

**KEYNOTE ADDRESS - COMPETITION AND THE SUPPLY
CHAIN BY MS. REGINA SIKALESELE-VAKA AT THE
FOURTH NATIONAL COMPETITION CONFERENCE
HELD AT GICC ON 26th MARCH 2015**

Minister of Trade and Industry Hon Vincent Seretse

PS to the Ministry of Trade and Industry Ms Peggy Serame

All protocol observed

It is my singular honour to address you this morning on a subject of grave significance; “*Competition and the Supply Chain*” which is highly appropriate given the current economic climate in Botswana.

Competition and the Supply Chain co-exist as two sides of the same coin in that the one gives rise to or aids the other. The Honourable Minister Seretse in his remarks outlined the twin topical issues of Economic Diversification Drive (EDD) and Citizen Economic Empowerment (CEE) driven by his Ministry both of which are intricately linked to the theme for this morning and to the destiny of Botswana.

Whilst both concepts arouse appropriate patriotic as well as psychological sentiments, they also instil much apprehension in many people as they are synonymous with change. Change upsets the status quo or comfort zone and is often vigorously resisted by most resulting in the unconscious sabotage of noble intentions. Both concepts entail changing the way of doing business by creating opportunities that will aid new players to also participate in the economic landscape.

This speech is premised on the belief that Human Beings by nature are not altruistic but intrinsically self-serving. They do not intentionally do things that are harmful to themselves (unless they are socially or mentally deranged) nor do they just do things for the sole benefit of others.

They are motivated to do things that benefit others because they perceive (rightly or wrongly) that some benefit will accrue to themselves.

Assuming that the above premise is correct and also that opportunities need to be created for the new players, the key questions for this conference then become;

1. Who has the responsibility to create opportunities to allow new entrants to compete equally with established players and why?
2. What power and authority do they need to effect the much dreaded (if not opposed) change?
3. How will the change be achieved?

One thing is certain. The current beneficiaries of the status quo (no matter how defective that status quo may be) will not voluntarily create opportunities for others but will actively seek to lock out the new entrants and often they have the might to do so. However, the greatest irony is that we often perceive ourselves as beneficiaries when in fact we are the ultimate losers.

Example: If Mr Rich requires a loan facility, he automatically approaches his bank of 25 years because they have a solid brand, he has a wonderful relationship with them and they will process the facility overnight at an interest rate of prime +5%. If he were to approach a new entrant that is still struggling to penetrate the market they could have given the loan at prime +1% (just so they can be able to classify Mr. Rich as their customer). The perceived “beneficiary” has unconsciously sabotaged the efforts to stimulate competition and is the ultimate loser as the facility will cost him much more. He however, thinks he is the beneficiary. So who is the real impediment to competition? It’s not the big bank, it is not the Government, it is the comfortable customer who does not explore alternatives that inadvertently perpetuates the status quo.

So what is the relevance of the Supply Chain in Competition?

Commerce is a series of **activities, functions and institutions involved in transferring goods from producers to consumers**. Prehistoric people bartered what they had for goods and services from each other without much regard to the methods of production.

The introduction of currency as a standardized money facilitated a wider exchange of goods and services with the result that today **Commerce is a complex system of companies which seek to maximize their profits by offering products and services to the market at the lowest production cost**, hence money has become the core of commerce.

The concept of Supply Chain Management is based on two core ideas. The first is that practically every product that reaches an end user represents the cumulative effort of multiple organizations. These organizations are referred to collectively as the supply chain.

The second idea is that while supply chains have existed for a long time, most organizations have only paid attention to what was happening within their “four walls.” Few businesses understood, much less managed, the entire chain of activities that ultimately delivered products to the final customer. The result was disjointed and often ineffective supply chains.

Supply chain management, then, is the active management of supply chain activities to maximize customer value and achieve a sustainable competitive advantage. It represents a conscious effort by the supply chain firms to develop and run supply chains in the most effective & efficient ways possible. Supply chain activities cover everything from product development, sourcing, production, and logistics, as well as the information systems needed to coordinate these activities.

The organizations that make up the supply chain are “linked” together through physical flows and information flows. Physical flows involve the transformation, movement, and storage of goods and materials. They are the most visible piece of the supply chain. But just as important are information flows. Information flows allow the various supply chain partners to coordinate their long-term plans, and to control the day-to-day flow of goods and material up and down the supply chain.

Sadly, the concept of Supply Chain Management has not yet become embedded in management practise. The management approaches that have evolved over time will illustrate the true extent to which the Supply Chain falls outside the radar of modern organisations when ironically it is the Supply chain that sustains those very organisations and commerce.

Certain key critical aspects of organisational management have become standard:

Strategic Planning

Successful organizations break down their strategies into smaller tangible action plans which address the 5 key questions - **what, who, when, how and why**. These actions are then assigned to specific individuals with specific deadlines and appropriate resources. In addition they create annual business plans that budget for the creation and utilization of revenue in the company.

Organizational Structure

A robust organisational structure that talks to the strategy has to be designed that will facilitate the operations of the key aspects of the strategy.

Processes

Effective processes support the organizational structure and provide much needed guidance on the flow of business to ensure transparency, consistency and predictability. Processes are a major aspect of an organization as they guide both internal and external stakeholders on the customer service delivery of the company.

Resources

HUMAN - Successful organizations have a comprehensive understanding of what needs to be done and how it should be done so they are able to determine with accuracy the type of people that are required to do the job and the level at which they are required to operate. They set the right remuneration and incentives to get the best people for the jobs.

FINANCIAL – because successful organizations have a comprehensive understanding of what needs to be done and how it should be done they are able to determine with accuracy the financial resources that must be allocated to the various projects.

IT –information has become the biggest resource of successful organisations so the management and analysis of information is a significant business enabler. Appropriate Information technology must be provided for that purpose.

Performance Management

Successful organizations set clear and tangible targets and measure the performance of individuals against those targets. This allows them to assess if goals are being achieved on a regular basis and to take corrective action if they are not to prevent surprises at the end of the year.

Alignment/Linkage

Successful organizations do not operate in silos but rather have an operational culture which links all their activities and projects to make sure that the organizational resources are fully aligned. They effectively communicate the strategy within the organization to generate buy-in and create alignment thereby addressing the fundamental question that drives performance – WIFM – “what’s in it for me”.

Typically the linkage is two-dimensional; vertical and horizontal. Vertical alignment is achieved upwards and downwards through corporate, divisional and departmental plans. Horizontal linkage cuts across departments, across regional offices, across manufacturing plants or divisions.

Corporate Governance

Over the years, the hyper focus on money compromised ethical behaviour leading to corporate scandals as characterized by Enron which brought the modus operandi of companies under scrutiny. As a consequence, a code of conduct to address ethical conduct through the Board Directors (now commonly known as Corporate Governance) emerged to add a third dimension of linkage to organizations.

It is evident from the above that the management approaches have remained confined “within their four walls” and do not encompass the Supply Chain which is “outside the walls”. The supply chain is thus relegated to lower levels within the organisation who do not command the required levels of power and authority to impose their requirements on the suppliers. The suppliers consequently benefit from almost guaranteed business and are not put under the necessary pressure for quality services or goods.

Although as a private sector we are always quick to apportion blame to Government, in the case of the lack of management of the Supply Chain, the private sector is equally inadvertent.

Of course Government as the biggest consumer of goods and services has more influence over shaping the competitive landscape this influence has not been utilised resulting in the poor service delivery in some parts of Government.

However, as a facilitator, Government has somewhat succeeded in creating an enabling environment for business and a comprehensive network of checks and balances involving Legislation, Policies, Regulatory bodies, Policing agencies, etc. to reduce the risk of business failure. The companies however, fail to support the new entities preferring to remain within the comfort zone of the long established relationships, golf associates and in some instance family friends.

It is this lack of Executive Management focus on the Supply Chain by both private and public sector that is the greatest hindrance to competition because organisations (like Mr Rich) are too comfortable with their suppliers to change the status quo.

The sustainable businesses are those that have moved beyond the 3D management style described above to a multi-dimensional approach that focuses on the Supply Chain to stimulate competition. My recommendations therefore are as follows:

- Organisations should evolve their management styles to focus on the Supply Chain Management;
- Procurement should become an Executive Management imperative with regular checks and balances;
- The Supply Chain should be constantly monitored and evaluated to maximise value and appropriate incentives given
- Government should set clear and measurable targets for organisations to ensure compliance with the Government policies;
- Company performance should also include the Supply Chain.

