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1. BOARD OF DIRECTORS

MR ALWYN NEL (CHAIRPERSON) • MR BONGANI COKA (ACTING CHIEF EXECUTIVE OFFICER) • MR NICO VERMEULEN • MR XOLA SICWEBU



MR NOEL MBONGWE • MS NIVY MOODLEY • MR SAM MOROTOBA • DR JULIUS NYALUNGA • MR JONAS MOSIA

2. FOREWORD BY THE CHAIRPERSON



Mr Alwyn Nel
Chairperson

This report provides feedback on the projects undertaken by Productivity SA during the 2010/2011 financial year. The year has proved to be a most fruitful journey as we have carried out our mandate with fewer challenges arising along the way. This is due to the excellent calibre and exacting diligence of our management personnel, including the invaluable leadership of the Board and the Labour Ministry alike. Productivity SA is an institution mandated by Government, Labour and Business to enhance productivity in order to contribute to South Africa's socio-economic development and competitiveness. The mandate is underlined by a desire to see the South African industry maintain world class standards at all times.

As a schedule 3A entity, Productivity SA is well positioned to carry out its duties and deliver on

a mandate which stipulates that the organisation inculcates and promotes a culture of productivity in workplaces and develops relevant productivity competencies for the country. Productivity SA views productivity much more broadly than simply the implementation of methods that increases the production line. Not only is productivity crucial for the progressive performance of the corporate and industry sectors, it goes further in improving the living standards of the communities in which it is applied. It should be emphasised that productivity is not only the key to the positive performance of companies, it is a fundamental tool in uplifting the standard of living within the country.

Productivity SA seeks to enable productivity enhancement strategies to benefit all stakeholders involved from the shop floor worker right up to the individuals at the apex of the organisation. At the top of the list of priorities in our country is the need for equitable job creation and it is a challenge productivity can help address by galvanising a productive workforce. Productivity is a crucial enabler for the growth of our economy and the creation of jobs.

I must commend my fellow board members and Productivity SA for yet again ensuring that the organisation produces another clean slate in its financial matters. It is noteworthy to mention this pleasing and positive improvement, especially taking into consideration that a few years ago the organisation faced some challenges, however today it is firmly established. Collectively as a Board, we have set the wheels rolling in terms of the appointment of a new Chief Executive Officer (CEO) and the process is at an advanced stage. Nonetheless it has not all been smooth sailing during this

financial year, as Productivity SA was summoned to court. The matter pertains to Productivity SA terminating the services of a service provider based on their failure to meet the required specific work performance. Consequently the service provider has elected to approach the courts and the matter remains *sub-judice*.

It is of great significance that the organisation has released the 2009 Productivity Statistics Booklet in the past financial year. The productivity statistics are an annual barometer of how our country is doing in terms of making our workplaces competitive. The report outlined that in terms of labour productivity, SA performed better than almost all the BRIC M (Brazil, Russia, India, China and Mexico) countries except for China and this was partly due to SA having higher Unit Labour Cost than the peer countries. This could be attributed to our constant motivation to our workforce, and partly due to our success in emphasising the importance of skills development, training and human capital development. Training boosts all three components of productivity; labour, capital and Multi-Factor Productivity (MFP).

MFP is an all inclusive measure of productivity because it relates output to a combined index of capital and labour. MFP intricately caters for; technical changes, technological improvement, pricing product and remuneration competitiveness, a learning curve, business values and ethics, management style, innovation, Information and Communication Technology and qualitative attributes. MFP is the best measure of productivity as it combines a whole lot of factors.



In order to meet the targeted second phase annual average GDP growth rate of 6% by 2014 as stated in the AsgiSA document, and as promoted both by IPAP2 (Industrial Policy Action Plan) and the National Growth Path (NGP), the need exists now more than before to accelerate productivity.

The Switzerland based Institute of Management Development (IMD), produced the World Competitiveness Yearbook (WCY) 2010, with information provided by South Africa's Productivity SA, an organisation tasked with improving productivity in this country. Recognised internationally as one of the leading surveys of competitiveness between nations, the WCY is an annual report on the competitiveness of selected countries.

In results released on 18 May 2010, South Africa's economic competitiveness improved for the second consecutive year. In 2008, South Africa was ranked 53rd and in 2009 it moved to the 48th position. During this financial year, the country moved four notches higher to be ranked 44th out of a total of 58 countries that were selected. The progress is an indication of the resilient nature of the South African economy despite the impact of the global economic and financial crises. Global competitiveness is measured using four criteria:

- Economic Performance;
- Government Efficiency;
- Business Efficiency; and
- Infrastructure.

Going forward, South Africa can improve on and even better its competitiveness position next year, especially given the current economic conditions where:

- There is improved national and international demand for our products;
- A stable economic environment;
- Reduced inflationary pressures;
- Promotion of public and private investment to build capacity;
- Imminent competition in key industries, encouraging a stable exchange rate; and
- Further development of the skills of our people to expand our asset base.

Productivity SA continues to serve the interests of Government, Organised Labour and Business (the tripartite alliance) and I take this opportunity to thank all the Productivity SA staff members including my colleagues within the Productivity SA Board, the Labour Ministry and the Parliamentary Portfolio Committee on Labour, who have collectively ensured that Productivity SA continues to deliver on its mandate during this past financial year.



Mr Alwyn Nel
Chairperson



Mr Bongani Coka
Acting Chief Executive Officer

Similar to the financial years preceding it, the 2010/2011 financial year has not been without its challenges. However, despite all these hurdles, the milestones achieved, spurred Productivity SA to continue delivering on its mandate in an efficient manner.

Although mentioning the effects of the recession is seemingly becoming somewhat of a cliché, the 2010/2011 financial year arrived in the backdrop of a crippling recession. The impact of the dry period saw South Africa shed over a million jobs and the mammoth task that lay ahead was not lost on Productivity SA. Despite the fact that South Africa's tight fiscal policies cushioned the country from experiencing a full blown recession, the global financial meltdown hit hard where it mattered most and for a country facing an unemployment rate of over 25%, the jobs losses added more pressure.

42 Years ago when the idea of a productivity institution was first mooted in South Africa, the primary driver for such an organisation was the need to propel the country's productivity to higher levels. The rationale behind the creation of such an organisation was to create an organisation that would ensure ongoing competitiveness and economic growth for the country. At the time the organisation was primed to focus on:

- Providing assistance to individual companies in their productivity improvement programmes.
- Creating productivity awareness through information services, general seminars, study missions, publicity, etc.
- Conducting research in the field of productivity and related matters.
- Promoting training and education through specific programmes.

Although over the years the organisation has had changes in policies, the goals have remained primarily similar and were further underlined by progressive developments such as the one that emanated from the Declaration of the Presidential Jobs Summit (October, 1998) which put in place a Social Plan that sought to avoid job losses and declining numbers in new employment.

Key developments that also come to the fore include the release of the framework of the National Growth Path (NGP). The primary aim of the NGP is to enhance growth and create employment. The policy's prime target is the creation of five million jobs over the next ten years. Productivity SA stands to play a significant role in ensuring that the objectives of the NGP are met.

A GIANT HAS FALLEN

Before I proceed to provide an overview of what our programmes have done in ensuring that we continue to lead and inspire a productive and competitive South Africa; let me pause for a moment and relive the painful memories of the untimely loss of one of our Executive Managers. With close to two decades as a pioneer within Productivity SA; Mr Neville Goba, passed away during the month of October in 2010.

Indeed this was one of the darkest moments for Productivity SA. I use this platform to offer condolences to his family who borrowed this remarkable individual to Productivity SA for the better part of his productive years. Mr Goba was passionate about Productivity Improvement and indeed as our former CEO, Dr Jan Visser, said at the late Mr Goba's memorial service, "the only way we can truly honour Mr Goba is by continuing to promote productivity at all levels" and be wary of unsustainable overnight success that is not based on efficient productivity principles.

I borrow the first lines from the well known English poet, John Donne, when he said "Death be not proud, though some have called thee Mighty and dreadful, for, thou art not soe".

On a more positive note, our erstwhile colleague and the Regional Manager of our Cape Town office, Mr Geoff Collins, retired after a remarkable 33 years in the organisation. Productivity SA thanks Mr Collins for his selflessness.

SAVING JOBS

The mandate of the Turnaround Solutions (TS) department of Productivity SA is to decrease the impact of job losses and or retain jobs by sustaining companies. It has been almost 13 years since the Turnaround Solutions programme has been active and since its inception the programme has saved over 200 000 existing jobs with at least 16 000 jobs impacted upon during this financial year.

The Declaration of the Presidential Jobs Summit (October 1998) which led to the formation of the Turnaround Solutions outlines a Social Plan which aims to avoid job losses and employment decline wherever possible, and seeks to actively manage retrenchments.

Over the years the programme has provided technical assistance to different organisations and companies to increase productivity, profitability and service, as well as to save and retain the current jobs.

PROVISION OF INDUSTRY RELATED INFORMATION AND KNOWLEDGE

There are multitudes of definitions for the word research, its primary purpose and indeed what the ultimate outcomes of any research should be. However, in this case I will use the definition by Wikipedia, the free encyclopaedia which defines research as “the search for knowledge, or as any systematic investigation, with an open mind, to establish novel facts, solve new or existing problems, prove new ideas, or develop new theories, usually using a scientific method.”

The definition further goes on to say “The primary purpose for basic research (as opposed to applied research) is discovering, interpreting, and the development of methods and systems for the advancement of human knowledge on a wide variety of scientific matters of our world and the universe”.

This definition best suits what Productivity SA's Value Chains and Competitiveness (VCC) unit is all about. The objective of the Research Unit is to conduct thorough research so as to constructively comment on the productivity of priority economic sectors, and to contribute towards national policy direction and debates.

In this financial year, one of the key research studies we conducted was a study on the impact of labour legislation on productivity. The research report contains findings and recommendations which will be taken further with key stakeholders. The study investigated how the Labour Relations and Employment Equity Acts impact on productivity of workers at the place of employment and how employer-employee relations are affected.

IMPLEMENTATION OF CONTINUOUS IMPROVEMENT PRINCIPLES AT THE WORK-PLACE

The true measure of a winner is reflected in how a leader reinvents its strategies and goals to not only stay on par with competitors but maintain consistent world class standards. The Workplace Challenge (WPC) programme is a world-class manufacturing, or Best Operating Practice, programme aimed at helping manufacturing companies in

South Africa to become more competitive. The WPC is a joint initiative of the National Economic Development Labour Council (Nedlac) and the Department of Trade and Industry (the dti). This initiative, which also places emphasis on workplace relations, is managed by Productivity SA.

As one of government's measures to improve the productivity of South African companies, WPC aims to actively encourage and support change in the workplace to enable improved company performance, productivity and job creation.

This is achieved through various processes and toolkits that include building worker participation, thereby empowering the workers to upgrade their skills and perform better. In the year under review, WPC has nurtured 141 companies on their journey to world competitiveness.

PRODUCTIVITY SKILLS AND COMPETENCIES

The adage “do not give a man fish but rather teach a man how to catch fish” rings true in the work that Productivity SA does in the area of inculcating productivity skills within the workforce. Our Productivity Organisational Solutions programme (POS) primarily focuses on training that straddles across various areas of training with the main objectives revolving around the need to implement productivity improvement projects, provide productivity training and assist in the development of assessment methodologies.

Intervention by POS include training Skills Development Advisors on Productivity in order to





enable them to demonstrate an understanding of what productivity is, measure single and total factor Productivity and assess the causes of current levels of Productivity, and also measure both the qualitative and quantitative factors that influence productivity and establish their influence on profitability. In the year under review, 406 Educators were trained to educate learners in schools on productivity concepts and waste elimination while a formidable 2 707 SMMEs were trained through Business Performance Improvement Workshops.

PRODUCTIVITY AWARENESS DRIVE

Productivity SA has in addition during the 2010/11 financial year, embarked on a campaign to spread the message of productivity to all South Africans. The campaign included broadcasting (television and radio), outdoor, online and print media focusing distinctly towards an audience of decision makers and business people. The aim of the campaign was to create awareness regarding productivity in order to evoke a positive response.

The 16th World Productivity Congress held in Turkey, Europe, attended by a member of our Executive Management further entrenched the need for the development of productivity awareness and dissemination. The theme of the congress was "Productivity at the Crossroads: Creating a Socially, Economically and Environmentally Responsible World".

Whilst acting as a support tool, our Marketing and Communication department is the front runner for the promotion of productivity awareness. Often

productivity levels are low due to the mindset of the people in place to perform the tasks. The Marketing and Communication department embarked on various campaigns to promote the concept of productivity with the highlight being the National Productivity Awards whereby additional awareness of the importance of productivity was done through the recognition of best performing companies.

HUMAN RESOURCES

Productivity SA continued with its commitment to being not only the "employer of choice" but to "walk the talk" in terms of training of its personnel. Some of the highlights in the 2010/2011 financial year included a Productivity SA partnership with the Asian Productivity Organisation (APO) and Japanese Productivity Centre (JPC) to ensure that our employees acquire cutting edge productivity knowledge and skills.

During the 2010/2011 financial year, selected Productivity SA employees acquired key competencies required for productivity practitioners as trainers, consultants and promoters of productivity and quality improvement. It was during this period that for the first time in many years, Productivity SA marked a visible improvement in its staff retention rate.

CONCLUSION

During this period South Africa's economic competitiveness improved for the second consecu-

tive year. South Africa improved from a position of 53rd to 44th, out of a total of 58 countries that were selected. The progress was an indication of the resilient nature of the South African economy despite the impact of the global economic and financial crises.

The results are from the World Competitiveness Yearbook (WCY) 2010, which is published by Switzerland's Institute of Management Development (IMD) with Productivity SA contributing to the provision of information. The IMD's WCY ranking is an annual report on competitiveness of selected countries and is recognised internationally as the leading survey of competitiveness between nations.

However this improvement should not overshadow the challenges that lie ahead and Productivity SA aims to continue in delivering on its mandate to enable the organisation to contribute to the growth of the country's competitiveness.

Mr Bongani Coka
Acting Chief Executive Officer



4. EXECUTIVE MANAGEMENT

MR BONGANI COKA • MS MUDZUNGA MASHAMBA • MS YOLISA MDIMA • MR ALBERT BRINK • MR SELLO MOSAI • MS LOVEDELIA MAUPYE • MS LALANE JANSE VAN RENSBURG

Acting
Chief Executive Officer

Executive Manager:
Turnaround Solutions

Regional Manager:
KwaZulu-Natal

Regional Manager:
Western Cape

Executive Manager:
Value Chain &
Competitiveness

Executive Manager:
Human Resources

Executive Manager:
Productivity Organisational Solutions



5. VISION
MISSION

To lead and inspire a productive and competitive South Africa.

To improve productivity by advising, implementing, monitoring and evaluating solutions aimed at South Africa's competitiveness.

6. OVERVIEW OF PROGRAMMES

At Productivity SA we look at productivity as a mindset that embraces the value of “doing what I do today better than I did yesterday and even better tomorrow”. We strive to inculcate a mindset of consistently finding better ways of doing things and tracing improved performance through accepted measures.

As a Schedule 3A public entity; Productivity SA is subject to the provisions of section 26L of the Act and the functions it is required to perform in terms of the Act are:

- To promote a culture of productivity in workplaces;
- To develop relevant productivity competencies;
- To facilitate and evaluate productivity im-

provement and competitiveness in workplaces;

- To measure and evaluate productivity in the workplace;
- To maintain a database of productivity and competitiveness systems and publicise these systems;
- To undertake productivity-related research;
- To support initiatives aimed at preventing job losses; and
- To perform any other function and duties imposed on it by the Act, other relevant legislation and the Constitution, or that are consistent with the purposes of the Act.

Productivity SA achieves its mandate through the utilisation of its core programmes and these are namely:

- Productivity Organisational Solutions;
- Turnaround Solutions;
- Value Chain Competitiveness; and
- Workplace Challenge Programme.

These functions are duly and ably supported by:

- Marketing and Communication;
- Human Resources; and
- Corporate Services.

The Annual Report looks at the strategic objectives of each programme and outlines its performance in the 2010/2011 financial year.



■ 6.1 JOB SAVING



The financial year of 2010/2011 was a watershed for Turnaround Solutions as it marked the 13th year since the inception of the programme following the 1998 Presidential Job Summit. The Presidential Jobs Summit in 1998 represented an unprecedented focus of The National Economic Development and Labour Council (Nedlac)'s resources to address the problem of unemployment in South Africa. Nedlac is the vehicle by which government, labour and business aim to make economic decision-making more inclusive and to promote the goals of economic growth and social equity.

In the 13 years that the Turnaround Solutions programme has been active, the journey has proved to be fruitful in terms of attaining set objectives of the government in collaboration with labour and business. Turnaround Solutions have proved to be a vital cog in the implementation of the government's strategy to support South African companies facing challenges such as financial difficulties and imminent job losses. Turnaround Solutions has assisted in the prevention of the closure of these companies and also saved jobs.

The 2010/2011 financial year started off with a change in administration. The National Skills Fund which used to fund the Turnaround Solutions was moved from the Department of Labour to the Department of Higher Learning and Education. Consequently, the funding of the Turnaround Solutions Programme was moved to the Unemployment Insurance Fund (UIF). The UIF resides within the

Department of Labour. The transition was welcomed by both the UIF and Productivity SA and in ensuing discussions; necessary processes were set in motion to ensure that Turnaround Solutions continued to render its services with utmost professionalism.

During the 2010/2011 financial year, Turnaround Solutions successfully managed to salvage over 16 000 jobs nation wide. The Turnaround Solutions Programme has intervened in a host of sectors including the agriculture, civil and construction, manufacturing, clothing and textiles sectors. The services of Turnaround Solutions are structured as such that its methods and applications are streamlined as to be implemented in companies within varying sectors.

Turnaround Solutions continued making great strides in its pursuit to introduce critical productivity awareness within stable businesses by means of its Early Warning System and Productivity Trainings.

Productivity SA firmly believes that the Productivity Trainings capture the adage that "if you cannot measure it; you cannot manage it". Turnaround Solutions and Proactive Solutions critically complement Productivity SA s' mandate to prevent job losses within the economy through capacity building within stable and viable businesses to ensure that the threat to job sustainability is detected early, managed correctly and proactively thwarted. During the 2010/2011 financial year, over 130

companies across the country participated in the Proactive Solutions programme of the Social plan. To increase Turnaround Solutions across the width and breadth of the South African market, the programme continues to successfully work with organised labour, organised business and governmental departments and agencies such as the Council for Conciliation, Mediation and Arbitration (CCMA), Industrial Development Corporation (IDC), Development Bank of South Africa (DBSA), various union federations, business chambers and business associations.

In the 2011/2012 financial year Turnaround Solutions looks forward to increasing its visibility and foot print within all provinces to ensure that it reaches out to more South African companies.

The results of the impact made in (2010/11) are as follows:

6.1.1 Impact of Turnaround Solutions 2010/11

Due to finance that was secured late during the transition experienced by Turnaround Solutions, it

is worth noting that targets fell a bit short. However, performance remained maximal under the said circumstances.

6.1.2 Sector Studies 2010/11

Turnaround Solutions has a mandate from the Social Plan Technical Support Facility (SPTSF) to assist companies in distress in order to prevent job losses. This is achieved through the development of enterprise specific turnaround strategies. In an effort to achieve greater impact, the mandate includes the involvement of industries and sectors in distress where job losses are imminent.

Turnaround Solutions therefore identifies the common factors that hamper growth and competitiveness in an industry sector with the objective to make recommendations to address these problem areas. Using the industry studies as a platform and with the cooperation of existing industry structures, turnaround strategies can be developed to assist these industries to improve their competitive ability.

The first step to pursue this mandate is to identify those industry sectors that are in distress and which could be assisted to stop job losses or potential job losses. These industries or sectors are referred to as priority sectors. This exercise is done on an annual basis to ensure that Productivity SA focuses on those sectors that require

Table 1: Impact of turnaround solutions 2010/11

Key Result Area	Annual Target	Results
Contribute to preventing job losses.	<ul style="list-style-type: none"> Establish 140 Future Forums. 	<ul style="list-style-type: none"> 108 Future Forums established. 15 523 Jobs impacted upon.
Turnaround interventions developed to prevent job losses.	<ul style="list-style-type: none"> Develop 80 turnaround strategies. Complete 28 turnaround strategies (Close-out reports). Conduct 70 impact assessments. 	<ul style="list-style-type: none"> 46 Turnaround strategies developed. 30 Close out reports. 60 Impact assessments conducted.
Build Capacity of Proactive Future Forums.	<ul style="list-style-type: none"> Establish 150 Proactive Future Forums in stable companies. Establish 200 Early Warning Systems. Train 72 Productivity Champions. 	<ul style="list-style-type: none"> 139 Proactive Future Forums established. 130 Early Warning Systems established. 105 Companies and 18 Productivity Champions trained.

assistance the most. The identification process utilises a number of criteria that would indicate that an industry is in distress such as contribution to GDP, employment levels, unit labour cost, etc.

Arising from this, Productivity SA completed in-depth studies of the agriculture sector and agro-processing sub-sector during the 2010/11 financial year.

The following industries are in the agro-processing sub-sector:

- i) Wine;
- ii) Grain milling;
- iii) Cotton;
- iv) Red meat; and
- v) Forestry.

HIGHLIGHTS OF THE AGRICULTURAL SECTOR AND AGRO-PROCESSING INDUSTRY

Agricultural sector

Primary agriculture contributed about 12.5% to the fourth quarter of the 2010 Gross Domestic Product (GDP). Despite the positive growth, the challenges within this sector were immense.

Employment in the last quarter of 2010 decreased by 13 000 to 627 000. Contributing factors towards this decrease in the agricultural sector are:

- The use of technology in farming activities that replaces the need for labour leading to a reduction of unskilled workers.
- Natural disasters caused by climate change which has affected crop rotation.
- Agricultural land sold to property developers; older generation farmers are selling their land to property developers that build golf estates which is evident in the vast tracks of sugar cane plantations in the KwaZulu-Natal North Coastal area sold for high end golf estates.
- Lack of highly skilled and technically qualified employees to meet demand.
- Inadequate investment in advanced technological equipment.
- Lack of security at farms.
- A drop in commodity prices in 2010 resulting in farmers being unable to service their production loans that led to debts increasing within the farming community.

Agro-processing sector

The agro-industrial sector comprises about 12% of GDP and enjoys strong linkages into the economy. South Africa has a flourishing agro-processing sub-sector which is contributing significantly to the economy. There are more value chain industries which thrive from the sub-sector, thus creating more opportunities for expansion. Approximately 451 000 persons are employed in the entire agro-processing value chain, however the recent global financial recession has created a loss of employment. The agro-processing sub-sector has a

number of competitive advantages, making it both an important trading partner and a viable investment destination. These are:

- Excellent access: South Africa has three deep-water ports, three international airports, and a network of roads and railways.
- Well developed cold chain facilities.
- An established financial sector.
- Counter-seasonality to Europe, the primary SA export market for horticultural and floricultural products, is in itself a competitive advantage.
- South Africa's climatic diversity allows for a vast and varied array of available agricultural products.
- A robust domestic demand for an array of highly consumed products i.e. wine.
- The government through the Department of Trade and Industry (the dti) introduced various support incentive schemes i.e. Skills Support Programme, Support Programme for Industrial Innovation for players in this sub-sector and even created an opportunity for small enterprises to participate as well.

South Africa's membership to BRICS presents an array of trade opportunities. However, these competitive advantages do not protect the agro-processing sub-sector in totality from challenges that threatens its stability.

- The global competitiveness of some sub-sectors of the wine, red meat, cotton and wheat industries to mention a few, is not favourable. This has unfortunately resulted in import replacement of certain raw materials and the challenge remains to reverse replacement of certain raw materials. The general skills shortage is of great concern and hampers growth as there are more unskilled and semi-skilled workers than technically qualified and highly skilled.
- Outdated technology and deteriorating infrastructure, exacerbated by a sharp rise in transport costs, is a factor which is hindering growth within agro-processing.
- The dominance of certain industries by certain companies is indicative of a monopolistic situation which threatens the growth of said industries.
- Climate change has the potential to affect raw material/primary products negatively, which may result in a drop in supply of agro products, and subsequently lead to an increase in imports and prices.
- The continuity of supply of traditional raw materials between purchasers and suppliers is challenged by existing or latent land claims.
- In addition the recent escalation of crude oil prices poses a serious threat to product prices. However in the main, there are opportunities in this sub-sector.

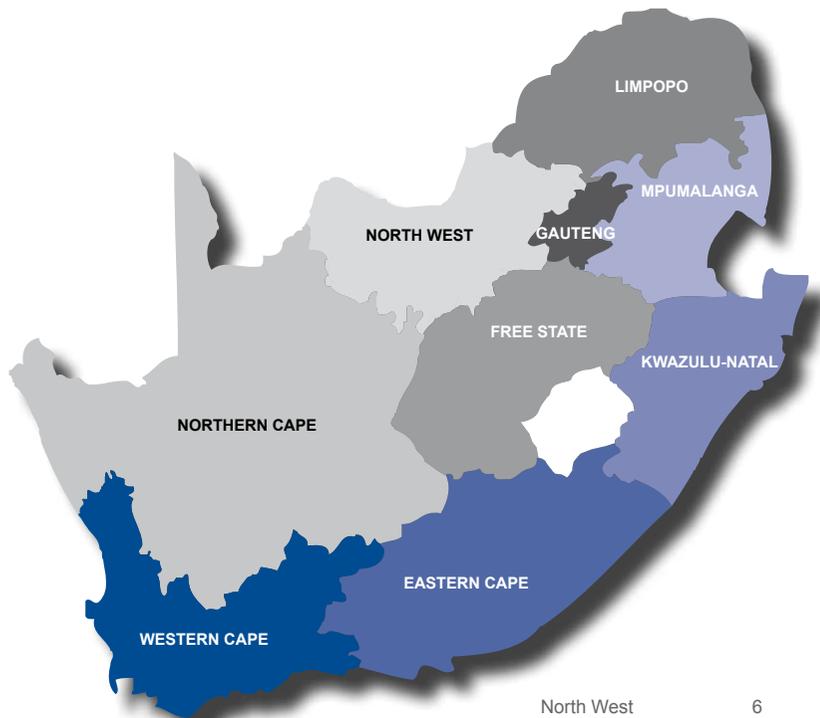
The most cost effective ways to maximise impact of improvement initiatives are those that are implemented on a collective basis. This can be done effectively through the formation of industry clusters. The transfer of skills, the implementation of best practice initiatives and systems can be delivered to these industries simultaneously through the clustering process. This has the added advantage that players in these industries can share their learning experiences and constraints, and find solutions which will improve these industries.

6.1.3 Interventions in Industry Sectors for the year 2010/11

Industry Sector	Number of Companies
Agriculture	68
Civil and Construction	39
Clothing and Textiles	27
Manufacturing	43
Paper and Pulp	4
Steel and Metal	19
Distribution Services	10
Security Services	15
Automotive	2
Transport Services	9
Rubber Manufacturing	2
Cleaning Services	4
Wood	2
Food	3
Total	247

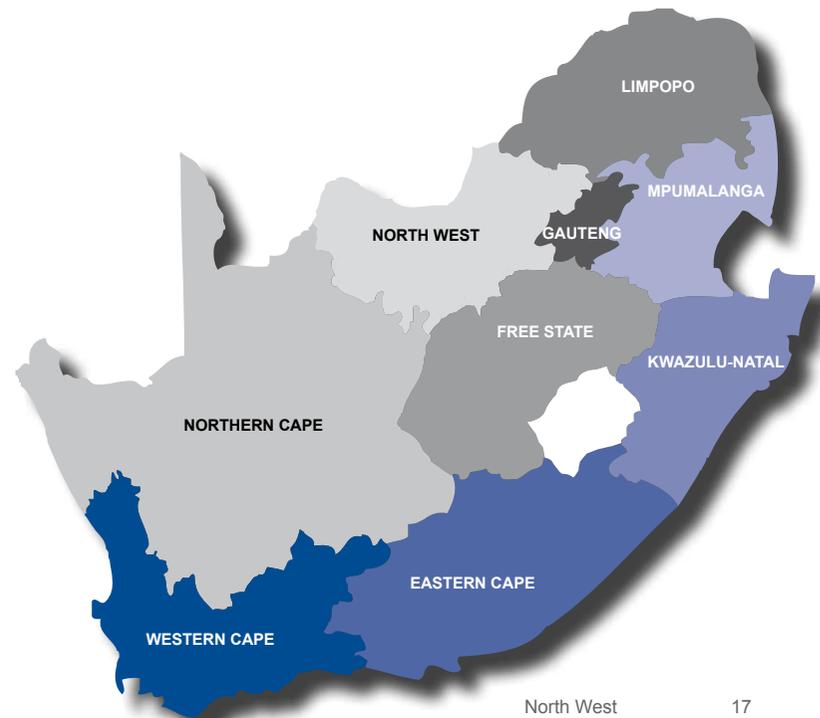


6.1.4 Geographical Spread of Turnaround Interventions 2010/11



North West	6
Eastern Cape	11
Gauteng	15
Limpopo	14
Mpumalanga	9
Western Cape	12
KwaZulu-Natal	6
Northern Cape	5
Free State	30
Total	108

Map 1: Turnaround interventions



North West	17
Eastern Cape	8
Gauteng	20
Limpopo	15
Mpumalanga	5
Western Cape	22
KwaZulu-Natal	7
Northern Cape	10
Free State	35
Total	139

Map 2: Proactive interventions

6.1.5 Case Studies 2010-11

6.1.5.1 P.G. SHOES

Introduction to the Company

P.G. Shoes C.C. was established in July 2007, in response to an opportunity to open an independent CMT (cut, make and trim) business. P.G. Shoes C.C. is owned by Preven Govender, a young Durban based entrepreneur.

Due to a strategic decision by Bata Footwear to outsource its production requirements to smaller, owner managed footwear manufacturers, several CMT operators have been established in the Escourt and Durban areas. These businesses are dedicated to meeting the production needs of Bata and typically have the following characteristics:

- They perform work solely for Bata.
- All materials and most machinery required are provided by Bata.
- They employ approximately 120 employees.
- The margins made on manufacture are very small and many of these businesses are operating very close to or below the breakeven position.

Mr Govender approached Productivity SA in 2008 with the request to provide assistance to increase P.G. Shoes's profitability, thereby ensuring the long-term viability of the business in order to

preserve a minimum of 60 employees/jobs. Given that the entity was only established for a year at that stage, it was ideal to implement management systems and internal controls so that the growth of P.G. Shoes would occur in a controlled and coordinated manner.

The Challenge

As Bata was P.G. Shoes sole customer, it meant that the company had no need for marketing expertise and that Bata's production and procurement departments controlled most of the business's quality and production standards.

Bearing the above factors in mind an assessment of the business operations was conducted in order to obtain a better understanding of the important aspects of the business cycle. In addition meetings were also convened with management, the future forum and other workers. During the assessment phase a walk through the production process was performed in order to determine aspects of the business that can be improved. The assessment phase identified two key challenges, namely strategic and operational.

A) STRATEGIC

The entity did not have a strategic plan that served as a road map for the business. Although the establishment of a CMT based operation can

initially appear to provide a prosperous opportunity, appearances can be deceiving as evidenced from other CMT operators, where the risk of incurring significant losses is high, threatening the long-term viability of the business.

After consultation with Mr Govender, it came to the fore that the establishment of the company did not appear to take certain critical strategic issues into consideration upon its establishment, namely:

- A thorough analysis of the market conditions;
- The impact of placing reliance on a sole customer;
- The management structure;
- A Breakeven Analysis;
- The operational budgets; and
- The infrastructural requirements.

It was imperative that Mr Govender developed a strategic plan that took into account the operational risks and the long-term objectives of the business; as such a plan would provide the necessary framework and guidance for the medium-term.

B) OPERATIONAL

A number of operational challenges came to light that needed to be addressed in order to preserve the viability of the company. They are listed below;

- A lack of internal controls: as the entity was established recently and management did

not implement a system of internal controls that provides a framework for working capital management. This system is critical two-fold, namely to ensure the safeguarding of the business' assets as well as carefully controlling the growth of the company.

- A lack of business acumen - it is important that management view the business as an opportunity to earn profits and that they understand the importance of profitability as a key factor in running the business.
- Costing environment: A combination of inexperienced management in terms of skills and technical knowledge in the field of accurate costing and inadequate control of the selling price resulted in significant financial loss. Management does not have the technical knowledge to properly cost their work.
- A need for worker training: In order to reduce the gap between management and the workforce, it will be necessary to ensure that both management and staff share a common knowledge relating to the objectives of the business. Workshops were arranged in order to educate all staff on the key aspects of the business, and awareness amongst factory workers was cultivated to realise the importance of the role they played towards the long-term viability of the business. It is essential that management creates a culture whereby they are perceived as being fair and equitable to the workforce.

C) THE SOLUTION

The turnaround strategy focused on the following:

- A comprehensive business plan was developed for the entity, together with budgets and cash flow forecasts for the next three years. This provided management with some insight of the potential problems and areas that had to be improved. A SWOT analysis was also performed for management.
- The shareholders, management, supervisors and the future forum were trained in the basic business fundamentals required to improve the business.
- A staffing structure was implemented to support the strategy identified in the business plan.
- Several workshops were conducted between management, staff and the future forum to introduce a proactive business culture. Issues such as communication, openness and improved employee relationships were addressed.
- A formal disciplinary system was implemented and staff members were trained to use the system.
- A system of financial controls were developed and implemented to protect the assets of the company, this included procurement controls.
- The manufacturing capacity of the business was enhanced by undertaking an analysis of margins on all work undertaken by the business and eliminating unprofitable work, the

identification and removal of manufacturing constraints and the division of the factory into separate manufacturing cells. A team leader was appointed for each cell and a system to monitor the activity of each cell was implemented.

- An assessment of other business opportunities was undertaken in partnership with Mr Govender.

D) THE RESULTS

As a result of the development and implementation of a carefully devised work plan that addressed the above concerns, the following progress was made:

- The entity is consistently profitable, resulting in the employment of some additional 40 employees.
- P.G. Shoes has nearly doubled its production as a result in the increase of purchasing orders from Bata to nearly 700 pairs of shoes daily.
- The company is now producing about 700 pairs a day, which is approximately two hundred pairs above its breakeven point.
- Due to the training provided to Mr Govender, the supervisors and the future forum, the workforce has a better idea of the variables affecting the entity's profitability.

In Conclusion

Although the entity continues to face business challenges and problems, the turnaround strategy has contributed to developing a sustainable business. The strategy has had a major effect on contributing to sustainable economic development. In addition, Mr Govender enjoys a more transparent relationship with his workforce due to their better understanding of the manufacturing process and its constraints.

6.1.5.2 LINTEL SUPPLIERS CC

An Introduction to the Company

Lintel Suppliers was established in 2005 by G. P. Britz, R. K. Borchers, G.A. Sequeira and D. Britz. On its establishment, the labour force consisted of 13 employees; however the company has grown substantially within a six year period, successfully expanding their concrete product range that caters for their clients' demands. Their current market base is in the greater Johannesburg area; however they have expanded their market reach to Alrode and Witbank in Mpumalanga.

A) THE CHALLENGE

The company's performance dropped substantially from 2008 to 2009. Due to this non-performance Lintel Suppliers CC management approached and applied for assistance from Productivity SA's Social Plan which is tasked

with assisting companies that are experiencing a decline in Sales, Profits or Productivity.

Lintel Suppliers wanted to establish, by means of marketing research, whether additional opportunities to franchise and market their products existed as to increase the sales performance and grow the business as to avoid retrenching staff.

Lintel Suppliers were faced with key challenges such as a limited market in their current geographical area and limited production of their existing product range.

B) THE SOLUTION

The best way to maintain and grow the existing production capacity of the company, bearing in mind the market situation, was by means of the following:

- Expansion of their current product range, based on the required product research and development in conjunction with additional marketing research.
- The identification of franchising as the only means to expand their geographical reach due to the nature of their industry. Based on the results of the business research conducted, a franchising business plan was drawn up to assist the companies' goal of expanding their business.
- Productivity SA provided and initiated a number of interventions which were:
 - o The drawing up of a general business





plan and marketing strategy as well as a Franchising Business Plan and Marketing Plan;

- o Conducting marketing research regarding franchising; and
- o Identifying the company's website as a major tool in improving their corporate image.

C) THE RESULTS

Lintel Suppliers successfully continues operating and supplying concrete products to their existing market. The results of the market research conducted, clearly indicated a huge untapped opportunity for the company's product offering and thus Lintel Suppliers opted to expand the number of their factories instead of franchising the business.

This initiative and vision, despite the recession, led to a total of three factories based in Eikenhof and Alrode in the south of Johannesburg and in Witbank, Mpumalanga. They have a current total of 154 employees spread amongst the various factories, which shows an employment rate increase of 79% percent, considering the company employed 86 staff members when they initially approached Productivity SA for assistance. The positive consequences of the interventions will bear more fruit when the 68 new jobs that were created will lead to more when the Alrode factory is at full production capacity.

Managing Member, Deon Britz, says; "Sales and production outputs have also increased by 20% in the Eikenhof and Witbank factories. The Alrode factory is still yet to operate at optimum levels, but is expected to double the current output levels in the near future. The website has given Lintel Suppliers an online presence and has improved our corporate image".

The company has bought an additional range of machinery to increase their production capability, increasing their asset base.

Overall Impact

Sales Increase	±20%
Revenue	±20%
Employee Count	79% increase
Production Outputs Eikenhof Witbank Alrode	±20% ±25% Factory is new, however when functioning at full capacity will double its current manufacturing capacity

More importantly the company has realised the great value that the Early Warning Systems, provided by the various stakeholders that were involved, and has implemented these activities successfully.



■ ■ 6.2 PROVISION OF INDUSTRY RELATED INFORMATION AND KNOWLEDGE

The objective of the Research Unit is to conduct thorough research so as to constructively comment on the productivity of priority economic sectors, and to contribute towards national policy direction and debates.

6.2.1 Impact of Value Chain Competitiveness 2010/2011

Key Result Area	Annual Target	Results
Research on impact of labour legislation (Labour Relations Act and Employment Equity Act) on productivity.	Research report.	Report completed.
Research on the efficiency and productivity in the use of municipal land for economic development.	Research report.	Research in progress
Conduct land audits in selected municipalities.	Audit report.	Audit in progress.
Competitiveness indicators position document.	Updated competitiveness indicators position document.	Document completed
Conduct a study on public sector productivity, performance and service delivery.	Research report.	Report completed.
Conduct research to evaluate impact of the Workplace Challenge (WPC) programme with the view to improve its effectiveness.	Evaluation report.	Report completed
Development of minimum norms and standards for reward and recognition in the Unemployment Insurance Fund.	Draft proposal.	Proposal completed
Evaluating the impact of training facilitated by the Local Government SETA (LGSETA) on municipal performance.	Research report.	Project on hold.
Best Practice in Public Employment Policy: Lessons for the South African Context.	Research report.	Report completed.
Seminars on research reports.	9 Seminars.	4 Seminars concluded

6.2.2 Overview of Activities for the Year:

A) Impact of labour legislation on productivity

A study on the impact of labour legislation on productivity was concluded. The report contains

findings and recommendations which will be taken further with key stakeholders including; employer and employee organisations, the Department of Labour especially the Enforcement branch, and labour law experts. The study investigated how the Labour Relations and Employment Equity Acts impact on productivity of workers at the place of employment and how employer-employee relations are affected. The report also discusses the concerns of businesses regarding the inflexibility of the country's labour laws.

B) Efficient and productive use of municipal land for economic development

A study on the efficiency and productivity of municipal land was conducted. It investigated how municipalities contribute towards economic development, poverty alleviation and empowerment of local businesses and communities through land use. The study stands to assist municipalities in their plans to use available land (as a resource) for economic development.

C) Municipal land audits

The audits of land that is owned by selected municipalities are in progress. The objective is to assist municipalities in improving the recording and management of their assets, in particular land. It is of national importance to know the exact detail of assets held by government entities i.e. municipalities, and to manage these assets efficiently.

The proper management of land will assist municipalities to plan and utilise it for its intended use, which will further improve their accountability and reduce misappropriation thereof.

D) Public Sector Performance and Productivity

A stakeholder consultation drive which involved presenting the findings and recommendations of the study to the sampled governmental departments and the Bargaining Council was conducted.

The stakeholder consultation included the National Departments of; Social Development, Health, Correctional Services, Home Affairs, Human Settlement and the Public Sector Coordinating Bargaining Council. Subsequent to the stakeholder consultation, a Summit was held in March 2010 in Durban. Most of the recommendations of the study were adopted at the Summit (e.g. the Summit resolved that (i) a review of the effectiveness and relevance of the performance management and development systems (PMDS) be undertaken (ii) a moratorium be placed on the awarding of performance related incentives on those departments that do not comply with the requirements of the PMDS until such time that the system is effectively implemented). A revised draft report has been submitted to the Department of Public Service and Administration (DPSA) for approval.

E) Review of the Workplace Challenge (WPC) programme

A study was conducted to assess the impact of the operational performance of the WPC programme. The study was done through a cross sectional survey which sought to determine the perceived experience of participating companies on the WPC programme performance. A draft report was completed and presented to the dti.

F) Evaluating the impact of training facilitated by the Local Government SETA (LGSETA) on municipal performance

A draft report outlining the challenges facing the research was submitted to LGSETA.

G) Developing Minimum Norms and Standards for the recognition and reward of performance in the Unemployment Insurance Fund

The Unemployment and Insurance Fund (UIF) has approached Productivity SA to undertake a study to establish norms and standards for recognition and reward of performance.

A proposal outlining the scope and objective of the project has been submitted to the UIF.



H) Best Practice in Public Employment Policy: Lessons for the South African Context

The research is focused on the identification and analysis of international best practice in public employment policy. This has been undertaken with the objective of drawing out salient lessons that are applicable to the South African public employment policy context. These lessons will guide policy makers in the development of an appropriate and effective public employment policy in South Africa. In this way, the research findings can contribute to the creation of a more efficient labour market in the country and, thereby facilitate changes that address existing challenges related to unemployment, skills shortages and misalignments between the country's existing training and education systems.

In considering potential lessons that can be drawn from the international best practice cases in public employment policy, it is necessary to remain cognisant of the fact that South Africa faces a number of unique social issues and challenges, and these have an important influence on the structure of the labour market. Consequently, it is important to be cautious when considering the extent to which some of the public employment policies and programmes in the case study countries are transferable to the South African context. Nevertheless, certain strengths in each of the public employment systems in Brazil, Denmark, Germany and South Korea offer pertinent lessons for the South African context.

The respective labour markets in Denmark and Germany are both characterised by the presence of a highly skilled labour force. In the case of Denmark, this, coupled with flexible labour market policies, means that the transition for individuals between employment opportunities is relatively seamless. In South Africa, the presence of a large supply of unskilled labour means that it is not easy for these workers to move between jobs, suggesting that the system of flexible labour market and job security may have limited applicability within the South African context. Nevertheless, much can be learnt from the efficiency of the Danish labour market in the sense that it boasts a consistent link between supply and demand, backed by streamlined and interlinked training and education systems focused on the concept of lifelong learning. These factors, coupled with an active labour market policy focused on the rehabilitation of the unemployed, have made significant contributions to maintaining unemployment at a low level in Denmark. Efforts to "activate" the unemployed are also prominent in Brazil, Germany and South Korea. These countries have actively sought to ensure that the correct incentives and support services are in place to encourage the unemployed to return to work as quickly as possible.

In each of these countries, the government shoulders a significant burden in supporting the unemployed through the public employment system. An equivalent input from the South African government would represent a huge task alongside its efforts to grow the economy along a new growth

path. Nevertheless, the need to activate the unemployed, alongside efforts to "upskill" the labour force in South Africa is clear. The best practice country case studies lead the way in this regard.

In all of the case study countries, public employment policies have been in place for relatively lengthy periods of time and this has enabled them to evolve and become streamlined and entrenched. This suggests that it is important to remain realistic in South Africa and not to expect the introduction of a new public employment policy to have an immediate impact in addressing unemployment, skills shortages and other inefficiencies in the labour market. At the same time, the increasingly interlinked global economy has resulted in new and emerging challenges and opportunities within the labour market, and South Africa's public employment policies must be sufficiently adaptable to address these changing realities.



■ 6.3 IMPLEMENTATION OF CONTINUOUS IMPROVEMENT PRINCIPLES AT THE WORKPLACE

The mandate of the Workplace Challenge Programme is to improve productivity and competitiveness of South African firms and sectors through constructive labour relations and the implementation of continuous improvement principles at the workplace. The Workplace Challenge achieves these objectives through:

- **Increasing the collaboration between employers and workers.**
 - Facilitating constructive dialogue between government, business and labour to improve economic performance and productivity at industry level, and
 - Enhancing the capacity of stakeholders so as to effect change.
- **Improving workplace practices.**
 - Piloting improvement in activities aimed at transforming the workplace by implementing improved operating practices (striving for best operating practices and world-class competitiveness).
- **Sharing and disseminating processes and lessons.**
 - Sharing information and lessons learnt from participating firms and other interested parties.

The programme directly supports the dti's vision which pursues a transformed and adaptive economy that is characterised by a higher level of economic growth, that generates employment and

reduces levels of inequality and that contributes towards two of the dti's Enterprise and Industry Development Division (EIDD) business units, namely:

■ **The Industrial Competitiveness Business Unit:**

- World-class manufacturing: The Workplace Challenge directly assists enterprises to implement improvement activities for world-class competitiveness and best operating practices.
- Modern technical infrastructure as a platform for competitiveness: The Workplace Challenge assists enterprises to understand constraints to productivity and competitiveness.
- Skills and education: The Workplace Challenge seeks to develop the capacity of both employers and workers to make change happen within participating enterprises and to develop Change Facilitators in change-management processes.

■ **The Enterprise Development Business Unit:**

- The Workplace Challenge seeks to cluster small enterprises with larger well-established enterprises for purposes of networking and sharing information and lessons. The Workplace Challenge has also successfully established clusters of small enterprises.

The business plan for the 2010/11 financial year was structured around five key objectives:

■ **Objective 1: Facilitate Constructive Workplace Relations:**

- Improve productivity and competitiveness of enterprises through collaboration between employers and workers on issues such as; developing common goals, implementing improvements that lead to world-class competitiveness and best operating practices, sharing of productivity gains, as well as engendering collaboration between companies involved in similar processes.
- Facilitate constructive dialogue between social partners, managers and workers and participating enterprises on improving productivity and competitiveness at the workplace.
- Train and coach Change Facilitators and Interns in change-management processes.
- Provide practical opportunities for Change Facilitators and Interns to develop their change-management skills.
- Provide a platform for training that will result in Change Facilitators and Interns obtaining their Certificate in Productivity.

■ **Objective 2: Improve workplace practices in South African enterprises to improve productivity and competitiveness.**

- Implement workplace transformation in User Groups/ Clusters of between five and eight enterprises, each striving for best operating practices and world-class competitiveness:
 - o Focus on simultaneous improvement of quality, speed, cost and morale;



- o Establish close links with customers and suppliers;
- o Drive both linear and non-linear improvement initiatives;
- o Eliminate all forms of waste and make value flow; and
- o Implement leadership practices that promote teamwork, participation, continuous learning and flexibility.
- Establish Workplace Challenge User Groups.
- Implement prescriptive material for workplace transformation e.g. Workplace Transformation Toolkit, technical write-ups, Show and Tell and plant visits, published book and case studies, research results.
- Establish a process of accreditation and awards for enterprises achieving world-class competitiveness.
- Designing and implementing performance-based incentive schemes such as productivity gain-sharing and Employee Ownership.
- Establishing the Model Companies to enhance competitiveness through diffusion of new processes and lessons learned.
- Monitor and facilitate ongoing improvement based on speed, cost, quality, and moral to ensure that companies do not stagnate after completion of workplace challenge modules.
- The model company programme will contribute to manufacturing excellence through demonstrating to other companies, e.g.; ways for the best use of equipment, adequate training of human capital, best planning and application of knowledge for optimal production, cost control to ensure profitability and sharing of proceeds,

setting out optimal ways for carrying out operations and planning to avoid bottlenecks.

■ **Objective 3: Skills Development**

- Skills development processes will be implemented in the form of both off-site and on-site training. User-groups and Clusters in an After-care stage (also playing a role of Benchmarking clubs) will adopt or form a partnership with a Further Education Training college to develop critical and scarce skills that the companies require.
- Train and coach Change Facilitators and Interns in change-management processes.
- Provide practical opportunities for Change Facilitators to develop their change-management skills.
- Provide a platform for training that will result in Change Facilitators obtaining their Certificate in Productivity.

■ **Objective 4: Facilitating the Implementation and Investment in Research and Development**

- Explore and document Best International Practices and lessons e.g. develop an international network/hub, international study tours, workshops for Guru's, International Show and Tell.
- Support research on the Workplace Challenge and influence curriculae of learning institutions on world-class competitiveness and Best Operating Practices.
- Ongoing evaluation of the impact of the Workplace Challenge programme.

- Organised Clusters into Industrial benchmarking clubs within the next two to three years from relationships that have formed amongst participating enterprises of the Workplace Challenge clusters and User Groups.
- Collate and package Workplace Challenge processes, experiences and lessons e.g. video footage, photographs and written case studies.
- Create national awareness through different types of media, websites, seminars, presentations and printed media i.e. communicate the results of research, experiences and lessons.

Factors supported by the Workplace Challenge are highlighted in the Institute of Management Development (IMD) Competitiveness Yearbook as crucial in competitiveness of enterprises within the Business Efficiency category namely:

- Productivity Efficiency: Overall productivity.
- Labour Market: Unit labour costs in the manufacturing sector, Labour relations, Worker motivation and Employee training.
- Management Practices: Customer satisfaction, Health, Safety and Environmental concerns.
- Attitudes and Values: Attitude toward globalisation and Value system.



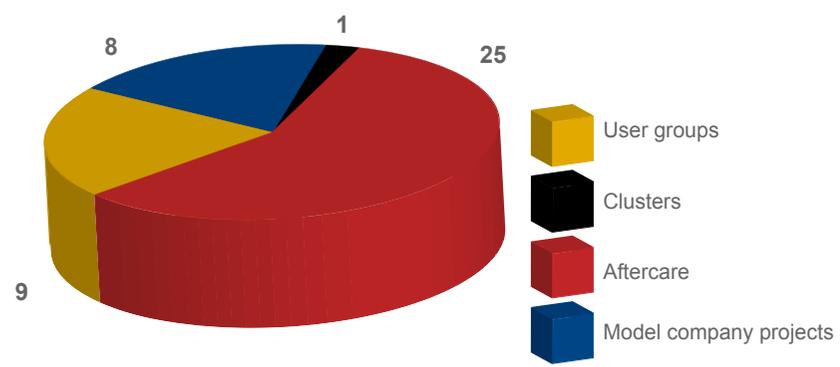
6.3.1 Impact of Workplace Challenge

OBJECTIVE 1:		
Key Activities	Measure	Results
Facilitate constructive dialogue between the social partners, managers and workers, and participating enterprises on improving productivity and competitiveness at the workplace.	64 Enterprises nurtured.	141 Enterprises nurtured.
Develop the capacity of employers and workers to jointly participate in the programme.	Six capacity building workshops.	30 Capacity building workshops conducted.
OBJECTIVE 2:		
Improve workplace practices in South African enterprises to improve productivity and competitiveness.		
Implement workplace transformation in Clusters and User groups of between six to nine enterprises, each striving for best operating practices and world-class standards.	<ul style="list-style-type: none"> • 15 Participating projects in orientation and implementation at year end. 	<ul style="list-style-type: none"> • 18 Actual participating projects in orientation and implementation at year end completed.
Provide aftercare programme (Workplace Transformation) for graduate Clusters and User Groups.	<ul style="list-style-type: none"> • 20 Participating User Groups and Clusters at year end. 	<ul style="list-style-type: none"> • 25 Actual participating User Groups and Clusters at year end.
OBJECTIVE 3:		
Skills Development.		
Train and coach Change Facilitators and Interns in change-management processes.	Number of Change Facilitators trained and coached in world-class competitiveness and Best Operating Practices (BOP): <ul style="list-style-type: none"> • Ten Change Facilitators trained and coached. • Two interns trained and coached. 	<ul style="list-style-type: none"> • 10 Change Facilitators and one Intern.
Provide practical opportunities for Change Facilitators to develop their change-management skills.	<ul style="list-style-type: none"> • 180 enterprises facilitated by Change Facilitators (Clusters, User Groups, model companies and Aftercare). 	<ul style="list-style-type: none"> • 224 Enterprises facilitated.

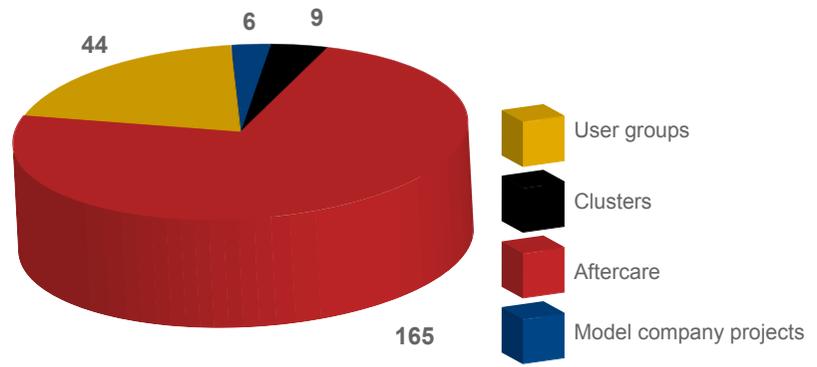


OBJECTIVE 4:	Research world-class competitiveness and Best Operating Practices and evaluate the impact of Workplace Challenge.	
Explore and document Best International Practices and lessons.	<ul style="list-style-type: none"> Publishing and distributing four quarterly e-news letters, sharing lessons learnt in the implementation of International Best Practices. 	<ul style="list-style-type: none"> Four quarterly e-newsletters published and distributed.
Research geared towards evaluating the impact of Workplace Challenge with an intention to improve its effectiveness.	<ul style="list-style-type: none"> Two research papers published. 	<ul style="list-style-type: none"> First draft research paper completed.
Ongoing evaluation of the Workplace Challenge programme.	<ul style="list-style-type: none"> Bi-Annual Impact Assessment. 	<ul style="list-style-type: none"> First Impact Statement completed.
OBJECTIVE 5:	Share and disseminate processes, experiences and lessons.	
Collate and package Workplace Challenge processes, experiences and lessons learnt.	<ul style="list-style-type: none"> Nine success stories. 	<ul style="list-style-type: none"> Seven success stories recorded.

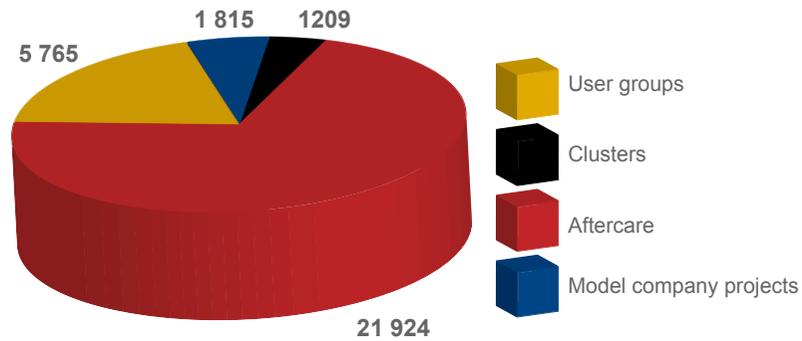
6.3.2 Workplace Challenge Projects



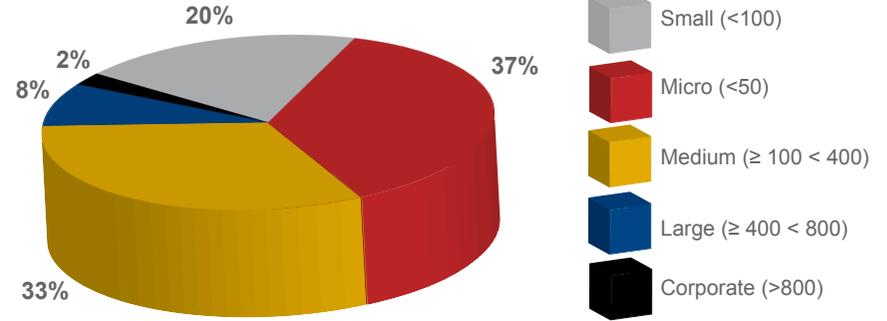
Graph 1: Number of projects



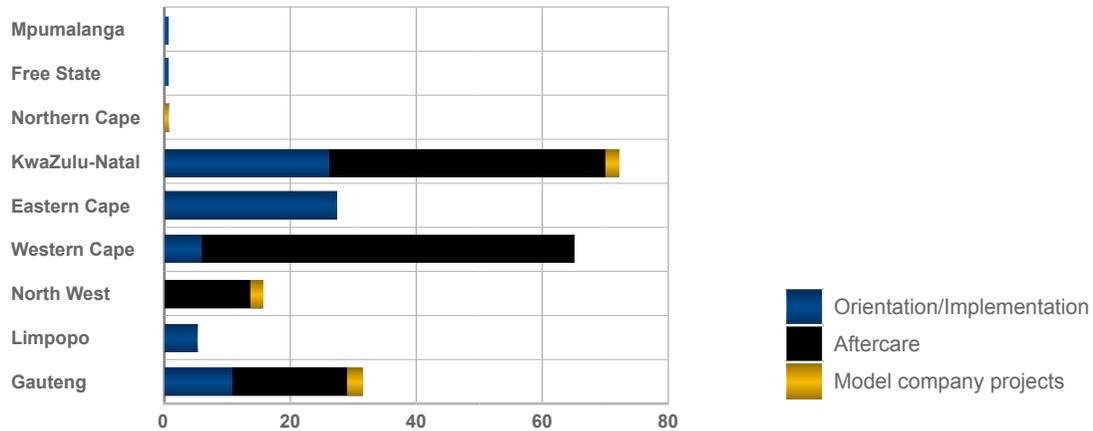
Graph 2: Number of companies per Project



Graph 3: Number of employees per project



Graph 4: Companies by size



Graph 5: Companies - Geographical spread



6.3.3 Case Studies

Permoseal

Permoseal's Head Office is situated in Beverly Close, Montague Gardens, in Cape Town. The company employs nearly 300 employees nationally, with factories in Cape Town and Johannesburg, distribution branches in Cape Town, Johannesburg and Durban, and agents in Bloemfontein, East London, Port Elizabeth and Windhoek, Namibia.

From humble beginnings and a limited range, Permoseal, best known for their household brand names Alcolin and Bostik, has become a major player in the South African adhesive industry in the past 60 years. Established in 1949, Permoseal has maintained a solid reputation as a leading manufacturer and supplier of a wide range of adhesives, sealants and DIY products for general and specialised applications in both the consumer and industrial markets.

The first company to launch Cold Glue to the South African market (in 1954), Permoseal concluded a licensing agreement with Ebnoter of Switzerland and began to manufacture locally in 1963.

The Jacobs family acquired the business in 1984 and built a state of the art manufacturing plant in Montague Gardens, Cape Town in 1990. Later,

other branches were established in Gauteng and KwaZulu-Natal.

When the family first took over the Company, Alcolin Cold Glue alone accounted for over 65% of the total sales! The Jacobs brothers built up the Company on the strength of the Cold Glue market, continuously adding innovative new products to the range.

The Alcolin brand is synonymous with quality DIY products and has remained the brand leader in South Africa since its launch.

In 1999, Permoseal signed a licensing agreement with Bostik Ltd. This added a whole new dimension to Permoseal's offering, providing a quality platform for expansion into stationery markets.

Permoseal boasts advanced adhesive laboratory facilities, with quality control being of the highest standard. Ongoing research and development is always a top priority, and has resulted in regular launch of new products in both the industrial and consumer markets.

Permoseal was the first adhesive company in Africa to be awarded the coveted ISO 9002 quality management system accreditation and the company still manufactures according to ISO standards, having being awarded ISO 9001:2009 accreditation in 2009.





Over the years Permoseal has won numerous supplier awards - including "Supplier of the year" from Timbercity and Shoprite groups.

Always evolving, Permoseal responded to the need to become more environmentally conscientious and in 2008 introduced an industry first "green" product – a water-based carpet & vinyl adhesive with low volatile organic compound (VOC) that makes it safe for the installer and environmentally friendly.

Permoseal not only offers quality products – but strives to provide the highest level of product support with their much-used toll-free helpline for both consumers and retailers.

The company has two main divisions – Consumer Products (small containers such as tubes and bottles for use by DIY consumers and Industrial Products (e.g. 25 l, 200l and 1000 l bulk containers) for industrial application.

DIY / Consumer Products

Under the Brand name of Alcolin, Permoseal's DIY Products include top quality specialist adhesives, wall and floor products, coatings, epoxies, fillers and sealants and an extensive range of wood adhesives.

Bostik Consumer Products

Over the years the Bostik brand has become synonymous with stationery – Bostik is a much loved, trusted and innovative, top quality brand. Under the Bostik brand, Permoseal manufacture and sell a range of stationery adhesives, creative Art & Craft products, Sealants and DIY adhesives.

The "Don't just stick it... Bostik it!" is a phrase well-known by most consumers in South Africa.

Industrial Products

The Alcolin range is also a major player in the Industrial Adhesives market in South Africa. Their vast, in-depth range of bulk products cater for industries such as woodworking, industrial coatings and sealants, upholstery & bed manufacture, packaging, book binding, printing, paper and paper products, labeling, flooring and emulsions.

Introduction of the Workplace Challenge (WPC) Programme

Previously Permoseal had implemented a Continuous Improvement Programme for the factory in Montague Gardens, Cape Town. The programme was called STIX "Super Teams for Innovation and eXcellence". The strongest legacy of that programme was the Team Centre Structure. This structure was consolidated by daily team meetings around a big board for every Mini Business





following a fixed Agenda. It helped to capture the minutes of the daily meetings, centering on discussions of each Mini Business' performance measures of Quality, Cost, Delivery, Safety and Morale, and ending in agreement on steps to be taken in the short to long-term. Although the earlier programme produced the benefit of helping employees to grasp the basic concept of continuous improvement, the programme started to lose momentum after a few years. It did lay a good foundation for implementing the WPC.

At this time, PermoSeal Management wanted to rejuvenate their Continuous Improvement Programme. They took Team Leaders to a number of their customers to look at Best Operating Practices as implemented by businesses using the 20 Keys Programme. When they came across the Workplace Challenge Toolkit Programme the Operations Manager Erlend von Maltzahn realised that they had found the answer to their needs, and so PermoSeal joined the Workplace Challenge Program in June 2010.

STEP 1: GOAL ALIGNMENT

The WPC Facilitator's orientation session helped the PermoSeal Management team to realise that they had to go back to basics by starting the Workplace Challenge Programme with the Toolkit of Goal Alignment, involving managers, supervisors and team leaders in cascading the Company Goals and Vision down to every Mini Business.

All the Supervisors and Managers attended the Goal Alignment Toolkit Training session presented by the WPC Change Facilitator. Then the internal WPC Facilitator, in the person of Ernest Alfred, the company's SHERQ Manager (Safety, Health Environment, Risk and Quality), simplified the Goal Alignment Toolkit and helped the Factory Supervisors to present it to the PermoSeal shop floor employees via the company's long established training programme.

(Over the previous 3 years PermoSeal had established scheduled 45 minute training sessions for the members of each Mini Business twice per month. Typical issues such as Health & Safety, the effects of Absenteeism or issues around HIV are covered. Now they agreed on an Implementation Programme with the WPC Facilitator and used this existing training forum to kick start the WPC Programme).

Soft Effect of Goal Alignment Training

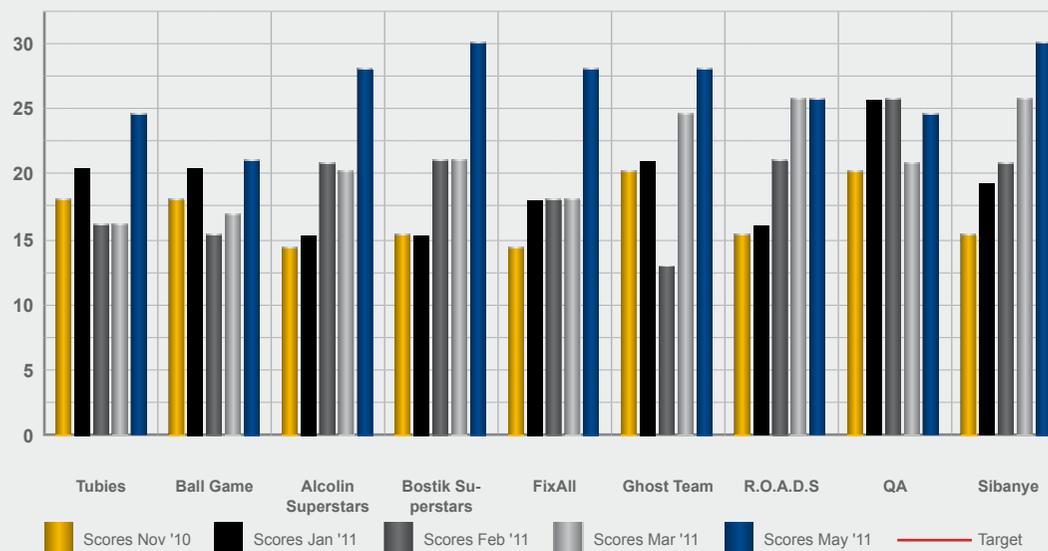
Using the Bostik slogan, "to make the training stik" Ernest and the WPC Facilitator followed up on the training with coaching and audits focused on Goal Alignment.



Soft Effect - Visible Alignment

This time everything just clicked into place and the company made rapid progress. The result was that over a period of six months every Mini Business Unit has visibly aligned themselves with the company Goals and based their Performance Measures on the Overall Measures of the business. The Permoseal Goal Alignment Audit scores have improved steadily from an average 1.5 in November 2010 to an average 2.5 out of 5 in May 2011!

	Measures	Target	Actual
Quality	Non conforming product - all deviation from standard:		
	Factory	<2.00%	1.44% 😊
	Polymer Plant	<6.00%	4.83% 😊
Cost	Operational expenses (Actual vs. Budget)	<99.00%	96.35% 😊
Delivery	On time and in full:		
	Retail	>88.00%	91.36% 😊
	Industrial	>96.00%	96.07% 😊
Safety	Injury free days (average)	500 days	493 days
Morale	Attendance	97%	>97%
	Innovations implemented		24 😊



Graph 6: Permoseal goal alignment audits (external & internal)

Soft Effect - Improved Employee Motivation

To drive the Goal Alignment concept home, the company's Managing Director, Robin Jacobs also implemented a quarterly session (Tea with Robin) where chosen team representatives from each Mini Business can discuss issues with the MD. This has improved the motivation of employees! Furthermore, Permoseal has implemented a reward system for MBU's monthly performance, implementing innovations, implementing the WPC toolkits, and raising the audit results of the different toolkits.

Soft Effect - Innovation of the Goal Alignment Auditing Process

Under the guidance of Ernest, Internal Champion, the Permoseal Auditing process has also been improved (innovated) by simplifying the Audit Questionnaire so that anybody at a school grade 10-level could understand the questions. The result is also that the questionnaire by itself now serves the purpose of clarifying the company's Vision, by highlighting the requirements of the Goal Alignment exercise.



1. MINI BUSINESS SET-UP	• Team Name	• Team profile	• Sustained level 3 for three months
	• Mission	• Organisational structure	• Customer/supplier issues address: visible improvements implemented
	• Performance Charts	• Chairperson rotation	• Signed customer/supplier agreements
	• Agenda of meeting	• Customer/Supplier relationships	• Evidence of constant periodically review customer/supplier agreements
	• Name of meeting facilitator	• Action plan addressing customer/supplier issues	
AUDIT SCORE FOR ABOVE CRITERIA			
	1 - Point	3 - Points	5 - Points
2. COMPANY VISION, VALUES & GOALS	• Company Vision	Team understand: • Vision	• Sustained level 3 for three months
	• Values	• Values	
	• Goals	• Goals	
		• Team able to link team goals	
AUDIT SCORE FOR ABOVE CRITERIA			
	1 - Point	3 - Points	5 - Points
3. QCDSM GOALS	• Established	• QCDSM goals understood by whole team	• Sustained level 3 for three months
	• Charts completed	• Charts completed (daily/weekly schedule)	• QCDSM targets achieved regularly
	• Basic team understanding of charts	• 5 Why's adopted to solve problems	• 80% of innovations consistently implemented
		• Action plans of problems solved (status monitored)	
		• Ideas/Innovations measured/implemented	

Soft Effect - Start of an Innovation Culture

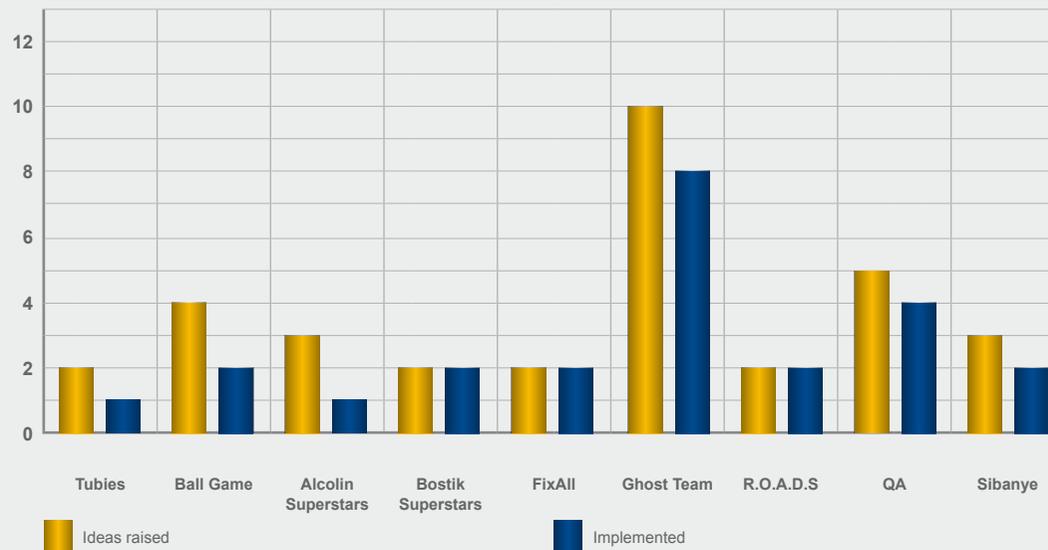
Following the implementation of the WPC, MBU's started focusing on generating ideas about innovations and implementing them. One such innovation implemented was the cleaning and recycling of waste liners which effected a saving to the company of R100 000 per year. Erlend von Maltzahn, the Operations Manager quotes, "the changes, and improvements that we are getting from the programme, gives one the goose-bumps".

The company maintains interest in the practice of Innovations by awarding a floating trophy to the Mini Business Teams with the most Innovations.

Soft Effect - Auditing Discipline

Ernest also set an internal audit schedule. The Auditors are selected randomly from the Supervisors to audit other Mini Business Teams and Ernest accompanies each auditing team to monitor and coach the auditors. Permoseal also learned a valuable lesson in the process – where initially everybody thought the company would be quite advanced in their quest towards World Class, they soon realised how long this journey actually would take!

Permoseal as a company also incentivises progress on the Goal Alignment process – they



Graph 7: MBU innovations - Nov 2010 to May 2011



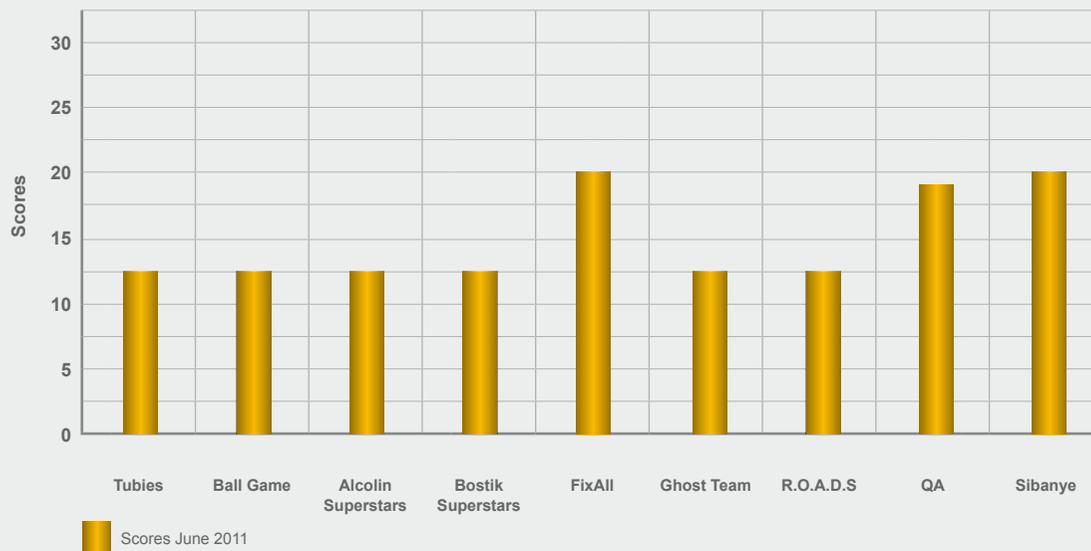


set an initial Target Score of 2.5 (out of 5, where 5 represents World-class), and any Mini Business team earning an Audit Score of more than 3 scores 5 accumulative points towards a rewards voucher.

STEP 2: STREAMLINING THE FUNCTIONING OF MINI BUSINESSES

After implementing the Goal Alignment Toolkit, Management wanted to make sure that Mini Businesses are kept aligned to Company Goals. The company will have their daily Mini Business Meetings, followed by weekly departmental meetings and then monthly management meetings, where everything is cascaded up from the shop floor level (Level 1) to the management level (Level 3).

Furthermore, Permoséal Management do a daily “Focus Group” walkabout between 08:45 and 09:15. The Group comprises the General Manager, Operations Manager, and the Supply Chain Heads of Department, where they then meet a team representative from each Mini Business Unit, to receive feedback of their QCDSM performance. Where there are any problems, management will give support to the Mini Businesses. In effect they get good hands-on insight into activities and developments in each Department and Mini Business, and this practice gives them an opportunity to get involved in problem solving, giving management input and ensuring Goal Alignment. It also streamlines the communication between all levels.



Graph 8: Permoséal Cleaning & Organising audits (external & internal)

STEP 3: CLEANING & ORGANISING

As with Goal Alignment, the Cleaning and Organising Toolkit was implemented recently by Training Management and Supervisors first, then rolling out the training to Mini Businesses by means of a simplified Cleaning & Organising Toolkit and helping the Factory Supervisors to present it to the Permoséal shop floor employees via the company’s established training programme. Again Ernest and the WPC Facilitator followed up on the training with external coaching and audits aimed at clarifying the Cleaning & Organising principles and requirements, and then followed by Internal audits to ensure internalisation by Permoséal employees.

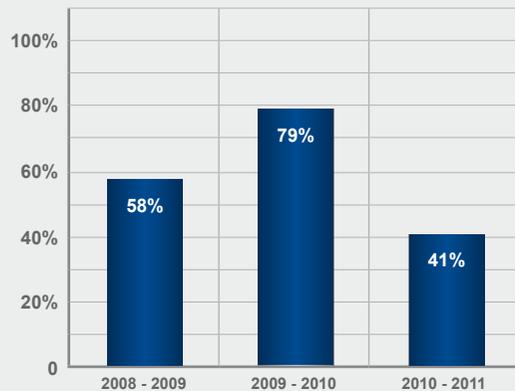


Soft Effect of Cleaning & Organising Training

On the first Cleaning & Organising Audit two of the nine Mini Business Teams achieved an audit score of 2.5, showing that they put in a good effort. These Teams will both be used by Ernest as “model Mini Businesses” to show other teams how the practice of Cleaning & Organising should be tackled. It will also serve to give recognition and sustain the motivation of these two teams.

Hard Results of the WPC Programme

During the 2010 – 2011 recession, most companies anticipated a decline in profits. However, Permoseal has seen a steady growth in Operating Income over the past three years. This can, amongst other things, be contributed to its Continuous Improvement Programme and the implementation of the WPC Programme in the factory.



Graph 9: Permoseal operating profit increase

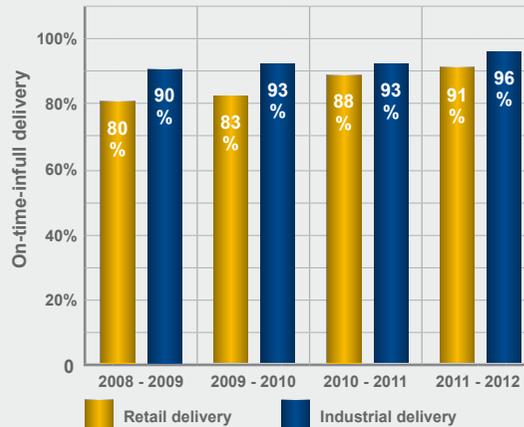
Permoseal as a company has also improved their Delivery Performance OTIF (On-Time-In-Full) steadily over the last few years.

Similarly, despite the recession Permoseal has maintained their Operations employment numbers at around 140 since 2008, whilst showing a steady volume growth.

Employee Attendance, another indicator of motivation, has averaged at 97% as at April 2011.

CONCLUSION

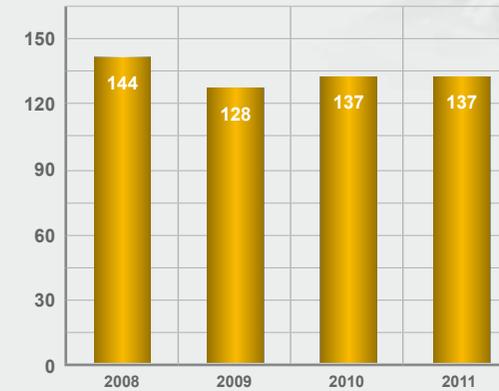
By adopting the Workplace Challenge Programme, Permoseal has revived its Continuous Improvement Programme, and successfully completed the Goal Alignment and Cleaning & Organising Toolkits. The results are obvious in the form of good Audit Scores, a culture of innovation



Graph 10: Permoseal delivery performance - 2008 - May 2011

as evident by many implemented innovations, improved employee motivation, good operating profits, and an excellent delivery performance record.

The company’s next step would be to implement the Teamwork Toolkit to consolidate their Innovations Performance and to develop their Mini Business Team Leaders.



Graph 11: Permoseal employment numbers - 2008 to 2011



6.4 PRODUCTIVITY SKILLS AND COMPETENCIES

6.4.1 Productivity Training

The objectives of Productivity Organisational Solutions' Division are:

- To provide productivity training to intermediaries such as Educators, Skills Development Facilitators (SDFs) and Education and Training Development (ETDs) service providers to leverage our reach to organisations and communities.
- To conduct direct training for managers, workers and emerging entrepreneurs in order to foster continuous performance improvement in their workplaces.
- To implement productivity improvement projects in governmental departments in order to improve efficiency and productivity.
- To achieve full accreditation and Education Training Quality Assurance (ETQA) status for the accreditation of service providers linked to Productivity SA.
- To develop assessment methodologies and instruments to establish performance levels of organisations, identify constraints that hamper growth and performance and to assist with the compilation of action plans and/ or work plans to resolve the identified constraints.

6.4.2 Impact of Productivity Organisational Solutions (see table below):

Key Result Area	Target	Results
Educators trained to educate learners in schools about productivity concepts and values.	650 ETD Service Providers trained as productivity trainers.	406 Educators trained to educate learners in schools on productivity concepts and waste elimination.
Productivity competencies for emerging enterprises.	3 000 SMMEs trained on productivity concepts.	2 707 SMMEs trained on Business Performance Improvement Workshops.
Workers for distressed and stable organisations trained on productivity concepts.	500 workers trained on productivity concepts.	617 workers trained on productivity concepts.
Skills Development Facilitators (SDFs) trained in productivity improvement techniques.	200 Skills Development Facilitators trained in productivity.	Trained 10 SDFs from SPEARsystem Packaging Africa.
Accreditation system in place.	To comply with SAQUA requirements to deliver unit standard based courses in our client organisations.	There are plans to partner with South African Board of Personnel Practitioners (SABPP) in order to leverage on their other productivity unit standards and find full accreditation.
Government and SOE managers trained on productivity improvement techniques.	120 Government and SOE managers trained on productivity concepts.	109 Government and SOE managers in total for the year.
Implement a productivity improvement project in a government department.	Implement productivity improvement project in one government department.	Implemented one productivity improvement project in Sheltered Employment Factories, Rand Factory.
Licensing of external productivity service providers.	Licensing of 26 external productivity service providers.	Compiled a framework on licensing of external service providers.
Design and develop appropriate organisational assessment strategies, methodologies and instruments for internal and external use.	<ul style="list-style-type: none"> • Designed and developed organisational assessment tool. • Completed 160 financial assessments. 	<ul style="list-style-type: none"> • Completed the design and development of an appropriate organisational assessment tool. • Completed 79 financial assessments.

6.4.3 Overview of Activities for year 2010/2011

6.4.3.1 Educators trained to educate learners in schools about productivity concepts and values

Introduction

Productivity SA and the District Departments of Education (DoE) have entered into a long-term partnership to introduce productivity concepts in the education sector. The partnership was a result of a joint team effort by both organisations that collaborated to develop a detailed framework with guidelines about incorporating productivity concepts and values in the General Education and Training (GET) band. This annual event started during the 2005/06 financial year and a total of 2 314 teachers have since been trained on productivity concepts and values.

The DoE revised its strategic intent which resulted in Productivity SA adapting its intervention from incorporating Productivity Values and concepts into the National Curriculum Statements (NCS) to a one day Teacher Training Workshop on Waste Elimination. Strategic Partnerships were entered into with the District offices of DoE in order to ensure continuity and sustainability of productivity education in schools. The training was conducted on 28th and 29th March 2011 in Gauteng (see table to the right).

Waste management in schools is a process of providing schools with strategies, resources and

support necessary to implement a management programme where you keep the savings and contribute to environmental green productivity.

Waste represents a significant loss of both resources and school district funds. It is also a potential threat to the environment and to both staff and student health. To be responsible stewards of environmental quality, school districts should review processes and operations and even curriculum choices. They should evaluate the economic, educational and environmental benefits of implementing an effective waste reduction programme.

Objective

If educational institutions are able to fulfil their obligations of equipping their students with the right attitudes and skills required to successfully meet the challenges of the economic environment, then they have no choice but to learn about waste elimination and productivity.

Implementation Plan

Phase 1

The phase started with the training of educators in Gauteng region who were earmarked for delivery in the financial year 2010-2011.

The objective of this phase was to orientate educators on one of the values or principles of productivity and to create awareness around various factors influencing productivity.

Phase 2

The second phase will include an introduction phase of a school project called Green School Productivity (GSP) which is based on the fundamentals of the Green Productivity principles. Phase Two will be a learning-by-doing project which will encourage the schools to care for the resources in the environment in an efficient way. The project will benefit teachers, Standard Generating Bodies (SGBs) and the community.

Region	Date	Venue	Presenter	Number of Delegates
Tshwane North-West	28 and 29 March 2011	Hammanskraal	M.Moatli D. Mphithi	158
Tshwane North-West	28 and 29 March 2011	Soshanguve	R.Pholose M. Mathelemusa	135
Tshwane North	29 March 2011	Tshwane North District office	D.Marakalla D. Phiri	113
TOTAL:				406 Educators

Green Productivity is aimed at eliminating waste in all forms to increase productivity and promote a clean environment to preserve future resources and economic development.

Results and Impact

Attendance at Teacher Workshops for 2010/2011 are detailed in the table on the previous page.

Experiences

Officials from the Provincial DoE gave a positive response on the training conducted and pleaded with us to roll it out into other districts and include more teachers. They were particularly impressed with the fact that this project is part of an ongoing intervention which not only includes learners but affects the community as well, in line with the DoE's Education for Sustainable Development strategy.

Teacher feedback

- The content was well organised and easy to understand – even when one is alone at school.
- The course was excellent and attendees benefitted.
- Posters are needed to better explain concepts to learners.
- Annual repetition of the course was requested.
- Attendees felt both empowered and at an advantage over those who did not attend. The timing of the training was appropriate to support change and growth in an improved community.

- Training courses in general are welcome.
- It is essential that principals attend the course to ensure complete roll out in their own schools.
- The course is more effective in a smaller group.
- The course should be promoted amongst all educators with the secondary effect of improving teacher morale.
- All educators should be trained at their schools.
- The course is practical, informative and has improved my time management skills.
- The training has empowered me with the skills implement effective waste management.
- Courses should be held during the school term itself and not in school holidays.
- The course offers applications in my private life as well.
- The course was well presented and addressed previously ignored issues.

Challenges

Continuous strategic changes within the DoE delayed the implementation process.

Way forward

Productivity SA and key role players within the DoE must remain in continuous liaison to constantly improve the course itself and its use and application at school level.

6.4.3.2 Productivity competencies for emerging enterprises

Introduction

Development and enhancement of the productive capacity of small enterprises continued to be one of the key activities for the Productivity Organisational Solutions' Division. The newly developed Business Performance Improvement Workshop (BPIW) proved to be a success in addressing some of the challenges facing small enterprises. This resulted in wastage elimination, increased sales, reduced operational costs through speed and quality improvement, maximised profits and development of an early warning system (EWS) to detect and address distressed areas in advance.

Objectives

The objectives of the BPIW (an action learning solution for small enterprises and cooperatives), are to improve profitability, growth and employment creation within these sectors.

Implementation

Delegates attended one workshop per week lasting five to six hours over a five week period. One new module was presented per workshop. The time allocated to each module includes the presentation of content by the workshop leader, discussion of contents, group exercises and the discussion of the application of learnt behaviour in their enterprises (Action Plans). Implemented Action Plans (including productivity measures) for each completed module are discussed and corrected at the beginning of each subsequent



module. The implementation process is enhanced by the formation of partnerships.

Productivity SA formed partnerships for the training and development of emerging enterprises with the following organisations:

- South African Women Enterprise Networks (Sawen).
- Tshwane Local Economic Development.
- Soweto Local Economic Development.
- Limpopo Department of Economic Development, Environment and Tourism (DEDET).
- Energy SETA (ESETA).

Results and impact

The division, in partnership with our key stakeholders, trained and developed a total of 2 707 emerging enterprises. The achievement rate of 90.23% can be attributed to the enthusiasm and support of attending small enterprises.

Challenges

- The cancellation of planned training sessions at short notice.
- The changing of training venues without prior notification, whereby the new venue requires additional equipment like a flipchart stand and a screen or wall.
- Control over the attendance of delegates is lacking, which makes the preparation of materials difficult.
- Most delegates do not have ongoing concerns making it difficult for them to implement Action Plans.

- Lack of eagerness for some delegates who have ongoing concerns to complete the Action Plans.
- Some delegates value the Certificate of Attendance they receive upon course completion over the practical personal competencies they can acquire during the course.
- Delegates prefer to remain with the same Productivity SA facilitator during the duration of the course.
- More visual aids are required to maximise the understanding of the course content by the attendees.

Way forward

- Establish clear communication channels between Productivity SA and our Partners.
- The Venue Coordinator must ensure any changes to venues and equipment requirements are communicated timeously.
- Non-attendance of confirmed delegates to be reported in advance to avoid wasting course material.
- Delegates who do not have ongoing concerns should be advised to apply action plans at home or at nearby ongoing concerns and should explain the motive behind these action plans and sell the benefits to the owners.
- The importance of Action Plans being completed should be stressed right from the outset of the course.
- Productivity SA should endeavour to retain one Facilitator per region, group and venue for all five modules.
- Productivity SA should evaluate the possible

inclusion of more visual aids in course material and presentations.

The resultant average customer satisfaction percentage of 93% is far in excess of the targeted 85% norm, thus confirming customer satisfaction.

6.4.3.3 Workers of distressed and stable organisations trained on productivity concepts

Introduction

In order to achieve optimal results, it is important that any productivity improvement initiative gets the buy-in and understanding from the employee representatives and all other employees of an organisation. The Productivity Awareness Programme (PAP) is a cutting-edge solution which introduces basic business and productivity aspects of an organisation to employees. This includes their own functions and interactions as a collective group. By their better understanding of these issues, and knowing the wellbeing of both the company and the employee are mutually dependent, PAP equips and motivates employees to make a positive contribution towards better organisational performance.

PAP spells out the consequences of these principles and constraints for the individual employee. Throughout the training, the link between the strength of an organisation and the benefits it can offer its employees as a result, as well as the positive effect employees can collectively have on the organisation's strength, are emphasised.

Objectives

On completion of the programme, employees will be empowered with the knowledge that will enable them to understand:

- The basic words associated with the concept of productivity.
- The concept of Single Resource Productivity.
- The concept of Total Resource Productivity.
- How productivity is related to pay or remuneration.
- How productivity can be improved and their role in its enhancement.
- How to conduct basic measurement of productivity and participate in improving it.

Implementation

Productivity SA allocated appropriate facilitators to:

- Facilitate the gathering of organisation specific information so as to gain insight into the operation of the business and develop a Facilitator and Learner Manual. This is essential to ensure that the concepts imparted during training can be linked directly with organisational operations.
- Conduct one-on-one interviews on a random stratified sample representative of all departments in order to assess knowledge levels pertaining to the course contents prior to training and to establish a profile of the delegates targeted for training.
- Train two groups per day, with each group comprising from 10 to 16 delegates over five consecutive days, with two hour training sessions per day.

- Ensure that all training resources are available at the training venues.
- Conduct one-on-one interviews on the same stratified sample after training in order to assess the amount of learning that occurred and the formative reaction to the training.
- Visit the delegates on the shop-floor to encourage and monitor suggestions to improve productivity, planning and organising, and assess if behavioural changes are evident.
- Present a report summarising project outcomes and challenges.

Partnerships were formed with the following primary stakeholders in the training and development of employees on business and productivity concepts:

- Ekurhuleni Municipality, Solid Waste Section (a stable organisation).
- Sheltered Employment Factories, viz.the Rand Factory (an organisation supporting distressed and disabled people).

In the case of Ekurhuleni Municipality we trained and empowered five facilitators to conduct training of the employees in the Solid Waste Section to achieve the multiplier effect. In this scenario Productivity SA assumes the role of monitoring and evaluation to ensure that set standards are not compromised. Two Productivity SA facilitators conducted direct training of employees in Sheltered Employment Factories (Rand Factory).

Results and impact

We trained and developed 617 employees on business and productivity concepts in partnership with our key stakeholders. This translates into an achievement rate of 123.40%. Trained employees will take an active role in assisting their managers to identify constraints that prevent productivity improvement and take part in the implementation of productivity improvement projects.

Formative Evaluation of the course was conducted to gauge the reactions of trainees to the training done at Sheltered Employment, (Rand Factory), to determine what benefits they had derived from the training and the understanding of concepts covered during the training.

The responses regarding the most important things they have learned from the training include, but are not limited to:

- The importance of the organisation making a profit was effectively taught. The understanding of the values of outputs and inputs to an organisation was effectively communicated.
- Attendees better understood the operation of their organisation. It helped us to work as a team and we are able to achieve our targets
- Attendees understood how to calculate the changes in productivity.
- Better time management practises were identified to ensure timeous completion of client orders.
- Attendees learnt about 6Ms, resources, productivity and how to make profits.

- The training assisted attendees to improve their own work performance.
- It encouraged attendees to perceive matters differently.
- Attendees learnt to understand the need for specifications and the compliance thereof.
- The value of training was confirmed.
- The training was work based and thought provoking.
- Attendee's personal attitudes improved with respect to wastage and better personal time management in their daily activities at work.

Challenges

Due to the nature of the employees (people with disabilities) who attended the course at Sheltered Employment Factories, (Rand Factory), the following challenges were experienced:

- Low literacy and numeracy levels.
- Low participation rate by elderly people who felt that there was no need for them to learn. As the day progressed, however, they started participating.
- Inability to communicate well in sign language by Productivity SA facilitators.
- Some employees lost concentration due to health reasons.
- The need for constant language translation between facilitator and attendee resulted in the lessons taking significantly longer.

Way forward

- Logistical arrangements including extended time and interpreters to be planned and

organised prior to commencement of the training.

- Refresher or crash course is recommended at least once a year for the target group.
- It is recommended that the employees should be briefed properly prior to the training.
- Employees should be grouped according to their special needs.

6.4.3.4 Skills Development Facilitators (SDFs) trained in productivity improvement techniques

Introduction

Productivity SA has been mandated to train and develop the Skills Development Facilitators (SDFs) with a view to leveraging our service provision to the various Sector Education Training Authorities (SETAs). The SDFs are in return expected to identify productivity constraints in the SETAs and facilitate the implementation of productivity improvement initiatives in partnership with Productivity SA.

A Unit Standard based learning programme, to identify and measure the factors that influence productivity (ID), was used. This learning programme is aimed at individuals who need an understanding of productivity as a key technical and managerial concept. This focuses on measuring productivity and the factors that influence it, in order to optimise enterprise resources management and /or improve profitability.



Objectives

The objective of this learning programme is to cultivate productive behaviour and distribute competencies amongst South Africans by enabling them to achieve the following learning outcomes:

- Demonstrate single factor productivity and assess the causes of current levels of single factor productivity.
- Measure total factor productivity.
- Measure the quantitative factors that influence productivity and establish their influence on productivity.

The positive impact on attendees of the practical assignment will facilitate the embedding of productivity specific values on delegates.

Implementation

This intervention entailed the following:

- Gathering organisation specific information.
- Customising the learning programme.
- Identifying learners for training.
- Approval of the validity of the learning programme by the specific organisation.
- Providing classroom theory over three consecutive days.
- Practical application of acquired competencies on the shop floor over five consecutive days, where possible.
- Completion of assignments by delegates.
- Completion of the Portfolio of Evidence.
- Certification ceremony for learners who are found competent.

Results and impact

We conducted training and development for ten SDFs, against a target of 200. The training was conducted at SPEARsystem Packaging Africa, a private organisation. This low achievement rate of 5% is mainly due to the strategic change of government in that the SETAS have been moved from the Department of Labour to the Department of Higher Education and Training. The SETAS' major focus for this financial year was on strategy formulation and alignment to the Higher Education and Training Department's strategic intent.

Challenges

The SETAS were migrated from the Department of Labour to the Department of Higher Education and Training and restructuring and strategy formulation took priority in this financial year.

Way forward

- A Memorandum of Understanding (MOU) has been signed between Productivity SA and the Energy SETA (Eseta) on the development of SDFs in the new financial year.
- Negotiations with the following SETAS are ongoing:
 - Health and Welfare.
 - Wholesale and Retail.

6.4.3.5 Government and SOE managers trained on productivity improvement techniques.

Introduction

It is of utmost importance that managers from Government and State Owned Enterprises are exposed to:

- The concept of productivity.
- How productivity is measured and improved.
- Measurable factors that influence productivity.
- How to embark on productivity improvement project to enhance efficient and effective service delivery in the various departments of government.

Optimal use of allocated resources would go a long way in assisting managers to implement the mandate from Government through efficiency and productivity improvement interventions. A unit standard based learning programme, "Identify and measure the factors that influence productivity" (ID), was used to train Government and SOE managers on productivity improvement techniques.

Objectives

The objectives of the training of managers on productivity improvement techniques are to ensure that they understand the following:

- The meaning and measurement of productivity.
- Quantitative factors influencing productivity and how they are measured as well as the influence they have on productivity improve-



- ment in their areas of operation.
- Qualitative factors influencing productivity.
- How to transfer acquired productivity knowledge to areas of their responsibility, with a view to improving service delivery.
- The importance of continuous performance improvement of their various units.
- The acceptance that productivity is also applicable in a public sector.

Implementation

Productivity SA, after discussions and agreement with our primary stakeholders, implemented the ID intervention as follows:

- Development of generic service Facilitator Manuals to address provision of such services.
- Training one group per day, with each group comprising from 15 to 30 delegates over two consecutive days, at five to six hour training sessions per day.
- Provision of input on how the portfolio of evidence is completed.
- Provision of input on the transfer of productivity knowledge to the work environment.
- Conducting evaluation of the intervention.

Partnerships were formed with the following key stakeholders in order to train and develop managers on productivity improvement techniques:

- Department of Labour Centre, Mpumalanga.
- Mafikeng Municipality.
- Sheltered Employment Factories (Rand Factory).

- Tshwane University of Technology (final year engineering students).

Results and impact

Formation of partnerships with our key stakeholders enabled us to train and develop a total of 109 managers against the targeted 120 trained managers. This achievement rate of 90.83%, was achieved despite low attendance rates and late cancellations.

Positive feedback from delegates included:

- The training was informative and excellent.
- The course was thought provoking and refreshing, confirming the need for more of these workshops.
- The course will assist managers to execute their activities fairly.
- The training was presented in a professional manner.

Challenges

Low attendance rates and late cancellations.

Way forward

- To emphasise the importance of attending and completing the course once participation is confirmed by participants with the Project Coordinators.
- We have already formed tentative partnerships for the new financial year with the following organisations:
 - Department of Labour Centre, Free State.
 - Department of Labour Centre, KwaZulu-Natal.

- Sheltered Employment Factories (Rand Factory).
- Tshwane University of Technology (final year engineering students).
- University of Johannesburg (final year engineering students).

6.4.3.6. Accreditation system in place

Objectives

The accreditation system is based on stipulated requirements of the Services SETA, in order to comply with SAQA requirements to deliver unit standard based courses to participating client companies. This process, if found compliant, will give Productivity SA full accreditation status with the Services SETA.

Challenges

Productivity SA has to apply for a new ETQA because our accreditation with Services SETA has expired due to the fact that they no longer house Productivity unit standards. There are plans to partner with South African Board of Personnel Practitioners in order to leverage on their other productivity unit standards and find accreditation on our programme: Identify and Measure factors that influence Productivity (ID).



■ ■ 6.5 PRODUCTIVITY AWARENESS DRIVE

Amongst the most important institutions in leading economies, are the National Productivity Councils and National Productivity Organisations. By performing their various roles as productivity promoters, catalyst and mobiliser, capability builder, etc., they in fact influence and strengthen the productivity and competitiveness factors at the various levels where they interact.

Through spearheading programmes such as national productivity awareness and education campaigns they help develop the national values and attitudes that appreciate good work and quality performance and are supportive of learning, innovation and change. Through mobilisation of a tripartite and multi sectoral national productivity drive, they create the mechanisms and institution for national concerted efforts towards productivity improvement.

Productivity SA has in addition during the 2010/11 financial year, embarked on a campaign to spread the message of productivity to all South Africans. The campaign included broadcasting (television and radio), outdoor, online and print media focusing distinctly towards an audience of decision makers and business people, with the aim of creating awareness regarding productivity in order to evoke a positive response.

6.5.1 Objective of the Awareness Campaign

The broad objective of the campaign was to position Productivity SA as a critical player in promoting the productivity movement. The campaign set out to:

- Heighten the Productivity SA brand.
- Mobilise all South Africans to embrace the concept of productivity as a way of life.
- Promote productivity and advocate productivity best practises by targeting key stakeholders.
- To celebrate and recognise companies for their productivity improvement initiatives.

6.5.1.1 Creative Strategy

“Rhythm” was chosen as a theme, as it consisted of various “legs” that could be applied in a number of ways to ensure universal appeal and an understanding by everyone. Rhythm is a part of life for all South Africans and could be used across all media platforms.

6.5.1.2 Media Platforms

“Listen carefully And you will hear it The Rhythm behind a great working nation” – was the overall theme for the annual marketing strategy.

Radio was chosen as the medium of choice as it has the second largest reach to audience after television. The 30 second commercial was recorded in both English and Afrikaans.

The 2010/ 2011 media strategy placed a predominant emphasis on the increased media presence of Productivity SA, thereby strengthening our brand profile. The organisational target of 80 published articles was surpassed when the implementation of the media strategy reached a high of 180 published media articles, thereby exceeding the targets set out by 100%.

The media strategy was implemented twofold. Firstly, an all-encompassing annual media strategy was drafted which made use of various projects as vehicles for promoting Productivity SA. Secondly, a tactical media plan was drawn up that specifically focused on promoting Productivity month and its activities taking place.

6.5.2 Impact of Marketing and Communications

A series of Business performance improvement workshops in different provinces were conducted during the productivity month. At least a minimum of one awareness workshop in all the nine provinces were conducted in partnership with various chambers.

Impact of Marketing and Communications

Key Result Area	Annual Target	Results
National Awareness Campaign.	<ul style="list-style-type: none"> 80 media articles published. 	<ul style="list-style-type: none"> 183 media articles published.
Productivity Month Campaign.	<ul style="list-style-type: none"> Productivity Month Programme. Regional and National Programme. National Productivity Awards ceremony. Two regional awards ceremonies. 	<ul style="list-style-type: none"> Annual awareness productivity month project plan completed. Regional awareness workshops and awards programmes implemented in five provinces. (W.C, KZN, Limpopo, E.C and Gauteng). Four regional awards ceremonies conducted. One national awards ceremony conducted.
Productivity related knowledge.	<ul style="list-style-type: none"> Website revamped. Four Productivity magazines. Annual Report. 	<ul style="list-style-type: none"> Revamped website completed. Four productivity magazines printed. Annual report completed.
Turnaround Solutions Programme.	<ul style="list-style-type: none"> Turnaround Solutions marketing (print and electronic campaign). Turnaround Solutions workshops. 12 Electronic newsletters. 	<ul style="list-style-type: none"> Print and electronic campaign implemented. 22 Awareness workshops implemented. Five regional newsletters developed.
Stakeholder Management.	<ul style="list-style-type: none"> Stakeholder management strategy. Partnership with Regional Provincial Economic Departments and chambers. 	<ul style="list-style-type: none"> Stakeholder Management Strategy developed. Established partnerships with: <ul style="list-style-type: none"> - KwaZulu-Natal, Limpopo and Western Cape Economic Departments. - Port Elizabeth Chamber of Business. - Northwest African Chamber of Business. - SACCI. - Durban Chamber of Business.

6.5.3 National Productivity Awards

The objective in developing a campaign for Productivity SA is not only to build brand awareness, but to celebrate and give recognition to companies for their productivity improvement programmes. The Awards Programme starts at a regional level wherein winners are shortlisted to participate in the national phase taking place in October. Entries are short-listed according to a rating system, and the nominees are selected after evaluating the impact achieved based on the resultant productivity and sustainability.

The National Awards evening was held on 30 October 2010 in Midrand. The keynote address was delivered by Prof. Raymond Parsons, the Deputy CEO of Business Unity South Africa (BUSA), focussing on South Africa's economic growth and job creation.

The winners of the 2010 Awards were:

- *Corporate Sector:* Fair Cape Pty Ltd
- *Public Sector:* RahimaMoosa Mother and Child Hospital
- *Emerging Sector:* Waste Plan (Pty) Ltd,

The winners of the National Awards were selected from the winners of the Regional Awards. The following regions participated:

The Eastern Cape Awards

The Regional Awards were held in the Eastern Cape for the first time in 2010, and our partner was the Port Elizabeth Chamber of Business.

The KwaZulu-Natal (KZN) Awards

Productivity SA partnered with KZN's Department of Economic Development and Tourism. Their contribution greatly assisted in raising the event's profile and increasing Productivity SA's brand exposure.

The guest speaker for the evening was the M.E.C. for Economic Development and Tourism, Mr Mike Mabuayakhulu, whom has become the patron of the Productivity Awards in the region.

The Limpopo Awards

Entrants in the Limpopo Regional Awards held their first Regional Awards ceremony in 2010.

The Western Cape Awards

The Western Cape produced two winners at the National Awards, namely Fair Cape in the corporate sector, and Waste Plan in the emerging sector.





6.6 HUMAN RESOURCES



The strategic intent of the Human Resources Department is to create a world class performance culture that establishes Productivity SA as the employer of choice, where the best talent would be attracted, managed, developed and retained.

6.6.1 Employment Equity Profile

A graphic illustration of Productivity SA workforce profile is shown on the right.

6.6.2 Remuneration Breakdown

The annual salary cost for the year was R32,262,875 split as indicated in the table to the right.

6.6.3 Training and Development

This section highlights the efforts of Productivity SA with regards to skills development.

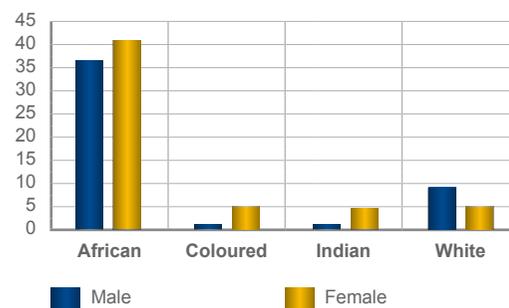
6.6.3.1 Skills Development Plan

The Skills Development Plan of the organisation is prepared based on the individual development plans of all Productivity SA employees which are reviewed annually. Productivity SA has complied with the Skills Development Act by submitting its Workplace Skills Plan and Annual Training Report to the Services Sector Education and Training Authorities (Services SETA) in June 2010.

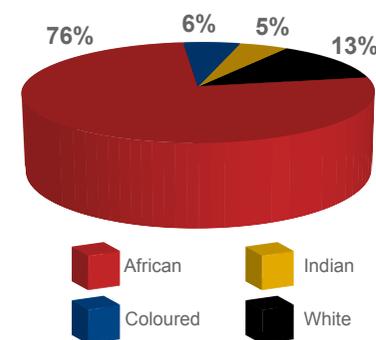
Level	African		Coloured		Indian		White		Total Females	Total Males	Grand Total	% Gender	
	F	M	F	M	F	M	F	M				F	HDI
1	0	0	0	0	0	0	0	0	0	0	0	0	0
2	2	4	0	0	0	0	0	0	2	4	6	33	100
3	0	1	0	0	0	0	0	0	0	1	1	0	100
4	6	7	0	0	1	1	0	6	7	14	21	33	71
5	11	13	3	0	2	0	1	2	17	15	32	53	94
6	6	3	1	1	1	0	2	0	8	4	12	67	83
7	6	1	1	0	0	0	2	0	9	1	10	90	80
8	2	2	0	0	0	0	0	0	2	2	4	50	100
9	8	6	0	0	0	0	0	0	8	6	14	57	100
Grand Total	41	37	5	1	4	1	5	8	53	47	100	53	89

Race	Female (R)	Male (R)	Grand Total (R)	% of Total
African	10,505,024	13,146,538	23,651,562	73
Coloured	470,475	101,892	572,367	2
Indian	1,281,365	545,621	1,826,986	6
White	1,735,425	4,476,535	6,211,960	19
Grand Total	13,992,289	18,270,586	32,262,875	100

*Consolidated Packages are used to calculate the Annual Salary Cost.



Graph 12: Gender breakdown



Graph 13: Racial breakdown

Productivity SA has partnered with the Asian Productivity Organisation (APO) and Japanese Productivity Centre to ensure that our employees acquire cutting edge productivity knowledge and skills.

During this period under review, four (4) Productivity SA employees have acquired key competencies required for productivity practitioners as trainers, consultants and promoters of productivity and quality improvement. These competencies will be utilised towards enhancing the national productivity

and competitiveness of South African employees.

The following training interventions were undertaken with our employees:

- a) Two (2) Productivity SA employees went on an observational study mission to Japan to learn more about the “Kaizen for Quality Improvement” at the Japanese enterprises. “Kaizen for Quality Improvement” refers to a practise used by Japanese enterprises.

It focuses on continuous improvement of business processes in their entirety which contributes significantly to high quality, short time delivery, reduced product pricing. This methodology will be adopted by South African enterprises to improve their productivity.

- b) The Basic Course for Productivity Practitioners (BCPP) was held in Midrand, South Africa during November 2010. Four (4) Productivity SA employees attended.
- c) Additional training initiatives:

Course	African		Coloured		Indian		White		Total Females	Total Males	Grand Total
	F	M	F	M	F	M	F	M			
Active Directory 2008 Configuration		1								1	1
Assessor Training Programme	1	1							1	1	2
Business Rescue and Insolvency	2								2		2
Collection Development Seminar	1								1		1
Comprehensive Tax Year End Workshop	1								1		1
Configuring and Troubleshooting IIS and Terminal Server		1								1	1
Configuring and Troubleshooting Server 2K8 Networks		1								1	1
CorelDraw	2								2		2
Digital Brand Strategy Workshop		3					1		1	3	4
Director Development Programme		1								1	1
Effective Minute Taking	2		1						3		3
Employment Statutory Amendments Seminar	1	1							1	1	2
Financial Modelling Techniques		1								1	1
HP Blade System Administration		1								1	1
HR Business Partner Master Class	1								1		1
Individual Voice Skills Training Programme	1								1		1
Industrial Relations (Discipline and Dismissals)	23	22	3	1	4		5		35	23	58
Initiating Disciplinary Enquiries	8	6				1		3	8	10	18
Law of Contract	6	7			1	1	1	4	8	12	20
Mimecast UEM and Enhanced Stationery Workshop		1								1	1



Course	African		Coloured		Indian		White		Total Females	Total Males	Grand Total
	F	M	F	M	F	M	F	M			
MS Project 2007 Advanced	2	2							2	2	4
MS Project 2007 Beginners	9	12	1	1	2	1	2	2	14	16	30
PAYE Submission Workshop	1								1		1
Payroll Administrator	1								1		1
Performance Management System Training	24	26	3		4	1	4	9	35	36	71
Planning and Administering W2K8		1								1	1
PNET User Training	2				1			1	3	1	4
PowerPoint Advanced							1		1		1
Premier HR Employee Management	3				1				4		4
Premier HR Job Management	3				1				4		4
Premier HR Process Workshop	3	1			1			1	4	2	6
Records Management	11	2			1	1	1		13	3	16
RPL Preparation Workshop: National Productivity Certificate	1	6	1					1	2	7	9
SharePoint 2007 Server Configuration	1							2	1	2	3
SharePoint Designer - Beginner								1		1	1
Strategic Financial Management Accounting Seminar	1								1		1
VIP Skills Development Workshop	2								2		2
Grand Total	144	125	12	2	19	5	21	31	196	163	359

d) Bursary Applications:

Bursary studies for the period 1st April 2010 to 31st March 2011 amounted to R82 091.98. Applications submitted were for the following academic studies:

- Management Development Programme.
- National Diploma in Public Relations.
- Bachelor of Technology: Industrial Engineering (two employees).
- Master's in Business Administration.

6.6.4 Human Resources Policies

The reviewing of policies and procedures to ensure compliance with legislative requirements and best practice is done on an ongoing basis through the Employment Equity Committee, the Executive Committee, the Human Resources and Remuneration Committee before being approved by the Board.

During this period under review, the following policies were approved:

- Training and Development Policy.
- Subsistence and Travelling Allowances Policy.

The following policies are currently under review:

- Performance Management Policy.
- Basic Conditions of Employment Policy.
- Contract of Employment.
- Confidentiality Agreement.
- Restraint of Trade Agreement.
- Disciplinary Policy and Grievance Procedure.

6.6.5 Organisational Development

Organisational development is the practice of changing and developing an organisation to be more effective in accomplishing its goals. Productivity SA has committed itself to, on an annual basis, conduct Culture and Climate Survey with its staff. In the period under review, a Culture Survey was conducted in February 2011 and the results were presented to all staff. The results recommended that Productivity SA embark on a Culture Shift Journey and the following cultural pillars have been identified to bring about the desired culture and climate:

The Culture and Values Pillar

Purpose

- To define the desired culture, values and associated behaviours to support a proposed performance driven environment.

Deliverables

- A defined culture that encompasses the essence of Productivity SA.
- Aligned values and associated behaviours.
- Internal culture shift journey by means of internal branding and communication collateral.

Progress made

- Culture and Values Staff Awareness workshops to employees have taken place.
- Internal branding and communication paradigm shift is currently underway.

The Organisational Design Pillar

Purpose

- To create a flexible organisational structure to enable career growth and to support a performance driven culture.

Deliverables

- Redesigned organisational structure (including integrating mechanism, levels and roles).
- Reviewed job profiles.

Progress made for the period

- Job evaluations/Re –grading were conducted with employees and a report was presented to Human Resources and Remuneration Committee. A similar exercise was also conducted by the Department of Labour at the request of the Board.
- Organisational Structure Redesign workshops took place consisting of a joint exercise with the Executive Committee, and the process is well underway.

The Performance Management Pillar

Purpose

- Review and re-design the current performance management system to reward and recognise performance excellence.
- Cascade the strategic priorities and goals of Productivity SA to our programmes and individual key performance indicators.

Deliverables

- A tangibly improved performance management system (including appraisal system, goal setting and performance review).

Progress made for the period

- Performance Scorecards contracting process was performed with the whole staff complement, which included management.
- A Scorecard review template has been developed.
- The Validation Committee has been established (comprising of Executive Team).
- The Performance Management Policy has been reviewed by the Employment Equity Committee and submitted to the Executive Committee for approval.

The Learning and Growth Pillar

Purpose

- To build on the internal staff capacity available and to strengthen the leadership skills to achieve the strategic objectives of the organisation.
- To attract, engage and retain key and leadership talent to enable the strategic imperative of becoming an employer of choice.

Deliverables

- Learning and development plans.
- Talent management strategy and plan.
- Leadership and management development.
- Talent pools (i.e. management and critical skills).

Progress made for the period

- Individual Development Plans have been completed for all employees.
- Draft Talent Management Framework has been completed.

The Reward and Recognition Pillar

Purpose

To conduct benchmarks of the remuneration system, process and practices to support the desired performance driven culture.

Deliverables

- Market Salary Survey.
- Reviewed remuneration system, process and practices (including incentive schemes and benefits).

Progress made for the period

A Salary Benchmarking exercise was conducted by an appointed Service Provider who provided a Report that was presented to the Human Resources and Remuneration Committee. Their recommendation was that the Department of Labour

Employee turnover

Description	African		Coloured		Indian		White		Total Females	Total Males	Grand Total	% Gender		% Race	
	F	M	F	M	F	M	F	M				F	HDI		
Death	0	1	0	0	0	0	0	0	0	1	1	0		100	
Dismissal	0	0	0	0	1	0	0	0	1	0	1	100		100	
Retirement	0	0	0	0	0	0	0	1	0	1	1	0		0	
Resignation	3	2	0	0	0	0	0	1	3	3	6	50		83	
End of Contract	1	0	0	0	0	0	0	0	1	0	1	100		100	
GRAND TOTAL	4	3	0	0	1	0	0	2	5	5	10	50		80	

should conduct a similar exercise with other public entities operating similarly to Productivity SA. This is currently in progress.

The Leadership Pillar

Purpose

- To define the leadership model (including approach, competencies, style, branding) that will support and encourage a performance driven culture.

Deliverables

- Defined Leadership Model (including approach competencies, style, branding).

6.6.6. Leave Utilisation for the Period 1 April 2010 to 31 March 2011

Productivity SA recognises the need to carefully monitor sick and annual leave. The following tables provide an indication of the use of sick and annual leave.

Sick Leave

	Previous Year 2009/2010	Current Year 2010/2011
Days	451	457
Cost	R 456, 852	R 756, 234
Average days	4,7	4,6

The leading reason for sick leave was hospitalisation/Surgery: 170 Days

Annual Leave

Productivity SA manages and monitors annual leave utilisation to prevent high levels of leave accrual. Leave balances for the three year period shows that annual leave is being utilised more effectively resulting in lower levels of leave accrual.

	2008/9	2009/10	2010/11
Number of Days	986	1 160	1 176

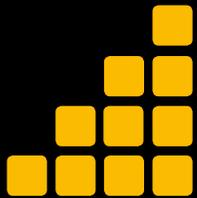
6.6.7 Terminations

During this period under review ten (10) employees left the organisation due to resignation, retirement or dismissal. The labour turnover in the organisation represents 10% of the workforce.

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APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements, which appear on pages 67 to 90, were approved by the Board of Directors on 5 July 2011 and signed on their behalf by:

Handwritten signature of Mr. A. Nel in white ink.

Mr. A. Nel
Chairperson

Handwritten signature of Mr. B. Coka in white ink.

Mr. B. Coka
Acting Chief Executive Officer

CORPORATE GOVERNANCE STATEMENT

for the year ended 31 March 2011



The Directors submit that the entity has adhered to recognised principles of corporate governance and that the Directors have conducted the affairs of the entity with integrity and in accordance with generally accepted corporate practices.

ACCOUNTING AUTHORITY

The Board of Directors' fiduciary duties are outlined in the Public Finance Management Act, No 01 of 1999, as amended by Act 29 of 1999 (as the accounting authority of the entity). It meets at least quarterly, sets the strategic mission, and is responsible for the overall direction and control of Productivity SA. Major responsibilities of the Board include; the review of business plans and budgets, monitoring of performance, approval of major policy decisions and the appointment of the Chief Executive Officer. Directors in office during the financial year ended 31 March 2011 were:

- Mr A Nel - Non Executive Chairperson
- Mr S Morotoba
- Mr B Coka - Acting Chief Executive Officer
- Ms N Moodley
- Mr J Mosia
- Mr N Vermeulen
- Mr N Mbongwe
- Dr J Nyalunga
- Mr X Sicwebu

AUDIT AND RISK COMMITTEE

The committee meets periodically with management, external auditors and internal auditors and it also meets separately with external and internal auditors on annual basis. The Audit and Risk Committee has a written charter approved by the Board of Directors. The committee does not have any operational or executive responsibilities. Its objectives are:

- Establishing a channel of communication between the Board of Directors, management, external auditors and internal auditors;
- Evaluating whether management creates and maintains an effective control environment to safeguard Productivity SA's assets, and that management demonstrates the necessary respect for the entity's internal control structure;
- Reviewing the scope and outcome of audits. This review includes an assessment of the effectiveness of the annual statutory audit and ensuring that sufficient emphasis is placed on issues which in the opinion of the committee, management or the auditors deserve special attention;
- Ensuring that the Board of Directors makes informed decisions and is aware of the implications of these decisions on accounting policies, practices and disclosure; and
- Safeguarding the Directors' liability by informing the Board of Directors about issues that impact on the business and the status of financial reporting.

INTERNAL AUDIT

GRM Consulting, which is an outsourced firm responsible for Productivity SA's internal audit function, provides an independent appraisal function that is designed to examine and evaluate the Productivity SA's internal controls. In particular, GRM is charged with examining and evaluating the effectiveness of Productivity SA's operational activities, the attendant business risks and the system of internal, operational and financial controls. Any major weaknesses detected are brought to the attention of the Audit Committee, the external auditors and members of management for their consideration and remedial action. GRM meets with external auditors on a regular basis and discusses plans and results in respect of the audits carried out during the year.

RISK MANAGEMENT

Senior management, with the assistance of the outsourced internal audit function, is committed to assessing, on an ongoing basis, the major operational and business risks that Productivity SA faces. Risk management plans are drawn up and progress is monitored against these plans continually. The Audit Committee evaluates reports prepared by GRM to identify areas where further management's attention may be required.



Productivity SA has performed the following as required by the Public Finance Management Act, 1999 (as amended):

- Risk Assessment; and
- Implemented the fraud prevention plan

REMUNERATION AND HUMAN RESOURCES COMMITTEE

The committee meets periodically. Remuneration and Human Resources Committee has a written charter approved by the Board of Directors. The committee does not have any operational or executive responsibilities. Its roles and responsibilities are:

- Providing strategic direction on human resources and remuneration matters;
- Acting as the sounding board for human resources strategic initiatives;
- Monitoring and evaluating consistent application of human resource and remuneration related policies;
- Determining and recommending to the Board remuneration package of Chief Executive Officer;
- Determining any criteria necessary to measure the performance of Chief Executive Officer in discharging his/her functions and responsibilities;
- Together with the Chief Executive Officer determines the annual salary increases and performance bonuses for the members of the staff; and
- Conducting a self-evaluation of its performance and effectiveness at least once a year.

EMPLOYMENT EQUITY

Productivity SA applies employment policies that are considered appropriate to the business and the market in which it operates. They are designed to attract, motivate and retain quality staff at all levels. Equal employment opportunities are offered without discrimination to all employees and specific affirmative action programmes are available to historically disadvantaged individuals.

Productivity SA complies with Section 21 of the Employment Equity Act of 1998.

CODE OF ETHICS

Productivity SA subscribes to a code of ethics and endeavours to act with honesty, responsibility and integrity towards its stakeholders.

ACCOUNTING AUTHORITY'S RESPONSIBILITIES

The financial statements are the responsibility of the accounting authority for each financial year, which fairly present the financial position of Productivity SA as at the end of the financial year, its financial performance and cash flow information for the year then ended. The annual financial statements are prepared in accordance with effective South African Standards of Generally Recognised Accounting Practice (SA standards of GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Boards. In preparing the financial statements, the Directors are required to:

- Select suitable accounting policies and apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed; and
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that Productivity SA will continue in business in the near future.

The accounting authority is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time, the financial position of Productivity SA. The Directors are also responsible for taking responsible steps for the prevention and detection of fraud and other irregularities.

As part of the system of internal control, internal audit conducts operational, financial and specific audits. The external auditors are responsible for reporting on the annual financial statements.

The accounting authority believes that the entity will be a going concern in the year ahead, for this reason; they continue to adopt the going concern basis in preparing the annual financial statements.

The accounting authority also believes that the performance information against specific objectives is accurate and appropriately disclosed in the annual report as required in terms of the Public Finance Management Act No 1 of 1999 (as amended).

INDEPENDENT AUDITORS' REPORT

for the year ended 31 March 2011



INDEPENDENT AUDITORS' REPORT TO THE EXECUTIVE AUTHORITY ON THE FINANCIAL STATEMENTS AND PREDETERMINED OBJECTIVES OF PRODUCTIVITY SA FOR THE YEAR ENDED 31 MARCH 2011

REPORT ON THE FINANCIAL STATEMENTS

Introduction

We have audited the annual financial statements of Productivity SA which comprise; the report of the audit and risk committee, the accounting authority's report, the statement of financial position as at 31 March 2011, statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 67 to 90.

Accounting Authority's Responsibility for the Financial Statements

The Accounting Authority is responsible for the preparation and fair presentation of these financial statements in accordance with effective South African Standards of Generally Recognised Accounting Practice (SA standards of GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board, and in the manner required by the Public Finance Management Act of South Africa, 1999 (Act No 1 of 1999) (PFMA) (as amended). This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing, and as also required by section 4 of the Public Audit Act of South Africa (Act no 25 of 2004) and general notice 1111 of 2010 issued in Government Gazette 33872 of 15 December 2010. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that financial statements are not materially misstated. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements fairly present, in all material respects, the financial position of the entity at 31 March 2011 and the results of its operations and cash flows for the year then ended in accordance with effective South African Standards of Generally Recognised Accounting Practice (SA standards of GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board, and in the manner required by Public Finance Management Act of South Africa, 1999 (Act No 1 of 1999) (PFMA) (as amended).

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the Public Audit Act of South Africa and General Notice 1111 of 2010, issued in Government Gazette No 32758 of 15 December 2010, we report on the following:

Predetermined objectives

We are required by the Auditor-General to undertake a limited assurance engagement on the performance information as set out on pages 12 to 54 of the report, in which the actual performance of the entity



for the year ended 31 March 2011 is compared with target key performance indicators (predetermined objectives) and report thereon to those charged with governance. In this report we are required to report our findings coming from our engagement relating to non-compliance with regulatory requirements, where the reported information was inadequately presented or not received timeously, and where we have evaluated reported information not to be useful or reliable. We report that we have no significant findings.

Compliance with laws and regulations

We are required to report on compliance with laws and regulations in accordance with the guidance contained in the applicable R3: Reporting Guide of the Auditor-General "Guide". We report that there were no material findings on non-compliance with laws and regulations on the basis set out in the Guide.

Internal Control

We considered internal control relevant to our audit of the financial statements, and the report on predetermined objectives and compliance with laws and regulations, but not for the purpose of expressing an opinion on the effectiveness of internal control. We report that there were no deficiencies identified during our audit that resulted in a modification of the auditors' opinion on the financial statements or material findings on predetermined objectives and compliance with laws and regulations.

Sizwe Ntsaluba VSP

Sizwe Ntsaluba VSP
Partner: AW Mashifane
Registered Auditor
Johannesburg
05 July 2011

REPORT OF THE AUDIT AND RISK COMMITTEE

for the year ended 31 March 2011

REPORT OF THE AUDIT COMMITTEE IN TERMS OF REGULATIONS 27(1) (10) (B) AND (C) OF THE PUBLIC FINANCE MANAGEMENT ACT 1, OF 1999, (AS AMENDED BY ACT 29 OF 1999).

MEMBERSHIP

The members of this committee are:

- Ms B Brunette - Independent Chairperson
- Mr J Mosia
- Mr N Vermeulen
- Dr J Nyalunga
- Mr X Sicwebu

The following were in attendance at five meetings held during the financial year by invitation:

- Acting Chief Executive Officer.
- Representative from internal auditors.
- Representative from external auditors.

AUDIT AND RISK COMMITTEE RESPONSIBILITY

The audit and risk committee reports that it has adopted appropriate formal terms of reference as its audit committee charter, and has regulated its affairs in compliance with this charter, and has discharged all of its responsibilities contained therein.

In the conduct of its duties, the audit and risk committee has, inter alia, reviewed the following:

- The effectiveness of the internal control systems;
- The risk areas of the entity's operations covered in the scope of internal and external audits;
- The adequacy, reliability and accuracy of financial information provided by management and other users of such information;

- Accounting and auditing concerns identified as a result of internal and external audits;
- The entity's compliance with legal and regulatory provisions;
- The effectiveness of the internal audit function;
- The activities of the internal auditors, including its annual work programme, co-ordination with the external auditors, the reports of significant investigations and the responses of management to specific recommendations; and
- The independence of and objectivity of the external auditors.

THE EFFECTIVENESS OF INTERNAL CONTROLS

The audit and risk committee is of the opinion, based on the information and explanations given by management and the entity's internal auditors and discussions with the independent external auditors on the result of their audits, that the internal accounting controls are adequate to ensure that the financial records may be relied upon for preparing financial statements, and accountability for assets and liabilities is maintained.

Nothing significant has come to the attention of the audit committee to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the period under review.

EVALUATION OF FINANCIAL STATEMENTS

The audit and risk committee has:

- Evaluated the financial statements of Productivity SA for the year ended 31 March 2011 (including the external auditor's report) and, based on the information provided to the committee, considers that they comply, in all material respects, with the requirements of the effective South African Standards of Generally Recognised Accounting Practice (SA standards of GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board, and in the manner required by the Public Finance Management Act of South Africa, 1999 (Act No 1 of 1999) (PFMA) (as amended);
- Reviewed the external auditor management letter and management's response thereto;
- Reviewed the appropriateness of the accounting policies and practices; and
- Reviewed all adjustments resulting from the audit.

The audit and risk committee concurs that the adoption of the going concern premise in the preparation of the financial statements is appropriate and accepts the external auditor's conclusion thereon. The committee is of the opinion that the annual financial statement be accepted and read together with the report of the independent auditors.



Bernice Brunette
Chairperson

The accounting authority of Productivity SA has the pleasure in presenting its report for the financial year ended 31 March 2011. This report forms part of the audited financial statements.

1. General review

The business and operations and the results thereof of the aggregated entity are clearly reflected in the attached financial statements. No material fact or circumstance has occurred between the accounting date and the date of this report.

2. Nature of business activities

- 2.1 Productivity SA is engaged principally in the development and enhancement of South Africa's productive capacity.
- 2.2 Productivity SA was appointed by the dti to manage the Workplace Challenge (WPC) and administer the funds available for this project.
- 2.3 The Minister of Labour appointed Productivity SA as technical support facility for the Turnaround Solutions (TS).

3. Aggregated Results

The statement of financial performance for the year is set out on page 71. The proportions of revenue, excluding intragroup transactions attributable to the different segments of the entity and the extent to which each of these activities contributed to the net surplus / (deficit) are stated below.

Segment analysis	Revenue		Net surplus / (deficit)	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
Productivity improvement (Productivity SA)	32,398	34,670	1,472	7,003
Enhancing competitive capabilities (WPC)	12,296	12,173	498	(45)
Monitoring job losses (TS)	34,790	30,043	7,950	(8,145)
Total	79,484	76,886	9,920	(1,187)

Segment analysis	Cash flows from Operating activities		Cash flows from Investing activities	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
Productivity improvement – (Productivity SA)	4,362	1,380	(362)	(601)
Enhancing competitive capabilities (Workplace Challenge programme)	4,688	(4,303)	-	-
Monitoring job losses (Turnaround Solutions programme)	(54)	(2,247)	-	-
Total	8,996	(5,170)	(362)	(601)

4. Property and equipment

Investments in property and equipment in the current financial year amounted R372, 514 (2010: R616, 302). There was no change in the nature of neither the fixed assets nor policy relating to the use thereof in the current financial year.

5. Business managed by a third party

The accounting authority managed the business of Productivity SA and there has been no third party involvement.

6. Events after reporting date

There were no events subsequent to reporting date that would require adjustment or further disclosure in the financial statements.

7. Auditors

SizweNtsaluba VSP have been proposed as independent auditors for the next financial year.

8. 2010 FIFA World Cup™ South Africa

No expenditure was incurred in respect of 2010 FIFA World Cup™ South Africa.

STATEMENT OF FINANCIAL POSITION

as at 31 March 2011

	Note	2011 R'000	2010 R'000
Assets			
Non-current assets			
Property and equipment	2	731	846
Intangible assets	3	55	97
Trade and other receivables		655	-
		1,441	943
Current assets			
Trade and other receivables	4	641	1,395
Inventories	5	270	280
Cash and cash equivalents	6	12,168	3,534
		13,079	5,209
TOTAL ASSETS		14,520	6,152
Liabilities			
Current liabilities			
Trade and other payables	7	831	3,513
Provisions	8	3,525	2,395
TOTAL LIABILITIES		4,356	5,908
Net Assets			
Accumulated surplus	25	10,164	244
TOTAL NET ASSETS		14,520	6,152

STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 31 March 2011

	Note	2011 R'000	2010 R'000
Revenue			
Non-exchange revenue			
Transfers and subsidies	9	77,433	71,002
Exchange revenue			
Sale of goods and rendering of services	10	1,825	5,418
Finance income	11	123	214
Other operating revenue		92	237
Profit on disposal of assets		11	15
		79,484	76,886
Expenditure			
Compensation of employees	12	(32,263)	(29,822)
Goods and services	13	(36,763)	(47,358)
Finance cost	11	(8)	(48)
Depreciation/amortisation and impairment		(530)	(621)
		(69,564)	(78,073)
Surplus/(deficit) for the year		9,920	(1,187)



STATEMENT OF CHANGES IN NET ASSETS

for the year ended 31 March 2011

	Accumulated surplus R'000
Balance at 31 March 2009	1, 431
Deficit for the year	(1, 187)
Balance at 31 March 2010	244
Surplus for the year	9, 920
Balance at 31 March 2011	10, 164

CASH FLOW STATEMENT

for the year ended 31 March 2011

	Note	2011 R'000	2010 R'000
Cash flow from operating activities			
Net cash inflows/(outflows) from operating activities	14	8,996	(5,170)
Cash receipts - transfers and subsidies		77,433	71,002
Cash receipts from customers		2,016	5,409
Cash payments to suppliers and employees		(70,568)	(81,747)
Cash generated from / (used in) operating activities		8,881	(5,336)
Finance income received		123	214
Finance costs		(8)	(48)
Cash flows from investing activities		(362)	(601)
Net cash outflows from investing activities	15	(362)	(601)
Net cash outflows from investing activities			
Purchase of assets			
Net increase / (decrease) in cash and cash equivalents		8,634	(5,771)
Cash and cash equivalents at beginning of the year		3,534	9,305
Cash and cash equivalents at end of the year	6	12,168	3,534

1. ACCOUNTING POLICIES

The principle accounting bases that are followed by the entity are set out below.

These are in agreement with those followed in previous years except where otherwise indicated.

1.1 Basis of presentation

The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (SA standards of GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

1. The cash flow statement can only be prepared in accordance with the direct method.
2. Specific information such as:
 - (a) Receivables from non-exchange transactions, including transfers;
 - (b) Taxes and transfers payable;
 - (c) Trade and other payables from non-exchange transactions; must be presented separately on the statement of financial position
3. The amount and nature of any restrictions on cash balances is required to be disclosed.

The financial statements of the entity are presented on the historical cost basis.

1.2 Currency

These financial statements are presented in South African Rands since it is the currency in which the majority of the entity's transactions are denominated.

1.3 Inventory

Inventory, which comprises consumables, is stated at a lower of cost or net realizable value.

1.4 Property and Equipment

Property and equipment are depreciated on a straight line basis to reduce asset cost values to estimated residual values over their useful lives. The following useful lives were applied during the year:

Motor vehicles	5 years
Furniture and fittings	6 years
Library	3 years
Computer equipment	3 years
Computer software	2 years

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2011 (continued)



The carrying amount of assets stated in the statement of financial position, other than inventories, are reviewed at each reporting date to determine whether or not there is any indication of impairment. If such indication exists, the recoverable amount of the assets is estimated as the higher of the net selling price and its value in use. An impairment loss is recognised in the statement of financial performance to the extent that the carrying amount of assets exceeds their recoverable amount.

Subsequent costs are recognised to the extent that future economic benefits associated with usage will flow to the entity.

1.5 Revenue

Revenue is recognised as follows:

1.5.1 *Non-exchange revenue*

Non-exchange revenue which comprises of government grants, is recognised when received in accordance with GRAP 23.

1.5.2 *Other income*

Other income comprise mainly of revenue from service rendered net of “inter-group” transactions. The revenue is recognised when invoiced (exclusive of VAT as the entity is VAT exempt in terms of the VAT Act). Invoicing is only done when risks and rewards have been passed.

1.6 Retirement benefits

The entity contributes to Productivity SA Pension Fund, which is a defined contribution plan. The actual expenditure for the year is R3, 624,443 (2010:R3,309,077).

1.7 Provisions

Provisions are recognised when the entity has a present legal or constructive obligation as a result of a past event, when it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

If the effect is material, provisions are determined by discounting the expected future cash flow that reflect current market assessments of the time value of money and, where appropriate, the risk specific to the liability.



1.8 Leasing

Rental payable under operating leases are expensed on a straight-line/ (“lease equalisation principle”) basis over the lease term unless another systematic basis is more representative of the time pattern of the user’s benefit. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

1.9 Cash and cash equivalents

Cash and cash equivalents comprise balances with local banks and monies in call accounts (net of bank overdrafts).

1.10 Financial Instruments

Recognition

Financial assets and financial liabilities are recognised on the entity’s statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

Financial instruments carried on the statement of financial position include cash and cash equivalents, trade and other receivables, prepayments and advances, provisions and trade and other payables. Where relevant, the particular recognition methods are disclosed in the individual policy statements associated with each item.

Measurement

Financial instruments are initially measured at cost, which includes transactions costs. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets

The entity’s principal financial assets are trade and other receivables and cash and cash equivalents.

Trade and other receivables

Trade and other receivables are stated at their fair value, being their nominal value reduced by appropriate allowances for estimated irrecoverable amounts.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2011 (continued)

Cash and cash equivalents

Cash and cash equivalents are measured at fair value.

Financial liabilities

The entity's principal financial liabilities comprise of provisions and trade and other payables.

Provisions

Provisions are stated as indicated in note 1.7 .

Trade and other payables

Trade and other payables are stated at their fair value, being their nominal value.

Derecognition

A financial asset or a portion thereof is derecognised when the entity realises the contractual rights to the benefits specified in the contract, the rights expire, the entity surrenders those rights or otherwise loses control of the contractual rights that comprise the financial asset. On derecognition, the difference between the carrying amount of the financial asset and the sum of the proceeds receivable and any prior adjustment to reflect the fair value of the asset that had been reported in net assets is included in net surplus or deficit for the year.

1.11 Taxation

The entity is exempt from income tax in terms of section 10(1) (nC) of the Income Tax Act no 58 of 1962

1.12 Comparative Figures

Where necessary comparative figures have been adjusted to conform with change in presentation in the current year.

1.13 Budget

Productivity SA prepares an annual budget in accordance with the requirements of PFMA and National Treasury medium term framework (MTEF) guidelines issued annually. The budget is approved by the Board of Directors before the commencement of the new financial year.



2. PROPERTY AND EQUIPMENT	2011 R'000	2010 R'000
Library		
Opening net carrying amount	-	-
Gross carrying amount	178	178
Accumulated depreciation	(178)	(178)
Net carrying amount at end of the year	-	-
Vehicles		
Opening net carrying amount	53	84
Gross carrying amount	158	158
Accumulated depreciation	(105)	(74)
Additions		
Depreciation charge	(32)	(31)
Net carrying amount at end of the year	21	53
Computer Hardware		
Opening net carrying amount	522	448
Gross carrying amount	4,684	4,311
Accumulated depreciation	(4,162)	(3,863)
Additions	289	419
Disposal	-	(6)
Depreciation charge	(322)	(339)
Net carrying amount at end of the year	489	522

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2011 (continued)

2. PROPERTY AND EQUIPMENT (continued)	2011 R'000	2010 R'000
Furniture and fittings	271	163
Opening net carrying amount	4 082	3 904
Accumulated depreciation	(3, 811)	(3, 741)
Additions	26	177
Disposal	-	(99)
Depreciation charge	(76)	(70)
Depreciation charge on disposal	-	100
Net carrying amount at end of the year	221	271
Total property, plant and equipment		
Opening net carrying amount	846	695
Gross carrying amount	9, 002	8, 373
Accumulated depreciation	(8, 156)	(7, 678)
Additions	315	596
Disposal	-	(105)
Depreciation charge	(430)	(440)
Net carrying amount at end of the year	731	846
3. INTANGIBLE ASSETS		
Computer Software		
Opening net carrying amount	97	258
Gross carrying amount	1, 752	1, 732
Accumulated depreciation	(1, 655)	(1, 474)
Addition	58	20
Depreciation charge	(100)	(181)
Net carrying amount at end of the year	55	97



	2011 R'000	2010 R'000
4. TRADE AND OTHER RECEIVABLES		
Non-Current	655	-
Deposits and guarantees		
Current		
Trade receivables	522	1,180
Other receivables	190	158
Advances	61	57
Total	641	1,395
5. INVENTORY		
Consumables		
Consumables comprise stationery and printing items	270	280
6. CASH AND CASH EQUIVALENTS		
Bank balances and cash on hand	2,431	2,752
Call deposits	9,737	782
Total	12,168	3,534
There are no restrictions that have been placed on cash balances		
7. TRADE AND OTHER PAYABLES		
Trade payables	(18)	(1,362)
Accruals	(688)	(1,777)
Operating lease liability	(124)	(292)
Other payables	(1)	(82)
Total	(831)	(3,513)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2011 (continued)

8. PROVISIONS	2011 R'000	2010 R'000
Salary and related expense provision		
Opening balance	(1, 459)	(1, 323)
Utilisation of provision during the year	1, 065	1, 201
Provisions made during the year	(1, 210)	(1, 337)
Closing balance	(1, 604)	(1, 459)
Auditors remuneration		
Opening balance	(526)	(453)
Utilisation of provision during the year	526	343
Provisions made during the year	(521)	(416)
Closing balance	(521)	(526)
Deferred salary payments		
Opening balance	(410)	(162)
Utilisation of provision during the year	1, 605	1, 401
Provisions made during the year	(1 615)	(1, 649)
Closing balance	(420)	(410)
Legal settlement provision		
Provisions made during the year	(980)	-
Closing balance	(980)	-
Total provisions		
Opening balance	(2, 395)	(1, 938)
Utilisation of provision during the year	3, 196	2, 945
Provisions made during the year	(4, 326)	(3, 402)
Closing balance	(3, 525)	(2, 395)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2011 (continued)

13. GOODS AND SERVICES	2011 R'000	2010 R'000
Administrative fees	(1, 490)	(1, 531)
Advertising	(1, 016)	(183)
Auditors remuneration	(521)	(496)
Bursaries	(82)	(4)
Communication	(2, 007)	(1, 802)
Computer services	(458)	(159)
Consultants, contractors and agency/outsourced services	(18, 067)	(32, 513)
Entertainment	(163)	(79)
Inventory consumed	(1, 503)	(752)
Maintenance, repairs and running costs	936	(210)
Travel and subsistence	(3, 161)	(3, 802)
Training and staff development	(456)	(224)
Other operating expenditure	(7, 803)	(5, 827)
Total	(36, 763)	(47, 358)

14. RECONCILIATION OF SURPLUS/(DEFICIT) FOR THE YEAR TO CASH GENERATED BY/ (USED IN) OPERATION	2011 R'000	2010 R'000
Surplus/ (deficit) for the year (including net finance income received)	9, 920	(1, 021)
Adjustment for non-cash items:		
Depreciation	430	440
Amortisation	100	181
Finance income received	(123)	(214)
Finance cost paid	8	48
Profit on disposal of assets	(11)	(15)
Movement in provisions	1, 130	457
Operating surplus/ (deficit) before working capital changes	11, 454	(124)
Changes in working capital	(2, 573)	(5, 046)
Decrease/ (increase) in trade and other receivables	99	(246)
Decrease/ (increase) in inventories	10	(15)
Decrease in trade and other payables	(2, 682)	(4, 785)
Net cash inflows/ (outflows) from operating activities	8, 881	(5, 170)
15. CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of furniture and equipment	(26)	(177)
Purchases of computer hardware	(298)	(419)
Purchases of computer software	(58)	(20)
Proceeds on disposal of plant and equipment	11	15
	(362)	(601)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2011 (continued)



16. TAXATION	2011 R'000	2010 R'000
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No provision was made for taxation in the current financial year. Productivity SA as an association not for gain of a public character qualifies for exemption in terms of section 10 (1) (cN) of the Income Tax Act no 58 of, 1962, being a “public benefit organisation” as defined. Productivity SA was granted exemption for VAT effective from July 2005 as its activities no longer comply with the definition of “enterprise” in section 1 of the VAT Act, and the requirement for VAT registration in terms of section 23 of the same Act. Productivity SA is now included in the amended definition of “public authority” in terms of section 1 of the VAT Act.

17. RELATED PARTIES

The entity has not disclosed related parties transactions and balances with other state controlled entities as required in terms of IPSAS 20.

18. OPERATING LEASE COMMITMENTS

The entity leases offices and photocopiers under non-cancellable lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

Payable within 1 year	3, 985	3, 556
Payable after 1 year and thereafter	6, 662	839
	10, 647	4, 395

19. DIRECTORS EMOLUMENTS

The following payments were made to the directors of Productivity SA during the year:

Chief Executive Officer	1, 043	975
Non-executive directors (Honorarium)	111	114
Total	1, 154	1, 089



20. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS PRONOUNCEMENTS

The entity is required to include in its annual financial statements disclosure about the future impact of standards and interpretations issued but not yet effective at the issue date.

At the date of authorisation of the financial statements of the entity for the year ended 31 March 2011, the following standards and interpretations were in issue but not yet effective. These accounting standards and interpretations include the following that may have an impact on the financial statements in the future.

GRAP 104	Financial Instruments	01 April 2012
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An entity shall apply standards of GRAP for annual financial statements covering periods beginning on or after a date determined by the Minister of Finance in a regulation to be published in accordance with section 91 (1)(b) of the PFMA. This date was yet to be published at the date of approval of these financial statements.

Management has assessed the impact of the above new standards of GRAP and believe that these are not expected to materially impact the financial statements of the company.

21. CRITICAL MANAGEMENT ASSUMPTIONS AND JUDGEMENTS

The entity makes estimates and assumptions concerning the future. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year relate to the review of useful lives, residual values and impairment as highlighted in accounting policy 1.4. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both the current and future periods.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2011 (continued)

22. RECONCILIATION OF BUDGET SURPLUS / (DEFICIT) WITH NET CASH GENERATED FROM OPERATING AND FINANCING ACTIVITIES

	Operating	Investing	Total
Actual amount as presented in the budget statement	1, 116	(902)	214
Timing difference	7, 880	540	8, 420
Actual amount in the cash flow statement	8, 996	(362)	8, 634

23. FINANCIAL INSTRUMENTS

In the course of Productivity SA operations it is exposed to interest rate, credit, liquidity and market risk. Productivity SA has developed comprehensive risk strategy in order to monitor and control these risks. The risk management process relating to each of these risks is discussed under heading below.

23.1 Interest rate risk	Floating Rate R'000	Fixed Rate R'000	Non-Interest Bearing R'000	Total R'000
Year ended 31 March 2011				
Assets				
Cash and cash equivalents	2, 430	9, 738	-	12, 168
Other receivables	655	-	770	1, 296
Total financial assets	3, 085	9, 738	770	13, 464
Liabilities				
Trade and other payables	-	-	(831)	(831)
Total liabilities	-	-	(831)	(831)
Net financial assets	3, 085	9, 738	(190)	12, 633



23. FINANCIAL INSTRUMENTS (continued)

	Floating Rate R'000	Fixed Rate R'000	Non-Interest Bearing R'000	Total R'000
23.1 Interest rate risk (continued)				
Year ended 31 March 2010				
Assets				
Cash and cash equivalent	2,752	782	-	3,534
Other receivables	-	-	1,395	1,395
Total financial assets	2,752	782	1,395	4,929
Liabilities				
Trade and other payables	-	-	(3,513)	(3,513)
Total liabilities	-	-	(3,513)	(3,513)
Net financial assets	2,752	782	2,118	1,416

23.2. Credit risk

Financial assets which potentially subject the Productivity SA to the risk of non-performance by counter-parties and thereby subject to credit concentrations of credit risk consist mainly of cash and cash equivalents and receivables from exchange transfers. There were no impairments.

	2011 R'000	2010 R'000
Not past due	258	422
Past due 0 -30 days	179	338
Past due 31 -60 days	64	45
Past due 61 -90 days	1	33
Over 90 days	112	557
Total	641	1,395

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2011 (continued)

23. FINANCIAL INSTRUMENTS (continued)

23.2. Credit risk (continued)

The Productivity SA manages/limits its treasury counter-party exposure by only dealing with well-established financial institutions approved by National Treasury through the approval of their investment policy in terms of Treasury Regulations.

23.3 Liquidity risk

Productivity SA manages liquidity risk through proper management of working capital, capital expenditure and actual versus forecast cash flows and its cash management policy. Adequate reserves and liquid resources are also maintained.

	Carrying amount R'000	Contractual cash flows R'000	6 months or less R'000	Total R'000
2011				
Trade and other payables	(831)	(831)	(831)	(831)
2010				
Trade and other payables	(3, 513)	(3, 513)	(3, 513)	(3, 513)

23.4 Market risk

Productivity SA is exposed to fluctuations in the employment market. For example sudden increases in unemployment and changes in the wage rates. No significant events occurred during the year that Productivity SA is aware of.

23.5 Fair values

Productivity SA financial instruments consist mainly of cash and cash equivalents and other receivables. No financial instrument was carried at an amount in excess of its fair value and fair values could be reliably measured for all financial instruments. The following methods and assumptions are used to determine the fair value of each class of financial instruments:

Cash and cash equivalents

The carrying amount of cash and cash equivalents approximates fair value due to the relatively short to medium term maturity of these financial assets.



23. FINANCIAL INSTRUMENTS (continued)

Concentration of cash and cash equivalents

Concentration of cash deposits	Rating	2011 R'000	Rating	2010 R'000
Nedbank	A1+	12, 167	A1+	3, 533

Other receivables from exchange transactions

The carrying amount of other receivables from exchange transactions approximates fair value due to relatively short-term maturity of these financial assets.

24. CONTINGENCIES

Accumulated surpluses

As at 31 May 2011 Productivity SA had not received a response from National Treasury with respect to their request to retain the accumulated surplus to cover future expenditure. Productivity SA assumes that approval will be granted to retain its surplus funds and has therefore not made any provision for the repayment of surplus of R10, 164,000 or any portion thereof to National Treasury. Productivity SA has committed R6, 664000 for initiatives aimed at saving jobs and creating competitiveness and R3, 500 000 for assisting companies to improve their international competitiveness.

