

Wholesale&Retail

LEADERSHIP CHAIR

Collaboration opens the window to a world of opportunities



Strategy Alignment of the South African Retail Sector with the National Development Plan: Vision 2030 A SUMMARY



How do you ask W&R corporates whether they have considered (or actually implemented) fundamental changes to the way they do business, in order to achieve the National Development Plan goals? As SABMiller and Nestlé make a point of developing and supporting (rather than just exploiting) small-scale farmers; in the same way, fair retail franchising as opposed to management through wholly-owned branches can open opportunities for emerging retail entrepreneurs. So a question such as ‘have you changed your retail business model to help achieve the country’s goals?’ would be interesting.

The National Planning Commission’s Economic Working Group

INTRODUCTION

Wholesale and Retail sector alignment with the National Development Plan is a complex issue. A comprehensive study has found the sector has some way to go to align itself with the objectives of the NDP. At the same time, there are sector concerns about whether the objectives of the NDP and those of business are compatible.

Few of the 75 NDP objectives and 119 action steps refer specifically to the wholesale and retail (W&R) business sector’s potential role in socio-economic development. But 29 of them were identified as most relevant and were specified in research to establish strategic alignment of the sector with the NDP.

National Planning Commissioners had said they expected W&R businesses to focus on ‘Drivers of Change’, to build “a sustainable society (and business enterprise) in the long term, rather than just to extract maximum profit in the short term.” Most sector survey respondents acknowledged the importance of these drivers of change towards job creation to achieve sustainable, inclusive socio-economic development in their volatile and competitive business sector. But they also had some concerns.

THE SURVEY

The implementation chapters of the NDP highlight 13 strategy themes, with 75 developmental objectives. These themes, with the 29 operational objectives most relevant to the W&R business sector, provide the framework for the study.

It sought to establish how the NDP would affect the sector, how sector businesses align their strategies with the objectives of the NDP, identify gaps in alignment and possible actions to address the gaps, and identify possible adjustments to the NDP.

The study used a mixed methods research methodology. The exploratory and descriptive phases were aimed at understanding the NDP and conducting pilot interviews with sector stakeholders on perceptions of the NDP.

Data collecting from 283 contact points nationally (sent to businesses, business associations, unions, government agencies, consultants and service providers) was initially sparse but was accelerated at regional forums of the W&RSETA and through participation in various sector association dialogue opportunities. 104 completed questionnaire responses were captured.

Based on the findings, the top and bottom five alignment ratings were identified.

Qualitative analysis was then done through analysis of interviews and discussions and through comments appended by respondents.

Valuable critique was provided by a focus group of 10 stakeholders, and representatives of various business associations provided further comments.



THE RESEARCH FINDINGS

The research found that the majority of respondents supported a 'top five' list of societally inclusive NDP objectives. These are largely business-friendly strategies such as anti-corruption, equal opportunity and broadened ownership of assets. They also relate to operational business goals of skills development, job creation, increased per capita income, regional trade promotion, reductions in waste – and an urgent need for simplified labour relations and performance improvement procedures to overcome their current reluctance to create new jobs and employ more staff.

But the strength of NDP strategy alignment and commitment to sectoral implementation of these themes varied greatly.

It is relatively easy to find evidence of NDP alignment in Corporate Social Investment projects, and by 'active citizenry' involvement of W&R business leaders in business chambers, retail sector associations and/or national business federations.

Some significant W&R sector collaborative projects which align with the NDP include the Retailers Unite against HIV/Aids initiative, the Sustainable Retailers Forum, the Southern Africa Food Laboratory Project, the Southern African Sustainable Cotton, Textile and Apparel Cluster and Retail Council/Consumer Goods Council seminars.

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BUILDING A CAPABLE AND DEVELOPMENTAL STATE

Reflecting the largest strategy alignment gap in this study, over 50% indicated that the building of a 'capable, developmental state' is not applicable to their business plans. Respondents had reservations about state authority, roles, red tape and accountability for service standards.



The '**TOP FIVE**' alignments with NDP strategy were nation building and social cohesion, fighting corruption, economy and employment, South Africa in the region and the world and health care for all.

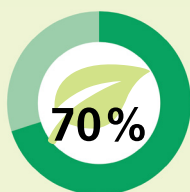
The '**BOTTOM FIVE**' strategy alignment 'gaps' – which include economic infrastructure, building safer communities, inclusive rural economy, building a capable and developmental state and social protection – depict the 'business as usual' perspective – that these NDP themes and objectives are 'capable state' governmental accountabilities and are not 'active citizenry' imperatives for their profit-driven W&R business plans.



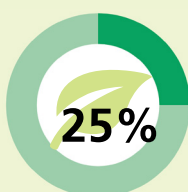
'TOP 5' STRATEGY ALIGNMENT

64% of respondents most highly aligned with the 'top five' strategy themes were from corporates and their franchisees; while 36% were from independent retailers and traders. 'Active citizenry' is most evident in major companies which have the institutional capability and budget and are in regional co-operatives or national business associations. Rural retailers (independents and co-operatives) were seldom well informed about or aligned with NDP strategies.

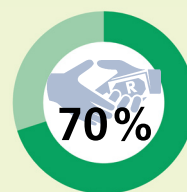
ENVIRONMENTAL SUSTAINABILITY AND RESILIENCE



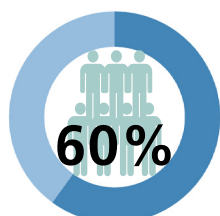
Over 70% indicate awareness of, or support for, environmental issues, while over 25% do not see it as their strategic priority.



FIGHTING CORRUPTION

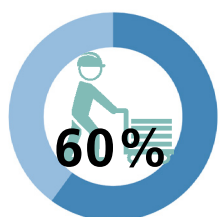


Over 70% indicated high commitment to fighting corruption



BUILDING SAFER COMMUNITIES

Almost 60% indicate strategic alignment with this goal.



ECONOMY & EMPLOYMENT

Over 60% indicated alignment with this NDP strategy

Among the 'bottom five' low priority NDP objectives were those developmental functions seen as "government's job, not ours: that is why we pay taxes". These included 'capable state' accountabilities such as zero emission building standards, inclusive urban spatial planning, cost-efficient public transport services, early childhood development, basic education standards, crime prevention and state staff competence.

While many respondents recognised their importance, their 'active citizenry' commercial strategies were focused on community relations, customer centricity and sales promotion initiatives and they seldom rated them as core to their business plans.

The W&R sector concerns relate to:

- The nature, authority and competences of a 'capable, developmental state';
- The leadership accountabilities and management approaches for achievement of clearly defined, shared W&R sector socio-economic developmental objectives; and
- The practicalities of businesses, unions and government working towards an agreed Retail Sector Charter.

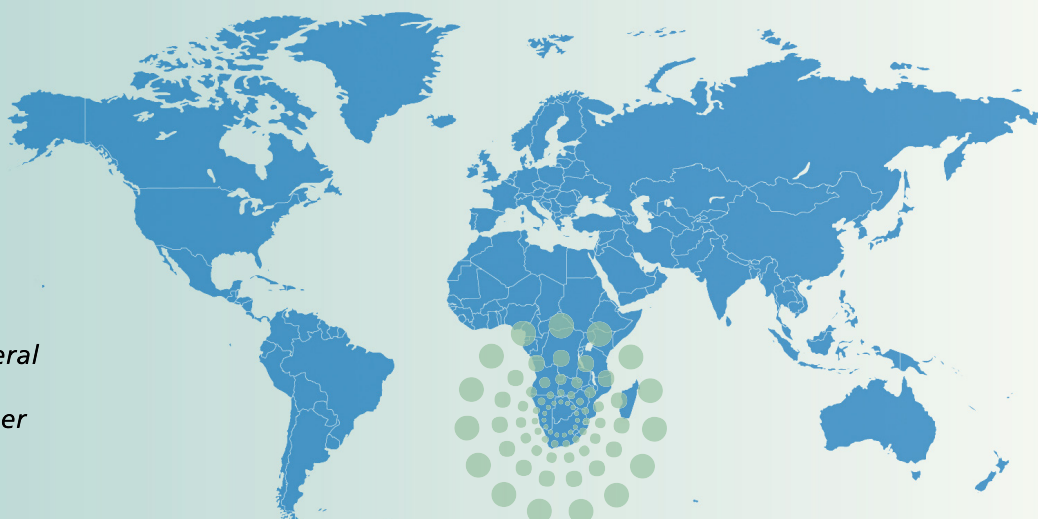
Findings reflect differentials in responses based on the diversity of people and cultures, the concentration of major corporates, the high expectations of state support amongst informal and emerging retailers and the lack of a shared W&R business sector 'active citizenry' development commitment to 'A Plan for All'.

The typical NDP alignment incentive for South African W&R enterprises emerging from the

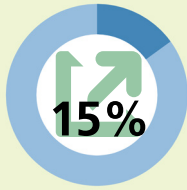
SOUTH AFRICA IN THE REGION AND THE WORLD

56%

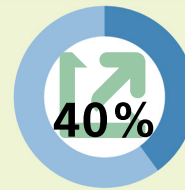
The 56% positive alignment with this international trade strategy reflects the strong thrust of several major retail chains into African and other markets



ECONOMIC INFRASTRUCTURE



Fewer than 15% have a well-established business strategy related to this NDP theme, and 40% do not regard the development of economic infrastructure as their priority.



One managing director of a national retail chain said: “We are a retail commercial business and serve many stakeholders, who expect commercial results.”

study is the opportunity to make sustainable profits through community visibility, customer loyalty, sales promotion and expense controls.

Evidence of W&R governance strategies towards building a ‘capable state’ is low, especially for independent SMMs and informal traders, for whom survival is the driving motivation.

Several executives, however, said their business plans include commitment to social investment.

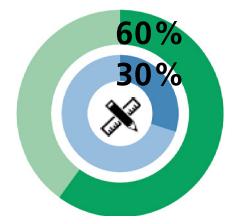
CONCLUSION

The range of responses reflects the diversity of culture, household disposable income and living standards measures, the market concentration of major companies, high expectations of state support amongst emerging traders; and the lack of W&R ‘active citizenry’ collaborative commitment to ‘A Plan for All’.

Several roleplayers commented that few of the NDP’s 13 strategy themes, 75 objectives and 119 proposed action steps have direct alignment with their commercial strategies to meet the profit and pricing expectations of investors and customers.

One managing director of a national retail chain said: “We are a retail commercial business and serve many stakeholders, who expect commercial results.”

But many have adopted business strategies aimed at promoting transformation – through employment equity, staff wellness, skills development, anti-corruption policies, social responsibility and community development initiatives which will increase brand visibility and sales.



IMPROVING EDUCATION, TRAINING AND INNOVATION

While 60% support the need for enhanced education and skills development, over 30% do not regard this as their business priority

INCLUSIVE RURAL ECONOMY

The urban target markets and supply sources of 40% of retail respondents are reflected in the low alignment priority rating of this strategy. Several major chains are prioritising the promotion of agro-processing and smallholder support to develop their supply-chain sources.





*Collaboration opens the window to a world
of opportunities!*

THE FUTURE

The CPUT Wholesale & Retail Leadership Chair (WRLC) has adopted a motto, promoting the NDP's active citizenry objective: **"Collaboration opens the window to a world of opportunities!"**.

Researchers recommended that the report findings will provide an agenda for consideration of the W&R sector/NDP alignment and stimulate W&R engagement with National Planning Commissioners – to optimise NDP opportunities and minimise the regulatory framework.

The researchers recommended that the CPUT WRLC, together with mandated leaders of W&R business associations and federations, convene a Sector Strategy Forum to put in place steps to build a W&R sector leadership network committed to co-operative support for cost-effective, inclusive implementation of relevant NDP strategies.

The researchers recommended that the sector increase its active citizenry awareness, trust and collaboration within Proudly South Africa – where just three W&R businesses are members. They also recommended that the sector participate in public-private partnership forums to share information and discuss priorities.



WHO CAN PLAY A ROLE

Wholesale & Retail Sector Education and Training Authority

Business Unity South Africa

National Business Initiative

Afrikaanse Handelsinstituut

National African Federated Chamber of Commerce

South African Commercial, Catering and Allied Workers Union

Federal Council of Retail and Allied Workers

THE NDP

The W&R sector is mentioned only 21 times in the NDP and specific mention is made only in Chapter 3 .

The NDP priorities are to:

Raise employment through faster economic growth


Improve the quality of education, skills development and innovation

Build the capability of the state to play a developmental, transformative role.

Key NDP objectives by 2030 include the elimination of income poverty, reduction of income inequality, reduction of unemployment, increase in the number of adults working and a broadening of the ownership of assets. The NDP requires economic growth of an average annual 5.4%.

The NDP Drivers of change in the W&R sector:

- The sector will be encouraged to procure goods and services aimed at stimulating local producers, especially small and expanding firms.
- Further investigation will be conducted on opportunities to stimulate sustainable small-scale retail and co-operative buying to reduce costs in townships and rural areas and stimulate related employment.
- South African retail operations in the SADC region will be encouraged to supply stores with South African products and will also be supported to develop suppliers within the region in support of regional industrialisation objectives.
- Information technology-enabled service exports will be promoted to attract US, UK and Indian business-process outsourcing. South Africa should become a leading provider of information technology-enabled services globally.
- Rising consumption of lower-income people should stimulate retail employment and demand for supplier industries.



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THE W&R SECTOR

W&R is the fourth largest contributor to GDP and the 30 000 tax-registered retail enterprises employ about 20% of the total economically active workforce according to Stats SA.

It says about 86% of registered enterprises in this sector are small and micro enterprises, 9.5% medium size and 4.5% large companies. Only 66% of operational retail traders are formally registered and contributing to the fiscus, suggesting there are over 100 000 informal (unregistered) traders in the sector accounting for 10% of national retail turnover.

The main employment increase has been in the informal /SMME sub-sector.

Wholesale&Retail **LEADERSHIP CHAIR**

Cape Peninsula University of Technology Cape Town

THE WRLC

The Wholesale and Retail Leadership Chair (WRLC) at the Cape Peninsula University of Technology (CPUT) was established in 2013, based on an initiative by the Wholesale & Retail Sector Education and Training Authority (W&RSETA) to contribute towards sector research and professional qualifications development at Higher Education levels.

A national survey report entitled Priority Research Needs of the South African Wholesale and Retail Sector marked the first step taken by the WRLC towards the creation of a basis for relevant research in this dynamic business sector.

The research discussed here focused on the level and nature of sector alignment with the NDP vision, strategy themes and critical success factors.

The study sought to show how the NDP vision and objectives affect the sector, and how sector companies align their strategies with objectives of the NDP. It sought to identify gaps in alignment and identify actions to address the gaps including possible adjustments to the NDP to accommodate business realities and challenges.

The full report is available at <http://wrlc.org.za/wp-content/uploads/2014/11/NDP-Alignment-Final-Report-August-2014-2.pdf>



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APPLIED RESEARCH • LEADERSHIP DEVELOPMENT • SERVICE TO RETAIL COMMUNITY

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