

South Yorkshire Knitwear -

The pity of it, the unfulfilled promise of a transformed factory

Introduction

A Leicestershire sock manufacturer set up a satellite factory in South Yorkshire in the late 1940's. From small beginnings doing finishing and packing of socks the factory extended into a purpose built factory, designed to make knitwear. At its peak it employed more than 2000 people. By the 1960's it was concentrating on making branded knitwear alone.

There were a number of changes of ownership and control, which ultimately by 1986 had seen the factory become one of many knitwear factories in a Group. However throughout those 50 years a strong family spirit developed. This was fostered initially by the founding family, and then by long standing Managers e.g. the General Manager and the Personnel Manager. In consequence generations of the same family worked at the factory, which throughout its history, with the Coal Mine, was the largest employer in the town. Notwithstanding the family spirit, the end result of generations of payment by results was a deeply entrenched situation where the employees collectively did not trust the management and the management in the main did not trust the employees. There was also a degree of lack of trust between the employees and their Trade Union KFAT (Knitwear Footwear and Allied Trades). The major activity for management and shop stewards and individual employees was the negotiation of rates for particular jobs, or for allowances to be paid as an excess charge when the employees felt that money could not be earned on the issued rate. Despite this guerrilla warfare the people liked working there and had close and long-standing friendships. The evidence of this being labour turnover of 10-15% p.a. against industry and The Group norms of well in excess of 40%.

In 1996 The Group made a strategic decision to separate its contract manufacture for Marks and Spencer from that with the rest of the High Street. The centrepiece of the High Street customer base was Bhs. Bhs had embarked on a major supply chain improvement initiative. They wished to focus on fewer better-resourced suppliers, with whom they agreed targets for growth, including The Group. The resultant Division attempted, during the following 18 months, to integrate 10 disparate businesses to provide a one stop shop for High street retailers for its wide range of products. The South Yorkshire factory and a commercial team based at the HQ were one of these businesses most of which, including Knitwear, were not established on a profitable footing. The Division's management had many immediate tasks one of which was to attempt to return the factory to secure profitability.

Key Elements of the Legacy

The loss of the mixed economy including Marks and Spencer work

The concentration of all the M&S work elsewhere had two effects. Firstly the large long running contracts for M&S Menswear which provided consistent activity levels were lost, leaving the factory over manned for its market, resulting in high costs of inactivity. Secondly a very complicated legacy set of customers was revealed to a new Senior Management team. Apart from Bhs and Laura Ashley they were customers placing small orders for which there might have been justification as activity gap fillers, but which were unprofitable on any activity based measure.

Lack of fresh ideas on site

The site management had been measured on the achieved levels of volume. Volume therefore became the overriding concern. In addition therefore to the I.R. problems referred to in the introduction, there was an endemically high cost of quality, which was also typical of the industry. There had been no stimulation of the management to manage in any other way. The factory layout was also typical of the industry. It was based on relatively large batches being

processed through each operation. This meant that 30 or more operatives handled each batch, at each stage of the process, after the garment was knitted. This made the problem of controlling quality very difficult because problems were spread out and there was supervisory pressure to get it to the next process stage. The total process typically took up to 6 weeks to complete. This also made it very difficult to manage complex orders with many sizes and colour variables, which was the nature of the market they were now supplying.

Lack of Investment

This plant had received little investment of any sort for many years. The machinery was old and a lot of routine maintenance was not conducted in a misguided attempt to keep costs down. Also the market for the products of the old machines was declining rapidly. Similarly the pressure on overheads and excess costs had virtually eliminated operative training. There was a high level of individual skills but very few employees were multi-skilled. The factory was therefore not equipped to provide an accurate timely service to its customer.

Very Poor Customer service

The combined impact of these factors was very poor service. Commercial and Production Management were spending an inordinate amount of time defending the indefensible. Laura Ashley, who traded happily with The Division on sourced merchandise, withdrew by the end of 1996. Ironically most of the business was sourced through The Division with manufacturers in the Far East.

Mid 1996 to November 1996- Creating the Climate for Change

Emergency Actions

The first task was to match the size of the workforce to a sustainable level of demand. The inherited work force was 450 employees. This was immediately reduced by 90, by seeking volunteers.

Volunteers were also sought among the knitters to be trained to work as a team on the new Japanese Shima computerised knitting machines. These machines had been bought for the business, and run for them by the M&S supplying company in The Group. The plant was not believed to be capable of running them when they had been bought 18 months earlier. A pioneering agreement for the Shimas had been made when the original purchase had been made for the M&S supplying company. This agreement was also offered to the South Yorkshire knitters. In addition the traditional knitters were also offered the staff salaried conditions contained within it, in return for a reduced salary based on the basic rate element of their piecework system. The intention was to end the guerrilla warfare by creating an adult employment contract in order to focus every one's attention on the customer, in order to save the business.

The knitters rejected the reduced salary after prolonged negotiations. During this time the company demonstrated its adult agenda by continuing to retrain the volunteers for the Shimas, however the huge level of losses were mounting and there was enormous pressure to close the plant. The sales budget for 1997 was completed which indicated the need for a further redundancy of 66 jobs.

The company's strategy was to give their customers new reasons to prefer them to their other suppliers. In order to give major retailers the reason to trade with them they decided to add value to the relationship by addressing two key issues for retailers. Firstly the speed of new product development to ensure that the offer in stores met consumers' fashion needs. Typical lead times from concept approval to manufacture were 16 – 20 weeks in the industry at large, partly governed by the retailer's buying procedures. The goal was 6 weeks. The second objective was to enable the retailer to have all sizes and colours on display at all times by creating an accurate responsive manufacturing system. The typical process time in the

industry was 6 weeks, which gives no real opportunity to respond to actual sales. The immediate goal was an average of 1 week, with much being processed in a day, which was the long-term goal. These changes were aimed at changing negotiations and expectations from a volume / price arrangement to one geared to providing first class customer satisfaction for the retailer and their customers.

The company believed that the only sustainable way to deliver the improvements in the factory was to ensure the active involvement of all its employees. The pressing threat of closure supplied a strategic imperative for change. If the Shimas were not being installed in South Yorkshire, the factory would be closed. This was a powerful concentrator of minds. The stark reality was a loss of in excess of £2 million on a turnover of less than £12 million.

The company sought the support of the General Secretary of KFAT and his District Secretary. The factual position was explained and they readily supported the initiative to provide a massive injection of a new manufacturing philosophy, training, and investment in the movement of the Shimas. As a consequence of ending piecework, the employees, who included all the mainly female employees who processed the garments after knitting, had to take large reductions in pay to a salary based on their basic rate i.e. exactly the same principal as that which was offered to the knitters. In addition the 66 jobs would be declared redundant. The company said that if the agreement could be struck they would employ specialist consultants, World Class International, to join with the company and its employees in transforming the factory and the service it provided to its customers.

The full time officers of KFAT carried the day with the active support of the employees' shop committee at a very stormy meeting of all employees. This was a critical watershed in the process of gaining acceptance from the employees that the company were operating to a totally new agenda, and that they were sincere in offering "staff" contracts with sick pay, monthly salaries and the ending of piecework. By this time the Knitters selected for training on the Shimas had received 3 days off the job team building training in the Peak District National Park and had done extremely well in their on the job training course at the plant of the M&S supplying Group company. They had seen management's new agenda in action. They were accused of being brainwashed by their colleagues in the rest of the knitting shop. Carrying on with their training certainly was helpful in establishing the company's good intent to the balance of the employees. It was also true that while the negotiations with the representatives of the post knitting employees came very late, and were very rushed, they did not believe that a few knitters holding out for more pay should risk the closure of the factory. This was despite their proposed earnings reductions needing to be much larger to return the business to viability.

In conclusion at this stage a number of key ingredients required to successfully implement change existed:

- A clear view that profitability could only be restored, by satisfying the needs of their customers.
- An understanding of what a changed factory would contain and how to create it.
- The strategic imperative of change or die, which the vast majority of people understood, and were committed to.
- The single-minded leadership required to paint the picture for every individual, and to make their role clear. In addition the supportive style required enabling people to change to do things, which were against all previously understood wisdom, not least to trust each other.
- Additionally the customer base had been focused to eliminate those that could never be made profitable.

The Creation of Change, the move to World Class Standards - November 1996 to July 1997

The consultants employed carried out an opportunity review in the period up to the Christmas shut down. The objectives were to:

- Identify the improvements available and to evaluate the costs, benefits and time scales required to deliver them.
- To start the process of change by drawing the factory's managers into ownership of the ideas for change.

The Consultants and the sponsoring Director presented their proposals to the January Board meeting and secured the commitment to set up and train a project team and with their involvement to create a pilot team, which had to be ready for assessment by the March Board meeting. The project team comprised a cross section of managers, supervisors, and employees from all stages of the manufacturing process.

The March Board meeting approved the plan for the transformation of the factory to be completed to a very tight schedule by the end of July. The context of this decision was the need to prove that the losses could be reversed in 1998 by the time that the budgeting process was started, in order to save the factory. To do this a high quality customer needed to be secured and developed alongside the principal customer, Bhs, in order to replace Laura Ashley.

The Training Intervention, the key to attitude change February to July 1997

The Objectives of the Training

- To give everyone an understanding of what "team working" and World Class manufacturing would mean for each individual at South Yorkshire.
- To build each team in preparation for returning to the factory.
- To replace piecework, as a motive force in the factory, with customer focused measures, including a passion for getting quality problems resolved at source, and a passion for schedule adherence.
- To gain understanding of and support for the new agenda.
- To have fun during the 2 days at the training centre in the Peak District.

The elements of the training

The first part of the course was designed to loosen people up. While they all came from the same factory many of them had not met before. The factory had not allowed people to move from one section to another. The teams were designed to complete the whole post knitting process, and we therefore asked them to split into pairs and interview each other and then report to the group about their discoveries! It is important to remember that for many to come away from home on their own in connection with their work for 2 days was a new and worrying experience. Many came reluctantly. We needed to rapidly establish them in this new environment, and to earn their trust. They feared being made a fool of by the "suits".

The second stage was to spend the rest of the morning learning the principles of world class manufacturing through the experience gained by playing the "Stickle Brick Game". The group, typically of 15-18 employees, who performed a variety of roles in the factory, was assigned different sorts of roles in the "Stickle Brick" factory. By playing the game for 4-5 rounds they taught themselves about the impact of effective plant layout, inventory control, quality assurance through method improvement, and the speed gains from single piece flow. Experiential learning is fundamental to changing the culture, and to giving people the self belief required to work as a team member rather than as an individual on piece work.

Learning in this way is also great fun. Lessons learnt in this enjoyable way are more profoundly learnt, than by chalk and talk, for an audience of experienced employees. An essential part of the programme was designing the course to meet the needs of its participants, rather than taking a standard package.

A key part of changing the culture was the change to a more adult trusting contract, with the elimination of piecework and the introduction of fixed salaries and sick pay. We therefore felt that we should explain the financial position the company was in by giving them the same unedited presentation that had been given to the Board, even though it was not designed for them. All subsequent presentations to the Board were also presented to the total workforce in their teams. A one off presentation does not convince workforces that management really is working to a new agenda. The presentation re-enforces the messages about the deleterious impact of piecework on quality and profitability, and enables the course members to add their own evidence to the case. They returned to their work determined not to be fobbed off again about knitting quality, and to build an effective relationship with the knitters supplying them from each shift.

From the final formal part of the day they were split into the 3 groups in which they would work on their return to the factory; the pre-dye part of the team, the post-dye part of the team, and a group carrying out other roles e.g. Press, pack and quality. During the course of training 10 teams we invited people from the HQ design and commercial functions as well as support staff from the factory to have the same experience. We specifically sought both to break down barriers and to gain acceptance for the changes. The commercial people particularly had suffered the first hand reaction of the customer to the previous poor performance. The commercial people had the opportunity to learn from their contacts to improve the way the product was developed in order to make it easier to manufacture. The final formal part of the day was spent learning the power of being in a team compared to being an individual through doing a paper survival exercise, which was an excellent precursor to the outdoor exercises of the 2nd day.

A typically relaxed evening followed dinner. It was amazing how differently each team approached their evening. The other companies using the training centre also sparked the difference. It was all an essential part of bonding the team. It was a wonderful opportunity for us all to get to know them as individuals and be seen as people, who were approachable, even if we did different jobs. Their ability to raise concerns in the factory on their return was fundamental to creating the open style of site management we wished to encourage. In view of the hierarchical way this factory had been managed this was a vital component.

The second day was designed to start the transition to work. It combined a light-hearted start with team building exercises outside and specific preparation for the task ahead. The 3 employee/supervisory members of the implementation team who were responsible with the management members of the project team for selecting the team members and designing the team skill base for the type of garments to be made, played a very important part in the preparation for the return. They were also responsible for the initial nursing stages for several weeks when the team returned to the factory. Each team christened itself before leaving the training centre. The creation of an identity is fundamental to any effective team. These names arose from the events of the two days and usually displayed a pithy humour. The outdoor exercises were not extreme in their physical demands. They required the teams to plan and carry out a task and evaluate their team's effectiveness. They were therefore, a model for the behaviours required to be a good team on their return. It demonstrated above all that active listening is vital and that apparently unusual ideas should not be lightly dismissed.

Each team left with clear objectives for their first day in the plant and a good understanding of the task ahead. They also fully understood that the factory and the teams were going to be measured on a wholly new set of measures related to providing world class customer service. Their new jobs had two overriding responsibilities, to provide excellent service by doing their jobs and to find ways to improve the process.

The knitters on the traditional machinery also went on the 3 day course, which their Shima colleagues had been on during the autumn. The Board feedback was also given to them during their course. Feedback from the knitters during the spring period made it clear to us that this excellent training lacked a key element of the 2 day course. This arose from the healthy problem solving activity between knitters and the sewing teams. We rectified this by running the "Stickle Brick" game for them, which received an excellent response.

During this period of training and establishing the teams it was clear that there were many doubters among the management, the employees and the commercial teams. Some retained their doubts to the end. It was vital that the policy was seen to be absolutely clear and that there was no going back. Doubters always challenge the difficult transition from a very maturely established system to the maturation of a new system. By the end of July all the teams were established. In addition 6 facilitators had been selected and had been given 5 days off the job training. Their role was to support the teams by attempting to prevent problems reaching the teams; to help the team resolve quality and other problems; and to help them resolve the inevitable personal conflicts that arise. They were not supervisors. The teams were involved in setting the targets to meet the customer schedules with their Facilitator and Production Management.

After the training and establishment of the teams we had the basis for a world class factory. The vast majority of the people were desperate to see the plant survive. The teams needed to ramp up their performance and create a consistent output. Management had to learn to manage this very different plant. During the spring a new computerised planning system was introduced which encapsulated the principal of due date planning rather than planning on the date of commencing knitting. The factory changed from a push flow to a pull flow. The combined impact was to enable on time manufacturing performance to be increased from 44% in 1996 to 90% in 1997. The status of the balance of the orders was clear in good time to enable priorities to be agreed with the customer in a way which prevented them from losing sales.

By July there were huge improvements in many of the measurable factors, which were creating huge confidence in Bhs and led to the commercial team securing firstly NEXT as a customer and latterly Littlewoods. These were displayed to The Group's new Chief Executive when he visited the site in June shortly after his appointment in May. This is included below as an illustration of some of the areas, which were transformed.

Before

1. 46 WEEK MANUFACTURING YEAR
2. INDIVIDUAL PIECEWORK WITH A FOCUS ON QUANTITY
3. 5/6WEEK THROUGHPUT TIME AND W.I.P.
4. HIGH COSTS OF WORKING CAPITAL
5. WORKFORCE UNINVOLVED WITH MEETING TARGETS
6. IMPERFECTS @ 3%
7. 1ST TIME RIGHT 50%
8. KNITTING WASTE 2.25%
9. SINGLE SKILLED INFLEXIBLE WORKFORCE
10. FULL OCCUPATION OF FACTORY SPACE

On Completion

1. 50 WEEK MANUFACTURING YEAR
2. SALARIED TEAMWORK FOCUSED ON QUALITY & CUSTOMER SERVICE
3. WILL BECOME 1 WEEK THROUGHPUT AND W.I.P WHEN THE PROJECT IS COMPLETE
4. MUCH LOWER WORKING CAPITAL

5. FOCUSED ON TARGETS
6. IMPERFECTS @ 1%
7. 1ST TIME RIGHT 80%
8. KNITTING WASTE 1.75%
9. MULTI SKILLED FLEXIBLE WORKFORCE
10. GROUND FLOOR FREED, PLUS PROCESS A NATURAL WORK FLOW CREATED

The outstanding targets were mostly achieved by the year end.

Raising standards and the body blow - July to December 1997

The business was under enormous pressure during the second half of the year. The Division's Board had its Chief Executive dismissed because of the mounting level of losses across the Division, including Knitwear. The Division's Underwear business was run down and closed. The new way of working had to demonstrate that profitability could be achieved in the 1998. This pressure was properly communicated to the employees who knew the scale of the task.

The peak period of demand for any UK knitwear business is the autumn. The new way of working was fully tested and a lot of development took place during this period. A key element was to work on each team's skills matrix in order to improve the team's effectiveness by multi-skilling. For the first time for many years the factory had a training school with 2 formally trained employee instructresses. In addition team members within their teams taught a lot of short cycle repetitive jobs. The "Right First Time" performance climbed steadily to 85% and maintained at that level. Imperfects fell to 1.2% from the historical 3.7% i.e. a third of industry norms. Individual teams achieved excellent output levels but were not yet able to be consistent, through partly internal issues and partly work availability issues. The working capital required came tumbling down from the peak mid year 1996. The value of work in progress fell by £834k. The average throughput was reduced to below 2 weeks. The space required to process the goods after knitting came down by 40%, enabling a new process flow to be implemented with all operations being carried out on one floor releasing the lower floor for warehousing. This improved the flow of merchandise to the customer because it removed the need to send goods to an external group warehouse.

NEXT and Bhs were delighted with the factory's service, which outstripped our competitors. The 1998 budget was conservatively pitched at a small operating loss, with the 1997 loss a reduction on 1996 but still large since it reflected the dislocation costs of the transformation. Littlewoods were asking to trade with us, initially in one product area but wishing to extend. The factory was at the end of the beginning and wished to be able to work without the sword of Damocles of closure hanging over it. At this point in December The Group announced the result of the strategic review carried out by new Group Chief Executive since his arrival. As one of many changes The Group decided to sell or close all The Division's businesses including Knitwear in order to focus on Marks and Spencer.

The Pity of it

The measurable improvement in the factory was undeniable on all parameters. This was exemplified by 5 styles moving from concept to available for distribution in the pre Christmas period in 5 weeks. The remaining vital element to get right was the team productivity measure. In order to return to profit, this needed to increase. All teams had performed well above the trigger point but they were not, as discussed above, doing it consistently. The skill training was at a point where the teams had a balance. Most of the team's internal issues had been resolved. They were all wishing to perform. In addition the customer reaction was to support the sale of the business. The sales performance in the first 4 months of 1998 was 55% up on Budget and 20% up on 1997. We had no doubt that given continuity the factory would have been profitable. The factory management and the Trade Union Representatives both gave excellent leadership during the period up to it becoming clear that we could not

secure a buyer, and during the 90 days prior to the closure. That allied to the wholly transformed culture meant that the employees did their best to demonstrate to purchasers what an asset they would be, and therefore this whole period was worked normally. The only interruptions were the result of Company sponsored efforts to equip the employees to find new jobs i.e. Jobs Fairs, Outplacement Training, and trips to potential employers' factories.

Sadly the only potential purchaser who showed real enthusiasm came when the order book had finally dried up. They therefore could not afford to finance a major activity gap. While we were convinced that the plant would have been impossible to sell in its old form, the general over capacity in the UK made us believe that the task would be difficult in its new form. In subsequent weeks several other significant knitwear businesses either closed or announced major redundancies.

Despite enormous progress being achieved on a range of measurable factors, including the above, this business as a result of unrelated strategic decisions has been allowed to die. Its parent group could have used the plant as a role model to reverse the inexorable decline of this industry in the UK. UK retailers need suppliers with the capability to provide, close to the market quick response, from concept to response to actual sales. The value of the huge amount of waste eliminated throughout the supply chain needs to be illuminated to demonstrate the real acquisition costs of buying in the UK. Closures and capacity reductions need not be inevitable if the strategy of involving all in the creation of this capability is pursued as part of a balanced portfolio including UK manufacturing and Off shore manufacture whether owned or sub contracted.

Finally 300 people who provided life in a depressed area will, depending on their individual reactions, either be ambassadors for this point of view or because of the closure, cynics. We hope that their new employers will harness the wonderful spirit and capability that they offer.

Executive Summary - Key points

- Major changes in culture can drive real measurable and sustainable improvements in profit generating capability providing the following are present.
- There has to be a strategic imperative for change, which is effectively understood.
- There has to be a clear vision of the changed situation and how to achieve it.
- There has to be strong and supportive leadership to carry people through the traumas of change. This will include identifying those who do not wish to change at any price and humanely releasing them.
- The details of "how" need to be created by those with the practical experience once they are equipped with the "what", including the principles and the clear goals e.g. 5 day throughput time.

Final notes

- The emotional commitment and the highs and lows experienced during the transformation cannot be put on paper. They are an essential part of the process of successful change. We enjoyed the company and wit of some wonderful people, many of whom e.g. the Facilitators shouldered a lot of the final burden during the closure period. It is sad that there was no lasting reward; however nothing can take away the achievement of every one involved.
- It is often enviously said that "green Field" start up business have an enormous advantage. The green fields actually have their own thistles. These are the perceptions of the people they recruit, which are based upon the way they have been managed by previous employers. Fundamentally any factory can be treated as a green field if your approach is appropriate. Stunning changes can be made & sustained. The pity of it is that The Group did not use this plant as a role model for securing more UK plants by creating exemplary customer service, close to the market. This project confirms my passionate belief that, leadership, which draws out

the latent ability of all, supported by an appropriate training intervention can transform any workplace. The biggest waste is that of our people's talent and enthusiasm, and eliminating it is our biggest opportunity.

A. Quentin Kopp - AQK Change Management. October 1998