

# **Consolidation: An update**

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**The Concrete Institute**

**CSSA Board Member**



# Outline

- **Introduction**
- **Background**
- **Internal Process**
- **Facilitated Process**
- **The way forward**
- **Conclusions**
- **Questions**

# Introduction



# Introduction

- In August 2013 John Sheath in a paper in SAICE magazine dealt with
  - Confusion
  - Blurring
  - Similar names
  - Common goals
  - Need for a single all-inclusive, member-based body
- He proposed “Consolidution” a “concrete consolidation solution”



# Background



# Background

- **Closure of C&CI in 2013**
- **TCI started with three members with a vision of body similar to the old PCI, a primarily technical body**
- **TCI started working on a new vision strategy in 2015**
- **Sold the vision to the other producers and PPC joined in 2016 and NPC in 2019**
- **At the same time the issue of a single body was raised and it was agreed that it should be continued together with the vision**
- **Associations tasked with putting proposals together**

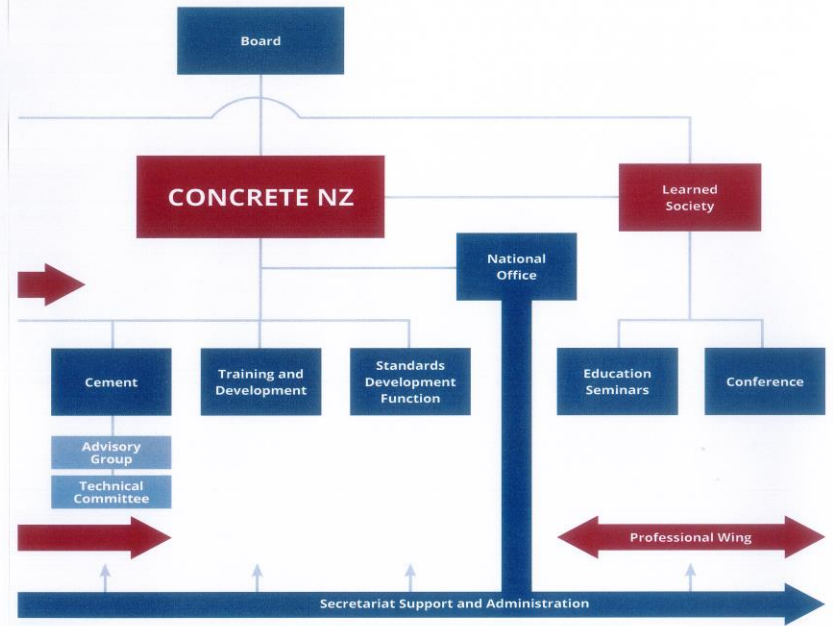
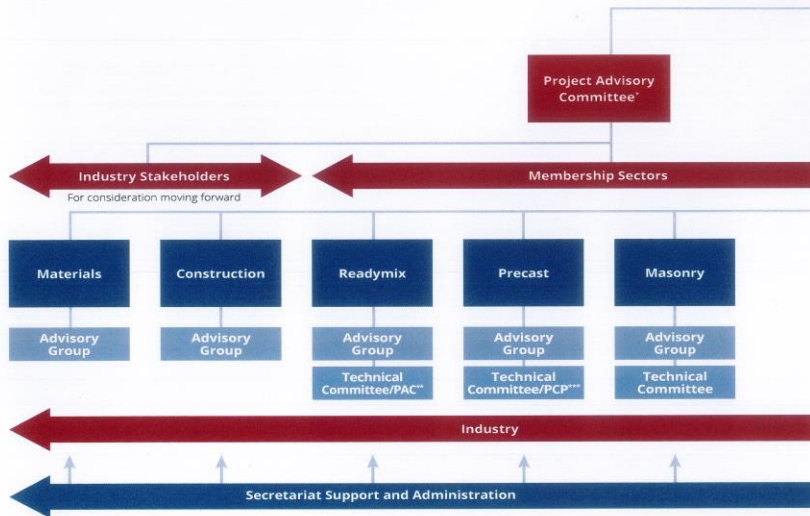


# Internal Process

- **A “Consolidation Working Group” was set up including:**
  - **Concrete Society of Southern Africa (CSSA)**
  - **The Concrete Institute (TCI)**
  - **South African Ready Mix Association (SARMA)**
  - **Concrete Manufacturers Association (CMA)**
  - **Association of Cementitious Materials Producers (ACMP)**
- **A number of meetings were held**
  - **Robust discussions**
  - **Who should be part and who shouldn't.**
  - **Considered other consolidated bodies, namely New Zealand**
- **CSSA held own strategy session in Oct 2017**



## ORGANISATION STRUCTURE



\* Project Advisory Committee – Comprised of representatives from the Stakeholder Group, Sector Groups, Concrete Society and Board appointees, the Project Advisory Committee reviews project proposals to be funded from a contestable fund, and makes recommendations to the Concrete NZ Board.

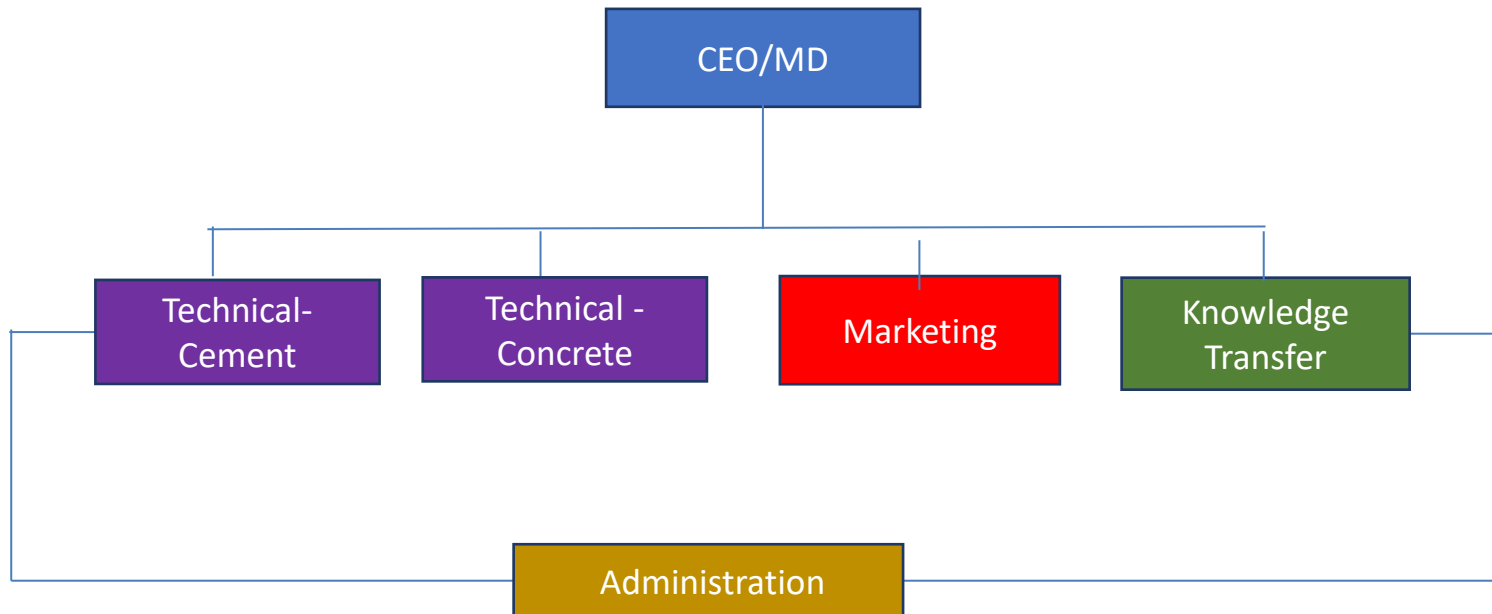
\*\* Plant Audit Committee (PAC)

\*\*\* Plant Certification Program (PCP)



# Process I

- Outcome



# Process I

- Not all bodies were convinced
- Agreed to proceed with a facilitator

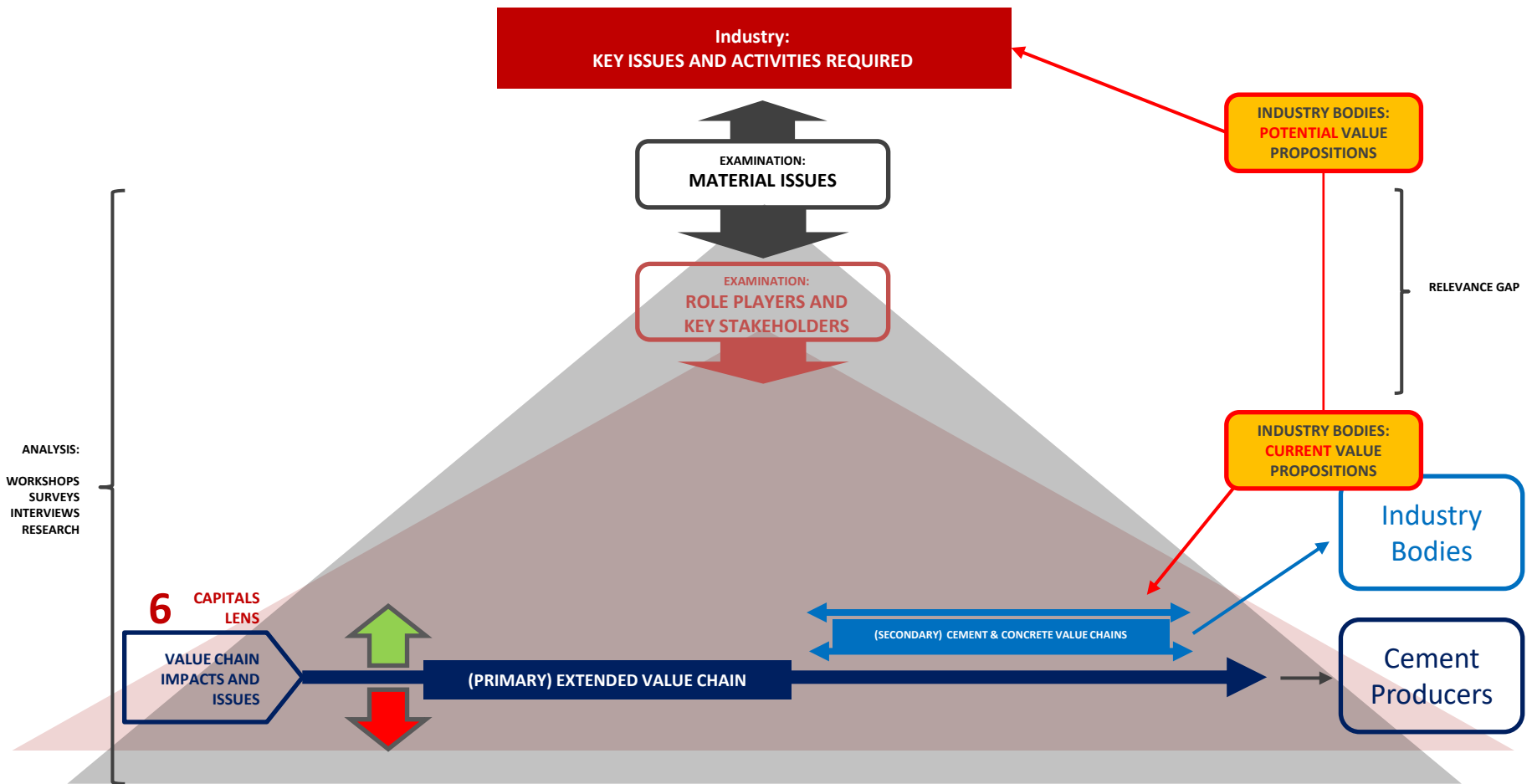


# Facilitation Process

- Facilitator appointed
- Lloyd Macfarlane of GSA Campbell
- Kicked off in March 2019
- Separate sessions, surveys and interviews held with:
  - Cement Industry, TCI and ACMP
  - CSSA
  - CMA
  - SARMA
- ***CSSA critical issues***
  - *Effective regional footprint*
  - *Uphold and promote good name of concrete*

# Approach

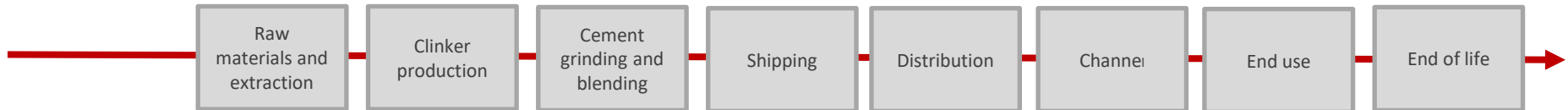




# Industry value chains

## Primary/Extended Industry Value Chain

### Cement Producers Value Chain



## Secondary value chains

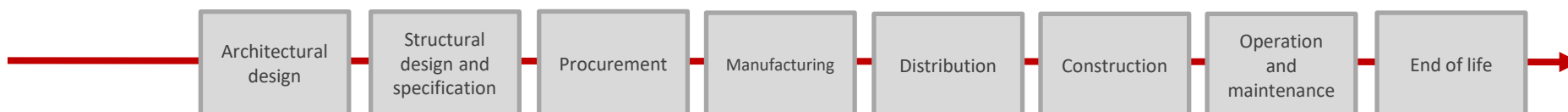
### CSSA Value Chain



### CMA Value Chain



### SARMA Value Chain



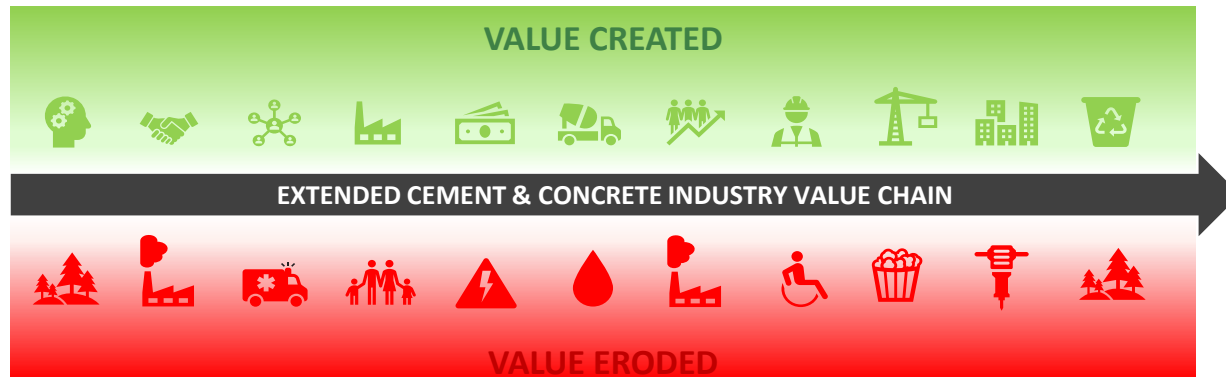
# Industry value chain responses

## DEVELOP AND COLLABORATE

- Alternative, sustainable fuels and raw materials
- Capacity and finance deals for municipal projects
- Infrastructure maintenance and return on investment
- Product, process and supply chain standards (quality)
- IP and product patents

## PROMOTE AND LEVERAGE

- Local job creation across the industry
- Local beneficiation and economic development
- The value of infrastructure, heritage and the benefits of concrete
- Green jobs
- CSI projects
- Skills and career development



## INNOVATE

- R&D | New technologies
- Design
- Renewable energy
- Closed loop water systems
- Product performance
- Circular economy

## MANAGE AND MITIGATE

- GHG Emissions
- Dust emissions and air quality
- Community disruptions
- Health and safety incidents
- Production waste
- Transport spillage

## ELIMINATE

- Concrete to landfill
- Damage to eco-systems
- Fatalities

# Comprehensive list of industry issues

Research, interviews and workshop outputs helped to identify the various issues that are currently being experienced across the EXTENDED cement and concrete industry. These issues were then discussed and consolidated.

Bargaining council agreements

BBBEE top-ups

Carbon tax uncertainties

Cash generation

Competition - Pricing

Competition and customer demands (emerging new players)

Compliance the MPRDA

Complying with policy and regulatory regimes

Consistent offtake for major contractors/business partners

Corporate governance and compliance

Cost reductions

Credit facility levels

Currency fluctuations

Customer value proposition

Earnings growth

Economic crimes

Employee growth and development

Energy costs

Environmental concerns (i.e. water shortage, carbon emissions)

Environmental legislation

Failing infrastructure

Growth prospects

Historical social issues (community socio-economic development)

Increased threat of imports

Investment grade rating

Investor confidence

Labour relations

Lack of fixed investment

Liquidity

Local economic development

Long term sustainability – profitability

Low / Stagnant growth

Managing and responding to perceptions of collusion

Meet capital and interest payments

Overall state of construction industry

Policy uncertainty – Mining Charter

Political risk and uncertainty – 2019 Elections and other

Product availability

Product quality

Product transport

Profitability

Radical economic transformation

Remuneration and incentives

Reputational issues

Requirement for BBBEE

Safety

Skills development

Social license to operate

Supplier payment performance

Sustainability

Trade Unions

Transformation

Water



# Strategic Themes



## Barriers to Growth

State of the construction industry  
Govt policies (EWC, Mining, Carbon etc)  
Government efficiency and effectiveness  
Government policy and uncertainty  
State owned monopoly supplier issues  
Macro-economic issues (forex fluctuations etc)



## Relevance & Reputation

Industry relevance and its value proposition  
Limited projects  
Industry transformation & BEE  
Social license to operate and reputation  
Industry leadership



## Long-Term Shared Value

Lack of profitability and lower margins  
Changing customer base - shifts in buying power  
Increased oversupply  
Development, management and dissemination of standards

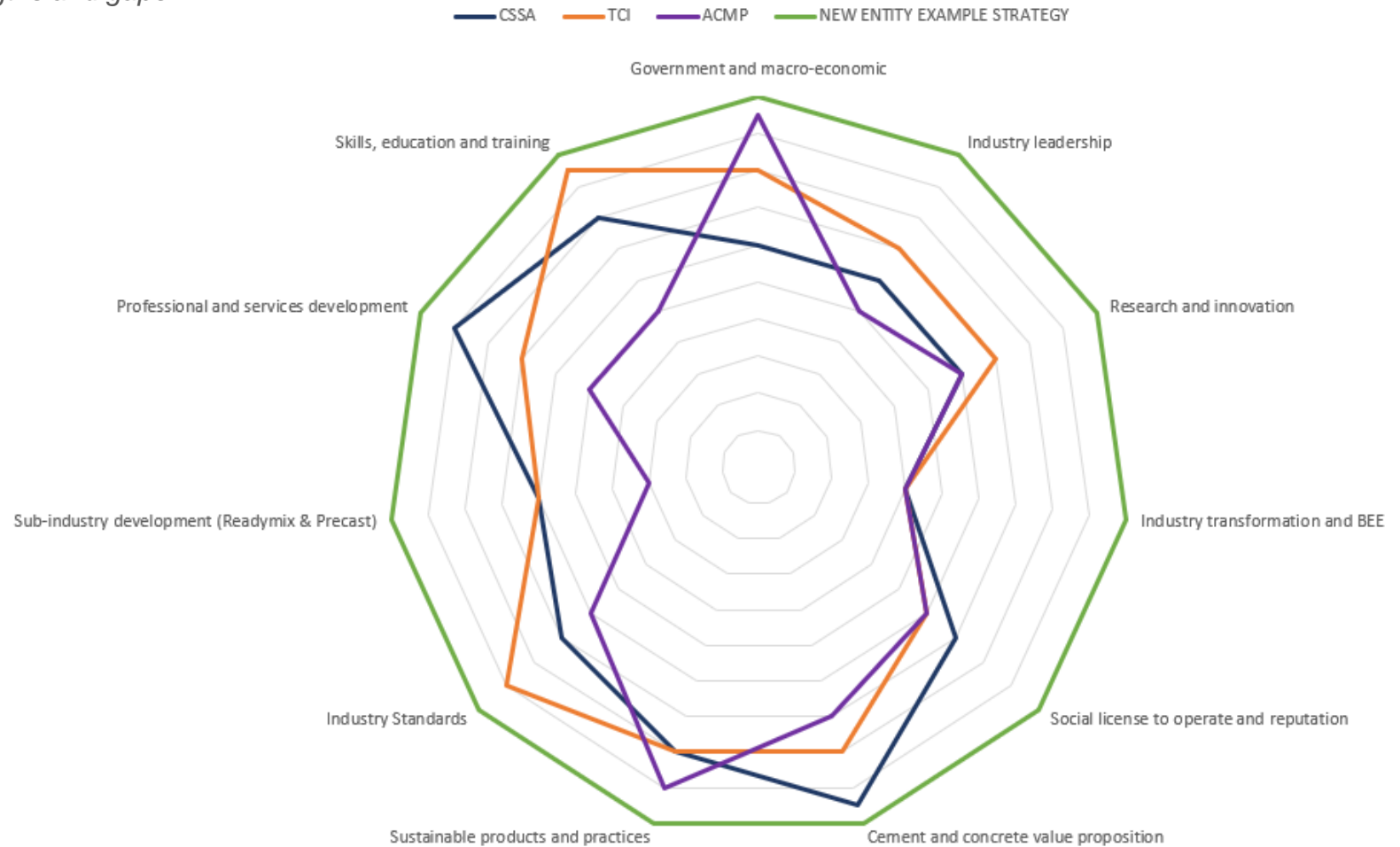


## Sustainable Practices

Environmental compliance and management  
Human capital and skills  
Safety compliance and management

# Strategic competencies

*Mapping current strategic competencies of the three industry bodies against potential focus areas provides insights regarding existing strengths and gaps.*



# SARMA and CMA: Separately valuable

*Key role players in growing industry segments*

SARMA and CMA represent emerging market segments of the industry. Both are fundamentally linked to the defence and promotion of their respective member interests.

Full consolidation seems unrealistic and yet collaboration may be possible and even mutually beneficial.

If tethered to the new 'Entity X', each entity will help to occupy valuable space in the strategic wheel, specifically regarding the focus area that is the 'development of industry sub-sectors'.

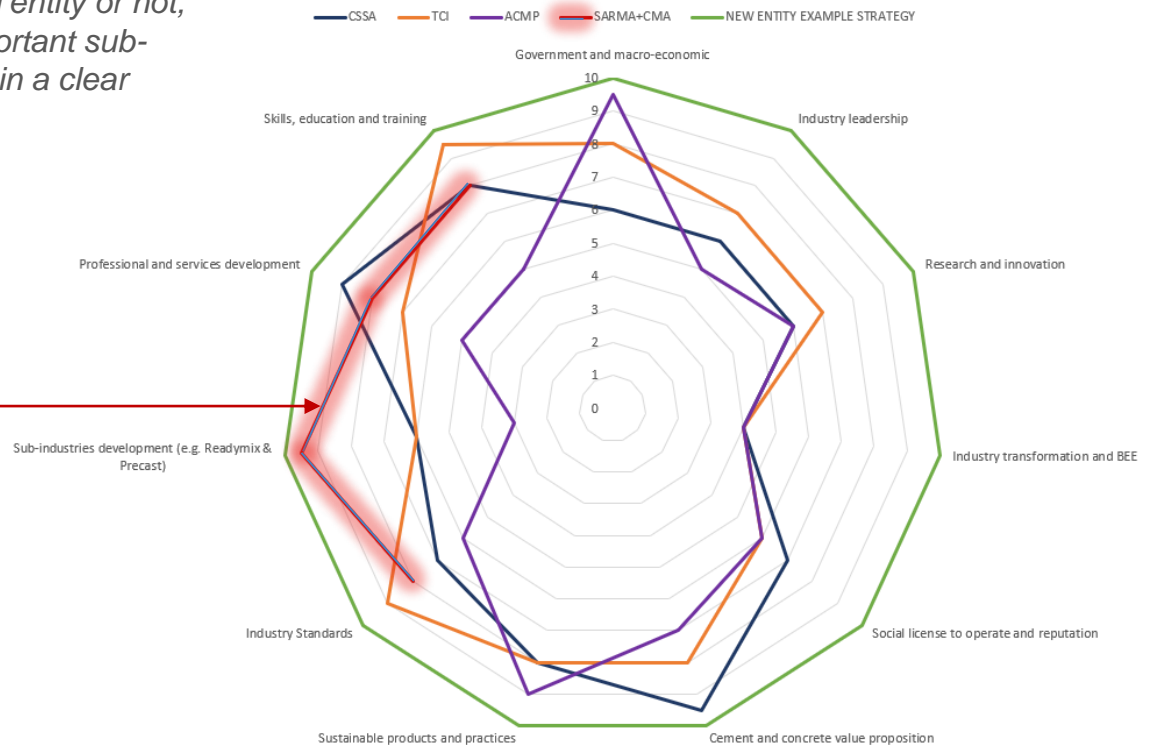


# SARMA and CMA: Strategic contribution

*Whether part of a consolidated entity or not, both entities operate in an important sub-sector and should be included in a clear strategy, driven by 'Entity X'*

The apparent growth of the Readymix and Precast sub-industry sectors internationally, and the apparent potential for growth in these sectors locally means that the roles of SARMA and CMA are important to support. These activities fill important gaps in the industries strategic wheel.

Given that there is a requirement for a single industry voice, via the proposed consolidated entity, the strategies and activities of SARMA and CMA should be strongly aligned, and regularly reviewed under contract by the consolidated entity.



# VIP concepts in the strategy

- **Luxury of sentiment is likely to be limited to that which is aligned with the new strategy**
- **Projects and activities should not be retained because they have always been done.**
- **The new benchmarks will be**
  - **Relative value and**
  - **Relevance**

# Strategic pillars and themes

A platform for the vision and mission

Developing Strategic Pillars and Themes that provide a platform for the CIB strategy, using various inputs from workshops, research and interviews:

- Industry context
- Sustainability context
- South African context
- Objectives of cement producers
- Objectives of cement and concrete industry roles players and stakeholders



## LEADERSHIP

Unity and advocacy  
Influence and effectiveness  
Development and transformation

## GROWTH

Cement and concrete value proposition  
Membership and network development  
Research, standards, training and advisory

## SUSTAINABILITY

Environmental and social value  
Circular and innovative products and practices  
Sustainable development

# Strategic Pillars and Themes

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Unity and advocacy  
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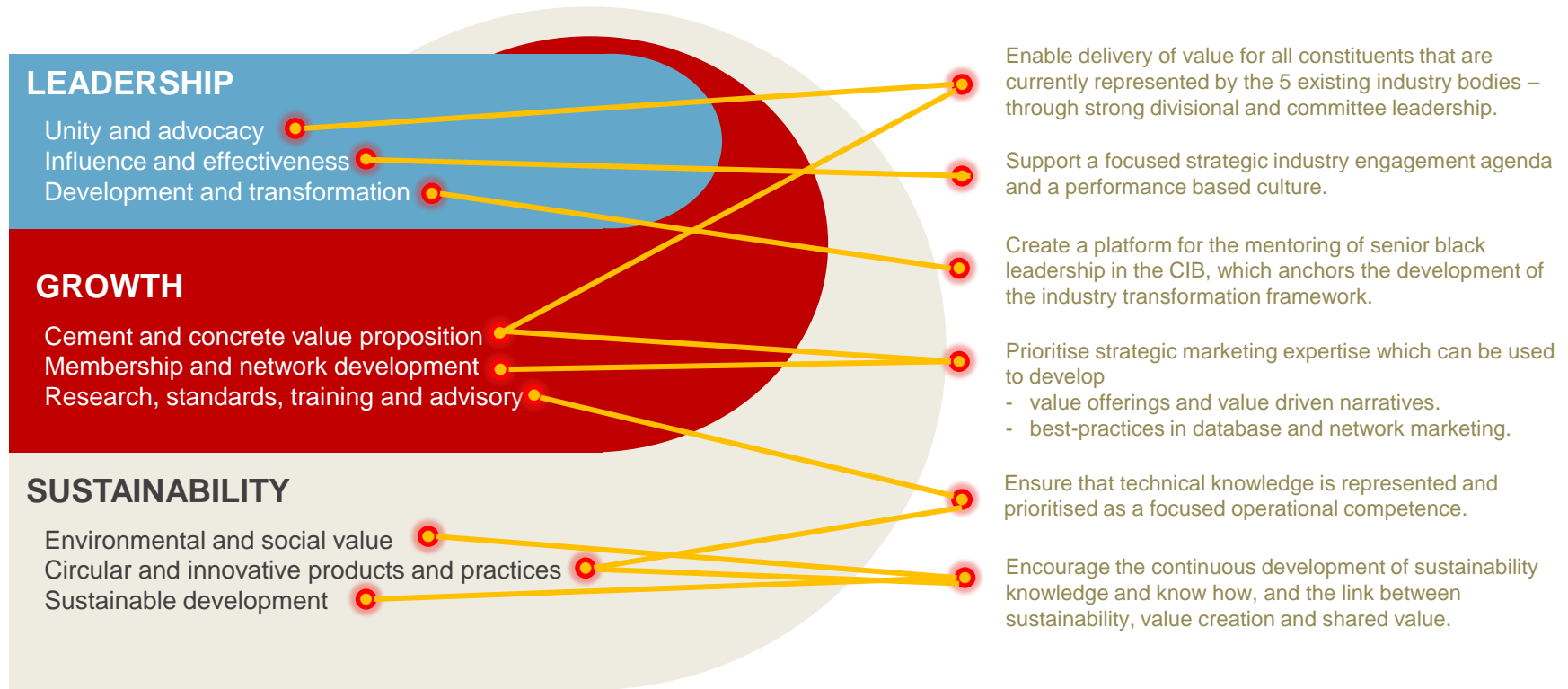
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# Strategy informs structure

What structure would best deliver the strategy of the CIB





# Centres of excellence

Build focused centres of excellence that are aligned with strategic themes and key focus areas. Install strong divisional leadership.

## STRATEGIC PILLARS AND THEMES

### LEADERSHIP

Unity and advocacy  
Influence and effectiveness  
Development and transformation

### GROWTH

Cement and concrete value proposition  
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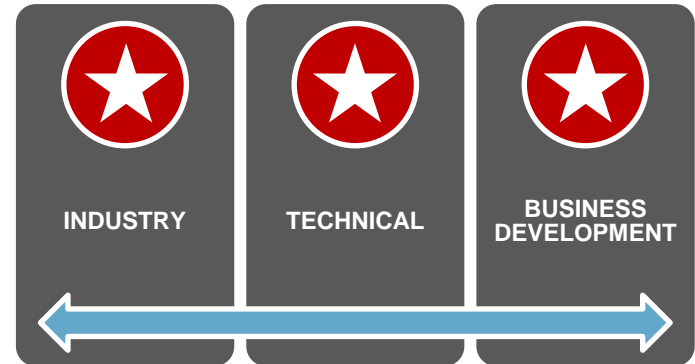
### SUSTAINABILITY

Environmental and social value  
Circular and innovative products and practices  
Sustainable development

## FOCUS AREAS

# 3

## Centres of Excellence



Engaging at the highest levels.  
Driving growth.  
One industry voice

Research, standards, advisory, training and technical resources management

Driving growth for members, value for members and growth in membership.

# VIP issues for CSSA and CMA

- **Membership business model**
- **New strategy has a Growth Pillar anchored by a Business Development Centre of Excellence focussed on**
  - **Growing membership of the CIB, and**
  - **Growing the business of members and stakeholders thereby**
  - **Influencing sustainable industry growth**

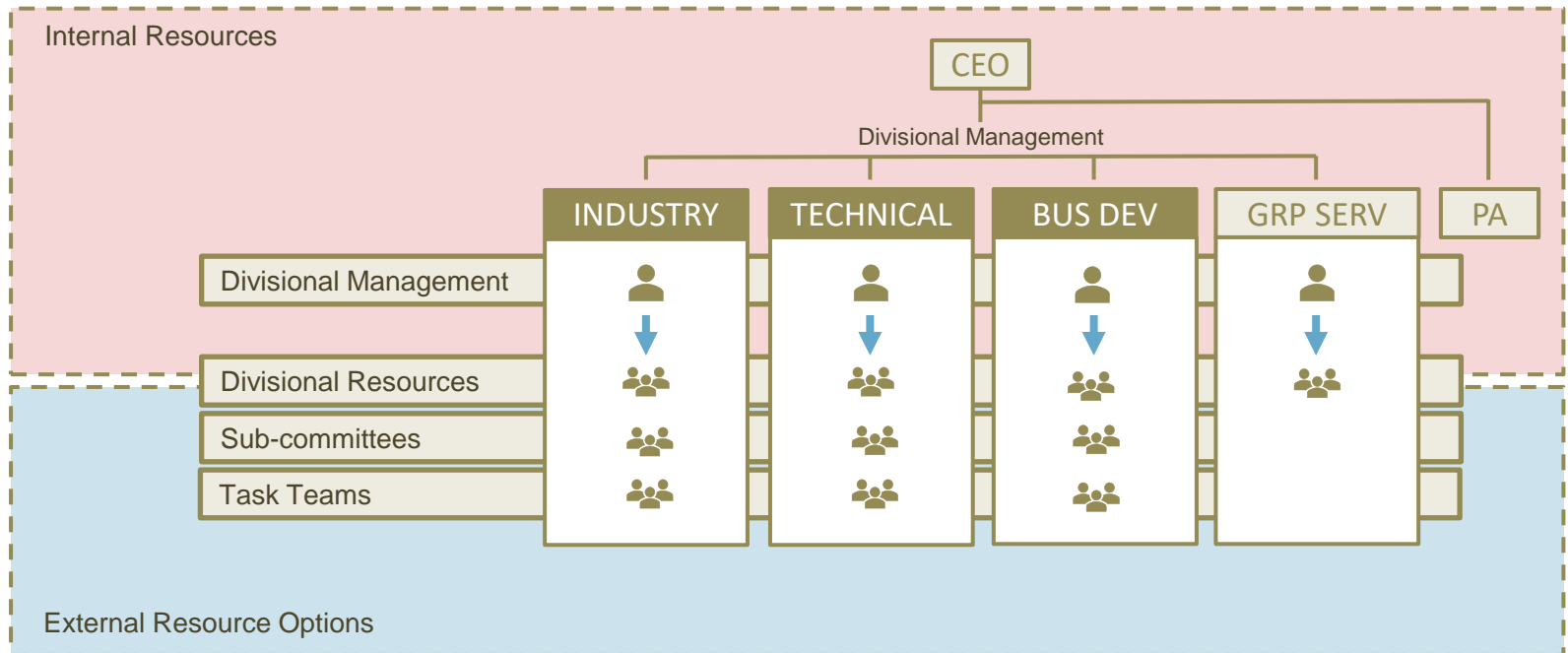
# Proposed high-level CIB structure

Three centres of excellence (Divisions) and one Group Services Division

Internally retained divisional management resources

Internally retained and externally contracted divisional resources as required and as affordable.

Various sub-committees (on-going) and task teams (projects), incorporating external role players as required



# Activities and Roles

Activities were identified for each centre of excellence (division), which are regarded as necessary for the delivery of the strategy. Activities help to inform ROLES required for the organisation.

INDUSTRY	TECHNICAL	BUS DEV	GRP SERV
<ul style="list-style-type: none"> <li>• Advocacy: National government (cement production and related)</li> <li>• Advocacy: National government (broader industry)</li> <li>• Regulatory comments: cement production and related</li> <li>• Regulatory comments: broader industry</li> <li>• Member support: regulatory/policy challenges</li> <li>• CIB Policies: Cement/Energy/Water/Biodiversity/HS</li> <li>• Engagement: Local government</li> <li>• Engagement: Industry stakeholders/organisations</li> <li>• Scheduling and stakeholder coordination</li> <li>• Cement Industry: Meeting agendas and minutes</li> <li>• Industry presentations</li> <li>• Industry transformation</li> <li>• Industry statistics and data</li> <li>• Stakeholder conflict resolution</li> </ul>	<ul style="list-style-type: none"> <li>• Research leadership</li> <li>• Research</li> <li>• Standards leadership</li> <li>• Audit leadership</li> <li>• Laboratory leadership (as required)</li> <li>• Training leadership</li> <li>• Advisory and consulting leadership</li> <li>• Information Centre leadership</li> <li>• Information Centre management</li> <li>• Library: filing</li> <li>• Technical Secretary: all reports</li> <li>• Admin support services - technical division</li> <li>• Audits: admin and scheduling</li> <li>• Training: admin and scheduling</li> <li>• Training and audit certificates</li> <li>• Training laboratory administration</li> <li>• Course scheduling and admin</li> <li>• Technical Committees: Minutes</li> <li>• Advisory (incoming enquiries etc.)</li> <li>• Consulting (paid, e.g. forensics)</li> <li>• Standards development (committees)</li> <li>• Training materials development</li> <li>• Lecturing/training</li> <li>• Seminar/workshop presentations</li> </ul>	<ul style="list-style-type: none"> <li>• Business Development: leadership</li> <li>• Marketing strategy</li> <li>• Membership acquisition and retention (marketing)</li> <li>• Concrete Community support and development</li> <li>• Membership sales</li> <li>• Membership sales support</li> <li>• Training: Sales</li> <li>• Membership and database leadership</li> <li>• Segment admin and support services</li> <li>• Media planning and buying</li> <li>• Communications</li> <li>• Events planning, management &amp; administration</li> <li>• Events admin support</li> <li>• PR</li> <li>• Publishing leadership</li> <li>• Publishing: Magazines</li> <li>• Publishing admin support</li> <li>• Graphic design and layout</li> <li>• Advertising and sponsorship sales: Mags and Events</li> <li>• Ads and sponsorship sales: support</li> <li>• Member/industry networking</li> <li>• Volunteer network development</li> <li>• CPD administration</li> <li>• Digital and social media marketing</li> <li>• Website development</li> <li>• Website uploads and updates</li> <li>• Copywriting/Report Writing</li> </ul>	<ul style="list-style-type: none"> <li>• General Management: Shared Services</li> <li>• Accounts: Debtors</li> <li>• Accounts: Creditors</li> <li>• Accounts: Bookkeeping</li> <li>• Payroll</li> <li>• HR Matters</li> <li>• HR Administration</li> <li>• Legal</li> <li>• Reception and front office administration</li> <li>• Building maintenance, landlord and related</li> <li>• Secretarial</li> <li>• IT and telecoms</li> <li>• Business travel and logistics</li> <li>• Driver, deliveries, banking/recycling</li> <li>• Regional administration</li> </ul>

# Roles and Resources Required

*The following work items have also been completed as part of the strategy development process*

## ▶ ROLES, RESPONSIBILITIES AND ACCOUNTABILITY

Roles were mapped against Activities using a **RACI** Chart, to establish the CIB's management approach.

RACI is an acronym that stands for **R**esponsible, **A**ccountable, **C**onsulted and **I**nformed.

A RACI chart is a matrix of all the activities or decision-making authorities undertaken in an organisation set against all roles, and maximises:

- Role clarity
- Accountability
- Performance management
- Communication
- Flexibility during structural change

## ▶ FINANCIAL BUDGET:

A budgeting tool has been developed for the CIB, which is aligned with the proposed strategy and structure.

The tool has been built to enable divisional budgeting which contributes to overall group budget.

## ▶ HUMAN CAPITAL OVERVIEW:

A human capital planning tool has been developed, which maps employee requirements against the proposed structure.

Includes a version which benchmarks employees costs against current resources in existing industry bodies.

# Activities and Roles

Identifying and mapping activities and roles for the CIB

Activities were identified for each centre of excellence (division), which are regarded as necessary for the delivery of the strategy.



Activities help to inform ROLES required for the organisation.

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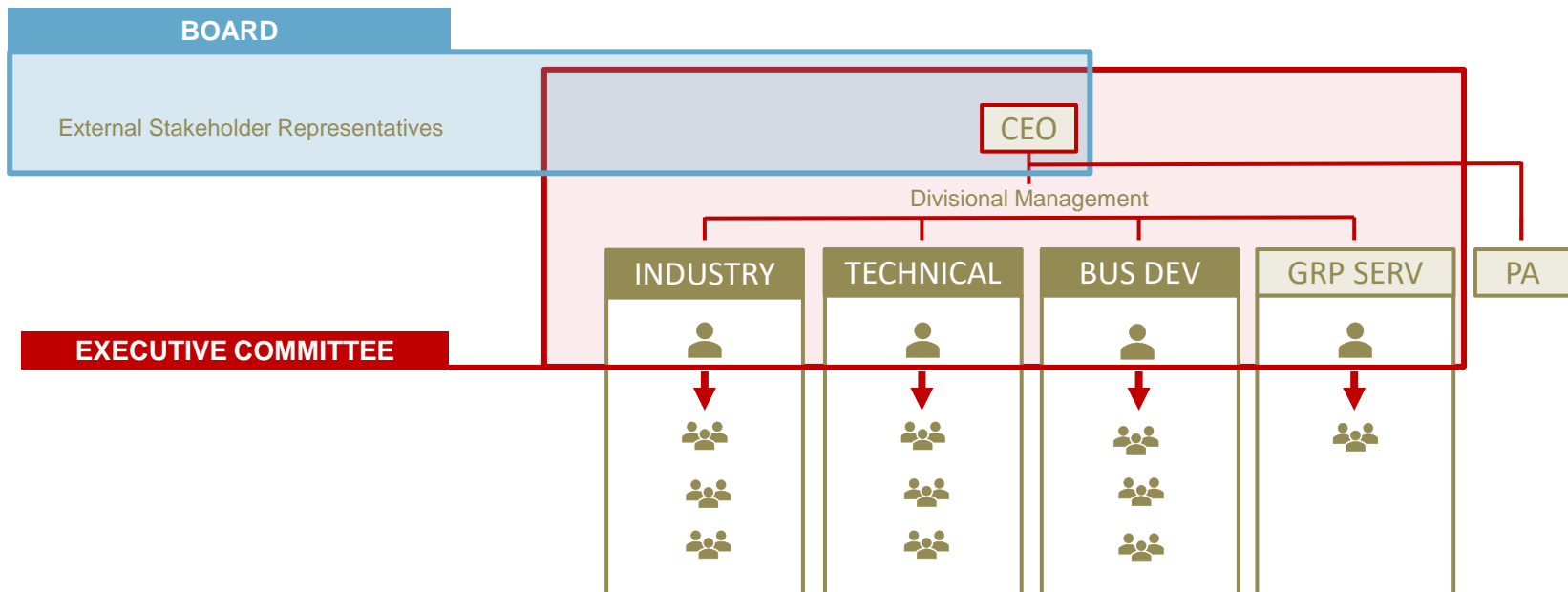
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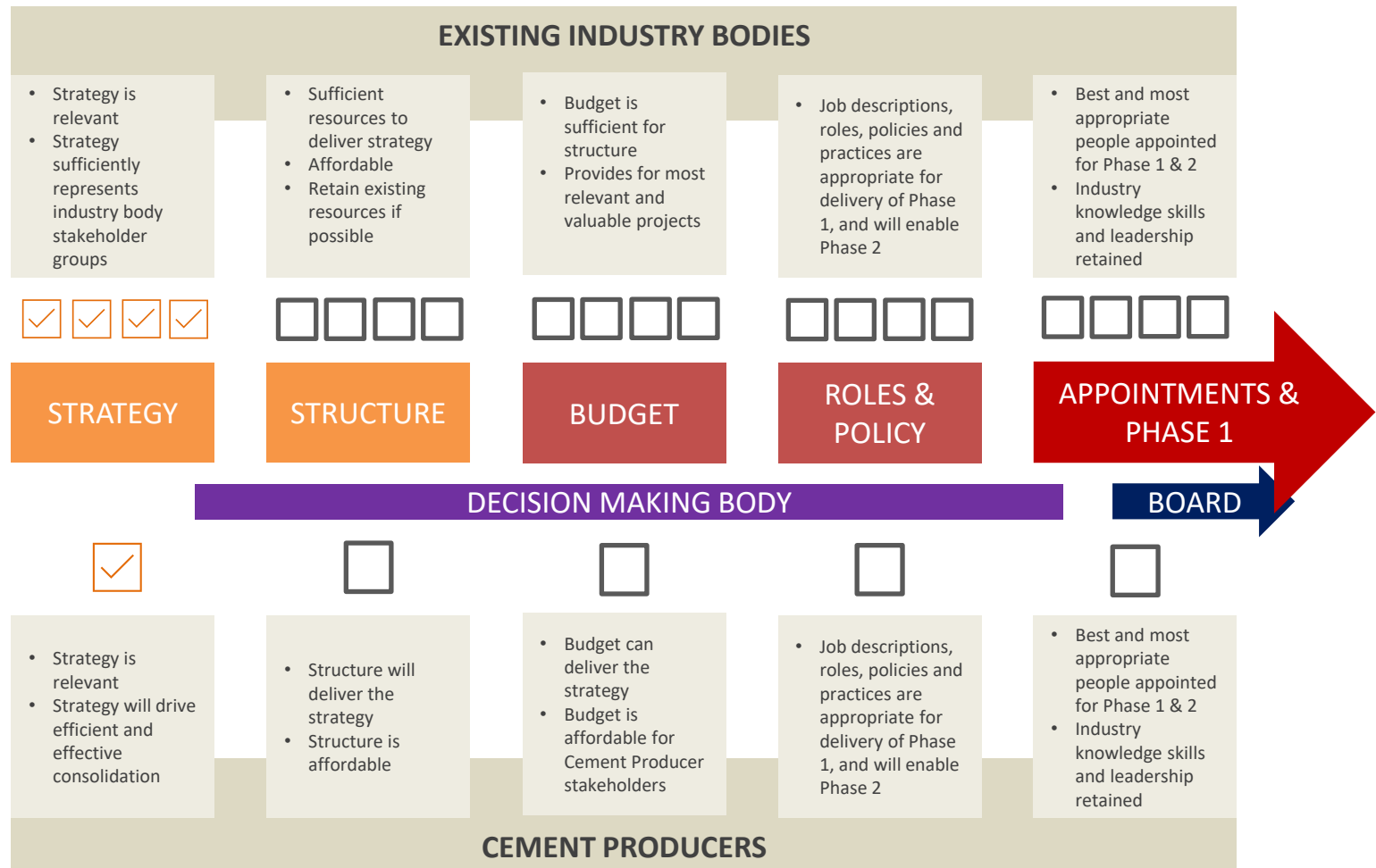
A Board, represented by key role players and led by a chair

Executive committee led by CEO

Various sub-committees and task teams lead by divisional managers or other appointed resources.



# The Way Forward



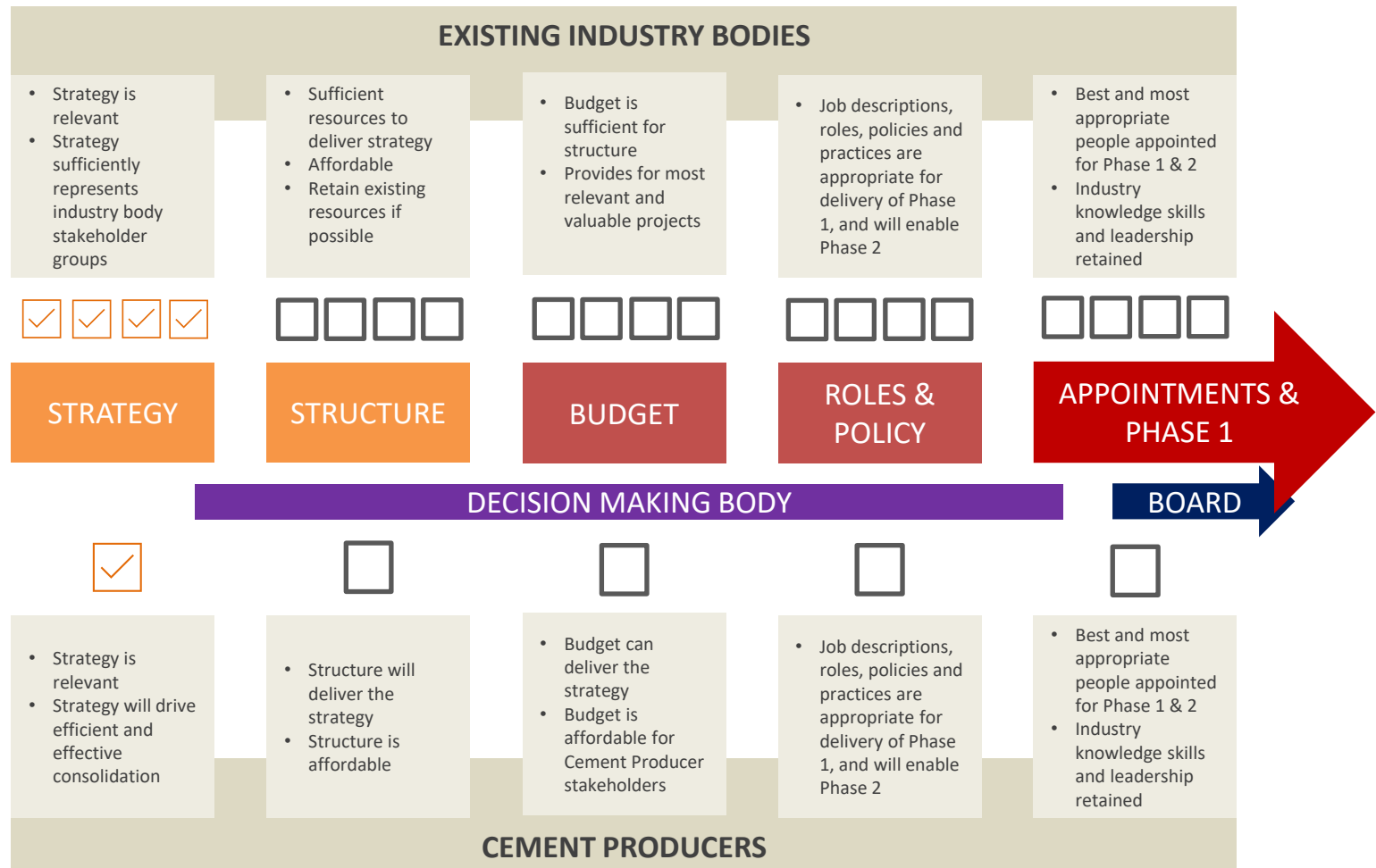


# The Way Forward

- Decision Making Body (DMB) appointed, representatives from:
  - CSSA
  - TCI
  - CMA
  - ACMP
  - Cement Industry:
    - Richard Tomes
    - Pieter Fourie
- DMB to meet shortly



# The Way Forward



# Conclusion

- Long tortuous process
- Very thorough facilitation process
- Reaching finality
- Use Covid-19 to try and finalise by end 2020
- **Thanks to all for their time and input to date and especially to Lloyd for his professionalism and patience**

# Thank You

## Questions?

