

## Feedback on recent events

- **Retailer, Clothing and Textiles Manufacturer Imbizo:** The fourth annual KZN and Cape Cluster Imbizo was held in Stellenbosch on the 7<sup>th</sup> and 8<sup>th</sup> of May. For the first time, all major South African retailers were present, including Cape Union Mart, Edcon, Foschini, Mr. Price, Pep, Truworths and Woolworths, along with significant representation from South African clothing and textiles manufacturers. The Imbizo focused on three key issues:
  - › Identifying the underlying factors undermining the present competitiveness of the South African clothing and textiles manufacturing industries,
  - › Assessing the reasons for the industries' inability to provide South African retailers with the supply chain ideal of (a) world class quick response manufacturing capabilities and (b) enhanced stock turns,
  - › And most importantly, identifying and fleshing out practical interventions that are required to re-establish the South African industries' competitiveness foundations in support of the retailers' quick response product requirements.

The focus of the two days was on issues within the direct control of firms, so while recognising macro-economic issues as important, these were highlighted as such and then put to one side.

In a major breakthrough for the future development of the two industries, it was agreed that a coordinated effort between retailers and manufacturers was required to develop fast product retailing and quick response manufacturing capabilities in South Africa. Fundamentally, each retailer will focus on the development of its own supply chain network in line with its own strategic intentions, while the Clusters will assist in this process where possible, but focus on collaborative elements for retailers as a group and the clothing and textile manufacturers as a group.



**Delegates at the Annual Retailer, Clothing & Textile Imbizo**

- **KZN CTC Annual Executive Forum – 12 March:** The KZN CTC's Annual Executive Forum was held on the 12<sup>th</sup> of March at the Durban Country Club. Special guests included a delegation from the United Nations (UNCTAD) in Geneva. The forum was well attended by clothing and textile manufacturers and industry representatives. The 2008 international research report on *'Fast-product, lean retailing and associated supply chain management principles and practices'* was presented by Dr. Justin Barnes, highlighting the urgent need for SA manufacturers to be able to deliver goods, from inception to store, in 56 days.



**Delegates at the Annual Executive Forum**

## Important Dates

- **WCM Training: Module 4 – 5S/CANDO:**  
**21<sup>st</sup> and 22<sup>nd</sup> May 2009** Venue: B&M Analysts, Hillcrest & Factory Tours at Toyota- Boshoku in Amanzimtoti and Behr, New Germany. This training session will be for all participating programme champions and will focus on 5S. The factory tours through Toyota-Boshoku and Behr should provide participants with a fantastic opportunity to see first-hand the practical implementation and benefits of visual management systems and 5S on the factory floor.
- **WCM Training: Module 5 – Value Stream Mapping 24<sup>th</sup> June 2009** Venue: B&M Analysts, Hillcrest. This session will be for programme champions from the Durban region only.
- **WCM Training: Module 5 – Value Stream Mapping 26<sup>th</sup> June 2009** Venue: To be confirmed. This session will be held in Northern KZN and will be for programme champions from this area.

## Member News

### \* NEW CLUSTER MEMBER\*

On behalf of the KZN CTC, we welcome **Prilla** on board. Prilla was founded in 1950 and is South Africa's largest independent spinning mill. Prilla yarns are supplied to knitting and weaving operations in Southern Africa and abroad in Europe, Madagascar and Mauritius. Interestingly, Prilla is an official supplier of the 'Cotton Made in Africa' yarn and ready garments. For more information please go to [www.prilla.co.za](http://www.prilla.co.za).

## Industry News in Brief

### DTI CTIP Programme

Unveiled at a series of workshops run by the Department of Trade and Industry (dti), this programme falls under the umbrella of the Customised Sector Programme and will be administered by the Industrial Development Corporation (IDC). There are several requirements for firms looking to access funding through this programme. These include tax clearance certification, bargaining council compliance, and a completed benchmark to act as a baseline and to inform the nature of the support required.

The benchmark has also been identified as the primary monitoring tool for the duration of the improvement programme. As a diagnostic, management tool, the fact that the data is collected and analysed immediately focuses attention on the right areas. If you want to reduce costs, identify the seven wastes, waste, quantify them and drive it out of the business!

KZN CTC members are in the fortunate position of receiving a comprehensive benchmark assessment as part of their annual membership fee and for many the process is now a familiar one. Please feel free to contact us should you require any further information pertaining to your 2009 benchmark.

Given the necessity of bargaining council compliance in order to access the funds, all manufacturers are strongly encouraged to engage with their local bargain council representative in order to ensure that they can negotiate access the funds available.

The KZN CTC intends to use the IDC funds to grow the activities and increase support to its members in line with the areas identified through the 2008 Executive strategy sessions and 2009 Imbizo. We will therefore be increasing communications on this matter in order to ensure as many members as possible are able to participate.

### Frame Rescue Bid Update

Negotiations are currently underway to try and save the spinning, weaving, finishing and denim divisions at Frame Textiles. At the heart of the negotiations are concerns over job losses and possible de-industrialisation of the sector and broader economy.

The most recent announcements suggest a possible three-way partnership between the National Empowerment Fund (NEF), the Industrial Development Corporation (IDC), and Seardel. Reports indicate that discussions have centred on financing a new company to buy the firm's assets. About 1 400 jobs are at stake, although saving all these is unlikely given the magnitude of the task ahead.

Frame is increasingly being viewed as a strategic asset in a part of the country that has high rates of unemployment and amongst worries that smaller CMT's reliant on Frame would be unable to secure alternative sources of fabric for assembly.

A dti-led task team is investigating the details of a potential plan, the details of which will no doubt be much discussed by the media and industry alike.



# Manufacturing in a Recession

What should clothing and textile manufacturers be doing now – in the early stages of a recession? Is it business as usual or should we be doing things differently? The answer is yes to both questions. Managers will now be expected to reach the same business objectives they always have, only now they will have to reach those goals with fewer resources. In most firms this usually means smaller budgets, less equipment and facilities and a smaller staff. However cutting costs is not always the right or only answer.

Harvard Business Review's Tammy Erickson coined it perfectly when she said that it is not the time to focus on the bottom line but rather to reward creativity and innovative thinking. Tough times often see the emergence of leaders and potential superstars to come forward and prove their worth. The best way for managers to find them is to give them an opportunity to help solve the problems. Apple is a perfect example of a company which emerged from a recession as a winner. During the last recession, Apple worked on iTunes and its iPod. When the recession was over, retail stores, in sudden need of interesting goods, could not get enough of the product sell and stock values rocketed.

In order to create an organisation that encourages creativity and has streamlined operations, the following are an array of possible steps:

- Prioritise operational improvements. Now that you have time and money constraints prioritise which improvement interventions are likely to yield revenue results quickly. Remember to base any operational improvements on measured data and not on 'intuition' and 'hunches.'
- Review costs with the intention of eliminating unnecessary expenditures. Typical examples here include travel and bonuses.
- Eliminate red tape and bureaucracy. Traditionally the larger the organisation, the more burdened it is with authority levels, paperwork and power snares. This is the time to streamline the approval process so that projects can be initiated quickly and smoothly. Speed is of the utmost importance. Remember, **it is not the big that eat the small, but the fast that eat the slow!**

- Focus on reducing and eliminating overtime to reduce costs and so as to scale production to meet demand. The danger of not doing this is that you will simply manufacture stock that will sit in inventory!
- Build 'collaborative capacity' through relationships, trust and knowledge exchange.
- Intensify competition between internal teams.
- Don't cut back on meetings, but do make sure meetings are productive. Productive meetings are more important than ever for brainstorming and firing up team members' creativity.
- Build new teams – business pullbacks are excellent opportunities to pursue new ideas and projects.
- Do not be risk-averse. Encourage risk-taking.

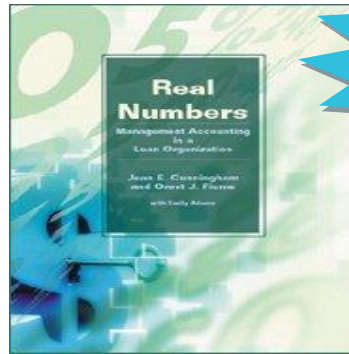
## What not to do:

- **Arbitrary cost cutting.** A prime example of this is random cutting of maintenance costs. Often during recessions, management cut maintenance as they have spare capacity so reliability is no longer seen as important. This mindset is a problem as it is by having reliable operations that firms are able to produce products at the lowest cost per item possible. This reliability in turn enables them to deliver quickly and on time during the busy periods when their capacity is full. Another example of arbitrary cost cutting is the slashing of technology costs. This may actually be the ideal time to consider technology that saves money and increases efficiency.
- **Cutting or reducing training and education expenses.** It is imperative that organisations avoid skill degradation during the lean times so that they are able to solve problems, innovate and keep the business alive.
- **Halt all new product development.** Should you stop investing in new product development there is a strong likelihood that when the economy turns around your competition could wind up leaving you in the dust.
- **Cut critical skills** – be wary of retrenchments, these often result in the loss of critical skills desperately needed when the cycle turns.

## Sources:

1. "The Art of Running Lean and Mean During a Recession" – Bob Weinstein.
2. "Lean Reliability During a Recession." – Drew Toyer.
3. B&M Analysts, 2009

## Book Review



Winner of  
the Shingo  
Prize 2004

*Real Numbers* by Jean Cunningham and Orest Fuime, with Emily Adams (2003)

Current management accounting practices often produce financial statements that are unnecessarily complex, do not provide meaningful, actionable information, and often lead to the isolation of financial officers. Even worse, in many instances they are incomprehensible to those that are supposed to read, analyse and then use them for production improvements.

These financial reports may even lead to anti-productive behaviour and underlie poor decision-making. Using real life experiences in implementing lean in manufacturing and the implications and opportunities for the finance and accounting organisation, this book has major implications for the way in which your organisation's accounting practices are run, and more importantly, used to develop competitive capabilities.

### Some key points covered:

1. In accounting allocation procedures, accuracy is more important than precision. As a quick test, ask yourself, if the value were 10% higher, would a different decision be made?
2. Do not confuse fixed costs with a variable cost.
3. It is not necessary to absorb labour and overheads for every single product. Reduce time-consuming piece-part allocation transactions and focus on groupings instead. If you have stable WIP (and we all should), or the lead time is shorter than the fiscal period, transactional absorption costs add confusion, not understanding, to the operational performance and is therefore time-consuming and unnecessary.
4. Do not assume that just because a machine makes more units at a lower per unit cost, it is better. One cannot continue to use the standard amortisation calculation that assumes running the machine 24/7 is the right method – this may simply overproduce. A smaller machine might actually be better and reduce future costs.
5. Accounting is not the only source of information – data can and should be created for the shop floor and can remain there as not everything needs to go into a report.
6. Once and once only. As with quality, rework is very expensive. The same principle applies to office work so make sure data is entered accurately the first time before passing it on.
7. "Because accounting said so" is not a reason. Ask why, what use, and to whom to know whether or not it actually serves a real purpose.
8. All financial statements should be usable by non-accountants.
9. You are what you measure – measurement affects behaviour. Poor measurements (e.g. individual scores) can lead to dysfunctional behaviour.
10. Financial engineering will not yield productivity gains.
11. A Rand is more valuable in flexible capacity than in inventory.
12. In cost accounting, the less allocation the better. Allocations by nature involve choices between methods and estimates and are not accurate, and are also not particularly meaningful. Similarly, variances in allocations are even more inaccurate and less meaningful.