Barloworld Logistics

Embracing change for a sustainable future

"Everybody has accepted by now that change is unavoidable. But that still implies that change is like death and taxes — it should be postponed as long as possible and no change would be vastly preferable. But in a period of upheaval, such as the one we are living in, change is the norm."
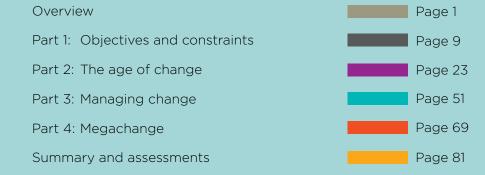
Peter Drucker, Management Challenges for the 21st Century

2015
supplychainforesight

EMBRACING CHANGE FOR A SUSTAINABLE FUTURE

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overview

Welcome to the 2015 supplychainforesight report.

I would like to personally extend my thanks to all of you who participated in, and responded to, this year's survey. Your views and thoughts enable us to gain a better understanding of our future and how best to manage it. My thanks also go to the many companies and individuals who attend and participate in our presentations for your valuable insights and contributions.

Steve Ford,
CEO Barloworld Logistics

Over the last eleven years, Barloworld Logistics' annual **supply**chain**foresight** surveys and reports have accurately tracked the emerging, unexpected and dramatic trends that have fundamentally changed the world in which we live and work. We are pleased to say that the relevance of our surveys into each of these topics have been fully justified, helping create the changes needed to remain relevant in a globalised, ever-changing world.

Since the inception of the **supply**chain**foresight** programme, we have recognised that supply chains are integral to commercial, industrial and national strategies. They affect our economic well-being and in turn our competitiveness. The aim of the **supply**chain**foresight** reports is to help countries, companies and individuals determine the strategies and tactics needed to adapt and respond effectively to changing market dynamics.

While change is nothing new, the rate and pace has reached new heights. In order to manage change and its implications on our businesses, we need to have insight into real and potential changes and foresight to capitalise on opportunities. It's the only way to manage potential threats and ensure our businesses remain relevant well into the future.

With the only certainty about the future being uncertainty, this year's survey focused on understanding how South African companies are dealing with change under the title 'Embracing Change for a Sustainable Future'. In the report, we highlight key megatrends affecting global economies, and whether or not companies understand the impact they will have on our country, our businesses and our supply chains. We uncover whether or not these trends and changes are seen as threats or opportunities, and how ready we are to meet these challenges.

Whilst we have provided our own insights and interpretations of the survey data, we encourage you to view the data from your own perspective and question what it means to you and your business.

Should you wish to engage us further on these topics, please contact the Barloworld Logistics **supply**chain**foresight** team, who are more than willing to provide assistance or discuss and debate issues that affect you directly. The team will also provide personalised presentations to companies or teams, should this be of interest to you or your industry sector.

I hope you find the report insightful and useful. I would like to thank our research partners, Frost & Sullivan, as well as our own internal team for delivering such a thought provoking report.

Regards

Steve Ford
CEO Barloworld Logistics
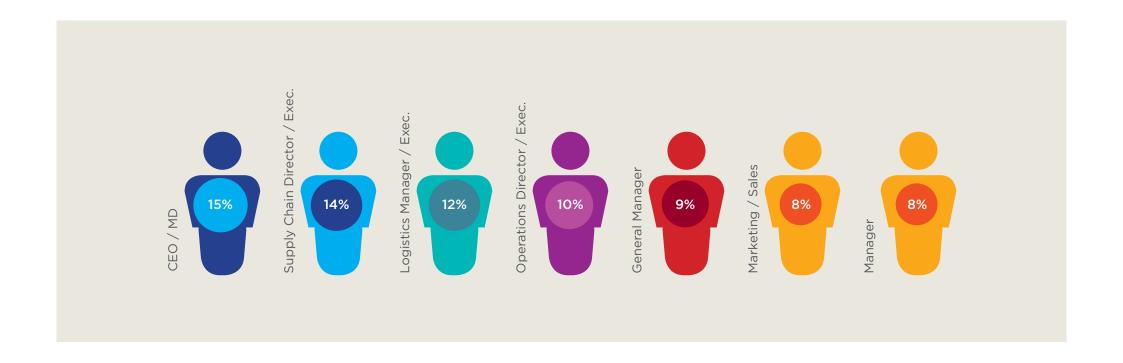
Respondents' profile by job title

The number of respondents to the survey continued to increase with over 370 professionals representing companies across South Africa, providing a statistically accurate representation of South Africa's businesses, industry leaders and supply chain practitioners.
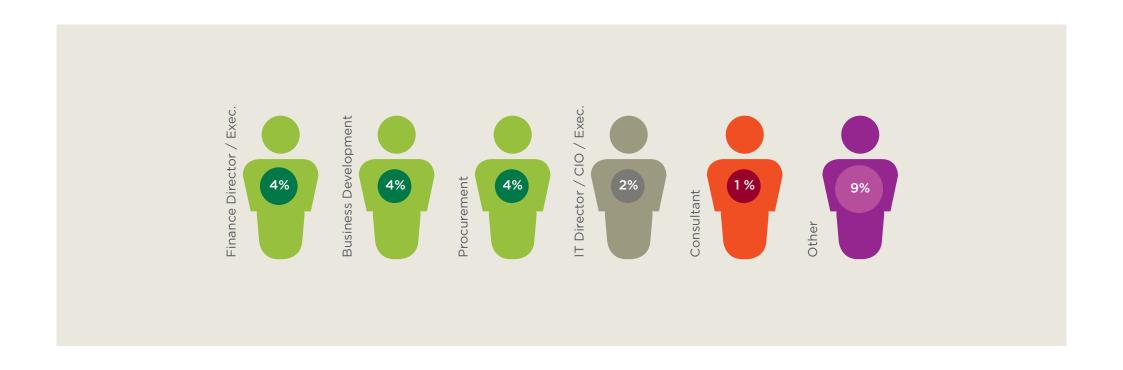
More than two thirds (66%) of the respondents to this year's survey hold a director level position, demonstrating the relevance and integral nature that supply chains play in business today.

The widespread industry representation and the variety of senior roles and positions of respondents also show how the supply chain is no longer seen merely as a support function, but as the backbone of business.

The number of respondents whose job functions do not correlate to traditional titles listed in the survey, reflects and is indicative of a change in structures, roles and responsibilities in the market.

CEO / MD — 15%

Supply Chain Director / Exec. — 14%

Logistics Manager / Exec. — 12%

Operations Director / Exec. — 10%

General Manager — 9%

Marketing / Sales — 8%

Manager — 8%

{ The supply chain is no longer seen as a support function, but as the backbone of business. }

Finance Director / Exec. **4%**

Business Development **4%**

Procurement **4%**

IT Director / CIO / Exec. **2%**

Consultant **1 %**

Other **9%**

Respondents' profile by industry

Views of respondents from a broad cross-section of traditional industry sectors were received. There was a noticeable growth from respondents in the *Other* category, representing new and emerging industries such as solar energy, waste management and humanitarian sectors. This in itself highlights our changing environment.

The widespread representation of respondents across all industries is an indication that supply chains continue to play an increasingly integral role in virtually all types and sizes of businesses.

{ Respondents from a broad cross-section of traditional industry sectors were complemented by new and emerging industries, highlighting our changing environment. }

Logistics	FMCG	Automotive	Chemicals, Oil & Gas	IT & Communication	Professional Services	Mining & Steel	Building, Construction & Engineering	Public Sector	Retail	Other
18%	11%	10%	9%	7%	7%	7%	6%	6%	5%	14%
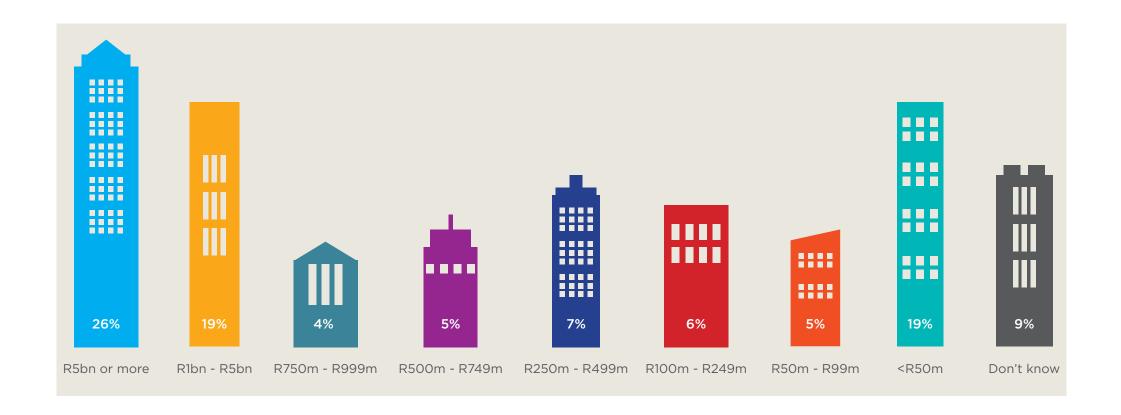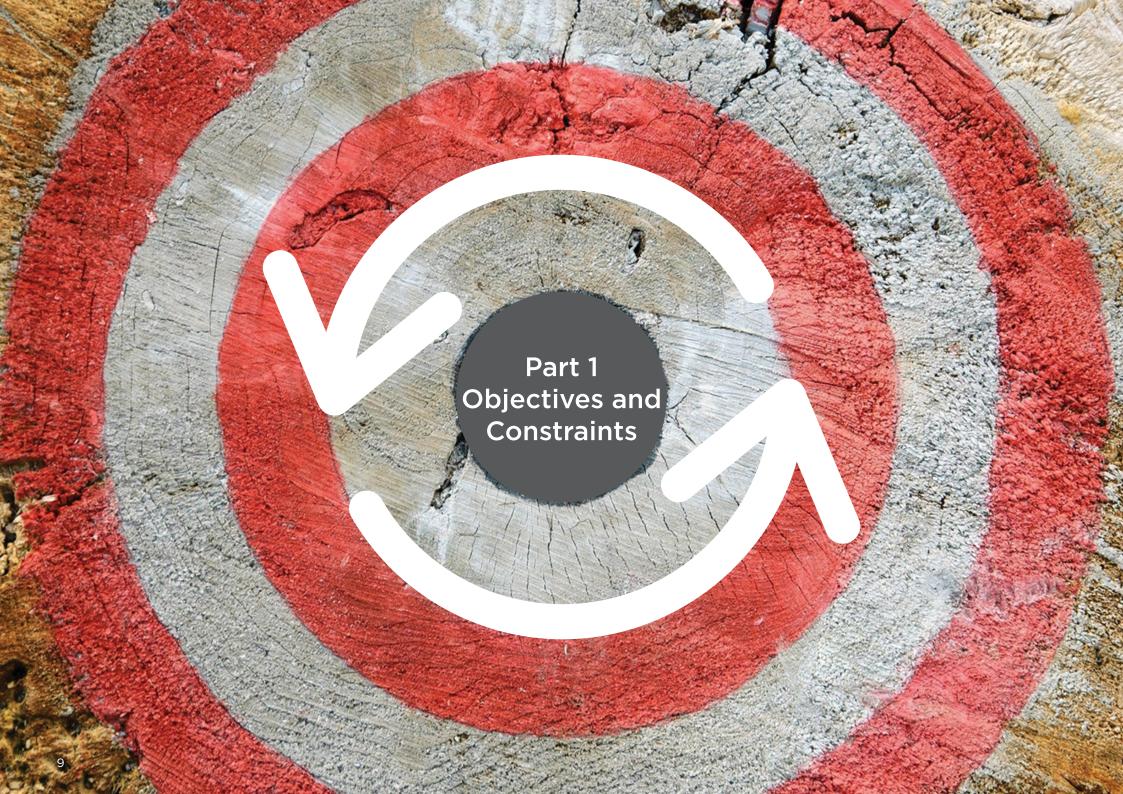
Size of respondents' companies by annual turnover

Respondents to this year's survey represented a broad variety of companies by size ranging from those turning over R1bn or more per annum, right through to smaller entrepreneurial businesses with a yearly turnover of less than R50m; thus providing good insight into views and opinions across the spectrum. This is relevant as it provides a holistic insight into the mindset of businesses in South Africa.

{ Respondents represented a wide cross-section of South African companies providing good insight into views and opinions across the spectrum. }

26%	19%	4%	5%	7%	6%	5%	19%	9%
R5bn or more	R1bn - R5bn	R750m - R999m	R500m - R749m	R250m - R499m	R100m - R249m	R50m - R99m	<R50m	Don't know

Part 1
Objectives and
Constraints

Year-on-year the **supply**chain**foresight** report tracks strategic business and supply chain objectives and constraints in South African organisations. By surveying and comparing business and supply chain strategies over the medium term we are able to gain a view from respondents as to what market conditions, opportunities and challenges they expect to encounter in the future.
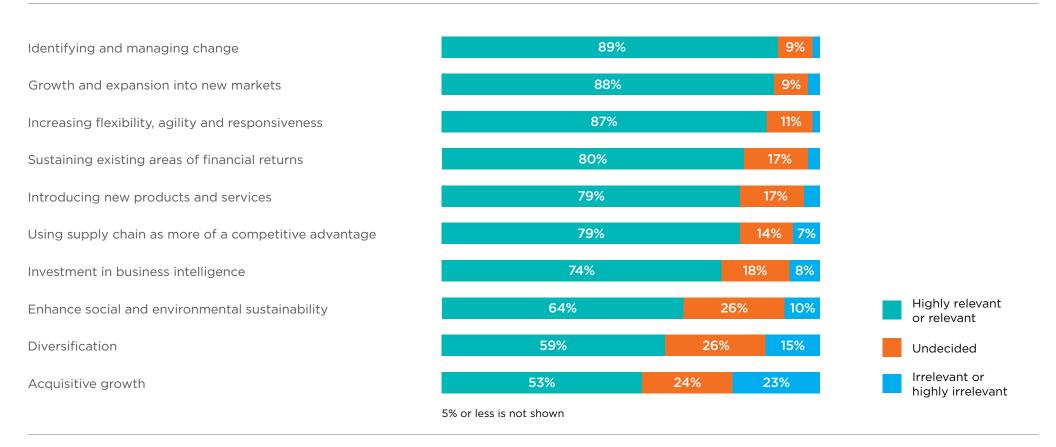
We also gain insight into how aligned the supply chain objectives are to the strategic business goals, which indicates the understanding companies have of the strategic value of their supply chains.

Strategic business objectives

{ **89%** of respondents ranked identifying and managing change as their top business objective. }

Respondents' ranking of key Strategic Business Objectives over the next 5 - 10 years

Objective	Highly relevant or relevant	Undecided	Irrelevant or highly irrelevant
Identifying and managing change	89%	9%	
Growth and expansion into new markets	88%	9%	
Increasing flexibility, agility and responsiveness	87%	11%	
Sustaining existing areas of financial returns	80%	17%	
Introducing new products and services	79%	17%	
Using supply chain as more of a competitive advantage	79%	14%	7%
Investment in business intelligence	74%	18%	8%
Enhance social and environmental sustainability	64%	26%	10%
Diversification	59%	26%	15%
Acquisitive growth	53%	24%	23%

- Highly relevant or relevant
- Undecided
- Irrelevant or highly irrelevant

5% or less is not shown

Change is firmly on the radar with respondents selecting *identifying and managing change* as the top ranking strategic business objective for 2015. *Growth and expansion into new market*s ranked second, and is a continuing theme from last year's report. While opportunities at home have become more complex and constrained, opportunities in Africa and abroad have become potentially more lucrative with diversification considered a more prudent strategy.
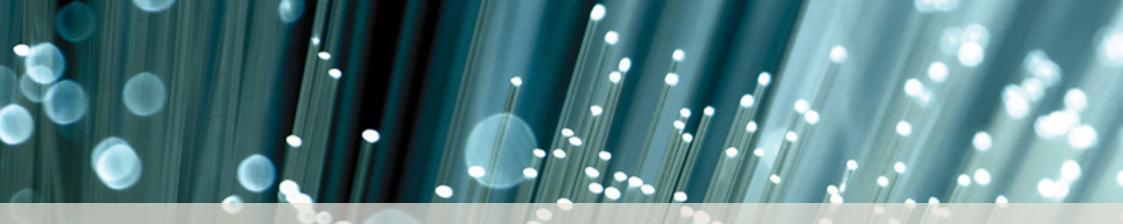
Industry specific results show that pharmaceutical, chemicals, oil and gas, FMCG and retail companies in particular are planning expansion into select African markets.

{ The top ranking objectives highlight South African companies' need and desire to leverage, manage and control the elements of change more efficiently. }

> Implementing change successfully requires finding the balance between introducing and developing new opportunities and remaining financially viable.

The continued focus on *increasing flexibility, agility and responsiveness and introducing new products and services* to the market indicates that previous themes of customer centricity and creating a sustainable advantage are still top-of-mind agenda items for company executives.

Sustaining existing areas of financial returns highlights the importance companies are placing on having a solid foundation in place from which to pursue new opportunities. Implementing change in a business requires the balance between introducing and developing new opportunities whilst retaining the ability to sustain current incomes. Such a balance is more readily achieved in an environment of flexibility, agility and responsiveness.

It is encouraging to see in this year's report that a much higher percentage of respondents ranked *using the supply chain as more of a competitive advantage.* This indicates their understanding of the strategic nature supply chains play in enabling the effective execution of the business strategy.

The lower ranking business objectives also paint an interesting picture. The focus on *investment in business intelligence* is a growing need which has moved further up the ranks when compared to previous years' surveys, and is a higher ranking focus area for supply chain strategies. Capturing, integrating and converting data into business intelligence is proving to be a major competitive advantage for those companies that are getting it right.

The convergence of technologies and industries taking place globally through connectivity and the use of data is disrupting many industries and companies. This in turn has led to the creation of new companies and services, such as space based solar power, autonomous cars or smart home hubs. Similarly the convergence or sharing of resources to create greater efficiencies is seen as a growing competitive strategy for South African companies.

{ A much higher percentage of respondents ranked using the supply chain as a competitive advantage, indicating the core role supply chains play in business strategies. }

{ The need to invest in capturing, integrating and converting data into business intelligence is gaining ground and is proving to be an essential element in business today. }

Even though respondents ranked the focus on *enhancing social and environmental sustainability* lower than other objectives, it is still a rising requirement both from a consumer and legislative perspective. It appears companies are finding it challenging to develop and implement the appropriate business cases to fulfil this requirement unless driven by market forces, legislation or profit. The emergence of new companies and industries offering services in this area highlights the rising need for environmental solutions and other specialised niche activities to measure, monitor and reduce a company's impact on the environment.

› It would appear that companies are embracing environmental sustainability but are potentially hindered by solutions lacking economic value. ‹

Strategic business constraints

Respondents' ranking of key Strategic Business Constraints over the next 5 – 10 years

Constraint	Irrelevant or highly irrelevant	Undecided	Highly relevant or relevant
Cost of doing business		15%	81%
Ability to anticipate change and adapt quickly	7%	16%	77%
Lack of relevant skills/talent	10%	15%	75%
Currency volatility	12%	15%	73%
Macroeconomic uncertainty	8%	19%	73%
Enhancement of services and products		22%	73%
Changing market dynamics		24%	72%
Rising competition	9%	20%	71%
Predicting customer demand	8%	21%	71%
Political instability	14%	25%	61%
Lack of appropriate infrastructure	21%	23%	56%
Labour unrest	16%	17%	67%
New sources of competition	11%	24%	65%
Ability to change fundamentals	16%	31%	53%
Over-investment in fixed assets	37%	31%	32%

■ Irrelevant or highly irrelevant

■ Undecided

■ Highly relevant or relevant

5% or less is not shown

15

The cost of doing business is the top ranked constraint by respondents, up from second place in last year's survey. With most input costs increasing, high levels of uncertainty, competition from low cost producing nations and a relatively flat economy, companies are focusing on cost effectiveness to remain competitive. Business costs fall into two main categories, costs that can be controlled, and those which businesses have little or no ability to influence. Managing controllable costs is a key factor in creating and sustaining a competitive advantage and remains top of most companies' focus areas.

Respondents ranked the *ability to anticipate change and adapt quickly* as their second biggest constraint. This coupled with the highest ranking business objective of *identifying and managing change,* clearly highlights the disruptive power of change.

{ South African businesses are dealing with many constraints simultaneously, potentially leading to a shorter-term business focus. }

The lack of relevant skills and talent dropped down from last year's top ranked constraint, but remains a major constraint for respondents.

Many of the other highly ranked constraints such as *currency volatility, macroeconomic uncertainty* and *changing market dynamics* are external factors which are generally beyond our control.

It is interesting to note that nearly all respondents rated the constraints at a high level in all but one of the options stated. It is evident from these constraints that South African companies are dealing with a broad range of challenges which leads to a shorter term, tactical focus as opposed to a longer term, strategic approach.

Strategic supply chain objectives

Respondents' ranking of key Strategic Supply Chain Objectives over the next 5 – 10 years

Objective	Highly relevant or relevant	Undecided	Irrelevant or highly irrelevant
Improving service levels to customers	94%		
Integration of technology	84%	11%	
Improving the flow of business intelligence	81%	13%	6%
Lowering procurement costs & reducing order lead times	81%	12%	7%
Improving visibility in the supply chain	79%	13%	8%
Aligning with key players in the supply chain	78%	13%	9%
Improving inventory deployment across supply chain	76%	12%	12%
Optimising inbound and outbound transportation	75%	12%	13%
Warehousing and distribution optimisation	70%	14%	16%
Streamlining our supplier base	67%	19%	14%
Reducing the environmental impact of supply chain operations	60%	21%	19%
Outsourcing functions for cost and service improvement	55%	26%	19%
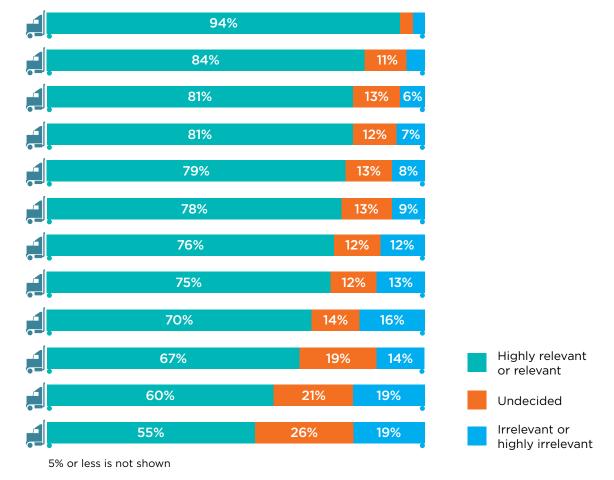
Legend:
- Highly relevant or relevant
- Undecided
- Irrelevant or highly irrelevant

5% or less is not shown

The top three objectives ranked by respondents in this section are consistent with last year's survey. *Improvement of service levels to customers* remains a key supply chain objective and stands out as the highest. *The integration of technology, improving the flow of business intelligence, and lowering procurement costs and reducing order lead times* are also focus areas and all support the main objective of anticipating customer needs and servicing these more efficiently.

In line with strategic business objectives, *reducing the environmental impact of supply chain operations* remains a lower priority for established businesses and industries. It is however, clearly a growth area for many new industries and will increasingly form part of business strategies.

A much higher percentage of respondents ranked *aligning with key players in the supply chain* and *streamlining our supplier base* as a supply chain objective, reflecting the strategic view of the value of relationships across the supply chain.

{ The top three objectives ranked by respondents are consistent with last year's survey and theme, indicating the importance of customer centricity. }
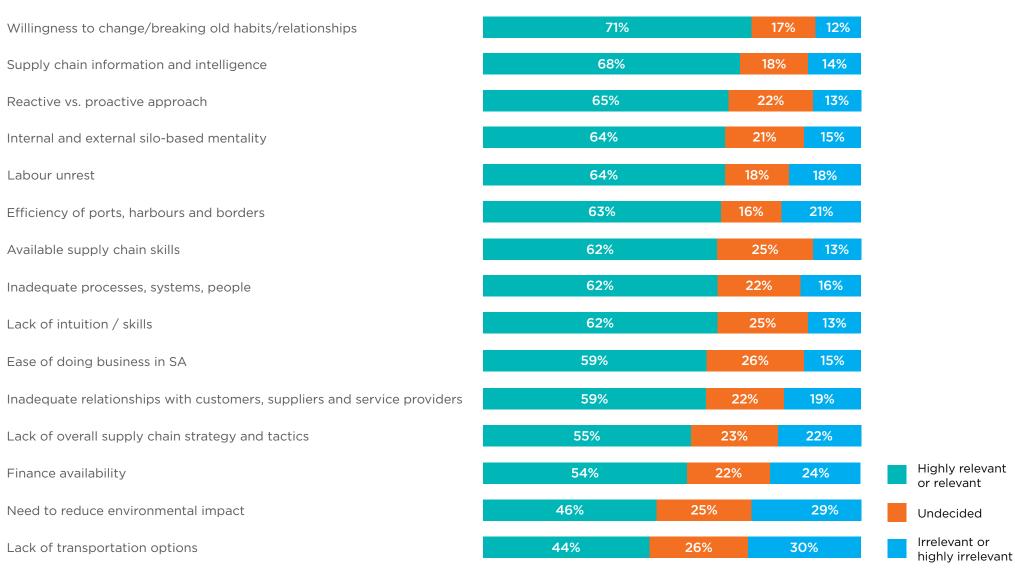
Aligning with key players across the supply chain reflects a greater understanding of the value of forming smart partnerships.

Forming smart partnerships with selected companies can increase speed to market, provide access to specialised skills and capabilities, balance risks and enable businesses to focus on their core purpose.

Respondents' low ranking of *outsourcing functions for cost and service improvement* may reflect the view that ownership of various business functions and activities should be retained as they are key to that business. This is counter to the general reason for outsourcing – which is to be able to focus on core business while gaining access to specialised skills and capabilities to reduce costs or improve efficiencies.

Strategic supply chain constraints

Respondents' ranking of key Strategic Supply Chain Constraints over the next 5 – 10 years

Constraint	Highly relevant or relevant	Undecided	Irrelevant or highly irrelevant
Willingness to change/breaking old habits/relationships	71%	17%	12%
Supply chain information and intelligence	68%	18%	14%
Reactive vs. proactive approach	65%	22%	13%
Internal and external silo-based mentality	64%	21%	15%
Labour unrest	64%	18%	18%
Efficiency of ports, harbours and borders	63%	16%	21%
Available supply chain skills	62%	25%	13%
Inadequate processes, systems, people	62%	22%	16%
Lack of intuition / skills	62%	25%	13%
Ease of doing business in SA	59%	26%	15%
Inadequate relationships with customers, suppliers and service providers	59%	22%	19%
Lack of overall supply chain strategy and tactics	55%	23%	22%
Finance availability	54%	22%	24%
Need to reduce environmental impact	46%	25%	29%
Lack of transportation options	44%	26%	30%

5% or less is not shown

The high level of challenges may well reflect the current economic climate and degree of frustration reflected elsewhere in the survey, resulting in a shorter term focus rather than visionary and expansive focus.

Respondents ranked the top supply chain challenge as *the willingness to change/breaking old habits/relationships* which is invariably a leadership and communication issue.

It would appear though, that it is less about the willingness to change but rather the identified and articulated need to do so. The issue may well be identifying the need to change before being forced by circumstances to do so which relates to the role of seeking change for continuous improvement.

{ Almost all supply chain constraints were ranked highly relevant or relevant to their business by over 50% of respondents, demonstrating a very challenging environment for SA businesses. }

The second ranking challenge of *supply chain information and intelligence* aligns to both the business and supply chain objectives of using data and information to enhance competitiveness. The real challenge is converting the information to business intelligence which companies can use to better anticipate and respond to their environments and make smarter business decisions.

Sources of data are growing rapidly both within and outside organisations. Turning data into business intelligence enables more informed, faster decision making, creating a serious competitive advantage.

It is interesting to note that seven out of the top ten ranked supply chain challenges relate to people. Historically, physical and functional aspects of the supply chain such as road infrastructure, inventory levels or warehousing and distribution were seen as challenges in the supply chain. This shift in perception of the supply chain highlights the vital role people play in executing the business strategy.

The return on investment in state-of-the-art facilities, infrastructure and sophisticated systems will not be realised fully if people do not understand the vision, strategies and tactics required to achieve their objectives, or do not have the relevant skills and capabilities to leverage the tools and opportunities at hand.

The shift to a more connected environment and more integrated business structures means the softer skills of communication, collaboration and employee engagement are becoming powerful competitive weapons for the future.

These respondents' views support the fact that change is hard and the greatest challenge is to change people. Leaders are required to create the context and environment for change to effect change properly. This challenge relates directly back to the top business constraints of having the ability to anticipate and manage change.

{ It is interesting to note that seven out of the top ten ranked supply chain challenges relate to people, highlighting the vital role people play in determining and executing the business strategy. }

Due to the pressure of short term performance and the high level of constraints requiring close management, leaders in all aspects of life are struggling to focus on the longer term need for a clear vision – be it for a country, industry, company or group of people.

The development of strategies and tactics to achieve objectives invariably requires change, and the support of people through communication, motivation and involvement appears to be a rising element for success in a fast changing world.

Change is high on the agenda for businesses and supply chains. The broad spread of constraints and challenges highlight more than ever, the need for companies to identify, accommodate and manage change effectively.

Of all the themes that have emerged from this year's **supply**chain**foresight** survey, the consistent message in a changing environment is the important role leadership must play in harnessing the power of all employees to enable effective change.

> A consistent message in this year's survey indicates the important role leadership plays in determining vision and strategies as well as empowering employees to facilitate effective change.

**Part 2
The Age Of
Change**

The age of change is happening; right here, right now. The ever present, cumulative and accelerating rate of change is evident on all fronts. 'The Certainty of Uncertainty', 'Business Unusual' and 'No Normal' accurately describe the seismic changes taking place.

The fast-paced speed of change has brought degrees of disruption to conventional and traditional ways of doing business, while at the same time opening up new opportunities for future growth and development.

In today's world, change requires constant recognition, analysis, strategies and tactics in order to determine the reality or likelihood of threats or opportunities.

In the first section of the report, we established that change is high on the list of objectives and constraints for companies and supply chains, and that the right leadership and people is important to effectively drive change. In this section of the report, we sought to understand how respondents define change, their view of and attitudes to change, what was causing the most disruptive change along with their ability to identify and respond to change.

Respondents' definition of change in a business environment

{ The Oxford dictionary describes change as; an act or process through which something becomes different. }

Continuous adaptation and refinement to constantly adjusting market conditions (Adaptive)

50% Adaptive

Organisational transformation aligned with a clear vision (Planned)

25% Planned

The means to the realisation of new strategic objectives (Strategic)

22% Strategic

Managed responses to disruptive events (Responsive)

2% Responsive

Short term operational adjustment needed to maintain a competitive position (Operational)

1% Operational

In order to explore how change is affecting organisations in South Africa, we first sought to understand the respondents' understanding of change within a business context. The bulk of respondents believe change is about constantly adjusting to market conditions, which is an adaptive, tactical approach rather than a visionary, proactive and innovative approach.

Only 22% of respondents viewed change as strategic with the retail industry being the most strategic. The risk attached to change being driven by necessity rather than opportunity lies in being overtaken by the more creative or innovative organisations who gain market share and potential dominance.

{ 50% of respondents define change as continuous adaption to constantly changing market conditions. }

Organisations that let change happen to them are invariably not predicting changes adequately and developing plans to react to, and take advantage of, the opportunity to change for a competitive advantage. This tactical, reactive rather than visionary approach to change could be due to the many constraints and objectives which are forcing companies to adopt a short term focus.

Respondents' views and attitudes towards change

Only focusing on short term survival will result in South African Industries losing ground in global markets
93%

Government must do more to join with industry in creating a vision for the future
89% | 7%
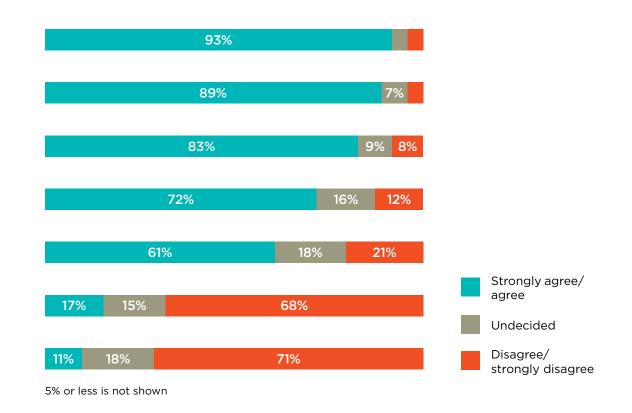
Companies need dedicated structures and processes to anticipate change and its potential impact
83% | 9% | 8%

In today's climate companies are more focussed on short term challenges over long term opportunities
72% | 16% | 12%

Knowing how to respond to change is more important than trying to create change
61% | 18% | 21%

Government has clear support initiatives to help companies capture opportunities created through market changes
17% | 15% | 68%

Identifying future change is impossible and amounts to guesswork
11% | 18% | 71%

5% or less is not shown

Legend:
- Strongly agree/ agree
- Undecided
- Disagree/ strongly disagree

The top three responses indicate a focused view from respondents that South Africa cannot afford to only be focused upon short term issues. South Africa needs the government to provide visionary plans, which determine the success of the country and its people to achieve agreed goals, objectives and targets. Supporting this is the need for the public and private sector to engage and play a larger role in facilitating South Africa's ability to succeed.

To achieve clear aims and objectives for the future, companies are required to establish the appropriate processes and responsibilities to identify the need for change and develop the strategies, plans and tactics necessary to do so.

{ It is positive that 71% of respondents acknowledge that identifying future change, is possible. }

93% of respondents believe only focusing on short term survival will result in South African industries losing ground in global markets.
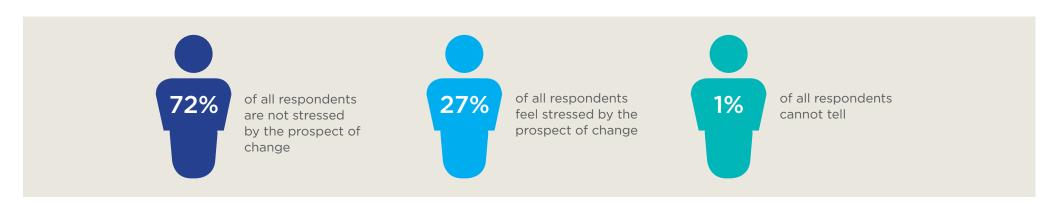
Creating a forward thinking environment and the necessary skills and structures in a company to implement and manage change are major themes identified as essential in the respondents' attitudes towards change.
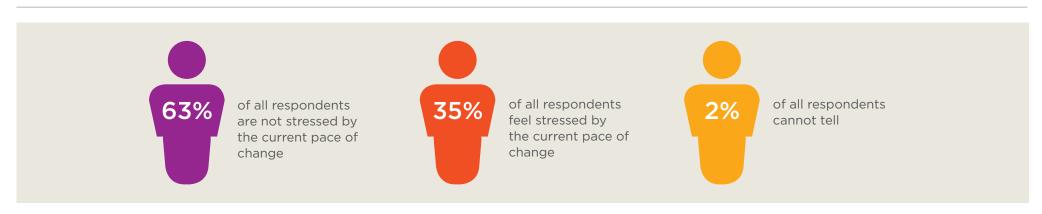
Respondents' perceptions of change in their organisations

{ Respondents are more stressed by the pace of change than change itself. }

Does the prospect of change cause you stress?

72% of all respondents are not stressed by the prospect of change

27% of all respondents feel stressed by the prospect of change

1% of all respondents cannot tell

Does the pace of change cause you stress?

63% of all respondents are not stressed by the current pace of change

35% of all respondents feel stressed by the current pace of change

2% of all respondents cannot tell

The number of respondents not stressed by change is surprisingly high when you consider the top business objective was identifying and managing change, while the second biggest constraint was the ability to anticipate change and react quickly.

{ There is a possible gap between companies' ability to identify change and their ability to manage and implement the change, which is indicative of a short term tactical focus. }

The mining industry is most stressed about change; this could be due to the recent challenges in the industry. The public sector is the least stressed about change and the pace of change, which is surprising with the amount of service delivery protests and the violent nature of these protests. The fast paced logistics industry is the most stressed about the pace of change.
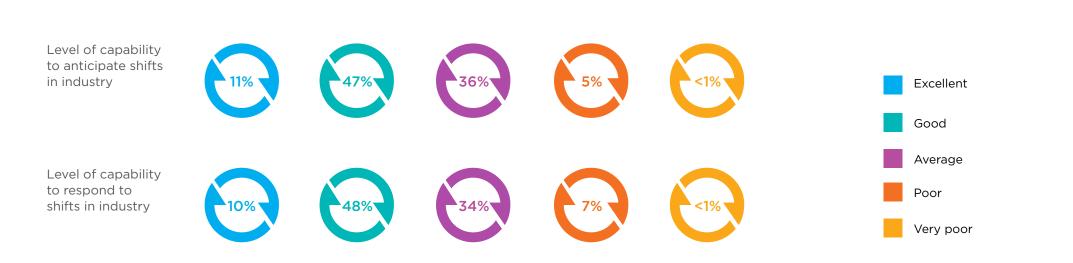
› Few industries will remain unchanged by technological innovation. In a recent survey, 60% of respondents agreed that their main vertical market will bear little resemblance in 2020 to how it looks today.

Agent of change: The future of technology disruption in business, The Economist

Respondents' view of their organisation's ability to anticipate and respond to change

Level of capability to anticipate shifts in industry

11%   47%   36%   5%   <1%

Level of capability to respond to shifts in industry

10%   48%   34%   7%   <1%

- Excellent
- Good
- Average
- Poor
- Very poor

The extent to which leadership created an environment that facilitates effective change

Environment which facilitates effective change

11%   36%   38%   14%   <1%

- Extremely well
- Well
- Moderately well
- Not well at all
- Don't know
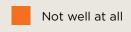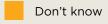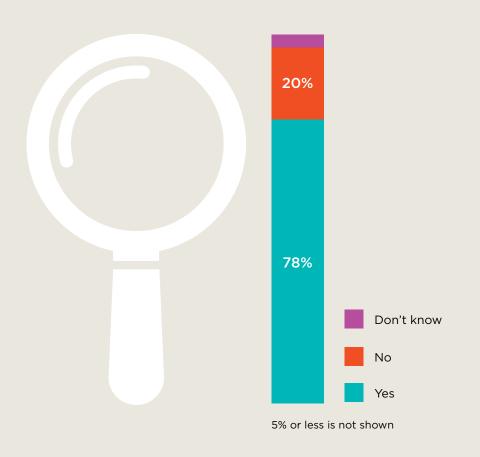
The survey indicates that in general there is a positive culture towards change in organisations, but there is a clear need for improvement in the current levels of capabilities to anticipate change, respond to change and in the creation of an environment which facilitates effective change.

Respondents' perceptions were that there are very few organisations that are excellent at anticipating and responding to change. Only excellent companies will thrive.

The good, average and below par organisations all run the risk of falling by the wayside as shifts in the industries in which they operate and the related changes to their businesses, may force them out of existence or into levels of poor and diminishing performance.

Has a vision for change been created and communicated in your organisation?

20%

78%

Don't know

No

Yes

5% or less is not shown
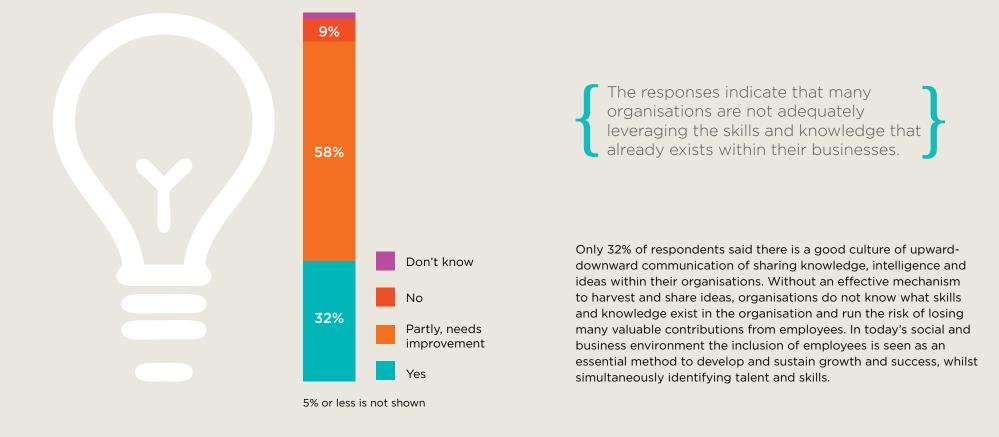
Whilst 78% of respondents say that a vision for change has been created and communicated, this does not appear to be fully supported in other sections of the survey where a clear vision and the involvement, understanding and support of employees appears inadequate.

The automotive industry ranked the highest and the IT & communication and public sectors ranked the lowest for creating and communicating a vision for change. Communicating the vision for change is identified as a key element of the change process together with the necessity of involving people in the process.

{ There is an apparent gap between respondents' views and employees' views as to whether or not a vision for change has been created and communicated. }

Do you have an upward-downward culture of knowledge sharing?

9%

58%

32%

■ Don't know

■ No

■ Partly, needs improvement

■ Yes

5% or less is not shown

{ The responses indicate that many organisations are not adequately leveraging the skills and knowledge that already exists within their businesses. }

Only 32% of respondents said there is a good culture of upward-downward communication of sharing knowledge, intelligence and ideas within their organisations. Without an effective mechanism to harvest and share ideas, organisations do not know what skills and knowledge exist in the organisation and run the risk of losing many valuable contributions from employees. In today's social and business environment the inclusion of employees is seen as an essential method to develop and sustain growth and success, whilst simultaneously identifying talent and skills.

Does the Board / Senior Management align targets with expected changes?

42% Yes   **45%** Partly to an extent   **10%** Not in touch at all   **3%** Don't know

Respondents' rating of company's ability to capture and leverage employee ideas

9%	49%	27%	13%	2%
Excellent	Good, could be improved	Average	Poor	Don't know

Respondents' view of employees' alignment to company's vision and strategy

27%	51%	15%	5%	2%
Completely aligned	Partially aligned	Not aligned (but working towards it)	Not aligned at all	Don't know

Respondents' view of employees' understanding of own role and responsibility

32%	59%	8%	1%
Understand well	Partly understand	Do not understand	Don't know

Less than half of the respondents indicated that their board and senior management have aligned targets with expected changes. This could indicate that even if companies have predicted a change and developed a response to the change, they face problems with the implementation of the change. If employees' targets are not aligned with expected changes, a company will more than likely not achieve its objectives. The development and alignment of targets is seen as a leadership role and imperative in ensuring the entire organisation is geared to deliver on set goals.

The alignment of employees to the company goal, and an employee's understanding of their own roles and responsibilities, reflect significant room for improvement with over 50% of respondents indicating only partial understanding or alignment existing in their organisations.

{ Only 9% of companies are excellent at leveraging the ideas of their employees. }

> Over 50% of respondents indicate partial understanding or alignment within their organisations, while only 27% believe management and staff are completely aligned with the company's vision.
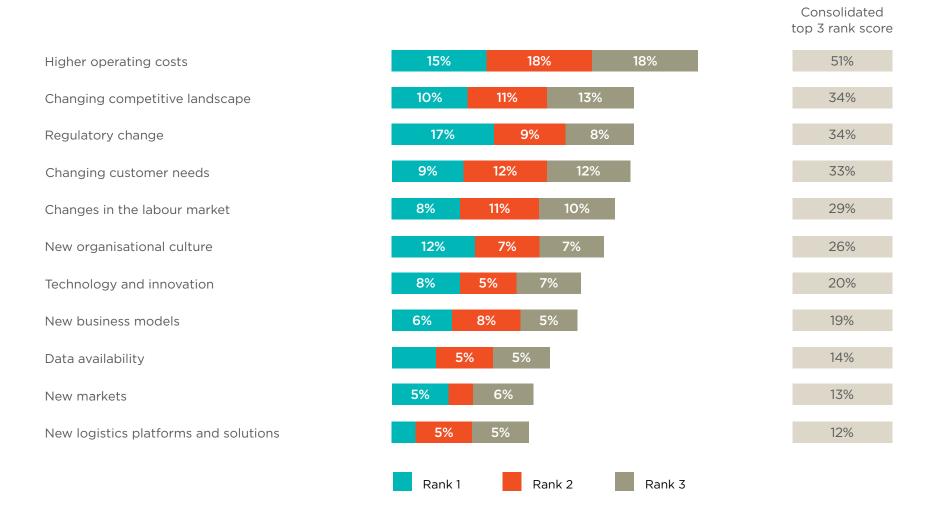
A company's ability to leverage and capture ideas of employees ranks poorly amongst all respondents with only 9% indicating excellence in this activity. It would seem that improving on upward-downward communication and company-wide involvement can help address this for the benefit of all parties.

Only 27% of respondents believe their management and staff are completely aligned with the company's vision. This is a very low score and could be increased by better upward-downward communication and the alignment of employees' targets to the company vision.

A vision has no value or support unless people fundamentally believe it and understand their role in achieving it.

Respondents' ranking of most disruptive changes in their organisation

Consolidated top 3 rank score

Category	Rank 1	Rank 2	Rank 3	Consolidated top 3 rank score
Higher operating costs	15%	18%	18%	51%
Changing competitive landscape	10%	11%	13%	34%
Regulatory change	17%	9%	8%	34%
Changing customer needs	9%	12%	12%	33%
Changes in the labour market	8%	11%	10%	29%
New organisational culture	12%	7%	7%	26%
Technology and innovation	8%	5%	7%	20%
New business models	6%	8%	5%	19%
Data availability		5%	5%	14%
New markets	5%		6%	13%
New logistics platforms and solutions		5%	5%	12%

■ Rank 1   ■ Rank 2   ■ Rank 3

Whilst *higher operating costs* are seen as being disruptive, this is a known change and invariably well anticipated with established procedures of how to manage this already in place. Such changes are easily understood by the company and subsequently well communicated. This form of change differs considerably from the types of changes required from unanticipated or unforeseen circumstances.

Respondents ranked *data availability* low as a source of disruptive change. This is surprising as the availability of data has shifted power into the hands of the customers and consumers, as well as enabled companies to understand, profile and anticipate their buying behaviours better.

New logistics platforms and solutions is also ranked surprisingly low as these new evolving platforms will have a significantly disruptive effect on current logistical activities and how businesses procure global and local logistics services in the future. Such change will invariably impact and directly influence supply chain visibility, costs and controls.

{ To manage the process of anticipating and dealing with unexpected change, companies need to think and act differently, develop new models and strategies that embrace change effectively. }
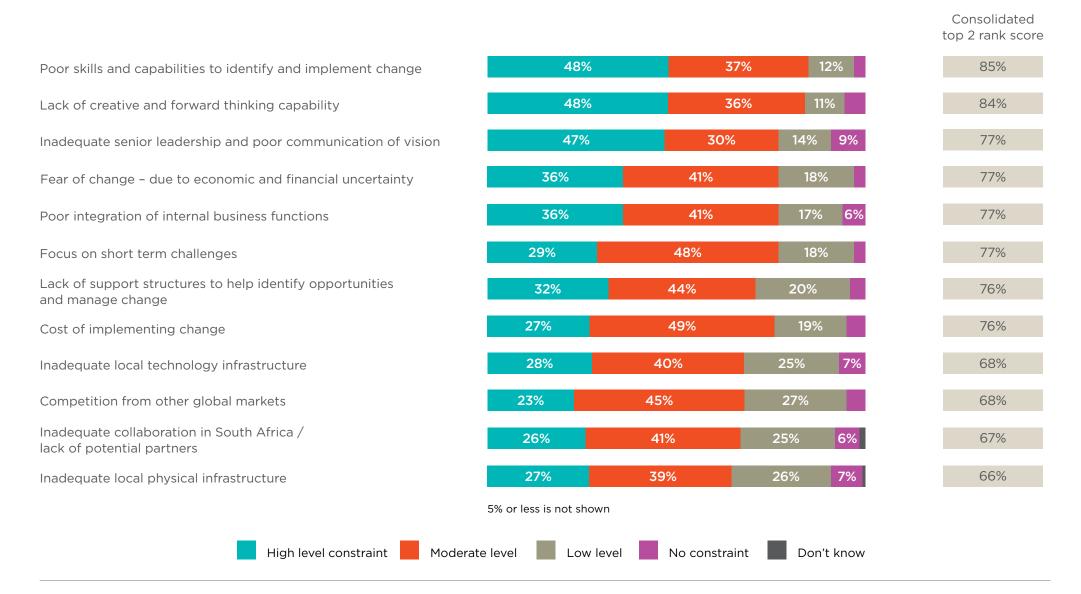
> Regulatory change is ranked by respondents as the most disruptive change affecting an organisation.

Of all the potential changes a company may face, *regulatory change* is ranked by respondents as the most disruptive change affecting an organisation. The pace of new regulations that are being passed, and the perceived limited involvement of the private sector in the drafting and approval of these changes could explain why this is the top ranked disruptive change.

New regulations need to assist with the development of a creative environment to enable the alignment of all segments of society in making South Africa an attractive and competitive business destination.

Respondents' ranking of organisational constraints to respond to change

Constraint	High level constraint	Moderate level	Low level	No constraint	Consolidated top 2 rank score
Poor skills and capabilities to identify and implement change	48%	37%	12%		85%
Lack of creative and forward thinking capability	48%	36%	11%		84%
Inadequate senior leadership and poor communication of vision	47%	30%	14%	9%	77%
Fear of change – due to economic and financial uncertainty	36%	41%	18%		77%
Poor integration of internal business functions	36%	41%	17%	6%	77%
Focus on short term challenges	29%	48%	18%		77%
Lack of support structures to help identify opportunities and manage change	32%	44%	20%		76%
Cost of implementing change	27%	49%	19%		76%
Inadequate local technology infrastructure	28%	40%	25%	7%	68%
Competition from other global markets	23%	45%	27%		68%
Inadequate collaboration in South Africa / lack of potential partners	26%	41%	25%	6%	67%
Inadequate local physical infrastructure	27%	39%	26%	7%	66%

5% or less is not shown

Legend: ■ High level constraint ■ Moderate level ■ Low level ■ No constraint ■ Don't know

{ 85% of respondents ranked poor skills and capabilities to identify and implement change as a moderate to high constraint in their business. }

Internal *organisational capability to identify and implement change* ranks as a moderate to high constraint with over 80% of respondents indicating this, to which is linked the lack of creative and forward thinking capability. These responses are supported by respondents identifying poor skills, and inadequate leadership and communication in the organisation as top constraints.

Whilst the issue of the lack of skills has been a key element of concern expressed in past and current **supply**chain**foresight** reports, the response this year indicates that the concerns regarding skills shortages could be related to the lack of visionary leadership and need for change management skills, and not purely on the vocational skills of the work-force and lower level management as previously envisioned.

" The secret to successful hiring is this: look for the people who want to change the world. "

Marc Benioff, Salesforce CEO
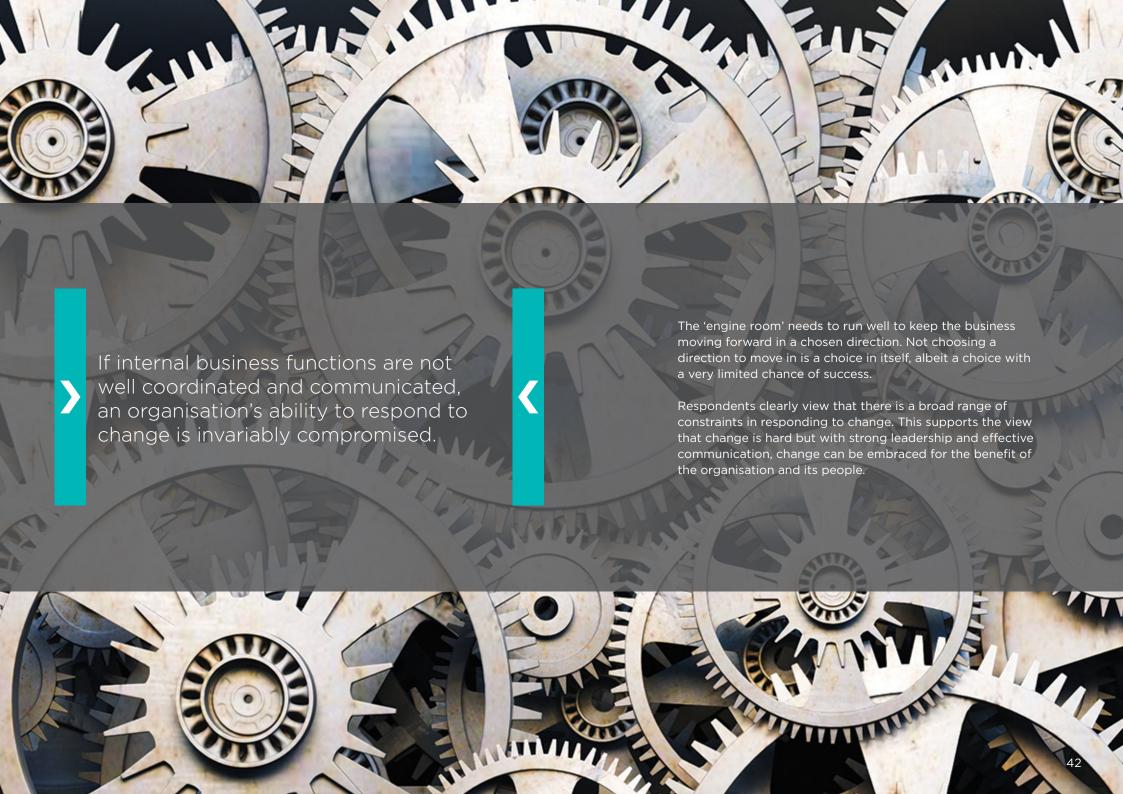
When adding the responses received for moderate and high level constraints, *inadequate senior leadership, poor communication, fear of change, poor integration of internal business functions* and *focus on short term challenges* all score 77%, which indicates a broad based agreement on these inhibiting issues.

Poor integration of internal business functions and *focus on short term challenges* support the view that companies appear to be focused primarily on operational and tactical issues.

In the current operating environment, it would appear companies are not spending enough time in the strategic realm to identify what changes could disrupt the environment in which they are operating.

> " In the end, a vision without the ability to execute it is probably a hallucination. "
> Steve Case, AOL co-founder

> If internal business functions are not well coordinated and communicated, an organisation's ability to respond to change is invariably compromised.

The 'engine room' needs to run well to keep the business moving forward in a chosen direction. Not choosing a direction to move in is a choice in itself, albeit a choice with a very limited chance of success.

Respondents clearly view that there is a broad range of constraints in responding to change. This supports the view that change is hard but with strong leadership and effective communication, change can be embraced for the benefit of the organisation and its people.

CHANGE IN THE SUPPLY CHAIN

Supply chains have been transformed from support functions to being fundamental parts of business with the ability to differentiate companies from their competitors and play a key part in the achievement of business strategy.

How has supply chain strategy evolved over the past 5 years?

Thorough planned and deliberate processes **36%**

It has evolved organically, over time in response to changing customer requirements **47%**

It has not really evolved over the past 5 years **13%**

Don't know **4%**

When viewing change in the supply chain, 36% of respondents said there is a controlled and deliberate process to managing change in their supply chains, whilst the remaining 64% said their companies either react or change when required to respond to market needs or when they see little or no development potential of their supply chains.
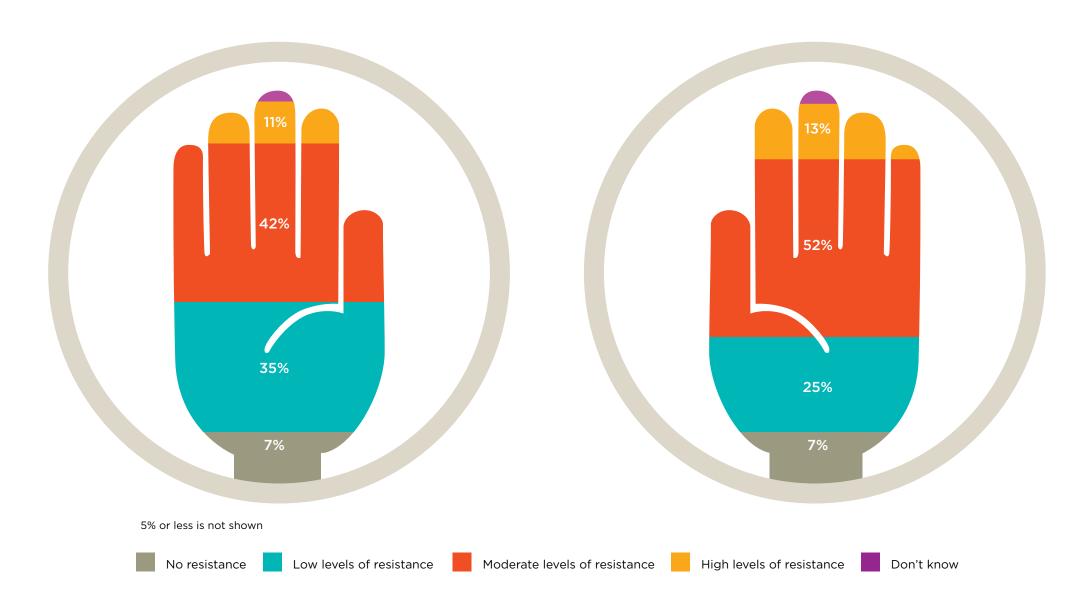
{ It is concerning that only 36% of respondents adopt a proactive approach to change, while 64% react only when required. }

In some companies, supply chains are not being used enough as a strategic tool to drive change but rather one that responds to change.

These responses may suggest that the supply chain and overall strategic leadership functions of organisations are somewhat disconnected, and reflects a lower level of strategic importance to the supply chain function. Alternatively, this could indicate that many supply chains are not being used as a strategic tool to drive change but rather one that responds to change.

External resistance to change in the supply chain

Internal resistance to change in the supply chain

External chart labels:
11%
42%
35%
7%

Internal chart labels:
13%
52%
25%
7%

5% or less is not shown

No resistance   Low levels of resistance   Moderate levels of resistance   High levels of resistance   Don't know

Respondents from most industries indicate an element of high to moderate levels of both internal and external resistance to effecting changes in their supply chains. This could indicate silo based mentalities remain prevalent in their own companies, and a lack of smart partnering and cooperation with external parties.

These responses suggest a need for a better understanding of the aims, ambitions and benefits to be derived from enhancing supply chains and the issue of the need for enhanced communication and cross-functional involvement as highlighted in the previous section.

{ The charts reflect there is resistance to change across the supply chain both internally and externally. }

" Current practices, even in the so-called best companies, focus on technology, infrastructure, hard assets, processes, and the like. But they fail to recognise the critical importance of human behaviour and decision making throughout the supply chain. At least 50% of the activity in enterprise supply chains is driven by humans making choices and decisions. "
Professor John Gattorna, CSCMP's Supply Chain Quarterly, Quarter 4, 2009
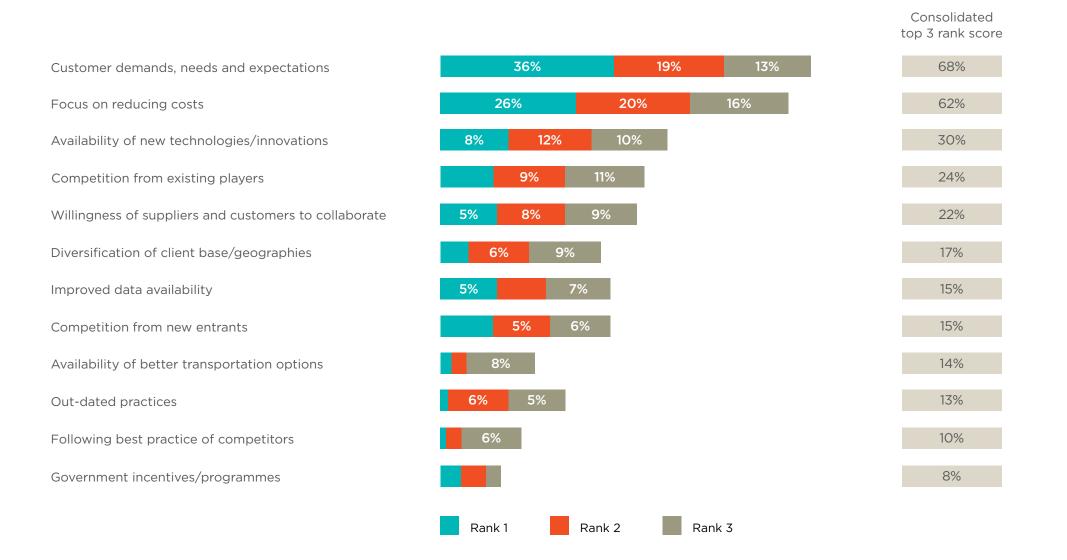
Driving change internally within supply chains is difficult as highlighted by respondents in last year's **supply**chain**foresight** report. Getting alignment can be difficult when the change strategy is not clear and not communicated effectively. This has been identified by the respondents as a key responsibility of leadership in the organisation and the respondents indicate the need for enhanced visionary and change management skills.

Ranking of most influential drivers of the need to change in your supply chain?

Driver	Rank 1	Rank 2	Rank 3	Consolidated top 3 rank score
Customer demands, needs and expectations	36%	19%	13%	68%
Focus on reducing costs	26%	20%	16%	62%
Availability of new technologies/innovations	8%	12%	10%	30%
Competition from existing players		9%	11%	24%
Willingness of suppliers and customers to collaborate	5%	8%	9%	22%
Diversification of client base/geographies		6%	9%	17%
Improved data availability	5%		7%	15%
Competition from new entrants		5%	6%	15%
Availability of better transportation options			8%	14%
Out-dated practices		6%	5%	13%
Following best practice of competitors			6%	10%
Government incentives/programmes				8%

Legend: Rank 1 · Rank 2 · Rank 3

Respondents rated *customer demands, needs and expectations* as the strongest response for driving the need for change in the supply chain, supporting the concept of customer centricity. This is closely followed by the need for cost reduction as a major driver of supply chain change and is consistent with previous surveys.

The gap between the above mentioned drivers and the rest is significant; stressing the importance placed on customer centricity and cost control.
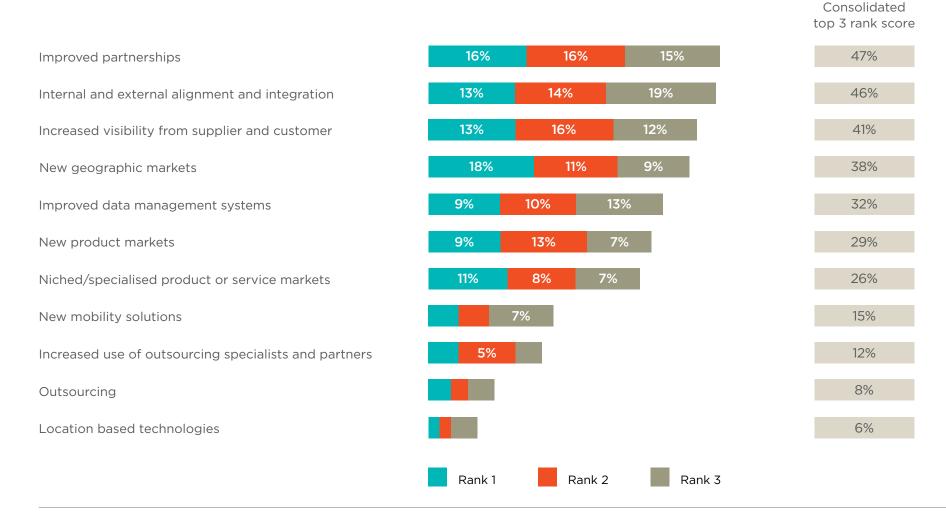
Respondents rank *competition from new entrants* as low here, however later in the report, they identify the rise of Asian economies as their top ranked threat.

{ The chart reflects one of the key aims of supply chain management which is to meet customer demands in the most efficient way. }

› The constant battle to balance current costs with future earnings continues to challenge respondents.

Respondents' ranking of greatest potential future return

{ Improved partnerships, greater integration and alignment, as well as increased visibility from supplier to customer were seen as areas of greatest potential future returns. }

Consolidated top 3 rank score

	Rank 1	Rank 2	Rank 3	Consolidated top 3 rank score
Improved partnerships	16%	16%	15%	47%
Internal and external alignment and integration	13%	14%	19%	46%
Increased visibility from supplier and customer	13%	16%	12%	41%
New geographic markets	18%	11%	9%	38%
Improved data management systems	9%	10%	13%	32%
New product markets	9%	13%	7%	29%
Niched/specialised product or service markets	11%	8%	7%	26%
New mobility solutions			7%	15%
Increased use of outsourcing specialists and partners		5%		12%
Outsourcing				8%
Location based technologies				6%

■ Rank 1   ■ Rank 2   ■ Rank 3

The most favoured supply chain approaches to generate higher returns are more tactical than strategic, but in each instance need to have clearly defined objectives and the allocation of the resources necessary to achieve the implementation and attainment of the stated objective.

As previously identified by respondents, *new geographic markets* ranks as the most favoured opportunity for enhanced returns and with it may be the need for improved or new partnerships and relationships.

The gathering of data and information for business intelligence was ranked highly by respondents as a generator of enhanced returns, signifying the importance of investing in these skills and capabilities for the future.

It is somewhat surprising that respondents ranked *outsourcing* lower as a means to enhancing returns. Outsourcing can provide flexibility, specialisation to cope with changes, and resolve internal and external skills shortages. All of these elements were highlighted as challenges by respondents. The low ranking could be due to a reluctance to effect changes in existing relationships.

> "Timing, perseverance, and ten years of trying will eventually make you look like an overnight success."
> Biz Stone, Twitter co-founder

Change requires constant recognition, analysis, strategies and tactics in order to determine the reality or likelihood of threats or opportunities.

As the speed of change has accelerated, it has brought degrees of disruption to conventional and traditional ways of doing business. The purpose of this section of the report was to determine perceptions of change and how it affects respondents as well as their strategic business objectives and constraints.

The ability of any organisation to embrace change invariably depends on its leadership, its people and its culture. The nature of an organisation will determine whether it is proactive or reactive, whether it is innovative and far sighted and the extent to which it embraces all of its resources, both internally and externally, to effect changes necessary to meet the needs of customer centric markets.

Part 3
Managing
Change

For organisations and supply chains to manage change, they need to identify and anticipate change.

The purpose of this section is to determine what functions, tactics and strategies are being adopted to deal with change, the resistance experienced when implementing change, as well as identifying the critical elements to change management.

{ In an IBM survey into the success/failure rates of change management projects, only 40% of projects met schedule, budget and quality goals. The biggest barriers to success were changing mindsets and attitudes (58%), corporate culture (49%) and a lack of senior management support (32%).
Making change work, IBM }
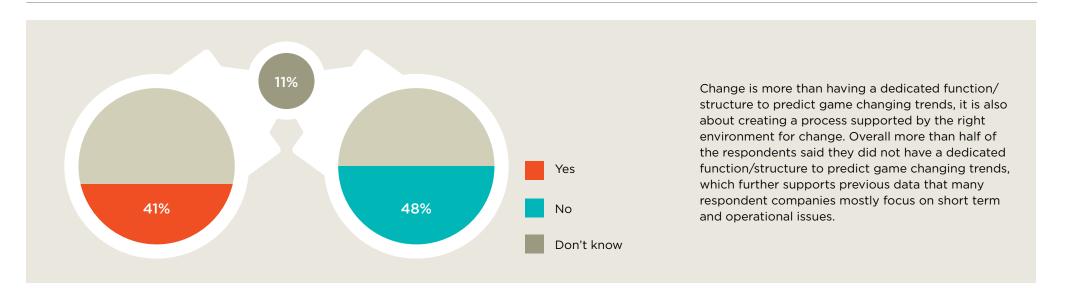
MANAGING CHANGE IN AN ORGANISATION

Managing change is a strategic process requiring a strong sense of visionary leadership, a clear picture of the objective and reasons, and a strong process of communication and involvement.

The function of change management in many organisations is a team established to implement pre-determined changes and invariably is not involved in the monitoring of the need for change or the vision of what needs to change and why. Managing change is an executive role requiring the support of all those affected by it.

{ Respondents from the Information Technology & Communication and Public Sectors ranked the highest for having dedicated functions to predict game changing trends but ranked the lowest for communicating a vision for change. }

Does your company have a dedicated function to predict game changing market trends?

11%

41%

48%

- Yes
- No
- Don't know

Change is more than having a dedicated function/structure to predict game changing trends, it is also about creating a process supported by the right environment for change. Overall more than half of the respondents said they did not have a dedicated function/structure to predict game changing trends, which further supports previous data that many respondent companies mostly focus on short term and operational issues.

The importance of external advisors to develop and implement strategic plans

14%

39%

32%

15%

1%

■ Extremely important

■ Important

■ Moderately important

■ Not important

■ Don't know

> More than 50% feel collaboration with external specialists is important or extremely important to manage change. Only 8% feel outsourcing specialist skills is an important source of future revenue.

Over half of the respondents believe external advisors are important or very important to support the development and implementation of strategies to deal with change. This indicates this is a specialist skillset where many companies look for help.

Respondents in the logistics industry rate the importance of external advisors as being of highest importance, with the retail industry showing the least need for external support.

How does your company perform on some of the critical elements of change management?

Consolidated top 2 rank score

Element	Excellent	Good	Average	Poor	Consolidated top 2 rank score
Diagnosing current position and need for change	14%	51%	28%	7%	65%
Setting clear vision, strategy and objectives for change	22%	42%	27%	9%	64%
Creating short-term wins/setting KPIs	16%	43%	29%	12%	59%
Keeping at it/resilience	16%	41%	33%	10%	57%
Ensuring change is implemented and sustainable	13%	38%	34%	15%	51%
Supporting change with training and learning sessions	13%	32%	39%	16%	45%
Build a guiding coalition to manage change	7%	36%	41%	16%	43%
Empowering action	9%	33%	42%	16%	42%
Communicate extensively throughout change	12%	27%	45%	16%	39%
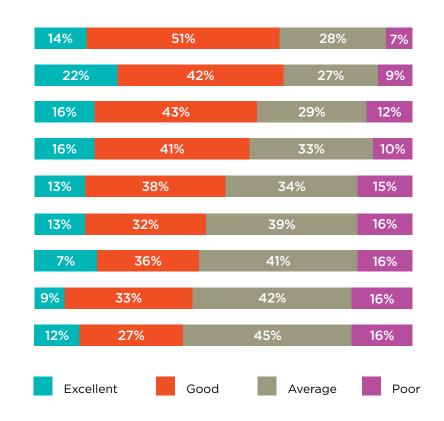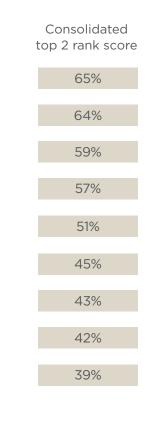
Excellent   Good   Average   Poor

55

In identifying the performance of their companies' critical elements to manage change, the respondents ranked their organisation's ability to *set a clear vision, strategy and objectives* as the highest area of performance with 22% rating this as excellent and 42% ranking this as good. However, this high ranking of visionary ability and creation of clear strategies conflicts with previous responses in the survey.

The need for improvement is again present where respondents rated their performance of many of the other elements of change management as being good or average. Of particular note is that the empowerment of action and the ability to communicate reveals areas of concern as these are arguably some of the most important aspects of effective and successful management and implementation of change.

"
Is average and good, really good enough in the highly competitive age of change?
Steve Ford, CEO Barloworld Logistics
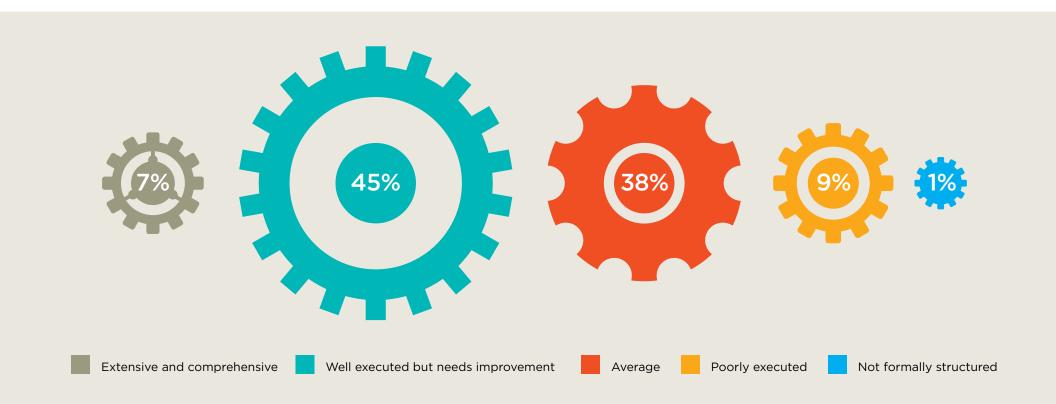
>
55% of respondents ranked their companies as average to poor at supporting change with training and learning sessions, which is a concern as the lack of relevant skills and talent was identified as one of the top constraints to achieving strategic business objectives.
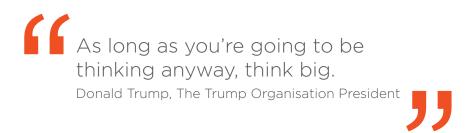
Investment in the skills development of employees was also ranked as one of the top areas to invest in for long term gain. Organisations will need to align their investments of time and money into the areas that respondents have identified as having the biggest positive impact on achieving a sustainable future. This is seen as an area of clear intent, but a lack of implementation.

Respondents' evaluation of company's capabilities to implement changes effectively

{ Only 7% of respondents believe the capabilities within their organisation to effect change are extensive and comprehensive. }

7%   45%   38%   9%   1%

■ Extensive and comprehensive   ■ Well executed but needs improvement   ■ Average   ■ Poorly executed   ■ Not formally structured

" As long as you're going to be thinking anyway, think big.

Donald Trump, The Trump Organisation President

"

The general consensus on capabilities to implement change in the organisation is that 45% of respondents believe it is well executed but needs improvement and only 7% responded that it is extensive and comprehensive. With these activities being vital to the success and sustainability of businesses in today's environment, mediocrity or the lack of high levels of competence is an area of concern.

Respondents' ranking of top 3 approaches to long term company gains

Approach	Rank 1	Rank 2	Rank 3	Consolidated top 3 rank score
Investment in skills development of employees	18%	16%	15%	49%
Improved supplier and customer collaboration	16%	16%	10%	42%
Investing in continuous innovation	15%	13%	14%	42%
Embracing new technologies to deliver better value	10%	11%	15%	36%
Targeting new, evolving customer groups	9%	12%	9%	30%
Using data to better understand customers and deliver solutions	8%	9%	11%	28%
Adopting new business models	8%	8%	7%	23%
Establishing better international collaborations	5%	6%	6%	17%
Adoption of niched/specialised products/services	5%		7%	16%
Higher customisation of products and services		5%	6%	14%

Rank 1   Rank 2   Rank 3

Respondents ranked the top approach within the organisation to focus on delivering the most gains as being the *investment in skills development of employees*. Before investing in skills, organisations need to understand what trends will impact them, understand what skills they already have in the organisation and invest in the skills they need that will position them to take advantage of the applicable future trends.
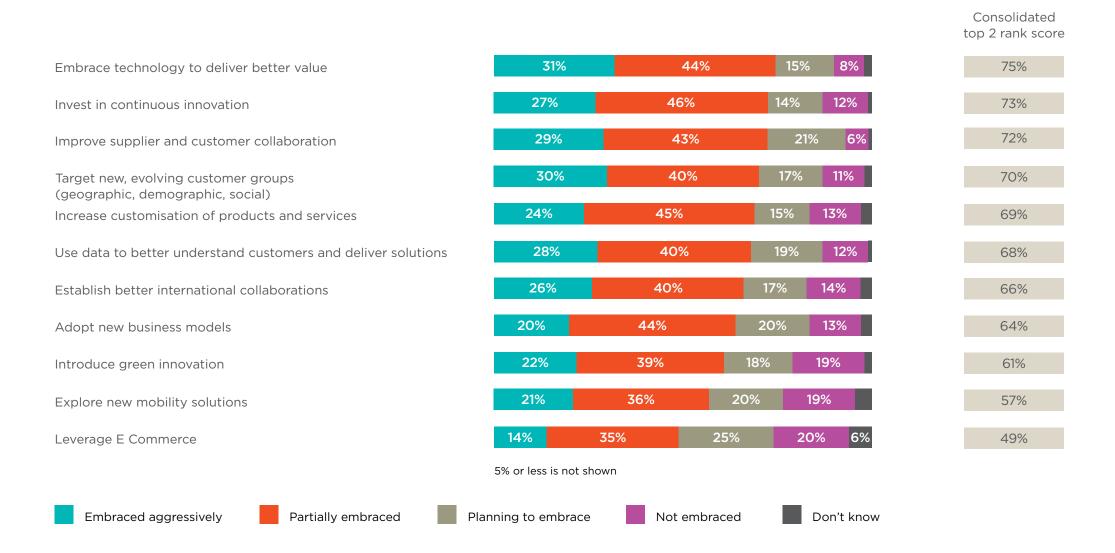
{ Innovation, collaboration and skills development are seen as essential elements in achieving long-term gains. }

› The need for skills appears to refer to leadership and management skills as a growing opportunity and necessity. The need for skills should no longer only be identified with trade or functional roles of employees.

Identifying the skills required now and in the future defines the necessary skills development programmes organisations are being required to pursue. Continual training and development of management and staff is a necessity and no longer a nice-to-have.

The extent to which your company has embraced strategies to improve market position

Consolidated top 2 rank score

Strategy	Embraced aggressively	Partially embraced	Planning to embrace	Not embraced	Don't know	Top 2 score
Embrace technology to deliver better value	31%	44%	15%	8%		75%
Invest in continuous innovation	27%	46%	14%	12%		73%
Improve supplier and customer collaboration	29%	43%	21%	6%		72%
Target new, evolving customer groups (geographic, demographic, social)	30%	40%	17%	11%		70%
Increase customisation of products and services	24%	45%	15%	13%		69%
Use data to better understand customers and deliver solutions	28%	40%	19%	12%		68%
Establish better international collaborations	26%	40%	17%	14%		66%
Adopt new business models	20%	44%	20%	13%		64%
Introduce green innovation	22%	39%	18%	19%		61%
Explore new mobility solutions	21%	36%	20%	19%		57%
Leverage E Commerce	14%	35%	25%	20%	6%	49%

5% or less is not shown

■ Embraced aggressively   ■ Partially embraced   ■ Planning to embrace   ■ Not embraced   ■ Don't know

{ 75% of repondents are embracing technology and its many applications to improve market position. }

The adoption of strategies will naturally differ from industry to industry. This response reflects there is no particular strategy that is being, or plans to be, embraced by all or most respondents.

The low ranking of e-commerce by respondents may reflect the early stages of readiness of South Africa in adopting technologies and mediums which are already the source of enormous growth and change in other developing regions.
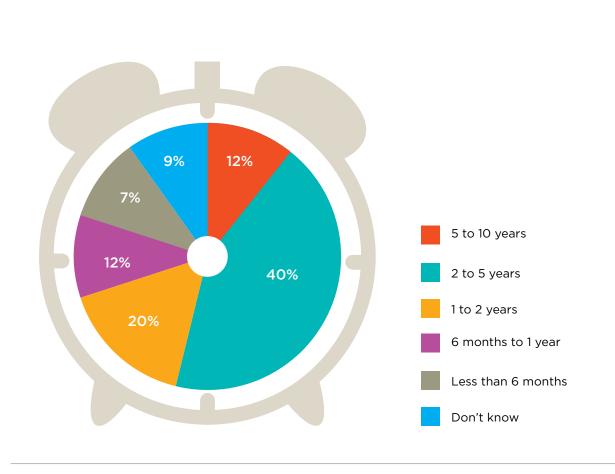
Respondents saw the use of technology and data, targeting of new customer groups and improving customer and supplier collaboration as aggressive strategies to improve market position.

" Never before in history has innovation offered promise of so much to so many in so short a time. "
Bill Gates, Microsoft founder

MANAGING CHANGE IN THE SUPPLY CHAIN

How far ahead do you predict the changes in your supply chain?

12%

9%

7%

12%

20%

40%

- ■ 5 to 10 years
- ■ 2 to 5 years
- ■ 1 to 2 years
- ■ 6 months to 1 year
- ■ Less than 6 months
- ■ Don't know

{ When asked how far ahead respondents project changes in their supply chains, 79% of respondents said their company's prediction window was less than 5 years. }

This reflects the recognition that changes are prevalent in the business environment, and the need to retain flexibility, agility, and responsiveness requires a longer term vision supported by shorter term strategies and tactics that will be adapted to meet the market and industry changes as they are identified.

"It's all a risk. Always. That's not true, actually. The only exception: it's a certainty that there's risk. The safer you play your plans for the future, the riskier it actually is. That's because the world is certainly, definitely, and more than possibly changing."
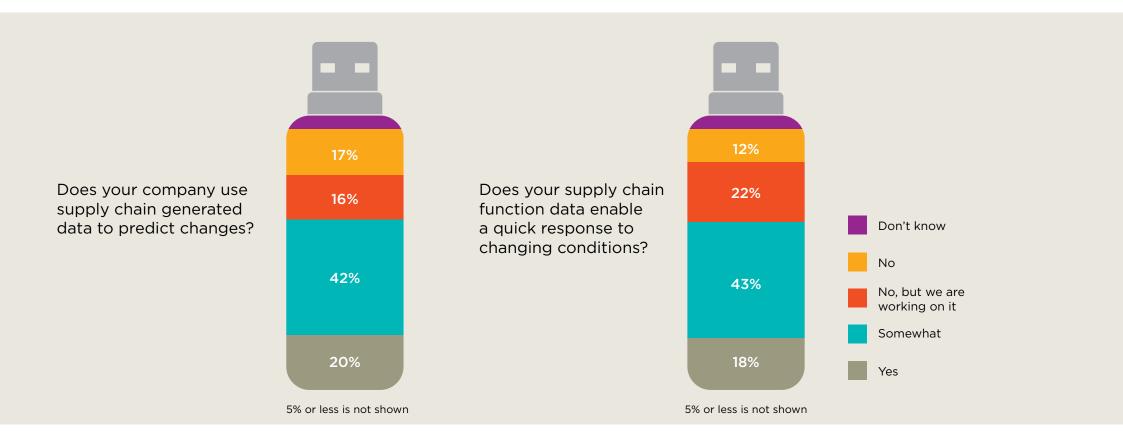
Seth Godin, Author of Tribes: We Need You to Lead Us
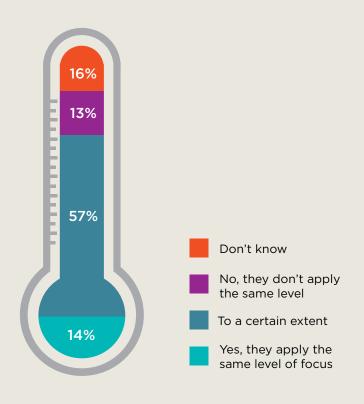
Can data create a competitive advantage?

Almost two thirds of respondents use data from their supply chains to predict significant changes in the markets in which they operate. This is positive and demonstrates that guesswork and hunch predictions are less commonplace. One of the key questions coming through in the survey is to what extent are organisations changing data into information, and are they using the information effectively to determine strategies and tactics necessary to capitalise on the opportunities and/or threats identified?

Does your company use supply chain generated data to predict changes?

Percentage
17%
16%
42%
20%

5% or less is not shown

Does your supply chain function data enable a quick response to changing conditions?

Percentage
12%
22%
43%
18%

5% or less is not shown

Legend:
- Don't know
- No
- No, but we are working on it
- Somewhat
- Yes

Do your supply chain partners monitor trends and changes to the same extent as you do?

16%

13%

57%

14%

Don't know

No, they don't apply
the same level

To a certain extent

Yes, they apply the
same level of focus
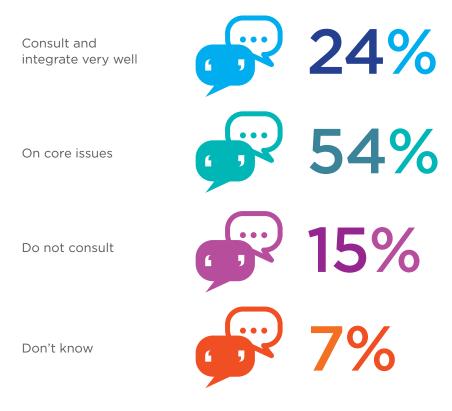
It is very positive to see that 71% of respondents said their partner organisations were applying a degree of focus on monitoring changes that affect the supply chain processes, but only 14% of respondents felt they did so at the same level as their companies.

In the retail industry there is a much higher degree of comfort from respondents that partners in the supply chain are monitoring change well. Respondents from the retail sector in general have displayed a more structured and disciplined approach to change and change management compared with other sectors.

The extent to which supply chain partners are integrated in your company's change process

Consult and
integrate very well

24%

On core issues

54%

Do not consult

15%

Don't know

7%
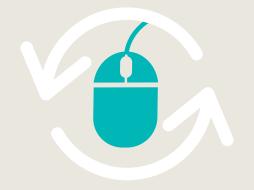
The high levels of integration in the automotive and logistics sectors are consistent with the relative importance these sectors place on external advisors and partnerships, as identified in the survey. Sometimes confidential data about strategic moves to make an organisation more competitive needs to be shared with partners to make them part of the change process, and thus keep the supply chain competitive.

This section highlights a number of issues with regards to dealing with change. It would appear that there is a lack of clear vision and strategy. This reflects on a lack in leadership abilities to communicate. Furthermore, creating an environment which is conducive to change appears to be more effective than setting up a dedicated structure to predict change.

The use of data and business intelligence along with further integration and involvement of supply chain partners, are all seen as ways to anticipate and manage change more effectively.

{ It is more important to create an environment/culture which is conducive to change than to set up a dedicated structure or function to predict change. }

> Companies' abilities to implement change need to be improved. Technology continues to play an increasing role in equipping business and supply chains with a competitive advantage.

Part 4
Megachange

Megachanges, or megatrends, are changes we expect, predict and anticipate to happen on a large scale. They will impact businesses, economies, societies, cultures and lives by changing the world in which we live and work in the years to come. They are the things we know to expect, like an aging population or increased urbanisation. And things we are expected to know, like how these changes affect future markets and customer needs. They are our knowledge of a probable future.

Megachanges, by definition, are changes that will cause mega disruptions. Like all disruptions, they will be seen as either platforms for innovation or catalysts for distress. How companies identify, anticipate, respond and leverage the opportunities of change will be the difference between future success and future failure.

Throughout the report, we have assessed how respondents feel about change, the pace at which it is happening, and their ability to respond to change as an organisation. In the next part of the report, we look at how respondents view the megachanges disrupting markets and supply chains in a very real way, and the threats or opportunities they pose to their businesses.
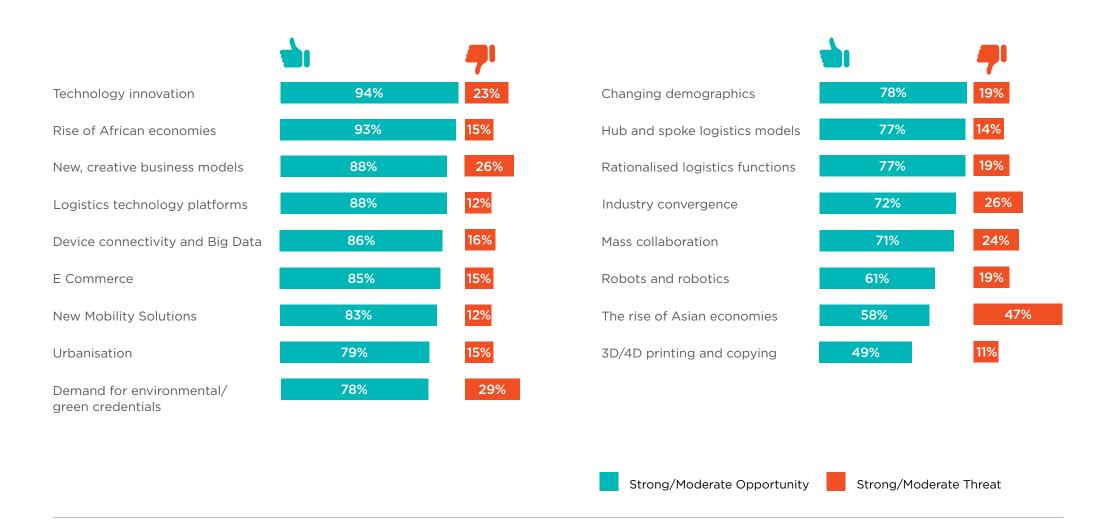
" You jump off a cliff and you assemble an airplane on the way down. **"**

Reid Hoffman, LinkedIn co-founder

In a recent survey into Asian women by The Economist, nearly half of women polled (49%) say they prefer shopping online to doing so in stores. The figure is as high as 69% in mainland China. Most women point to cost savings (62%) and time savings (60%), but they also feel that online retailers can be relied upon to have the products they want to buy in stock (59%) and that online shopping offers a broader range of choices (56%). *On the rise and online, The Economist, 2014*

"
Remote shopping, while entirely feasible, will flop – because women like to get out of the house, like to handle merchandise, like to be able to change their minds.

Time Magazine, 1966
"

Gartner, Inc. forecasts that 4.9 billion connected things will be in use in 2015, up 30 percent from 2014, and will reach 25 billion by 2020. Gartner, 2014

" There is no reason anyone would want a computer in their home. "
Ken Olson, Digital Equipment Corp, 1977

The extent to which megatrends represent an opportunity or threat

	Strong/Moderate Opportunity	Strong/Moderate Threat
Technology innovation	94%	23%
Rise of African economies	93%	15%
New, creative business models	88%	26%
Logistics technology platforms	88%	12%
Device connectivity and Big Data	86%	16%
E Commerce	85%	15%
New Mobility Solutions	83%	12%
Urbanisation	79%	15%
Demand for environmental/green credentials	78%	29%

	Strong/Moderate Opportunity	Strong/Moderate Threat
Changing demographics	78%	19%
Hub and spoke logistics models	77%	14%
Rationalised logistics functions	77%	19%
Industry convergence	72%	26%
Mass collaboration	71%	24%
Robots and robotics	61%	19%
The rise of Asian economies	58%	47%
3D/4D printing and copying	49%	11%

Strong/Moderate Opportunity   Strong/Moderate Threat

The first observation is that all the megatrends are viewed as opportunities and less so as threats. This could speak to the generally positive nature of South Africans who have undergone large-scale change.

A key issue with megatrends is the degree of understanding and the relativity of that trend to each person, company, industry or country. The depth of knowledge or exposure to each of the stated trends for respondents is likely to have been somewhat limited. This creates an opportunity for greater exposure and understanding of each trend and its potential impact and recognition of the changes likely to affect South Africa in the near or distant future.

The marginally greatest perceived opportunity is from *technology innovation* and the greatest threat is seen as the *rise of Asian economies.*

> "
> Today knowledge has power. It controls access to opportunity and advancement. "
> Peter Drucker
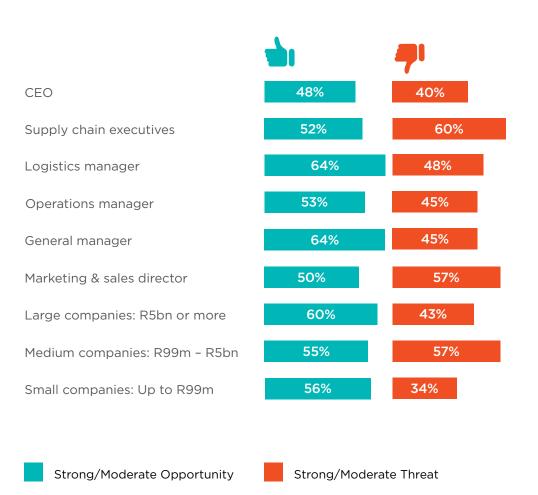
> ❯ This chart reflects an optimistic view of these megatrends. Finding the right skills and abilities to convert these opportunities into viable business strategies will be the big challenge.

The low ranking of *3D/4D printing* and copying as an opportunity and also as a low ranking threat, supports the perceived view that the implications of this technology have not been fully appreciated from a supply chain and logistics perspective. This trend has the potential to disrupt supply chains with the possible future of consumers not having to go to a retail outlet to purchase certain types of product that traditionally would have been manufactured in a factory, stored in a warehouse and transported by road, rail, sea or air. They will simply print the product at a place of choice, including their homes.

Medical advances in general are extending people's average lifespan. This has massive repercussions for disposable income and costs of caring for an unemployed aging population. The associated products and services that they will purchase will open up new opportunities, as well as changes to current practices and activities.

Robots and robotics ranked low as both an opportunity and a threat. Yet there is a lot of literature about the impact robots and robotics will have on jobs in the future. It is foreseen that many labour intensive roles will be performed by robots far more effectively and efficiently, creating a competitive advantage to those countries, industries and companies who embrace their usage. This major trend requires a review of employment and the levels of education and skill sets required in the future robotic enhanced world.

Countries, industries, companies and individuals need to understand and assess which future trends are most applicable to them, and develop detailed plans to prepare for and take advantage of them.

The rise of Asian economies – the megatrend that represented the biggest threat

Category	Strong/Moderate Opportunity	Strong/Moderate Threat
CEO	48%	40%
Supply chain executives	52%	60%
Logistics manager	64%	48%
Operations manager	53%	45%
General manager	64%	45%
Marketing & sales director	50%	57%
Large companies: R5bn or more	60%	43%
Medium companies: R99m – R5bn	55%	57%
Small companies: Up to R99m	56%	34%

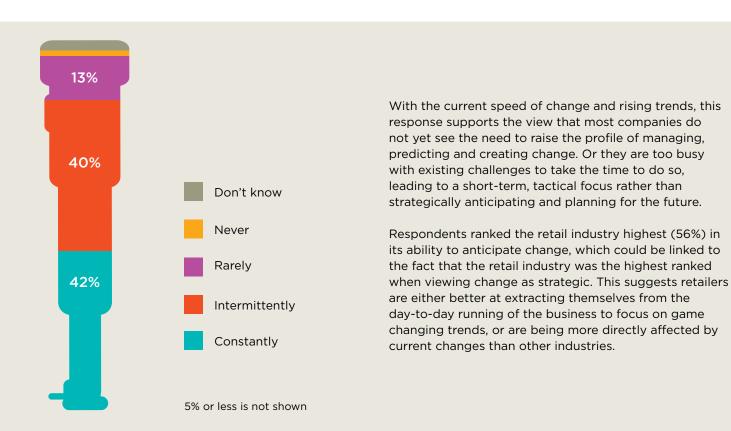■ Strong/Moderate Opportunity   ■ Strong/Moderate Threat

The breakdown of respondents by position and by industry show they identified the biggest perceived threat to be the rise of Asian economies, particularly for large and medium companies. This could be indicative of their higher risk from competitive Asian companies and the growth of their markets. Large companies and some medium sized ventures are typically already extensively trading in Asia. Small companies are possibly better positioned to react quickly to changes and develop and implement niche offerings to the local markets.

Interestingly the threat of Asian economies was perceived as the highest threat by supply chain executives and the lowest threat by CEOs. This could indicate a need for a degree of consensus in order to embrace a strategy to be developed for such an opportunity or threat.

From an industry perspective, the construction and engineering companies rated the Asian economies megatrend as a high perceived threat, perhaps indicating the influence Asian countries are having on infrastructure development projects, especially in East Africa.
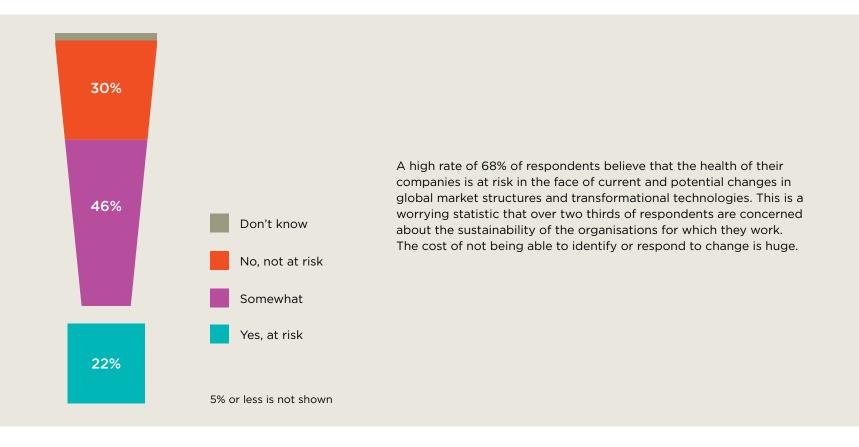
The extent to which organisations anticipate game changing shifts or events

{ 42% of respondents said their organisations are constantly in touch with anticipated shifts in the market and predicting game changing trends which creates the opportunity to develop and implement strategies to take advantage of them. }
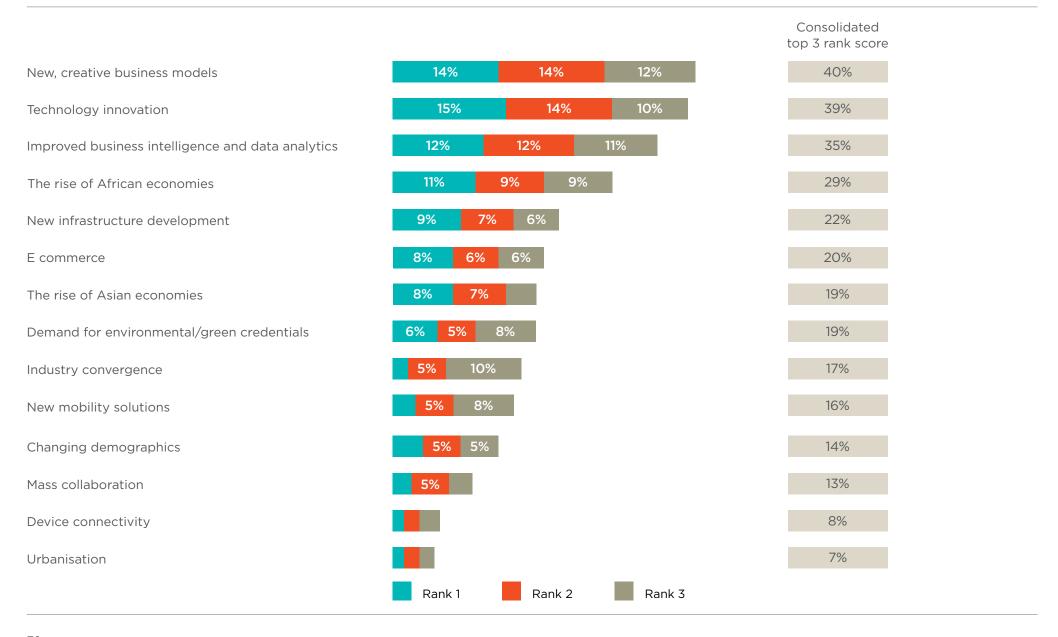
13%

40%

42%

Don't know

Never

Rarely

Intermittently

Constantly

5% or less is not shown

With the current speed of change and rising trends, this response supports the view that most companies do not yet see the need to raise the profile of managing, predicting and creating change. Or they are too busy with existing challenges to take the time to do so, leading to a short-term, tactical focus rather than strategically anticipating and planning for the future.

Respondents ranked the retail industry highest (56%) in its ability to anticipate change, which could be linked to the fact that the retail industry was the highest ranked when viewing change as strategic. This suggests retailers are either better at extracting themselves from the day-to-day running of the business to focus on game changing trends, or are being more directly affected by current changes than other industries.

Respondents' perceived risk of changing global structures and transformative technologies

{ 30% of respondents do not feel that their organisation is at risk from market and technology transformations, which means they have either strategised to deal with the threat of change, or do not understand or believe that the changes are likely to impact them. }

30%

46%

22%

Don't know

No, not at risk

Somewhat

Yes, at risk

5% or less is not shown

A high rate of 68% of respondents believe that the health of their companies is at risk in the face of current and potential changes in global market structures and transformational technologies. This is a worrying statistic that over two thirds of respondents are concerned about the sustainability of the organisations for which they work. The cost of not being able to identify or respond to change is huge.

Respondents ranking of game changing megatrends for supply chains

Megatrend	Rank 1	Rank 2	Rank 3	Consolidated top 3 rank score
New, creative business models	14%	14%	12%	40%
Technology innovation	15%	14%	10%	39%
Improved business intelligence and data analytics	12%	12%	11%	35%
The rise of African economies	11%	9%	9%	29%
New infrastructure development	9%	7%	6%	22%
E commerce	8%	6%	6%	20%
The rise of Asian economies	8%	7%		19%
Demand for environmental/green credentials	6%	5%	8%	19%
Industry convergence		5%	10%	17%
New mobility solutions		5%	8%	16%
Changing demographics		5%	5%	14%
Mass collaboration		5%		13%
Device connectivity				8%
Urbanisation				7%

Rank 1   Rank 2   Rank 3

It is positive that respondents view *technology innovation* and *new creative business models* as the most influential drivers for change in the supply chain. This is already happening and having a big impact on company strategies and supply chains.

A concerning response is the very low ranking of *urbanisation* and *device connectivity*. These are two megatrends that are expected to impact supply chains in Africa in a profound way in the future. Either South African organisations do not see or understand what changes are taking place in towns and cities in terms of growth and structural change, or they have not understood the likely impact this will have on their supply chains.

{ The growth and proliferation of connected devices places an extensive amount of data in the hands of customers and organisations about products and buying behaviours, which opens up numerous risks and opportunities for supply chain management. }

> Organisations appear to need to be more in touch with anticipating shifts in the market and developing appropriate strategies to take advantage of the opportunities or counter the threats.

South African companies may be unaware of the risks and possibilities of these major trends, or are deterred by the potential investments needed to take advantage of these opportunities or guard against the threats.

Megatrends are a reality and understanding them is important for South African businesses wanting to sustain a competitive advantage, and stay ahead of the curve.

Summary and assessments

In the 12th annual **supply**chain**foresight** report, respondents reflect the changing nature of our economic and business landscape. The intensity and pace of change is firmly on the radar for South African companies, and this is reflected in the identification and management of change being ranked as the top business objective for the years ahead. It is also apparent in the responses from previously unidentified job functions, and several new emerging industry sectors.

The responses to the survey questions indicate that whilst there is recognition of the importance and extent of change affecting business processes, methods, products and services, there is a perceived shortcoming in the ability to anticipate such changes.

The majority of respondents indicated they are by nature responsive to changes as they occur, rather than adopting a proactive approach with a visionary view of the future and clear plans and strategies put in place to effectively manage the change process.

A further indication of the motivation for a responsive rather than proactive approach appears to lie in the high level of constraints South African organisations believe they currently face, inhibiting a more aggressive action oriented culture coming to fruition.

A factor influencing respondents' ability to creatively embrace and implement change appears to have its origins in the observation that many South African companies presently have an operational and tactical focus.

The shortage of leadership, visionary and change management skills are seen as contributing factors creating challenges faced by some organisations when implementing changes.

Respondents perceive themselves as the recipients of change rather than being agents of change and change innovators.

There is a clear and urgent need for companies to strategically look at the environments they operate in and identify what future changes could materialise that will affect their sustainability.

The ability to identify, create, and embrace change needs to be embedded into the culture of an organisation. Key to the successful implementation and management of change is the ability to engage the hearts and minds of the people responsible for, or affected by the change. Improving upward-downward communication and creating an environment that facilitates effective change has been clearly identified as a means to help address these gaps and shortcomings.

In all previous **supply**chain**foresight** reports the lack or shortage of skills has been seen as a major business constraint, it is the first time that a lack of necessary leadership and visionary skills has been identified as a skills gap at managerial level.

With the investment in skills identified as one of the best approaches for long term gains it is important for organisations to identify what skills they have in their organisations, understand the trends that will impact the organisation and then identify the types of skills and abilities they will need to create and sustain their future.

The understanding of the impact of megatrends cannot be underestimated. Such identified trends indicate a change process already in motion that is likely to have a significant impact on all South Africans.

As a nation we are generally positive in nature and this was reflected by the megatrends being seen as significant opportunities and less of a threat. However such an optimistic view could be an indication that there is not a complete understanding of the megatrends and the impact they could have on companies, industries and our people.

Clearly a better understanding of not just megatrends but all potential market changing factors needs to be instilled into every organisation in South Africa and effectively managed and communicated.

A notable aspect of this year's survey is the perceived low level of excellence in many of the areas surveyed. Very few respondents ranked their companies or their industries as excellent. In today's rapidly changing business climate only the organisations that are excellent at the right things will have a sustainable future.

With the continuing pace and scope of change being driven by customer centricity, globalisation and new technologies, the ability of countries, governments, industries and business enterprises to prosper in this new world will be driven by their ability to adapt to changing demands.

Fundamental to any organisation's success will be ensuring that their people, supply chains and business partners are aligned to these objectives and are well equipped and agile enough to deliver on them quickly.

Companies are looking to the public sector to assist in creating the right macro environment for change, and it remains important that all segments of society are aligned to create South Africa as a competitive and compelling investment destination.

We need to embrace change for a sustainable future.

"If you always do what you always did,
you will always get what you always got.

Albert Einstein, noted theoretical physicists and Nobel Physics Prize winner