

Can Namibia become a regional gateway by developing a logistics hub around Walvis Bay's port?

C.F. Savage and L. Fransman

Polytechnic of Namibia

Abstract

Many developing countries wish to become the "gateway" to a region or part of a continent. One strategy involves encouraging logistics cluster development. These support global supply chains and enable the growth of the host country through the resulting trade as well as providing direct and indirect employment opportunities during the build and subsequent operation of the hub. Namibia has a desire to become the gateway to southern Africa and the SADC region. Previous work, (Muñoz & River, 2010, Lambourdiere, Savage & Corbin, 2012) have established the criteria for successful clusters, whilst Savage (2013) looked at Namibia's potential for success using data from the NGCL's 2011 "State of logistics" research (Jenkins, Savage & Fransman, 2012). This article reviews those findings using current survey data to assess Namibia's logistics industry's readiness to take on this gateway role.

Key words: Namibian logistics, logistics clusters, emerging economies, global supply chains, gateways

Introduction

1. INTRODUCTION

Dispersion of production sites due to globalization, focussed factories and risk aversion has led to an increase in the flow of physical goods, financials and information across the world. Specialized globalized supply chains are needed to support these operations. Flow management within the logistics pipeline has become part of a company's strategic weaponry used to meet the differing, and often volatile, demands of customers. Customer freedom of choice and increased new product launches have intensified the competition between global corporations, so they insist on a very high level of service from their supply chains.

When a region espouses global supply chains, logistics activities can become a factor in its development strategy and thus influence public policy. Planners, especially those in developing countries with limited manufacturing, tend to rely on trade to enhance their economies. Logistics activities generate employment and facilitate trade, which can help bring greater human well-being to their region. Global supply chains offer countries and city-states with appropriate port facilities (e.g. Singapore, Rotterdam, and Panama) an opportunity to bring prosperity to their communities. Their port based hubs have become the cornerstone of their economic growth. This has inspired some regions to base their development strategy on logistics clusters. Namibia is already involved in marine transport especially through the port of Walvis-bay and so could play a strategic role in global supply chains by setting up such a cluster there. This article aims to understand Namibia's ability as well as her readiness to develop and operate such a facility as the basis for regional policy development and economic growth.

2. LITERATURE AND BACKGROUND

2.1 Global supply chain management (SCM) and competitive advantage.

Global supply chains enable companies to exploit the globalization of economic activities (Dornier et al., 1998), e.g. by accessing broader markets or developing lower cost sourcing (Ferdows, 1997). They have become strategic weapons for building competitive advantage, allowing companies to source materials and components from one place, manufacture them in another, assemble them in yet another and then to distribute them in a different territory all together. This has been made possible by trade barrier collapses, communication technology advances (Hülsmann, Grapp & Ying, 2008) and the combination of three interrelated processes: global sourcing, global manufacturing and global distribution (Bello, Lohtia & Sangtani, 2004). Companies trade in disparate geographical regions using "Glocalization" (think globally, but act locally) to tailor their services/products to meet local needs whilst ensuring overall international governance (Swyngedouw, 2004).

Supply chain integration has become a source of competitive advantage for both members and users by enabling goods to flow without restrictions. Supply chain management (SCM) or, "Managing relationships with upstream and downstream suppliers and customers to deliver superior customer value at less cost to the entire system" (Christopher, 2012), plays an important part in customer-oriented business strategies. When setting up any supply chain one must integrate all internal and external resources to meet customer demand (Rota-Franz, Thierry & Bel, 2001). On a global scale this becomes very difficult, especially as to achieve efficiency, logistics processes must be executed simultaneously rather than sequentially to ensure that, "the whole is greater than the sum of its parts" (Christopher, 2012). As these supply chains extend globally, there is a commensurate increase in the risk levels as the multiplier effect acts on the interrelation of global supply chains and their nodes.

The numerous flows in global supply networks harness logistics activities (e.g. consolidation, distribution, transportation, light assembly and postponement) to create value for customers. To achieve overall effectiveness, the individual activities must be effective, efficient and integrated. They also need support, which has the potential to create jobs, enhance skills and improve the population's wellbeing. Recognising the critical role played by logistics activities, some governments have built logistics clusters to develop their countries by encouraging global supply chains.

2.2 Clusters and network integration.

A cluster can be defined as "geographic concentration of interconnected companies, specialized suppliers, service providers, firms in related industries, and associated institutions (e.g. universities, agencies and trade associations) in particular fields that compete but also cooperate", (Porter, 2008). The interdependency of clusters strengthens the products and/or services provided (Ketels, 2003).

Clusters augment competitive advantage by enhancing productivity, driving innovation and contributing to the emergence of new business (Porter, 2008). They develop where geographical location gives a comparative advantage whether contained within a single city or sprawled across international borders. Literature recognizes three types: the techno cluster, the historic know-how based cluster and the factor endowment cluster. Logistics ones tend to be the factor endowment type; they are "regions with a very high concentration of logistics activities relative to local population or economy" and "an amorphous agglomeration of companies and facilities with logistics-intensive operations with fuzzy borders and no central management" (Sheffi, 2012). Basically, they are zones where operators and all activities relating to the transport, logistics and distribution of goods, are gathered together.

