



SUCCEEDING IN BUSINESS

Helping Philippine Enterprises Prosper in Challenging Times Manila, Philippines

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Overview

The ILO's Succeeding in Business (SiB) is a pilot multi-enterprise training programme for the upgrading of a group of **SME exporting factories**, in productivity, quality, workplace relations and labour practices. The end goal is to assist these enterprises survive and prosper in a time of economic downturn. The programme will involve **factories' workers and managers** in a training and factory-level consulting / improvement programme. A two day training session by leading experts will be followed by factory visits and consulting in the specific needs of individual factories.

Similar programmes have been run with factories in Sri Lanka, Vietnam, China and India, taking sectoral (garments, auto parts) and multi-sectoral approaches. The objectives of SiB, as with these earlier programmes, will be:

- To considerably improve enterprise viability through improvements in working conditions, labour practices, quality and productivity, demonstrating the direct linkage between good management and good labour practices;
- To foster better workplace relations and communications in participating factories;
- To develop the skills of participating managers, supervisors and workers;
- To further develop understanding and capacity of the ILO and local partners.

Background and initial results

The ILO conducted an extensive research programme on social and labour issues and the management of supply chains stretching to Asia and the Americas. During this work, one frequent request – made by multinationals, factories, employers organizations, workers organizations and governments – was for a programme to develop capacity at the factory level, providing local industry examples of how improvements can benefit local companies and workers. With this in mind, the ILO developed

the collaborative workplace improvement methodology proposed for SiB.

SiB will be based on introducing systems that support improvement in a range of inter-related areas – a unique aspect will be how the approach links quality, productivity, labour practices and health and safety. Past results using this collaborative methodology have included:

- Considerable reductions in both end-line and in-line defect rates, increases in productivity;
- Reduced absenteeism and turnover, improvements in communication and dialogue;
- Reductions in accident rates, improvements in working conditions and facilities.

These improvements were the result of literally hundreds of changes, large and small, made at the factory floor level. To illustrate, in one factory employing mainly female operators, the women using hand looms were all supplied with pressure mats, dramatically reducing leg fatigue – and in turn boosting productivity; in the same facility a new ventilation system was introduced, reducing the temperature in the non-air-conditioned facility; in addition, a rack storage system was introduced, an expense quickly recovered through reduced materials wastage.

In each factory, workplace cooperation and communications were strengthened, and as a result, relations improved. The programme promotes effective health and safety practices, for example the safe use of toxic materials, correct use of personal protection equipment and lighting needed for good quality. Due to changes in these and many other areas, productivity has, in each implementation, seen a rise across operations.

The SiB will focus on exporters in the Philippine – **either as fully owned subsidiaries or direct suppliers to international buyers**. In the Philippines, many exporters are involved in the manufacture and export of electronics, garments, rubber products, fabricated metals, plastics, electrical machinery, transport equipment and industrial chemicals. Given the deterioration of the global economy, many of these suppliers are currently facing various economic pressures.

SiB will address groups of factories but also ensure that each factory receives individualized assistance specific to its needs. Each factory will establish an improvement team, made up of workers and managers, which will drive improvement efforts. Improvement projects will be determined by factories based on expert advice and guidance. As such, the objectives of factories and the results of change initiatives will vary from factory to factory, allowing factories to ensure SiB complements on-going improvement efforts or existing programmes with their customers.

In similar ILO programmes, working with garment suppliers to

multinational brands, some specific improvements related to quality and productivity included:

Factory-specific programmes

Factory One: A programme focused on moving quality control to the point of production and away from overall 'control' through inspection resulted in the reassignment of 15 quality control inspectors, a savings of almost \$1500 / month to the factory. Factory One also implemented improvements in bundle movement, needle down time, incentive schemes and documentation / records that resulted in additional savings and quality improvements.

Factory Two: With an end of line defect rate of 12.5% in June 2005, Factory Two established a project task force under the project to explore primary causes and solutions to defect problems. By the end of the year, the defect rate had gradually been reduced by half, to 6% of total production. This was accomplished through a number of changes, including 5S, worker training, clarifying standards and changing the inspection procedures to put the focus on self-inspection.

Factory Three: Some small changes through the project can save considerable money or result in large productivity gains. Based on recommendations by the expert, Factory Three introduced the use of manual jigs for the production of collars and pocket flaps, at an estimated cost of \$20 per jig. This resulted in a \$1450 savings in the production costs for one order. Such savings will continue to accrue over time.

Of course, quantifiable improvements can be temporary or more permanent in nature. As with any factory level intervention, there is the danger that any improvements in working conditions, quality control interventions or other changes in the work environment can lead to only temporary increases in productivity, health and safety or other positive results. To avoid temporary improvement, SiB will target changes in systems, backed up by the understanding and commitment of the factory itself. It is for this reason that it is up to factories themselves to decide on which projects to undertake and which changes to implement, with guidance from the project's experts.

Collaboration for Improvement

SiB will be made up of training and in-factory consulting support, focusing on joint efforts for boosting productivity, improving quality and strengthening labour practices. The training as well as factory support will highlight the importance of:

- Broad-based worker / manager problem-solving.
- Systems-based approaches to factory improvement.
- Measuring progress for continuous improvement.

In the training, participants will learn about the importance of

communication and trust in building a cooperative and productive work environment. The tools introduced here will be useful for the continuing operation and improvement of each factory, so considerable time will be spent working with joint problem-solving approaches and understanding the basics of factory improvement, which includes continuous improvement and measurement.

Programme structure

As mentioned, SiB will be an intensive training and in-factory assistance programme. A two-day training programme for factories will be followed by in-factory advisory support. Experts providing training will later assess operations together with the factory and develop with the improvement teams of workers and managers action plans of change to be completed over the following months.

The first factory visits, supported by a leading expert, will be followed by follow-up visits and consulting by a local support team. There is an attempt, during both training and factory-level support, to further develop the communications between workers and managers, to increase consultation and worker involvement, and have considerable input on the part of factories.

Following three rounds of factory visits, during which factories will be strongly supported and encouraged on the development of their improvement plans, the project will convene a meeting of all factory participants together with local partners. At this meeting, factories will report on the results of their efforts, the improvements made and the impact of these improvements on both their competitive capacity and their internal relations.

Review Findings

In conclusion, the results of independent assessments of past activities using this worker / manager collaboration approach point toward the initiative's potential. One assessment, conducted by the donor, the US Department of Labor together with the ILO, following the programme in Sri Lanka, included the following comments:

- “The results achieved using the methodology ... has been **very successful...**”
- “ ‘inline’ and ‘end of line’ quality rejects **[cut] by 46% and 40%** respectively”
- “labour turnover and absenteeism have **reduced by 26% and 34%**”
- “[The assessment] team was **impressed with the number of changes** that had been implemented as a direct result of the project”
- “The brands interviewed stated that they had **witnessed remarkable changes** in the participating factories” (**emphasis added**)