Research reveals construction industry balancing act

The current *supplychainforesight* research into the state of the industry's supply chain demonstrates a sector where strategic supply chain thinking has traditionally been in short supply, but that those companies who are focusing on it are earning competitive advantage.

South Africa's building and construction sector has been booming for the last few years, under the influen of public sector-led infrastructure growth, but is now running the gauntlet of the price increases and skills a materials shortages that are hampering many sectors of the local and global economies.

The sector's supply chain has become a crucial component in maintaining a competitive balance between cost containment and customer service levels, given the escalating materials costs and shortages. While demand continues to be strong, especially for infrastructure projects, materials shortages and price hikes from increased fuel and materials costs do represent a risk to the industry.

The study

This benchmark national study of the SA supply chain, *supplychainforesight*, which is conceptualised and sponsored by supply chain management major Barloworld Logistics, has this year tested hundreds of mos global companies in SA's major industries, on the theory that those companies who have mastered global complexity in sourcing, manufacturing, sales and distribution, as well as having the necessary capability in their structures to deal with that complexity, are markedly more profitable and successful than their peers. This proved to be the case for the overwhelming majority of companies in the general study, and holds tru for the building and construction sector.

Where to be and not to be

The sector shows a high degree of companies distributed in both the high capability/low complexity and th low capability/high complexity quadrants. The place definitely *not* to be in this industry is in a low complexity/low capability environment, where no companies at all profess themselves successful - and where almost half of the total industry response situated themselves.

Industry objectives

When quizzed about their objectives for the coming year, the SA building and construction industry shows concern about the cost and service balancing act. The five highest objectives, in order of priority, are to lower sourcing and procurement costs, improve service to customers, reduce out of stocks, lower outbou transportation costs and ensure on time outbound deliveries.

Chief challenge

As far as the industry's challenges are concerned, they see the chief challenge as sourcing and procurement practices, followed by planning and forecasting capabilities, skills and capabilities of supply chain staff, warehouse management capabilities and the benchmarking of supply chain performance.

Of relatively less importance, at least when compared to the findings for the total sample, are factors like volume and complexity in the supply chain, integration of logistics functions, and the aligning of skills to strategy.

The results

These findings confirm the ‘objectives' findings. The industry is finding it difficult to optimise individual sup chain functions profitably, and is challenged by the chronic skills shortage. In addition, the supply chain issues that are challenges for the other markets - for example, volumes and complexity - are less importar Either they are genuinely less important for the industry, or, more likely, they are stuck in the mode of addressing the industry's challenges in an efficiency-focused rather than effectiveness-focused way - a vi that is perhaps corroborated by the fact that over half of building and construction companies surveyed thought they were in a low-complexity, low-capability business environment and were relatively less successful in that space.

Copies of the *supplychainforesight* Mining industry report can be downloaded as a pdf file from the Barloworld Logistics website on www.barloworld-logistics.com.