2013 supply chain foresight
SERIAL INNOVATION, SMART PARTNERSHIPS AND SUSTAINABLE ADVANTAGES
Welcome to the 2013 supplychainforesight survey.

Thank you to all of you who responded to, or participated in, this year’s survey. Now in its tenth year, the supplychainforesight survey has grown annually in size and stature with 2013 seeing the greatest and widest participation from South African businesses.

As the name implies, foresight is about looking ahead. It challenges us to determine the strategies and tactics we need to adopt today to overcome our constraints, achieve our objectives and compete in an increasingly complex, competitive and evolving global community.

The theme of this year’s research, Serial Innovation, Smart Partnerships and Sustainable Advantages, identifies and addresses the main issues businesses face in the race for their place in the future.

Change, and the fast pace at which it is accelerating, means companies need a new game plan. One that is agile, adaptable and responsive. Much like our supply chains; they need to embrace change.

The rise of emerging markets, shift in economic power, globalisation, urbanisation, changing consumer dynamics, increasing regulatory and sustainability requirements and steadily decreasing natural resources are having a direct impact on supply chains, and in turn businesses.

The age of information has come and gone, replaced by the age of business intelligence, which heralds in the age of innovation.

Innovation is now in the mainstream. It is critical for survival, let alone success. As the 2013 supplychainforesight survey highlights, we are living in dynamic times where we need to either innovate or die.

I trust you will gain great benefit from the trends and insights this supplychainforesight report identifies. We will continue to explore some of the key issues and opportunities in more depth throughout the year, as we did last year with the special report on The Africa Opportunity.

Once again, I would like to thank all those who contributed to this year’s research as well as the team that made this possible.

Regards
Steve Ford
CEO Barloworld Logistics
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Serial innovation, smart partnerships and sustainable advantages

The first Forbes Top 100 Companies list was published in 1917. In 1987, 61 of the original 100 companies no longer existed and of the 39 companies that did, only 18 remained in the top 100.

Comparing the Standard & Poor’s (S&P) 500 in 1957 with those in 1987, paints a bleaker picture. In 30 years, only 74 companies remained, with most of them performing below average. Even more telling is that in the 20s and 30s, a new company making the list could expect to remain for about 65 years. By 1998 it had diminished to 10 years.

Only 10 of the current biggest 100 companies on Standard & Poor’s (S&P) 500 remain from 1960; and over a quarter of the companies are new since the last ranking in 2007. This shows how quickly and easily companies are becoming outdated, irrelevant and obsolete.
Introduction

The supply chain foresight research report into attitudes, issues and trends in South African businesses has been conducted under the auspices of Barloworld Logistics since 2003.

This year’s 10th edition of the report takes a closer look at the role Serial Innovation and Smart Partnerships play in creating Sustainable Advantages for businesses, industries and the country.

In today’s highly competitive globalised world where the pace of change continues to increase at alarming speeds, companies require insight and foresight to adapt continuously if they want to survive and thrive.

The first part of this report investigates the objectives and constraints businesses and supply chains face over the next 5 to 10 years. It is important to note that objectives are very often linked to overcoming constraints.

The remainder of the report will look at how Serial Innovation and Smart Partnerships are the currency of Sustainable Advantages.

As Clem Sunter said, “The penalty for not having an intelligent strategy as a business is no longer slower growth. It is death. Innovation has become an even more important element of a company’s life cycle, since to grow somebody else has to shrink. Competition in being original has just undergone a quantum leap.”

Respondent profile of this year’s report

Over 350 executives in various positions from South African businesses of all sizes across a wide range of industries completed the supplychainforesight 2013 survey over October and November 2012.

This year there was a substantial increase in CEO and senior management participation, as well as a broader response across business functions. This trend indicates how supply chain management is being perceived as integral to business strategy and relevant to all business activities.

Fifty percent of responses came from CEOs and other C-level executives

- CEO / MD 14%
- Operations Director / Exec 9%
- Supply Chain Director / Exec 11%
- General Manager 13%
- Logistics Manager 14%
- Finance Director 2%
- Marketing / Sales Director 12%
- IT Director 2%
- Consultant 3%
- Business Development / Strategy 5%
- Other 15%
Company size of respondents

Forty six percent of the respondents work for large companies with an annual turnover greater than R1 billion.
Part One
Achieving Objectives & Overcoming Constraints
Each year the supply chain foresight report tracks the objectives and constraints in South African businesses and supply chains. By focusing on strategic business and supply chain planning over the medium term, we are able to gain an accurate view of market conditions as well as opportunities and challenges businesses expect to encounter.
The top strategic business objective for all respondents to increase the flexibility, agility and responsiveness of their businesses is indicative of the times in which we live. It is directly linked to the top strategic supply chain objective, indicating the importance of integrating and harnessing the supply chain to enable business objectives.

Eighty per cent of respondents selected to introduce new products and services as their second top priority. This covers expanding into emerging markets by introducing your products and services for the first time, or creating new and customised services to grow locally and internationally.

This may partly be driven by companies looking to mitigate the increasing risk, uncertainty and competition in our local environment. Survey responses clearly indicate that emerging markets are seen as key to growth with the opportunity to expand and broaden their revenue streams.

With broader market reach and greater consumer demand for customised products and services, organisations are under pressure to be flexible, agile and equipped to react to fast changing consumer demands and market conditions. This has resulted in the supply chain evolving from a means of controlling cost to using it as an engine for growth.

Flexibility, agility and responsiveness is key to all companies

<table>
<thead>
<tr>
<th>Objective</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase flexibility, agility &amp; responsiveness</td>
<td>88%</td>
</tr>
<tr>
<td>Introduce new products &amp; services</td>
<td>80%</td>
</tr>
<tr>
<td>Expand into emerging markets</td>
<td>75%</td>
</tr>
<tr>
<td>Use supply chain as a competitive advantage</td>
<td>74%</td>
</tr>
<tr>
<td>Grow &amp; expand internationally</td>
<td>69%</td>
</tr>
</tbody>
</table>

Respondents selected and ranked their top five strategic business objectives
The cost of doing business is a challenge globally and one of the driving forces behind globalisation, particularly from the supply chain side.

The cost of doing business is only relevant if competitors are not subject to the same cost components and structures and if prices affect demand for the products or services. Organisations that have best managed these constraints thrive and prosper by creating flexible, agile and optimised supply chains that enable strategic cost and service differentiation.

Volatility of any kind is challenging and often creates greater opportunities for those best equipped to handle changes. Hence the link to objectives where agility and flexibility are key to managing volatility.

This South African climate of unpredictability, currency volatility, macroeconomic uncertainty, labour unrest and skills shortages reinforces the need for an integrated business and supply chain strategy that is flexible and innovative, enabling businesses to adapt and continue to deliver relevant products and services to customers.

Eighty percent of respondents ranked the cost of doing business as a major constraint.

<table>
<thead>
<tr>
<th>Constraint</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of doing business</td>
<td>80%</td>
</tr>
<tr>
<td>Currency volatility</td>
<td>71%</td>
</tr>
<tr>
<td>Macroeconomic uncertainty</td>
<td>67%</td>
</tr>
<tr>
<td>General skill shortage</td>
<td>66%</td>
</tr>
<tr>
<td>Labour unrest</td>
<td>60%</td>
</tr>
</tbody>
</table>

The top five constraints to achieving their business objectives as selected by respondents.
Improving service levels to customers is the top ranking supply chain objective for all respondents across all sectors.

This is an indication of how businesses are being forced to focus on keeping their customers happy. In this context, improving service levels to customers covers everything from increasing visibility across the supply chain to improving systems and processes so that the right product in the right quantity and condition is delivered to the right customer in the right time, at the right place and right price.

With the shift from the age of information to the age of foresight, an increasing number of business leaders are realising the value of analysing and interpreting information and converting it into business intelligence. Improved business intelligence is enabling businesses to really understand what their customers’ needs and wants are, which in turn creates the opportunity to develop smart partnerships that are geared to continually satisfy and retain customers.

This would explain businesses’ stronger focus on the dissemination of intelligence along with improved communication and collaboration across the value chain. All of which highlights the point that businesses recognise that knowing your customers is key to creating a competitive advantage.

Ninety-four percent of all respondents ranked improving service levels to customers as their top supply chain objective.

<table>
<thead>
<tr>
<th>Objective</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improving service levels to customers</td>
<td>94%</td>
</tr>
<tr>
<td>Improving flow of business intelligence between the business</td>
<td>86%</td>
</tr>
<tr>
<td>Lowering procurement costs and reducing order lead times</td>
<td>82%</td>
</tr>
<tr>
<td>Improving visibility in the supply chain</td>
<td>78%</td>
</tr>
<tr>
<td>Optimising inbound and outbound transportation</td>
<td>76%</td>
</tr>
</tbody>
</table>

The top five supply chain objectives as ranked by respondents.
The top two constraints; cost of transport and available supply chain skills, are again world-wide phenomena, and indicate areas where innovation and smart solutions will have their biggest impact.

From a South African perspective, many of these supply chain constraints appear to be greater than for other competing nations that supply our local market and other targeted international markets. This does raise the issue of managing what you can manage and innovating to create other advantages that will offset constraints over which organisations have little influence.

Although labour unrest and the ability of our ports and harbours to facilitate importing and exporting goods efficiently are beyond businesses control, they do highlight the need for a variety of innovative supply chain solutions that create flexibility, agility and responsiveness. Finding different ways around such constraints is critical for achieving objectives.

Environmental sustainability is a growing megatrend that is not only driving product and service innovation but innovation through the formation of smart partnerships that address skills and capabilities and enable more innovative solutions. But only companies that see this as a competitive advantage or cost benefit appear to be focusing on green initiatives.

The top five constraints to achieving their supply chain objectives as ranked and selected by respondents

<table>
<thead>
<tr>
<th>Constraint</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of transport</td>
<td>79%</td>
</tr>
<tr>
<td>Available supply chain skills</td>
<td>66%</td>
</tr>
<tr>
<td>Labour unrest</td>
<td>65%</td>
</tr>
<tr>
<td>Efficiency of ports and harbours</td>
<td>64%</td>
</tr>
<tr>
<td>Reducing the environmental impact</td>
<td>56%</td>
</tr>
</tbody>
</table>
The dictionary defines innovation simply as ‘the act of introducing something new.’

In business, innovation often results when ideas are applied in order to further satisfy the needs and expectations of customers.

Innovation is now recognised as the single most important ingredient in any modern economy. Innovation in itself has evolved from being product and service focused to being seen as a pivotal management tool across virtually all industries and market segments.

Serial Innovation is built on the principles of continuous improvement and operational excellence to promote innovation across all business functions within an organisation.

This section looks at what is driving innovation in businesses, which industries are the most innovative and why and how South Africa fares as an innovative nation.

“Never before in history has innovation offered promise of so much to so many in so short a time.”  

Bill Gates
Innovating to stay ahead

With the speed of change today, a competitive advantage can be short-lived. If a company is not planning ahead with its next innovation, it is already behind the curve. Supply chain excellence has always been about balancing costs and service levels. Reducing costs remains important but companies are increasingly using their supply chain to drive business strategy and achieve their objectives. As the supply chain is critical to delivering products and services to customers, there is a need to constantly innovate new processes to effectively serve changing consumer demands and market conditions.

“Creativity is thinking up new things. Innovation is doing new things.”
American economist Theodore Levitt (1925-2006)

Respondents ranked their view of what drives innovation in South Africa

<table>
<thead>
<tr>
<th>Organisation Type</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entrepreneurs</td>
<td>31%</td>
</tr>
<tr>
<td>Combinations of organisations partnering/collaborating</td>
<td>29%</td>
</tr>
<tr>
<td>Large companies</td>
<td>18%</td>
</tr>
<tr>
<td>SME’s</td>
<td>8%</td>
</tr>
<tr>
<td>Government</td>
<td>8%</td>
</tr>
<tr>
<td>Industry bodies</td>
<td>3%</td>
</tr>
<tr>
<td>Universities</td>
<td>3%</td>
</tr>
</tbody>
</table>

“Innovation is the central issue in economic prosperity.”
Competitive strategy expert Michael Porter
Respondents to the 2013 supply chain foresight survey cited entrepreneurs and smart partnerships as the real drivers of innovation but have little confidence in government, industry bodies and universities’ ability to drive innovation.

Research and development (R&D) has traditionally been the domain of government, universities and R&D departments but its tentacles are spreading into all areas of business, from boardrooms to the factory floor, and are fast becoming the DNA of successful organisations world-wide.

An entrepreneurial mindset in both large corporations and start-ups is now a standard and essential requirement. Companies of all sizes will struggle to compete if they fail to adopt a more entrepreneurial approach.

Innovation has moved from a product and technical focus to optimising business processes and systems to satisfy a real or perceived customer need. Entrepreneurship and innovation are two of the most valuable currencies in the 21st century.

Innovation constraints

In South Africa, the risks and uncertainty brought about by political, economic and social instability force businesses to innovate over the short rather than long term. This is also driven by pressure on margins, the costs associated with long-term investment in research and development, and the need to achieve a quick return on investment. Innovation is driven by the constant pressure to keep up with the market and stay ahead of the competition rather than only focusing on groundbreaking initiatives.

“Innovation is the specific instrument of entrepreneurship. The act that endows resources with a new capacity to create wealth.”

Father of modern management Peter F. Drucker (1909-2005)
## General attitudes to innovation in supply chains

<table>
<thead>
<tr>
<th>Statement</th>
<th>Agree (%)</th>
<th>Neutral (%)</th>
<th>Disagree (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emerging and new business models in South Africa require supply chain innovation</td>
<td>90%</td>
<td>9%</td>
<td>1%</td>
</tr>
<tr>
<td>Investing in supply chain management tools and systems enables business success</td>
<td>87%</td>
<td>11%</td>
<td>2%</td>
</tr>
<tr>
<td>In South Africa, supply chain and logistics innovation has become a prominent tool for competitive advantage</td>
<td>79%</td>
<td>15%</td>
<td>6%</td>
</tr>
<tr>
<td>Supply chains in South Africa are becoming more effective</td>
<td>70%</td>
<td>23%</td>
<td>7%</td>
</tr>
<tr>
<td>Collaboration in South African supply chains has driven innovation</td>
<td>59%</td>
<td>33%</td>
<td>8%</td>
</tr>
<tr>
<td>Using service providers is the best way to develop an innovative supply chain solution</td>
<td>57%</td>
<td>31%</td>
<td>12%</td>
</tr>
</tbody>
</table>

### Ninety percent of the supplychainforesight 2013 survey respondents said that new business models require supply chain innovation and 87% said investing in supply chain management and systems enables business success
Innovation within supply chains

Seventy-three per cent of respondents said they regularly evaluate and modify their supply chain strategy to align with their business strategy. But 51% don’t feel that their organisations innovate within the supply chain and logistics functions regularly enough. This is a concern for companies wanting to retain their competitive advantage.

An increase in marketing respondents highlights that the supply chain is becoming a source to create the very value they seek to attain. Supply chain initiatives are a combination of cost control and service enhancements enabling companies to effectively compete in an ever-changing business environment. An example of this is the systems retailers are implementing to ensure on-shelf availability. The higher cost of distribution to ensure products are always available is offset against greater customer satisfaction and increased sales.

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**How regularly does your organisation evaluate and modify its supply chain strategy to align with business strategy?**

- Continuously: 26%
- Regularly: 47%
- Rarely: 25%
- Never: 2%

**Do you believe your organisation innovates within the supply chain and logistics functions sufficiently?**

- Yes: 40%
- No: 47%
- Don't know: 13%

**Do you believe your organisation innovates within the supply chain and logistics functions regularly enough?**

- Yes: 38%
- No: 51%
- Don't know: 11%
Sufficient innovation within supply chains

Only 40% of South African companies said they innovate sufficiently. This is often due to company culture, a lack of skills and opportunity, and fear of change.

Innovation in the supply chain involves both micro and macro changes and requires a flexible and adaptable environment in which change is not feared. Organisations that succeed in creating a supply chain advantage are invariably those where supply chain management and logistics are closely aligned with their business strategy.

Serial innovation in the supply chain

The 2013 supplychainforesight survey shows companies do not innovate regularly enough in the supply chain. This is less so in larger organisations who have more resources to invest in and foster a culture of innovation.

There is a growing recognition that innovation is critical to success and is as important as mapping out competitive strategies or maintaining good margins. Having optimised operations and finances, many companies are now recognising that growth through innovation is their best strategy to compete in global markets.

“Supply chains are backbones of the global economy. Their complexity and critical role have businesses and governments increasingly concerned about managing major disruptions. This calls for a better strategy around resilience to build agile, transparent and diversified systems.” The Chief Supply Chain Officer Report 2012, a global study published by SCM World.
Innovating as a business

An entrepreneurial mindset will enable businesses to retain their competitive advantage by identifying new products for new markets, along with new systems, new processes and new ways of doing business. By combining insight into what they can offer new markets with foresight into market demands and trends, companies are able to constantly exploit new opportunities to expand and grow their business. By definition product and service innovation is often the refinement of business processes and products on a micro level, while business strategy innovation is more about a new approach to market, new positioning, new markets, new segments, new products and new sources of supply. The top rankings of product and service innovation and business strategy innovation in the survey links back to the high ranking of introducing new products and services as a strategic business objective. Value creation through business strategy innovation will result in higher returns for an organisation.

“While incremental and product innovation have historically been the main drivers of growth for companies, business model innovation is gaining momentum within the context of today’s low-growth, resource constrained world. Strong understanding of customer needs and markets, combined with better access to talent and technologies are seen as critical to successfully innovate and unlock growth,”

Innovation in organisations

There is a strong commitment to serial innovation with 68% of respondents saying their organisation’s commitment is either excellent or good. This demonstrates that there is a belief among respondents in their ability to continually innovate. A similar percentage of respondents said their organisation has done an excellent or good job at innovation for competitive position.
“Serial Innovation is built on principles of continuous improvement and operational excellence to promote innovation across all business functions within an organisation.” *Barloworld Logistics*

**South African organisations’ general attitude and approach to innovation**

The graph shows a broadly positive response that a majority of corporate cultures actively encourage innovation. It also shows the strong desire to innovate in South Africa is constrained by risk adversity, a short-term focus, pressure on margins and a lack of support. It would appear that innovation in some industries or organisations is driven by a compelling event that could threaten a company’s survival.

In South Africa, the automotive industry has one of the highest levels of existing innovation programmes and where it doesn’t, it plans to. To counter the threat of globalisation and remain competitive and viable as a global supplier, the South African automotive industry continually innovates through collaborative initiatives and smart partnerships. It is encouraging that the majority of companies plan to implement structured innovation programmes. Government services and state owned enterprises rank lower in terms of plans for future innovation. Large companies in South Africa currently have the most structured approach to innovation. Smaller companies are catching up though as they are recognising the need to innovate to gain a competitive advantage.

### General attitude towards innovation

<table>
<thead>
<tr>
<th><strong>Our corporate culture is one that encourages innovative thinking</strong></th>
<th><strong>65%</strong></th>
<th><strong>17%</strong></th>
<th><strong>17%</strong></th>
<th><strong>1%</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Agree</td>
<td>Neither Agree/Disagree</td>
<td>Disagree</td>
<td>Don’t know</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Our organisation is more innovative than our local industry competitors</strong></th>
<th><strong>56%</strong></th>
<th><strong>27%</strong></th>
<th><strong>15%</strong></th>
<th><strong>2%</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Agree</td>
<td>Neither Agree/Disagree</td>
<td>Disagree</td>
<td>Don’t know</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Our organisation is more capable of recruiting and retaining employees with the ability to innovate</strong></th>
<th><strong>50%</strong></th>
<th><strong>26%</strong></th>
<th><strong>23%</strong></th>
<th><strong>1%</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Agree</td>
<td>Neither Agree/Disagree</td>
<td>Disagree</td>
<td>Don’t know</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>A clear framework exists to capture and evaluate innovative ideas for our business</strong></th>
<th><strong>48%</strong></th>
<th><strong>23%</strong></th>
<th><strong>28%</strong></th>
<th><strong>1%</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Agree</td>
<td>Neither Agree/Disagree</td>
<td>Disagree</td>
<td>Don’t know</td>
<td></td>
</tr>
</tbody>
</table>
Innovating as an industry

All businesses within an industry need to work together to innovate collectively in order to keep up to date with global industry trends and compete on an international level. The rapid growth in technology-based industries is being fuelled by deregulation, cost reductions and investment in infrastructure, which allows businesses within specific industries to constantly innovate as an industry and compete more effectively globally. For example, ever evolving technology and the convergence of cellular providers within the telecommunications industry has fuelled mobile phone growth in Africa.

Today mobile phones account for 90% of all telecommunications in Africa. Cellular service providers are now leveraging their position in the market to become the preferred data providers as well. (Statistics sourced from KPMG’s Telecommunications in Africa) By the same token serial innovation in the retail industry is driven by increasing demands from more informed customers and the availability of more products to choose from, which is creating greater competition.

“Innovation is the process of turning ideas into manufacturable and marketable forms.” Watts Humphrey

The respondents view of the most innovative South African industries

<table>
<thead>
<tr>
<th>Industry</th>
<th>Respondent view</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banking &amp; Finance</td>
<td>74%</td>
</tr>
<tr>
<td>ICT</td>
<td>68%</td>
</tr>
<tr>
<td>Telecommunications</td>
<td>65%</td>
</tr>
<tr>
<td>Retail</td>
<td>46%</td>
</tr>
<tr>
<td>FMCG</td>
<td>39%</td>
</tr>
<tr>
<td>Logistics &amp; Transportation</td>
<td>38%</td>
</tr>
<tr>
<td>Automotive</td>
<td>37%</td>
</tr>
<tr>
<td>Industrial / Manufacturing</td>
<td>33%</td>
</tr>
<tr>
<td>Healthcare</td>
<td>30%</td>
</tr>
<tr>
<td>Tourism &amp; Hospitality</td>
<td>26%</td>
</tr>
<tr>
<td>Oil &amp; Gas</td>
<td>18%</td>
</tr>
<tr>
<td>Mining &amp; Metals Processing</td>
<td>18%</td>
</tr>
<tr>
<td>Public Sector</td>
<td>8%</td>
</tr>
</tbody>
</table>
Innovating as a country

For South Africa to innovate on a larger scale, a more institutionalised approach to innovation is needed. Underpinning the entire concept of institutionalised innovation is the government’s role in creating the right economic environment to attract appropriate intellectual and investment capital within the public and private sector.

Top constraints to SA competitiveness

The graph highlights the respondents’ perceptions of barriers to our competitiveness. Some of these constraints can be fixed in the short-term whilst others require a longer term focus. To overcome these issues in the short-term, South African companies need to focus on innovation, collaboration and smart partnerships as a means to finding creative and alternative methods to continue to compete effectively. Respondents listed education and skills as the top constraint to South Africa's competitiveness. The skills shortage is a world-wide phenomenon and is directly impacting a company’s ability to resource appropriately for continual innovation and future growth.

Respondents’ perception of South Africa’s constraints to our competitiveness

<table>
<thead>
<tr>
<th>Constraint</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education &amp; skills</td>
<td>82%</td>
</tr>
<tr>
<td>Political uncertainty</td>
<td>59%</td>
</tr>
<tr>
<td>Unclear national strategy</td>
<td>56%</td>
</tr>
<tr>
<td>Economic uncertainty</td>
<td>55%</td>
</tr>
<tr>
<td>Labour unrest</td>
<td>55%</td>
</tr>
<tr>
<td>Organisational cultures</td>
<td>36%</td>
</tr>
<tr>
<td>Lack of institutionalised creativity</td>
<td>36%</td>
</tr>
<tr>
<td>Unclear industry strategy &amp; priorities</td>
<td>29%</td>
</tr>
<tr>
<td>Lack of recording &amp; rewarding</td>
<td>28%</td>
</tr>
<tr>
<td>Public sector budget allocation</td>
<td>18%</td>
</tr>
<tr>
<td>Private sector budget allocation</td>
<td>10%</td>
</tr>
<tr>
<td>Short-term vs long-term focus</td>
<td>9%</td>
</tr>
</tbody>
</table>
According to the 2013 GE Global Innovation Study published by GE and researched by StrategyOne, “Education, development and access to talent are a critical concern for innovation leaders. The creativity and technical prowess of the global workforce is seen as key to unlocking innovation potential across companies and countries. But concerns around the preparedness of the workforce to innovate for tomorrow’s economy abound. And cross-border talent mobility is a high priority for companies seeking to match the right job with the right people.”

Outsourcing non-core functions and forming smart partnerships with key suppliers to mitigate the risks associated with being unable to source specialist skills, is a growing global trend. In developed countries and even in some emerging markets, governments are playing an important role in supporting innovation by implementing the appropriate structures, policies and legislation. Academia and business provide the intellectual capital for serial innovation and investment capital for commercialisation. Countries such as Korea, Malaysia and Singapore are examples of innovative nations with coordinated and integrated strategies. To remain competitive in the future, South Africa needs to adopt an innovative and coordinated national strategy. This will create a vision for our future and align all facets of our nation to a goal, in which all components work together, thus creating greater growth and opportunities for all.

Better aligning education with business needs a top priority

Source: GE Global Innovation Barometer 2013 published by GE and researched by StrategyOne
Part Three
Smart Partnerships
Smart partnerships are not just about relationships. These are strategically selected partnerships with key players across the supply chain.

Forming smart partnerships and outsourcing for the right skills, knowledge and abilities is no longer seen as losing control, but gaining intelligence, capabilities and resources. Interestingly, smart partnerships are driving innovation at lightning speed in emerging nations as they leapfrog development with the advances of technology.

“Collaboration is perceived as the key to increased business innovation success, with emerging markets embracing the collaborative trend more strongly than western, developed countries.”

The bar charts back up this view but also highlight concerns about collaboration. The 2013 GE Global Innovation Barometer report also revealed that: “Innovation remains a top business priority globally. Although 87% of the companies interviewed believed they would innovate better by partnering with another company, businesses remain hesitant to collaborate because of a growing fear of intellectual property theft, talent poaching and a general lack of trust.”

Mutually beneficial smart partnerships fast-track innovation by enabling businesses to leverage the expertise of other organisations and gain access to new products, insights and markets.

From smart phones and cars to buildings and cities, smart is about thinking differently and creating innovative and sustainable solutions. Smart encapsulates agility, ingenuity, knowledge and foresight. Simply put, SMART = THE FUTURE.
Smart partnerships as a country

Countries considered to be experienced collaborators are considered innovation champions among their global competitors. Respondents to the GE Global Innovation Barometer 2013 report selected countries they perceive to be leading innovation champions and countries that they believe are embracing innovation. South Africa is rated quite highly in terms of collaborating but is not listed as a leading innovation champion.

This indicates that as a nation we are learning that working together is a means to overcoming some of our challenges but there is still room for improvement. It relates back to the need for a coordinated national strategy and plan to create sustainable advantages for South Africa in the future.

Executives report that the revenue and profit generated by collaborative innovation has been growing over the last year.

Collaboration is accelerating in emerging markets

Source: GE Global Innovation Barometer 2013 published by GE and researched by StrategyOne

Executives report their company has already developed a new product, improved a product or created a new business model through collaboration with another company.

Experienced collaborators: Germany, China, Brazil, Sweden

Source: GE Global Innovation Barometer 2013 published by GE and researched by StrategyOne
Countries respondents considered to be the leading innovation champions

**Innovation Champions**

US and Germany continue to lead. China moves ahead of Japan

(\#) - % Change from 2011

- **USA**: 35%
- **Germany**: 15% (+2pts)
- **China**: 12% (-2pts)
- **Japan**: 11% (-2pts)
- **S. Korea**: 5% (+1pt)
- **UK**: 3% (+1pt)
- **India**: 3% (-1pt)
- **Israel**: 3% (+1pt)
- **Singapore**: 2%
- **Netherlands**: 3%
- **Sweden**: 1% (-1pt)
- **UAE**: 1%

Countries considered to be experienced collaborators are considered innovation champions among their global competitors.
Part Four
Sustainable Advantages
Creating a sustainable advantage through serial innovation and smart partnerships allows businesses to diversify and adapt to global market trends making them more competitive.

The dictionary defines sustainable as ‘able to be maintained at a certain rate or level.’ To maintain a sustainable advantage companies need to embed a culture of continuous improvement and operational excellence throughout its supply chain and business functions to remain relevant and ahead of the pack.

Creating sustainable advantages is what the game is all about and is the ultimate measure of success.
Sustainable advantages in businesses

Companies need high performing supply chains and strategies that enable them to optimise business practices, adapt to global changes and expand into emerging markets. Seventy-nine per cent of respondents said supply chain and logistics innovation is essential to optimising business performance. This links into one of the top ranking strategic business objectives to use the supply chain as a competitive advantage. Sixty per cent of respondents said integrating logistics activities across all business functions is essential to innovating and optimising a supply chain but only 26% evaluate and modify the supply chain to align with business strategy on a regular basis. By integrating the supply chain across all business levels, overall processes and systems within the business are optimised. The result of this is that the company will be able to respond more effectively and efficiently to market conditions.

Sustainable advantages in industries

Businesses need to converge and innovate within industries in order to compete with international industry standards. A lack of support and incentives for industries to innovate has resulted in many businesses innovating in silos to meet the needs of their business objectives only. No industry or company is an island; both are reliant on a myriad of supply chains to enable companies, industries and countries to achieve a sustainable advantage.

Competitive advantage of South Africa

Respondents ranked these advantages as some of South Africa’s differentiators in comparison to other emerging market countries

- **Ranked #1: Availability of natural resources**
  - 27% availability
  - 40% competitiveness

- **Ranked #2: Welcoming fiscal policies**
  - 1% availability
  - 13% competitiveness

- **Availability of finance**
  - 1% availability
  - 13% competitiveness

- **Banking and telecoms**
  - 13% availability
  - 48% competitiveness

- **Current weakness of currency**
  - 6% availability
  - 31% competitiveness

- **Established industries**
  - 4% availability
  - 38% competitiveness

- **Infrastructure investment**
  - 4% availability
  - 22% competitiveness
Sustainable advantages as a country

The majority of respondents selected South Africa’s natural resources wealth, knowledge of and proximity to the rest of Africa and its well-developed banking and telecommunications infrastructure as areas of competitive advantage. This positions her well as the gateway for business expansion into Africa.

Growth and expansion into emerging markets will require serial innovation on the part of strategic management and supply chain providers as infrastructure is one of the major challenges in Africa. This provides a great opportunity for local logistics companies to form smart partnerships with organisations and other emerging market countries that are already in Africa or are looking to expand into Africa. Compared to Africa as a whole, South Africa has a highly sophisticated economy, winning industries, good infrastructure, extensive resources and proven management skills in many sectors backed by advanced technologies. It is these she needs to develop, expand and use to create future growth. In order to leverage and drive these opportunities, businesses, academic institutions and government need to work together to drive innovation at national level.

Potential business opportunities with emerging market countries

Growth and expansion into emerging markets is listed as one of the top five strategic business objectives by respondents to the supplychainforesight 2013 survey. Despite China being South Africa’s largest export and import trading partner, respondents ranked the SADC region as the greatest immediate growth potential. However, China and India remain attractive markets for trade and future growth as South Africa looks to explore niche-exporting opportunities with these emerging market countries.

Further opportunities for South Africa lie in providing emerging market countries with attributes we have and which are readily available to support their expansion into Africa. Rather than viewing these countries as competitors, we should embrace them as partners. By creating a culture of innovation and forming smart partnerships with these countries, South African companies can leverage their core capabilities to create new revenue streams on the African continent.
Fast forward to the future

The technological revolution accelerated globalisation, which in turn created a dynamically changing world that is becoming increasingly challenging, competitive, complex and customised. With the speed of change today, a competitive advantage is short lived. If a company is not planning ahead with its next innovation, it is already behind the curve.

Supply chain excellence is about balancing costs and service levels. Reducing costs remains important, but companies are increasingly using their supply chain to drive business strategy and achieve objectives.

As the supply chain is critical to delivering products and services to customers, there is a need to constantly innovate new processes to effectively serve changing consumer demands and market conditions.

Innovation has entered the mainstream as a way to overcome and respond effectively to constant change. It is no longer the elite domain of R&D departments, inventors or entrepreneurs. Innovation is fast becoming the lifeblood of leading organisations, industries and nations.

This year’s supplychainforesight survey throws valuable light on the progress South African companies are making and highlights a way forward. Supply chain management and logistics is taking centre stage as it is recognised as an engine for growth and risk mitigation. Forming smart partnerships and outsourcing for the right skills, knowledge and abilities is no longer seen as losing control, but gaining intelligence, capabilities and resources. Interestingly, smart partnerships are driving innovation at lightning speed in emerging nations as they leapfrog development with the advances of technology.

In South Africa, we recognise the need for the country to have a coordinated strategy and plan to build a competitive nation in which we can all thrive. It is an exciting time for supply chain management and for all those who recognise the opportunities it can bring as well as those who have the skills and ability to participate in an environment that is driven by and continues to drive innovation.
“Innovation has nothing to do with how many R&D dollars you have. When Apple came up with the Mac, IBM was spending at least 100 times more on R&D. It’s not about money. It’s about the people you have, how you’re led, and how much you get it.”

*Steve Jobs, 1998 Fortune interview*