

Africa Needs Sustainable Supply Chains

Supply chains in Africa are still in 'survival' mode. With the increasing global focus on this continent, due to its high growth rate and large customer base, Africa's supply chain now needs to be elevated to a 'sustainable' mode in order to deliver on expectations and continuously attract investor attention.



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In the last two decades, supply chains have become more global – they have crossed boundaries and involved more entities (suppliers, manufacturers, distributors and customers). This has made supply chains more complex – with increased risk and dependencies.

In addition supply chains have become longer in terms of sourcing, manufacturing, distribution and market activities all across the world. This brings additional pressure to bear

on them. The low-cost country sourcing models (including suppliers from the Far East and South America) have also resulted in supply chains being made longer. Increasing labour and logistics costs make this economic model unsustainable. The last few years have seen a few global and local supply chains collapse due to increased raw material costs, underperforming suppliers, uneconomical outsourced relationships and changing customer demands. Africa's supply chains are also experiencing these dynamics.

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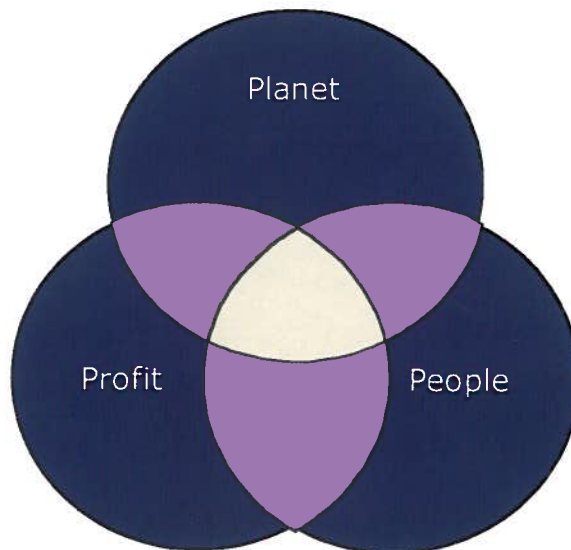
While technology, to a certain extent, has rescued supply chains from becoming ineffective, the low maturity and sparse usage of technology in Africa does not increase the confidence of supply chain leaders and stakeholders. Africa's supply chains have to find innovative ways to achieving sustainability.

Strategy

- Sustainability as part of an integrated strategy
- Long term view
- Productivity (doing more with less)

Risk Management

- Contingency planning
- Supplier disruptions
- Outbound supply chains
- Headline risk
- Agility



Organisational Culture

- Deep ingrained
- Organisational citizenship
- Values and ethics
- Quality culture

Transparency

- Stakeholder management
- Supplier operations
- RFP / RFQ process
- Financial reporting (SOX)
- Lead time to customers

Figure 1 presents this in a simple framework used by many organisations (Carter & Easton, 2011)

Sustainable supply chain

Supply chain sustainability is defined by the 'three Ps', namely 'profit', 'people' and 'planet'. The United Nations (UN) added another pillar – 'governance'. The overall objective of supply chain sustainability is to enable stakeholder value by providing socially, economically and environmentally friendly products and services to customers through compliant practices.

Traditionally, supply chains have focused on improving processes and efficiencies and reducing costs. The sustainability angle looks beyond these traditional means of supply chain optimisation. The goal here is long-term, rather than short-term target achievements. The three Ps support each other in this arena – environmentally friendly products and services are socially acceptable as well profitable in the long-term. Technology plays a huge role in enabling this.

From the UN viewpoint, sustainability is important in ensuring compliance with laws and regulations, and in supporting international principles for sustainable business conduct.

Furthermore, sustainability is not merely one organisation's goal. Rather, it is a supply chain initiative involving multiple organisations. Collaboration among all entities (suppliers, manufacturers and customers) is key here.

Sustainability framework

The 'four Rs' ('reduce', 'recycle', 're-use' and 'replace'), traditionally used for environmentally friendly supply chains, present a good foundation for making supply chains less prone to external and internal risks. Shared inventories and aligned product design assist with cost optimisation. Refusing to use child labour is a good example of social responsibility within a supply chain.

Sustainability aligns all these three pillars into one. In essence, sustainability enables a triple bottom line measurement across the organisation.

The overlap between any two Ps is good. However, all three Ps obtains the best sustainable results.

While most organisations with sustainability initiatives are focusing on scope 1 and 2 impacts (see Fig 1), only a few organisations have begun addressing scope 3 impacts. In the light of these initiatives, KPMG recommends that Africa's supply chains use a maturity framework allowing them to benchmark their sustainability initiatives and performance with local peers and international competitors.

The proposed maturity framework consists of three levels – basic, intermediate and advanced:

Basic: Most organisations are at this level. They use elementary sustainable initiatives (individual Ps) such as planning returns management, reducing electricity usage and reusing paper/packaging material.

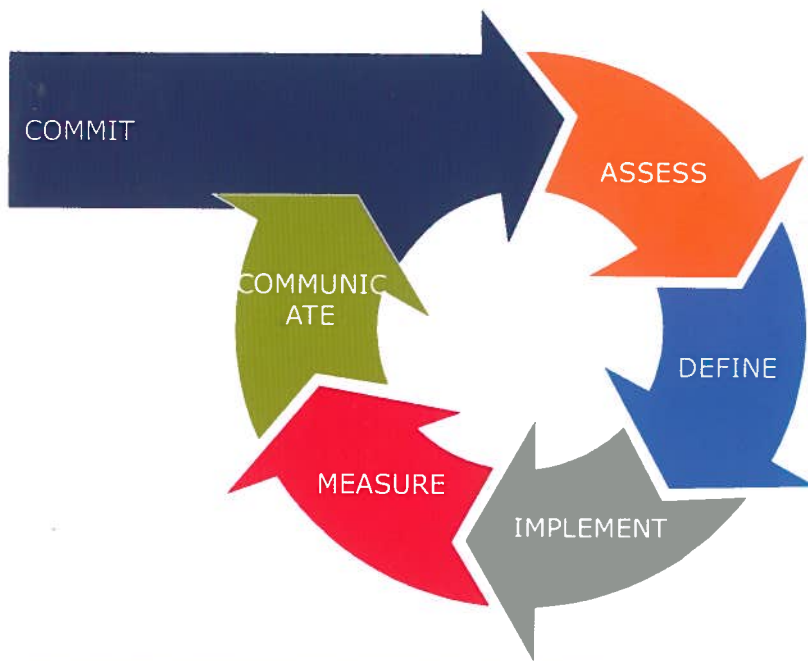


Figure 2 presents an approach towards implementing sustainability in supply chains (UN, 2010)

KPMG recommends that Africa's supply chains use a maturity framework allowing them to benchmark their sustainability initiatives and performance with local peers and international competitors

Intermediate: Some organisations are at this level, playing in the overlapped area of two Ps. They take initiatives such as enhancing product designs, collaborating with suppliers and optimising distribution operations.

Advanced: At this stage, organisations are playing in the nexus. Only a handful of organisations are currently in this space. They focus on initiatives such as adherence to environmental and social rules and regulations, while optimising their supply chain footprint.

Steps to be taken

The steps in Figure 2, though not always linear in application, involve the action items:

Commit

- ◆ Develop the business case by understanding the external landscape and value drivers
- ◆ Establish a vision and objectives for supply chain sustainability
- ◆ Establish sustainability expectations for the supply chain

Assess

- ◆ Determine the scope of efforts based on busi-

ness priorities and impacts

Define and Implement

- ◆ Communicate expectations and engage with suppliers to improve performance
- ◆ Ensure alignment and follow up internally
- ◆ Enter into collaboration and partnerships

Measure and Communicate

- ◆ Track performance against goals.
- ◆ Be transparent and report on progress.

While the focus has always been on aligning business to customer requirements, sustainable supply chains try to connect customers to the business sustainability targets. This is enabled by educating them in terms of the three Ps, and by making them partially responsible for company initiatives, hence allowing them to be part of their sustainable journey. They thus move from being mere 'customers' to being 'responsible customers'.

Sustainability is a mantra for success for today's supply chain. Africa's supply chains need to embark on this journey – the sooner the better!

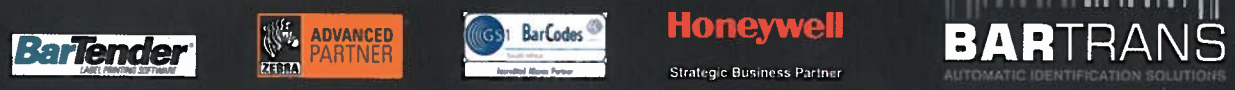
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