



Meeting the skills gap: Vale's *Inove* local content development program

Summary

Some of the largest operations of Vale in Brazil are located in remote areas and lack a structured network of local suppliers. To address this gap, Vale's Local Content Department has initiated the *Inove* program. Its goal is to support the development of local small and medium enterprises (SMEs) and provide their managers and workers with the relevant skills to meet Vale's procurement needs and build a positive legacy in the regions where Vale operates.

Location: Brazil

Sector: Extractives – Mining

Category: Value chain development

Key figures

- 500 SMEs supported
- More than 4,000 people trained

Company background

A 70-year old mining company with headquarters in Brazil, Vale is the worldwide leader in iron ore and the second largest producer of nickel. With operations in several countries in five continents, Vale employs over 70,000 people or over 130,000 with the outsourced team.

The issue

Integrate local suppliers in the value chain

Most of Vale's operations in Brazil are concentrated in the states of Minas Gerais, Para, Espírito Santo and Maranhão, which all together cover the same area as the Democratic Republic of Congo. In recent years Vale's production in these four states has dramatically increased thanks to massive investments, in Para state alone. Also in Para state, *Inove* has the challenge of supporting S11D – the biggest iron ore project with an investment close to US\$20 billion. The project is scheduled to start in 2016. However, the Northern states of Para and Maranhão are also among the poorest states in Brazil. In 2008, the results of a gap analysis study conducted by the Global Procurement Department in the Para state highlighted a lack of local suppliers meeting Vale's requirements in terms of quality, environment and safety standards.

In line with Vale's drive to transform natural resources into prosperity and sustainable development, and based on the study, the company has decided to support the development of local suppliers and increase the volume of purchases held by the

company from local suppliers. Beyond the need to fulfill social requirements to get a license to operate from local governments, Vale's ambition is to leave a legacy to the regions in which it operates, a legacy that can last longer than the mines' lifetime. Providing skills to the local communities can contribute to the development of the regions and attract new investments that are not only related to Vale's business.

Vale's solution

Inove, a local content development program

In 2009, with the objective of strengthening Vale's commercial relationship with local suppliers, especially small and medium sized, Vale's Procurement Department created a Local Content Program – the *Inove* program. As Vale requires its suppliers to adhere to certain standards, it was important for the company to provide them with relevant tools that can enable them to move towards meeting procurement requirements. The program is led by the Intelligence and Development Director at the Global Procurement Department.

Through training, financial tools and business development, the program aims to increase competitiveness and enhance business capabilities – promoting local business and value creation for the supply chain, and leave an economic legacy for the communities where Vale operates. The content of the training courses, online and face-to-face are developed in partnership with training institutes and regional partners.

The online training platform allows Vale to reach a greater number of professionals. It is a self-training tool offering over 100 different courses on topics such as entrepreneurship and innovation, leadership, financial management, project management, commercial management, health & safety, environment, construction. The courses can last from 1 to 40 hours depending on the topic and are open to all types of professionals who want to deepen their knowledge for a symbolic fee – close to US\$10 per month for a chosen course (e.g., security and health).

Because of existing technological gaps in remote areas, and in order to better reach the critical suppliers in each region, Vale privileges also conducts a face-to-face training program. Building on the expertise of Vale's employees, national and regional partners, and global suppliers, this program covers a variety of topics such as building, welding, mechanics, masonry, health and safety, risk management, certification process, etc. For instance, Vale works with Serasa Experian, a company specialized in economic and financial analysis, to train its suppliers on risk awareness, analysis and management.

In addition to the educational pillar of *Inove*, the program's financial tools enable Vale's suppliers to carry out prepayment of receivables for companies with lines of credit recognized by the company and to gain access to credit lines for the purchase of equipment, mobilization and/or working capital. For its part, the business fostering program most notably enables access to good and services (safety materials, electrical materials, industrial tools, computer supplies, insurance, etc.) at advantageous price conditions. The overall objective is to promote the competitive and sustainable insertion of micro and small companies in the mining production chain.

Vale implements the *Inove* program with different types of partnerships at both regional and national levels. Partners include local chambers of commerce and trade unions, public authorities, and public and private educational institutions. Important regional partners include the Federation of Industries of the State of Pará (FIEPA), Program for Small Companies Development (Prodfor) in the State of Espírito Santo, and the Supplier Development Program (PDF) in Maranhão.

At the national scale, Vale had a two year agreement with the Brazilian Service to Support Micro and Small Companies (SEBRAE), a non-profit organization to build capacity of SMEs and prepare them for the market. With a joint investment plan of US\$6 million, Vale and SEBRAE conducted diagnostics and implemented an action plan to leverage competitiveness. Around 500 local companies have been certified through SEBRAE's three-year training program, which is tailored to the specific issues the companies are facing, for instance human resources, technical requirements, etc.

The results

From 2009 to 2013 Vale has trained around 700 suppliers and more than 4,000 persons. The Vale / SEBRAE program identified over 1,000 SMEs and trained approximately 500 of those in finance, strategic planning, performance indicators and innovation. About 100 of them have participated in Vale's procurement processes, which have resulted in over US\$155 million in contracts.

From 2011 to 2013, Vale has increased the local content acquisition in the states of Minas Gerais, Para, Espirito Santo and Maranhão, from 53% to 62% – amounting to a total volume of approximately US\$ 1 billion in 2013.

Measuring the social and economic impacts of the program and understanding how much value it is adding to the company has become a top priority for Vale. The group works with two major consulting firms to develop a specific methodology in view of translating local content interventions into numbers. Vale also encourages its partners to participate in this measurement effort and adopt common indicators.

Challenges

- **Making suppliers competitive** – Vale has a number of requirements (quality, health & safety, social, environment, etc.) that any supplier needs to meet. The first challenge for the *Inove* program is to make local suppliers competitive enough so that the buyers consider them as an option. Articulating the value of local content strategies – since the meaning of “local content” may vary across internal and external stakeholders, another challenge is to demonstrate that local content is related to creating shared value in terms of results and benefits for the company complemented by a positive legacy for the region where the company operates. In a nutshell, it is about shifting the approach from Creating Corporate Social Responsibility (CSR) to Creating Shared Value (CSV).
- **Measuring the impact of the training program** – this is key to demonstrate the financial and social benefits to the company, the suppliers, and the surrounding communities.

- **Rollout to other countries and transform *Inove* into a global program** – Vale operates in remote areas globally as Mozambique *Inove* started in 2014 an educational approach to develop skills of local suppliers with the realization of a Vale Day. The latter focuses on strengthening the relationship with local suppliers, present the Supplier Performance Evaluation method, offer the online training solution available, as well as create an environment for the exchange of experiences and best practices.

Key success factors

- **Internal support** – the *Inove* program is part of a structured sustainability strategy for Vale, and is fully **aligned** with other training initiatives conducted by the different departments with a strong sponsorship and leadership. The local content team works closely with internal stakeholders, including the Vale Foundation and different departments within Vale, and benefits from high-level support.
- **Local partners and focus point** – Vale works closely with the regional stakeholders in view of developing the right program and measuring the results. In each state where it operates and runs the *Inove* program, Vale has a local person who knows the state, its culture and history, and represents Vale with suppliers, local associations, and institutions.
- **Follow-up** – Vale scans the companies attending the training programs and once the training is completed, the company runs a new scan to compare and assess whether the training was effective or not.

This case study is part of a booklet issued in early 2015 titled [Meeting the skills gap: Lessons from the private sector](#). The publication was produced in collaboration with the Let's Work Global Partnership, and provides insights into solutions put in place by ITC, SABMiller, and Vale, three WBCSD member companies with a significant presence in emerging markets. They have taken proactive steps and initiated training programs that empower not only their workforce, but also their suppliers, retailers, and the surrounding communities.

