MIT Supply Chain Risk Survey
Findings: South Africa
Contents

• Supply Chain Risk Management
• Introduction & Context
• Survey Span
• Respondent Description
• Key Findings
  – Most important supply chain risks
  – Major internal & external risks
  – Company urgency alignment
  – Broad risk occurrence frequency
  – Response focus areas
  – Risk Management
• Next Steps
• Questions
Supply Chain Risk Management

**Poor Performance due to Internal Business Practices**
- Loss of Control
- Unexpected Poor Financial Performance
- Unexpected Poor Customer Performance

**SC Interruptions due to External Factors**
- Supply Chain Interruption
- Difficult Business Climate

**People**
- Technology & Systems

**Poor Asset Management**

**Poor Profits**
- Poor Product Quality
- Poor Delivery

**Poor Financial Performance**
- • Excess Inventory
- • Excessive A/R
- • Abuse of A/P
- • Cost too high
- • Sales too low
- • Prices too low
- • Out of RM Stock
- • Out of FG Stock
- • Poor Distr Process

**Loss of Control**

**Unexpected Poor Customer Performance**

**Poor Delivery**

**Difficult Business Climate**
- Mother Nature
- Health & Environment
- Crime & Terror
- Economic & Financial
- Political & Social
Introduction and Context

• Global risk survey undertaken in 12 countries, with respondents from over 70 countries. Over 250 respondents visited South African survey.
• Motivation was to identify common supply chain risk perceptions, management thereof & meaning within a South African context.
• Risk environment in South Africa can now be compared to international findings.
• Conditions at the time of Survey:
  – Global recession nearing end
  – Eskom power price hikes in question, not yet confirmed
  – Ongoing strikes & high volume of job losses
  – Soccer world cup “anticipation”
A total of 2434 people visited the survey
1461 people from over 70 countries completed survey
Significant responses (10+) received from countries shown
Mixture of “supplier” and “consumer” countries
Respondent description

• 81% male respondents.
• 88% of all respondents over the age of 30.
• 65% have a college/university degree or higher with the vast majority of these in the business, and to a lesser degree, engineering fields.
• Generally respondents work in middle management/supervisory roles.
• Respondents work mainly in South African urban centres.
• Operations, supply chain planning and consulting fields are most prominent job positions.
Respondent description

Country grew up in/work in
Respondent description

Job and Supply Chain Position

- Operations
- SC Planning
- Other
- Distribution
- Purchasing
- General Mgmnt
- Finance
- Risk Management
- Engineering
- Sourcing
- R&D
- Customer Service
- Transportation
- Manufacturing
- Marketing
- Sales

- Operations and planning activities are where many respondents are involved
- “Other” positions are generally consulting or technology related.
Key Findings

1. Most Important Supply Chain Risks
2. Frequency of Major disruptions – Internal & External
3. Company Urgency Alignment
4. Frequency of broad types of Risk
5. Risk Response & Perceived Action Areas
6. Risk Response Management
Key Findings

Top 10 Supply Chain Risks

- Respondents rated list of possible risks by 1st, 2nd, 3rd most important.
- Accumulation of responses shown for each risk.
- Raw material supplier failure ranks as most important risk – Follows international trend.
Key Findings

Internal Events - Major Disturbances

Transportation carrier failure
Product Quality Failure
Finished Goods manufacturing failure
Raw Material supplier failure
Inventory write-off due to new design change
Failure of major software systems
Employee theft and executive misdeeds
Cash crisis due to customers delaying payment
Spike in raw material costs
Spike in energy costs
Sales collapse due to a new competing product
Price collapse due to a new competitor
Cash crisis due to sudden drop in credit rating

- Respondents rated major external disruptions according to frequency of their occurrence
- Data weighted according to disruption frequency (Higher frequency carries higher weight)
- Four top disruptions generally in line with international findings
Key Findings

External Events - Major Disruptions

- Respondents rated major external disruptions according to frequency of their occurrence.
- Data weighted according to disruption frequency (higher frequency carries higher weight).
- Protracted labour disputes and extended loss of electricity occur most frequently. Unique South African conditions.
Key Findings

Company Urgency Alignment

- Lack of urgency alignment indicates greater risk potential.
- Alignment stronger with customer than supplier

Supplier/Company Alignment
- Completely Different Sense of Urgency
- Midway alignment
- Exactly the same sense of urgency

Customer/Company Alignment
- Mostly different sense of urgency
- Similar sense of urgency
Key Findings

Frequency of Major Supply Chain Risks

- Respondents rated major types of disruptions according to frequency of their occurrence.
- Greater frequencies weighted higher.
- Severity indicated by fade to red.
- Internal and supplier-related disruptions are most prominent and occur most frequently.
Respondents rated the effort they believe should be placed on “prevention vs cure”
- More emphasis should be placed on prevention.
- This suggests that not enough is currently being done to prevent risks from occurring.
Key Findings

Response Action vs Direction of effort

- Respondents rated the scale at which planning vs responding activities should be directed
- The scale shifts from central to local the more immediate the measure/action is
- Site level would thus see the implementation of a centrally planned event response or preventative measure
Key Findings

Approaches to SCRM

- Analyze incidents, identify process improvements
- Have business continuity plan
- Actively work on supply chain risk management
- Have a "risk" manager or group
- Monitor world events for incidents that affect us
- Have a formal security strategy
- Work with suppliers on SCRM
- Work with law enforcement/emergency management on SCRM
- Work with customers on SCRM
- Risk manager goes beyond just buying insurance
- Have business continuity manager/group
- Have emergency operations center
- Simulate different supply chain risks and disruptions

- Respondents rated the actions that are currently being undertaken at their organisations to deal with supply chain risk
- Most companies have a plan or risk manager/group, or approach SCRM on an ad hoc basis
Next Steps

Phase 2: International Benchmarking
• Compare South African data to international findings.
• Understand differences and underlying drivers

Phase 3: Applied Research
• More analysis on specific risk factors and mitigation factors.
• Apply findings to future risk scenarios.
• Investigate company specific approaches
Questions?