CHALLENGES IN IMPLEMENTING SUSTAINABLE SUPPLY CHAIN IN SUB SAHARAN AFRICA

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Abstract: The purpose of this paper is to present the challenges Sub-Saharan African countries are facing in implementing sustainable development and supply chain practices. The most important challenges in the process have been the leadership in most Sub-Saharan African countries and the need to create a coherent strategy. While the move towards market economy is progressing well, the governance and leadership is lagging behind. It is also well understood that the majority of investors are not up-holding socially and environmentally responsible investment and supply chain practice. In furthering this discussion, FDI is known to contribute towards economic development and alleviate poverty in developing nations. In addition, economic development is sustainable only if there is prudent leadership in implementation of socially responsible investment and sustainable supply chain policy. Moreover, the move towards this mutually benefitting practice will be important for both the emerging nations of Africa and MNCs interested to invest in the continent. The following are the challenges presented in this paper: Governance and lack of democratic leadership, poverty and lack of clear development policy, difference in interpretation of CSR between the West and Africa, and the role culture plays in supply chain management are among them.

Keywords: Sustainability, Africa, Supply Chain, International Business

INTRODUCTION

In the last two decades African economy grew faster than what was observed in the previous years. With almost 900 million population and abundant natural resources, this emerging market is attracting various investors such as Brazil, Russia, India, China and South Africa (BRICS). According to The World Bank (Visser, McIntosh, and Middleton, 2006), the gross domestic product per capita (GDP) in Africa has steadily increased since 1994, rising up to 6.6% in 2007(African Business, 2008). The World Bank also stated that capital flow to the continent rose from $35.8 billion in 2009 to an estimated $41.1 billion in 2010 and expected to reach $48.5 billion by 2011. In addition, foreign direct investment to the continent rose almost ninefold, from $10 billion in 2000 to $88 billion 2008. In a speech to African ambassadors, Mr. Ezekwesili of World Bank (2011) noted investment to Africa dwarfed flow to India ($42 billion in 2008) and came close to flow to China ($108 billion). African Union (AU) recently projected that the investments to Africa will reach $150 billion by 2015. While some African countries are doing well, some are falling behind. About 20 countries, most of which are affected by conflict and lack of coherent policy totaling 30% of the continent’s population grew only by

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2.1% in the last decades. After all, Africa is not on course to meet the Millennium Development Goal by 2015. It is estimated that 31 million people will be living on less than $1 dollar a day. Another important issue is also the expected growth in population. Four billion of the 10 billion people in the world by 2100 will be in Africa. According to AU, there will be an increased urbanization, labor force and rising middle class, making it best place for investment. In fact, by 2040 it is estimated the number of Africans of working age will exceed 1.1 billion making it more than in China and India.

Despite significant economic and social development, the continent is still suffering from poverty, skills deficit and unemployment. According to Keys (2011), this opened up great opportunity for wealthier BRIC nations to invest in the continent in exchange for mineral resources like; oil, timber, coal, copper, bauxite, gold, diamond, uranium, and gas. China leads the group in rush for raw material ($108 billion), followed by India ($32 billion), Brazil ($20 billion) and Russia ($3.5 billion). While the increase in potential investors is good for the continent, Economic Commission for Africa (2011) emphasized the need to slow population growth, - reduce poverty, achieve economic progress and excessive consumption that will consecutively cause environmental degradation, resource depletion and inhibit sustainable development. The ECA report (2001) also points to the increase globalization coupled with technological advancement, and rise in consumption; the relationship between population, environment and development has become a great concern for government and international community. Accordingly, this concern must be a policy priority for African governments as this will cause challenges of higher proportion considering the need to meet the investment level to match the sustainable development and rapidly growing population. So, the main question is; what is different about sustainable supply chain practice and corporate social responsibility in Africa?

**SUSTAINABILITY AND SUPPLY CHAIN**

An earlier and well adapted definition of sustainability is presented at the outcome of the Brundtland Commission in 1987 as; “development that meets the needs of the present without compromising the ability of the future generations to meet the needs” (Carter and Roger, pp. 8). Following Brundtland was the Rio Earth Summit in 1992, organized by United Nation Commission on Environment and Development in which they established the concept of sustainable development as a policy and made a call for non-state institutions like business and civil society to engage in the challenges of sustainable development (Bedell, Miller, and Wortmann, 2011). While there are numerous definitions of the concept of supply chain, Seuring and Muller (2008) presented that supplier, focal companies and customers are linked by information, material and capital flow. According to Bedell et al, focal companies are those that govern the chain, are in direct contact with customer and own the product or service. These are also firms responsible for anomalies within the entire supply chain. Chandra and Kumar (2000); Halldorsson, et al (2007) stated the constant changing of supply chain management to accommodate the firm's competitiveness; and a meta-organization built up by independent organizations that established relationships and have an integrated process. Janvier-James (2012) also stated cost and customer satisfaction as an important factor to continue business. In addition, Carter and Roger (2008) present a broad level organizational sustainability
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consisting of three components; the environment, society and economic performance. The triple bottom line not only affects the natural environment and society positively, but results in long term economic advantage and competitiveness of the firm. Carter and Roger emphasized the supporting facets of the triple bottom line such as: risk management, transparency, strategy and culture. This will be summarized in the following:

**Risk Management:** The ability of the firm to manage risk related to the economic, environmental and social parts of their supply chain.

**Transparency:** Hart (in Carter and Roger, 2008) states that: “Transparency across the industry of our respective contract factories will promote greater collaboration, sharing of monitoring information and reinforcement of remediation expectation across the industry….”

**Strategy and Culture:** It is important to integrate organizations initiatives with its strategy (Carter and Roger). A good example of this is IBM’s integration of its triple bottom line with its core business; and HP’s connection of their corporate commitment to global citizenship with how they conduct their daily business. According to Carter and Roger, these companies have strong core value and culture beyond the bottom line. Hart (in Muller et al, 2011) also states that business strategy is linked to the organizations values and culture and it is expected that values of sustainable development could be reflected in the organizations culture.

**CORPORATE SOCIAL RESPONSIBILITY (CSR)**

Rittenhouse of DuPont Company (2003) on developing strategy asked a simple question of why sustainable development matters. One reason is society has become aware of what happens in every part of the world. It is no longer possible for firms to do something and expect that people won't find about it. Multinationals are increasingly managing their business consistent with sustainability. Such practice will enhance their business values, and protect reputation, improve employee morale, increase productivity and reduce costs, strengthen customer relationship and enhances business worth. According to Porter and Kramer (2006) corporate social responsibility has emerged as priority for business leaders in every country. While companies have done much to improve their social and environmental activities they fail to integrate their business with priorities of society. Society and corporations are interdependent through good education, health care and equal access for job and a productive workforce. Good governance and rule of law are essential for efficiency and strong regulations that protect both consumers and companies from exploitation. There is ample evidence that both business and society can work together if they follow the principles of shared value.

**GOVERNMENT AND SUSTAINABILITY**

The main challenges faced by most African countries are the issue of leadership and their willingness to tackle the political and economic conditions, especially the ever rising poverty level. Ajakaiye et al (2008) considers political economy as a science of statesman or legislator and proposes two distinct objectives; one is to supply revenue or subsistence to the citizens, or to enable them acquire revenue and second, to supply the state with sufficient revenue for public service. In majority of the countries this main purpose of political economy is not presented. He also noted that African economies are able to show substantial growth, but the
development is lagging behind. In his study of Eastern and Southern Africa, Matovu (2002) identified good governance as one of the main factors that enhance economic development. While it is argued that decentralization facilitates power sharing between the center and sub-national units in decision making process, there has been no evidence there is direct relationship between decentralization and good governance (Ajakaiye et al, 2008). As Oyugi (in Matovu, 2002) puts it, this relationship is attributed to lots of other factors; one of which is the inability to cultivate democratic culture at the center. Helmsing (in Matovu, 2002) also notes good governance helps to enhance local economic development; good governance is a pre-requisite for attaining sustainable economic development and alleviates poverty.

Facing the Challenges in Sub-Saharan Africa

Among the challenges Sub-Saharan Africa is facing, poverty and lack of coherent development policy stands out. A very important issue raised in the first chapter of Rio’s agenda 21 was ‘Combating poverty’. This commitment was confirmed in the Millennium Declaration, which resulted in placement of greater emphasis in Johannesburg Plan of Implementation (Mestrum, 2003). According to Mestrum, Brundtland report was an important milestone in the effort to link economic, social, environmental and inclusive development and invitation of international cooperation. While sustainable development is the course of action to meet people’s needs, the outcome is poverty eradication and this will happen only if the poor has equal access to available resources. This means poverty reduction will enhance our effort to protect the environment and create sustainable development. The second part of this challenge is implementation of appropriate strategy. Acharya (1981) and Cerell (2011) in discussion of development in Sub Saharan Africa noted that, an important and much faster growth strategy that can alleviate poverty, contain unemployment, and manage balance of payment for most developing nations lies in increasing production in the rural economy. Acharya also suggested that, this development strategy could get better result if resources and policies are concentrated in support of smallholder agriculture.

CSR in Sub-Saharan Africa

In the attempt to explain the differences in CSR application in Western countries and Africa, it is important to look into the social, cultural and economic conditions. Visser et al (2006) implied the relative priorities of CSR in Africa to be different from classic US context because of cultural factors. While this did not receive much research focus, there is a general agreement that the private sector is in a position to have greater contribution towards improving social, economic, and environmental conditions in Africa (please refer to Shell’s case). Although Carroll’s (in Lindberg et al, 2006) CSR pyramid (from bottom up: economic, legal, ethical and philanthropic) is widely accepted, Visser continues to argue that economic responsibility still gets the most emphasis and philanthropy is given second place because of the following reasons: First, the socio-economic need in Africa is so high, it is expected to be “the right thing to do”. Second, many in African are reliant on aid. Third, Africa is still at an early stage in maturity in CSR and legal priority is second in the pyramid. There is less pressure from the law in most African countries because of weak infrastructure. Considering the prevalence of corruption, ethics is at the lowest priority.
A Case of Shell Petroleum Development Company

The following case of Shell Petroleum Development Company (SPDC) illustrates the practice of an MNC in the Niger Delta of Nigeria (Ite, 2004). According to Ite, Niger Delta is home to 20 million people in nine states of the federation. While the Delta brings 90% of the national export earning, and 70% revenue towards the national treasury, it is considered one of the least developed and poverty stricken part of the country. The long neglect has created a tradition of violence known worldwide. Although Shell has been assisting the community since 1960s, the public discontent did not go away because of air and water pollution caused by the extractive operation. In the attempt to alleviate poverty in the region, the government established governmental institutions, first in the 1950s another in 1990s and then later in 2000 without much success leaving the area in a desperate situation.

Prior to the 1990s Shell adopted a community assistance approach in which they financed water and sanitation, health care, skills training, scholarships, microcredit and infrastructure such as building roads. The projects were done without consulting the community and the community perceived the support as rent payment for Shell’s use and abuse of the environment and resources. After evaluating their experience, Shell recognized the need for cultural change, in which they changed from a top down, risk and reputation management to integration of sustainable development in its general business principles. First, Shell adopted a community development approach with emphasis on empowerment. Second, Shell assumed more responsibility for major social and economic development initiative in the Delta, in which they achieved much better outcome than the government projects. In so far, Shell’s social investment budget has steadily increased to support the development project in the Delta.

CULTURE AND SUPPLY CHAIN

As nations become increasingly interdependent it is imperative for businesses to understand effective management of Supply chain. Muller et al. (2012) notes that limited research has been done on cultural issues related to supply chain. In the following segment, summary of Muller et al. case study of “British-South African fresh fruit supply chain” will be presented.

In their presentation of a report on two contrasting business strategies for achieving sustainable practice, Muller et al. studied 1- A unilateral, prescriptive approach (pushing) mirroring a paternalistic value at Tesco; and 2- A bilateral, collaborative approach (sharing) in which business and non-governmental organizations work together at Waitrose.

Paternalistic usually refers to an attitude when one makes decision for others without asking or respecting the wishes (Muller et al, 2012). Paternalism consists of both an action (decision) and a reason component (i.e., believing the decision is good for the other person). While concept of Ubuntu, an African cultural system is focused on collectivism rather than individualism, it is basically a belief or value of ‘motho ke batho ba bang’ (which means a person through other people), emphasizing the importance of community. The Waitrose Foundation, using the bilateral approach was successful with their program established as vehicle for social change on farms, achieving sustainability goals and conforming to sustainable partnership. Tesco followed the more generally accepted route of enforcing business standards. In this case Tesco is using a unilateral method of following set criteria (Western individualism)
to manage a supply chain relationship in which one side has opposing cultural orientation. Obviously, successful supply chain can happen only when a common understanding is established among the stakeholders in the supply chain.

CONCLUSION

In conclusion, what makes firms create a competitive supply chain is the knowledge and experience they bring to the table that will help create smooth working condition among the stakeholders. It is well understood, the purpose of MNEs is not social service but profit, but if fulfilling their social responsibility enhances their profit margin, reputation and citizenship, it must be integrated into their strategic business plan.

While this is not exhaustive discussion on the topic of challenges of implementing sustainable supply chain in Sub-Saharan countries, it serves as a background for further researches. Africa is on cusp of economic development, social and political transformation. The increased investment, projected population growth and challenges in managing the environment all create such a fertile ground for future studies.

Reference


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