



CONNECTING REGIONAL INDUSTRY

TACTICAL ADVANTAGE PROGRAM REPORT SUMMARY



“Helping regional businesses identify and prepare for upcoming business opportunities with major projects.”

NOVEMBER 2024



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1. TACTICAL ADVANTAGE PROGRAM

1.1 Program Overview

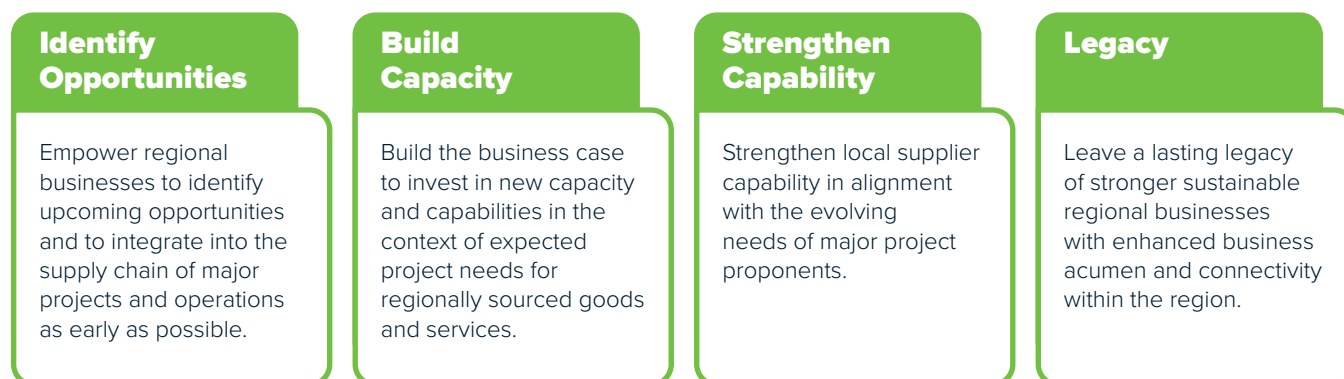
The Tactical Advantage Program is an initiative designed to help regional businesses in Upper Spencer Gulf, Far North, Eyre Peninsula, Yorke, and Mid-North regions identify business opportunities and grow their capacity and business capability to meet the expected new demand for regionally sourced goods and services over the next decade.

The following stages have been undertaken:

- Identifying the needs of regional businesses and align them with the requirements of major projects.
- Conducting a comprehensive gap analysis to pinpoint areas of improvement and opportunity for regional businesses and major projects alike.

A comprehensive report has been prepared by MLCS Corporate, providing an overview and analysis of the research undertaken for the above stages. This document serves as a summary of that comprehensive report.

1.2 Program Objectives



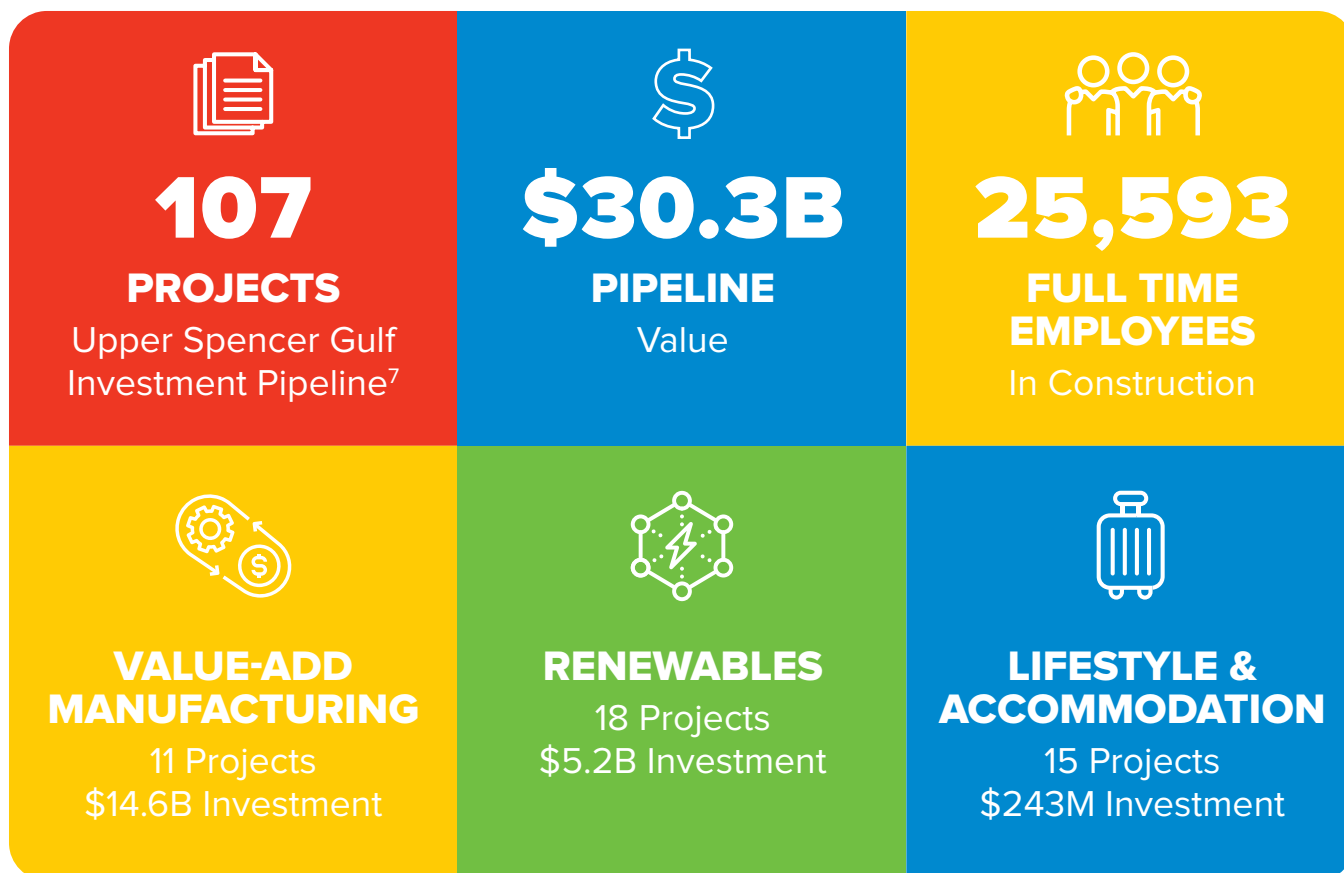
2. CONTEXT

“Right now, in the Upper Spencer Gulf, there is a once-in-a-generation opportunity. This region has the power to herald a new era of economic prosperity for our state. This isn’t years down the track, the work is happening now. We have what the world wants, what the world demands. This is our moment to drive a new era of prosperity for decades to come.”

Premier Peter Malinauskas

Source: <https://www.premier.sa.gov.au/media-releases/news-archive/major-economic-summit-coming-to-upper-spencer-gulf>

2.1 Investment Pipeline



⁷ Investment pipeline: Spencer Gulf Cities and State Government, Regional Development Australia, October 2023

Source: 'The Upper Spencer Gulf, Primed for Growth', pp. 8, produced by the Government of South Australia, published July 2024

3. METHODOLOGY

The first stage of the Tactical Advantage Program was to identify the needs of local suppliers and align them with the requirements of major projects. MLCS Corporate have engaged with 139 Regional Businesses and 13 Major Projects in the region.

Definitions

Within this report, we have used the terms 'Regional Businesses' and 'Major Projects'. In this context:

- **Regional Businesses:** are businesses, or suppliers, operating in Upper Spencer Gulf, Far North, Eyre Peninsula, Yorke, and Mid-North regions.
- **Major Projects:** encompass large scale projects, or buyers, either in the planning stages, or with projects and operations currently underway.

3.1 Regional Businesses



139

REGIONAL BUSINESSES
TOOK PART IN AN
ONLINE SURVEY

The object of the survey was to:

- Identify capability and capacity gaps that may create short and long-term opportunities for businesses to grow.
- Create a pathway to success in tendering for, contracting with and delivering on the contract requirements.

3.2 Major Projects

MLCS Corporate have conducted one-on-one interviews with major projects in the regions. The interviews aimed to:

- Capture information from major projects about
 - the goods and services they would like to source locally
 - their intended procurement framework for regional businesses
- Obtain information that will help regional businesses engage in capability and capacity building

The interviews were conducted with representatives from:



3.3 Other Key Contacts

Contact was also made with stakeholders and support services from:



Core message: *There is a genuine eagerness from Major Projects & Regional Businesses to work together.*

4. GAP ANALYSIS

A key part of the Tactical Advantage Program was to conduct a comprehensive gap analysis, based on research, to pinpoint areas of improvement and opportunities for regional businesses and major projects alike.

After consultation, key areas were identified where support resolving the gaps may be needed for regional businesses and major projects:

1. Tendering and Procurement
2. Payment Terms and Pricing
3. Regional Work packages
4. Project Management
5. Relationship Management
6. Capacity building
7. Barriers to accessing capital

4.1 Tendering and Procurement

Core message: *Tendering has emerged as the top issue for both major projects and regional businesses.*

Responding to tenders is a challenging area that requires support and frustrates both major projects and regional businesses.

While some Major Projects have attempted to simplify processes, small and medium enterprises (SMEs) struggle with:

- building pre-procurement relationships,
- meeting deadlines for requests for tenders (RFTs)
- managing fixed-price contracts effectively.

Many regional businesses find the ICN platform difficult to navigate but mastering it can help them build valuable relationships and demonstrate their capabilities, which is essential for successful tender responses.

Core message: *Key advice for regional businesses includes:*

- *opening tender documents early*
- *read and answer all questions*
- *seek support promptly*
- *involve skilled team members.*

Regional businesses should keep in mind that tenders for supply of goods only are generally less complex than those for services.

Tenders for large scale projects are complex for a reason. To succeed, regional businesses must:

- elevate their standards in tendering,
- spend the time to address critical issues such as modern slavery and harassment, and
- engage with C-Res (BHP work only) and ICN to enhance their readiness for tender opportunities.

Survey responses indicate that a clear framework and support for tendering and contracting would encourage more than half of respondents to pursue more work.

Core message: *Better training and support for regional businesses is key!*

- Training and support on setting up joint ventures could enhance tendering opportunities.
- Encourage regional businesses to engage with support like Ready to Tender program from Office of Industry Advocate: <https://www.industryadvocate.sa.gov.au/ready-to-tender>
- Training on the significance of using C-Res and ICN platforms would be beneficial alongside a 'how to' guide.

Core message: *Regional businesses are encouraged to work more closely with Tactic*

One of the key challenges with small and medium enterprises (SMEs) is the lack of pre-procurement relationship building, highlighting the importance of initiatives like Tactic.

Additionally, many regional businesses lack understanding of how to engage with large-scale projects and secure opportunities. Tactic could play a crucial role by offering more support, including briefing sessions at Tactic events to clarify processes, expectations, and success criteria, as well as conducting relevant workshops.

4.2 Payment Terms and Pricing

Payment terms are a source of frustration for regional businesses, they've stated:

"...we are always on the lookout for support and access, plus are seriously hindered by non-payment and poor payment terms (e.g. 30/60/90+ day after invoice is sent) from large companies"

"As an Indigenous company if Tier ones are quicker to pay as we go we can get an overdraft to cover our needs with additional support from IBA"

"Inappropriate payment times (30, 60, 90 day terms) or excessively late payment for works done by large companies. As a [new] company makes it difficult to secure bank loans"

From the perspective of major projects, transparent pricing is essential so they can correctly evaluate project costs. Regional businesses must be competitive in price and quality. Regional businesses benefit from strong relationships and location but still face price comparisons.

Core message: *Appropriate pricing is important - some regional businesses lose business by either overpricing or being underpriced without proper project management skills.*

Major Projects should be encouraged to adopt stronger regional procurement framework/s with more supportive payment terms. For example, BHP's Local Buying Program (C-Res) i.e. seven days payment terms:

"The Program enables small local businesses to supply goods and services to BHP and BMA via a competitive tender process with reduced payment terms. Businesses also receive direct support from C-Res Business Development Advisors and the Program Administration Team."

Source: <https://c-res.com.au/>

At the same time, encourage regional businesses to engage and understand the importance of using these programs.

Core message: *An opportunity for BOTH Major Projects and regional businesses.*

4.3 Regional Work Packages

There is no 'one size fits all' approach. Different Major Projects have different approaches including:

- Seek to simplify procurement without fully separating work packages, as managing multiple small regional businesses can be too complex.
- Preference is regional tier-one businesses who can effectively manage projects, avoiding excessive breakdowns in project management.
- Priority is: 1. Indigenous, 2. Regional, 3. SME, 4. Others.
- Work packages are broken down to support local and Indigenous businesses, requiring larger bidders to include local and Indigenous components.
- Contractors are encouraged to subcontract locally, with checks and balances, including cancellation clauses.
- Work packages will be written in simple language.
- During the main construction phase, risks arise from making packages too small, affecting quality control and financial capacity.

Core message: *Regional businesses provide direct access to knowledgeable staff for quick solutions: 'The person that answers the phone can answer your question and provide solutions. Logistically, delivery time is faster too'.*

Major Projects should aim to create and document a regional procurement framework that clearly outlines the contracting and procurement processes, as well as any modified terms to support regional businesses.

Core message: *Consider this as an opportunity for Tactic to further establish: 'what good looks like' by developing and documenting best practice guidelines Major Projects can embed into their regional procurement framework/s.*

4.4 Project Management

Regional businesses didn't identify Project Management as an issue, but that's potentially a gap in itself. Major projects believe that SMEs may be missing out on work due to a lack of project management skills:

- Major Projects' goal is to invest locally, as it makes good business sense. However, potential regional businesses often lack skilled staff for effective project management. A perception exists that there is a lack of: 'white-collar staff that can run a project, provide timely update on delays, keep a GANTT chart, etc.'
- Many projects involve high-risk service delivery, so while Major Projects prefer regional businesses, they need assurance of effective project management and communication.
- Regional business can have unrealistic expectations and a lack of understanding about large projects: the scale, scope and speed they need to move at can be too much.
- For project deliverables with specific time frames, meeting reporting requirements and deadlines is crucial, often requiring direct involvement from those managing the project.

Regional businesses need a better understanding of why this is an issue and to understand why they're potentially missing out on work. An opportunity for Tactic to get involved:

- Invite procurement experts to speak at events such as Meet the Buyers to outline the importance of project management.
- Develop self-assessment checklists.
- Provide a list of consultants that could be used to support with project management.

4.5 Relationship Management

Regional businesses have noted the following regarding relationship management:

- "It is difficult knowing the right person to talk to within the larger 'buyer' organisations... who are the key contacts to talk to about opportunities."
- "Regional businesses need more visibility. How do we get noticed by the Major Projects?"
- "Business is built on relationships not complex documents. SME's can't work to War & Peace!!"

Regional Businesses should actively build relationships with project managers and Major Projects, considering trips to Adelaide to establish connections. A long-term, trusted partnership relies on effective collaboration; poor delivery and communication can jeopardise future opportunities.

Relationship building is vital for regional businesses: it enhances credibility on the ground, supports pre-qualification and procurement efforts, and helps in managing costs.

4.6 Capacity Building

Concern from Major Projects

'With a \$30+ billion pipeline of work anticipated in the regions; will regional businesses be ready to take on even 25% of that workload? Is the capacity and workforce for over \$7 billion worth of work achievable?'

An opportunity for strong training and support in areas such as:

- Developing partnerships / building joint ventures with those with capacity and capability.
- Building a business plan – with a focus on how and when to enter the pipeline of work, how to identify and adapt for risk.

Regional businesses need to be:

- Setting themselves up to plan for a complex timeline of construction spikes against consistent ongoing work.
- Ready to diversify and to supply multiple projects.
- Starting the conversation with their bank about being ready to take on extra work.

4.7 Barriers to Accessing Capital

This is a big issue from the perspective of Regional Businesses but was not identified as an issue from a Major Projects' perspective.

This is an opportunity for Major Projects to make contracts more bankable for regional businesses. I.e., consider removing 'cancellation without cause' provisions that allow parties to end agreements without specific reasons.

Regional businesses need to be ready to hit the ground running and start conversations with their bank.

As mentioned above (refer Regional Work Packages) this as an opportunity for Tactic to further establish: 'what good looks like'. By developing and documenting best practice guidelines Major Projects can embed into their regional procurement framework/s.

5. SUMMARY OF FINDINGS AND RECOMMENDED NEXT STEPS

Context

Informed by the extensive research and consultation undertaken in stages one and two, and in consultation with Tactic, MLCS Corporate proposes the following alternate methodology for Stages 3 and 4 to best deliver business capability support to regional businesses:

- Stage 3: Create and Develop a 'Tactic Toolkit'
- Stage 4: Launch of the Tactic Toolkit

5.1 What is the Tactic Toolkit?

MLCS Corporate recommends the creation and development of a 'Tactic Toolkit', an innovative online resource to provide regional businesses with practical tools, knowledge, and support. Hosted on Tactic's website, the Toolkit would act as a comprehensive "one-stop-shop," offering easy access to curated resources, expert guidance, and educational materials.

The content of the Tactic Toolkit would be shaped by the in-depth research and stakeholder consultations undertaken in Stages One and Two of the Tactical Advantage Program. During these stages MLCS Corporate identified the following seven key areas where support may be required for regional businesses and major projects:

1. Tendering and Procurement
2. Payment Terms and Pricing
3. Regional Work packages
4. Project Management
5. Relationship Management
6. Capacity building
7. Barriers to accessing capital

To address these seven support areas, key features of the proposed Tactic Toolkit might include:

- User-Friendly Content Delivery: A series of short, engaging webinars, "how-to" guides, and quick video tutorials, designed for ease of access and understanding.
- Links to Tailored Topics and Guidance, for example:
 - Tendering and procurement processes, with links to existing resources (e.g., Tender Ready from the Office of Industry Advocate).
 - Writing effective capability statements.
 - Understanding and managing risks in exclusivity agreements.
 - Guidance on joint ventures and collaboration.
 - Using existing platforms and tools such as ICN and C-Res.

It is proposed that the Tactic Toolkit be launched during an event like Tactic's Meet the Buyer functions, and once in place, could be further supported by one-on-one capacity-building sessions for businesses as needed. This one-on-one support will be part of the proposed stage four of the Tactical Advantage Program.

Collaboration and Continuous Improvement

Once launched, the Toolkit would be administered by Tactic, to ensure its resources remain current and relevant.

To ensure the successful implementation of the Tactic Toolkit, MLCS Corporate presents the following recommendations for Stages 3 and 4.

5.2 Recommendations for Stage 3: Create and Develop the Tactic Toolkit

Recommendation 1: Define the Framework for the Tactic Toolkit

- Purpose Statement: Draft a clear and concise purpose statement for the Toolkit, focusing on its role in equipping regional businesses with practical tools and knowledge to effectively engage with major projects.
- Confirm Core Focus Areas: Hold discussions with Tactic to finalise the seven key support areas identified as:
 1. Tendering and Procurement
 2. Payment Terms and Pricing
 3. Regional Work Packages
 4. Project Management
 5. Relationship Management
 6. Capacity Building
 7. Barriers to Accessing Capital

The following phases should be carried out with a strong emphasis on alignment with these seven key areas.

Recommendation 2: Assess Existing Resources and Address Gaps

- Resource Review:
 - Conduct a desk-based review of existing resources available related to the identified seven key support areas.
 - Highlight valuable existing materials (e.g., “Tender Ready” training from the Office of Industry Advocate to provide support with support area #1 – Tendering and Procurement).
- Gap Analysis:
 - Identify deficiencies in available support, focusing on regional business needs and the seven key support areas.
 - Highlight opportunities to bridge gaps with tailored content or partnerships.

Recommendation 3: develop and curate the Tactic Toolkit content

- Engage with contacts from earlier project stages to:
 - Identify existing support mechanisms and materials, such as:
 - Office of Industry Advocate: incorporate their “Ready to Tender” training into the Toolkit.
 - Local Buying Program (C-Res): review available training resources.
 - Industry Capability Network SA (ICN): work with ICN to incorporate references which aid connection to ICN.
 - Discuss stakeholders’ willingness to contribute to the Toolkit content.
- Based on identified gaps, create fit for purpose business support tools. Examples could include:
 - ‘How to guide’ for writing a business plan.
 - Recording a video on risks in entering into exclusivity agreements.
 - Practical guides or checklists for regional procurement.
 - Educational content on barriers to finance, or relationship management.
 - ‘How to guide’ for engaging with Industry Capability Network SA (ICN)

Recommendation 4: Build the Tactic Toolkit

- Collaborate with website designer for example, Quisk:
 - Conduct a face-to-face meeting to hand over construction of the Toolkit for Tactic’s website.
 - Provide ongoing support during the development phase.
- Final Review:
 - Test the Toolkit for functionality and content accuracy before launch.

5.3 Recommendations for Stage 4: Launch of the Tactic Toolkit

The recommendations below will likely be further refined based on the outcomes and insights gained during Stage 3 activities.

Recommendation 1: Launch the Toolkit

- Tactic to develop a launch plan, including:
 - Hosting an event (e.g., Meet the Buyer function) to showcase the Toolkit and its functionality.
 - Demonstrating key features through live walkthroughs or recorded tutorials.

Recommendation 2: One-on-One Support

- Offer personalised sessions with regional businesses to:
 - Navigate the Toolkit.
 - Tailor Toolkit features (e.g., building a custom business toolkit).
- Provide follow-up support as needed, including:
 - Detailed guidance on using resources like ICN or C-Res.
 - Assistance in drafting business plans or preparing tender applications.

Recommendation 3: Collaboration and Continuous Improvement

- Once launched, the Toolkit to be administered by Tactic, with support provided, to ensure its resources remain current and relevant.



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