with large players such as BP Malawi and SOBO/Carlsberg. Initial, small-scale contracts gave Chris' company the chance to demonstrate the quality of its offering – creating confidence on the client side that has led to additional work. Chris notes that KISS is now working closely with these large companies, and is reaping the benefits of their trust and support. The company will soon receive a visit from BP's South Africa-based Safety Auditors, as part of the process of accreditation which will see KISS designated as one of BP's trusted 'Contractors in the Region.' Chris describes this as a 'big step forward in the history of our company' – and applauds Psi and Business Bridge for helping KISS to achieve it.

Psi Malawi helps SMEs to become reliable and trusted suppliers

Business Bridge provides small business owners with an informal forum in which to meet on a regular basis to share experiences, ideas and challenges, and to contribute constructively to the collective learning of the group.

The key objective is to build capacity among members, enabling them to build business relationships with other SMEs, and to develop the necessary knowledge and capacity to successfully enter the supply chains of large corporations. The forum provides them with an opportunity to grow their business acumen and build relationships of trust.

Members network with and learn from their peers, and provide mentoring, capacity and confidence-building support to one another. They also share area-specific information on administrative and logistical issues, including identification of the main players in specific sectors and emerging opportunities that match the skills available within the group.

The Business Bridge forum provides an opportunity for facilitated interactions between members and Psi member corporates. Each of the Psi Malawi corporations has made presentations on their procurement policies and procedures to the Business Bridge Forum. These presentations have removed the perception among many SMEs that tendering processes are inaccessible, and have provided members with a clear understanding of the requirements for a successful tender – in particular, that it must be tailored to the preferences and policies of the particular corporate. As a result of the personal contact made at Business Bridge, corporate procurement managers have also been more willing to engage with SMEs to identify opportunities to access their supply chains, and to identify and address specific hurdles that SMEs face in winning contracts with large companies.

Business Bridge SMEs have also benefited from interactions with the National Bank of Malawi and Stanbic. Both banks made targeted presentations to Business Bridge members, providing them with product information tailored to their needs, answering their questions, and making themselves available for follow up visits.

Through these facilitated interactions, members are able to access expertise and technical advice that would otherwise be costly or hard to come by for small businesses like theirs.

Business Bridge Members are looking to grow

Business Bridge Malawi has attracted a broad spectrum of SMEs, of widely varying sizes and longevity. Members are involved in activities ranging from agri-business and construction,

Business Bridge rewards ambition

Peter Kuntaja of Tukuyu Investment believes that his small business “has gained a lot by being a member of Business Bridge.” He relates how he was unable to attend the initial meeting of the group owing to other engagements and sent a colleague to represent him. His colleague brought back a very negative report, stating that there was no future for a small business such as Peter’s in the group, because of the presence of larger, more established enterprises that would grab any opportunities that might arise.

More entrepreneurial than his colleague, Peter attended the second meeting of Business Bridge – and has not missed a meeting since. He immediately realized the benefits to be reaped from networking with and learning from more established and successful SMEs:

“This was an opportunity to learn from the big guys in the group – guys I would otherwise be unlikely to meet. It was clear that the larger SMEs in the group had also started small, like me, but by aiming high they had expanded and excelled – so why should I not do the same.”

For Peter, the owners of the larger and more successful businesses in the Business Bridge forum have effectively become his mentors, and Peter’s efforts are directed toward emulating their success through active sharing of experiences.

Tukuyu Investment currently supplies industrial equipment and spares to BP Malawi, and hopes to use the knowledge and experience gained through Business Bridge, together with the strong reputation that the enterprise has established through its service to BP Malawi, to enter into the supply chains of other oil companies. Peter is confident that his enterprise will succeed: “Through our membership of the group, we have been strengthening our business foundation, and we are very sure that we shall see results in the near future.”

Dumisani Chisala, of MPL 2005 Ltd, is a long-standing member of Business Bridge Malawi



to trade and distribution, retail, tourism and business consultancy.

SBP’s experience in previous Psi projects in Africa has demonstrated that Business Bridge works best when its members are well-established entrepreneurs wanting to grow their businesses. Business Bridge Malawi members fit this profile – most are looking to expand and employ more people, with a particular focus on broadening their client base and acquiring more corporate clients. But they also face constraints – including lack of access to capital, lack of experience managing large-scale contracts, and lack of familiarity with the rigorous requirements imposed by large firms on their suppliers. Business Bridge enables SMEs like these to improve their exposure to and understanding of larger companies, and to bring their quality and safety standards up to levels required by large corporations.

Psi Malawi and Business Bridge create ‘win-win’ outcomes

Building successful linkages between small and large firms creates benefits for all participants.

Business Bridge spurs innovation

Chemicals and Marketing Co is a long-established Blantyre firm. It supplies industrial and agricultural chemicals to clients including SOBO Carlsberg. According to CEO Patrick Khembo, the Business Bridge experience has enabled his firm to increase the volume of chemicals it supplies to its core customers and to expand into new areas, including human pharmaceuticals and water treatment supplies. As Patrick puts it, Business Bridge has re-energised Chemicals and Marketing Co, and the programme continues to create positive spin offs for this his company.



Patrick Khembo checks on his agricultural enterprise, a subsidiary of Chemicals and Marketing, that has reaped the benefits of enhanced exposure to corporate clients



Business Bridge opens doors

Emmanuel Somozani of Combine Cargo reports that his company used to find it very difficult to identify opportunities to do business with large companies. Large companies tended to assume that small firms like his lacked capacity and offered poor quality services. He acknowledges that his company had no understanding of the procurement policies of large corporations, and that he found information in this regard difficult to access.

A lot has changed since Emmanuel joined Business Bridge. Emmanuel has attended presentations from corporates explaining their procurement policies and procedures and identifying supply chain opportunities, has received advice on how to produce more effective tender documents, has learned how to market his company effectively with corporate requirements clearly in mind, and has secured a position in the supply chains of several corporate Psi members. The company has also benefited from referrals by Psi corporates, resulting in ventures with a number of other large corporations.





Business Bridge builds networks

James Manda, Managing Consultant of FACET International, describes the challenges of working in the consultancy business. The uncertainty of not knowing when one's next assignment will materialize, together with the erratic nature of client payments, often leaves an entrepreneur with serious cash flow problems – sometimes to the extent that he is forced to question the viability of staying in business.

James relates that this uncertainty characterised his business operations for much of the 2006. Then one contract began to turn things around. With 25 years of experience in developing SMEs, James successfully tendered for a contract to conduct a survey on SME needs and challenges in Malawi. The November 2006 survey included respondents from among the members of Business Bridge Malawi. James notes that these respondents were very prompt in completing the questionnaires, and raised important issues which were incorporated in the report of the study. Following the successful completion of the contract, James was awarded another assignment by the same organisation, looking at productivity at enterprise level. He again delivered a robust report to his client, and has not looked back. In the first six months of 2007, he has enjoyed a steady stream of jobs from a range of clients in industries from oil to telecommunications.

James believes that his success owes in part to the networks that he has developed through Business Bridge. Individuals within the group are aware of what James can offer, and don't hesitate to recommend him to their own clients and contacts when a need for business development assistance is identified. James emphasizes his appreciation:

"I wish to thank my Business Bridge colleagues for their support and for helping to keep me in active business. I am indeed reaping the benefits of being a member of Business Bridge!"

Large firms are able to reduce their procurement, production and distribution costs by using locally based suppliers, while boosting their profile and connections with the local community, enhancing their reputation and strengthening their 'social licence' to operate. The proximity of local suppliers can also assist in increasing flexibility in production processes, and can reduce environmental impacts by reducing travel distances.

Small businesses benefit from opportunities to widen and diversify their client base, increase business contacts and build more stable relationships with buyer and producer organisations. Their interactions with large firms are also likely to assist them in accessing finance, building skills and capacity and finding opportunities to innovate, upgrade and increase competitiveness.³

Assessing impacts

The positive experiences of both corporate and SME participants in the Psi Malawi programme has led to an encouraging growth in the number of both corporate and SME participants. Business Bridge SMEs have successfully met the challenge of entering corporate supply chains as trusted, reliable, high-quality suppliers.

Business Bridge SMEs are benefiting from the networking opportunities and support provided by membership of Business Bridge. Group members have developed strong relationships of trust since the launch of the initiative, encouraging open discussion of opportunities and difficulties, sharing of ideas to achieve solutions, affirmation of good business decisions and successes, and provision of a solid base for the development of business networks. These networks have in turn generated economic benefits, including improved knowledge and capacity and in many cases expansion of markets and clients at both SME and corporate level.

Business Bridge Members

- Chemicals & Marketing Co Ltd
- Combine Cargo Malawi Ltd
- FACET International
- Horizon Incorporated
- IITA / SARRNET Cassava
- Kabula Industrial Safety Specialists Ltd
- Kamwaza Design Partnership, Chartered Architects
- Malabwano General Dealers
- MPL 2005 Ltd
- Spartacus Ltd
- Soche Tours & Travel
- Status Carpeting & General Trading
- Tukuyu Investment
- Ufulu Gardens & Western Construction Co. Ltd
- Vermaur Supplies

The time entrepreneurs spend attending Business Bridge meetings is in itself a useful indicator of the value attached to the forum by its members. The majority of members have been attending the Business Bridge meetings since the inception of the initiative – and believe that the time spent away from their businesses is well rewarded by the knowledge shared and the networks built through the forum. One participant travels all the way from Lilongwe to Blantyre to attend meetings. As SBP prepares to exit the Psi, Business Bridge members have committed themselves to pooling their own resources to fund ongoing Business Bridge work

Going forward

Over just eighteen months, Psi Malawi has succeeded in securing some early wins for corporate members and small businesses. The value of sustaining the initiative has been recognised by both parties, and its successes have contributed to a best-practice guide compiled by the World Bank and Harvard University's Kennedy School of Government.⁴

These international experts warn, however, that programmes like these continue to flourish only if they receive sustained attention from their corporate members.

Participating large companies need to invest considerable financial and staff resources for the long run, and they need to make sure that Psi Malawi does not get forgotten in the natural corporate processes of organisational restructuring, changes in leadership, reprioritisation of business areas and so on. The World Bank-Harvard report therefore stresses the need for a long run commitment from the most senior levels of the corporation through to procurement managers on the ground. There are strong indications that Psi Malawi members have made this commitment

Just as important and positive is the fact that Business Bridge small businesses have taken ownership of their forum. Seeing the benefits of Business Bridge, the member SMEs are currently developing plans for a pooling of resources in order to continue to operate the forum following SBP's scheduled exit. They are also drawing up a detailed code of conduct and 'members' principles' which will guide their activities and interactions going forward. They plan to expand their membership once these are in place. They are committed to keeping the lines of dialogue with corporate Psi Malawi members alive as Business Bridge continues to evolve. And Psi Malawi corporations also want to keep these links open.

Hipolyte Mushi, CEO of BP Malawi, a founding member and co-funder of Psi Malawi



Psi Malawi lowers costs, raises profits, grows Malawian business

Delivering the goods...

Emmanuel Somozani of Combine Cargo relates how, through discussion at a Business Bridge meeting, he heard that Carlsberg Malawi required transportation of 56 metric tons of malt from Zimbabwe to Blantyre. He immediately called his agent in Zimbabwe, who organized 2 trucks of sufficient size, enabling Combine Cargo to load the consignment very quickly and deliver to Carlsberg within a matter of days. Carlsberg was extremely impressed – not least because the contract had originally been awarded 3 weeks previously to a large multi-national company that had failed to deliver – resulting in a critical shortage of stock. Carlsberg Malawi subsequently contacted Emmanuel for quotations on other deliveries, leading to additional contracts for his company. Having provided consistent, prompt and efficient services to Carlsberg on a number of occasions, Emmanuel is hopeful that his company will see further business with the expansion of SOBO's bottling plant.

...and keeping the customers happy

Victor Gondwe owns Ufulu Gardens, a tourist lodge in Lilongwe. He reports that Business Bridge has provided him with an opportunity to market by word of mouth, to a diverse range of contacts and potential clients. The close working relationship between Business Bridge and corporate Psi members such as the National Bank of Malawi, SOBO/Carlsberg and Stanbic has provided an excellent informal marketing opportunity, and has resulted in a significant increase in the number of corporate staff using the Lodge. Victor is confident that individuals are enjoying a positive experience at the Lodge, since the repeat business and referrals keep coming.

They clearly recognise the value of dialogue with SMEs as a way to improve their business practices and grow their profits. The participating banks for example, recognise the benefits of Business Bridge as a forum to sound out the appropriateness of particular financial instruments among a well informed group of SMEs, so enabling them to improve their product design.

On a more general level, participating corporations report that Psi Malawi successfully bridges the divide between large and small business by providing large companies with valuable insights about how to make sustainable, socially responsible and mutually profitable links with indigenous small and medium enterprises. As one corporate member noted,

“Small business and entrepreneurs comprise the majority of Malawi's economy – this fact underpins the importance of sustaining the vision and mission of the Psi.”

Notes

- 1 BP Malawi, The National Bank of Malawi, Southern Bottlers and Carlsberg Malawi Brewery Ltd, People's Trading Centre, Packaging Industries Malawi, Portland Cement, Stanbic and Unilever.
- 2 Networks for Business Growth: The Private Sector Initiative (Psi) Malawi, November 2006.
- 3 Jenkins, Beth, Anna Akhalkatsi, Brad Roberts, and Amanda Gardiner, 2007: Business Linkages: Lessons, Opportunities, and Challenges. IFC, International Business Leaders Forum, and the Kennedy School of Government, Harvard University.
- 4 *ibid.*

blcf

BUSINESS LINKAGES challenge fund

The Business Linkages Challenge Fund (BLCF) makes grants for the development of business linkages that improve competitiveness and benefit the poor. Grants are allocated on a competitive basis, and linkage projects must demonstrate real innovation and help the poor.



SBP is an independent not-for-profit private sector development and research organisation, promoting strategic partnerships and a better policy, regulatory and operational environment for business growth in Africa. SBP's work combines research, advocacy, and practical business development programmes. Projects are supported by the private sector and a variety of donors. SBP (originally the Small Business Project) is registered in South Africa as a Section 21 company.

Contact details

Corin Mitchell
SBP director of operations
Project Manager Psi Malawi

SBP
PO Box 1051, Houghton 2041,
Johannesburg, South Africa
Tel: +27 11 486 0797
Fax: +27 11 486 0810
Web: www.sbp.org.za
Email: info@sbp.org.za

