Turning Point

A regular newsletter from Productivity SA's Business Turnaround and Recovery Programme

productivity Sa
Inspiring a Competitive South Africa

NOVEMBER 2024

Editor's note | Case study: Proglove | Case study: SEE Potchefstroom factory | Case study:

Garner Wafers | Plan B | BT&R scorecard | How to apply for support and the qualifying criteria



Out of sight, out of mind' is an-oft repeated idiom. As I write this note, it feels as though the Business Turnaround and Recovery (BT&R) Programme has done that to you, the readers of our newsletter. Considerable time has passed since we published an issue, but this is not because the programme has ceased to operate or we have forgotten our stakeholders or potential new clients. On the contrary, we have been busier than ever setting deserving businesses back on the road to prosperity.

Our last edition was released in late-April 2024 as part of a concerted bid to relaunch the publication. But good things take time and we wanted to present a truly worthy publication, hence the hiatus. In revamping the newsletter, we not only gave it a unique identity through a name that encapsulates the impact of our work, but we took to heart comments about lengthy case studies often proving time-consuming to read and digest amid deadlines and work demands.

Thus, as we present the first edition of Turning Point in partnership with our editing and design partner, Msomi Africa, gone are the long, meandering business turnaround profiles. Now you'll be able to discern the value of our work in a shorter, more reader-friendly style, complemented by creative infographics. It will give you great insight into what we can do to help should you find yourself in distress and just how much effect our team can have on your future success and bottom line. We hope the stories we share will encourage you to approach us should you encounter seemingly unsurmountable hurdles.

To reiterate, the BT&R Programme has been going strong since the declaration of the Presidential Jobs Summit in October 1998. Its mandate is derived from Section 32(g) of the Employment Services Act, whose intention is to support initiatives to prevent job losses.

Our vision is to save jobs and create conditions conducive to job retention and creation. The programme capacitates and enables companies and employees to be more vigilant about job retention and to mitigate poor performance or productivity decline, which increases the likelihood of staff cuts. It guides employees to become agents of change and equips them to identify early-warning signs. The turnaround strategies support struggling organisations across all economic sectors whose troubles include financial and/or operational difficulties.

In a nutshell, our mission is to save and retain existing jobs, while increasing productivity and profitability. We receive our funding from the Unemployment Insurance Fund, with which we have a three-year agreement. In the past four years, through this agreement, we have saved 21 621 jobs.

The articles in this issue show how programmes such as ours can uplift ailing companies operating in a flailing economy.

We hope you will enjoy Turning Point so much that the more positive flipside of 'out of sight, out of mind' - 'absence makes the heart grow fonder' - comes to mind.

Enjoy the new look and keep an eye out for our year-end edition, coming to your inbox by mid-December

Justice Tshifularo

Justice Tshifularo BT&R Programme Executive Manager







Ironically, the Covid-19 era that brought a rush on personal protective equipment did little for Proglove, a distinguished corporate citizen of Qonce (previously King William's Town), Eastern Cape and the only manufacturer of leather safety wear in South Africa.

Although it had specialised in apparel such as gloves, mittens, jackets, trousers, aprons, coats, spats, leg guards and sleeves since 1984, the import of cheaper leather protective wear almost closed the book on its proud history.

Fortunately, a transformation milestone came with its acquisition in 2012 by Xolile Mabona and Tsepo Daniels, who maintained its core portfolio while continuing the tradition of designing and producing customised products. The vision and mission persisted – to become the leading manufacturer and supplier of leather protective wear in southern Africa and a leading South African manufacturer of top-quality products that enhance workplace safety and increase productivity by reducing lost production time due to inferior protective gear.

The pair also remain committed to establishing, maintaining and continuously improving a quality management system conforming to ISO 9001:2015 requirements.

Covid curveball

Competition in the clothing, leather and textiles market is fierce under normal business conditions, especially given imports. At Proglove, post-pandemic, gross profit margins and mark-ups were low and determined by customers under the existing business model. The business also lacked adequate human resources management policies. Adding to its woes were the many Proglove customers that shut up shop during the pandemic.

Bigger challenges were productivity and profitability. Manufacturing was affected severely by short supply of leather, reducing production time, and by loadshedding, even though the business had focused on non-machine work as far as possible during outages.

While production time was down, labour allocation and costs remained the same, with the obvious impact on profitability. Sales decreased by 48.36% from the 2020 to 2022 financial years.

Turning the tables

Through a concerted and prolonged Proglove-Productivity SA effort set in motion by the introduction of the latter's BT&R Programme, several turnaround successes were recorded.





SALES AND MARKETING

Before: no marketing orientation and no marketing strategy and plan **After**: comprehensive marketing strategy with mechanisms to review and drive activities.

Commitment expressed to the following key objectives:



Increase market share by 1% by the end of 2023 and better this to 2% in three years. The latex/nitrile business seeks a portion of the 8% shortfall between supply and demand as indicated in the Department of Trade, Industry and Competition report on personal protective equipment in South Africa



Establish the company as a leading leather safety wear company in the Eastern Cape and enable it to compete with market leaders on an even footing



Secure five new customers per financial year to boost turnover by 5% to 10% and establish the latex/nitrile business through finding at least five large customers/agents/distributors



Introduce one new product range annually, introducing Proglove to one new market segment per year.

ACCESS TO FINANCE

Before: cashflow constraints that signalled an urgent need for an investor

After: a business case for the establishment of a nitrile-glove-manufacturing plant, whose realisation will depend on the calculated pro forma figures for the undertaking. If given the green light, this will be the first such plant in South Africa, creating jobs for 28 people and a positive cash balance from year one, which will bolster the company's cash balance.



HUMAN RESOURCES

Before: lack of policies, procedures and job gradings **After:** policies and documents across the board.



The following job descriptions identified: general manager, production manager, production manager (leather sorting), admin officer, sewing machinist, cutter/hydraulic clicker machine operator, riveting-machine operator, machine mechanic, packer and runner. Job descriptions of workers under direct instruction summarised





Contracts of employment created for waged, full-time permanent, full-time fixed-term, part-time permanent, part-time fixed-term, full-time permanent, full-time fixed-term and over-65 fixed-term employees. Induction checklist compiled and employee handbook to be finalised following employee and supervisor feedback



Business code of conduct drafted plus a code regulating the principles of doing business for Proglove and its stakeholders



Employee disciplinary code prepared with disciplinary forms to be rolled out during implementation





Poor performance management policy, process and nine supporting documents developed



Policies developed governing hours of work, overtime (salaried employees), leave, retirement, personal protective equipment, social media, employee information, medical assessment, alcohol and drug abuse (and process document) and sexual harassment.



OPERATIONAL EFFICIENCY

Before: unorganised workplace

After: a green area with visual management boards to monitor daily, weekly and monthly output to improve the morale of shopfloor workers and create a continuous improvement culture. The results included a more pleasant and organised work environment, greater job satisfaction for shopfloor employees through removal of obstacles and frustrations, and improved communication.

Final thoughts

More space was created through implementation of the 5S methodology (sort, set in order, shine, standardise, sustain), which eliminated unused materials, tools and equipment and removed clutter.

Shopfloor employees benefitted from 5S training and are making sure that standards are sustained. Communication has improved through teamwork to ensure good housekeeping. A new production line was opened in the space created during the exercise, creating 10 additional jobs.

The business case shows that Proglove can introduce the manufacturing of leather hand- and travel bags using its existing equipment and product knowledge. The proposal for latex and/or nitrile glove manufacture is being considered, but the business plan should be used to generate a steady stream of revenue and profits and provide employment opportunities for local people while contributing to the region's economic development.









The Supported Employment Enterprise (SEE) operation in Potchefstroom, North West can look to the future and its growth potential with enthusiasm and renewed commitment following Productivity SA's initiation of a business turnaround and recovery strategy.

SEE Potch is one of 13 operations in eight provinces established under the Department of Employment and Labour to provide job opportunities to persons with disabilities.

The facilities, manufacturing high-quality hospital linen and school and office furniture, provide direct employment to more than 930 individuals and plan to increase this to about 1 400 by end of March 2025. These beneficiaries cannot secure employment in the open labour market due to barriers and market conditions.

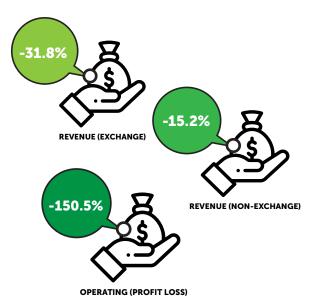
SEE Potch employs 44 disabled citizens in clothing, textile, metal and machinery manufacture.

Resuscitating the business

The organisation has experienced trying times recently, with its revenue decreasing by -17.7%, from R273.8 million in 2021 to R225.2 million in 2022. Exchange revenue dropped by -31.8%, from R41.7 million to R28.5 million, and non-exchange revenue fell -15.2%, from R232 million to R196.7 million year-on-year. Transfer and sponsorship amounted to R162 266 000 in 2022 vs R232 011 117 in 2021 (-15.2%), resulting in an operating loss of R20 240 856 against R40 089 414 (-150%). Expenses increased by 5%, eroding operating profit margins

Enter Productivity SA to tackle the business's constraints, namely procurement, operational and labour-use

inefficiencies. The project first addressed the backlog to improve the satisfaction of both internal and external customers, enhance morale and boost the bottom line en route to a breakeven position, then possibly profitability.







SEE factories' budget comprises a transfer from National Treasury and income generated from sales of goods produced across all 13 factories. The top three drivers of cost are cost of sales, labour and idle time. Based on this cost structure, the turnaround strategy is concentrating on overhead costs, namely sales, labour and abnormal labour costs.

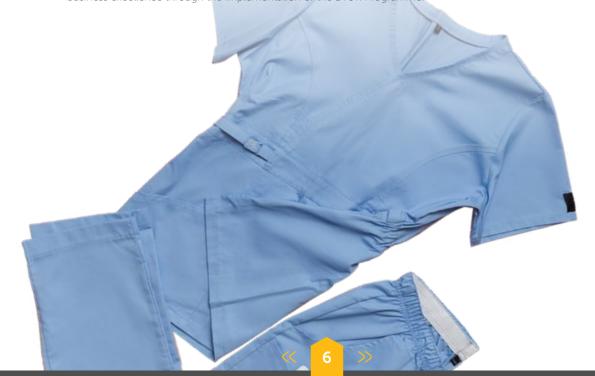


Early achievements

Initially, a future forum was established to bring management and employees together to involve both actively in all phases of the programme. Members underwent productivity and customer satisfaction training and developed an early warning system.

Secondly, to address the lack of production toolbox talks, despite a structure being in place, the team elected productivity champions to spearhead development of quality, cost, delivery, safety and morale targets and measures for both textile and metal production. Weekly toolbox meetings are now underway.

SEE Potch has pledged its commitment to turning around the factory. A workplan is being formulated and the intervention to improve customer satisfaction, productivity, morale and culture will follow plan approval. The formulation of a workplan reflects SEE Potch's commitment to turning around its business and its more farsighted approach to achieving business excellence through the implementation of the BT&R Programme.





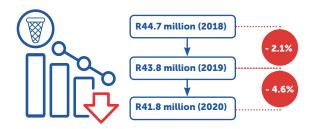
CASE STUDY A SWEET, POTENTIALLY LIFE-CHANGING DEAL FOR GARNER WAFERS AND CONFECTIONERY



When Elsabe Hoal and Shaheed Hendricks founded Garner Wafers and Confectionery (GWC) in Western Cape in 1997, their vision was ambitious to say the least – to be global supplier of choice for wafers and confectionery.

With a range including sugar cones and wafers, sauces, syrups, Belgian waffles, chocolates and ice-cream coatings, plus some additional creamy coolness in Frankly Fantastic Foodstuff, acquired in 2012 to expand the repertoire to ice creams and ice-cream desserts, the pair looked well placed to realise their dream, especially given their distribution network of The Hungry Lion Group and Famous Brands.

These alliances enable them to deliver their products nationally and to neighbouring countries such as Namibia, Botswana and Mozambique. The biggest customers are Woolworths, Checkers, Pick n Pay and Spar, but smaller ice-cream chain stores also recognise the quality of GWC products.



Melting Profits

Despite early success as a sweet-manufacturing establishment, between 2019 and 2020 GWC saw a significant decline in financial performance due to a drop in sales.

This indicated a lack of growth and that the business either sold fewer units or cut product prices. This situation materialised against a backdrop of fixed resources such as labour and overheads, resulting in losses.



Despite an improvement in return on operating assets from -12.9% in 2018 to 18.1% in 2019, this return decreased to -5.8% in 2020. Operating profit, which fell from 5.7% in 2019 to -1.8% in 2020, eroded profitability.



To mitigate the drop in profitability, GWC called on Productivity SA's BT&R Programme to assist with turning around the fortunes of the company.

On implementation, the turnaround programme centred on improving efficiencies in materials management and capacity planning and management to heighten the profit margin and, ultimately, profitability.

At programme initiation: 123 employed 54 permanent/69 seasonal



Problem area

Key observations

product of Customer 1.

- High raw material cost at about 50% of cost structure
- 2. More than 500 product variants

Actions

- Historical sales data analysed for both products and customers and results and proposals discussed with management
- Product range and individual products identified that contribute most to sales income relative to volumes
- Top customers identified on sales values and quantities ordered
- Insights and recommendations provided on possible sales and operational strategies.

Results

- Actions in place for the top 29 products that have a gross profit percentage below the 60% target
- Customer profiles initiated for the convenient customer group smaller businesses that have relatively smaller sales orders – to explore sales strategies to increase sales
- Thought being given to a profit margin strategy accommodating different manufacturing approaches.

Problem area

observations



- . High raw-material cost at about 50% of cost structure
- Inadequate
 material/inventory
 management
 practices

Actions

Material management analysis completed that identified current practices, challenges, opportunities for improvement and implementation actions.

Results

Following extensive work in key areas plus exploration of and discussion on how to overcome obstacles, the following were recommended:

- Allocate the maintenance and assurance of the accuracy and consistency of data functions to a dedicated person
- Clarify roles and tasks of key staff
- Produce a four-week production plan where the first week is fixed
- Institute scheduled days and timeslots for meetings and updates reinstitute cross-functional operations check-in meetings
- Capture production waste electronically and analyse it
- Perform regular stocktakes
- Appoint a manager between the directors and supervisors/controllers.



Problem area

Key observations



Low strike rate (planned vs actual production), which affected GWC's ability to deliver customer orders on time and in full

Actions

- Existing capacity planning and management practices reviewed
- · Capacity planning model developed.

Results

Capacity planning model in place that forecasts shift patterns based on demand and predicts whether capacity will meet demand. For example, current weekly capacity for an eight-hour shift for the company's four machines is 132 525 units. By introducing 12-hour shifts, capacity increases to 200 925 units or by 51.6%. Running a 24-hour shift, five days a week increases this to 391 500, an escalation of 94.8% over the 12-hour shifts. Operating a 24-hour shift, five days a week and 12-hour shifts over the weekend raises capacity to 456 750, a further increase of 16.6%.

Similarly, the tool can help to maximise operational equipment effectiveness, ensuring that the company can supply customers should demand take off. It would have struggled to do this without the intervention.

Problem area

Key observations



Absence of goodquality, reliable business performance information

Actions

- Existing business performance measures assessed
- Performance measures evaluated and additional key measures developed and implemented
- Operations management meeting initiated to plan operations and review performance.

Results

- The business performance review generated:
 - Performance measures that considered operations and production outputs
 - Tracking of customer complaints
 - Financial performance measures through annual financial statements and monthly management accounts
 - A combination of both unplanned financial and operational performance measures.

• Work on performance measures led to:

- Implementation of regular production performance feedback sessions and of shift targets through the introduction of a bill of quantities per shift
- Feedback on customer complaints to the entire team to create awareness of the importance of adhering to quality standards and reporting any deviations for remedial action
- The need to establish a cashflow monitoring system
- A 41% drop in the reject rate of production waste through electronic capturing and awareness of waste.



Problem area

Key observations



Rent is the fourth highest cost

Actions

Facility layout requirement specification planning document completed, outlining existing operational requirements of the main operations, such as key functions, machines and equipment, floor size and use, and recommendations for an improved facility layout.

Results

Saving of $624m^2$ floor space achievable, decreasing annual rental costs by more than R350 000.



Achievement and excitement

The project, which spanned a year, created not only tangible achievements but excitement and enthusiasm from participating GWC teams, with one individual noting BT&R's amazing depth of understanding and ability to uncover detail.

Most importantly, the capacity model generated accommodates different demand scenarios to allow the company to plan the type of shift needed and the personnel required to meet its many orders.

The model enables management to monitor capacity and overall equipment effectiveness ratios to boost output, lower costs and enhance cashflow and profitability.

The company's name seems more appropriate than ever, since its saving grace was garnering the assistance of the BT&R Programme. Now Elsabe and Shaheed can look forward to the constant sugar high of sustainable success.





PLAN B A BOOST FOR CONSTRUCTION COMPANY



From inefficiencies and shortcomings that threatened to demolish the Bilionetworks construction and telecommunications company to the hope that it may just live up to the first two syllables of its name, Bilionetworks is celebrating rising from the rubble thanks to Productivity SA's turnaround and recovery intervention.

Recently, company decision-makers gathered for a two-day strategic planning workshop hosted by Productivity SA's Productivity Practitioner ,Cosmo Cloete, to review progress following the implementation of the BT&R Programme.

The turnaround process started when Productivity SA sprung into action with a multipronged approach to address the 10-year-old, 100%-black-owned firm's challenges. These included financial decline, operational shortfalls, strategic planning inadequacies and a vague marketing strategy.

A team session at project inception ended with a clear vision and strategic plan for Bilionetworks' future. Thereafter, regular progress tracking through a company scorecard ensured accountability and strategy implementation. The new business development department established as part of recommendations has gone on to receive a record number of tenders, a





strong sign of a business on the up and up. Efficiencies and increased technical support have brought down the number of outstanding customer invoices, an essential element for a smoothly run enterprise.

In addition, 38% of annual goals and 67% of quarterly priorities have been achieved already — indications that the business recovery essentials of clear goals and strategic alignment are delivering the goods for Bilionetworks.

That said, now is not the time to rest. All eyes will now be on implementation and monitoring of the remaining deliverables, which are crucial for long-term success.



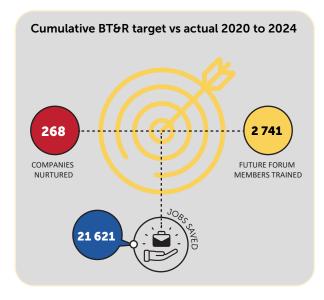




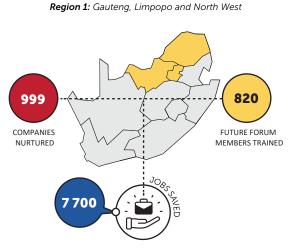




The figures presented below demonstrate the difference BT&R interventions continue to make in the lives of business owners who, whether for financial and/or operational reasons, have veered off track in the realisation of their goals and visions. The statistics also reinforce the impact on those already employed through saving jobs and on those seeking work by creating jobs. Statistics are for periods specified to end-October 2024.

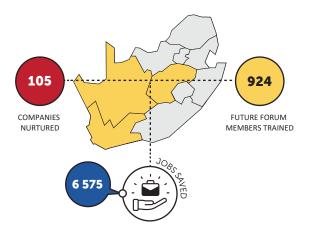


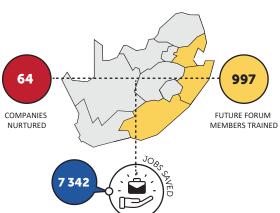
Cumulative region 2 target vs actual Region 2: Western Cape, Northern Cape and Free State



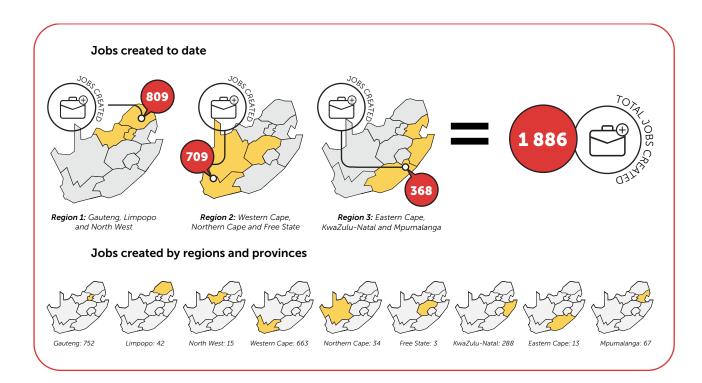
Cumulative region 1 target vs actual

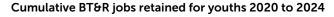
Cumulative region 3 target vs actual Region 3: Eastern Cape, KwaZulu-Natal and Mpumalanga

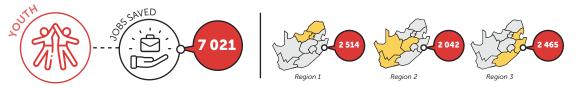








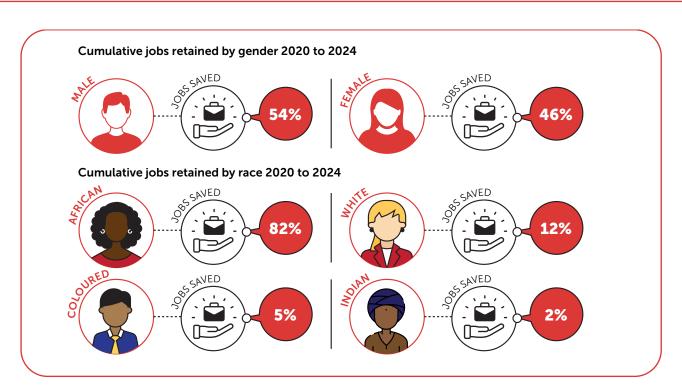




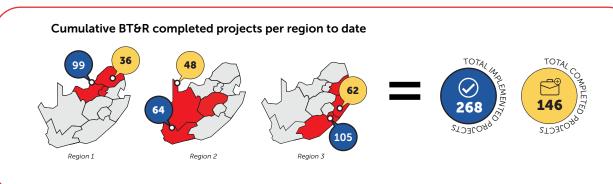
Cumulative BT&R jobs retained for people living with disabilities 2020 to 2024













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Plan B | BT&R scorecard | How to apply for support and the qualifying criteria



Where we operate

The Business Turnaround and Recovery Programme works in all economic sectors in South Africa. There are no limits to the services instituted to turn around a deserving company. For instance, should skills and expertise be lacking, the programme has a database of qualified training service providers.



Our five top sectors

33% manufacturing

13% clothing, textiles, leather and footwear

12% construction and engineering

9% food and beverages

7% metals and machinery



Who we benefit

All businesses play a role in transforming South Africa and contributing to growth. The country's broad-based black economic empowerment strategy is to grow the economy, giving every demographic an equal opportunity to contribute.



Turnaroundassisted businesses

62% men

30% women

35% multi-shareholder companies



Businesses of people with disabilities

43% men

14% woman

43% multi-shareholder companies



Who is eligible for assistance

The turnaround service is open to any enterprise in distress, irrespective of size, sector or town or city in South Africa. To qualify, an enterprise must:

- Have been in operation for at least two years
- Be financially and/or operationally distressed
- Provide the last two years' financial statements
- Provide a South African Revenue Service (SARS) pin to confirm SARS and Unemployment Insurance Fund (UIF) compliance and validity
- Provide UIF-stamped UI19 forms/an EMP201 full report.



Applying for our services

Potential clients should email Productivity SA at turnaround@productivitysa.co.za or visit a regional Productivity SA office as per the details below. The business turnaround practitioner will explain the programme and qualifying criteria, provide the application forms and outline how they must be completed. Financial statements, EMP201 full report and SARS pin will be requested. A high-level assessment of the state of the business will be done to determine whether the company is viable for a successful turnaround. This will include a site visit.

Once all documents have been completed and supporting information received, a further assessment will be done to determine the financial position of the organisation. Thereafter, a nurturing report will be compiled summarising the causes for distress and possible mitigation strategies to correct the situation. All this work, from beginning to end, requires full participation from the client.



Contact Us

HEAD OFFICE

Physical Address

International Business Gateway Office Park cnr New Road and Sixth Road Midrand

T: <u>+27 11 848 540</u>0

E: turnaround@productivitysa.co.za

CAPE TOWN

Physical Address

Office 202, Edward III Building 70 Edward Street (cnr Bloemhof and Mispel roads) Tyger Valley

Contact

T: +27 21 910 1591

DURBAN

Physical Address

Suite 201, Cowey Office Park 91-123 Problem Mkhize Road Fssenwood

Contact

T: +27 31 268 9770

Any comments and queries about this document should be addressed to:

Productivity SA — Private bag 235, Midrand, 1685 | T: +27 11 848 5400 | E: turnaround@productivitysa.co.za