

Annual Report 2006|2007



Inspiring a Competitive South Africa

Vision

Our vision is to be South Africa's productivity champion to achieve sustainable socio-economic development.

Mission

The NPI is a tripartite organisation dedicated to the development and enhancement of South Africa's productivity by unleashing the spirit of continuous productivity improvement in all South Africans.

Mandate

The mandate of the NPI is to promote and enhance productivity throughout the South African economy.



*I have faith in human progress and productivity in all spheres of
human activity, is certainly at the heart of that progress.*



Mr Nelson Mandela

Contents

DIRECTORATE	2
CHAIRPERSON'S REPORT	3
EXECUTIVE DIRECTOR'S REPORT	4
PRODUCTIVITY KNOWLEDGE AND AWARENESS	8
SKILLS DEVELOPMENT AND ACCELERATED PRODUCTIVITY	14
SECOND ECONOMY PRODUCTIVITY INTERVENTIONS	18
INDUSTRY SECTOR COLLABORATIONS AND STRATEGIES	24
TURNAROUND SOLUTIONS FOR COMPANIES	28
LABOUR-MANAGEMENT COLLABORATION	36
INTERNAL SUPPORT	40
ANNUAL FINANCIAL STATEMENTS	46

Directorate



Prof J M Laubscher



Dr Y Dladla



Ms H Lupuwana



Mr X Sicwebu



Mr R Dicks



Mr S Morotoba



Mr M P Mdwaba

Chairperson's Report



I present this year's annual report with a mixture of joy and sadness. The board's tenure, although extended by a further five months by the Minister of Labour, Mr Membathisi Mdladlana, will officially come to an end in August 2007. Their contributions will be sorely missed.

The outgoing board has provided the leadership for a strategically focussed organisation effectively delivering on its objectives. Under their stewardship, the NPI has also maintained its long tradition of outstanding corporate governance. This could only be achieved because of the high level of professionalism and diligence by the Executive Management and the staff at the National Productivity Institute. We as the Board want to congratulate and thank the Chief Executive for her leadership of this national and strategically critical institution.

Over the past twelve months, the NPI has continued to serve the interests of government, organised labour and business, through a strong performance in realising its mandated objectives, and also by honing its core competencies to meet the national priorities in turning around our second economy, by creating

employment opportunities, stimulating economic growth and alleviating poverty. The NPI is also leading the productivity initiative in Africa in many ways, and has established itself as an international partner of choice in constructive engagement with global productivity leadership and benchmarking.

This report reflects the organisation's achievements in productivity knowledge and awareness, skills development and accelerated productivity, second economy productivity interventions, industry sector collaborations and strategies, turnaround solutions for companies, and labour-management collaboration.

It is with pride and joy that I present to you the 2006/2007 annual report of the National Productivity Institute. The theme for the organisation's work is "Inspiring a Competitive South Africa", let the country take us up on this challenge and show us how individual productivity improvements can contribute to the greater benefit of the nation. To the Executive Director, Management and the Staff, I would like to encourage you to continue championing the country's productivity and competitiveness and thank you for the excellent work done so far.

"Things are always different – the art is figuring out which differences matter."

Laszlo Birinyi

A handwritten signature in black ink, appearing to read "J M Laubscher".

Prof J M Laubscher (Ph D)
NPI ACTING CHAIRPERSON

Executive Director's Report



The 2006/2007 financial year was a period of memorable achievements and excellent growth for the National Productivity Institute. The organisation affirmed itself as the leader in productivity in terms of increasing enterprise competitiveness and productivity so fundamental to achieving the country's targeted economic growth.

In collaboration with our key partners, our strategic objectives have been translated into actual achievements. This report bears witness to the organisation's ongoing dedication and commitment towards promoting and developing a culture of productivity in all sectors of South African society; accelerating the transformation of enterprises including those within the second economy through productivity interventions to enhance their global competitiveness; conducting extensive research on factors that impact on productivity; and providing excellent service to both the public and private sectors on issues to improve the country's productivity levels.

Key NPI achievements during the period under review include the following:

Productivity knowledge and awareness

The NPI has successfully been promoting productivity through the launch of South Africa's Productivity Movement in 2006. The NPI is creating awareness of the role of productivity in driving economic growth and creating jobs; cultivating a culture of productivity and inspiring every South African, including school children, women and unemployed graduates to take individual responsibility for being more productive and finding better ways of doing things thereby contributing to the economy and helping to improve the lives of all South Africans.

Research on productivity is another area of expertise for the NPI, impacting on policy and practices that would enhance the competitiveness and productivity of the country. In the past year, highlights of the productivity related studies and seminars to generate productivity related information included: Performance, Productivity and Service Delivery in the Public Sector; IMD World Competitiveness Report; Productivity Statistics and Analysis Report, and Research on SMEs.

To promote and fast track the transfer of productivity skills both to South Africa and the rest of Africa, the NPI initiated the establishment of strategic partnerships with Asian productivity experts. These partnerships culminated in a successful international roundtable conference hosted by the NPI and the Asian Productivity Organisation (APO) in August 2006, where Asian and African countries shared their experiences on productivity movements and their effect on national economies. A master plan with a clear five years programme was developed to drive the productivity movements on the continent.

The NPI staff and Board members benefited from JPC-SED's and Apo's Technical Cooperation through various study missions and training workshops conducted locally and abroad. The NPI



continues to serve as the Secretariat to the Pan African Productivity Association.

Skills development and accelerated productivity enhancement

The educational programmes imparting skills development and the growth of productivity mindsets from young learners, through to schools leavers, educators and education and trainings specialists was a priority during the year. Through productivity training 383 Education Training and Development service providers were trained as distributors of productivity, 5225 Further Education and Training learners were exposed to productivity concepts, 30 managers within the public sector, 152 workers and 160 Foundation Phase Teachers were trained in productivity principles, values and their application. A pilot study was also successfully conducted to assess the feasibility of teaching productivity concepts and values to the Foundation Phase learners in Grades R to 3 using the National Curriculum Statement.

Grade 10 and 11 school learners across eight provinces were also exposed to productivity concepts and productivity's impact on the economy through the annual National School's Debate Competition. This event created a lively and competitive spirit between schools, and over the period 4 701 learners and 405 educators and officials were successfully reached.

In order to assist government in its endeavor to improve levels of operational efficiency and cost effectiveness of service, the NPI worked closely with a number of public sector departments such as Rand Water, Johannesburg City Parks, Transwerk, Development Bank of Southern Africa, and Legal Aid Board.

Second economy productivity interventions

Partnerships with key stakeholders in the SMME development and support sector realised the widespread implementation of the Productive Capacity Building Programme that has proven to be successful in training micro and small enterprises in productivity concepts needed to ensure their long term survival and profitability. The programme was hugely successful in Gauteng and has been implemented in the Free State and Kwa-Zulu Natal. In this instance a partnership with Ethekwini municipality NPI has successfully trained 80 women entrepreneurs in running their businesses as profitable and sustainable enterprises.

Another partnership with Small Enterprise Development Agency (seda) was signed to develop 10 Education Training and Development (ETD) service providers as intermediaries in 7 provinces excluding Gauteng and Western Cape. These ETD service providers will transfer productivity competencies to 3 500 micro and small enterprises over a two year period.

To date the NPI has trained 60 Education Training and Development (ETD) service providers throughout the country, and 598 micro and small enterprises have been trained.

Industry sector collaborations and strategies

During the year the NPI developed industry sector strategies to increase productivity and competitiveness within the Agriculture and Agro-processing and Timber and Timber products sectors. In addition, strategies were completed for the dti's Customised Sector Programme in the Furniture Industry and Centre of Excellence in the Leather, Goods and Footwear sector.

Turnaround solutions for companies

A successful programme aimed at assisting companies in distress, preventing job losses and creating new opportunities is the Social Plan, an initiative of the Department of Labour, managed by the NPI. The Social Plan endeavours to prevent job losses and employment decline through the development and implementation of turnaround and redeployment strategies. Over the period 130 companies were nurtured, 108 future forums were established, and 55 turnaround strategies were developed to prevent job losses. I am pleased to report that over the past three years, NPI's interventions through the Social Plan has protected over 13 000 of the country's jobs.

In addition, the NPI also conducted a study to identify distressed sectors in South Africa in which most job losses are prevalent. This information is being used to develop concrete intervention strategies to pro-actively present and retain jobs in those sectors.

Labour-management collaboration

By addressing productivity challenges in enterprises, the NPI has learnt that true competitiveness can only be attained when the collaboration between management and workers is sound, thus resulting in improved productivity. For the period under review, the

Workplace Challenge managed by NPI is able to report significant achievements. in meeting the needs of the economy and fulfilling the objectives of government to increase growth, achieve greater equity and higher employment levels. This year these have been achieved through 18 participating clusters incorporating 144 companies and employing 18 500 people.

In conclusion, the NPI management is confident that we will continue to extend the organisation's reach in accordance with our objectives and the mandate of key stakeholders from government, organised labour and business. Thank you to the Social Plan Productivity Advisory Council and outgoing Board for their support and guidance during their tenure. Congratulations to the NPI team who have worked hard to live up to our slogan: "Inspiring a competitive South Africa". May we continue to inspire our fellow South Africans on the road to increased productivity and competitiveness.



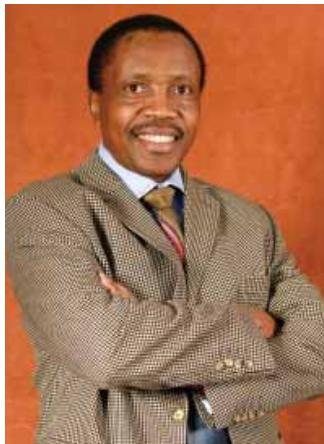
Dr Yvonne Dladla

NPI Executive Director

Executive Management



Dr Y Dladla
Executive Director



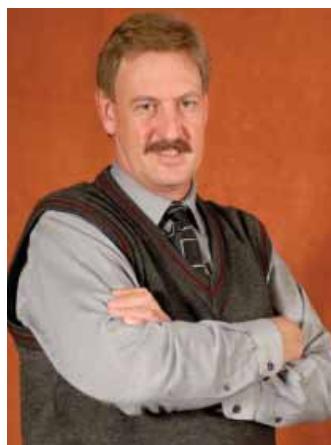
Mr B Coka
Corporate Services



Mr N Goba
Public Sector Productivity



Mr S Mosai
Knowledge Management
and Research



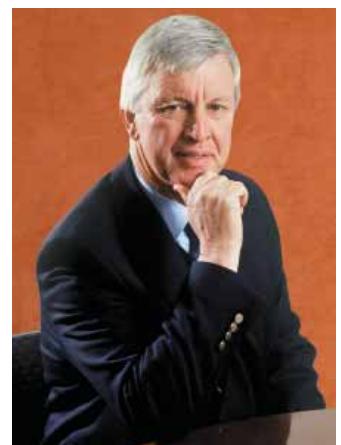
Dr D Jackson
Sector Initiatives



Mr I Sathekge
Strategic Leadership
on Productivity



Ms G Gama
KZN Regional Office



Mr G Collins
Cape Regional Office

Productivity Knowledge and Awareness

A key mandate of the NPI is to promote productivity in South Africa. Awareness of the significance of productivity in social and economic development plays an important role in creating a productivity culture across all sectors of society and the economy. The past twelve months has seen a momentous growth in highlighting the importance of productivity, with the strategic objective to:

- Create a broad understanding of the impact of, and necessity for, increased productivity in society;
- Supplying knowledgeable information regarding productivity in South Africa; and
- Promoting the NPI and its services, and celebrating productivity improvements in organisations.

NATIONAL PRODUCTIVITY MONTH

In its quest to inculcate the importance of productivity in the mindsets of all South Africans and to demonstrate the positive changes that can be brought about through productivity improvement, the National Productivity Institute once again celebrated a month-long productivity campaign during the month of October.

The Productivity Month calendar was packed full of exciting events. Students from the University of Johannesburg have become part of NPI's annual Productivity month celebrations. This year, close to forty management students from different campuses of the University participated in productivity games. This is an initiative by the NPI in conjunction with the University of Johannesburg's faculty of Management that seeks to assist students in developing productive ways of unlocking the nation's wealth.

The Limpopo Department of Economic Development, Environment and Tourism once again joined the Productivity Month celebrations by collaborating with the NPI in a Productivity Indaba. The Indaba was held in Mokopane with the aim to create awareness amongst businesses in the province about the importance of productivity in today's globalised economy.

In Pretoria, the NPI in conjunction with the University of Pretoria hosted the National Schools Debate competition. This is an annual programme aimed at creating awareness of the concept of productivity and economic issues among learners in schools. Through these debates NPI seeks not only to teach and develop productivity skills and competencies, but also to challenge the youth to utilize their understanding of productivity and its importance in driving economic success.

The country's latest productivity indicators were also released at a function in Sandton, Johannesburg. NPI believes analysis of productivity improvements in key sectors of the economy is vital to enable citizens to understand and assess the impact of labour, capital and multifactor productivity on economic growth and job creation.

The prestigious National Productivity Awards honouring productive organizations in public, emerging, and the corporate sector was held at a gala event. In addition, a five year Productivity Movement campaign was also launched.

Productivity Movement Campaign

Globally, productivity has been a powerful driver of economic performance. It has been established in many developed and developing markets that there is a direct link between increased Gross Domestic Product and a country's productivity programme

// I believe that if South Africans apply the concept of productivity in their lives and we all become more productive, it wouldn't just be a matter of enriching your household alone, but it's like a sociological imagination, where your actions affect everyone. So if I am productive, my neighbour is productive and your neighbour is productive, and your neighbouring province is productive.....South Africa as whole becomes an economically productive country.

//
Selae, YoTV Presenter

or movement. South Africa faces major challenges, and whilst we celebrate our achievements as a nation, we are fully aware of the challenges to turn around our second economy, create employment opportunities, stimulate economic growth and alleviate poverty.

The NPI believes that all South Africans have a role in growing the country, and productivity is pivotal, as there is no human activity that does not benefit from improved productivity. Consequently during the last year, the country's first productivity movement was launched.

NPI Executive Director, Dr Yvonne Dladla unveiled the new productivity movement on 29th November 2006 at Gallagher Estate in Midrand to over 400 guests: "This evening's launch celebration is the awakening of a productive dream. A dream where your productivity, my productivity, and the combined potential of our national productivity grows into a prosperous company called South Africa (Pty) Ltd. A company in which every man, woman and child, every enterprise whether big, small, formal, or informal, play's an important role in growing South Africa's productivity. A company in which we can all benefit and pick the fruits of our productive labour. Because productivity is everybody's business."

The Productivity Movement was successfully marketed through a national campaign during 2006/7 with an initiative called "SA (Pty) Limited". The campaign objective aimed to engender national patriotism – working towards changing individual attitudes about productivity to achieve competitiveness and investment in the market in order for the country to reach the objectives set by ASGISA, and become globally competitive.

The success of the programme is based on the implementation of two-tiers: the first being centred around awareness, inspiration and education on productivity issues, led by the NPI. The second tier of the programme addresses the issue of helping people to

achieve better productivity in their personal capacity, and then extending the message further to industrial sectors. With SA (Pty) Limited, South Africans are driven to harness and maximize their productive skills. While companies and enterprises are motivated to become productive and competitive by adopting cutting-edge productivity improvement interventions.

2006 National Productivity Awards

The Annual National Productivity Awards ceremony which honours organisations and companies country-wide for achieving significant and sustainable productive improvements was held. Edcon Group Chief Executive Officer and Managing Director Mr. Stephen Ross provided the keynote address at the awards ceremony.

The criteria for the annual rewards set global benchmarks ranging from the measurability of the impact achieved from productivity and its significance for the nation, communities, organisations, divisions or individuals. Entrants are judged on productivity improvement through innovation, sustainability and results, evidence of any social and environmental benefits like job creation or retention, empowerment, improved working



Emerging Sector Winner - Invisible Card Company



Minister of Labour and delegates at the NPI/APO Conference.

conditions, safety, or environmental impact. Companies also had to describe how challenges and obstacles were overcome, including technical, human resources, operational and other aspects where applicable.

The ten finalist companies were:

CORPORATE SECTOR

- De Beers Venetia Mine (Pty) Ltd (GOLD WINNER)
- Levi Strauss
- Arvin Meritor (Pty) Ltd
- Cadbury South Africa
- Richards Bay Coal Terminal
- National Razor Blades
- Autocast Port Elizabeth

EMERGING SECTOR

- Invisible Card Company (GOLD WINNER)
- Comprehensive Breast Health Centre
- South African Jewel (Pty) Ltd

Diamond producer, De Beers Venetia Mine Pty Ltd received gold in the corporate sector category, while the Emerging Sector top honours went to Somerset-West based Invisible Card Company.

De Beers Venetia Mine Pty Ltd received top accolades for their productivity approach, improvements and commitment to sharing of profits. By refining their management and operational process like a fine tuned instrument they have managed to reach close to 80% of the theoretically calculated maximum of ore extraction per year to the huge benefit of workers (who received a 94% of annual salary bonus in 2005!) and shareholders. This has also spilled over to the community as it is now receiving tangible benefits, especially in educational infrastructure. In addition, the company's overall equipment effectiveness has improved from 54% to a forecast 77% for 2006 and drilling utilisation increased from a base of 34% to a current level of 60% in the space of 9 months.

Emerging Sector winner, Invisible Card Company, is a specialist manufacturer of secure, variable, data-enhanced printed paper products, such as prepaid phone cards and lottery scratch cards. The company started as recently as 2003 by its two shareholders with their own finances of R400 000; it was profitable in its first year with a turnover of R7 million, climbing to R28 million in 2005/06. With no experience in any manufacturing or production processes, the company has focused on stringent production, quality, financial and statistical control. Clear benchmarks and constant revisiting of productivity planning and measurement criteria have worked successfully for the company to achieve an error variance of 0.002%. In addition, the company has grown its employee base to 25 permanent staff and just over 200 contract staff.

Media and Advertising Campaign

The NPI's media profile and branding equity increased significantly during the year using print, radio, broadcast, and electronic mediums. Over 122 articles were featured in various newspapers and publications including Business Day, Cape Argus, Cape Times, The Citizen, Daily Dispatch, Business Report, Financial Mail, Finweek, Sowetan, The Star, Sunday Times, Big News, and Engineering News. Over 38 interviews were broadcast on television including Summit TV, SABC Africa, SABC 1, 2, and 3, and national, regional and community radio stations.

The NPI managed Social Plan programme embarked on an extensive marketing campaign during 2006 to create awareness of phase 1 of the Social Plan programme. The branding message was "Turnaround and Pro-Active Solutions from the Social Plan". The campaign used radio, print, street pole advertising and awareness seminars to communicate the message. The objective of the campaign was to create awareness amongst business and labour that there is help available when organizations employing 50 or more people are experiencing problems. An excellent response

was received. Research showed that general awareness of job loss prevention programmes did improve (by about 10%) after the campaign was implemented.

This ongoing coverage contributes to the organisation's mission to create awareness of the role of productivity in driving economic growth, creating jobs, and cultivating a culture of productivity amongst all South Africans.

Awareness Workshops

15 Awareness workshops for the Social Plan were held nationwide between September 2006 and March 2007. The workshops addressed union organisations, chambers of commerce and business associations:

- Polokwane Business Chamber
- Durban Business Chamber
- Pietermaritzburg Business Chamber
- Johannesburg Seminar
- Roodepoort Technikon Seminar
- Kempton Park Seminar
- South African Transport and Allied Workers Union (SATAWU)
- Cape Town Chamber of Commerce
- Vhembe District municipality – SMME presentation
- National Union of Metal Workers of South Africa (NUMSA)
- Roodepoort Chamber of Commerce & Industry
- Turnaround Management Association
- Southern Ekurhuleni Chamber of Commerce
- Cosatu workshop
- Vaal Chamber of Commerce Vereeniging

International Partnerships

To promote and fast track the transfer of productivity skills both to South Africa and the rest of Africa, the NPI initiated the establishment of strategic partnerships with the Asian Productivity Organisation (APO); the Japan Productivity Centre for Socio Economic Development (JPC-SED), and Japanese Agency for International Cooperation (JICA). These partnerships culminated in a successful international roundtable conference hosted by the NPI and the APO in August 2006, where Asian and African countries shared their experiences on productivity movements and their effect on national economies. A master plan with a clear five year programme was developed to drive the productivity movements on the continent.

The NPI staff and board members benefited from JPC-SED's and APO's Technical Cooperation on Productivity Improvement to African partnership.

Three NPI staff members attended the Observational Study Mission to Japan on Productivity Promotion and Facilitation; three NPI productivity advisors attended a Workshop on the development of Productivity Specialists in the Philippines, and three NPI Board members participated in Observational Top mission to Japan and Thailand.

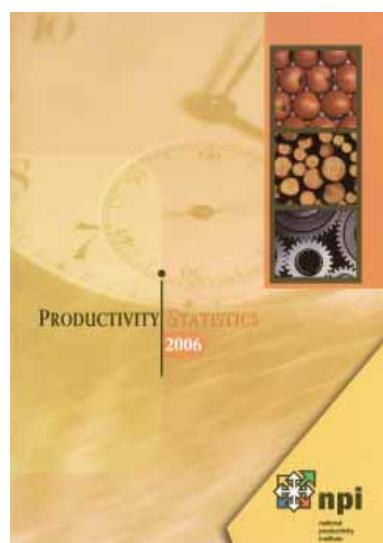
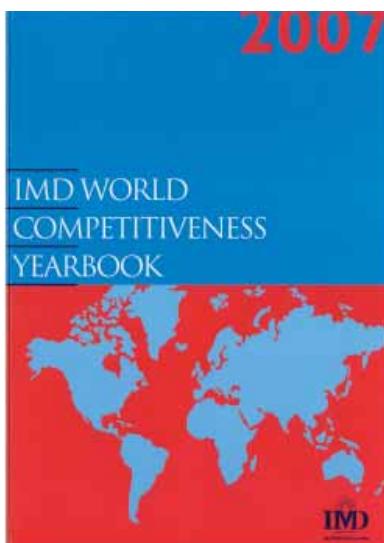
A total of 15 staff members from NPI participated in the following seminars on the JICA-NET programme:

- Basics of Quality
- Just in Time-Small Steps to improve productivity
- KAIZEN – Small Improvements in the workplace.

The NPI continues to serve as the Secretariat to the Pan African Productivity Association (PAPA).

DELIVERABLES AND ACTUAL RESULTS		
KEY RESULT AREA	MEASURE/INDICATOR	RESULTS
Productivity Movement:		
Develop concept strategy document	October 2006	Productivity Movement document developed
Establish Government participation	Commitment by Minister of Labour	Presentation made to the Minister, Approval confirmed to champion the campaign
Productivity Month:		
Increase public participation in productivity	15 000 members of public participating	Public participation numbered 16 000
Productivity awards – enterprise participation	20 companies	52 companies

Productivity Month (continued):		
Provincial productivity promotion	3 provinces	5 Provinces participated: Western Cape, Gauteng, Limpopo, KZN, Free State
Stakeholder Management Programme:		
Stakeholder workshops	Four workshops/information seminars	3 NPI programme presentations conducted: <ul style="list-style-type: none"> • Hennenman Constituency • Portfolio committee workshop • WPC presentation at NEDLAC
Nurture strategic partnerships	Establish two partnerships	Memorandum of Understanding with Tshumishano Trust concluded. Continued to partner with VUNA Awards programme through participation on the technical committees
Media Programme:		
Media strategy document	Strategy document developed	Done
Media articles	75 articles	160 articles
E-newsletter	6 e newsletters	4 completed
Productivity magazine	6 Prod magazines	4 magazines produced
Multilateral/Bilateral Programme		
Roundtable Conference	APO/PAPA roundtable conference conducted by Aug 2006	RTC successfully conducted
Development of a Productivity Master Plan	Master Plan Document developed	NPI master plan proposal presented to APO
Nurturing of relationships with other NPOs	Up to date database of NPOs developed	Database completed
	Regular information sharing (magazine, research reports etc)	Productivity magazine distributed regularly to more than 11 NPOs
Communication		
Strategy developed/implemented	Strategy developed by September 2006	Communication strategy developed and implemented



KNOWLEDGE MANAGEMENT AND RESEARCH

The NPI remains an independent and credible custodian of productivity related information. Timely information and interpretation of issues that relate to productivity and competitiveness is highly regarded and much sought-after by the country and its leadership. We continue to ensure that processes of policy and strategic decision making in the public and private sector include productivity and competitiveness considerations. A clear association of productivity with wealth and employment creation as well as poverty reduction remains within the public eye. In addition, the knowledge provided by the NPI has ensured that productivity is viewed as an important driver in performance and service delivery improvements in both the private and public sectors.

Over the year, the organisation has continued to add value to the efficiency chain on productivity by:

- Enhancing the position of the NPI as an independent and credible custodian of productivity related information by producing an annual statistics report, and contributing to the World Competitiveness Yearbook;
- Initiating, conducting, as well as co-ordinating productivity related research through a network of research partners;
- Generating information that enables the NPI to positively influence policy debates and formulations that impact on productivity and competitiveness;
- Collating and disseminating the results and interpretation of action (advocacy, or applied) research that emanates from NPI's professional interventions to distil lessons learnt and best practices from successful cases inside and outside the country for adaptation and application; and
- Stimulating and encouraging private sector activity and investments in industrial development within sectors and regions.

Research Reports and Seminars

In the past year, highlights of the productivity related studies and seminars sharing productivity related information included:

- Performance, Productivity and Service Delivery in the Public Sector;
- Impact of government interventions on SMME competitiveness;
- IMD World Competitiveness Report;
- Productivity Statistics and Analysis Report; and
- Report on Sector Studies in support of the Social Plan.

DELIVERABLES AND ACTUAL RESULTS:

	KEY RESULT AREA	MEASURE/INDICATOR	RESULTS
1	The impact of the Integrated Development Plan (IDP), Land Development Objectives (LDOs) and Local Economic Development (LED) at local level on the SMME sector productivity and competitiveness	Final report	Report completed
2	Productivity Statistics report with analysis	Final report	Report completed
3	Sector Studies Report in support of the Social Plan	Final report	Report completed
4	Provide IMD (partner Institute) with credible information for compilation of the annual World Competitiveness Yearbook	Final report	Report completed
5	Public Sector Performance, productivity and service delivery	Final report	Report completed

Skills Development and Accelerated Productivity

As a means to achieving accelerated economic growth, the NPI actively supports education and skills development. This is achieved by improving efficiency and productivity in State-Owned Enterprises (SOE), municipalities and specific government departments such as Health, Education, Transport, Labour and Provincial Government.

The focus is:

- Training Education Training and Development service providers as Productivity Coaches who will train micro-small enterprises in targeted provinces;
- Facilitating capacity building of micro-small enterprises to increase their survival, productivity levels and their growth;
- Infusing productivity into the General Education and Training, Further Education and Training and Higher Education and Training bands of the education system;
- Inculcating productivity mindset and competencies by training skills development intermediaries;
- Supporting and providing technical assistance to municipalities to improve their productivity levels;
- Facilitating productivity improvement projects for specific government departments; and
- Improving efficiency and productivity in the transport, electricity and water industries.

1.1 PRODUCTIVITY IN EDUCATION

The NPI and the Department of Education (DoE) are both committed to a long-term working partnership to incorporate

productivity concepts, values and its application into the National Curriculum Statement (NCS) and into school activities, such as school debates.

During the past year the productivity in education initiative focused on two areas:

- A pilot programme to assess the feasibility of teaching productivity concepts and values to foundation phase learners in Grades R to 3 using the National School Curriculum.
- The National Productivity School Debate Competition for Grade 11 learners.

1.1.1 Incorporating Productivity into the National School Curriculum for Foundation Phase Learners

Some 160 Foundation Phase Teachers were trained in productivity principles, values and their application. The objective of this training was to empower Foundation Phase teachers to incorporate productivity values and concepts into their lesson plans, for the benefit of all their learners. Training took place in the Mpumalanga Province, over a period of three days at venues in Delmas, KwaMhlanya and Moretele.

A Teacher's Training Manual for the Foundation Phase, jointly developed by the NPI and DoE provided practical examples of incorporating productivity into teacher's lesson plans.

The commitment of teachers to educate their learners

// I want to thank NPI for believing in us

when the other companies didn't due to lack of workplace experience. NPI took a risk and gave us a chance to prove ourselves, we will eternally be grateful for that, and we wish they could do the same to others. My little experience so far has shown me that companies out there need NPI's services.

//

Zipho Zikhali,

previously unemployed graduate, trained by NPI as an Education Training and Development service provider

about productivity concepts and values is illustrated by their overwhelmingly positive comments at the end of the three workshops. All the teachers felt that the things they learnt

would help them in educating Foundation Phase learners about productivity concepts and values.

Some additional comments are listed below:

National Curriculum Statement Training: Sampled Comments from Teachers Attending the Productivity Workshops

SELECTED QUESTIONS	TEACHERS' RESPONSES
8(a): Will the things you learnt in this training help you in your normal day-to-day duties as a teacher? 8 (b): Why do you say that?	Yes, I will pass the knowledge to my learners and my learners will gain more about productivity
	Yes they will. I will incorporate the productivity values in my daily planning
	Yes, because from today onwards I will be able to manage my time by preparing to avoid frustrations, use resources usefully for their real purpose in order to avoid wastage
	Yes, I will be able to link lesson planning and productivity
	Yes, these productivity values are the challenges we come across daily, therefore they will help in building the child in totality
	Yes, it will help us to improve quality of work at school and be able to get good results always
4(a): Will the things you learnt help you in facilitating Foundation Phase Learners in productivity concepts and values? 4(b): Will you please give one example of these things as you can remember	Yes, we can now facilitate time keeping and waste elimination
	It helped much because I am now going to indicate in my lessons the values I have learnt here
	Yes, waste management. Learners should be able to calculate waste (e.g. waste of paper, glue, crayons in class and know where to put waste products)
	Yes, waste elimination, time keeping and social conscience
	Yes, time management which will help to guide learners to finish activities even at Grade 12 they will finish the examinations on time
	Yes, this workshop helped me to make an introspection about myself and definitely I will also facilitate them to learners



1.2 National Productivity School Debates

The National Productivity School Debate competition presently runs in partnership with eight Provincial Departments of Education (PDoEs), the University of Pretoria, and the South African Schools Debating Board (SASDB).

The project aims to prepare learners to think about more productive

The initiative is aimed at creating a productive mind-set amongst learners in Grade 11. During the year the competition exposed 4 791 learners and 405 teachers from the Eastern Cape, Mpumalanga, KwaZulu-Natal, Gauteng, North-West, the Western Cape, the Northern Cape and the Free State to productivity concepts.

ways of utilising available resources and improving productivity and competitiveness. Knowledge about productivity concepts was imparted by NPI facilitators at productivity awareness workshops, which were conducted during the early stages of the debates competition. The knowledge was initially provided to teachers and district officials, who then cascaded that knowledge down to the learners.

The final debate took place on 13 October 2006, during the National Productivity Month, at the Groenkloof Campus of the University of Pretoria. Some 247 learners accompanied by teachers attended the finals. The programme was an educational success and the debate topic, "Hosting the 2010 World Cup will benefit productivity in South Africa", was most stimulating.

2. PUBLIC SECTOR PRODUCTIVITY

The NPI supports government's mandate to ensure increased levels of operational efficiency and cost effectiveness of service delivery

from State Owned Enterprises through productivity improvement interventions and awareness strategies. During the year, the NPI successfully implemented productivity improvement projects at Transwerk, Legal Aid Board and the Development Bank of South Africa respectively. An additional two productivity improvement projects for municipal clusters were also concluded at Randwater and Johannesburg City Parks.

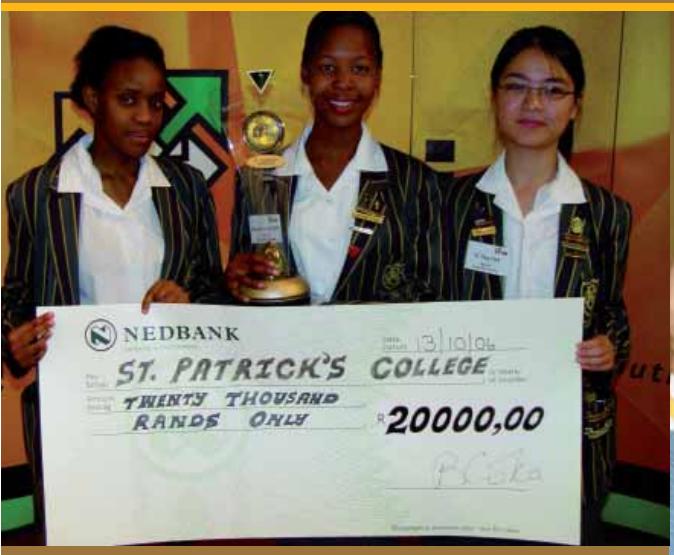
Rand Water, Zuikerbosch

Rand Water is a state owned utility which supplies drinking water to 10 million people in an area covering 18 000 km². Zuikerbosch is one of two Rand Water purification plants and is situated on the banks of the Vaal River. The Zuikerbosch pumping station has four purification plants and associated works to pump the water. The station has a total capacity of 3 800 million litres per day and produces 70 percent of the drinking water supplied by Rand Water.

The NPI productivity intervention included setting time standards for the water sampling and analyzing operations of the number 4 pumping station, and determined the utilisation of samplers based on their current workload.

The project was completed successfully and its findings were used as follows:

- The staff utilisation results were used to re-configure the staffing levels of the water sampling unit;
- The salaries of the affected employees were reviewed and adjusted in line with their total workload; and
- Recommendations were made by the NPI to address operational constraints.



The 2006 National Productivity School Debate winners, St Patrick's College, Northern Cape Province proudly display their school's winning cheque.



NPI's Ronnie Pholose training service providers in productivity.

Legal Aid Board (LAB) Report

The LAB is an independent statutory body established by the Legal Aid Act(1969) as amended. The objective of the LAB is to render and make available legal representation to indigent persons. The organisation requested the NPI to perform workload assessments in order to determine the number of staff required in small, medium

and large Justice Centres which act as delivery mechanisms for legal representation.

The information derived from the NPI's study was successfully used to calculate and re-evaluate workload assessments to determine the manning levels in the various Justice Centres.

3. DELIVERABLES AND ACTUAL RESULTS

KEY RESULT AREA	MEASURE/INDICATOR	RESULTS
Productivity Mindset	226 ETD service providers trained as distributors of productivity concepts	383 Education Training Development service providers trained
	3500 FET learners taught productivity concepts	4791 Further Education and Training learners taught productivity concepts
	18 Skills development facilitators trained	2 Skills Development Facilitates trained
	29 Government and business managers trained on productivity improvement	30 managers trained
	400 workers trained on productivity	152 workers trained
	2 productivity improvement projects – one for the transport and the other for the electricity sectors	2 projects completed – one for Transwerk another for Development Bank of South Africa
	3 productivity improvement projects for municipal clusters	2 projects implemented at Randwater and Johannesburg City Parks
	Learnership incorporating productivity concepts and application	Negotiations in progress for the next year with the Mining Qualifications Authority (MQA)

Second Economy Productivity Interventions

1. SMALL AND MICRO ENTERPRISE DEVELOPMENT

Small business development has a huge potential to serve as a vehicle towards realizing a better life for all in South Africa. The Small Medium Enterprise (SME) sector absorbs 44% of the formally employed people in the private sector and contributes 32,7% of the country's Gross Domestic Product, thus the need for improving the productive capacity of SMMEs is viewed by the National Productivity Institute (NPI) as a critical lever to enhancing organisational competitiveness and growth capacity. For South Africa, the challenge in this regard is to instil a culture of productive behaviour and best productive practices.

During the year in review, the NPI has been working on ways of trying to build productive capacity and create an enabling environment for our small and micro enterprises to transform from the second to the first economy, and ensure sustained profitability underpinned by effective and efficient business processes.

Productive Capacity Building Programme (PCBP)

The PCBP was developed by the NPI in response to reports of high mortality rates in start ups and existing micro and small enterprises. The development of the PCBP was preceded by a national consultative conference, attended by key stakeholders in the small enterprise sector, who drafted the way forward for this programme. The conference identified the following modules to make up the content:

- Entrepreneurship
- Personal and relationship management
- How the South African economy functions, and
- Productivity improvement techniques

Participants graduating from the PCBP are able to:

- Adopt and exhibit entrepreneurial behaviours in running their businesses,
- Improve the management of the business,
- Improve their understanding of the South African economy and their role in it, and
- Improve productivity, profitability and growth.

SEDA/NPI Partnership to train SMMEs

A partnership established between the NPI and the Small Enterprise Development Agency, is currently underway, and the NPI's Productive Capacity Building Programme is being used to train 3500 SMME's in seven provinces. The ultimate objective is to improve productivity, profitability and growth of the small enterprises trained in the seven provinces agreed upon.

The NPI has successfully trained 60 Education Training and Development (ETD) service providers as intermediaries in the seven provinces (excluding Gauteng and Western Cape). These ETD service providers are presently transferring productivity competencies to five hundred (500) small enterprises in each province over a two year period.



A small enterprise owner receives training from an NPI consultant

There was wastage in my business as I was buying smaller items on a daily basis, leading to wastage of petrol; I was using R60.00 every day for six days on petrol which amounted to R360.00 per week. This led to a decrease in income, underutilization of labour, depreciation of the car and frequent service of the car. All this changed because I engaged in NPI's productivity improvements.

Sello Lethola, owner City's Fresh Produce in Ficksburg, Free State after attending the NPI training

The NPI has trained 60 (sixty) ETD service providers in the provinces as set out below:

PROVINCE	NUMBER OF ETDs TRAINED
North West	9
Mpumalanga	8
Eastern Cape	10
KwaZulu-Natal	8
Northern Cape	8
Free State	8
Limpopo	9
TOTAL	60

Thus far the number of SMMEs trained in all the provinces except Northern Cape are 598 as indicated below:

PROVINCE	NUMBER OF SMMEs TRAINED
North West	224
Mpumalanga	19
Eastern Cape	129
KwaZulu-Natal	37
Northern Cape	0
Free State	52
Limpopo	53
Gauteng	84
TOTAL	598

CASE STUDIES

Nine (9) of the ten (10) ETD service providers selected in North West, have been trained by the NPI. Four (4) of these have already trained small enterprises in Mafikeng, Mmabatho, Leburutshe and Rustenburg.

Fifty (50) of the sixty (60) small enterprises selected have already undergone training and presented two of their three productivity improvement projects that they have to complete for certification purposes.

Positive changes have been recorded in the businesses of those small enterprises that have already implemented their first productivity improvement plans.



Overleaf is a brief explanation of some of the productivity improvement results/financial savings registered by the small enterprises which may lead to sustainable growth and competitiveness of the small enterprises. It is important that the current performance be maintained to ensure that these small enterprises ultimately migrate to the mainstream economy.

PETER MOTHOKWA IVORY POT RESTAURANT RUSTENBURG



PRODUCTIVITY IMPROVEMENT

Situation before PCBP

The problem identified was wastage of 50ml of every 4 litres of juice supplied to customers.

Wastage = 12,5%

Every 25ml of juice sold @ R6,00

- Cost per day = 2 Glasses x 4 x R6,00 = R48,00
- Cost per week = R48,00 x 7 = R336,00
- Cost per month = R336,00 x 4.3 = R14 448,00
- Cost per annum = R14 448,00 X 12 = R173 376,00

PRODUCTIVITY IMPROVEMENT PLAN ONE OUTCOME

Situation after PCBP



Purchasing of a measuring dispenser resulted in the following:

- Wastage of juice eliminated from 12,5% to 0%
- Savings per week = R48,00 x 7 = R336,00
- Savings per month = R336,00 x 4.3 = R1 444,80

If the current performance is maintained the projected savings per annum will amount to R17 337,60

LINAH KHUNA TSOTETSI MOGAE DRESSMAKING RUSTENBURG



PRODUCTIVITY IMPROVEMENT

Situation before PCBP

The problem experienced was the under-utilisation of machinery.
Utilisation of machinery was only 18,52%

- Cost per week = R555,00
- Cost per month = R555,00 x 4.3 = R2 386,50
- Cost per year = R2 386,50 X 12 = R28 638,00

PRODUCTIVITY IMPROVEMENT PLAN ONE OUTCOME

Situation after PCBP

- Six employees were recruited in order to utilise the machines optimally.
- They also managed to utilise the over-locker optimally by using it as a safety machine and not just for straight sewing.
- Savings per week = R555,00
- Savings per month = R555,00 x 4.3 = R2 386,50

If the current performance is maintained the projected savings per annum will reach R28 638,00

*LUCKY RUDOLF
KHUNOU
AU COMPUTERS
SUPPLIES
RUSTENBURG*



PRODUCTIVITY IMPROVEMENT

Situation before PCBPs

The problems identified: labour and capacity under-utilisation.

Their labour utilisation was only 25%

- Cost per day = (R180,00 X 8) X 75% = R1 080,00
- Cost per week = R1 080,00 x 6 = R6 480,00
- Cost per month = R6 480,00 x 4.3 = R27 864,00
- Cost per annum = R27 864,00 X 12 = R334 368,00

PRODUCTIVITY IMPROVEMENT PLAN ONE OUTCOME

Situation after PCBPs

- They have managed to erect a signboard for branding and visibility.
- The space is now fully utilised.
- They have employed one person.
- Service has been increased, and the company has attracted new clients including seda Rustenburg, and the municipality.



2. WOMEN EMPOWERMENT PROGRAMME ETHEKWINI MUNICIPALITY

The NPI and Ethekwini Municipality's Business Support Unit (BSU-Winder Street) partnered on an initiative to train small businesses, especially focussing on emerging women businesses to ensure their meaningful participation in the local economy.

The partnership aimed to empower small and micro enterprises owned by women to ensure their sustainability and positive economical and social impact. The partnership targeted 100 women-owned SMMEs from July 2006 over a six month period.

Results and Impact

By January 2007 more than 80 women entrepreneurs had successfully completed the training programme. Throughout the project, productivity savings were achieved by participating entrepreneurs in their businesses in the following: measuring wastage, utilisation, efficiency and absenteeism. The ability to measure and improve these factors, as well as productivity has been achieved in the short-term. However, because productivity improvement is a continuous process, increased growth, profitability, competitiveness will become more visible in the longer term.

The Graduation Ceremony

On the 28th March 2007 all the entrepreneurs who had successfully completed the programme were awarded certificates at a graduation ceremony held at the Durban International Convention Centre. Among the invited guests were: the Deputy Minister – DTI Ms. Elizabeth Thabethe the Executive Director – NPI Dr Y. Dladla, the Honourable Deputy Mayor Mr L. Naidoo – Ethekwini Municipality and the City Manager Dr M. Sutcliffe to mention but a few.



NPI Executive Director, Dr Yvonne Dladla hands over certificates to women entrepreneurs who successfully completed the course during the ceremony at the ICC.



Graduates proudly display their productivity training certificates



Industry Sector Collaboration and Strategies

The NPI aims to assist industrial sectors aligned to AS-GISA to improve productivity and competitiveness. The organisation achieves this by developing and facilitating industry sector strategies to address common competitive and productivity inhibitors.

1. KEY OBJECTIVES

Through industry sector collaboration and strategies the NPI aims to:

- develop competitive value-chains within and across two priority sectors aligned to ASGISA, namely, Agriculture and Agro-processing, and Timber and Timber Products;
- improve the productivity and competitiveness of emerging entrepreneurs in the two priority sectors, linking first and second economies; and
- assist government and industry to implement the Customised Sector Programmes (CSP's) aimed at improving productivity and competitiveness, and to measure the productivity and competitiveness of the two priority sectors.

The following criteria were used to select the two priority sectors for implementation:

- potential for job creation (i.e. environment and opportunities for more labour-absorbing economic activities);
- impact on rural areas and marginalised groups (i.e. eliminate poverty and reduce severe inequalities);
- alignment with other Government objectives such as presidential nodes and 2010;

- potential for beneficiation (i.e. creating more value adding opportunities in SA);
- growth opportunities (i.e. exports or import substitution, niche markets, etc); and
- NPI experience and competencies to add value in respect of productivity improvement, and related tools and techniques.

The sugar industry (as part of the Agriculture and Agro-processing economic sector) and forestry industry (as part of the Timber and Timber Products economic sector) were approached with a view to developing productivity and competitiveness initiatives for emerging entrepreneurs, particularly in deep rural areas.

SMALL SCALE SUGAR CANE GROWERS

A detailed implementation plan was completed together with members of the sugar cane industry (forum) to improve the productivity and competitiveness of new freehold and small-scale sugar cane growers. There are 47 250 growers, of which some 45 000 are small-scale growers (often family based) producing approximately 11.6% of South Africa's cane crop.

FORESTRY ENTREPRENEURS

A detailed implementation plan has also been completed together with members of the forestry industry (forum), to improve the productivity and competitiveness of emerging forestry entrepreneurs (planting, growing, harvesting and transporting timber). There are an estimated 6 000 emerging forestry entrepreneurs in KwaZulu-Natal, Mpumalanga and the Eastern Cape.

// Productivity or lack of it has been pivotal in the success or failure of the retail and many other sectors.



Stephen Ross,
MD and CEO Edcon

2. CASE STUDY

STRATEGY TO DEVELOP A CENTRE OF EXCELLENCE FOR LEATHER, FOOTWEAR AND LEATHER GOODS

The NPI developed a Customised Sector Programme (CSP) for the Leather, Footwear and Leather Goods industry for the dti during 2005 and 2006. One of the recommended strategies contained in the CSP was a centre of excellence for the industry. During this financial year, the NPI worked with the Clothing, Textiles, Footwear and Leather Sector Education and Training Authority (CTFL Seta) and industry to develop a strategy for the centre of excellence. The aim is to establish a multi-function learning and service centre that provides skills development and improves operations towards world competitiveness.

Challenge

It is generally accepted that the only way the South African leather and footwear industry can survive and grow is by means of capturing a larger slice of the global export market while maintaining and improving its position against imports. This necessitates commensurate management and skills throughout the entire value adding process to ensure cost effective and globally competitive quality in line with market requirements.

Solution

Many of the gaps in the road to world class manufacturing were identified by the industry stakeholders during three workshops in KwaZulu-Natal, Gauteng and Western Cape. They debated and listed the various actions that are required to push the local industry towards global competitiveness.

A project steering committee with representatives from industry, labour and government was established to guide the initiative from the planning stages to the final acceptance of the strategy by all

stakeholders.

The intention is to now develop a Centre of Excellence that is globally competitive and delivers world class skills and technology transfer on a cost effective basis. The Centre would also assist newcomers to the industry with innovative solutions through an incubation process that provides for the specific needs of the industry. Through a consultative process of workshops, individual visits to industry leaders and inputs from the steering committee and forum it was decided that the Centre of Excellence should concentrate on the following functions:

- Optimum human resource development
- Manufacturing excellence
- World class design
- Technology transfer
- Quality testing and certification
- Applied research and development
- Promotion of the industry
- Promotion of exports, and
- Incubation of new entrants





Timber on its way to the mill

Bhunu Gasa is a small-scale sugar cane grower

3. DELIVERABLES AND ACTUAL RESULTS

KEY RESULT AREA	MEASURE/INDICATOR	RESULTS
Develop competitive value-chains within and across Agriculture and Agro-processing, and Timber and Timber Products sectors.	<ul style="list-style-type: none"> Develop 2 interventions to unblock constraints within value-chains. 	<ul style="list-style-type: none"> Completed 2 development strategies and funding proposals for Emerging Forestry Entrepreneurs and New Sugar Cane Growers in conjunction with industry forums.
	<ul style="list-style-type: none"> Develop a measurement tool to measure the productivity and competitiveness of sectors. 	<ul style="list-style-type: none"> Completed development of the Resource Allocation Strategist (REALST) model on a Windows-based platform.
Improve the productivity and competitiveness of emerging entrepreneurs in the two priority sectors.	<ul style="list-style-type: none"> Establish 2 industry forums. 	<ul style="list-style-type: none"> 2 Industry forums in the Forestry and Sugar industries established.
Assist Government and Industry to implement Customised Sector Programmes (CSP's) aimed at improving productivity and competitiveness, and to measure the productivity and competitiveness of sectors.	<ul style="list-style-type: none"> Agreements with Government and Industry to assist with Customised Sector Programmes (CSP's). 	<ul style="list-style-type: none"> Completed strategy for the dti's Customised Sector Programme in the Furniture Industry, and an industry forum was established to implement the strategy. Completed strategy on a Centre of Excellence in the Leather and Footwear Sector in conjunction with the CTFL Seta.

The NPI executed a very successful print media advertising campaign after the launch of the National Productivity Movement.



South Africa (PTY) LTD. we all work here.

No matter who you are or what you do, you play an important part in making our country more competitive. And even though our country isn't called South Africa (Pty) Ltd, it doesn't mean we shouldn't look at it like a business organisation that we all have a stake in. Because by each of us being more productive and finding better and smarter ways of doing things, we're contributing to the economy and helping to improve the lives of all South Africans.



Turnaround Solutions for Companies

Increased globalisation and trade liberalisation has impacted upon national labour markets and employment figures at sectoral levels. In South Africa these factors have led to a rapid decline or reduction in workforce and productivity levels in certain sectors. To counteract this tendency, in the last year, the National Productivity Institute conducted a sectoral study in order to identify declining sectors which may impact on government's AS-GISA initiative.

According to the analysis, the following main economic sectors and industries were identified as currently declining and potentially declining sectors/industries in the South African economy where most job losses are prevalent:

Main economic sectors:

Agriculture, forestry and fishing sector and construction sector
Manufacturing sector (see below for industries)

Industries:

- Agriculture – Commercial Farming
- Wood Manufacturing
- Food Products & Beverages
- Textile & Clothing Manufacturing
- Basic Metal, Steel & Iron Manufacturing
- Electric Elements & Apparatus Manufacturing

Based on the findings of this study, the NPI has honed its focus on key sectors in distress through the Social Plan programme to:

- identify distressed sectors,
- focus nurturing efforts on sectors,
- identify company-level productivity and competitiveness

constraints,

- identify industry-level environmental constraints,
- facilitate company self-assessment through productivity champions,
- develop strategies for implementation at industry level,
- facilitate funding and implementation, and
- train and mentor productivity champions to facilitate company-level preventative or turnaround processes.

1. KEY OBJECTIVES OF THE SOCIAL PLAN

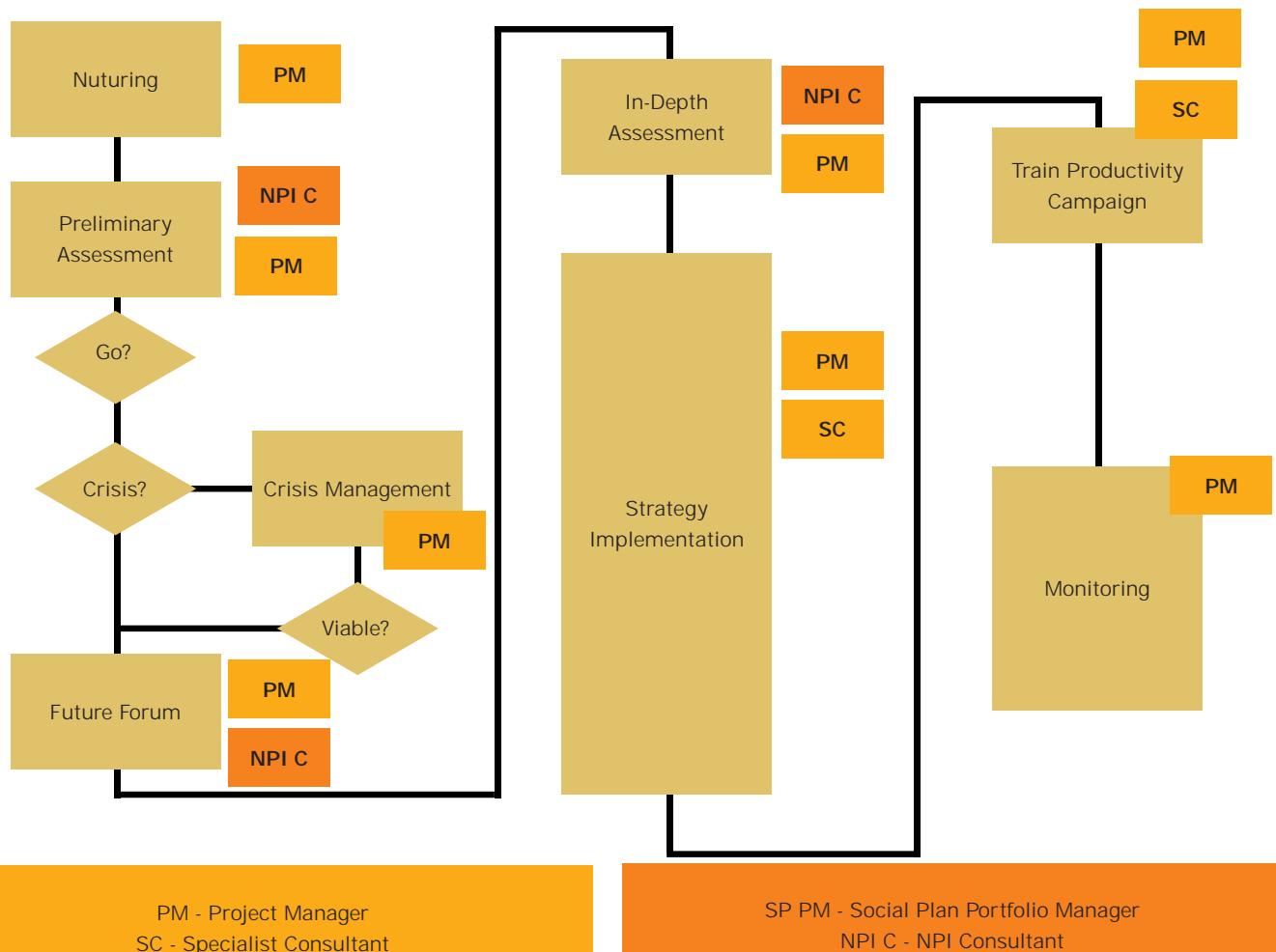
The Social Plan Programme funded by the Department of Labour seeks to build South Africa's productivity by preventing job losses; ensuring the survival of businesses by returning them to profitability; as well as safeguarding their stability, necessary for growth and expansion.

The main strategic approach of the Social Plan is developing enterprises turnaround strategies, as well as providing technical support to communities affected by job losses.

The NPI drives the turnaround process in phases; acting quickly to assess whether the company can be saved, and then immediately bringing relief through crisis management. This is a fire-fighting stage to prevent closure of the company or retrenchment of workers.

The NPI also creates a Future Forum committee consisting of representatives from management, employees, and unions, encouraged to have ongoing joint discussions about the future of their organisation or industry sector. The Future Forum's purpose is to reduce job losses and develop a turnaround strategy for the organization.

The Turnaround process is conducted in phases as indicated below:



2. IMPACT OF THE SOCIAL PLAN PROGRAMME

Over the past three years, NPI's interventions through the Social Plan has protected over 13 000 jobs. During the year, 130

companies were nurtured, 108 Future Forum's established, and 55 turnaround strategies were developed to prevent job losses. In addition, comprehensive training material was developed for Future Forums, and this was used to train 35 Future Forums with positive results.

The Social Plan programme succeeded in extending its reach to a broad geographical spread of companies and sectors in distress. The following is a geographic spread of the Social Plan interventions for 2006/07:

Name of Province	North West	E. Cape	Gauteng	Limpopo	Mpumalanga	W Cape	KwaZulu Natal	N Cape	Free State	TOTAL
Number of Projects	3	10	24	9	7	18	19	12	6	108

The following summarises the number of projects per sector conducted by the Social Plan during the 2006/7 financial year:

Sector	Agric	Automotive	Clothing & Textiles	Food	Electric Apparatus	Metal Steel & Iron	Construction	Wood	Mining Quarrying	Transport	TOTAL
Number of Projects	37	3	25	8	4	12	1	14	2	2	108

3. DELIVERABLES AND ACTUAL RESULTS

KEY RESULT AREA	MEASURE/INDICATOR	RESULTS
• Preventing job losses	• Establish 100 Future Forums	• 130 Companies nurtured • 108 Future Forums established
• Turnaround interventions to prevent job losses	• Develop 50 Turnaround strategies	• 55 turnaround strategies developed and 94% of these strategies are being implemented,
• Sector research	• 6 sector research reports	• 6 sector research reports completed
• Build capacity of Proactive Future Forums	• 50 proactive Future Forums	• Training Manual for proactive Future Forums developed • 34 Future Forums
• Success Stories	• Publish 20 success stories	• 24 success stories published
• Marketing Campaign	• Launch new website • Launch print and radio advertisements • Publish 10 articles • Conduct 20 awareness workshops • 3 case study videos	• New Social Plan website is in place • Radio ads were launched in SAFM, Classic FM, Metro FM, RSG and Kaya FM • 24 articles were published • 16 awareness workshops conducted. • 1 case study video developed

4. CASE STUDIES

FOOTWEAR INDUSTRY

The footwear industry in the Southern Cape has been in turmoil over the past few years since Watson Shoes underwent a substantial restructuring process during the years 1999 to 2001. This led to the establishment of a group of small businesses within the Great Brak and Oudtshoorn areas, owned and managed predominantly by ex-employees from a historically disadvantaged background. The group of SMMEs are contracted to manufacture components or completed footwear for Watson Shoes, however their existence has been severely challenged due to the highly labour intensive

nature of the shoemaking industry, with small margins, a poor working culture and seasonal fluctuations in production volumes.

An additional challenge was the need for skills transfer and mentorship - the fact that previous employees were now owners of their own businesses did not necessarily mean that they had the skills or competencies to run a profitable concern, while simultaneously dealing with staff issues, efficiency and quality, cashflow and expectations from the client. When some enterprises closed down and others looking to retrench staff, the National Productivity Institute (NPI) was called to assist. Two SMMEs within the Great Brak/Oudtshoorn area experienced dramatic turnaround in their operations due to the interventions of the Social Plan Solutions programme.

JAN ROLLISON JR SHOEMAKERS CC OUDTSHOORN



Jan Rollison (Owner: JR Shoemakers CC)

Jan Rollison is the owner of JR Shoemakers CC, which is operating from a factory in Oudtshoorn. For 26 years Jan worked at Watson Shoes, and when they outsourced a large portion of their production in 1999, he started his own business to do their contract work.

Today, JR Shoemakers manufactures leather sandals for Watson Shoes, employs 68 people and also provides temporary employment to 36 additional hand-stitchers that perform piece-work. In the last year the business' turnover exceeded R3,4 million and it produced more than 700 sandals per day.



Team Building Session

Challenges

From 1999 to 2004 JR Shoemakers struggled to comply with Watson's requirements and experienced all the typical problems of a new small business. It experienced high levels of absenteeism, low productivity and a poor working culture was reflected among employees in general. This resulted in the business not performing well, and every year some employees had to be retrenched, although sometimes they would later be re-employed on a temporary basis. All these factors contributed towards a situation of low job security, and poor relationship between management and labour unions.

Solution

Social Plan intervened to firstly establish some stability to ensure that the business could continue on a profitable basis, and secondly to address the development of in-house capacity to ensure longer term sustainability.

Phase one was fully sponsored by Turnaround Solutions and implemented by an industrial engineer. This consisted of :

1. Identification of Key Performance Areas and establishment of performance indicators;
2. Implementation of visible productivity measurements in the workplace;

National Productivity Institute

3. Engaging the manager on the use of applicable measurements (e.g. labour cost ratio, reject rate, profit measurements, etc.);
4. Training employees regarding unproductive practices and how to improve on this;
5. Establishment of regular feedback and communication between management and employees; and
6. Providing technical assistance on daily planning, process flow, housekeeping, material management, reduction of production cost and financial management.

Phase Two was 80% sponsored by the Black Business Suppliers Development Program (BBSDP) of the Department of Trade & Industry and 20% by the Social Plan. This intervention focused on the following:

- Productivity and culture improvement by implementing best practices of the industry. In-house capacity was build to ensure the process would continue;
- Compliance with generally accepted human resource practices;
- The development of a detailed business plan; and
- Establishing a Service Level Agreement (SLA) between JR Shoemakers and Watson Shoes to ensure a better balance of power and a solid basis for future cooperation, to the benefit of both parties.

Results

Management gave their full cooperation and performed very well to ensure that their business receives maximum benefit from interventions. "The biggest problems we experienced was worker morale – we had no cooperation from workers and absenteeism was high" says Jan Rollison, "However things have improved tremendously as the assistance that managers and workers received from the NPI has been very effective. Teamwork, communication and giving recognition for performance are the major contributors to the positive shift in morale." The following results show how much the business improved and has grown over the past year:



Visible measurements & Notice board



Factory scene



The finished product into the box

	Feb-03	Feb-04	Feb-05	Feb-06
Net Profit	R 177,000	R 159,000	R 124,000	R 1,200,000

Turnover: + 31%

- Absenteeism: Steady decline from 10% down to an average of 5.5%
- Jobs: Permanent employees increased from 60 to 68

(2005) Temporary employees increased from 19 to 36
(2005)

- Rejects: R0.00 (No losses - all rejects are handled internally)

BETTY KUMUTU KUMT SOCKING SUPPLIES OUDTSHOORN



Part of the factory

Kumt Socking Suppliers is a sole proprietorship that belongs to Betty Kumtu. The business is situated at Oudtshoorn and manufactures the "in-soles" and "socks" for Watson Shoes' range of ladies shoes.

The business started at the end of 1999 when Watson Shoes outsourced all the production that was done at their Oudtshoorn factory to a few small enterprises. Although some of the other small enterprises have in the mean time closed down, this business has gone from strength to strength, as the owner kept improving her own skills and adapting her management style until she found a "winning recipe" with the aid of the Turnaround Solutions intervention.

For many years the business was very small, employing between three and five workers, but in the last year it has more than doubled. This was mainly the result of the excellent service that the team have been providing to Watson Shoes, which convinced Watson's to allocate additional contract work to them.

Today the business employs 14 permanent staff and 6 temporary workers. The turnover has increased from approximately R12,000 per month to as much as R36,000 (average) per month.



Betty Kumtu (right) and her team of 14 employees

Challenge

In the first five years of this business' existence, it employed a maximum of five employees and struggled to maintain profitability from month to month. Due to the small number of employees, when one of the employees was absent from work it had a dramatic influence on the production volume and the other employees struggled to cope with the additional workload. Therefore, The owner did much of the work herself without spending time establishing better systems or production methods.

Furthermore, a poor work culture and high absenteeism rate was prevalent, lowering productivity, which resulted in labour exceeding 80% of the costs, making the business unprofitable.

Solution

Phase one: the aim was simply to establish some stability in the business and to ensure that it could remain operating at a profitable level. Phase two: the focus was on human resource management, business relations improvement and productivity interventions, which would ensure steady growth and sustainability in the long run.

Phase one was sponsored by the Social Plan and involved regular productivity interventions and "on-the-job" training. This consisted of the following:

- Key Performance Areas were identified and the necessary performance indicators implemented to enable management to monitor progress;
- Measurements were made visible in the workplace to motivate workers to accept responsibility and improve their productivity;
- The owner received training regarding the use of all the applicable measurements (e.g. labour cost ratio, reject rate, profit measurements, etc.) and how to use these measures to monitor and manage the business better;
- Employees received training regarding unproductive practices and how to improve on this;
- A proper feedback and communication system was

National Productivity Institute

- implemented between management and employees; and
- The owner/manager was assisted with various other aspects, e.g. daily planning, process flow, housekeeping, material management, reduction of production cost and financial management.

Phase two focused on the following:

- Improving productivity and work culture by implementing a best practices programme. One employee was also trained in all the "Best Practice Modules" to ensure in-house capacity;
- The human resource management system was aligned with generally accepted practices;
- A detailed business plan was developed; and
- A Service Level Agreement (SLA) was established between Kumt Socking Suppliers and Watson Shoes to ensure a better balance of power and a solid basis for future cooperation, to the benefit of both parties.

Results

The business improved tremendously and grew almost threefold over the last five months of 2005, as the following results show:

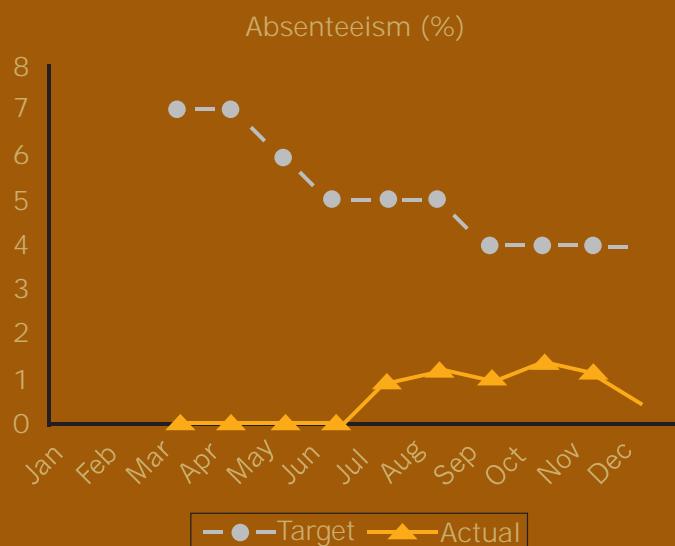


Important information is displayed in the workplace – for everyone to see.

	Mar-July 2005			Aug-Dec 2005	
Production volume (# units)		24,315			204,642
Turnover	R	99,344		R	202,440
Net Profit	R	17,825		R	28,003
Permanent employees		7			14
Temporary employees		-			6

Absenteeism

Absenteeism reduced to almost 0% and exceeded by far the required target levels (between 4% - 7%)



DIMPHO FRESH FOODS

INDUSTRY SECTOR - AGRO PROCESSING



An efficient production line at Dimpho.

Background

Dimpho Fresh Foods which had been operating as Dewhurst Foods, supplies the Anglo mines with vegetables and fruit. The company was sold by the original owners: 20% of the shares went to the supply manager and the new owners had an 80% share. The company employs 102 people from the surrounding areas and townships.

The company went through a turbulent time and lost a number of contracts as it did not deliver the required vegetable and fruit due to supply problems. The new owners took over in 2004 and started to stabilize the company. In May 2005 Dimpho approached the Social Plan for assistance as productivity was still poor and there was the danger of retrenching 50 people. An in-depth analysis was conducted and a workplan, approved by the future forum, identified a number of interventions, including a labour productivity analysis.

RESULTS AND IMPACT

- **Financial Results**

During April 2006 the company was running at a loss of R93 000-00. By July 2006, three months after interventions had started, the company was looking at a profit of R36 950-00.



Overtime has been reduced by 80% during the week and 50% on Sundays.

In addition, there was a reduction in the cost of overtime wages from March 2006 when wages were R80 325-00 to July 2006 when the cost reduced to R54 083-00. All indications are that the company will be looking at a profit of R150 000-00 as a result of increased sales.

The company has also negotiated debtor financing with a financial institution which will pay 80% on presentation of an invoice. This will allow the company to improve its cash flow and pay suppliers on delivery basis, enabling them to negotiate a better deal with suppliers.

- **People Results**

Overtime has been reduced by 80% during the week and 50% on Sundays. The threat of 50 job losses is no longer imminent.

15 Temporary workers and a maintenance supervisor have been employed. Abet training now takes place thrice weekly.

- **Customer Results**

There has been a 6% increase with one of their clients, Harmony. Piemans are now being supplied as a new client and another new client, Trevor Knight is now housed in the factory and paying a small amount of rent.

- **Operational Results**

The improvement of raw materials delivery is impacting positively on sales.

Labour-Management Collaboration

Improving trust and cooperation between management and workers within an organisation is fundamental to any drive to improve productivity and competitiveness. A key objective of the NPI, therefore, is to foster cooperation and collaboration in enterprises by 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. This is achieved through the Workplace Challenge programme, which represents a combined investment in which government support is meshed with company initiative and labour-management collaboration.

1. KEY OBJECTIVES

The Workplace Challenge Programme is a Department of Trade and Industry supply-side intervention, programme-managed by the NPI. The aims of the programme are to facilitate government and industry partnerships to improve the performance and competitiveness of sectors, industries and business as part of the contribution to the Customised Sector Programme and Industrial Upgrading Programme through:

- Improved value-chain efficiencies,
- Promoting constructive labour relations at the workplace,
- Embracing or developing world class practices for ongoing improvement, and
- Sharing and disseminating experiences and lessons.

The Workplace Challenge supports the objectives of Accelerated Shared Growth Initiative of South Africa (ASGISA). The key strategies include:

- Focusing on simultaneous improvement of quality, speed and cost;
- Establishing close links with customers and suppliers;

- Driving both linear (kaizen) and non-linear (kayakaku) improvement initiatives;
- Eliminating all forms of waste and making value flow; and
- Implementing leadership practices that promote teamwork, participation, continuous learning and flexibility.

Some of the unique features of the Workplace Challenge include:

- Sharing of experiences and lessons between small and large companies from different industry sectors as they implement Best Operating Practices (BOP) - small companies benefit from being in a cluster with large companies;
- Exposing small companies to Best Operating Practices in a practical way that they could not otherwise afford - 60% of all participating companies employ less than 100 people; and
- Providing an opportunity for young black consultants to develop skills in change management processes.

2. IMPACT OF THE WORKPLACE CHALLENGE PROGRAMME:

Since inception of the Workplace Challenge Programme, some 225 companies employing 52 000 people have participated in best operating practises and have achieved world class competitiveness.

During 2005/2006, 116 Companies employing 18 500 people in 16 Clusters participated in the programme. In addition, 4 new User Groups were formed comprising 28 companies. A total of 38 milestone workshops were conducted nationally, and 8 Change Facilitators were trained and coached in 30 Best Operating Practice modules. These skills are currently being transferred to companies and clusters participating in the programme.

// *The NPI's Workplace Challenge (WPC) programme is about the change of business culture and changing practices can be challenging. Most of the time companies don't realise that leaving things that WPC deals with unattended has the potential of putting the business down.*



Stewart Butler,
the Ekurhuleni 2 Cluster Chairman

This year, pilot Workplace Transformation Toolkits which provides companies with self help training material to become world class, was developed. The Workplace Transformation Toolkit, consists of three important components:

Component 1: World-Class Competitiveness Management System

A workbook containing:

- The rationale/need for change and clarifying the World Class Competitiveness journey,
- An overview of the Workplace Transformation Toolkit,
- World-class Competitiveness Implementation Methodology, and
- Implementation roles and responsibilities.

Component 2: World-Class Competitiveness Foundation Toolkits

- Toolkit 1 – Goal Alignment,
- Toolkit 2 – Cleaning and Organising,
- Toolkit 3 – Teamwork,
- Toolkit 4 – Leadership.

Component 3: Continuous Improvement Techniques

- Quality Improvement Techniques,
- Cost/Productivity Improvement Techniques,
- Delivery Improvement Techniques.

KEY RESULT AREA	MEASURE/INDICATOR	RESULTS
• Productivity improvement through collaboration at the workplace and sharing successes.	<ul style="list-style-type: none"> • 114 Companies in 15 Clusters participating in the implementation or aftercare phases. • 3 new Clusters formed. • 4 new User Groups formed 	<ul style="list-style-type: none"> • 116 Companies employing some 18 500 people in 16 Clusters participated in the implementation or aftercare phases. • 2 new Clusters formed • 4 new User Groups formed comprising 28 companies.
• Increase productivity mindset and competitiveness.	<ul style="list-style-type: none"> • 14 milestone workshops • 8 success stories disseminated. 	<ul style="list-style-type: none"> • 38 milestone workshops conducted • 8 success stories disseminated
• Training and mentoring consultants with potential to facilitate Workplace Challenge processes.	<ul style="list-style-type: none"> • 8 Change Facilitators were trained and coached 	<ul style="list-style-type: none"> • 8 Change Facilitators were trained and coached

NESTLÉ BABELEGI



Region: North West Province

Cluster Name: GaRankuwa

Years in existence: Nestlé took over operations in 1998

Number of employees: 154

Number of seasonal staff: Between 30 and 50 seasonal workers a day. Plant operates a continuous shift system (24-hour cycle)

Union representation: Food and Allied Workers' Union (FAWU)

Core Business

The company manufactures a variety of non-dairy creamers, and is the only Nestlé plant in Southern Africa to manufacture creamer. The creamer is exported to Angola, Mozambique and Zimbabwe, Greece and the Middle East.

Mission

To produce and deliver quality creamers to our customers at low cost and high efficiencies. By renovating and innovating processes and products; through continuous communication with our customers and suppliers.

Vision

To be the preferred supplier of quality creamers with and beyond Nestlé, worldwide.

Values/Goals

Transparency, integrity, respect, teamwork, a positive attitude.

Challenge

Employee involvement was identified as one initiative to drive

productivity. Nestle Babelegi management were looking for a structured, formal method to achieve greater workforce involvement in the business. The requirement was for a system that involved the entire workforce and that enabled that workforce to measure and visualise their performance so as to set continuous improvement goals.

Solution

In order to meet the challenge, the company began to work with the Mission Directed Work Teams process even before they joined the Workplace Challenge programme. Joining a cluster afforded the company access to the WPC grant, commensurate with its size and workforce, as well as the opportunity to share experiences and ideas with the other seven companies in the cluster.

Results

Nestle has now made it compulsory for all its South African plants to adopt the WPC programme after seeing the results at Nestlé Babelegi.

These improvements include:

- Efficiency and output, measured by comparing the cost to deliver the product versus input costs, have shown positive trends. This calculation includes such items as labour and raw materials costs. The Babelegi plant now produces 25kg packs of the bulk dry product at costs comparable to Nestlé's biggest creamer plant in Thailand
- Improvement in efficiency on the largest filling line, from 60 to 75% over a period of 18 months
- Plant production levels increasing steadily from 70% to target of 85%
- Output from bulk powder producing towers improved by 20%, by conversion to high pressure nozzle
- Absenteeism down from over 3% to 2,5%
- A reduction of 75% in wasted cartons per shift on one packaging line.
- The customer-supplier relationship within the company's mini-businesses has reduced the occurrence of rework, improving quality and speed of different processes
- A sense among the workers of being part of, and important to, the business
- A good relationship with the union, with company information available to workers, making processes transparent
- Workers are more aware of the consequences of unplanned stoppages and waste (in terms of time, material labour costs)
- A low-noise, cleaner and safer working environment

Comments and Highlights

"As a company, you only have power if your business is strong, and it is people that are your greatest asset in a strong business."

"With Workplace Challenge, people are more focused; they have visual displays of performance and they actively contribute in the workplace."

"The only way to assure survival is to become world-class – the Workplace Challenge offers an opportunity to achieve that status."

"Labour and management are taught together about how the programme can assist the business and the group training within the cluster that exposes you to other companies' issues - these things help to make the Workplace Challenge programme a success."

"This system uses things you can see: the colour red (on the charts) alerts you immediately that something needs to be done. Everyone has a role. At a glance you can check the previous day's performance, understand and address the problem."

"Previously, management would have had a meeting with just the team leaders, but with mini-businesses, this gives an opportunity to every employee to have a say about the job and to suggest (often very useful, simple) innovations."

Workplace Challenge is crucial not just for Nestle but for other companies' long term benefits. It requires you to put in some work, but that is vital if you want to reap the full benefits."

GUESTRO WHEELS A DIVISION OF DORBYL AUTOMOTIVE TECHNOLOGIES

Region:	Eastern Cape
Cluster name:	Lakeside
Number of employees:	280 (including contract workers)

Background

Guestro Wheels, a division of Dorbyl Automotive Technologies (DAT) is a subsidiary of Dorbyl Limited. DAT has established a reputation as a reliable single source designer, developer, and manufacturer for the global automotive industry. Since its inception in South Africa in 1965, DAT has been committed to continuous technical and manufacturing improvement and stringent quality standards. DAT is one of the largest automotive component manufacturers in the country, with a well established export market.

Mission Statement

"To become a world class manufacturer, by continually improving our quality and products, thus ensuring customer satisfaction, job security and the well-being of all our employees."

Challenges

- Low morale
- Absenteeism
- Improve working conditions and upgrade equipment
- House keeping

- Lead time reduction
- Scrap rate reduction

Productivity Improvement Approach

The company objective is to identify and use a continuous improvement tool to assist in improving productivity. Implementation of Mission Directed Work teams assisted the company in making sure that goals of the company are clear, communicated, and understood by everyone from the shop floor to management level. Various Mission Directed Work teams improvement techniques like cost, speed, and quality were employed to eliminate bottlenecks, and eliminate non-value adding activities.

Results and Impact

Management's decision to drive the Workplace Challenge programme was a significant factor in its success within the company. Management's enthusiasm and support had an effect on production teams, resulting in notable successes such as reduced lead times, improved quality and lowered reject rates.

Attendance remained constant at 90%, and worker morale improved. House keeping became a priority on the line, resulting in a cleaner and safer working environment. In addition, savings were achieved due to a 25% decrease in the scrap rate.

Comments

Guy Magnee, the Production Manager at Guestro Wheels said: "Since applying the Value Stream Mapping Technique to our bottleneck, we have improved not only our tact time, but also our door to door time. We have changed "absenteeism" to "attendance" and this has boosted morale. Tool changeover times have decreased due to the implementation of the tool racks – this has added great value to this once backlogged line. Overall, success has been achieved."

Internal Support

HUMAN RESOURCES

1. HUMAN RESOURCES OBJECTIVES

Human Resource's overall objective is to create an enabling environment that continuously ensures the alignment of human capital with NPI's mandate.

Below is a graphic profile of the NPI permanent staff:

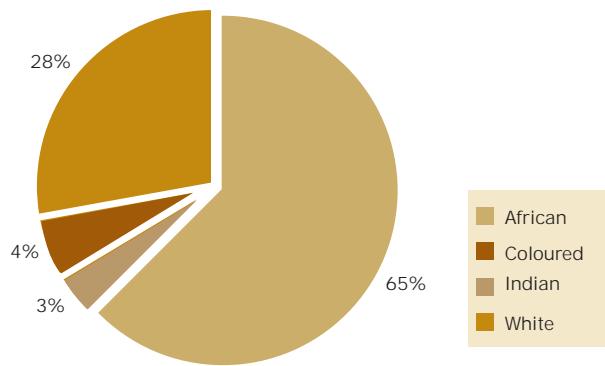
Level	African		Coloured		Indian		White		Total Females	Total Males	Grand Total	% Gender	% Race
	F	M	F	M	F	M	F	M				F	HDI
1	1								1	9	1	100	100
2		4						2	0	6	6	0	67
3	1								1	6	1	100	100
4	1	5				1	1	7	2	13	15	13	53
5	8	7	1				1	6	10	13	23	43	47
6	4	7	2		1		2		9	7	16	56	88
7	6	2			1		5		12	2	14	86	67
8	2	4							2	4	6	33	100
9	3								3	0	3	100	100
Grand Total	26	29	3	0	2	1	9	15	40	45	85	70	69

“This couldn’t have come at a better time, the company that will employ me must count its blessings; where do you get a fresh graduate that has the skills that I’ve learnt today.”

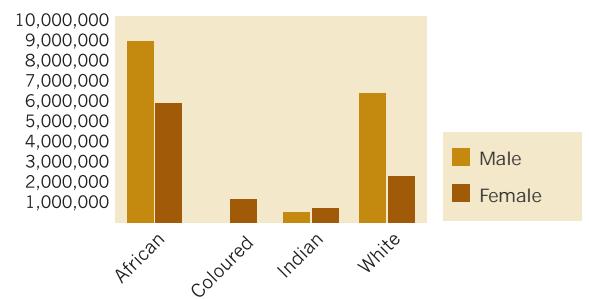


Khethiwe Vilakazi,
a third year Operation Management student
who participated in NPI’s productivity games

Race Breakdown



Gender Breakdown



3. SALARY COSTS

The annual salary cost for the year was R24,7 million which was split as follows:

RACE	FEMALE (R)	MALE (R)	GRAND TOTAL (R)	% OF TOTAL
African	5 683 415	8 879 811	14 563 226	65
Coloured	815 874	-	815 874	3
Indian	546 798	322 592	869 390	4
White	2 197 766	6 324 642	8 476 321	28
GRAND TOTAL	9 197 766	15 527 045	24 724 811	100

4. TRAINING AND DEVELOPMENT

The NPI continues to invest in talent management and development of employees which helps in bridging the skills gaps that have been identified.

The budget spend on training for the period in review amounted to R666 738. This represents 3% of the payroll cost, which is above the 1% target set with the Department of Labour as per the Service Level agreement signed annually.

The NPI has partnered with the Asian Productivity Organisation (APO), Japanese Productivity Centre (JPC-SED) and Japanese International Corporation Agency (JICA) to ensure that the productivity knowledge and skills acquired by employees are

Training and Development

Course	African		Coloured		Indian		White		Total Females	Total Males	Grand Total
	F	M	F	M	F	M	F	M			
MS Project								2		2	2
Negotiation Skills	6	2							6	2	8
Financial Analysis	3	2					1	2	4	4	8
Organisational knowledge	7	4							7	4	11
New managers Programme								1		1	1
ABET	6	3							6	3	9
Masters Degree Knowledge Mngt		1								1	1
B-Tech HRD	1								1		1
Communications Diploma		1								1	1
Public Relations Diploma	1								1		1
TOTALS									25	18	43

5. LABOUR RELATIONS

The NPI respects the principle of freedom of association and employees' right to organise and bargain collectively. A relationship agreement with the South African Parastatal and Tertiary Institutions Union (SAPTU) is in place and there is continuous consultation on policy and condition of employments issues.

There have been no CCMA referrals during the past 2 years.

cutting edge. This resulted in the following interventions with our staff:

- 3 staff members attended training on Productivity Promotion in Japan;
- 1 staff member attended a Knowledge Management seminar in Thailand;
- 3 staff members attended Basic Productivity Course in the Philippines;
- 15 staff members attended video conferencing (real-time lectures delivered from Japan) on Productivity Improvements; and
- In addition to the abovementioned international exposure, there were other domestic interventions that were identified to meet the organisational objective.

6. EMPLOYEE WELLNESS

The NPI also encourages a healthy lifestyle for all its employees. A Wellness Day is annually celebrated to emphasise the importance of a healthy lifestyle and employee health status. NPI has an HIV Aids policy and endeavours to educate the staff about this pandemic. NPI also availed the Employee referral support facility for employees that experienced trauma.

Terminations

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	0	0	0	0	0	0	0	0	0	0	0	0
Dismissal	0	0	0	0	0	0	0	0	0	0	0	0	0
Retirement	0	0	0	0	0	0	0	1		1	1	1	1
Resignation	5	7	0	0	0	1	0	1	5	9	14	36	93
GRAND TOTAL	5	7	0	0	0	1	0	2	5	10	15	33	87

7. TERMINATIONS

The labour turnover in the organisation represents 16% of the permanent workforce. A retention strategy is in place to ensure that the best talent and skills are retained.

8. PERFORMANCE MANAGEMENT

At the beginning of the financial year, all staff performance plans were approved and reviewed. The organisation reported 100% compliance and alignment of individual performance plans with the Balance Scorecard.

Organisational objectives were measured and managed on an individual basis. Each employee prepared a performance contract derived from the Balanced Scorecard, and during the course of the year three reviews were conducted.

9. SICK LEAVE

The sick leave shows a significant drop in the number of days as well as rand value. This can be attributed to the implementation of the Employee Wellness Programme.

	Previous Year	Current Year
Days	429	261
Cost	R401 897	R284 468
Average days	5	4

10. DISCIPLINARY ACTIONS

There were no disciplinary hearings in this period. However counselling sessions were held in the following order:

GENDER	RACE	TOTAL STAFF
Male	Black	4
Male	White	1
Female	Black	1

11. PROMOTIONS

The following promotions took place:

GENDER	RACE	LEVEL	TOTAL STAFF
Male	Black	6 to 5	3
Female	White	5 to 4	1
Female	Black	6 to 5	1

12. INFRASTRUCTURE

The year in review saw the implementation of a payroll employee self-service system. This has streamlined the administrative process and has allowed staff to check their pay slips and apply for leave from the comfort of their desks.



npi



INFORMATION TECHNOLOGY

During the year, the Information Technology Division of the NPI sought to create an enabling environment that continuously ensures the alignment of the organisational strategy with financial and material resources including technological infrastructure and development.

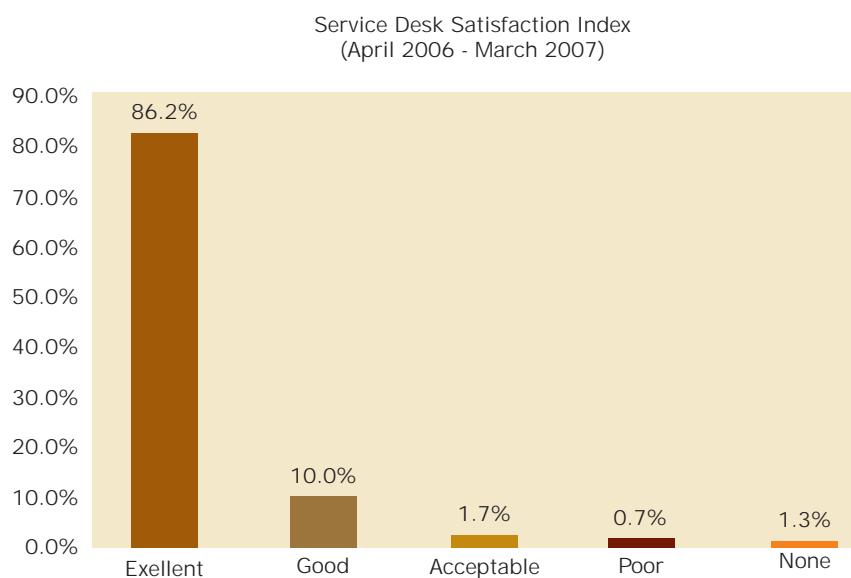
1. OVERVIEW OF ACTIVITIES FOR YEAR:

As a strategic partner to the internal NPI business, the Information Technology (I.T.) department embarked on large upgrade projects with particular emphasis on infrastructure and the automation of tasks.

Two key infrastructural upgrades took place during the year. Firstly, an improvement on the old Wide Area Network (WAN) which increased the efficient connection of regional offices with the centralised file store and email. Secondly, an upgrade was conducted on all servers from Microsoft Windows 2000 to Windows 2003.

In addition, a business decision was made to introduce an easier means of accessing the corporate network from outside the office. In this case a mobility solution was investigated. Its main focus was to allow the NPI's predominantly mobile employees, access to the network from anywhere within the country. The use of cellular mobility solutions was also suggested and implemented.

All the projects were successful.



2. DELIVERABLES AND ACTUAL RESULTS

KEY RESULT AREA	MEASURE/INDICATOR	RESULTS
Maintain a high level of internal customer satisfaction	Service Desk rating system	86 % of calls rated as excellent
Upgrading of IT based tools and processes	3 processes and 3 tools upgraded and in-use	3 processes and 2 tools upgraded
Risk management strategy in place	Disaster Recovery Plan and Information Security document compiled	Disaster Recovery Plan compiled and reviewed
Implementation of Productivity improvement innovations	List of 20 innovations implemented	22 new innovations implemented to improve productive performance

Annual Financial Statements

for the year ended 31 March 2007

Approval of Annual Financial Statements	47
Corporate Governance Statement	48-49
Report of the Independent Auditors	50
Report of the Audit Committee	51
Report of the Directors	52-53
Statement of Financial Performance	54
Statement of Financial Position	55
Statement of Changes In Net Assets	56
Cash Flow Statement	57
Notes to the Annual Financial Statements	58-67

Approval of annual financial statements

The annual financial statements, which appear on pages 54 to 67, were approved by the Board of Directors on 23 July 2007 and signed on their behalf.



Prof. J M Laubscher
Acting Chairperson



Dr. Y Dladla
Executive Director

CORPORATE GOVERNANCE STATEMENT *for the year ended 31 March 2007*

The Directors submit that they have applied and complied with the principles incorporated in the Code of Corporate Practices and Conduct, as set out in the King II Report on Corporate Governance. The Directors conduct the affairs of the entity with integrity and in accordance with Generally Accepted Corporate Practices.

Board of Directors

The Board of Directors' fiduciary duties are outlined in the Companies Act, No. 61 of 1973 and Public Finance Management Act, No 01 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 the National Productivity Institute ("NPI"). 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 Executive Director. Directors in office at 31 March 2007 were:

- Prof. JM Laubscher (Acting Chairperson and Deputy Chairperson)
- Dr. Y. Dladla (Executive Director)
- Mr. MP Mdwaba
- Ms. HN Lupuwana
- Mr. RH Dicks
- Mr. S Morotoba

Audit Committee

The members of this committee are:

- Ms. B Brunette (Chairperson)
- Prof. JM Laubscher
- Dr. Y. Dladla (Executive Director)
- Ms. HN Lupuwana

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

- NPI Chief Financial Officer
- Representative from internal auditors
- Representative from external auditors

The committee meets periodically with management, external auditors and internal auditors. The Audit Committee has a written charter approved by the Board of Directors. Its objectives are:

- Establishing a channel of communication between the Board of Directors, management, external auditors and internal auditors;
- Ensuring that management creates and maintains an effective control environment to safeguard NPI's assets, and that management demonstrates and stimulates the necessary respect for the internal control structure among all parties;
- Reviewing the various scopes and outcomes of audits. This review includes an assessment of the effectiveness of the annual statutory audit and ensuring that sufficient emphasis is placed in areas 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.

The committee does not have any operational or executive responsibilities.

Internal Audit

Gobodo Risk Management ("GRM"), which is an outsource firm responsible for the NPI's internal audit function, provides an independent appraisal function that is designed to examine and evaluate the NPI's internal controls. In particular, GRM is charged with examining and evaluating the effectiveness of the NPI'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 the NPI 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 management's attention may be required.

NPI has performed the following as required by the Public Finance Management Act, 1999 as amended:

- Risk Assessment; and
- Implemented the fraud prevention plan

Employment Equity

The NPI 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.

NPI complies with Section 21 of the Employment Equity Act of 1998.

Code of Ethics

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

Directors' Responsibilities

Financial statements are the responsibility of the company's

Directors for each financial year, which fairly present the financial position of the NPI 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 statements of South African Generally Accepted Accounting Practice (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board, with the prescribed Standards of Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board replacing the equivalent statements of SA GAAP. 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 the NPI will continue in business in the near future.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time, the financial position of the NPI. 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, Gobodo Risk Management conducts operational, financial and specific audits. The external auditors are responsible for reporting on the annual financial statements.

The Directors believe the company 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.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF THE NATIONAL PRODUCTIVITY INSTITUTE

Report on the Financial Statements

We have audited the annual financial statements of National Productivity Institute which comprise the report of the audit committee, directors' report, the statement of financial position as at 31 March 2007, 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 54 to 67.

Directors' Responsibility for the Financial Statements

The company's Directors are responsible for the preparation and fair presentation of these financial statements in accordance with statements of South African Generally Accepted Accounting Practice (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board, with the prescribed Standards of Generally Recognised Accounting Practice ("GRAP") issued by the Accounting Standards Board replacing the equivalent SA GAAP statements, and in the manner required by the Companies Act in South Africa and the Public Finance Management Act, Act No 1 of 1999 (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. 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 judgement, 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.

Audit opinion

In our opinion:

- The financial statements fairly present, in all material respects, the financial position of the company at 31 March 2007 and the results of its operations and cash flows for the year then ended in accordance with SA GAAP including any interpretations of such Statements issued by the Accounting Practices Board, with the prescribed Standards of GRAP issued by the Accounting Standards Board replacing the equivalent SA GAAP statements, and in the manner required by the Schedule 4 of the Companies Act, No 61 of 1973;
- The annual financial statements of the NPI fairly present the financial position and the results obtained by the NPI in accordance with section 55 (1) (b) of the Public Finance Management, Act No 1 of 1999 (as amended) applied on a basis consistent with that of the preceding year and Section 28 of the Public Audit Act (Act 25 of 2004); and
- The transactions of the entity, which were examined during the course of our audit, were made in accordance with the applicable laws and instructions and in all material respects are in accordance with the mandatory functions of NPI, as determined by law or otherwise.

Sizwe Ntsaluba VSP

Partner: AW Mashifane

Registered Auditor

Johannesburg

23 July 2007

REPORT OF THE AUDIT COMMITTEE
*in terms of regulations 27(1)(10)(b) and (c) of the
Public Finance Management Act No 1 of 1999 (as amended)*

The audit 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 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 outsourced internal audit function;
- The activities of the outsourced 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 audit committee is of the opinion, based on the information and explanations given by management and the company's outsourced 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.

The audit committee has evaluated the financial statements of the National Productivity Institute for the year ended 31 March 2007 and, based on the information provided to the audit committee, considers that they comply, in all material respects, with the requirements of the Companies Act, 61 of 1973, as amended, and statements of South African Generally Accepted Accounting Practice (SA GAAP) including any interpretations of such statements issued by the Accounting Practices Board with the prescribed Standards of Generally Recognised Accounting Practice ("GRAP") issued by the Accounting Standards Board replacing the equivalent SA GAAP Statements. The audit committee concurs that the adoption of the going concern premise in the preparation of the financial statements is appropriate. The audit committee has recommended the adoption of the financial statements by the Board of Directors.

Bernice Brunette

Chairperson

23 July 2007

REPORT OF THE DIRECTORS
for the year ended 31 March 2007

The Directors have the pleasure in presenting their report for the financial year ended 31 March 2007. 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.

2. Nature of business activities

2.1 The NPI is engaged principally in the business of development and enhancement of South Africa's productive capacity.

- 2.2 The NPI was appointed by the Department of Trade and Industry (dti) to manage the Workplace Challenge ("WPC") and administer the funds available for this project.
- 2.3 The Minister of Labour appointed the NPI as the technical support facility for the Social Plan ("SP").

3. Aggregated Results

The statement of financial performance for the year is set out on page 54. The proportions of revenue, excluding intragroup transactions attributable to the different aspects of the aggregated business and the extent to which each of these activities contributed to the net deficit before financial costs are stated below.

	Revenue		Net deficit	
	2007 R'000	2006 R'000	2007 R'000	2006 R'000
Industrial analysis				
Consulting, investing and reporting on productivity (NPI)	39 601	28 398	(1 215)	119
Enhancing competitive capabilities (WPC)	7 865	7 420	(2 610)	(3 953)
Educational development Monitoring job losses (SP)	19 999	9 727	(2 035)	(6 765)
Total	67 465	45 545	(5 860)	(10 599)

	Cash flows from Operating activities		Cash flows from Investing activities	
	2007 R'000	2006 R'000	2007 R'000	2006 R'000
Industrial analysis				
Consulting, investing and reporting on productivity (NPI)	1 241	3 204	(1 234)	(942)
Enhancing competitive (WPC)	(2 347)	(2 539)	-	-
Monitoring job losses (SP)	(1 618)	(5 505)	-	-
Total	(2 724)	(4 840)	(1 234)	(942)



4. Property and equipment

Investments in property and equipment in the current financial year amounted to R1 233 779 (2006: R946 205). There was no change in the nature of the property and equipment, nor the policy relating to the use thereof in the current financial year.

5. VAT

NPI 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 Act, and the requirement for VAT registration in terms of section 23 of the VAT Act. NPI is now included in the amended definition of "public authority" in terms of section 1 of the VAT Act.

6. Business managed by a third party

The Directors of the company managed the business of NPI and there has been no third party involvement.

7. Events after reporting date

There are not events subsequent to financial year end to date of approval of the financial statements that would require adjustment or further disclosure in the financial statements.

8. Auditors

SizweNtsaluba VSP will continue in office in accordance with section 270(2) of the Companies Act, No 61 of 1973.

STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 31 March 2007

	Note	2007 R'000	2006 R'000
Revenue from non-exchange transactions			
Grants received	2	57 236	41 091
Other Income	3	10 229	4 454
Total revenue from non-exchange transactions		67 465	45 545
Expenditure			
Administrative expenses	4	(3 371)	(2 761)
Staff expenses	5	(27 032)	(24 190)
Marketing expenses	6	(2 213)	(280)
Auditors remuneration	7	(327)	(383)
Other operating expenses	8	(40 382)	(28 530)
Total expenditure		(73 325)	(56 144)
Deficit for the year		(5 860)	(10 599)

STATEMENT OF FINANCIAL POSITION
at 31 March 2007

	Note	2007 R'000	2006 R'000
ASSETS			
Non-current assets			
Property and equipment	9	1 636	1 202
Current assets			
Inventory	14	139	107
Trade and other accounts receivable	10	984	1 391
Cash and cash equivalents	11	4 158	8 116
		6 917	10 816
Total assets			
LIABILITIES			
Current liabilities			
Trade and other accounts payable	12	4 489	3 979
Deferred Income	13	1 160	-
Provisions	15	2 190	1 899
		7 839	5 878
Total liabilities			
Net assets		(922)	4 938
Represented by:			
Accumulated (deficit)/surplus		(922)	4 938
		(922)	4 938

**STATEMENT OF CHANGES IN NET ASSETS
for the year ended 31 March 2007**

	2007
	R'000
Accumulated surplus/(deficit)	
Balance at 1st April 2005 as originally stated	15 461
Correction of prior year income	76
Balance at the beginning of the year as restated	15 537
Deficit for the year	(10 599)
Balance at 31 March 2006	4 938
Deficit for the year	(5 860)
Balance at 31 March 2007	(922)

CASH FLOW STATEMENT
for the year ended 31 March 2007

	Note	2007 R'000	2006 R'000
<i>Net cash outflows from operating activities</i>		(2 724)	(4 840)
Cash receipts from: government (grants and project funding)		57 236	41 091
Cash receipts from: customers		10 037	20 556
Cash paid to suppliers and employees		(70 383)	(67 092)
Cash utilised in operations	16	(3 110)	(5 445)
Investment income received		395	622
Finance costs paid		(9)	(17)
<i>Net Cash Outflows from Investing Activities</i>		(1 234)	(942)
Purchases of property and equipment	17	(1 234)	(946)
Proceeds on disposal of property and equipment		-	4
Net decrease in cash and cash equivalents for the year		(3 958)	(5 782)
Cash and cash equivalents at beginning of year		8 116	13 898
Cash and cash equivalents at end of year	11	4 158	8 116

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2007

1. Accounting policies

The principle accounting bases that are followed by the company 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 statements of South African Generally Accepted Accounting Practice ("SA GAAP") including any interpretations of such Statements issued by the Accounting Practices Board, with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board replacing the equivalent statements of SA GAAP as follows:

Standard of GRAP

GRAP 1: Presentation of financial statements
GRAP 2: Cash flow statements
GRAP 3: Accounting policies, changes in accounting estimates and errors

Replaced statement of GAAP

AC101: Presentation of financial statements
AC118: Cash flow statements
AC103: Accounting policies, changes in accounting estimates and errors

The recognition and measurement principles in the above GRAP and statements of SA GAAP do not differ or result in material differences in items presented and disclosed in the financial statements. The implementation of GRAP 1, 2 & 3 has resulted in the following significant changes in the presentation of the financial statements:

(i) Terminology differences:

Standard of GRAP

Statement of financial performance
Statement of financial position
Statement of changes in net assets
Net assets
Surplus/deficit for the period
Accumulated surplus/deficit
Contributions from owners
Distributions to owners
Reporting date

Replaced statement of GAAP

Income statement
Balance sheet
Statement of changes in equity
Equity
Profit/loss for the period
Retained earnings
Share capital
Dividends
Balance sheet date

(ii) The cash flow statement can only be prepared in accordance with the direct method.

(iii) Specific information such as:

- (a) receivables from non-exchange transactions, including taxes and 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

(iv) The amount and nature of any restrictions on cash balances is required to be disclosed.

Paragraph 11 – 15 of GRAP 1 has not been implemented as the budget reporting standard is in the process of being developed by the international and local standard setters. Although the inclusion of budget information would enhance the usefulness of the financial statements, non-disclosure will not affect fair presentation.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2007

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

Residual values and useful lives are reviewed on an annual basis.

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 recognized in the statement of financial performance to the extent that the carrying amount of assets exceeds their recoverable amount.

1.5 Revenue

Revenue is recognized as follows:

1.5.1 Government Grants

Government grants are recognized when received in accordance with IAS 20 of SA GAAP.

1.5.2 Other income

Other income comprise mainly of revenue from service rendered net of "inter-group" transactions. The revenue is recognized when invoiced (revenue is recognized exclusive of VAT up to July 2005 and thereafter inclusive of VAT. Refer to note 5 in the directors report).

1.6 Retirement benefits

The company contributes to the National Productivity Institute Pension Fund, which is a defined contribution plan.

1.7 Provisions

Provisions are recognized 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 charged to the surplus or deficit on a straight-line basis over the term of the relevant lease. 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2007

1.9 Cash and cash equivalents

Cash and cash equivalents comprise balances with local banks, monies in call accounts.

1.10 Financial Instruments

Recognition

Financial assets and financial liabilities are recognized on the company's statement of financial position when the company 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 accounts receivable, prepayments and advances, provisions and trade and other accounts payable. 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 company's principal financial assets are trade and other accounts receivable and cash and cash equivalents

Trade and other accounts receivable

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

Cash and cash equivalents

Cash and cash equivalents are measured at fair value.

Financial liabilities

The company's principal financial liabilities comprise of provisions and trade and other accounts payable.

Provisions

Provisions are stated as indicated in note 1.7 above

Trade and other accounts payable

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

Derecognition

A financial asset or a portion thereof is derecognized when the company realizes the contractual rights to the benefits specified in the contract, the rights expire, the company 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 the statement of changes in net assets is included in net surplus or deficit for the year.

1.11 Comparative figures

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2007

	2007 R'000	2006 R'000
2. Revenue		
Revenue is comprised of the following:		
Government grants	29 372	23 944
Projects funding :- Workplace Challenge	7 865	7 420
:- Social Plan	19 999	9 727
	<u>57 236</u>	<u>41 091</u>
3. Other Income		
Services rendered	20 384	17 673
Profit on sale of assets Investment income	-	4
	395	622
Less: internal revenue (Inter-transactions with Workplace Challenge and Social Plan)	20 779	18 299
Total	(10 550)	(13 845)
	<u>10 229</u>	<u>4 454</u>
4. Administrative expenses		
General and administrative expenses		
Insurance premiums	(425)	(987)
Recruitment costs	(450)	(172)
Bursary costs	(690)	(255)
Board members fees	(127)	(79)
Entertainment	(199)	(19)
Stationery and printing	(167)	(161)
Bad debts written off	(685)	(571)
Bank charges	-	(128)
Training and staff development	(294)	(300)
Total	(334)	(89)
	<u>(3 371)</u>	<u>(2 761)</u>
5. Staff expenses		
Salaries		
UIF	(26 911)	(24 089)
Total	(121)	(101)
	<u>(27 032)</u>	<u>(24 190)</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2007

	2007 R'000	2006 R'000
6. Marketing expenses		
Promotions	(2 213)	(280)
Total	(2 213)	(280)
7. Auditors remuneration		
Prior year under recovery	(12)	(11)
Provision for the year	(315)	(372)
Total	(327)	(383)
8. Other operating expenses		
Consultants, contractors and special services	(29 187)	(18 836)
Seminars presented	(30)	(191)
Skills development levy	(215)	(176)
Maintenance machinery and equipment	(379)	(464)
Maintenance non -machinery and equipment	(52)	(106)
Depreciation	(800)	(610)
Municipal services	(21)	(104)
Travel and subsistence	(4 583)	(3 757)
Communication costs	(1 352)	(1 031)
Rent - Building	(3 763)	(3 255)
Total	(40 382)	(28 530)
9. Property and equipment		
Library	-	-
Opening net carrying amount	178	178
Gross carrying amount	(178)	(178)
Accumulated depreciation	-	-
Net carrying amount at end of the year	-	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2007

	2007 R'000	2006 R'000
Motor Vehicles		
Opening net carrying amount	-	-
Gross carrying amount	34	34
Accumulated depreciation	(34)	(34)
Additions	158	-
Depreciation charge	(11)	-
Net carrying amount at end of the year	147	-
	147	-
Computer Hardware		
Opening net carrying amount	728	519
Gross carrying amount	3 152	2 582
Accumulated depreciation	(2 424)	(2 063)
Additions	590	570
Depreciation charge	(465)	(361)
Net carrying amount at end of the year	853	728
	853	728
Computer Software		
Opening net carrying amount	308	140
Gross carrying amount	1 033	673
Accumulated depreciation	(725)	(533)
Additions	336	360
Depreciation charge	(258)	(192)
Net carrying amount at end of the year	286	308
	286	308
Furniture and fittings		
Opening net carrying amount	166	207
Gross carrying amount	3 717	3 701
Accumulated depreciation	(3 551)	(3 494)
Additions	150	16
Depreciation charge	(66)	(57)
Net carrying amount at end of the year	250	166
	250	166

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2007

	2007 R'000	2006 R'000
Total property, plant and equipment		
Opening net carrying amount	1 202	866
Gross carrying amount	8 114	7 168
Accumulated depreciation	(6 912)	(6 302)
Additions	1 234	946
Depreciation charge	(800)	(610)
Net carrying amount at end of the year	1 636	1 202
Except for motor vehicles, no other assets are encumbered.		
10. Trade and other accounts receivable		
Trade receivable	960	1 398
Less: allowance for impairment of receivable balances	(11)	(128)
	949	1 270
Other receivables	16	28
Prepayments	4	7
Advances	15	86
Total	984	1 391
11. Cash and cash equivalents		
Cash and bank balances with the bank	4 158	8 116
Total	4 158	8 116
There are no restrictions that have been placed on cash balances		
12. Trade and other accounts payable		
Trade payables	(1 674)	(383)
Accruals	(400)	(383)
Finance lease liability	(106)	-
Other payables	(2 309)	(3 213)
Total	(4 489)	(3 979)
13. Deferred Income		
Income received in advance in respect of projects	(1 160)	-
Total	(1 160)	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2007

	2007 R'000	2006 R'000
14. Consumables		
Consumables comprise stationery	139	107
Total	<u>139</u>	<u>107</u>
15. Provisions		
Salary and related expense provision		
Opening balance	(1 333)	(1 377)
Utilization of provision during the year	210	35
Provisions made during the year	(277)	(9)
Closing balance	<u>(1 400)</u>	<u>(1 333)</u>
Auditors remuneration		
Opening balance	(372)	(225)
Utilisation of provision during the year	286	225
Provisions made during the year	(316)	(372)
Closing balance	<u>(402)</u>	<u>(372)</u>
Deferred salary payments		
Opening balance	(194)	(315)
Utilisation of provision during the year	1 211	1 036
Provisions made during the year	(1 405)	(915)
Closing balance	<u>(388)</u>	<u>(194)</u>
Total provisions		
Opening balance	(1 899)	(1 917)
Utilisation of provision during the year	1 707	1 296
Provisions made during the year	(1 998)	(1 278)
Closing balance	<u>(2 190)</u>	<u>(1 899)</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2007

	2007 R'000	2006 R'000
16. Reconciliation of deficit for the year to cash utilized in operations		
Deficit for the year	(5 860)	(10 599)
Adjusted for:		
- Depreciation	800	610
- Profit on sale of property and equipment	-	(4)
- Investment income	(395)	(622)
- Finance costs	9	17
- Movement in Provisions	291	(18)
Operating deficit before working capital changes	(5 155)	(10 616)
Working capital changes	2 045	5 171
Increase in inventories	(32)	(27)
Increase in accounts receivable	407	3 423
Increase/(Decrease) in accounts payable	1 670	1 775
Cash utilized in operations	<u>(3 110)</u>	<u>(5 445)</u>
17. Cash flows from investing activities		
Purchases of furniture and equipment	150	16
Purchases of computer hardware	590	570
Purchases of computer software	336	360
Purchases of motor vehicle	158	-
	<u>1 234</u>	<u>946</u>
18. Contingent liabilities		
NPI has a bank guarantee of R693 614 with Nedbank. This relates to the lease contract that NPI concluded with Gensec regarding leased premises.		
NPI is also liable to Nedbank for R127 905 emanating from installment sale agreement entered into between the two parties.		

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2007

19. Taxation

No provision was made for taxation in the current financial year. NPI 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, 1962, being a "public benefit organization" as defined.

NPI 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. NPI is now included in the amended definition of "public authority" in terms of section 1 of the VAT Act

20. Related Parties

The company has not disclosed related parties transactions and balances with other state controlled entities as required in terms of IAS 24 of SA GAAP. The company is exempt due to its "non-profit oriented organization" status.

21. Operating lease commitments

The company leases offices under non-cancellable lease agreements. The leases have varying terms, escalation clauses and renewal rights. The lease rental expenditure charge to the statement of financial performance during the year is disclosed in Note 8.

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

	2007	2006
	R'000	R'000
Payable within 1 year	2 218	3 763
Payable after 1 year and thereafter	-	2 218
	<u><u>2 218</u></u>	<u><u>5 981</u></u>

PRODUCTIVITY NOTES

Your best investment for tomorrow, is to be productive today.



Shareholder Certificate

SOUTH AFRICA (PTY) LTD

hereby certifies that the bearer of this certificate is a productive shareholder in
SOUTH AFRICA (PTY) LTD

Shareholders undertake to adopt a productive mindset in everything they do. They are aware that no matter who they are, or what they do, they as individuals, families, groups, communities, and organisations are responsible for becoming more productive and for constantly finding better ways of doing things.

SOUTH AFRICA (PTY) LTD

shareholders accept that they all play an essential part in South Africa's productivity.

Sowing the seed of productivity grows a productive mindset.

Productive thoughts are nurtured and ripen into productive action.

Productive action is rewarded with a golden harvest, the fruits of productive labour.

SOUTH AFRICA (PTY) LTD

shareholders also acknowledge that their individual productive efforts all in some way, contribute to the economy and help to improve the lives of all South Africans.

Dated: 29 November 2006

SOUTH
AFRICA
(PTY) LTD



National Productivity Institute

Midrand

Private Bag 235, Midrand, Gauteng 1685
International Business Gateway
Cnr New and Sixth Roads, Midrand
TEL: +27 (0) 11 848 5300
FAX: +27 (0) 11 848 5555
E-MAIL: info@npi.co.za

Cape Town

PO Box 5289, Tyger Valley 7536
2nd Floor, Bloemhof Building, 112 Edward Street
(cnr Bloemhof and Edward Streets), Bellville
TEL: (021) 910 1591
FAX: (021) 910 1574
E-MAIL: info_cape@npi.co.za

Durban

PO Box 47600, GREYVILLE 4023
Suite 201, Cowey Park, 91 - 123 Cowey Road
Essenwood, 4000
TEL: (031) 268 9770
FAX: (031) 268 9777
E-MAIL: info_durban@npi.co.za

www.npi.co.za

ISBN 0-947015-75-2