

Barloworld Logistics' *supplychainforesight* 2016 highlights need for future-readiness

Barloworld Logistics reviewed the journey of change and adaptation South African businesses have undertaken over the past year in its [13th annual supplychainforesight programme](#).



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“As we move into a period of higher market disruption and greater economic and political uncertainty in South Africa, the ability of an organisation to sustain market position through its traditional business model and strategy has become increasingly challenging,” notes Steve Ford, CEO, Barloworld Logistics. “In this latest study, we looked to find out how South African companies are gearing up for an uncertain future – and also to pinpoint some clear strategies to prepare for the coming years.”

The 13th *supplychainforesight* programme included a web-based survey to capture the independent views and opinions of South African business leaders and supply chain professionals. Barloworld Logistics contracts Frost & Sullivan, an international growth consultancy company, to conduct this part of the programme on its behalf.



Kate Stubbs

Diverse viewpoints

This year, over half the number of respondents hold senior level executive or managerial positions, with a slight increase in responses received from CEOs. There was good representation from different job functions, providing a more holistic view of business strategies and supply chains in South African companies. “This also indicates the awareness, relevance and importance of supply chains in business today,” says Kate Stubbs, head of marketing, Barloworld Logistics.

Large companies turning over in excess of R1 to R5 billion a year made up 48% of the sample, with the remaining 52% of the sample coming from respondents in SMMEs. The slight increase in responses from the small to medium sized organisations aligns with the trend of growth in service-oriented companies.

“It was interesting to note again this year some new job titles and descriptions being listed in the ‘Other’ category,” adds Stubbs. “This is indicative of the changes taking place in roles, responsibilities and traditional business structures. It also

reflects the rise in responses from small, medium and micro enterprises.”

External factors weighing heavy

Whilst respondents have emerged better equipped from the learnings of their past, they express deep concern about the current factors which remain outside of their influence - such as world economics and localised political and social uncertainties. This has resulted in more of a short-term focus of sustainability and a less optimistic view on driving forward-looking strategies.

Notably, the majority of respondents believe they would have handled change and the adoption of new strategies differently as the performance of their businesses did not meet all expectations. “This possibly indicates the adverse effects of external factors, unforeseen events, weak strategies or lower than required management effort, to ensure success,” says Stubbs.

As previously identified, skills shortages remain a major constraint for business success in the long-term. An understanding of the elements required to develop relevant skills should guide education and training accordingly.

The cost vs. value equation

Respondents indicated current key focus areas for their businesses are managing rising operating costs, pursuing their customer-related strategies and addressing ongoing technological developments. Operating costs are still seen as one of the biggest constraints of a business, which remains in line with previous surveys.

“We believe it is perhaps more prudent to understand the relationship of costs relative to the value they derive,” explains Stubbs. “There are many examples of increased costs generating higher returns and greater value. The true determination of the sources of profit and/or profit erosion within a business is clearly a growing need, coupled with the ability to use technology effectively to convert data and information into actionable intelligence.”

Expansion into new markets

The key opportunity expressed by respondents is to seek growth opportunities outside of the country, particularly in regional and neighbouring territories. Over the last few years, respondents ranked expansion into new territories as one of their top five business objectives. This year, 69% of the respondents said they have plans to enter into new markets, but it appears their expansion plans are still very southern Africa/regionally focused – this remains in line with strategies indicated in a specific Africa supplychainforesight study in 2012.

Readiness for future opportunities

In questions raised as to the preparedness of respondent companies to meet future opportunities, only 35% indicated positively, while 65% responded as being only partially prepared or unprepared. “This highlights the uncertainty pervading today’s environment - and is not surprising as we are living in the ‘age of innovation’ and cannot possibly know what lies ahead,” notes Stubbs. “It also raises the question as to the confidence we have about the skills and proven ability to implement, manage and successfully bring to fruition the necessary changes identified in the opportunities ahead.”

The study unveiled two key areas of focus required by respondents to prepare their companies for the future. The first one relates to customer or market-related issues of customer strategy, market intelligence, and data analytics. The second area relates to the importance of skill levels referred to as staff training and development. The development of existing employee competencies is one strategy to respond to this persistent challenge. These two issues of customer focus and skills development have been identified in previous years as key constraints and opportunities and appear to remain high priorities.

Supply chain takes centre stage

It is now very apparent that the concept of supply chain management has taken centre stage and is seen not as a separate subject, but an integral element in any organisation's business plans and strategies. "By the same token, the management of logistical strategies is being seen as a vital element of implementing business strategies and plans," says Stubbs. "The planning of logistics is now being seen as needing a holistic approach, supported by the physical implementation of operational functions which move the goods, information and funds up and down pre-determined supply chains."

What is clear from the survey responses is that there is recognition of an ongoing need in South Africa for speedy, constant and well-managed change as a prerequisite for sustaining competitive advantage and economic security. It is a complex and stimulating environment in which the status quo is no longer a meaningful phrase.

"Despite the tough economic and political climate, there remains a high level of optimism in South African businesses as witnessed in the survey... and this is indicative of a positive approach and the reputation of achievements made to date," concludes Stubbs.

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