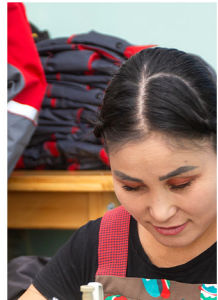




ЗАСГИЙН ГАЗРЫН ХЭРЭГЖҮҮЛЭГЧ АГЕНТЛАГ
ЖИЖИГ, ДУНД ҮЙЛДВЭРИЙН ГАЗАР



DISTRICT/PROVINCIAL STRATEGIES TO FACILITATE BUSINESS COMMUNICATION AND ENGAGEMENT BETWEEN PROFESSIONAL ASSOCIATIONS (PAS)/SMALL MEDIUM ENTERPRISES (SMES) AND MINING COMPANIES



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MERIT is an eight-year project (2016-2024) that is implemented through the Canadian Executive Service Organization (CESO). The goal is to enhance public sector management of the Mongolian mining and petroleum sectors to maximise their contribution to sustainable economic and social development through responsible resource management.

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ACRONYMS:

SME	Small Medium Enterprises
SMES	Small Medium Enterprises and Service
MC	Mining Companies
LCA	Local cooperation agreement
BD	Board of Directors
PPE	Personal Protective equipment

■ FOREWORD

Dear SME specialists,

One of the objectives of Mongolia's long-term development policy "Vision 2050", as stated in Article 4.5 is "to develop internationally competitive SMEs that increase employment and job creation". Within the framework of implementing this article, the government attempts to establish conditions which will foster the development of SME production, supply and sales based on the cluster principle. Furthermore, in the Government of Mongolia's Action Plan 2020-2040, the objective of Article 3.3.14 is "to increase the opportunities for national SMEs to carry out the supply and procurement process for large mining companies such as Oyu Tolgoi and Erdenet"

Accordingly, the government's implementing agency for small and medium enterprises and the MERIT project, funded by the Government of Canada, have implemented strategies to increase the preparation and supply of goods by SME's to mining companies and national projects.

We would like to express our gratitude to the team at MERIT who developed this guideline based on activities at the provincial and district levels, national-level conferences and study tours to promote the supply of local goods and services to mining companies and industry.

We wish everyone success in this collaboration to increase the number of local suppliers to the mining supply chain, a contribution to local economic development.

A. Gerelzaya, *Head of Policy Coordination division, SME agency of Mongolia*

■ INTRODUCTION

One of the keys for success for SMEs to become involved and/or expand their presence in the mining supply chain is ensuring that mining companies know what SMEs can offer and SMEs know what mining companies need.

Province and district-based specialists (and other staff) can play a key role in facilitating the knowledge exchange required to successfully connect SMEs with mining companies.

The proposed strategy is divided into several sections as follows:

- Basics of networking
- Obtaining product/service information from professional associations (PAs)/SMEs
- Obtaining product/service needs information from mining companies
- Obtaining product/service follow up feedback from mining companies
- Providing constructive feedback from mining companies to PAs and SME operators
- Province level specialists support role strategies
- Building engagement information meeting

The main stakeholders are the SME operators, PAs, Chambers of Commerce, provincial and district level government specialists and the mining companies. In a few cases there may be SME based cooperatives, however observations to date indicate professional/business PAs are more common. PAs are defined as organized groups of people with a common goal, in this case improving the financial wellbeing of their members. The provincial and district government specialists may find it is more effective to work through PAs and/or cooperatives (co-ops) rather than working directly with SME operators.

The following outlines some of the strategies that provincial and district government specialists can use to successfully gather information on what SMEs have to offer and what mining companies need.

■ BASICS OF NETWORKING

Networking - The foundation of success in building a database of information on SMEs, their products/services, and mining company needs is networking. Key strategies to build a network are:

- Choose and prioritize platforms and events – Since you can't spend all your time networking, focus on a few key in-person events and online platforms that closely align with your goals.
- Use your time effectively – Show up for meetings (phone calls, in person meetings, workshops). Be prepared with key messages and questions. Do your homework in advance. Document the information you gather.
- Make a good impression
- Follow up - Making initial contact is an important first step, but if you don't follow up, you can easily fall off someone's radar. Send notes to promising contacts after the fact, picking up on your conversation or providing additional information they may have requested. Networking can happen anywhere, so you should always be on the lookout for opportunities to make new connections or solidify existing ones.

■ GATHERING INFORMATION FROM PAs AND SMES

Provincial and district government specialists have indicated it is difficult to get information from SMEs on what they produce/sell and capacity levels. One of the issues is a lack of trust by PAs/SMEs. They are unclear on what the information will be used for among other concerns.

As district government specialists are the contact person with PAs and SME operators, it is their role to gather information from SME operators on:

- Types of products and services
- Capacity – how much they produce for sale as well as their ability to scale up production
- Timeliness of production and sales
- Quality – if specific standards are not in place to grade the product, the SME specialist must make an assessment based on his/her observations
- Delivery point – is the SME operator able to transport products to delivery point

In-person meetings are probably the most effective method to gather this information. However, from a practical and cost perspective, phone or virtual meetings are likely to be more common.

It will be more effective for government specialists to work with PAs rather than directly with the SMEs. For example, if there is a district or provincial level honey producers' association, they might be able to provide the required information and/or work collaboratively with the specialist to obtain the required information.

In any case it is important to develop a strong working relationship with existing PAs as well as support the development of PAs in sectors that are presently lacking. Approaches to consider for supporting new PAs and increase capacity of existing PAs are:

- Facilitate information meetings on the benefits of forming PAs to SMEs in sectors where successful PAs do not exist.
- Support PAs to ensure they have proper legal documentation and registration requirements.
- Implement best practices/lessons learned from existing successful PAs-consider inviting officials from successful PAs to speak at meetings/workshops
- Emphasize the market power these PAs will have when engaging the mining companies. It is important to focus on product quantity and quality aspects of the marketplace. That is, pooling the products from their members. PAs will be able to meet the larger quantity needs of mining companies. PAs will also be in a better position to ensure minimum quality standards are met.
- Strengthen organizational structure of PAs. Work with both existing and new PAs to clarify organizational purpose, management structures, roles, and responsibilities.
- Focus on increasing membership in business PAs. Support PAs as they develop and implement strategies.
- Emphasize the importance of product quality to PA members.
- Facilitate direct engagement between PAs and mining companies. Invite Procurement decision makers from the mining sector to speak at PA meetings and workshops.

Whether working directly with the SME operator or a PA the government SME specialist in the meeting must:

- Explain why they are gathering this information. That is, building a data-base to determine what products and services are available in the district that can become part of the mining supply chain. This database will be included in a Province wide database.
- Explain 'what is in it for the PAs/SMEs'. That is, if mining companies are aware of what SME operators can provide, they are more likely to purchase from local SME operators.

Mining companies are mainly concerned with:

- Type of product or service
- Quantity
- Quality
- Pricing
- Delivery, including schedule and timeliness

The more information the mining company has on the above the more likely they are to consider buying locally.

- How will the data that the PAs/SMEs provide be handled? This is critical when building trust with a PA/SME. The specialist must disclose to the PA/SME if their information will be shared with other government departments (including the tax department) and the competition. Share generic (non identifiable to a specific SME) data with all PA members.
- If the PA/SME is not able to provide you with the needed information at the initial meeting, try to arrange a second meeting. Establish a day and time for the meeting and ensure that you contact the PA/SME at that time.
- If the PA/SME refuses to provide the requested information, you must respect his/her decision. In this case, the SME specialist may want to make an estimate of the requested information.
- It is important that the database information is consistent across the district and province. That is, the same format/units are used.
- Ensure the data is gathered is time specific and is updated on at least an annual basis. If there is change or replacement of the SME specialists ensure documented instructions are in place explaining how the data is collected, compiled, and used. It is recommended a user guide be developed. New staff orientation sessions must cover details of data collection, compilation and uses. Share data with other district level specialists and PAs.
- If there is existing data available, be sure new and existing data are compatible.
- Network with other district Specialists in the province. Find out what approaches they find most successful for collecting SME information. Share your successes and failures.
- Network with environmental specialists at the district level, and with mining specialists at the Province level. Those two specialists are the main contact persons with the mining companies.

Suggested practice exercise:

As part of a meeting with other district government SME Specialists, practice the above approach using role playing. Suggested scenarios to practice include but not limited to:

- PA/SME is very sceptical of how the information will be used (e.g., the details of business will be shared with the competition, tax department, etc.) Use group ideas to address these concerns.
- PA/SME sees no need to collect this data
- PA/SME feels there is no need to focus on quality. Their product or service is already 'perfect'.

■ GATHERING INFORMATION FROM MINING COMPANIES

District government Specialists are also the main contact person with mining companies. Similar approaches used with SME operators can be used to gather information on the mining company supply chain needs including:

- Types of products and services.
 - What are their priorities?
 - Have they tried to buy locally in the past? What were their successes and failures?
 - What are their short-, medium-, and long-term needs?
- Capacity – how much do they need?
- Timeliness – when do they need the product or service?
 - What are their delivery schedule expectations? Daily, weekly, monthly, quarterly, etc.?
- Quality – What are their specific quality standards?
 - Packaging?
 - Freshness? (e.g., perishable products)
 - Quality testing protocols?
- Delivery point – Where is the PA/SME expected to deliver their product or service (delivery location)?
- Gather existing purchase information including name of suppliers and products and its size of purchase

District government specialists will need to be proactive in developing a relationship with key decision makers within the various mining companies. At the foundation of the discussions with mining companies is explaining 'if they buy locally what is in it for them?' Although buying locally will assist the mining

companies to comply with the Local Cooperative Agreements (LCAs), it should not be the main reason. Focus on the advantages of buying locally. Remember each situation may be different and it will be necessary to adapt your strategy accordingly.

Government Specialists should consider some of the approaches outlined in the 'Building a Networking' section. Although not always possible, in-person meetings will likely be more effective initially in building this relationship. Phone, virtual calls and email conversations may become more practical, and more common later in the relationship.

Suggested practice exercise:

As part of a meeting with other district government SME specialists practice, the above approach using role playing. Suggested scenarios to practice include but are not limited to:

- What is in it for them (mining companies)?
- Mining company representatives are reluctant to purchase locally. He/she is satisfied with the existing suppliers
- Mining company representative is unaware of what SMEs can provide
- Mining company representative is skeptical of the product quality that SMEs can provide

■ GATHERING FEEDBACK FROM MINING COMPANIES ON PA/SME DELIVERED PRODUCTS AND OR SERVICES

In addition, district government specialists play a role in obtaining feedback from mining companies on products and services that local PAs/SMEs can provide. This role should normally be taken by the PAs/SMEs themselves. However, for several reasons the subject PA/SME may be reluctant to contact the mining company for feedback on their product or service. The government specialist is in a unique position of being neutral in this role. The goal is to achieve honest straightforward feedback.

Questions should focus on quality deficiencies. This will require open ended questioning.

For example: If the mining company indicates that the PPEs have poor quality, follow-up questions must address the details of the deficiencies. Was it the

material used, did not meet contract standards, sewing was poor, fitting was poor, etc.?

This type of questioning must also be expanded for other issues such as delivery timing, quantities, follow-up service, etc.

In some cases, a written customer survey approach may be effective. The following are tips to consider when developing a customer survey :

1. Set clear objectives - Focus on quality issues, delivery timing, quantities, follow up service.
2. Ask about overall satisfaction, then get to the details - Ask the overall satisfaction questions first, then expand to the details.
3. Keep it short and simple - Write your survey using clear, simple language that is easy to understand.
4. Limit the number of open-ended questions - You want details of the deficiencies but be careful only to ask relevant questions.

■ PROVIDING PRODUCT/SERVICE FEEDBACK TO PAS/ SME OPERATORS

Once the feedback has been obtained, besides including it in the district/provincial database, it will be necessary to convey the feedback to the PA/SME. This feedback must be respectful but honest and straightforward. Suggested strategies include:

- Focus on the issue and be solution-oriented – provide as much detail as possible on the problems identified by the mining company. For example:
 - The fabric used in a PPE product was not up to standard outlined in the contract
 - Describe the importance of following the contract specification standards. Specifications cannot be changed without the mining companies' approval.
 - Describe the long-term implications of not complying with the contract specifications – 'no future business dealings'
 - Work with the PA/SME to access proper fabric for future contracts
- In some cases, consider having the mining company provide direct feedback to the PA/SME operator. Be sure that the mining company is prepared to

provide their reasoning, not just that the product did not meet their minimum requirements.

- In yet other cases, the mining company's concerns may not be the deficiencies in the product/service itself, but rather concerns about delivery times, quantities, communication, etc. Work with the PAs/SMEs to address those concerns.

■ PROVINCIAL GOVERNMENT SPECIALISTS' ROLE

The provincial government specialists' role is to manage the overall database from all districts within the province. They will need to follow-up with district government specialists to ensure data is obtained in a timely manner. It is important that the provincial government specialist recognize and empathize with the challenges the district government specialists face. This will require the provincial government specialist to be solution-focused. Some of the approaches to consider are:

- Explain why they are gathering this information. That is, building a database to determine what products and services are available in the district that can become part of the mining supply chain.
- Explain 'what is in it for them and the SME operator'. That is, if mining companies are aware of what SME operators can provide, they are more likely to purchase from local SME operators.
- If the district specialist is not able to provide you with the needed information at the initial meeting or phone call, try to arrange a second meeting. Try to obtain a commitment from the district specialist on when they will have the needed information. Establish a day and time for the meeting and ensure that you contact the district government specialist at that time.
- It is important that the database information is consistent across the district and province. That is, the same format/units are used.
- Network with other district government specialists in the province. Find out what approaches they find most successful for collecting SME information. Share your successes and failures.

■ GENERAL INFORMATION MEETING TO BUILD SUSTAINABLE ENGAGEMENT.

A general information meeting at the provincial level should be considered to explain what is happening and why. It would be an opportunity to answer any questions that the various stakeholders might have.

- Begin the process of shifting ownership of the network between PAs/SMEs and mining companies from the district/provincial specialists to the PAs. The ultimate goal is to have the two shareholders exchange information on their own initiative. The district/provincial specialists' role in this meeting will be to facilitate this communication.
- Increase participation through scheduling regular meetings. Improve engagement by selecting the leaders for the next events.
- Use the participatory approach and enable engagement with different stakeholders (PAs, SMEs, mining companies)
- It is better to work with PAs rather than individual SMEs. Facilitate the direct communication between PAs and mining companies. The ultimate success of this overall strategy will be the level of local purchases made by mining companies of product and services from local SMEs. The productive direct business engagement between PAs and mining companies will be critical for long-term sustainability. It is essential that province and district level specialists engage, involve and support PAs with all aspects of strategy development and implementation.

