Technical Brief:

Monitoring and Evaluation, a critical element for the Successful Implementation of Enterprise and Supplier Development
Summary

The potential benefits of Enterprise and Supplier Development in South Africa are clear. Through corporate’s efforts in ESD we should see transformation and improved socio-economic status within the country. However, evidence indicates that the copious amount of funds invested into ESD is not resulting in the expected changes. The glaring factor is, few companies implement sound monitoring and evaluation (M&E) systems to improve the way they manage, communicate and adapt their ESD programmes to achieve the best possible return on ESD investment.

In this technical leadership brief Seed Academy in partnership with Data Innovator provide insights into the core principles of M&E and how these can be implemented in an ESD programme.
Monitoring and Evaluation, a critical element for the Successful Implementation of Enterprise and Supplier Development

The need for Monitoring and Evaluation in ESD

Monitoring and Evaluation (M&E) has been an essential part of programme design and implementation in non-profit and government programmes as well as Corporate Social Investment. More recently, M&E has proved crucial in measuring the effectiveness of ESD programmes.

“I think the opportunities in Enterprise and Supplier Development have never been greater and the new codes are going to propel us into an era where we can demonstrate many more successes than in the past.”

(KeaObaka Mahuma, Head of Africa Enterprise Development at Barclays, 2015)

The basic framework for implementing ESD includes:
- developing and reviewing an ESD strategy
- developing and reviewing the ESD programme
- implementing the ESD Programme
- monitoring & evaluating the ESD programme

In successfully implementing ESD, Monitoring and Evaluation is a critical, yet often overlooked, component.

There is no cookie-cutter approach to ESD and every company must decide on an approach most appropriate to its needs. In order for ESD initiatives to be successful, the company’s needs and objectives need to be established with clear goals and outcomes for SME development.

ESD in context

Enterprise and Supplier Development (ESD) is one of the five pillars of the amended B-BBEE Codes of Good Practice. It is one of three priority elements of these revised codes and failure to comply with the 40% sub-minimum leads to an automatic reduction of one level in a company’s contribution level1.

Over and above compliance, ESD is designed to transform the socio-economic landscape by supporting and capacitating black-owned Small and Medium Enterprises (SMEs), especially those in corporate supply chains2. This is an important opportunity to create a more inclusive economy. Globally, ED has been shown to have positive effects on job creation and economic growth.

When aligned to the core business value chain, ED encourages shared value creation leading to improved local and global competitiveness3. SME development has been identified as a crucial pathway to growth and job creation in the South African economy4. For business, this grows markets and mitigates the risks of high unemployment in the economy5. Other possible gains to companies include public relations gains and improved reputation6.

Research evidence shows that there are billions of Rands spent on ED, but this investment has not resulted in the transformation and socioeconomic growth expected7. Based on the 100 businesses involved in the related study, when SME selection was not rigorous or incubation was only short-term, SMEs experienced negative growth. On the other hand, longer term and more strategic involvement and investment resulted in very high growth. The Revised Codes of Good Practice, gazetted May 2015, aim to rectify this by making ESD an essential part of business operations through supply chain (through SD) and increasing the stringency of procurement requirements.

To leverage ESD spend, companies need to facilitate access to finance, markets and business support8. Other best practices include: continuous investment and follow-up; understanding the needs of SME in relation to your own; and aligning procurement KPIs with ESD strategy. Creating practices to improve measurement of ESD program implementation and performance will support such improvements in ESD.

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Progress towards these goals needs to be monitored and evaluated in terms of their operational, financial and broader socio-economic impact.

M&E principals align well with the business adage: “what is measured gets managed.” M&E helps to plan with an end in mind and is a critical part of Results-Based Management, an approach to project management based on applying a clear, logical framework to plan, manage and measure and intervention that is based around identifying results, measuring progress towards those results. Tracking progress, assessing outcomes and performance using M&E can influence learning, quality of work and outcomes.

There are 5 key M&E principles to consider in during each stage of your ESD program:

1. Understanding

Baseline assessments of the environment are critical processes to adapt an approach for a specific context or to better understand the context within a specific industry which you will implement your ESD program. It is important for companies to constantly scan the environment to adapt appropriately. Such assessments involve the collection and analysis of data to understand the context, needs, and capacities of companies (i.e. suppliers). Through this process, your company will be able to develop ESD implementation plans that are evidence-based and needs driven.

The data sources for this type of assessment includes data collected from suppliers, journals, databases, and other reports or strategic documents. These assessments should be completed during the planning process prior to implementing or expanding an ESD program. Reassessments are then conducted periodically.

Conducting a baseline assessment is critical in UNDERSTANDING your company’s ESD needs prior to designing a strategy and programme.

2. Planning

Design and planning is the second step in any project or program process. This process should be aligned with the B-BBEE requirements and company priorities. The project design will be informed by the baseline assessment findings. It enables development of logical and strategic plans that prioritize the needs and opportunities identified in the assessment, project evaluations and reviews.


At this stage a Theory of Change (TOC) must be developed. A TOC documents your strategy for achieving your program goals. It illustrates what you intend to achieve and how you plan to achieve it in a clear and sequential way, showing the link between activities and expected outcomes each step of the way. A good TOC can be used to explain the logic of your program to company stakeholders and presents a useful framework against which the intervention can later be evaluated. This is documented as goals, outcomes, outputs, targets (and budgeting).

A logical and strategic PLAN, informed by the baseline assessment findings, prioritises your company’s ESD needs and opportunities.

3. Tracking

Tracking through the continuous collection and reporting of routine data that measure progress toward achieving project objectives is referred to as ‘Monitoring’. It focuses on what is “happening” and is used by managers to track changes in an ongoing project, tracking performance over time, cost, and compliance and supports accountability. Its purpose is to permit stakeholders to make informed decisions regarding the effectiveness of programs and the efficient use of resources. Monitoring helps to identify what might be causing problems, delays or unexpected results and identify areas that management can use to modify the operational or implementation plan.

A work plan is developed based on the TOC which directly links operational activities to achieving your ESD goal. It is important that implementation is aligned with the plan and is monitored in order to ensure efficient use of funds and success of the project.

In order to track progress on activities and expected results indicators must be defined. An indicator is a quantitative or qualitative factor associated with assessing change or the performance of a specific activity during project implementation. The indicators define an area of measure as a number, proportion, percentage or cumulative change. These are documented in an M&E Framework which is a record of the Theory of Change related M&E processes (including indicators and sources of data, as well as the related M&E roles and functions at each stage of the TOC).

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14 IFRC, 2011.
To collect the data as per indicators selected or designed a company must then develop data collection tools (e.g. surveys), create a system for collation (database), and employ sound data quality assurance measures.

**TRACKING, or “Monitoring”, against quantitative or qualitative indicators is used to make informed decisions regarding the effectiveness of ESD programmes and the efficient use of resources.**

4. Evaluating

“Evaluation is an assessment, as systematic and objective as possible, of an ongoing or completed project, programme or policy, its design, implementation and results. The aim is to determine the relevance and fulfilment of objectives, developmental efficiency, effectiveness, impact and sustainability.”

Evaluation takes place at a defined point in the project cycle (e.g. mid-way or end). It is designed to give a bigger picture view to understand programme worth, efficacy and implementation effectiveness and identify lessons for longer-term planning and best practice. As well as using monitoring data, evaluations may involve collecting data from stakeholders through interviews or surveys, for example, involve obtaining the perspectives of suppliers on company processes, contracting and capacity building efforts.

**The EVALUATION of ESD programmes provides a bigger picture view, determining the achievement of overall objectives, impact, and sustainability.**

5. Communicating

The continuous monitoring and evaluation of the project ensures that a company is able to report more efficiently on ESD implementation, and better manage ESD activities to enhance results. Strong M&E systems and the information generated can also be used to demonstrate value among senior leadership and other stakeholders.

**The ongoing communication of M&E information can be used to demonstrate the value of ESD programmes to internal and external stakeholders.**

## Practical uses and benefits of M&E in ESD

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<th>Project management</th>
<th>Learning</th>
<th>Buy-in and relationship building</th>
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<td>• The M&amp;E results chain, theory of change or logic model can be used to connect procurement, ED or SD activities carried out to B-BEEE balanced scorecard and transformation goals to Key Performance Indicators.</td>
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<td>• It enables tracking progress towards common indicators across multiple related projects(^{16}).</td>
<td>• M&amp;E generates knowledge of what works and why.</td>
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<td>• By breaking down projects and logically linking activities with outputs, outcomes and impacts, it allows companies to determine what aspects of the programme are working and or not and how resources can be allocated most usefully. Also identifies where problems lie and evaluation can help to unpack what aspects of the process are problematic.</td>
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<td>• M&amp;E can help to identify trends and patterns that improve the selection processes of entrepreneur or SME beneficiaries.</td>
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<td>• This helps companies to be learning organisations, making continual iterative changes based on evidence. As ESD is still an emerging area, M&amp;E can help to identify best practice and contribute to</td>
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<td>• Evaluation provides opportunities for stakeholder feedback, especially beneficiaries, to provide input into and perceptions of our work, modelling openness to criticism, and willingness to learn from experiences and to adapt to changing needs.</td>
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<td>• Demonstrates success and highlights accomplishments and achievements, building morale and contributing to resource mobilization.</td>
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### Problem detection
- Data collected can be analysed to answer the questions: How well is SD and ED funding being spent? What outcomes is it having for suppliers? Are the “right” SMEs being developed?
- Monitoring helps to detect underperformance early on and take steps to address it
- Fail fast and pivot

### Decision-making and future planning
- M&E helps to develop an evidence-base on which decisions can be made programming can be improved, new projects can be designed and future policies developed.
- M&E can help to establish what the specific barriers to entry into their supply chains are and intervene to build capacity in these areas and identify where the future opportunities lie.
- Information gathered through constant measurement of progress will help to make the business case for ESD and gain buy-in from top management as well as teams that work in procurement or with suppliers\(^\text{17}\).

### Accountability and auditing
- Large companies, with a complex supply chain need to keep track of their suppliers, both for checking their B-BBEE compliance for procurement purposes and for identifying their needs in terms of supplier development. M&E is therefore useful for auditing purposes.
- The new codes require companies to measure their progress monthly rather than quarterly\(^\text{18}\) and this means that it is very important to keep track of large amounts of data and have a system for demonstrating continuous progress against goals.
- Uphold accountability and compliance by demonstrating whether or not our work has been carried out as agreed and in compliance with B-BBEE codes and other established standards.

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\(^{18}\) Tshabangu, T. 2015. Revised B-BBEE codes and the impact on companies. http://www.transcend.co.za/resource-centre/blog/trevor/the_revised_b-bbee_codes_the_impact_on_companies_as_from_01st_may_2015.html

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A study on best practice in ED found that measuring progress and strong performance reporting structures were critical for organisations to achieve their goals and recommended that more organisations develop effective M&E processes which can be independently evaluated\textsuperscript{19}. Social and business results and then tracked and measured to unlock shared business and social value, refine strategies and refining shared developing scalable solutions to social programmes\textsuperscript{20}.

### Case study: Using M&E to improve procurement

Green Innovations Africa\textsuperscript{21}, a multinational renewables energy company, headquartered in Johannesburg has a R60M annual turnover. It is categorized as a General Enterprise and therefore must comply with all three priority elements in the revised codes, including ESD and is a Level 2 B-BBEE contributor.

GIA has three main ESD projects: Planting Ideas, an ED programme focused on youth; the GIA Supplier Diversity Programme, which involves preferential procurement and supplier development; and an ED fund, the GIA Innovation Enterprise Fund.

GIA’s ESD work aims to grow businesses that are independent (i.e. not completely reliant on GIA business) and have the potential to contribute to economic development and growth. In order to keep track of and measure the effectiveness of its ESD work, it has developed a centralized M&E system. These projects are not only measured through their progress and growth, but their alignment to GIA’s strategic objectives, philosophical and cultural values.

One of the strongest examples of the successful use of M&E is in its Supplier Development Programs. GIA has a complex supply chain, which includes over 5000 suppliers. The M&E system is the centralized database and set of company-wide processes that collect supplier information related to a defined ESD indicator framework. This framework allows GIA to continuously track what suppliers meet ESD criteria, identify what further development intervention is needed and keep track of their progress, performance and growth. This also helps GIA to maximize its preferential procurement by ensuring that their suppliers are compliant and that they have requisite certificates to prove their BEE status. This also helps to identify compliance gaps and develop plans to address them. GIA has successfully implemented processes guided by M&E principles to improve how they managed their ESD efforts.

\textsuperscript{19} Edge Growth, 2012.

\textsuperscript{20} Porter et al, 2012.

\textsuperscript{21} Fictional name for the purposes of the case study
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<th>Related M&amp;E Principles</th>
<th>Green Innovations Africa's M&amp;E Process Steps</th>
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<tr>
<td><strong>1. Understanding</strong></td>
<td>- Analyzed available data and tested assumptions</td>
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<tr>
<td><strong>2. Planning</strong></td>
<td>- Developed an ESD framework guided by the B-BEEE scorecard and company strategy</td>
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| **3. Tracking**        | - Conducted a survey to source certification  
                        - Supplier data captured into SAP and exported for analysis into MS Excel  
                        - Regular analysis conducted to review progress of suppliers and identify where training or other interventions needed  
                        - Data quality assurance measures employed |
| **4. Evaluating**      | - In the process of developing a Theory of Change which will guide and inform evaluation planning |
| **5. Communicating**   | - Monthly reporting to leadership on progress of ESD  
                        - Intra-company BEE Executive Committee newsletter distributed to create internal motivation and drive conversation with government and other vested key stakeholders |

At GIA monitoring information has driven the intra-company conversation and education around ESD. This information has been disseminated through a BEE Executive Committee newsletter which reports on procurement and SD components of ESD. It has assists in communicating with key stakeholders, and creates internal motivation and accountability. It also helps to drive the conversations with government and communities who have vested interest in transformation journey.
How can you improve M&E in your ESD program?

M&E is a critical to successfully implementing ESD, but requires significant time, resources, and skill. This technical brief provides the basic principles to guide you in thinking around how to ensure sound monitoring and evaluation of your ESD program. For further support Seed Academy and Data Innovator have partnered to offer a unique solution.

Seed Academy is a social enterprise focused on transforming the South African economy through entrepreneurship. They achieve this by supporting corporates in getting a real return on their Enterprise and Supplier Development spend and fostering resilient entrepreneurs who build sustainable businesses. Seed Academy’s effective end-to-end solutions enable companies to impact job creation and employment in a sustainable way, while complying with the Amended Codes and improving their overall BBBEE scorecard.

Data Innovator is a creative strategic information consultancy which provides services in planning, M&E, and communication. Passionate about the inventive use of data, their business focus is on helping development organisations in Africa improve the way they use and communicate information.

Together, Seed Academy and Data Innovator provides training and technical support to companies to help them develop, implement, and manage systems for monitoring and evaluating ESD programmes. The joint service offering includes:

- Assisting ESD or transformation strategy development and providing ESD programme implementation support
- Conceptualizing a Theory of Change which documents how your ESD program is aligned with your company strategy and the B-BBEE Codes of Good Practice.
- Developing an M&E framework for data collection that includes indicators of measurement, achievable targets and underlying program assumptions
- Developing a monitoring system (data to be collected, monitoring templates, quality verification guidelines, data collection procedures)
- Providing training to company staff on M&E
- Conducting evaluations of ESD interventions
- Using data visualization to present data and the ESD ‘story’ in a compelling way to both internal and external stakeholders.
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