

Public or private – best practice is what matters

The understanding of the term supply chain management (SCM) differs between the public and private sectors. However, whatever supply chain professionals do and wherever they are, they should be putting the customer at the centre.

This is according to contributions at the recent SAPICS conference for supply chain professionals during the closing panel discussion.

The panel included Kea Mpane (Head of Logistics at Transnet Engineering), Phenyo Shabangu (Deloitte Consulting, Public Sector Strategy practice), Moray Reid (Global Offerings Leader – Source to Pay, IBM Procurement Services), Danie Schoeman (Managing Director, Danie Schoeman and Company), and Giri Venkat (VP for Anglo Gold Ashanti Corporate). ***The difference: complexity, not incompetence***

The end-customer of public sector SCM is mostly citizens residing in the country, while customers in the private sector are many and diverse, and can be more closely defined than those in the public sector and with State-Owned Enterprises (SOEs).

The frustrations experienced by customers of public sector SCM is often not an issue of incompetence, but of complexity. Supply chain management in the public sector is more complex than in the private sector due to legislation, controls, and the governance regulating SCM.

This is exacerbated by the fact that in many cases there are not enough employees in the public sector with the necessary qualifications and experience to satisfy citizens that expect the same level of service as they receive from the private sector.

Progress is however being made in professionalising the SCM function in the public sector in order equip the relevant departments with the necessary skills.

The similarities: customer satisfaction

Governance in the public sector needs to satisfy the law, as well as everyone in the country. The South African Constitution dictates that supply chain management should be fair, equitable, transparent, competitive, and cost effective.

In the private sector, governance only needs to satisfy the law, the board, and the shareholders. Within the private sector SCM processes are defined by the each business and often linked to Key Performance Indicators (KPIs).

The intent of SCM is however the same in both public and private sectors: customer satisfaction.

The challenge: best practice

Private sector SCM isn't perfect, but it has experience and advantages in innovation that the public sector can find valuable. The public sector can learn from principles practiced in private sector SCM such as strategic sourcing, supplier relationship management, and inventory control. All these best practice principles can be applied in a way that is acceptable within the bounds of public sector rules.

The private sector on the other hand can learn from the public sector about the importance of taking care of the wider population, not just because they have to, but because it is also their responsibility. Public-private partnerships are the key to solving the “us-versus-them” situation.