

Turning Point

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

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MARCH 2025



Editor's note

Some words of welcome from the Business Turnaround and Recovery Programme Executive Manager

Welcome to the third edition of Turning Point. As the year is well underway, new year wishes don't seem appropriate. That said, we hope all our readers prosper during the coming months and that our collective efforts boost productivity and employment for our country during 2025.

This edition of our newsletter is a true testament to the work of the Business Turnaround and Recovery (BT&R) programme, as demonstrated by the achievements of three outstanding post-turnaround performers that dominated the Productivity SA National Productivity Awards 2024.. Minister of Employment and Labour Nomakhosazana Meth was in the house to share in the celebrations.

This is an opportune time to reiterate that Turning Point is our vehicle to inform our stakeholders on how the BT&R programme can help businesses perform to their full potential by turning around their productivity and competitiveness.

The newsletter shares the latest developments on productivity improvement through case studies of companies that have successfully implemented our solutions. It creates awareness among other businesses that may also need help to work more smartly, reduce costs and increase revenue.

Often success-stifling bottlenecks are not due to external factors such as low demand or market conditions, but are hiding in plain sight in companies' production facilities. Internal factors that may be overlooked, such as wastage and poor recordkeeping, can have a massive impact.

The BT&R programme alerts companies to the dangers that are unfolding under their noses, providing professional assessments and assisting with the development and implementation of the

customised turnaround strategies that lead to long-term business sustainability.

We are able to do this as we are subsidised by the government in line with the country's Medium-term Development Plan 2024 to 2029, which outlines the state's priorities and translates its commitments into actionable programmes and policies to spur economic growth and job creation. Successful implementation of the plan is crucial to achieving National Development Plan Vision 2030.

In this edition, we continue to highlight turnarounds achieved through harnessing information to improve workplace progress and generate more revenue, thereby increasing profitability and the number of available jobs.

The starting point is turning knowledge and information into action. As English philosopher and psychologist Herbert Spencer maintained, the great aim of education is not knowledge but action. The wisdom of this philosophy is clear in the pages that follow.

Justice Tshifularo

Justice Tshifularo
BT&R Programme Executive Manager

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CLEAN AWARD SWEEP FOR BT&R



The proof of the pudding, it is said, is in the eating. Well, the BT&R recipe is certainly worth digesting, as beneficiary companies beat out fellow contenders to claim gold, silver and bronze honours in the 2024 Productivity SA National Productivity Awards unveiled at a celebration at Gallagher Estate, Midrand.

Fabrinox of Paarl, which has more than 30 years' experience in metal fabrication and manufacturing, took gold. After implementing the BT&R solution, gross profit ratio/margin increased from 11.56% to 32.56%.

Silver went to **Label Lab Corporation**, a printing services provider in Kimberley, which, with the BT&R boost, expanded its services to digital marketing, grew its staff complement by 16% and is becoming prominent player in the South African market.

Makhoba Professional Services, a leading information and communications technology specialist in network and infrastructure services, received the bronze award. The company's accolades also include the Vodacom best revenue growth small and medium enterprise award.

The four-decades-old National Productivity Awards recognise businesses contributing significantly to productivity and employment growth. Through the initiative, Productivity SA seeks to encourage other organisations to follow suit and become globally competitive.

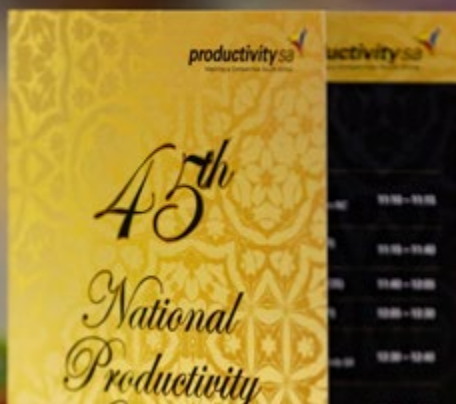
In her keynote address at the ceremony, Minister of Employment and Labour Nomakhosazana Meth reiterated her department's commitment to enabling businesses and ensuring that they create jobs. She urged companies

in distress to apply for the 12-month temporary employer scheme, of which the BT&R programme is part.

Acting Chairperson of the Productivity SA Board, Dr Anneline Chetty, confirmed that the awards inspire a competitive country and explained that productivity and competitiveness harness the energy that builds economies.



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Productivity SA Board members Welile Noling and Godfrey Selematsela look on as Fabrinor managing director Lucille du Plessis receives the gold award from Minister Nomakhosazana Meth



Label Lab Corporation business owner Jurie Koortzen was elated with his company's performance at the National Productivity Awards



The Makhoba Professional Services team (from left): Kwasi Yinkah (chief operations officer), Thabile Makhoba (chief executive officer), Fanelle Mamba (project manager), Nthabiseng Makhoba (human resource director) and Thato Lengosane (head of marketing)

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CASE STUDY

POTCH COMPANY PRODUCTIVITY SOARS BY 60%



The Supported Employment Enterprise (SEE) Potchefstroom, North West factory has defied the odds to push up its productivity by 60%.

Collectively, SEE operations provide direct employment across eight provinces to more than 930 individuals and are edging closer to the end-March 2025 target of 1 400 employees.

SEE Potch's core businesses are textile and school furniture manufacture and its products range from clothing and linen to burglar bars.

Its recent achievement follows the implementation of Productivity SA's BT&R programme, a move wholeheartedly welcomed by factory manager Lucky Seme and his team. The factory, which employs 44 people, experienced a 31% dip in revenue in 2021, which prompted it to seek the services of BT&R to assess its productivity and identify areas of improvement.

Clearing the hurdles

SEE Potch's challenges were found to be daunting but not insurmountable. A financial assessment revealed that revenue had decreased by 17.7%, from R273.8 million in 2021 to R225.2 million in 2022. Exchange revenue was down by 31.8%, from R41.7m to R28.5 million, and non-exchange revenue had dropped by 15.2%, from R232 million to R196.7 million.

The BT&R team homed in on procurement challenges, operational inefficiencies and labour use. Reducing the backlog to benefit both internal and external customers

was a priority, as was improving morale and pushing productivity to break even, then progress to profitability.

Delivering the goods

The BT&R programme implemented goal alignment training, leadership toolkits and productivity champion tools. Training toolkits focused on leadership styles to enhance productivity and problem solving, allowing teams to resolve operational issues. The 'plan, do, check, act' cycle for continuous improvement helped the factory identify waste in projects and reduce costs.

With the BT&R initiative came a target to improve production performance by 10%. This proved far too modest and a remarkable 62% was achieved in output, increasing sales, eliminating work in progress/inventory and reducing the backlog, which in some cases dated back more than a year. The future forum committee established as part of the intervention introduced weekly follow-ups on late orders and kept weekly production meetings updated on progress. By project close, 85% of the backlog had been cleared.

These results were in no small part due to SEE Potch's commitment to recharge, change and chart a new course. A culture of on-time delivery, high performance, quality and customer satisfaction has taken root and the shoots of continuous improvement are emerging for all to see.

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The textiles area before the turnaround



...and after



The steel area before



...and after



Productivity SA practitioner, Mpho Matjeke, takes employees through the concepts of productivity and efficiency improvement



Hard at work on a new order for school chairs



POINT TO PONDER

SEE Potch prides itself on employing school-leavers exiting the Department of Basic Education special schooling system.

Its commitment remains steadfast to offer gainful work to those with disabilities who struggle with the barrier and market factor constraints of the open labour market.

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CASE STUDY

ENTRAWOOD CARVES OUT A NEW PATH WITH BT&R GUIDANCE



American physicist Professor William Grosvenor Pollard said: 'Information is a source of learning but unless information is organised, processed and available to the right people in a format for decision-making, it is burden and not a benefit.' These wise words have become a daily mantra for Entrawood, a Harrismith, Free State furniture manufacturing company.

While the company has always believed in the power of data to drive operational excellence, create employment and sustain long-term success in a fiercely competitive market, when profitability dipped over five years despite a 33% sales increase, Entrawood enlisted the guidance of Productivity SA's BT&R programme.

By analysing production data and implementing targeted interventions such as a visual management system, the team achieved measurable improvements in efficiency and quality control.

Established in 1989 by Herman Grobler and Gert van Tonder, the company improved its design and manufacturing capabilities over the decades to produce a wide range of melamine desk, storage and table solutions, including open-plan private office structures, executive high-end furniture and height-adjustable mobile units. It also supplies wood panel components to its sister company, Entrakor, which markets its own selection of innovative office furniture solutions.

The parent company's 12 000m² factory is situated in the Maluti-a-Phofung special economic zone – an area home to its 122 predominantly black employees, 23% of whom are female. Its sales office and showroom are in Kramerville, Johannesburg.

Key national retail partnerships include Cecil Nurse, Makro and Waltons. With Entrakor, Entrawood holds an estimated 7.5% share of the R1.735 billion South African office furniture market, making the operation a significant player that has to innovate consistently to ensure relevance.

Correcting the disconnect

The disconnect between increased sales and declined profitability highlighted production inefficiencies. A thorough assessment of the situation by BT&R revealed inconsistent planning and misaligned priorities that led to daily production plans being issued late and adjusted throughout the day.

The focus on material optimisation sometimes conflicted with meeting sales targets, causing delays. Information sharing and performance tracking were ineffective, with production areas not using visual management boards optimally.

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To bridge these gaps and propel Entrawood towards profitability, BT&R focused on three key interventions:

1

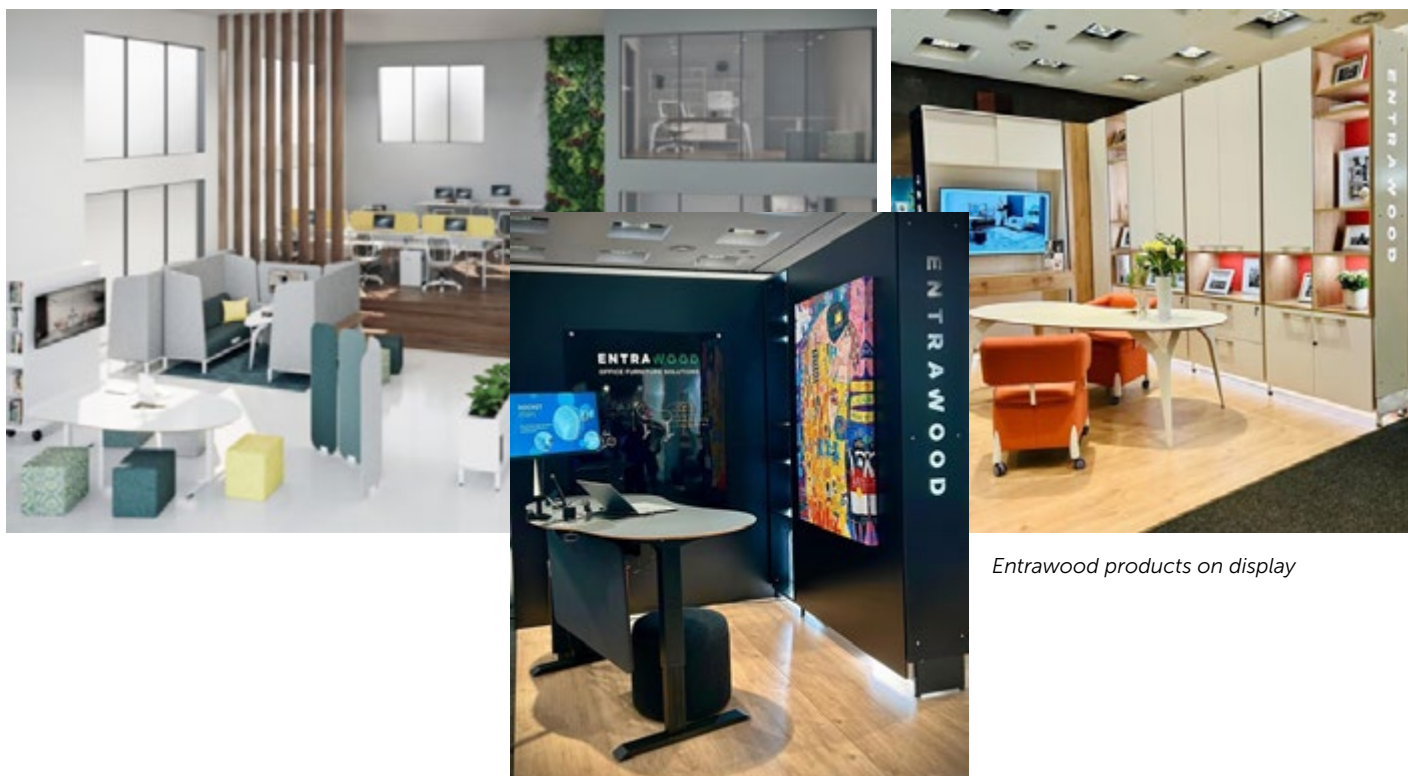
Implementing metrics at various production stages to provide a clear picture of bottlenecks and areas needing improvement. This data became crucial in tracking progress and measuring the effectiveness of interventions.

2

A value stream map was created to visually represent the entire production process, highlighting non-value-adding activities (waste). This allowed targeted interventions to streamline production flow and minimise waste.

3

A coordinated maintenance system was introduced to identify and resolve equipment issues promptly. This minimised downtime, improved production consistency and potentially extended equipment life.



Entrawood products on display

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Intervention



Actions

- Redesigned production tracking boards for easier progress monitoring
- Implemented daily production quantity tracking to identify issues early
- Revamped the 'broken parts' recording system for faster resolution
- Introduced a dedicated broken parts tracking board for supervisor oversight

Outcomes

- Consistent production board updates at designated intervals
- Increased supervisor ownership and active management of the visual management system
- Development of an Excel dashboard for management to analyse factory performance based on production tracking data
- Improved visibility contributed to a 10% reduction in reworked parts (and a 9% reduction in reworked part square meterage)

Intervention



Actions

- Analysed production planning to understand material flow, instruction delivery and work management
- Optimised the production plan to ensure efficient material use and reduced lead times
- Expanded the production meeting agenda to include discussions on internal delays, production losses and flow-related metrics

Outcomes

While not directly quantified, the value stream map is likely to have identified and addressed production flow bottlenecks or inefficiencies. This potentially contributed to the overall improvements observed in the programme

Intervention



Actions

- Hired an industrial engineer to analyse production quality data and implement improvements
- Integrated broken parts data with Zoho customer relationship management for real-time quality analysis
- Introduced production status checks to ensure prompt management intervention for quality concerns

Outcomes

No direct quantitative data on equipment-related disruptions but the improved maintenance system is likely to have contributed to the observed 10% reduction in reworked parts and 9% reduction in reworked parts square meterage between 2022 and 2023



STANDOUT SUCCESSES



Improved communication



Proactive issue identification, with 10% reduction in numbers of reworked parts



Employment figure up by 10% from April 2022 to March 2023

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CASE STUDY

PALLETS OF UMVEMVANE POTENTIAL FOR PRODUCTIVITY ENHANCEMENTS



When Busisiwe Nkabinde established Umvemvane Trading Enterprise cc in Trichardt, Mpumalanga in 2005, she was under no illusion about the challenges ahead. But fast forward 20 years, the business is still pumping out the goods. In Umvemvane's case those goods are new and second-hand wooden pallets, plastic pallets, crates, boxes and flat bases, sold primarily to the private sector and government schools.

Although it has not always been smooth sailing, when the going got tough, Busisiwe wasn't too proud to ask for help from Productivity SA's BT&R programme. By that time, she had created employment for 25 people and had embedded solid values underpinned by dedication and commitment.

She had also secured the custom of global chemicals and energy company, Sasol, which is listed on the Johannesburg and New York stock exchanges.

However, being vendor of choice for Sasol presented risks. Reliance on one large customer was a potential threat to Umvemvane's sustainability, Busisiwe turned to the BT&R team to find ways to expand her customer base and increase her footprint.

The team conducted an in-depth assessment and held several workshops with management to identify bottlenecks that hindered the company's growth.

Risks flagged included:



Difficulty sourcing new customers



Operating below 70% of total production capacity



Lack of detailed market information to inform marketing strategies



Cashflow problems preventing innovative spending and impeding efforts to attract larger audiences



Insufficient marketing planning and low sales



Lack of a formal marketing plan and consensus on future marketing direction



Low brand awareness in the marketplace



Insufficient competitor information

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The project set out to improve Umvemvane's performance through strategies to guide marketing activities and facilitate access to markets. The productivity champions initiative was launched to train staff and an operational efficiency deliverable was introduced to alleviate gaps identified on the assessment against kaizen quality and productivity improvement standards.

This aspect of the project was aligned to marketing plans and strategies, 5S (sort, set in order, shine, standardise and sustain) audits, layout review and a continuous improvement tool. Actions were taken to counter underperformance and increase sales and profit.

Process inefficiencies were highlighted and tools implemented to track and monitor effectiveness. The approach also revealed gaps in resource alignment and business process tasks. Kaizen identified a need for improved planning, labour use and clear roles for each team member. Key performance indicators were built into the system.

Through the partnership with BT&R and in similar fashion to the butterfly that inspired its name, Umvemvane is emerging from the chrysalis of challenge to take flight into a bright future.



Wooden pallets in production at Umvemvane



POINT TO PONDER

Kaizen is a Japanese business philosophy that promotes continuous improvement by involving employees at all levels of a company. The word kaizen is often translated as 'change for the better'.

The kaizen range of ideas includes making the work environment more efficient by creating a team atmosphere, improving processes and procedures, ensuring employee engagement and empowerment and providing more fulfilling, less tiring and safer jobs. It sets out to minimise waste, build customer loyalty and practise transparency.

*Information drawn from www.investopedia.com

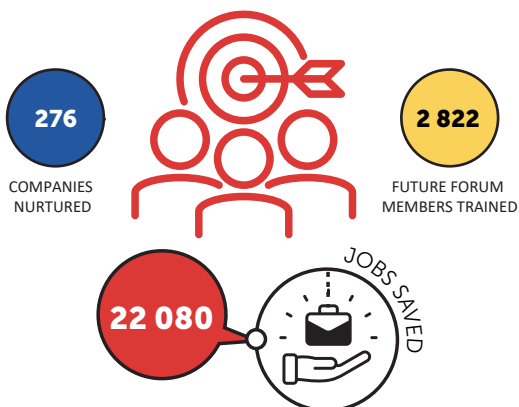
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BT&R SCORECARD



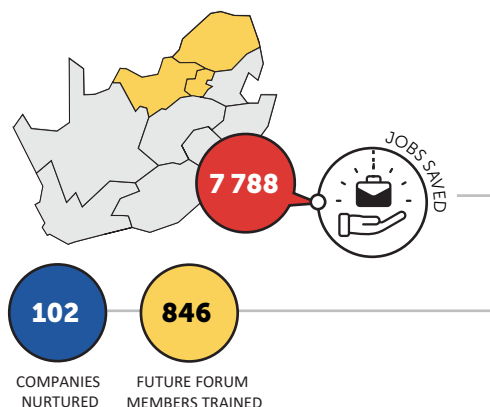
The figures presented below demonstrate the difference BT&R interventions continue to make in the lives of business owners who, for financial and/or operational reasons, have veered off track in the realisation of their goals and visions. The statistics also reinforce the impact on those already employed through saving jobs and on those seeking work by creating jobs. Statistics are for 2020 to end-January 2025.

Cumulative BT&R target vs actual 2020 to 2025



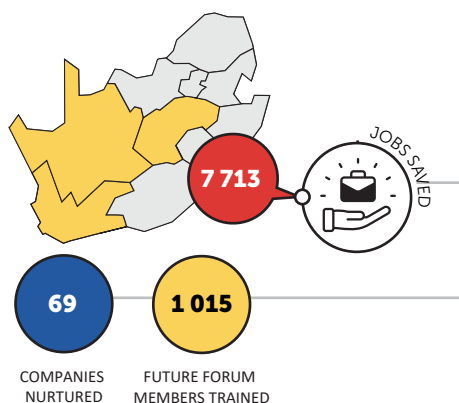
Cumulative region 1 target vs actual

Region 1: Gauteng, Limpopo and North West



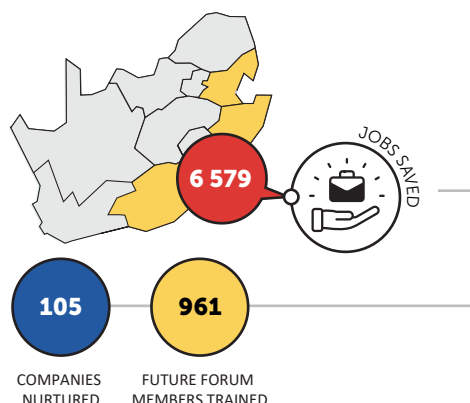
Cumulative region 2 target vs actual

Region 2: Western Cape, Northern Cape and Free State



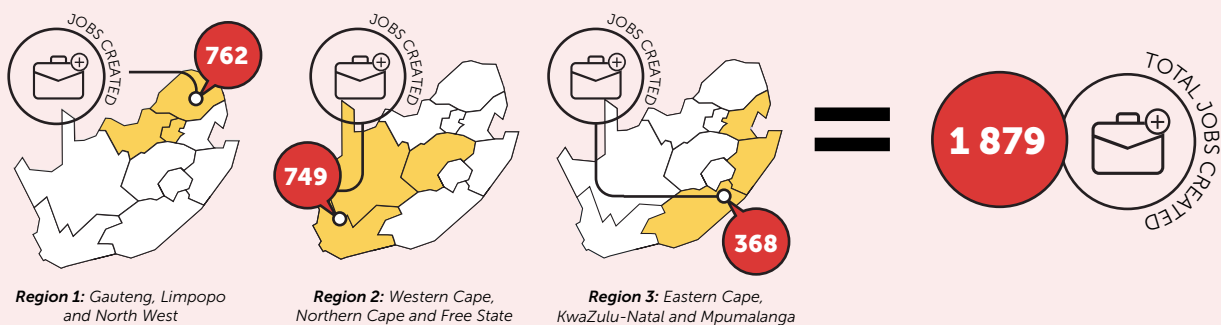
Cumulative region 3 target vs actual

Region 3: Eastern Cape, KwaZulu-Natal and Mpumalanga

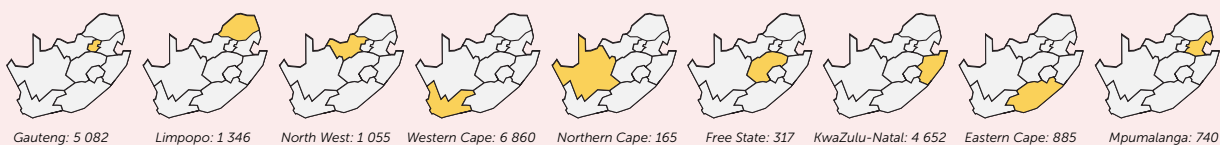


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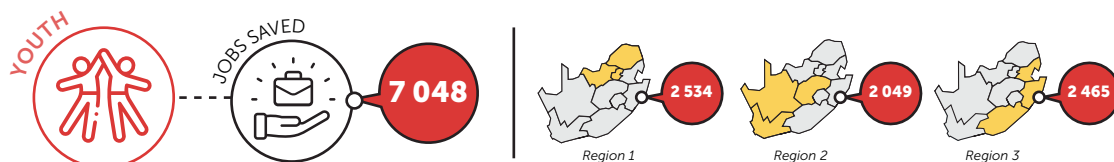
Cumulative BT&R jobs created by province 2020 to January 2025



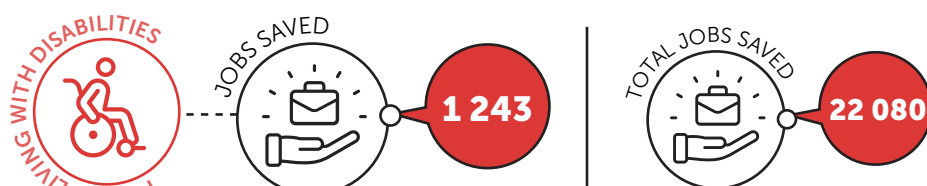
Jobs retained by provinces to date



Cumulative BT&R jobs retained for youths 2020 to January 2025

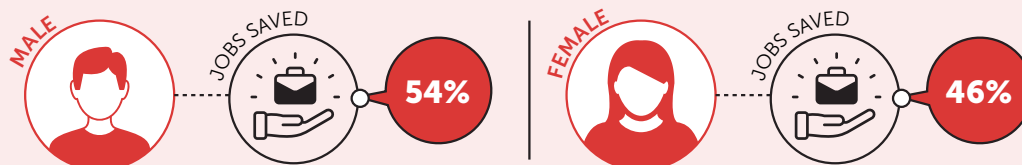


Cumulative BT&R jobs retained for people living with disabilities 2020 to 2025

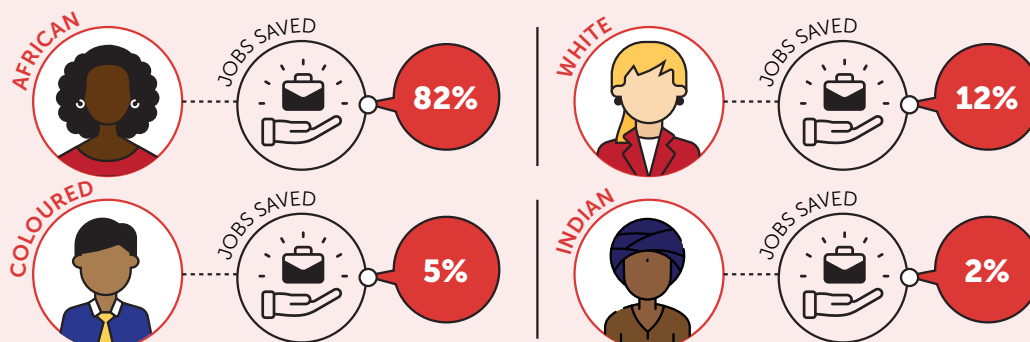


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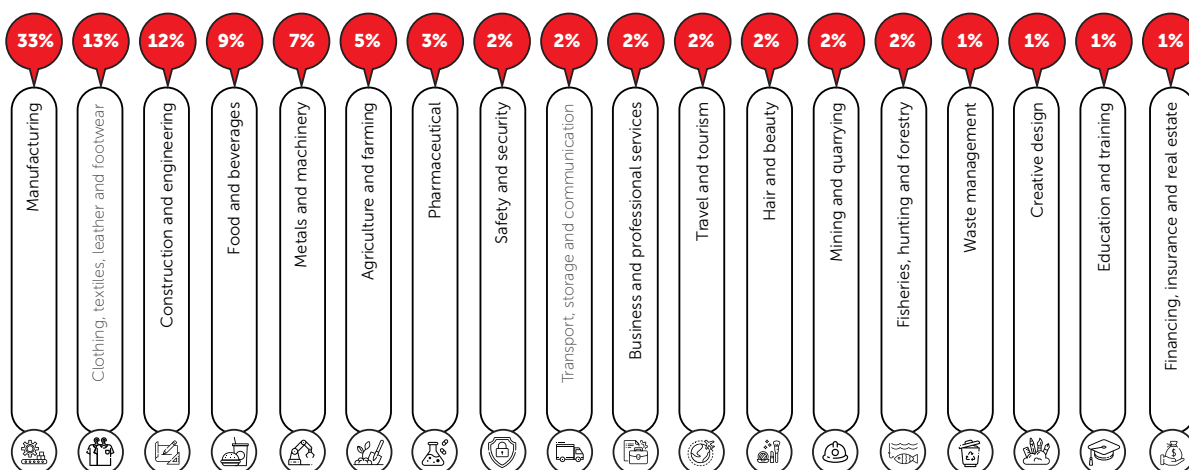
Cumulative jobs retained by gender 2020 to January 2025



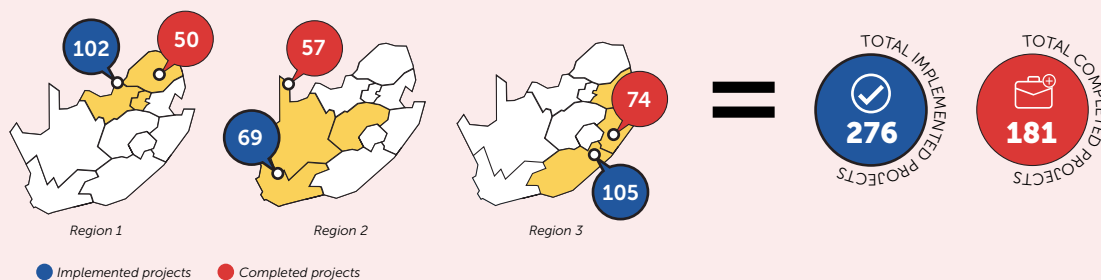
Cumulative jobs retained by race 2020 to January 2025



Clients that joined the BT&R programme by operational sector to date



Cumulative BT&R completed projects per region to date

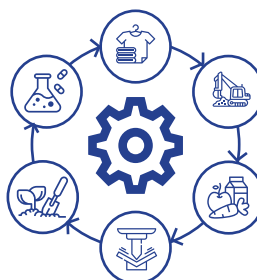


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Where we operate

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, trained 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.



Turnaround-assisted businesses

62% men
30% women
8% multi-shareholder companies



Businesses of people living 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.



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