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If you are pouring too much money into projects that are not yielding success, it suggests that you need to consider changing tact and approaching productivity challenges differently.

BT&R Executive Manager Mr Justice Tshifularo

We have just gone through the first three months of the New Year, but it feels like we have been at it for eons. As I welcome you to the third edition of the Business Turnaround and Recovery (BT&R) programme newsletter, it is as if the working world never comes to a halt. In truth, it does not and as we strive to have an impact in South Africa, it is important to never cease to seek improvements in how we conduct our business.

Looking at the content of the current newsletter, it is exciting to read the case studies that illustrate the implementation of the BT&R programme. The case studies have shown how BT&R 'walks the talk'. As I run the risk of blowing the programme's trumpet, I must say that the impact of the programme clearly demonstrates how business, labour, and government can work hand in hand to reduce unemployment in the country.

When businesses struggle, it is often assumed that huge cash injections are the antidote to business struggles. Whilst cash injections do not harm and are often welcome, it is the marginal gains and development of business turnaround strategies that

prime companies for success. If you are pouring too much money into projects that are not yielding success, it suggests that you need to consider changing tact and approaching productivity challenges differently. As the renowned physicist and Nobel laureate Albert Einstein, said "Insanity is doing the same thing over and over again and expecting different results." At BT&R, we strive to assist businesses to achieve better results through the implementation of turnaround strategies and deviating a bit from the norm to achieve the desired results. In so doing, the programme fulfils its role as an effective employment and labour market instrument with a proven track record to minimise the threat of retrenchments whilst ensuring businesses perform optimally.

In one of the case studies, you will read about how a clothing company based in the Western Cape has managed to create an incredible 345 jobs. Whilst the workforce increase can primarily be attributed to the company's growth strategy which included the acquisition of additional manufacturing facilities to increase capacity, BT&R's intervention in the company played a significant role. I encourage you to read about this case study and more to get a sense of how the BT&R programme can assist your business.



BT&R PERFORMANCE BY DECEMBER 2023

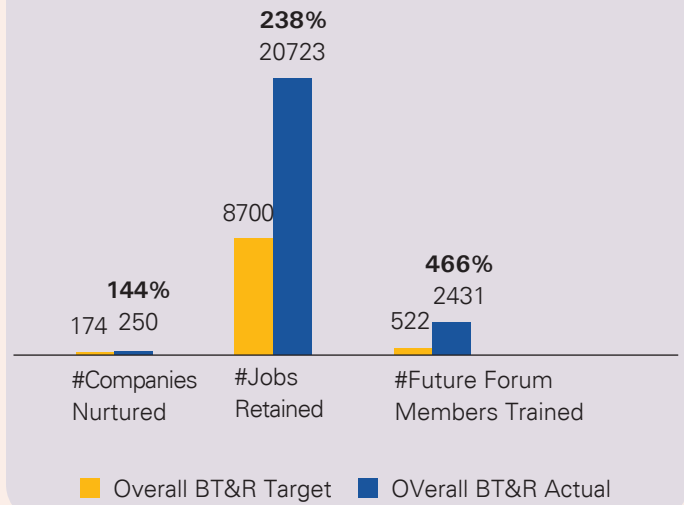
BT&R programme makes significant progress

By December 2023 in a period of just under four years, the BT&R programme had already enrolled 250 companies for assistance in enabling the turnaround and sustainability of the companies. By employing the BT&R interventions in those companies, the programme effectively saved 20 723 jobs.

The 250 companies that were enrolled in the BT&R programme were spread across the width and breadth of South Africa. 1 524 jobs were created resulting in 22 247 jobs being saved overall. Out of the 250 companies supported by the BT&R programme 93 were from Region 1 (Gauteng, North West, Limpopo), 63 from Region 2 (Western Cape, Northern Cape, Free State) and 94 from Region 3 (KwaZulu-Natal, Eastern Cape, Mpumalanga).

Out of the 20 723 jobs saved 7 660 are in Gauteng, North West and Limpopo; 7 203 in Western Cape, Northern Cape and the Free State; and 5 860 in KwaZulu-Natal, Eastern Cape and Mpumalanga. Of the 2 431 Future Forum (FF) Members trained, 659 FF Members were trained in Region 1, 934 in Region 2, and 838 in Region 3.

Cumulative BT&R Target vs Actual 2020-2023

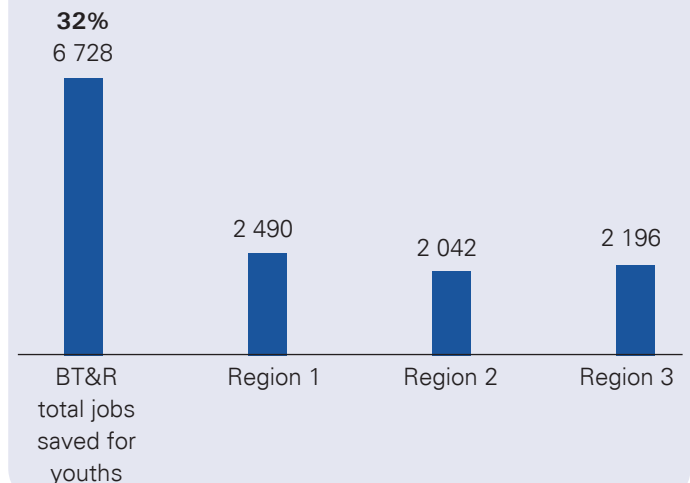


Demographics

The demographics of the interventions by the BT&R programme, indicate an impact on jobs involving the youth and people living with disabilities across various business disciplines in the country.

Jobs Saved for the Youth

Cumulative BT&R Jobs Retained for Youths 2020 to Date



Notably the unemployment rate in South Africa sat at 31,9% in the third quarter of 2023 and the number of employed persons increased by 399 000 to 16,7 million compared to 16,3 million in the second quarter of 2023.

Companies Nurtured

Region 1 ● GP ● LP ● NW	93
Region 2 ● WC ● FS ● NC	63
Region 3 ● KZN ● MP ● EC	94
Total Companies	250

Jobs Saved

	Jobs Saved	Jobs Created	Overall Jobs Saved
Region 1 ● GP ● LP ● NW	7 660	621	8 281
Region 2 ● WC ● FS ● NC	7 203	634	7 837
Region 3 ● KZN ● MP ● EC	5 860	269	6 129
Total Companies	20 723	1 524	22 247

Future Forum Members Trained

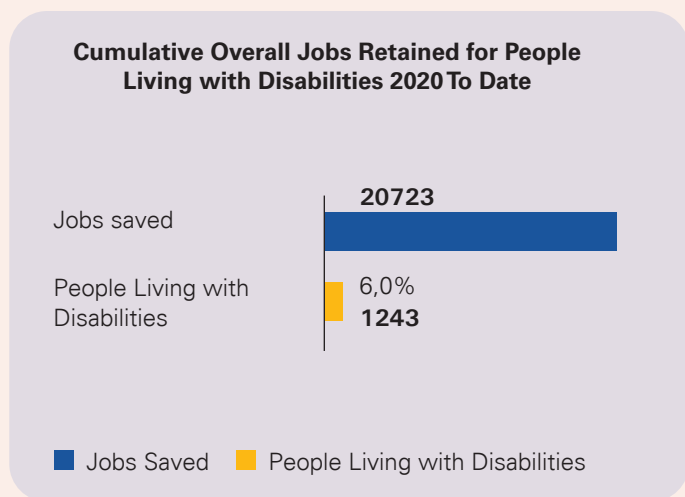
Region 1 ● GP ● LP ● NW	659
Region 2 ● WC ● FS ● NC	934
Region 3 ● KZN ● MP ● EC	838
Total Companies	2 431

Consequently, the number of unemployed persons decreased by 72 000 to 7,8 million during the same period. This resulted in the unemployment rate decreasing by 0,7 percent from 32,6% in the second quarter to 31,9% in the third quarter of 2023.

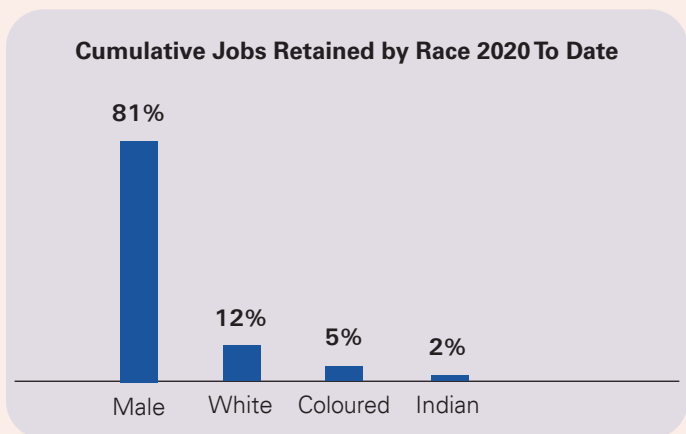
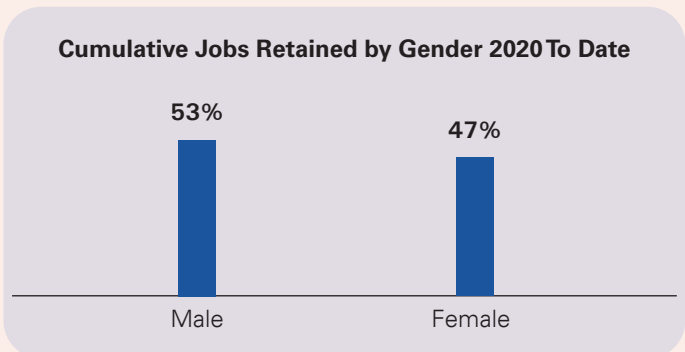
While the youth remain vulnerable in the labour market, the third quarter of 2023 results also show that the total number of unemployed youth (15–34 years) decreased by 174 000 to 4,6 million while there was an increase of 237 000 in the number of employed youth to 6,0 million. This resulted in a decrease in the youth unemployment rate of 1,9 percent from 45,3% in the second quarter to 43,4% in the third quarter (Statistics SA, 2023).

The BT&R programme contributed to creating and saving numerous jobs for the youth. At 32%, 6 728 jobs belonging to the youth have been saved through the interventions provided by the BT&R programme.

Jobs Saved for People Living with Disabilities



The BT & R programme needs to take into consideration previously disadvantaged individuals including women, the youth and people living with disabilities. The programme is available to all enterprises across South Africa. To date, the BT&R programme has saved 6% (1 243) of jobs belonging to people living with disabilities out of the 20 723 jobs saved.

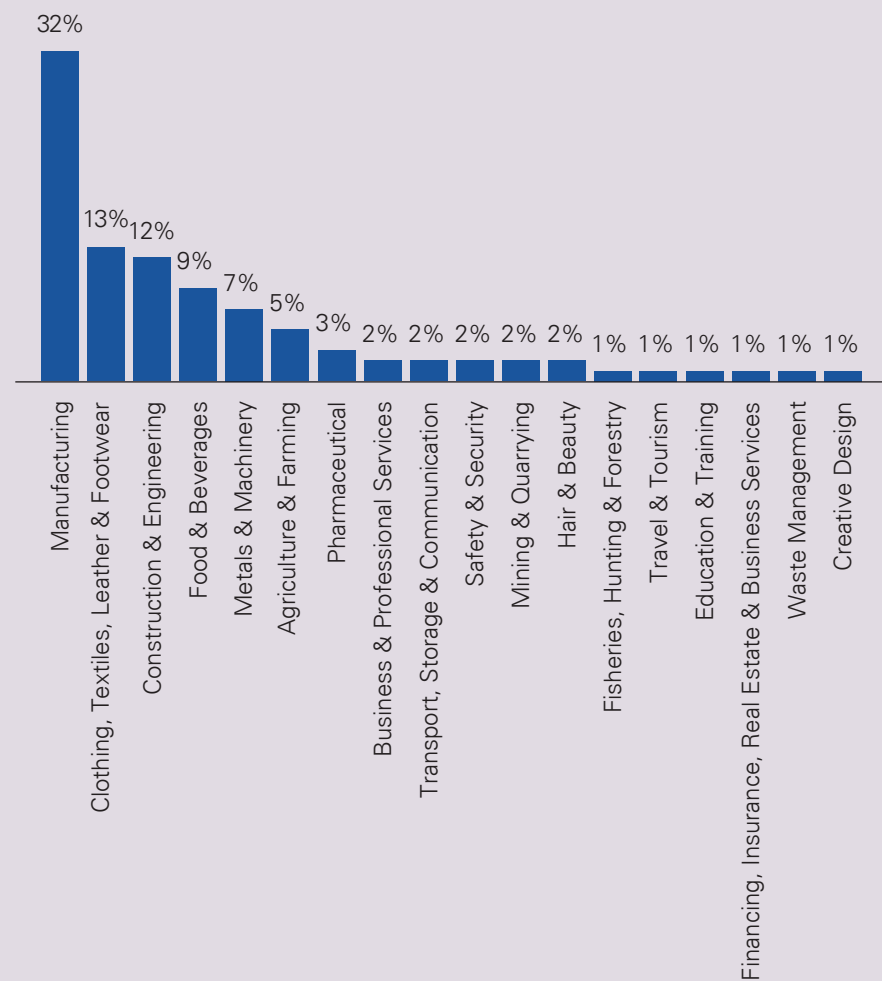


It is critical for the programme to monitor gender and race in the jobs that have been saved. By December 2023, 53% of the jobs saved belonged to males and 47% of those belonged to females. In terms of racial demographics, the number of jobs saved constituted 81% black, white at 12%, coloured at 5% and Indian at 2%.



Operational Sector

Cumulative BT&R Overall Jobs Retained for People Living with Disabilities 2020 To Date



The BT&R programme works with all the sectors in South Africa and the interventions are diverse and tailor-made for each company thereby enabling BT&R to turnaround a host of different companies. Where further skills and expertise are required, the programme has a database of qualified service providers to offer these services to the client. To mention a few sectors, from the highest to the lowest, the manufacturing sector remains the highest sector which was serviced by the BT&R programme with 32% followed by the clothing, textiles, footwear, and leather value chain (CTFL) at 13%, construction and engineering at 12%, food and beverages at 9%, metals and machinery at 7%, agriculture and farming at 5%, and pharmaceutical at 3%.

Economic Transformation

All businesses play a role in transforming South Africa and contributing to the growth of the economy. The overall B-BBEE strategy is to grow the South African economy and give every demographic an equal opportunity to contribute. Most businesses assisted by the BT&R programme are owned by men at 129 with 61 companies owned by women and 16 being multi-shareholder companies. With regards to people living with disabilities, 9 businesses are owned by men, 3 businesses are owned by women and 11 are multi-shareholder companies.

Case Studies Performance

1. Electrical and Pump Centre – Saved 31 jobs of which 14 new jobs were created.
2. Prestige Clothing Maitland – Saved 1 060 jobs of which 345 new jobs were created.
3. Ultimate Branding Solutions – Saved 14 jobs.

Eligibility for assistance

The BT&R programme is open to any enterprise in distress, irrespective of size and sector. To qualify an enterprise must meet the following criteria.

- Be in operation for at least 2 years
- Financially or operationally distressed
- Provide at least 2 years of the latest financial statements
- Provide a SARS Pin to confirm SARS and UIF compliance and validity
- Provide UIF stamped UI19 Forms/an EMP201 Full Report.

Applying for assistance

BT&R Programme Awareness

- Potential clients should contact Productivity SA via email at turnaround@productivitysa.co.za or visit the Productivity SA offices in various regions.
- Once a potential client shows interest, the BT&R Practitioner will explain the BT&R Programme and qualifying criteria, provide the application document and outline how the forms must be completed. Financial statements, EMP201 Full Report and SARS Pin will also be requested.

High-level Assessment

- A high-level assessment of the state of the business will be done to determine whether the company is viable for successful turn-around.
- The high-level assessment may include a site visit to the company.

Application

- Once all documents have been completed and supporting documents received, a financial assessment will be done to determine the financial position of the organisation.
- A nurturing report will be compiled summarising the root causes for distress as well as possible mitigation strategies to combat the distress and turn the organisation around



CASE STUDIES

NO TRIMMING OF JOBS FOR THIS CLOTHING MANUFACTURER

Case Study: Prestige Clothing Maitland Pty (Ltd)

On the contrary, following the implementation of Productivity SA's Business Turnaround and Recovery (BT&R) Programme, Prestige Clothing Maitland Pty (Ltd), based in the Western Cape, has grown and created an incredible 345 new jobs. From 715 people (668 permanently employed and 47 contract employees), the company has seen a remarkable 43% increase in its staff complement.

Prestige Clothing Maitland was founded in 1989 with only six employees, supplying high-quality garments to several retail customers. For three decades, the company continued this practice, however when they became a privately owned cut, make and trim (CMT) business, their major customer became the well-known retail giant, The Foschini Group (TFG). In 2008 Prestige Clothing Caledon was established and quickly grew into an incubation hub for what is TFG's single biggest T-Shirt plant in the local supply chain. In 2012 Prestige Clothing Maitland Pty (Ltd) was officially acquired by TFG and since then has grown in leaps and bounds.

Prestige Clothing Maitland operates on a Quick Response (QR) manufacturing model, differentiating it from other clothing manufacturers. The company prides itself in delivering the best quality ladies' outerwear to its customers, in the correct quantities, at the right time, while building strong relationships with its clients, the internal retail divisions of TFG.

However, the profitability of Prestige Clothing Maitland had declined, despite a year-on-year increase in sales. In a move that illustrates a progressive working relationship between business, labour and government, Prestige Clothing Maitland was referred to Productivity SA by the South African Clothing and Textile Worker Union (SACTWU).

Productivity SA conducted a financial analysis of the company in 2021, which revealed a decrease in return on operating assets of 16,1% driven by a decrease in both the gross and operating profit margins; a decrease in cost of sales as a percentage of sales; a varied cost of labour; and a high level of debt. As a CMT business, labour is the highest cost item relative to sales and constitutes more than 80% of the cost structure of the company. Prestige Clothing Maitland is a large and complex business, with many functional departments and an integrated operations system. It was therefore decided that two BT&R interventions would be developed, focusing on the Fabric/Trim Store and the Cutting Room, as these areas are the primary suppliers to the sewing lines and therefore the other operational areas.

The first intervention involved the development and implementation of an internal customer and supplier service level agreement system between the Fabric/Trim Store and the Cutting Room, aimed at improving the baseline delivery performance of the Fabric/Trim Store. The second intervention entailed a workplace

organisation project to be facilitated and implemented in the Fabric/Trims Store to improve its performance.

The service level agreement system included three primary elements, namely (i) identification of key stakeholders; (ii) development of performance measures; and (iii) provision of feedback on improved performance. In the process, managers and supervisors from Stores, Cutting and Production were trained and mentored.

The workplace organisation project entailed capacitation of store personnel in workplace organisation and standardisation; investment in double-level shelving for the storage of fabric rolls; the staging of fabric rolls for use in other departments such as cutting; active management and dedicated organisation of storage for 'returns'; and the implementation of STYLE man V11, an apparel business management software.

The development and implementation of an internal customer and supplier service level agreement system rendered the following preliminary results and impact. In the Fabric and Trims Receiving Store Planning Department, timeliness improved by 66%, accuracy by 33%, and responsiveness by 100%. In the Cutting Area Planning Department, responsiveness improved by 100%, Fabric and Trims Receiving Store accuracy improved by 300%, and Fabric Quality Assurance responsiveness improved by 100%. In the Sewing Lines and Production, Planning Department responsiveness improved by 100% and the Fabric and Trims Receiving Store timeliness improved by 50%.

The workplace organisation project resulted in the following preliminary outcomes: a 38% saving in stock management movement; the freeing up of approximately 5% of floor space; elimination of the necessity for trolleys through the active management of returns; a 40% increase in storage capacity through the introduction of double-level shelving; an 18-times saving in the movement of waste between four people through the implementation of fabric staging; and a 40% improvement in workplace organisation in the Trim Store Area.



Practical training and group sessions

BT&R IMPLEMENTED IN PUMP CENTRE

Case Study: Electrical and Pump Centre (EPC)

Transforming for a financial turnaround

Intervention by Productivity SA's Business Turnaround and Recovery (BT&R) Programme in a Johannesburg based Engineering and Manufacturing solutions company has seen the company drastically reduce operational costs through the implementation of productivity improvement measures.

Electrical and Pump Centre (EPC), is a company specialising in electrical and mechanical repairs and installations. EPC was established in 2007 in Alrode, Gauteng, and today employs 31 people. The company is experienced in the design and manufacture of Motor Control Centre (MCC) panels and supplies, services, maintains and repairs transformers, instrumentation, distribution pumps, electric motors, gearboxes, valves and heat exchangers.










Services include 24-hour break down services and complete in-house pump testing facilities. The company is a vital cog in a market where cost, speed and delivery are essential.



In 2018, EPC had a staff complement of 21 but by 2021, had had to retrench four people, leaving only 17 permanent staff members. During COVID, orders from municipalities and other private companies had decreased significantly, and consequently the workshop and staff were operating at only 50% capacity. Cash flow management was a challenge due to the absence of formal credit control procedures. The company had no clear processes for handling late payments and non-payments by customers, and suppliers were often paid late. EPC was reliant on an unsustainable manual system to administer its business.

In 2020 and 2021, when BT&R intervened to assist EPC, the results of the financial analysis conducted showed that the company's financial performance had declined to the extent that it faced an absolute risk of financial failure.

Financial performance between 2020 and 2021








Financial performance between 2020 and 2021	
	Sales decreased by 33,3% from R15 million to R10 million
	Cost of sales decreased from R10 million to R7,5 million
	Gross profit decreased by 39,8% from R4,1 million to R2,5 million
	Labour cost decreased by 29,7% from R2 million to R1,4 million
	Overhead cost decreased by 15% from R2,7 million to R2,3 million
	Operating profit decreased by 98% from -R646 513 to -R1,28 million
	Asset turnover decreased from 2,4 times to 1,6 times indicating a decline in the utilisation of assets
	The operating profit margin decreased from -4,3% to -12,7 due to an increase in total costs relative to sales
	The gross profit margin decreased from 27,7% to 25,0% indicating that the cost of purchased items increased relative to sales

BT&R undertook an in-depth analysis to identify the underlying issues that placed EPC at risk of failure. A SWOT analysis was conducted to identify the strengths and weaknesses of the business, after which BT&R, in collaboration with EPC, developed a workplace plan to address the problems. The plan included specific actions and timelines for implementation.

The approach adopted for EPC, known as Operational Revenue Generation (ORG), attempts to stimulate revenue from existing lines of products through combinations of price changes, discounts, marketing, increased selling efforts, and extended operational hours. This was achieved through three interventions, the first being the development of a strategy, including a marketing and sales plan; the second being an intervention to reduce overhead costs; and the third being the identification and facilitation of the sourcing of an integrated management system.



The 2021 financial assessment was used as a baseline for the intervention, and the value changes in the 2022 and 2023 financial results highlight the impact of the BT&R Programme.

Financial performance between 2021–2022, and 2022–2023	
	Sales increased by 23% from R10 million in 2021 to R12,4 million in 2022 and then again by 287% to R48 million in 2023
	Cost of sales increased by 4,1% from R7,5 million in 2021 to R7,8 million in 2022 and further increased to R39,5 million in 2023
	Gross profit improved from R2,5 million in 2021 to R4,5 million in 2022 and R8,4 million in 2023
	Labour cost increased from R1,6 million in 2021 to R2,2 million in 2022 and then again to R2,8 million in 2023
	Overhead cost decreased from R2,5 million in 2021 to R2,1 million in 2022 and then increased slightly by 0,4% in 2023
	Operating profit improved from -R1,7 million in 2021 to R180,576 in 2022 and then again to R3,4 million in 2023
	The number of employees increased from 17 in 2021 to 27 in 2022 and 31 in 2023

Risk analysis conducted in 2022/2023 showed that the risk of financial failure by EPC had indeed been eliminated, and that the company was on an upward, profitable trajectory. This BT&R intervention is one of many that have assisted companies that have found themselves in difficult circumstances.



SUCCESS STORY ULTIMATE BRANDING SOLUTIONS

Ultimate Branding Solutions

BT&R assists marketing company



The SA Business Turnaround and Recovery (BT&R) Programme is most often associated with turning around companies in the manufacturing sector; however, the diversity of the programme

was highlighted when it intervened in a branding and marketing company.

Ultimate Branding Solutions was founded by Divesh Ramsunder in 2008 after he identified the need for outsourced branding solutions for the business sector. The company built the trust of its clients, who are spread primarily across KwaZulu-Natal and the Eastern Cape, by delivering their branding requirements accurately and on time.

Over time, business had dwindled, and Ultimate Branding Solutions applied to the BT&R Programme for assistance to improve its business processes and strengthen the business in terms of market presence.

Upon initial analysis of the company, BT&R identified several key areas for intervention. The company did not have a solid strategic marketing plan and there were no set budgeting, budgetary management systems, or processes in place. In terms of its employees, the company did not have an organogram in place or detailed job descriptions for employees. Furthermore, the company website was not effective in generating leads. An in-depth assessment was undertaken, including a review of the company's operations, and interviews were conducted with management and key staff members to provide an indication of the company's areas of weakness and strength.

Following this assessment, a collaborative structure, representing management and employees, and referred to as a Future Forum, was created. The purpose of such a forum is to involve

management and labour in the development and implementation of the BT&R solutions, thereby gaining and ensuring their buy-in and commitment.

Future Forum members were also enrolled in a productivity training course, referred to as an early warning system (EWS). Thereafter a full SWOT analysis was conducted and a workplan drafted, outlining the turnaround strategies and required interventions that BT&R would oversee and implement for Ultimate Branding Solutions.

The workplan highlighted the need for the following interventions to mitigate some of the challenges identified during the financial and in-depth assessment:

1. **Marketing Plan Development:** The need to develop and implement a Marketing Plan to create brand awareness and ultimately increase sales.
2. **Internal Systems and Processes Development and Strengthening:** The need to draft a company organogram and provide job descriptions for each employee.

3. **Website Development and Upgrade:** The need to upgrade Ultimate Branding Solution's website to improve its usability and introduce a refreshed look and feel for the company.

Together with the Future Forum members, a Marketing Plan was developed and implemented, including business initiatives and the introduction of marketing campaigns. The marketing plan was expanded to target both the private and public sectors.

An organogram was created and detailed job descriptions were developed, ensuring that staff were clear on their roles in the company. Finally, Ultimate Branding Solutions' website, <https://wp2.weblogic.co.bw/ultimate-branding/>, was revamped to give the company fresh appeal and to expand its client base.

As a result of the interventions, the staff complement was not only sustained at the existing 16 staff members but increased to 19 permanent employees. Company sales increased by a significant 37% and a net profit increase of 30% was realised.

NATIONAL PRODUCTIVITY RECOGNITION AND AWARDS

Productivity moving forward with zest

In the final week of Productivity Month (October) 2023, the government entity tasked with promoting productivity and employment growth in South Africa, Productivity SA, announced the winners of the National Productivity Recognition and Awards 2023 at an awards ceremony held at the Accolades Boutique Venue in Midrand.

The awards ceremony held under the theme 'moving forward with zest' recognised South African companies that improved productivity and performed beyond expectations in the past year. The theme encouraged and signified an eagerness to embrace challenges, pursue excellence, and make the most of the opportunities for growth and improvement that productivity offers.

The Department of Employment and Labour's Deputy Minister, Boitumelo Moloi, said the Annual Productivity SA National Awards are not only a celebration; but "they are a testament to the remarkable journey of progress and commitment". "These awards are a testament to the tenacity and ingenuity of our SMMEs. In every corner of our country, they persevere, innovate, and overcome the most formidable odds. They do not seek the spotlight, but they certainly deserve it. They are the unsung heroes of our economy, and our commitment to empowering them remains steadfast."

The Chief Executive Officer (CEO) of Productivity SA, Mr Mothunye Mothiba, says Productivity SA "has been hosting the National Productivity Recognition and Awards for 43 years". The National Productivity Recognition and Awards seek to recognise best practice companies and to provide a platform to inspire a competitive and productive South Africa.

The highlight of Productivity Month is the National Productivity Recognition and Awards. The rationale behind Productivity Month is to highlight the importance of productivity in enhancing economic growth, showcase, share ideas, methods and perspectives on how companies can improve productivity and this is done through a series of productivity workshops and seminars. The run-up to the NATIONAL PRODUCTIVITY RECOGNITION AND AWARDS has been marked by a series of productivity improvement workshops countrywide. The broader objectives of Productivity Month are:

- To promote productivity and competitiveness within South Africa and therefore improve the economy
- To raise awareness about the role of productivity in enabling economic growth
- To promote Productivity SA programmes and create awareness of the role the programmes play in enabling productivity improvement

Productivity Month initially started as a week of activities whereby efforts to create awareness of productivity and competitiveness were intensified. Almost two decades later, the activities have developed into a fully-fledged Productivity Month that has proved to be a landmark annual campaign. The awareness campaign was introduced by the then Minister of Labour, Mr Membathisi Mdladlana.

The acting chairperson of the Productivity SA Board, Dr Annaline Chetty, said: "Productivity and competitiveness are inextricably linked and are the main drivers of economic growth, income growth and the creation of jobs." It was the first National Productivity Recognition and Awards ceremony holding and awarding the Business Turnaround & Recovery clients that have participated in the programme and have recovered from the decline/distress. The BT&R Programme look forward to rewarding even more companies in the future for succeeding in participating in the programme, sustaining their businesses,

saving jobs and even creating more jobs. The winners of the 2023 National Productivity Recognition and Awards for the BT&R Programme are as follows:

**Business Turnaround & Recovery Programme:
Winner for the Medium Companies Category**



Garner Wafer and Confectionery

Trophy Winner for Small Company Category



Massive Quantum (Pty) Ltd

STRATEGY WORKSHOP FOR FOOD & CONNECT

In February 2024, BT&R Senior Productivity Advisor, Marthinus De Vos, facilitated a two-day Strategy Workshop for Food & Connect.

The purpose of the workshop was to review and revise the current strategy and to develop a roadmap for the growth and development of Food & Connect for the next three to five years.

The workshop took place at the Piekenierskloof Mountain Resort, close to Citrusdal in the Western Cape.

Food & Connect is a student-focused food service provider on the campuses of the University of Cape Town and the University of the Western Cape. They "offer a variety of fresh, healthy, and delicious food options, as well as catering services for events and meetings."

The workshop provided a starting point for a new mission and vision for Food & Connect, as well as eight key strategic initiatives.



EXCO of Food & Connect who attended the workshop.

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