

## **Papyrus S.A. Strategic Competitiveness**

As societies advance, the more lucrative activities are those that are relatively complex and have higher entry barriers. For example, it would be very difficult to build a modern car factory from scratch today due to the accumulated experience of the existing manufacturers and their scale, whereas in the early 1900s there were dozens of small factories springing up. Another phenomenon is that as these endeavors become more complex, managers tend to concentrate on their core activities to remain ahead of their competitors. Again, the car industry provides a good example: 85 years ago the Ford Motor Company ran rubber plantations to supply the raw material for tires; today no vehicle manufacturer even makes its own tires, rather buys its tires from specialized tire firms and concentrates on making vehicles.

At this point in its development, Haiti relies heavily on international investors and donors, who have, are and will continue to invest heavily in its future. These international organizations have also been following the trend toward specialization. Not long ago, they implemented projects themselves and had large staffs for that purpose. Over the last 20 years or so, they have relied on specialist expatriate firms to implement their investment and development activities abroad. As it turns out, this has not been a satisfactory solution. The firms' expenses are very high, as they rely on expat talent that has to be maintained in faraway places, and their lack of local knowledge and skills has rendered them less than effective.

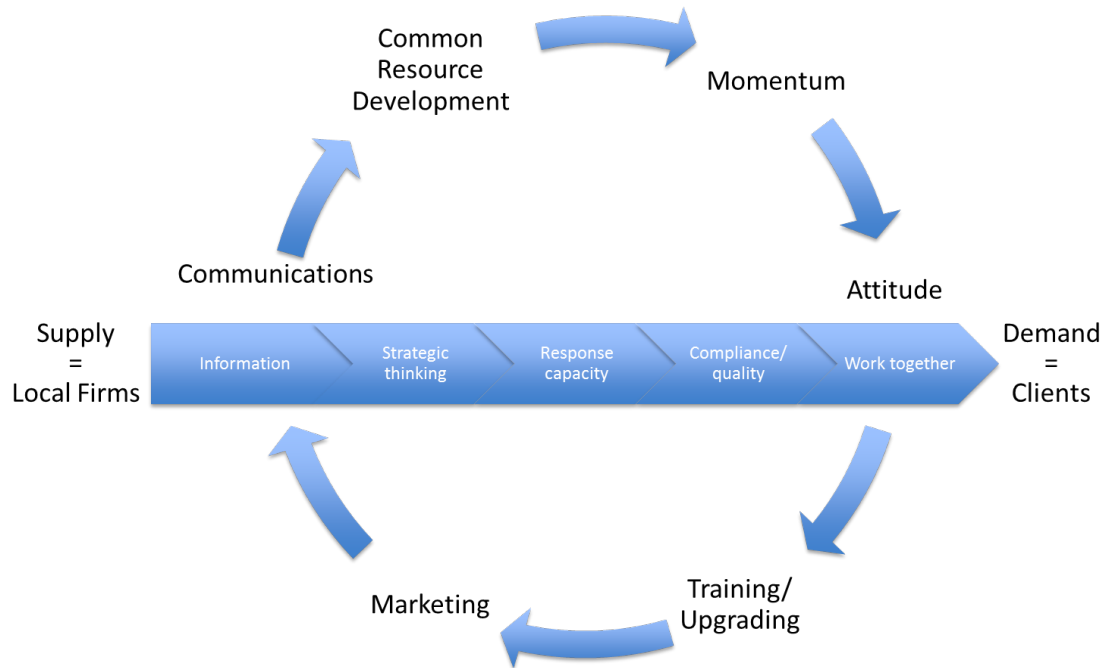
The natural response of these donors and firms is to follow the trend toward specialization and to seek management and implementation services locally. Their challenge in Haiti, as elsewhere, is to find firms with the internal systems and scale to respond to their investments. They simply cannot entrust their funds to local managers and implementers who have insufficient capabilities and systems. This has resulted in many projects being postponed or canceled, depriving the country of the resources it needs.

Here is the dilemma in Haiti: the existing firms are too small and unsophisticated to manage the investments, so external firms are used, which, in turn, retards the ability of the local firms to compete. Basically, it's a vicious cycle.

To break out of this unproductive situation requires local firms to go through a process to arrive at a position where they are capable of adequately responding to large local and international calls for tender (appels d'offres). Donors are now willing to assist this process, so we have a window of opportunity. The graphic below shows the steps required to respond to client demand and suggests some ways of realizing them.

To summarize, firms that seek to manage investor and donor funds and activities must have information, must go through the strategic thinking/planning processes, must have a solid response capability, and must have technical quality and financial compliance controls.

To find the combined capabilities to manage even relatively small internationally-financed activities in Haiti today, however, local firms will have to work together.



The steps to get there include communication and the development of resources among the players, momentum acquired through small successes, and the development of a spirit of cooperation while competing. The process is constantly reinforced by training/upgrading and marketing.

The building blocks needed to reach the competence required include technical, financial and administrative compliance, reputation, experience and scale.

While this may seem obvious, it is not at all easy. Business in Haiti has not been cooperative in practice. There is much mistrust; the small contracts available have been fiercely competed for; issues are often personalized... et j'en passe.

Papyrus proposes that local firms which are positioned to take advantage of the opportunities work together in a strategic manner to develop the expertise to respond to future opportunities.

How would we do that?

We need to discuss in depth this principle of getting to know each other's capabilities, specializations and commitments to working together to "build competition". It may seem

counterintuitive, but if we increase competitiveness among ourselves, we will all become more competent and we will attract more clients. So rather than increased competitiveness hurting some of us, it will help all of us. Moreover, if we can take this first step, a new world of opportunity will open up for us: we will be able to compete for ever-larger projects together.

We believe that the discussion we are about to have should be open and frank. To work together requires an element of trust. For example, if we are working together on a job, I have to share some proprietary information with you and I have to trust that there is not an unfair difference between what you are charging the client for my services and the amount you are paying me.

Once we have had this conversation, perhaps we should share basic information among those who would like to continue with this path. Not every firm or organization will want to and that is natural. The next step could be to subcontract each other. For instance, if Papyrus wins a \$50,000 job in Martissant to survey mothers and assist them with microfinance, it could decide to conduct the survey and subcontract with an organization that specializes in microfinance to have a stronger team. Another type of example: If one firm is particularly strong in donor compliance, they could be subcontracted by an organization that has the best technical skills to form a team that completely satisfies the donor's technical and administrative requirements. In fact, there are many opportunities for cooperation: One organization might write the proposal for a grant for two others and have no further involvement, for example.

While this cooperation is happening, two other processes should be underway: each firm and organization will strongly compete against the others for those jobs that they think they can implement alone. Also, each entity should be increasing its capabilities — particularly where they are the weakest — to become capable of more complex undertakings.

After several successful collaborations and strengthening cycles, the next steps would be for a small consortium to bid on a medium-sized job and a larger consortium to bid on larger jobs.

This is the future. If we do not go down this path together, either some others will and leave us behind or the donors will go back to using offshore implementers. The choice is ours.

Papyrus has organized a conference for the 12<sup>th</sup> of November at the Karibe Convention Center from 9:00 to 1:00. You are invited to participate. If this interests you, kindly fill out the attached form and send it back to us. If you want to recommend other firms that you think should be invited, kindly indicate which ones and give us a contact.