



Economic Discovery in a Small Firm | Part 2

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Justin Barnes was not only speaking with Mansfield about the challenges and threats to Durban's clothing sector. With colleagues from the School of Development Studies at the University of KwaZulu-Natal and partners in his newly created firm, Benchmarking and Manufacturing Analysts (B&M Analysts), Barnes had been engaging with many companies working across the sector. His aim was to better understand the problems they faced and why they were in decline as an industry. He had meetings with companies that designed clothes, provided tool-and-dye services, were responsible for knitting, cutting, marketing, and packaging, and even some of those who served as retailers purchasing the final products. He also met with representatives from local, provincial and national government, learning about the strategies they were thinking of for the sector and the kinds of resources they may have to provide assistance.

The creation of KZN-CTC

The many different engagements made it clear to Barnes that Durban's clothing sector could in fact be an efficient, world class competitor—and not a sector in decline. The challenge was to bring all the different capabilities together within supply chains, across the city, and between concerned actors in the public and private sector. To do this, Barnes began convening joint gatherings with a variety of companies and government officials, to discuss problems, explore potential solutions, and develop a common understanding of the challenge all parties faced in making their sector work. These meetings led, in August 2005, to the creation of the KwaZulu Natal Clothing and Textile Cluster (KZN CTC).

The KZN-CTC is a not-for-profit public/private sector partnership of clothing, textile, footwear and retail firms in KwaZulu-Natal (the South African province in which Durban is located). It was started with the aim of boosting the competitiveness of this local industry to ensure its ability to compete in the global market. A partnership was considered necessary, given Barnes' impression that individual firms faced common problems that they could not resolve on their own. The KZN-CTC has continued to function based on this realization, which is reflected in the way it is introduced on the official web page:

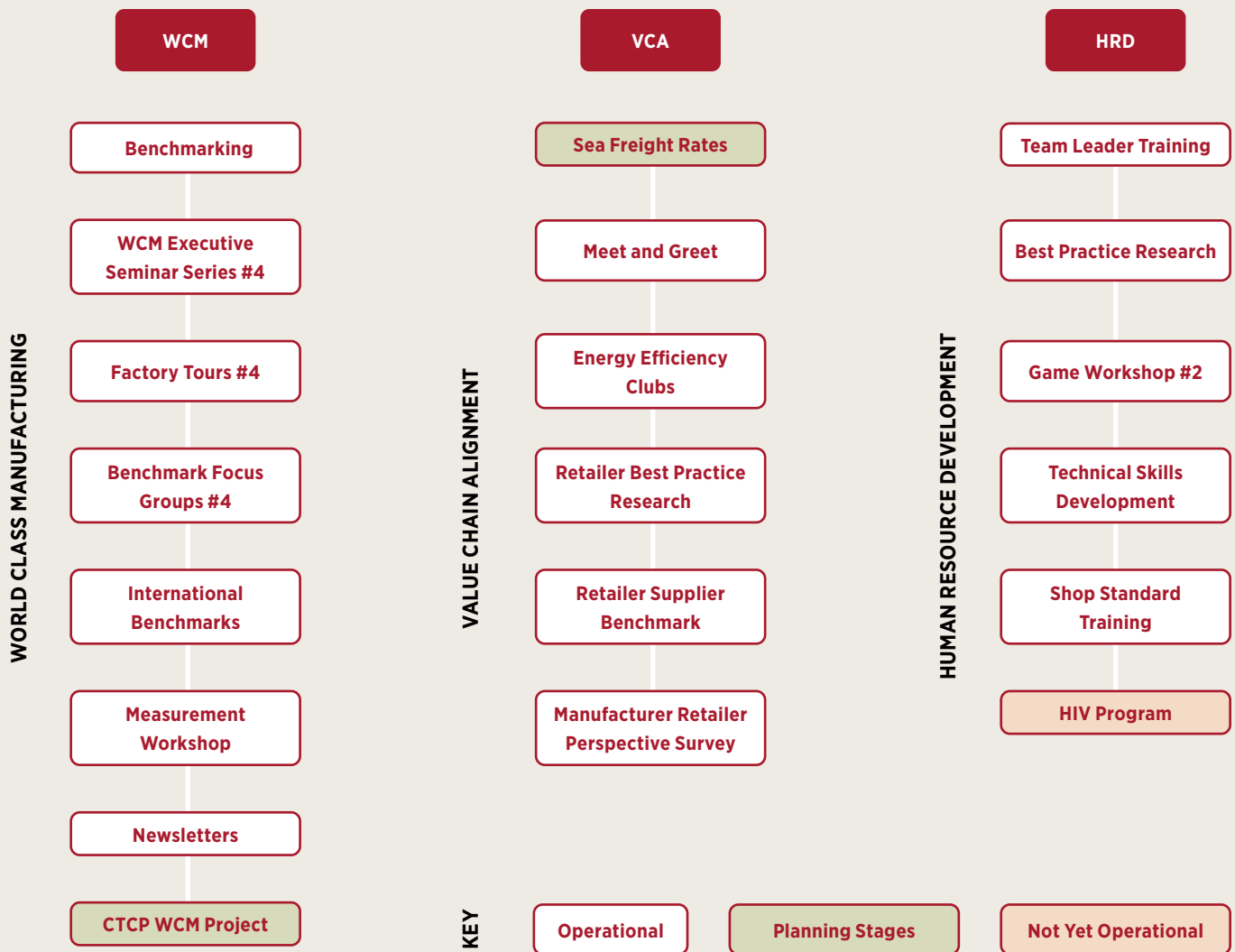
“As economies open up to international competition, it is critical that firms undertake joint interventions and pool their resources to meet the intensive competitiveness challenges that emerge. Clustering is therefore a progression from operating in isolation to recognizing that there are certain support activities that can be better performed in conjunction with firms confronting similar challenges.”

Barnes and his colleagues convened the KZN-CTC meetings at first, mobilizing representatives from different companies to discuss their challenges. Business-people attended meetings where they learned about cutting edge approaches that could help boost their efficiency. Cluster members learned about methods like total quality management, Toyota's production techniques, and practical problem solving methods from leading academics. Government officials met with

the groups to discuss policies, both proposed and already in place, and see how the firms could be better served to take advantage of opportunities these provided. More important, perhaps, was that Barnes soon had firms within the cluster sharing their own experiences and opening their facilities up to study tours by representatives from the other cluster members. In time, B&M Analysts began benchmarking members' processes against relevant international practices to help identify areas where efficiency could be enhanced, ultimately stimulating competitiveness.

The KZN-CTC quickly formalized, with an Executive Committee created. This continues to exist and comprises senior executives from member firms including a retailer, representatives of local and provincial government and the national level Skills Education Training Authority (Seta). Two members of B&M Analysts serve as facilitators of this Committee, which works with all members to develop flexible business plans to serve the industry. These plans have led to the development of various programs of activities, including the *World Class Manufacturing* program, the *Value Chain Alignment* program, and the *Human Resources Development* program. The three programs address improvement needs within firms' internal production processes, across inter-firm supply chains, and at the sector level. Firms learn from each other and beyond in the programs, combine forces to advocate for policy positions, and are informed about new policy opportunities that arise.

The following diagram shows activities under each program, as of late 2011.



Results for Justin Mansfield's Powerhouse Clothing, and the KZN-CTC

Justin Mansfield's Powerhouse Clothing became a member of the KZN-CTC, and he and his partners participated in various initiatives. Early manifestations of the 'Value Chain Alignment' program were particularly interesting to Mansfield. The focus of this program is on forging synergies between clothing and textile suppliers and the major retailers they support. The program benefits from participation by leading retailers and the Durban Investments Promotion Agency, but the key engagement comes from firms in the clothing supply chain. They work to structure mechanisms that ensure the right clothes are made, with the right products, according to world class processes, and on time, so as to beat products coming from other countries to local retailers.

This is not easy, given that firms like Powerhouse Clothing rely on a number of other companies to provide critical capabilities in producing its clothes. Although the company has its own in-house knitting operation, for example, 30 percent of the knitting is outsourced from local mills. It relies, additionally, on the work of three dye houses and an external screen printer. The majority of these other firms had been with Powerhouse for a long time when Mansfield began thinking of improving engagements. Mansfield found that there was still room to improve the quality and consistency of the supply chain they combined to form, however, and motivated by ideas from Barnes and the KZN-CTC, Mansfield took steps to develop a strong supply-chain management mechanism.

At the core of this mechanism was an I.T. system Mansfield and his partners at Powerhouse helped to create, called 'Sync.' It is an Enterprise Resource Planning (ERP) system that tracks and manages a product from the initial concept through production to final delivery, across firms. Sync has allowed Powerhouse to streamline its internal business processes and those within its supply chain, reduce lead times and increase employee productivity and overall profitability. "We're producing on average one million garments a month, which equates to 250,000 garments that need to be paid for every Friday," says Mansfield. "We work on high volumes and small margins in this country and the only way we can do that is by tracking the progress of orders right through the system."

The system, initially developed for Powerhouse, has proved incredibly useful and has become a profitable product itself. Since 2008, it has been implemented in over 80 clothing companies in South Africa and there is significant interest in it from abroad as well. Other clusters are attracted to the way it solves problems of coordination and quality control and facilitates dynamic competitiveness. These were the problems it was created to solve for Powerhouse.

By solving problems, Mansfield and his partners found a new opportunity through Sync—and a new product—Sync—for South Africa to sell abroad. With the help of Sync, an energized supply chain, and the support of the KZN-CTC, Powerhouse managed to keep its key retail contracts and establish new ones with clothing wholesalers in South Africa. Its new approach has led to growth of over 20 percent a year in an industry which has continued to shrink. Given this, Mansfield is optimistic, noting in 2011 that, "We don't see anything stopping us."

The KZN-CTC was also looking to the future optimistically in 2011, with 33 member firms that have had mixed records of success and failure but are keeping their doors open when many expected they would be closed. As Rob Stewart, Chief Facilitator of the cluster, noted in the 2010 Annual Report, "As usual, the Cluster will be in the thick of the action as we look forward to another year of service delivery." Their experience raises questions for those involved in development and industrial policy, which we would like you to consider:

- What key steps did Barnes take to help Durban's clothing sector?
- What positive impacts did they have? Why?
- What lessons could be learned about ways in which policymakers could lead economic growth in settings beyond Durban and in industries other than clothing?
- Do you have any similar stories to tell from your country? What common lessons emerge when thinking about those stories?