

Digital Transformation and Change Management

Syndicate Assignment

January 2021

Your deliverable:

You need to deliver a 20 – 30 slide PowerPoint presentation, with a recorded voice over, lasting no more than 30 minutes. The voice-over should be done by a syndicate member but needs to be as professional as possible and well articulated.

The presentation is intended to simulate as though you were presenting to the Exco of Vuka Africa Holdings.

Rubric:

An abbreviated rubric for this assignment will be provided separately to this document.

Submission Date:

The closing date and time for submission is as per the Sakai posting.

Note to Students:

This case study is fictitious. Vuka Africa Holdings does not exist. Any similarities to real businesses are entirely coincidental.

Given that the case is fictitious, it is entirely acceptable for the syndicate to create additional fictitious data or information about the company as additional background to the assignment or to motivate the assignment responses therein. However, this is provided that such additional fictitious material is plausible, credible and relevant. For example, the syndicate may wish to base some of their arguments on customer satisfaction data, or employee engagement data, or IT systems status/performance data, in which case such data can be “invented”.

Vuka Africa Holdings

1 Firm Overview

Vuka Africa Holdings is a diversified industrial and commercial enterprise, headquartered in Johannesburg and listed on the JSE, with operations in South Africa only.

Vuka Africa Holdings comprises 4 main Divisions, all of which are wholly owned, namely:

- **Vuka Manufacturing:** Manufacturer of white-label apparel and basic foodstuffs for Vuka Retail (apparel only) but also other South African and African retailers. Located primarily in the Western Cape. Employs 1200 people, of which 1050 are unskilled or semi-skilled workers. Competitors would be the likes of Powerhouse Clothing Company, or Imbo, Albany, Clover and Pioneer foods.
- **Vuka Distribution and Logistics:** Warehousing and distribution service provider, with the operations in South Africa. The inability to deliver significant cross-border operations into SADC countries is seen as a strategic shortcoming for many customers. Headquartered in Boksburg. Deploys approximately 480 vehicles, of which 140 are large capacity, 55 are medium capacity and 215 are small capacity, plus 70 refrigerated vehicles. Employs 2150 people, of which 670 are drivers, 1230 are blue-collar warehouse staff and truck labourers, and 250 are the clerical and professional staff. Barloworld Logistics and Imperial logistics would be considered as competitors.
- **Vuka Automotive:** Franchisee of global car-hire business Bevis (a global market leader and technology leader in its field) and Motor Retail channel for Land Rover/Range Rover, Toyota, and Subaru, with 55 motor retail locations around South Africa. Main competitors include Bidvest Automotive and Barloworld.
- **Vuka Retail:** Vuka Retail was established in 2013 as an online-only fashion retailer targeting the South African market, with the strategic intent of leveraging the Manufacturing and Logistics and Distribution capabilities of the business. It's main competitors would be the likes of Spree, Superbalist and Zando.

2 Strategy & Operating Model

Vuka historically operated as a portfolio investment holding company. However, in 2015, shortly after the establishment of Vuka Retail, the Board decided to move towards a more "active shareholder" model. This led Vuka to capacitate the corporate centre to lead more active resource allocation, lead selected group-wide strategic projects, M&A, human capital management, and group communications, in addition to the prior corporate roles of investor relations and group financial management. This was primarily to drive synergies across group companies, especially with Retail.

As a slightly more integrated organisation, the strategy has three pillars:

- **"Deliver the present":** A ruthless focus on execution of current business plans to deliver the budget and other operational outcomes in the current financial year
- **"Improve the business":** A series of tactical interventions to improve operational efficiency, customer experience and revenue sustainability of current lines of business.
- **"Create the future":** Innovation and investment in so-called "horizon 2 and horizon 3" opportunities to build a pipeline of growth for the future as existing business units run out of growth potential or move into decline. Retail was born out of this rationale.

Each business unit is required to develop its own strategy in alignment with these themes. Thus far "Deliver the Present" is dominating activities and outcomes in Manufacturing, Distribution and Logistics and Automotive; "Improve the business" has several execution activities across the group but these have yet to show impact; and "Create the future" appears to be on track in Retail but has had very limited traction and is sporadic and not systematised across the rest of the group. Indeed, innovation is seen as a challenge where the Divisions tend to stick to tried and trusted processes, systems and products.

3 Financial Performance

The group's historical and current financial performance is provided in Appendix 1. The group's financial year ends 31st March in each year, so the results for 2019 relate to the period April 2018 to March 2019. The numbers provided for 2020 are the current forecast for the period of April 2019 to March 2020.

Headline financial data is provided in Figures 1 and 2 below. Financial Data is also available in the spreadsheet provided.

Revenue Contribution by Division

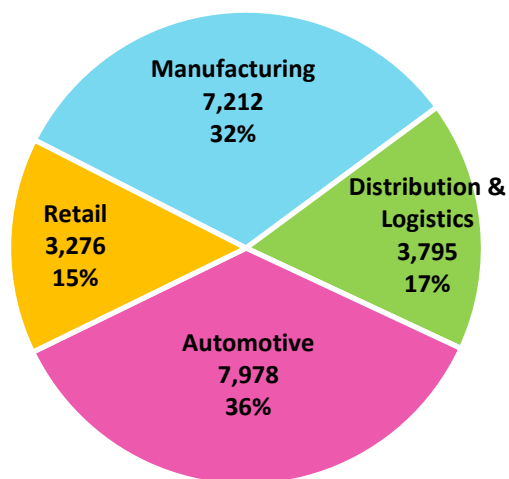


Fig. 1: Vuka Africa Holdings Revenue Contribution by Division and Geography

Profit Contribution by Division (2019)

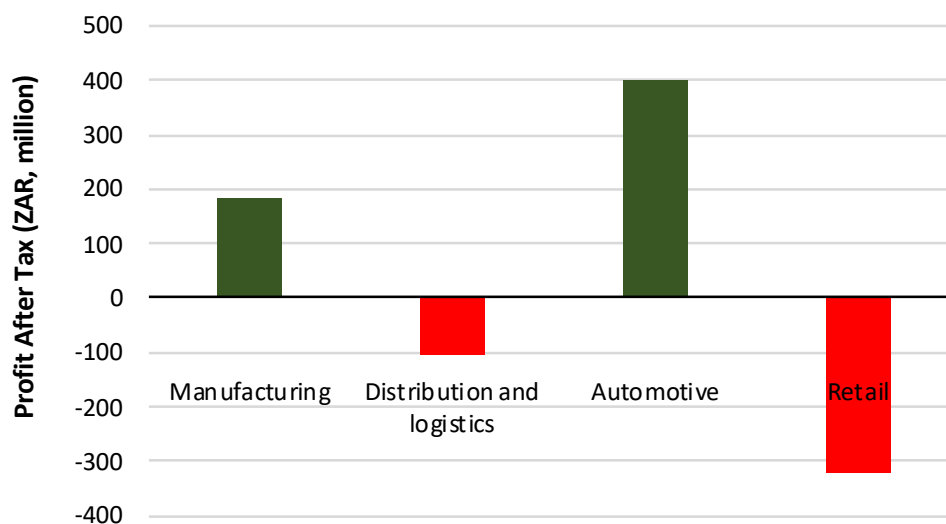


Fig. 2: Vuka Africa Holdings Profit Contribution by Division and Geography

The market has been concerned about profitability challenges in Distribution and Logistics and whether Retail would become profitable as per management guidance. However, the turnaround in Logistics and the encouraging performance of Retail have led to a more positive sentiment in the market. This is reflected in the share price performance, as illustrated in Figure 3 below:

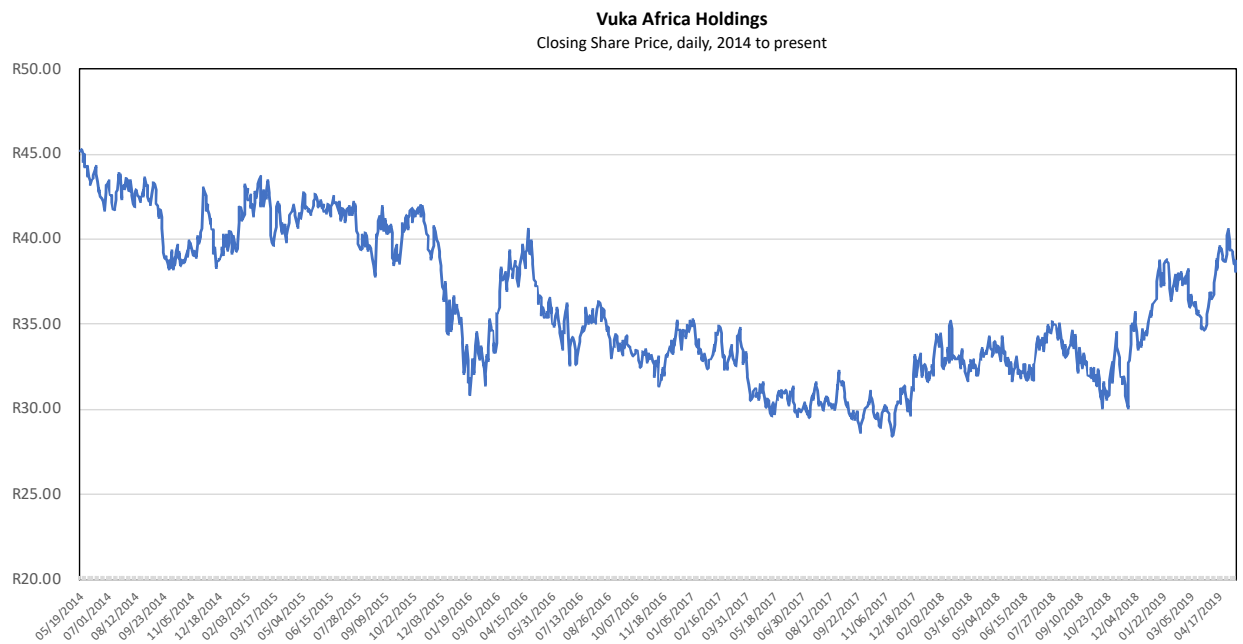


Fig. 3: Vuka Africa Holdings Historical Share Price Performance

4 Current Digital Maturity

You have recently completed a survey using the Digital Maturity Measurement tool, across each of the Divisions and the Corporate Centre. The sample was the executive team of each of the respective divisions, group exco, as well as selected high-potential members of each business drawn from the talent pool; as well as other key people in each division nominated by the Divisional CEO, Head of Human Resources or CDO/CIO. People were asked to answer the survey as they currently experience the organisation, in their role, as it actually is, rather than how they would like to be.

Headline results are illustrated in Figures 4 and 5 below. Key results are provided in Appendix 2 and more detailed results are available in the spreadsheet provided.

Some of the CEOs of the Divisions in the group are quite sceptical about the potential for Digitalisation in their businesses, and this manifests in the results.

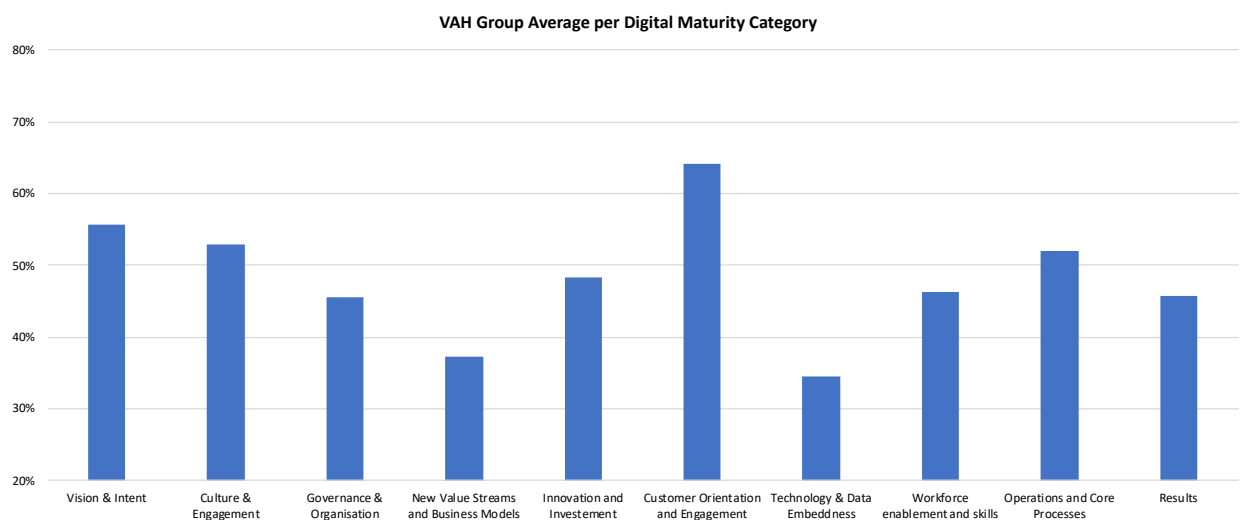


Fig. 4: Vuka Africa Holdings Digital Maturity per category (aggregate across all surveys received in all divisions)

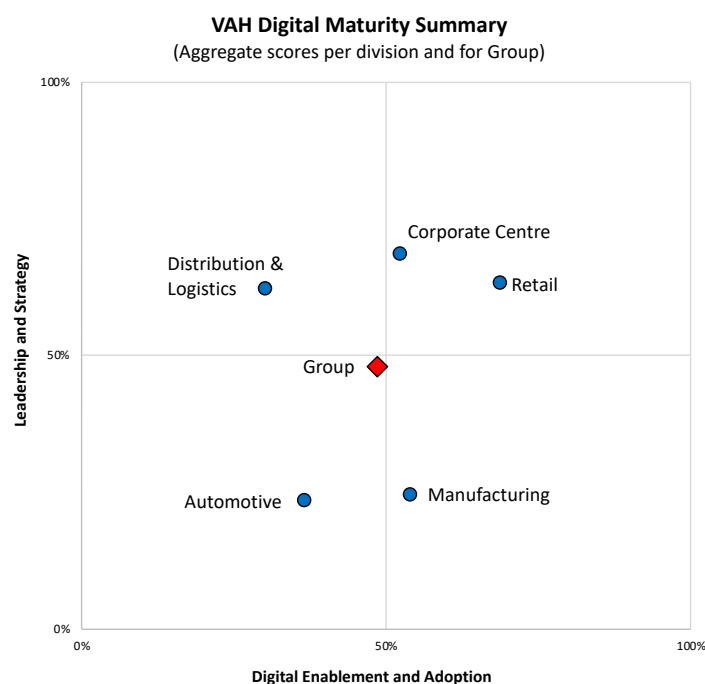


Fig. 5: Vuka Africa Holdings Relative Maturity Summary per Division

5 Customer and Employee NPS

The firm runs top-down customer satisfaction surveys, measuring Net Promoter Score (NPS) on a quarterly basis, and top-down employee engagement surveys, measuring employee Net Promoter Score (e-NPS) on a half-yearly basis.

Results from these survey is illustrated in Figures 6 and 7 below. A sample of verbatim feedback is provided in Appendix 3, with detailed quantitative data available in the spreadsheet provided.

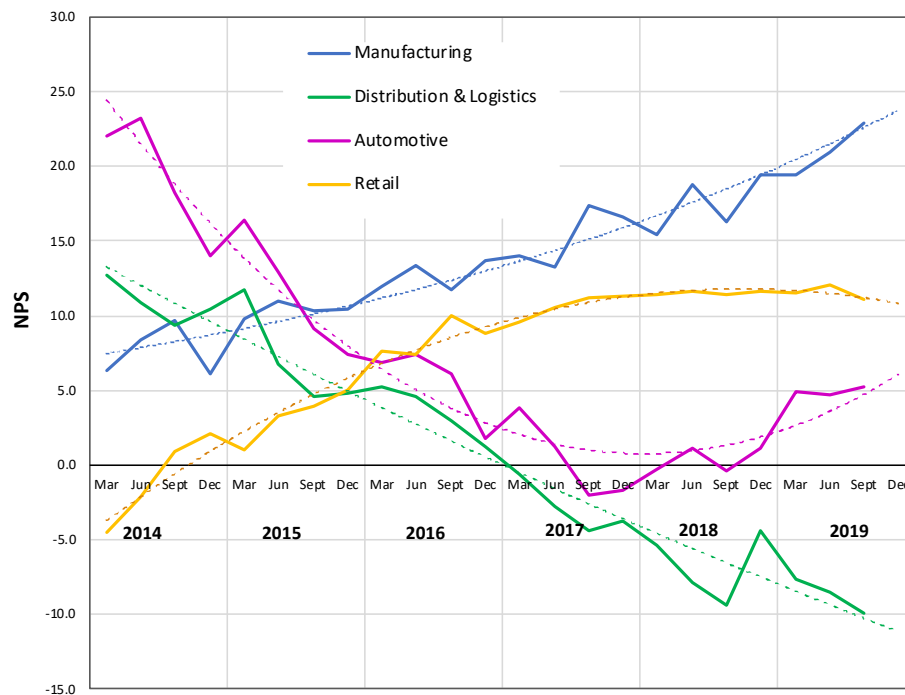


Fig. 6: Vuka Africa Holdings Customer NPS (quarterly)

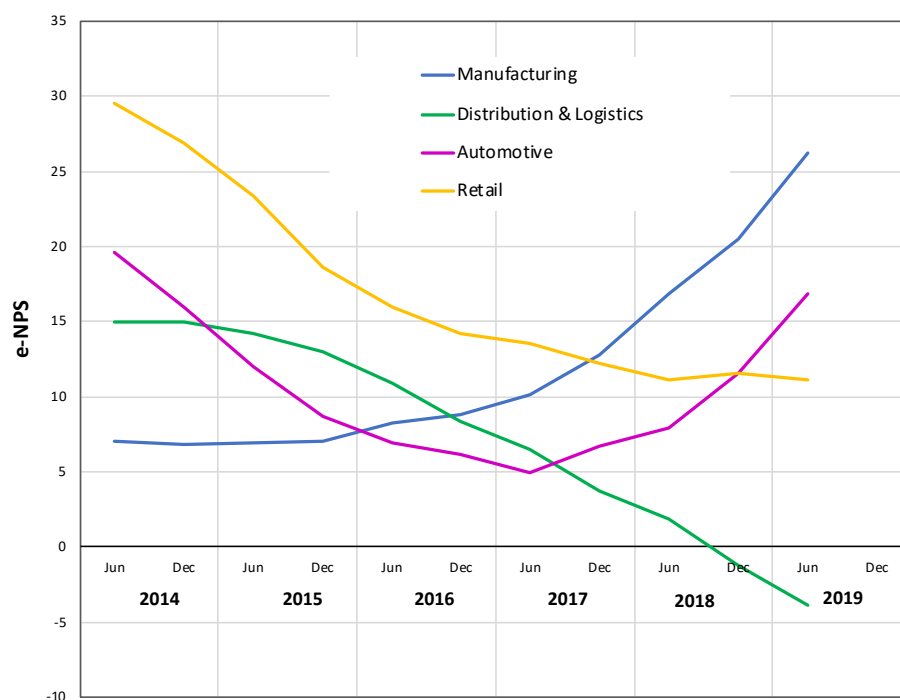


Fig. 7: Vuka Africa Holdings employee NPS (bi-annual)

6 Your Role and Task

The Board of the company identified Digitalisation as an important strategic focus, but their interpretation of this directive has yet to be clearly articulated or cascaded into the management of the firm. They have appointed a new Chief Digital Officer (CDO) to help give effect to the Board's focus on digitalisation, and also to capacitate the new operating model. Her immediate objectives are to energise and lead the transformation of the group to become a digital leader in the markets in which they operate. There is no group level CIO. Each Division has a CIO, and some have CDOs, who manage related activities in each division.

Your team has been appointed by the Chief Digital Officer to give an external perspective on the required digital transformation strategy and interventions the firm needs to adopt.

Specifically, the CDO has asked you present to group executive committee on 30 April 2020. You will have a 25-minute slot during which time she has asked you to cover the following topics:

1. The Digital vision and strategy for the company, but one that is credible given the current nature of the business. This digital vision and strategy needs to be rooted in the company overall strategy and extend that as appropriate.
2. Analyse the current level of digital maturity of the group.
3. Identify key focus areas for improvement, and suggested interventions to achieve such improvements.
4. Outline a strategic Digital Transformation programme which, over time, will deliver the vision of being a digital leader in the segments in which you operate. This needs to be based on a deliberate transformation process and / or change management methodology.
5. Outline how, in her role as a chief digital officer, the CDO should lead and engage with the Divisions to achieve maximal positive results, and specific leadership characteristics she needs to advise the rest of the Exco to focus on.
6. Assess the performance of the strategic innovation activity and the level of investment in strategic innovation.
7. She has asked you, in particular, to include material to help win over the sceptical Divisional CEOs.

7 Notes

1. Please work in your groups. But do not share this assignment or your workings with other groups.
2. Each person in the group needs to participate. The group's submission must indicate the names and student numbers of the group participants on the first slide of the assignment. The slide must also indicate the level of participation of each member. If a group member has not participated fully, his or her marks will be moderated down.

8 Approach

Your approach could be as follows:

1. Make sure you address each of the questions in Section 6.
2. Use the concepts and tools we have provided you in the course.
3. Your arguments need to be clear and lucid.
4. Remember you are presenting to an executive committee. If we, as the examiners (but putting ourselves in the "seats" of the exco), feel that you have convinced us, you will get a good mark.
5. Appoint a group leader early on in the run process like an important project – which it is. The project leader needs to take a strong lead, please respect him or her.
6. Please ensure that each group member participates. Work should be delegated out. Remember at the end you have to report on how each person contributed.
7. Use the tools electronic tools at your disposal.

8. The slides need to have key points listed. The detail may be covered in the voice over. Long essays in the slides are not acceptable. You need to be brief and to the point and convincing!
9. **Please refer to the rubric provided to help you ensure you cover all the points we are looking for.**

9 Submission

- Submission date: 11:55 pm on Tuesday **20 April 2021**.
- Mechanism for submission – PowerPoint slides with voice over. Maximum 25minutes. Presentations longer than 25 minutes will be penalised. Aim for no more than 20 slides, but absolute maximum of 30 slides. The following link explains narration on PowerPoint. <https://support.office.com/en-us/article/record-a-slide-show-with-narration-and-slide-timings-0b9502c6-5f6c-40ae-b1e7-e47d8741161c>
- At least two documents need to be posted on Sakai:
 - a. The Powerpoint without voice over. This will need to be assessed by Turnitin. This needs to include the script of the voiceover in the speaker notes.
 - b. The Powerpoint with voice over. This will not be assessed by Turnitin.
 - c. Optional: Word document or PDF with reference lists (see below)
- Note that if you are using a windows version of office, your recording can also capture a pointer and pen movements on the slides (not available on Mac). When you are recording in the presentation you can right click and select a laser pointer.
- Referencing: You must include references as used. Do not provide references if you have not used them. There are three advisable ways that this can be done:
 1. Include references by means of a appropriately placed reference number/author on the slide with the details included in the speaker notes pane on each slide (this is not ideal as references contribute to plagiarism scores); or
 2. As above but include reference details in a slide or two at the end with all references; or
 3. As above but include reference details in a separate Word or PDF document submitted separately on Sakai (as above).
- If you have important analysis, e.g. a spreadsheet, you may submit this as well. However, the heart of your case needs to be the PowerPoint presentation.
- We will be looking out for original work!
- Penalties will be applied for late submissions.
- Submissions must be submitted by uploading on the Sakai platform. If for whatever reason you cannot upload your files to Sakai, send them with wetransfer to Leona Craffert: leona.craffert@wits.ac.za

Appendix 1: VAH Financial Performance

The historical financial performance of the Group, and each of its divisions, is provided below:

Gross External Revenue	2014	2015	2016	2017	2018	2019	2020 (F'cast)	
Manufacturing	6 127	6 252	6 445	6 785	7 067	7 212	7 284	
Distribution & Logistics	4 268	4 268	4 184	3 985	3 795	3 795	3 995	
Automotive	6 303	6 565	6 839	7 276	7 658	7 978	8 224	
Retail	39	141	299	1 032	2 293	3 276	3 995	
TOTAL	16 737	17 226	17 768	19 077	20 814	22 260	23 498	
YoY Growth		2.9%	3.1%	7.4%	9.1%	6.9%	5.6%	

Gross Margin / Net Operating income	2014	2015	2016	2017	2018	2019	2020 (F'cast)	
Manufacturing	4 281	4 349	4 464	4 678	4 851	4 927	4 953	68.0%
Distribution and logistics	3 499	3 499	3 431	3 267	3 112	3 112	3 276	82.0%
Automotive	2 674	2 708	2 739	2 825	2 878	2 896	2 879	35.0%
Retail	-11	-27	-34	-43	62	296	599	15.0%
TOTAL	10 443	10 530	10 600	10 727	10 902	11 231	11 707	49.8%
YoY Growth		0.8%	0.7%	1.2%	1.6%	3.0%	4.2%	

Opex	2014	2015	2016	2017	2018	2019	2020 (F'cast)	
Manufacturing	2 769	2 854	2 972	3 160	3 325	3 427	3 497	48.0%
Distribution and logistics	1 622	1 707	1 757	1 674	1 784	1 670	1 638	41.0%
Automotive	670	712	757	822	883	938	987	12.0%
Retail (SA)	22	62	101	267	457	502	471	11.8%
TOTAL	5 083	5 335	5 587	5 923	6 448	6 537	6 593	28.1%
YoY Growth		5.0%	4.7%	6.0%	8.9%	1.4%	0.8%	

EBITDA	2014	2015	2016	2017	2018	2019	2020 (F'cast)	
Manufacturing	1 512	1 496	1 492	1 518	1 526	1 500	1 457	20.0%
Distribution and logistics	1 878	1 792	1 674	1 594	1 328	1 442	1 638	41.0%
Automotive	2 004	1 996	1 982	2 003	1 995	1 958	1 892	23.0%
Retail (SA)	-33	-89	-135	-310	-396	-206	128	3.2%
TOTAL	5 360	5 195	5 013	4 805	4 453	4 694	5 114	21.8%
YoY Growth		-3.1%	-3.5%	-4.1%	-7.3%	5.4%	9.0%	

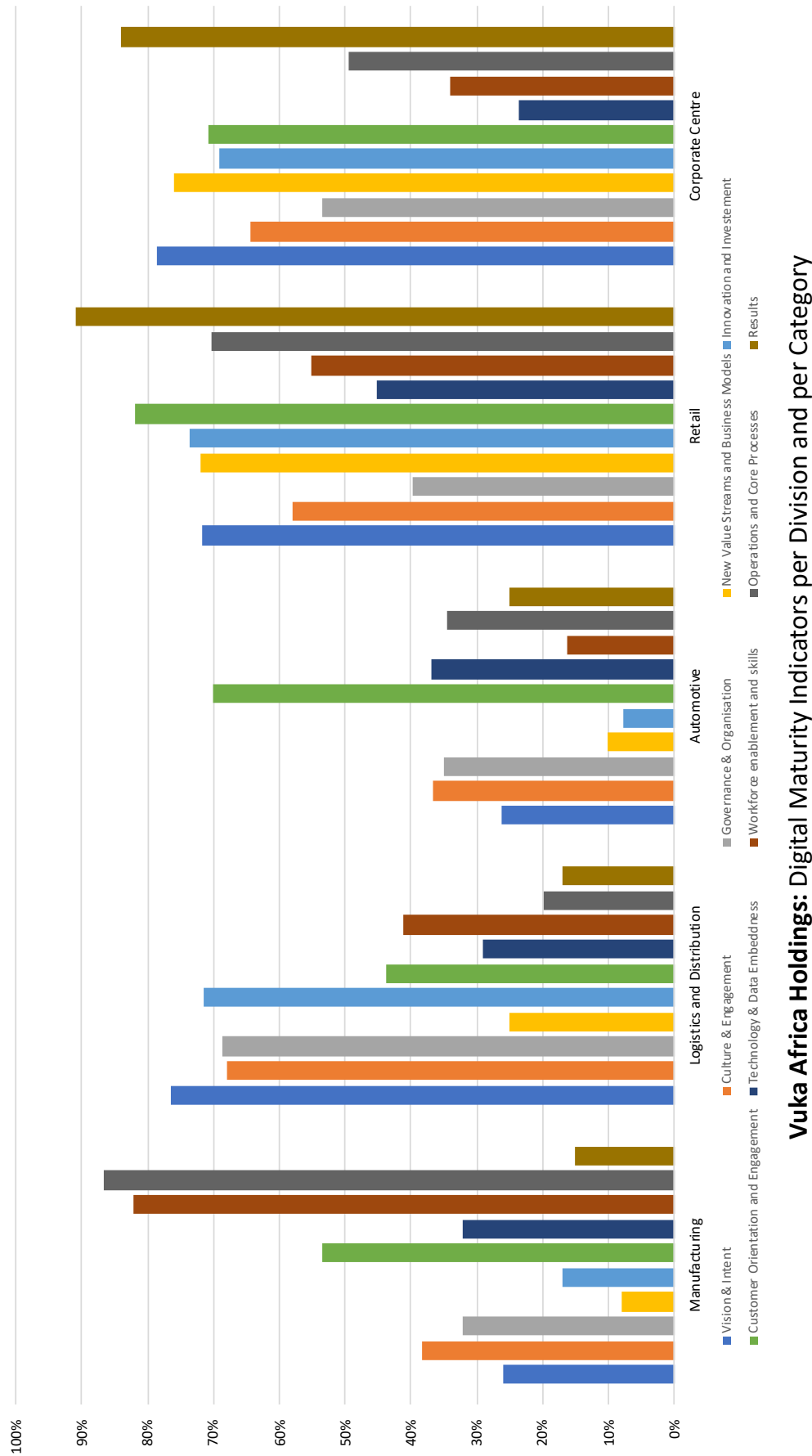
Depreciation & Amortisation	2014	2015	2016	2017	2018	2019	2020 (F'cast)	
Manufacturing	681	702	731	777	817	842	860	11.8%
Distribution and logistics	1 737	1 737	1 703	1 622	1 545	1 545	1 626	40.7%
Automotive	1 005	1 068	1 135	1 233	1 324	1 407	1 480	18.0%
Retail	28	42	60	93	110	115	120	3.0%
TOTAL	3 450	3 549	3 629	3 724	3 796	3 909	4 086	17.4%
YoY Growth		2.9%	2.2%	2.6%	1.9%	3.0%	4.5%	

Profit Before Tax	2014	2015	2016	2017	2018	2019	2020 (F'cast)	
Manufacturing	832	794	762	741	709	658	597	8.2%
Distribution and logistics	141	55	-29	-28	-216	-102	12	0.3%
Automotive	999	928	846	770	671	550	411	5.0%
Retail	-61	-131	-195	-403	-506	-321	8	0.2%
TOTAL	1 910	1 646	1 384	1 081	658	785	1 029	4.4%
YoY Growth		-13.8%	-15.9%	-21.9%	-39.2%	19.4%	31.0%	

Profit After Tax	2014	2015	2016	2017	2018	2019	2020 (F'cast)	
Manufacturing	599	222	213	208	198	184	167	2.3%
Distribution and logistics	101	40	-29	-28	-216	-102	9	0.2%
Automotive	719	668	609	555	483	396	296	3.6%
Retail	-61	-131	-195	-403	-506	-321	6	0.1%
TOTAL	552	498	450	423	386	338	288	1.2%
YoY Growth		-9.8%	-9.5%	-6.0%	-8.7%	-12.4%	-14.9%	

Appendix 2: Group Level Digital Maturity Survey Results

Note: for Divisional Level detail, see the spreadsheet provided.



Appendix 3: Selected Verbatims, Customer and Employee NPS, June 2019

Customer Verbatims - selected as relevant to Digital Transformation

Manufacturing	<p>"The fact that they have had a tough time has forced them to really up their game in terms of customer service. So well done. But I wish they would introduce some digital supply chain functionality".</p> <p>"Still a long way to go but getting better. Still very old fashioned and risk averse"</p> <p>"Better customer focus than their competitors. But they need to modernise"</p>
Distribution & Logistics	<p>"If they don't sort out things quickly they are going to go out of business. We have moved a lot of our business to more agile, market response competitors".</p> <p>"My account manager tries really hard but it seems like she is trying to make water flow uphill with the rest of the business"</p> <p>"They have reduced prices to try to retain and win back business but they need to fix the quality and market-relevance of their offerings"</p>
Automotive	<p>"Not what it was a few years back. Very disappointing"</p> <p>"I have sensed that recently they have taken customer feedback on board and are working hard to improve their customer serviced and engagement. In particular their customer touchpoints have really improved recently with hybrid and omni-channel features".</p> <p>"Some improvements but a long way to go before they are as responsive and agile as their competitors"</p>
Retail	<p>"Perhaps they are struggling to keep up with demand. I've had a few delivery issues recently"</p> <p>"Slick buying journey but delivery sucks"</p> <p>"Very happy. Nice product selection, great user interface, generally good delivery."</p> <p>"Returns process didn't work well. Otherwise fine".</p>

Employee Verbatims – selected as relevant to Digital Transformation

Manufacturing	<p>“At last the leadership is waking up to the fact that we need to modernise or die”.</p> <p>“Group leadership sometimes seems to be in love with Retail and don’t care about the rest of us. We don’t get credit for all the progress we are making”</p> <p>“We need more opportunities to develop new skills. I think those of us on the shop floor are becoming obsolete”.</p>
Distribution & Logistics	<p>“Our bosses talk a good story but frankly our business processes and the way we use technology is from the steam age”.</p> <p>“We have a good plan. Leadership is serious about it. But it will take time to turn this ship around”.</p> <p>“We’re investing a lot into new business models and our culture is very supportive of innovation. But the real engine room of the business is still old fashioned”.</p> <p>“We are running around like headless chickens trying everything new under the sun. We need to focus more”.</p>
Automotive	<p>“I think our customer focus has really improved, especially the way we use tech.”</p> <p>“Leadership really do care about us. But our business model is dying because the manufacturers can bypass us now and EVs will really hurt us, so we are concerned about our futures”</p>
Retail	<p>“Great place to work. But some stresses are showing as we grow from being a startup to a big business”.</p> <p>I think the leadership are losing touch with the reality of what’s happening on the floor. They want to grow grow grow but aren’t investing enough in resources – especially delivery”.</p> <p>I work in customer service and I’m taking a lot more strain than I used to. We need to get more capacity. But I’m still very happy. I see lots of growth opportunity.”</p>
Corporate Centre	<p>“Sometimes I think the BUs don’t get the urgency of the need for them to transform themselves. They say we are holding them back but it’s really up to them”.</p> <p>“I think we have great plans are doing the right things. Very excited about the future”.</p> <p>“The CEO needs to be more assertive in driving transformation, and set the example here at the corporate centre”.</p>