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INTRODUCTION

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DIALOGUE DRIVEN PERFORMANCE MANAGEMENT

In this issue we publish an article by Charles Nupen and Geoff Schreiner focussing on the use of social dialogue in improving the competitiveness of the clothing sector, which is a major employer in South Africa and is particularly threatened by the effects of global competition. In the case study they draw a direct line between the establishment of dialogue-driven relationships in the workplace and bottom-line profitability with its attendant benefits, including more sustainable employment. And in so doing, they establish a relationship between the tradition of social activism and the commercial imperatives upon which communities stand or fall.

We know that effective communication is the cornerstone of constructive engagement and often an inability to communicate provides the flint which ignites a conflict. This article provides concrete support for the notion of social dialogue and proactive engagement. As a member of our inaugural board, Charles Nupen has been a particular supporter of AIM, and it is with great pleasure that we publish this contribution.

Gina Barbieri

Executive Director, AIM

DIALOGUE DRIVEN PERFORMANCE MANAGEMENT

DIALOGUE DRIVEN PERFORMANCE IMPROVEMENT IN THE CLOTHING AND TEXTILE SECTORS IN SOUTH AFRICA

By Charles Nupen and Geoff Schreiner – March 2008

For some time sceptics of social dialogue have argued that its proponents have failed to make the case for its intrinsic value in policy planning and change management. The principal arguments are that it is time consuming and compromises effective outcomes by emphasizing consensus-based decision making at the expense of decisive leadership. This, the sceptics argue, allows stakeholders to punch above their weight and to assert sectarian interests without due regard to overall integrated objectives.

The International Labour Organization which unashamedly promotes social dialogue as an important methodological tool has in recent years sought opportunities to demonstrate its value in achieving practical sustainable results.

Such an opportunity has presented itself in South Africa in the area of enterprise based performance improvement.

Building upon a successful pilot that was run in clothing and textile firms in Ladysmith and Newcastle in northern Kwazulu Natal in 2004/5, a technical co operation project of the International Labour Organization funded by the Swiss Government (the ILO/Swiss project) has over the past two years facilitated interventions in 14 clothing and textile firms in the Western Cape and Kwazulu Natal. These interventions have been designed to improve the firms' operational efficiencies in the quest for global competitiveness and sustainability in the face of strong competition from Asia. This piece spells out the outcomes of those interventions, the methodologies employed, and makes the case for social dialogue among industry stakeholders both at sector and enterprise level, as being a crucial success factor in improving enterprise performance.

THE STATE OF THE INDUSTRY IN SOUTH AFRICA

The clothing and textile industry currently has an annual turnover of around R20 billion. It accounts for 15% of formal employment and represents about 6% of the total output of the South African manufacturing sector.

A picture of its size as at 2004 for clothing and 2006 for textile is as follows:

SECTOR	EMPLOYEES	EMPLOYERS
Textile	50,500	530
Clothing	100,450	1,080
Unregistered	56,000	640
Total	206,950	2,250

It is important to note that the vast majority of employees in the industry are women who in many cases head up single income households so that the effects of job losses are very severe indeed.

The industry is highly sensitive to the exchange rate and the prolonged strength of the rand has made exports very difficult.

The real pressure however has arisen through the ending of trade tariffs and the entry of China (and increasingly other countries from the East) into local markets which were previously protected.

In the case of South Africa certain steps were recently taken to apply quotas to imports from China but these have had a limited impact and have, in numerous instances, merely shifted importing initiatives to countries such as India and Vietnam.

It is likely that the South African clothing and textile industry will continue to shrink in the face of international competition. The key question is to what extent this will be the case and how much of the industry can be retained. In a country of 45 million people with unemployment levels of around 30% the issue is critical.

Clearly, the challenge for clothing and textile manufacturers is to play to the industry's competitive advantages. In short these are (a) location/proximity to customers (which should translate into quick turnarounds) and (b) value added services.

However, these competitive advantages naturally have to be underpinned by the right fundamentals - quality is non-negotiable and while local retailers and buyers will tolerate some price premium to get the quick turnarounds, premiums have very stringent parameters.

The bottom line therefore is that the firms in the industry have to become as close to as efficient as any other firms in the world. This means optimising their internal supply chains, continuous improvement, employing best practices and as we argue, by embracing social dialogue.

A customised sector programme (CSP) driven by the Department of Trade and Industry was finalised in 2006 but it does not have the full support of the retail sector and has therefore not yet been introduced. The CSP is intended to develop the clothing and textile industry and to put it on a path to higher competitiveness by addressing the issues outlined above.

The Cape Clothing and KZN Performance Improvement projects represent initiatives by employers and the key trade union in the industry to practically address, on a pilot basis, the challenge of world class competitiveness at firm level. It is intended that the learnings from this and similar projects will be rolled out to the industry more broadly, possibly as part of the CSP.

(Note: The statistical data for this section was drawn from the Texfed website - Current Environment 2007 and from the CTFL SETA - Sector Skills Plan 2005-9).

RESULTS

Six textile and clothing firms in KZN - Frame Spinning, Zenzeleni, Zorbatex, Imraan Textiles, Capstone and Frame Weaving - participated in the performance improvement pilot project, to improve their overall competitiveness and their ability to respond to foreign competition.

This pilot project was funded by SECO the Swiss ministry of Economic Affairs, through the International Labour Organisation, the CFTL SETA, the Provincial Department of Economic Development, the eThekweni municipality, the KZN Clothing and Textile Cluster as well as the firms themselves.

A similar project involving clothing firms in the Western Cape was also recently completed with SECO through the ILO/Swiss project and the CTFL SETA also being the core funders.

At the end of the project in November 07, a number of significant improvements had been achieved in the pilot areas in participating firms:

Textile efficiencies averaged 85% in October 07 despite critical supply issues and an increased rate of changeovers

Clothing firms in the project reached efficiencies of 77% in October 07 off a base of 64%

Four firms achieved quality levels of over 97% in October 07

The average attendance (excluding late coming) of all firms for the period August to October 07 was >97%

Profit improvement projects yielded improvements of over R2-million

Three firms achieved world class contender status in terms of their operational performance and implementation of best practices

All firms now have basic HR policies and procedures in place.

22 team leaders and 5 internal trainers were accredited and a further 10 team leaders are being assessed for accreditation. Each firm has a trained internal facilitator who will be responsible for driving the rollout of the project internally. In addition, 3 new service providers were trained up as part of the project - they will now become available to support firms in the sector who wish to embark on performance improvement initiatives.

A major benefit of the programme has been the involvement of organized labour which has meant that union representatives and shop stewards have been fully involved in the firm-based initiatives and have been part of addressing the practical imperatives that are currently facing the industry.

The industry has a high union density and only one firm out of 14 in the two project locations was not unionized

Participants indicated that the project was a major success not only because of what had been achieved in terms of performance improvements, but because of the changes that the project had brought about in the way that managers and team leaders approached their work and interacted with one another. The view was strongly expressed that more firms in the sector should take up the challenge to achieve world class performance and practices in order to sustain the industry into the future.

This sentiment has been echoed by the project's SACTWU (Union) representative, Mr Siphiv Ngidi who emphasized the union's wholehearted support for the project and stressed that the union recognized that in order to maintain jobs in the sector, it was essential that firms "learn to become competitive in ways that still maintain the principles of decent work".

Eight clothing firms participated in the Western Cape performance improvement project over a period of twelve months ending in November 2007. These were Pals Clothing, Charmfit, Charmfit Lifestyles, Sharma Fashions, House of Monatic, Prestige Clothing, Falke Eurosocks and Monviso

The average efficiency improvement across all firms of > 15% over the duration of the project indicates the huge potential for improvement within clothing firms - this improvement rolled out to all lines at each firm would produce very significant gains to the bottom line of these firms

The 80% efficiency level which was achieved by five of the firms in October 2007 is approaching world class levels

Similarly the 96.5% in-firm quality level (rework and rejects) achieved by five firms, is certainly globally competitive.

Absenteeism (which takes into account late coming and all leave other than maternity) at just over 5% achieved by three firms over the duration of the project is not only world class but debunks the myth that Western Cape manufacturers should be content with levels of 10% and more (which is the current norm)

The sustainability of these results is demonstrated by the mapping of performance against improvements in best practices such as team work, 5S housekeeping, and visual performance management

The target of the project over a 12 month implementation cycle was to achieve a level 3 (measured on a scale of 1 to 5) in terms of best practices coupled with an efficiency / quality measure of around 80%. A number of firms came very close to achieving this target and equally importantly, most firms showed a steady improvement from their baselines through to their final assessment.

Profit improvement projects undertaken at respective firms during the course of the project notched up rand gains of nearly R2m on an ongoing basis.

60% of selected HR policies and procedures were implemented by all firms by the conclusion of the project.

In terms of capability building, eight internal facilitators / internal trainers and 14 team leaders / line managers were trained up and accredited. In addition, four Emerging Service Providers (ESP's) were coached and supported to be able to consult back into the sector. Participants rated the project as highly successful. Particular emphasis was placed on the importance of labour management cooperation and communication in securing performance improvements at firm level.

METHODOLOGY

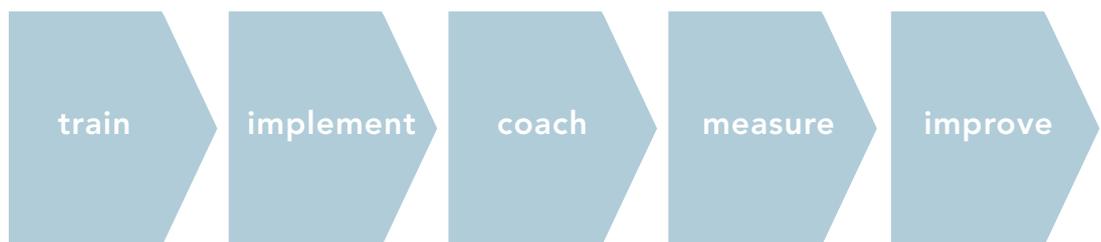
The project has been underpinned by two core approaches:

Firstly, learning together by doing, with coaching support

At the inception of the project a lot of thought was devoted to ensuring that the most effective training and development approaches were adopted. In this respect the following was agreed:

- To establish a training 'College' where participants would share learning
- To implement what had been taught immediately after training
- To coach participants intensively as they implemented their training.

The elements of this methodology are represented in the diagram below:



Training was conducted at a central venue ("a College") and was attended by participants from all participating companies. The college method of training delivery ensured cost savings through economies of scale and promoted the sharing of learning and the creation of a healthy competition amongst all participants.

An example of a college programme is set out on the following page. This was the one applied in the KZN project.

24/10	Introduction to World Class Manufacturing	Emerging Service Providers (ESP's)
1/11	Advanced Problem Solving 1: Defining and Measuring for Profit Improvement project	Problem Solving Team in each plant
21/11	Advanced Problem Solving 2: Analyzing and Improving	Problem Solving Teams in each plant
22/11	Introduction to Best Practices	ESP's and Internal Facilitators
24/01	Advanced Problem Solving 3: Initial Presentations	Problem Solving Teams in each plant
13/02	Introduction to Best Practices 1	Implementation Teams in each plant
14/02	Introduction to World Class Manufacturing & Roles and Responsibilities	Team leaders and Trainers
15/02	Managing Absenteeism and Employee Turnover	PM's, HR Managers, 3 x s/s
1/03	Advanced Problem Solving 4: Controlling Solutions	Problem Solving Teams in each plant
13/03	Managing Best Practice Implementation	Implementation Teams in each plant
14/03	Team Leadership	Team Leaders and Trainers
15/03	HR Best Practices 1	HR Managers and 3 x shop stewards (s/s)
27/03	Sales and Operations Planning & Managing Suppliers	CEO's, Sales, Production and Procurement Managers
28/03	Progress and Planning Review	Internal Facilitators and ESP's
29/03	Building Social Dialogue	HR/IR Managers and 3 x s/s
17/04	Managing Performance & Coaching	Implementation Teams in each plant
18/04	Visual Performance Measurement	Team Leaders and Trainers
19/04	Teambuilding Skills (for s/floor teams)	Trainers
15/05	Sales and Operations Planning & Managing Suppliers	CEO's, Sales, Production and Procurement Managers
16/05	Quality and Problem Solving (1)	Team Leaders and Trainers
12/06	Managing Customer Relationships	CEO's, Sales & Production Managers
13/06	Quality and Problem Solving (2)	Team Leaders and Trainers
14/06	Skills Development Plans	HR and Training Managers and 3 x s/s
18/07	5S Housekeeping	Team Leaders, Trainers and IT members
14/08	Set Ups and Line Balancing	Team Leaders and Trainers
15/08	Recognition and Rewards	Production & HR Managers and 3 x s/s
11/09	Managing Performance	Team Leaders and Trainers
12/09	Recognition and Rewards 2	Production & HR Managers and 3 x s/s
16/10	Interpersonal Skills	Team Leaders and Trainers
17/10	Planning Rollout	IT Chairs, Internal Facilitators and Trainers
17/10	Team Leader Assessments	Team Leaders
18/10	Train the Trainer and Trainer Assessments	Internal Trainers

Each college training session was carefully planned to ensure an approach that allowed firms to learn at their own pace and to benefit from each other's experiences. Once Implementation Teams and Team Leaders had been trained, they were then expected to go 'out and do' i.e. apply their learnings in the real enterprise environment.

Critical here was that the implementation was undertaken immediately after the training i.e. within the same week. Studies indicate that a 25% information retention can be expected immediately after training but that this will drop to 10% or less within a matter of weeks.

In this project, Implementation Teams and Internal Facilitators were supported and coached on-site by the project team consultants, who attended implementation team meetings and consulted and coached on the shop floor as well.

Once again it was essential that this coaching took place as soon as possible after the training. Here research indicates that retention improves to 60% if this coaching is undertaken within a few weeks of the training having taken place.

For the Implementation Team, project measures were submitted on a monthly basis. Improvements were also tracked through the ongoing assessment of best practice implementation e.g. evidence of 5S practices in place, problems being solved quickly and close to source, the introduction of standard operating procedures, etc.

For the main part targets set would generally stretch the Implementation Teams and team leaders. If they reached these targets the celebration of these successes was encouraged. But the participants were then encouraged to set new targets and in this way to continuously raise the bar.

If they did not reach target and where measures were not moving in the right direction, or improvements were not being realised, the Implementation Teams and/or team leaders were further coached on-site by project consultants and improvement plans were drawn up. The aim was to stimulate a continuous improvement mindset at all levels of the firm - this is of course, at the heart of world class competitiveness.

Secondly, the role of social dialogue

Social dialogue in the context of this project manifested in engagements between social partners which took the form of information sharing, consultation/negotiation, joint problem solving or any combination of these.

This project was founded on the proposition that social dialogue at regional and firm levels is necessary to performance improvement if it is to be optimized and sustainable. This is one of the key factors which distinguishes this project from so many other performance improvement initiatives, many of which do not include the social partners at any level.

The project constantly sought to shape and underpin its performance improvement objectives and activities with an ongoing dialogue between the participating employers, the clothing and textile workers union (SACTWU) and the provincial departments of economic development.

Social dialogue was woven into the manner in which the project was conceived and implemented. At the outset union and employer and government representatives were brought together to agree on what the project should aim to achieve and who should be involved. Employer organizations and the union co operated in selecting participating firms. Governance structures - a steering and executive committee - were established early on to formalize joint control over the project by the social partners.

When implementation of the project began structures were established at firm level to promote that social dialogue - shop steward management meetings were encouraged, implementation teams (IT's) consisting of a range of role players, including union representatives, were established..

Firms were also required to achieve certain social dialogue targets.

Many of the best practices introduced through the project required that communication, information sharing and joint problem solving were implemented on the shop floor

HR policies and procedures which had to be designed and implemented in the project had social dialogue at their core e.g. the Communication Policy.

The signing off of plant level performance agreements represented a major step forward for the social partners where previously very little has been discussed around performance improvement particularly at the level of the firm. The fact that firms now have these agreements (sanctioned by the social partners) in place is a very important step to promoting far more intensive discussions about performance improvement at all levels in the industry.

Social dialogue does not however lend itself exclusively to quantitative measurement and one of the most important indicators of the success of the social dialogue component of the project was in the comments from those involved in terms of their perceptions of improvements in communication, information sharing and joint problem solving. The wide range of positive comments from CEO's, shop stewards and senior managers on how these elements had really turned around suggests that the dialogue component of the project was one of its outstanding successes.



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