



*Que Pasa en Mexico***What's Happening in Mexico . . .**

By—Gary Ratliff

 *South of the border, down Mexico way* 
There are great opportunities for KSA

Had KSA arrived in Mexico early in 1970, our somewhat smaller conquest would parallel the ease with which Sr. Cortes marched into Mexico. However, Mexican nationalism raised its head in 1971 and produced a law that requires 51% Mexican ownership of all business entities. If KSA solves the capitalization and taxation problems (as a foreign company we, or our client, are taxed at 46% of gross income), the market that could be penetrated certainly has a potential for enormous growth.

Interior Apparel/Textile Industry—Currently the National Apparel Chamber has approximately 81,000 employees registered to the transformation industry with an estimated 99 firms with over 100 employees. Its growth requirements are predetermined:

- During the last decade the number of apparel companies fell by 1.73%, the number of employees grew by only 1.55%, and the total population grew by 36% to 65 Million people.

- The extant industry dresses only one-third of the population with only six total garments. The remaining two-thirds is clothed by border smuggling or clandestine factories.

- Total annual peso increases in productivity is completely absorbed by an equivalent inflation rate of 15%.

The textile industry is faring somewhat better. Although cotton production was affected greatly by the peso devaluation, synthetic fiber production is expected to sustain an 8% annual growth. Our potential market as identified by *Bill Reed*—25 cotton weaving mills with 500+ looms, and 25 cotton spinning mills with 25,000+ spindles—should grow accordingly.

Border Industry—The entire 806/807 (U.S. Law) industry has not been identified as yet, but the El Paso/Juarez twin plant system is the largest on the border and a good example. Approximately 6,000 apparel assembly operators (in 29 firms) in Juarez are supported by another 500 on the El Paso side. Now 806/807 apparel employment in El Paso is estimated at 18,000. This hybrid industry is without a doubt beneficial to both sides of the border and an easy-entry market for KSA.

U.S. companies benefit by paying a low percentage taxation on the added labor value (80¢/hour) only. This also helps to ebb the 10,000 daily illegal crossings along

our 2,500 mile border.

Mexico benefits as a measure in reducing their 15% (of total population) unemployment rate.

Macro-Economics

- Mexico has enjoyed political stability for 35+ years.
- In size, Mexico ranks third in Latin America; second in population behind Brazil.
- Although smaller in population than Brazil, it boasts a 50% higher GNP per capita.
- Not only is it contiguous with the U.S., but it imports 63.6% and exports 60.9% of its goods to the U.S.
- The peso devaluation from 12.5 to 22.5 was a tremendous blow but the economy and capital flight seem to be returning.
- Although Mexico suffers from a 15% inflation, it is low when compared with other Latin American countries.
- Its foreign trade deficit has been reduced from \$3.7 Billion in 1975 to an estimated \$1.2 Billion in 1978, due mainly to the devaluation and the fact that it is now an oil exporting nation with oil reserves estimated as the world's third largest.

Current Engagements—*Robert Brown*, supported by his new bride, *Anne*, is staffing the \$126,000 first phase SRE job at Elizabeth King, S.A., the second largest women's wear manufacturer in Mexico. This job developed from KSA's participation in last year's CONFEXPO in Mexico City and is a real tribute to their confidence in KSA's ability. . . Elizabeth King is paying our taxes!

Jeff Gibson is finishing the \$58,000 MU implementation at Manufacturas Yedid, S.A. Yedid is a real KSA believer—they've used us for new plant planning, SRE, and QC—and have recently authorized a brief systems overview.

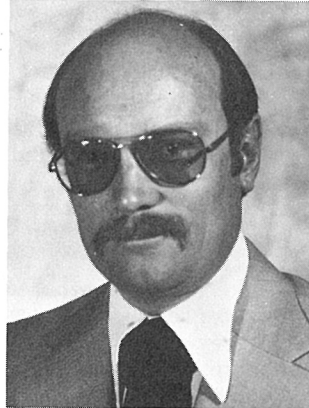
Howard Cooley, in pursuit of his personal desire to develop the border industry, has a current \$5,000 GM&M job with Van Gils, who is considering a tailored clothing 806/807 operation in El Paso.

There is also an on-going \$26,000 HRD program at Acapulco Fashions (Figure Flattery) in Juarez. With 1700 direct labor employees, it is the largest of the apparel "twins" in Juarez and represents another good step into the border industry.

The Future—If Dean Vought will permit me to quote from his recent presentation to the Mexican Government, I think he best summarizes what KSA could do for the textile and apparel industries:

"These industries are basic to any developing nation. The apparel industry, particularly with its high labor intensity, is important, not only in providing gainful employment, but also in its ability to produce a fundamental commodity needed by its population. The apparel industry is considered a threshold industry for introducing

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Chairman's Corner

Pressures and Opportunities

As will be clear from this column, KSA's current performance gives rise to important questions. On one hand, our overall volume of sales and fees earned are both at record levels, and on the other, our gross profit is below budget in the USA, and below our objectives in Europe. How can we do so well on volume and yet not meet expectations for bottom line performance? Of course, this is written with the results of only four periods available, and we have a good chance of making improvements before year-end.

Nevertheless, to understand the present situation, we must look at KSA in a broad historical perspective.

For several years prior to 1976, KSA's volume in real terms (taking into account the effects of inflation) was almost stagnant. This was particularly true in the USA, as Europe did register some real growth in this period. Stagnation was induced by a combination of economic recessions and rapid growth of textile/apparel imports in both the USA and Europe, which undoubtedly had a negative effect on KSA's business.

KSA's general response to these difficult conditions in our base industries was twofold. . . we expanded the international side of our activities, and we offered our services to new industries. In retrospect, considering the general position of KSA, both of these responses seem appropriate, although neither can be said to have been totally successful, nor without unanticipated costs and difficulties.

Internationally, we began developing business more aggressively in the Middle East, Africa, Eastern Europe, and South America. Only in Brazil did we establish a company and open an office. On balance, there can be no question that we are better off as a result of these international activities. We've had substantial contributions to both volume and gross profits, but in the process, we have learned a few costly lessons, and we are still paying for some of them. One such lesson deals with collections. We learned that, in order to get paid, it is often necessary to have irrevocable letters of credit *before* the work begins or, in other ways, obtain guarantees of payment. We are still trying to collect for work done several years ago in Algeria and Tanzania. We've lost interest income on the money that remains overdue. . . we've written off some of these accounts, and may have more write-offs.

Another lesson is that the political and economic climate in developing countries can change rapidly. This happened in Brazil, and more recently in Nicaragua. A similar situation developed in Italy—although Italy, of course, is not a developing country—necessitating our withdrawal.

Problems of this sort are part of the cost of doing international business. In our case, we moved ahead rapidly and may have paid a heavier price than a slower pace would have required. Be that as it may, I believe we've learned our lesson, but results are still encumbered by the mistakes made.

Regarding industry expansion, we are generally

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Canadian Life Style

By—Butch & Linda Price

Our only contact with Canada had been watching the Montreal Olympics on a battered TV in Corinth, Mississippi, and our image of the typical Canadian was a bit vague. . . something between a Mountie and Chinook of the North. We also figured they revered the Queen, but voted Democratic like the rest of us “good 'mericans.” Here are some truisms we've discovered during our year in Canada. . . Quebec and the rest of Canada are two separate entities. In Canada, they still revere the Queen while in Quebec, they cherish DeGaulle. The French Canadians in Quebec call themselves *Quebecois* to distinguish themselves from other Canadians. They have a separate language, a distinct culture and, if their leaders are successful, they will have a separate country.

. . . The majority of people in Quebec are bilingual, however, their grasp of English deteriorates rapidly when directions are needed.

. . . Learning French isn't difficult until you try to retrain your tongue to make funny, rolling *rrrrr* sounds. Translations can be unpredictable. . . we once startled our French teacher by translating a rather innocent phrase into “we enjoy making love on tennis courts.”

. . . Two feet of snow in the yard is beautiful. . . 10 feet is awesome.

. . . Maple sugar trees are easy to spot. . . they're usually painted with yellow X's.

. . . Quebec has the best French food and the worst hamburgers in North America.

. . . Summer in Quebec begins and ends around July 3.

. . . Watching the snow fall is the favorite sport of most Canadians. . . shoveling and swearing are second and third, respectively.

. . . In the dead of winter, a dozen teams of canoeists race across the partially frozen St. Lawrence Seaway, alternating between rowing through openings in the ice and running along the top of the ice floes. The only competition in the States that compares with the excitement and danger of this event is the annual Opp, Alabama rattlesnake round-up.

. . . Pastries, French wine and cheese are to Quebecers what Moon pies, Boones Farm, and Big Macs are to Americans.

. . . It has been said that Canada had the opportunity to combine English government, French culture and American ingenuity. Instead, Canada is comprised of English

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THE KSA OBSERVER

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Editorial Board: *Mary Baach* *Joe Scheines*
 Jack Johnson

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In Memoriam

Robert D. Pee

It is our sad task to inform you that, while this issue was being printed, *Bob Pee*, one of our Vice Presidents and our Director of Personnel and Professional Development, died suddenly on June 24, 1978 at the age of 53.

As reported elsewhere in this issue of the *Observer*, Bob had recently celebrated his 25th year with KSA.

Bob, who was born in Altoona, Pennsylvania, received his BSIE degree at Pennsylvania State University before joining KSA April 1, 1953. His career with KSA began in the Engineering Division with on-the-road assignments, but he and his family have been settled in Atlanta since the late 50's. He was promoted to Principal in 1960, and became a Vice President in 1974.

Bob was admired, respected and genuinely loved by all colleagues from peers to the youngest trainee fresh out of college and the most recent support staff. His sincere and deep feeling for people, his ready smile, sense of humor, and willingness in helping solve even the most minor personal problem endeared him to everyone. He was truly a mature and organized individual, and one sweet man.

He was a Vice President and founding member of the Apparel Education Foundation, headed the Education Committee of the American Apparel Manufacturers Association for a number of years, and was President of the Atlanta Textile Club in 1977. He was also active in community affairs and extremely active in his church in which he had served as an Elder. Although he contributed a great deal of time to various church activities, perhaps his greatest interest and contribution had been as teacher and advisor to the youth.

Bob's immediate family consists of his wife, *Betty Lou*, and their five children—*Robyn, Libby, Ginny, Bobby* and *Tommy*. He also leaves a sister and literally hundreds of friends throughout our company, the industry, the community, and his church.

KSA and KSA'ers will miss him sorely, both personally and professionally. We are grateful for our 25-year association with such a man as Bob Pee and wish to express our deepest sympathy to Betty Lou and the children in our bereavement.

Johnson, Pee, Roberts Mark 25 Years With KSA . . .

Yet another testimonial to the prescience of *Abbie Jean Quick*, Superior Recruiter, was paid in April when three KSA Vice Presidents celebrated their 25th anniversaries with the company. *Jack Johnson*, *Bob Pee*, and *Zeb Roberts* were all interviewed by Abbie Jean within a two-month period back in 1953, and she liked what she saw. So has KSA, ever since.

Since all three happened to be in New York at the same time, along with their wives, an informal gathering was held to mark the historic occasion. With the aid of EXCOM members and other KSA'ers who happened to be in the neighborhood, there was much toasting, reminiscing, alliterative poetry-reading, and picture-taking.

Shown are some of the results, and following is a poem that neither alliterates, scans, nor rhymes. It was found on a wall after the party ended. No one knows what it means.

3 x 25 = 93

Scream of Eagles . . .
Lion's roar . . .
3 times 25 is more . . .
than what you think.

But KSA knew better!
by adding Jack and Zeb to RDP
We got a synergistic 93.
Rah!

Chairman's Corner—Cont.

pleased with the selection of new industries. We are working toward our objective of becoming equally pre-eminent at the whole consumer products/services segment as we are in textiles/apparel. However, in some cases it has taken much longer than expected to develop a meaningful position in new industries.

Health Care is doing very well, and Retail is on the up-swing. Food and Lodging is contributing nicely . . . the work—limited to Holiday Inns—was the result of our opportunisticly taking advantage of their interest in our services. Hence, no development cost was associated with the start in this industry.

Furniture and footwear are very new and progress is being achieved. As with most new industry efforts, however, volume can be expected to be marginal at best. The delays and constraints of working through the government bureaucracy on one hand, and a disappointing start with Mr. Weston on the other, have resulted in lower than planned volume in footwear thus far. Our arrangement with Mr. Weston and associates remain tentative and will not be formalized until we are satisfied that we can work together successfully.

Mining, also the result of grasping an opportunity that came our way, is doing very well, and those close to it feel that volume can be expanded.

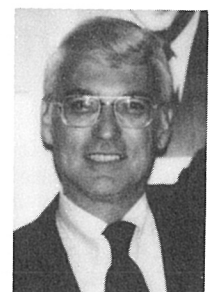
So there you have it . . . at least a partial explanation for the apparent contradiction between generally strong volume development in 1978 and the somewhat disappointing gross margins. In the face of stagnation we undertook both international development and industry expansion.



Johnson



Pee



Roberts



L to R: Carolyn Roberts, Gloria Johnson and Betty Lou Pee smile happily on this unprecedented occasion for KSA . . . their husbands look over the right shoulder of each.

We have paid, and are still paying, a price for these efforts, but we are convinced that both were right for the long term.

We must support these ventures that show progress and pull back from those where fundamental conditions are no longer favorable. It is human to want to hold onto something one has started. The thought of "giving up" is not attractive, but we must impose on ourselves the discipline of rigorous examination of our problem. I am confident we can do that. I am also more confident now than I've been for a long time that KSA's business has a strong foundation and that the future is bright. Our financial position is strong and I believe we have again moved into a long-term growth pattern.

—SAK

Coming Events

- Sept. 11-14 American Hospital Association Show, Anaheim, Calif. KSA will exhibit and present speech.
- Sept. 18 Bobin Magazine Seminar on imports, Atlanta, Ga. KSA will participate (*John Wilcox* and *Bob Frazier*.)
- Sept. 19-22 Bobbin/AAMA Show, Atlanta, Ga. KSA will exhibit. Attendance details forthcoming.
- Sept. 14 American Yarn Spinners convention. KSA Delphi Survey of Yarn Industry will be presented.
- Sept. 16-22 Furniture Show, Louisville, Ky. KSA will exhibit.

Random Recollections

By— KS

Foreword—It has been suggested by several KSA'ers that I contribute a column and tell something about the development of our practice. Some of our older readers who have "heard it all before" may wish to skip reading it and thus save themselves the agony of repetition.

Thirty-nine years of pursuing the career of a management consultant entailed many memorable occurrences. Not all had humorous overtones. Not all did me credit. . . those, somehow, proved less memorable. May you enjoy the ones which did.

Starting a Consulting Practice—I was a textile engineer with four and a half years in the hosiery industry in Nashville, Tenn. My work encompassed designing, production control, yarn purchasing, personnel work, and supervision of the knitting department and "grey" mill. This meant departments beyond the knitting room such as looping, grey inspection, grey stock, dyehouse and boarding room.

I had also been the plant industrial engineer through collaboration with consultants hired by my employer. They needed in-house assistance and it developed that I was the only available young man who could operate a slide rule with some facility and had process knowhow.

Why and How?—Two factors caused me to think about starting a consulting practice. First, my job was in jeopardy because the general mill superintendent felt threatened by me, was politicking hard to get me out. . . and rather good at it! Secondly, I was earning \$50.00 a week and the consulting firm received \$7.00 an hour for its man. That impressed me very much. So, I began to make weekend trips to a number of hosiery mills in the area trying to sell my services as a consultant in a product area where I had accumulated some specialist knowhow. I was unsuccessful. . . I had no track record.

Why Apparel?—One of the consultants employed by my firm had left and, with the aid of a local friend of the Washington Manufacturing Company—a 10-plant apparel conglomerate at that time—landed them as a client.

He spent about four to six weeks in each factory, time-studying operations and converting existing piece rates into a standard/hour incentive plan. He got on quite well at first, but had a habit of writing letters to headquarters in Nashville complaining about the caliber of the superintendent, the foremen, the mechanics, etc.

When he first started this, Mr. Guy Comer, Washington's President, said, "Well, we are really gonna get straightened out!" The fifth time it occurred, his reaction was somewhat different: "We've been doing things all wrong; we've been in business since 189? and making money every year, which we had no business making, considering the terrible bunch of people we have assembled to help us do it. There may be something wrong with *that* guy. Let's get rid of him!" That ended the program, but in spite of the disenchantment the consultant created, an appreciation for engineered standards, improved layouts, etc., had been engendered.

The same gentleman who had introduced Mr. Vitol, the consultant, to Washington then introduced me to them. . . Mr. J. W. Fite, the now deceased founder of Cutters Exchange.

I could not claim garment experience and, when asked whether I could do them some good, replied that I'd like to have a look at one of their plants first.

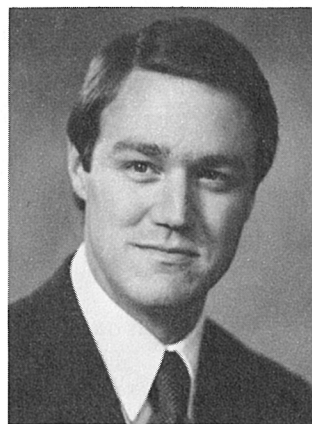
I was amazed to find apparel manufacturing much simpler than that of hosiery. In the latter, our raw product was yarn, the machinery complex and tricky. The toe-closing process or looping involved a great deal of skill, and then there were all the mysteries of the dye-house. In apparel, they started with a semi-finished product—a piece of cloth—cut it up and sewed it back together, an infernally simple process by comparison. . . or so it seemed.

Their layouts left much to be desired and I felt that I could answer their questions in a positive vein with good conscience. The upshot was an offer of a three-month trial as a consultant—at the magnificent sum of \$300.00 per month—in the playsuit department of their Scottsville, Ky. plant.

What to do? Three months' security was a mighty short time when you had a wife, one and a half children, and a bunch of furniture bills to worry about. Yet, the pay represented a 38% increase and would give me better than four months pay at my ongoing rate. . . and time to look for something else.

There were five more plants to be engineered and I felt fairly certain I could do a good enough job with the first department to merit their consideration for continuance. Besides, I was about to get fired anyway! So, I accepted the offer and our present-day *Apparel Division* was launched.

Principal Appointed



Congratulations to *David A. Perdue* on being promoted to Principal.

With his Georgia Tech BSIE degree, David joined KSA in 1972, and then returned to Georgia Tech in 1974 for his Master's in IE, with emphasis on computer science. . . while doing so, he devoted time to KSA's Systems Training. Since returning in 1975, he was on a PD project, and has since been involved in systems assignments in apparel, health care and SLM. . . the MU of the footwear industry. Currently, he has overall management responsibility for our SLM practice and is involved in the footwear industry program sponsored by the Dept. of Commerce.

Congratulations

Dwight Totten and *Kathleen Harrison* were married April 8 and are happily settled in Atlanta. We hear KSA was responsible for their meeting. . . . *Rob Brown* and *Anne Frey's* wedding was April 29. Lack of cooperation from the Mexican Government delayed Rob's departure, so "getting to the church on time" concerned him. He made it. . . and they are now living in Mexico City. Much happiness to our newlyweds.

Eugenia and *Fernando Silva's* son, *Eduardo Laster*, was born March 31. . . . It was also a son, *Jean Martin*, for *Solange* and *Jacques Brault*, April 1. Best wishes to the new parents.

KSA/USA

By—Jack Ullman

Our Glass is More than Half Full—After five periods:
 • Sales are running at an annual rate of \$14.5 Million, 9% above forecast and 19% above budget. The breakdown:

Group	% of Budget	Annualized Sales
Apparel	124	9,273,000
Textiles/Home Furnishings	84	1,946,000
Footwear	89	575,000
Retail	105	525,000
Health Care	172	966,000
Mining, Food & Lodging, Others	166	1,260,000
.....		
Included above:		
Third World (Brazil & Others)	85	1,400,000
MMD	122	9,043,000
MSD	115	5,503,000

- Volume—Fees through five periods are up 17.6% compared with 1977.
- Expenses—In line and under control.
- Net Profit—6% (adjusted for missing BI's.)

One might ask how this squares with the comments made in Stig's column. In an oversold position such as we are currently enjoying, our profitability normally should be 7% or better. It isn't and wasn't budgeted that high for the reasons discussed by Stig.

Outlook—Certainly, the economy and our sales are performing better than we dared hope six or even three months ago. Our performance is improving each period. Our weak areas are strengthening and strong areas holding their own.

Even if one wishes to discount the "JJU optimism factor" we should be able to end the year at our budgeted level of profitability if everyone of us focuses our individual attention outwardly—on client work.

Our diversification is beginning to pay off. That's clear from the above sales figures. The cost of this diversification still has a depressing effect on our profitability as covered by Stig but will pay off in the long run. Borrowed European staff, associates, and higher utilization/fee rates can make up for the 3-5% shortfall in capacity indicated at this time.

Risk Factor—Even my optimism cannot ignore the concern we must all have in the light of overall economic forecasts for late '78 and next year. The prospect of double digit inflation is frightening indeed, but it would appear that if there is to be a recession it's not likely to hit us during the current year. We will carefully consider what, in our judgment, will be the effect on the '79 economy as we do our forward planning.

In Summary—Despite a few weak areas (strengthening every day), we have the makings of a WINNER. This will be KSA/USA's record year and will yield real growth of 5-10% for the first time in several years. It can be a record performance year as well.

It's up to each one of us individually to maximize our personal contribution. The opportunity is ours!

Tenth Anniversaries

Under one of many hats, you'll find *Doris Oakley* of the Greensboro office, who celebrated her anniversary on April 1.



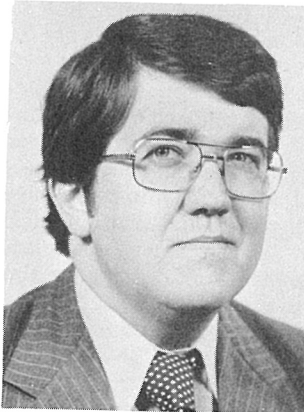
Ten short years ago we talked Doris into leaving a "comfortable" job with Burlington Industries to join our administrative staff. Our only promise to her was a full time (plus) job involving an unlimited number of administrative functions...really implying that we'd keep her busy. She recently reminded us that KSA does keep its promise!

Somehow, Doris finds time for outside activities.

Both she and her husband, *Bill*, devote a great deal of time to church work...particularly the youth programs sponsored by their church.

We congratulate Doris on her 10 years and welcome her to the Greensboro club which boasts of 100% membership...all full time office staff have celebrated their 10th with KSA.

Bob George received the traditional watch and marked ten years of KSA service on June 10. He joined us fresh out of N.C. State where he received his B.S. degree in engineering operations. After training and some early exposure in MMD, he settled into PD practice where he



soon made substantial contributions. During this time he established himself with various old KSA clients—Cowden, Salant, Bayly, to name but three.

It has been a fast moving ten years for both Bob and KSA. He was promoted to Principal in January 1973, assumed the task of PD Functional Manager in 1975, and in August 1977 was asked to assume responsibilities for KSA efforts in Interior Furnishings group of industries—carpets, bedding, draperies, domestics and furniture. While doing this he has functioned as a very efficient account executive and project manager for numerous clients.

Congratulations to all the Georges and we look forward to many future anniversaries.

Canadian Life Style—Cont.

ingenuity, French government, and American culture.

Living in Canada has meant adjusting to subzero temperatures and massive snow falls for much of the year. The beauty of the land and the friendliness of the people—particularly in Quebec—have more than offset these minor problems. It's been beneficial for us...we've learned a little French, eaten a lot of great food, and we've been able to teach French Canadians the proper use of the term y'all.

Broadening and Raising our Profile

By—John Wilcox

During 1978 we're undertaking a very ambitious program involving a Delphi Survey of the apparel industry. In September, 1977, in the preliminary planning, it was agreed that the project would have a number of major objectives:

- Focus industry attention on key issues facing it in the coming years;
- Point the direction in which our services should be heading and, as a corollary to this, provide support for certain services we now have, such as strategic planning, HRD, etc.;
- Make contact with a number of important non-clients with whom we would have little opportunity otherwise;
- Develop effective PR pieces which can be used in Perspectives, newspaper releases, etc. As an outgrowth of the study we can also follow up with more in-depth studies of certain points, seminars, etc.

We are well along in conducting the survey. The questionnaire contains 20 questions covering every major facet of apparel from imports to trends in products, to financial performance and an open forum question at the end.

The Delphi technique suggests that if one wants to determine the long term (20+ years) trends in an industry, an accurate forecast can be derived from polling a group of industry leaders. The survey needs to be structured so that any questions asked are supported by back-up data to set the stage for the question. Also, the process involves several iterations: An initial questionnaire is distributed, the responses tabulated and redistributed and the participants asked if they would like to change their answer based on initial responses. This can be taken through two, three or four iterations.

The questionnaire was mailed to 500 apparel manufacturers, suppliers and retailers asking them to develop consensus about the shape of the U.S. industry in the year 2000. We've had an extremely good response and there's no doubt it will be a successful survey. Some companies said the questionnaire was too involved and that they felt inadequate to answer it. . . others felt it was very stimulating. A number wrote *Joe Scheines* thanking him for the request to participate, citing it a good experience. One company formed a Delphi committee and asked functional executives to complete various aspects of the questionnaire.

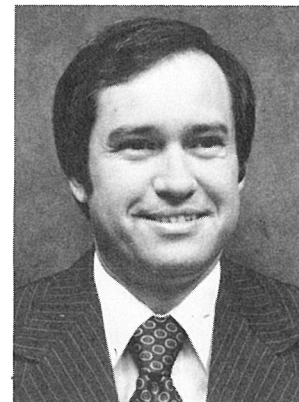
The exercise is important because of the many outside factors impacting our clients' businesses. Imports are the most publicized but there are others such as government intervention, the problems with proper availability of capital, labor supply, automation, etc. We have opinions about these things without conducting a survey; however, there's no question that the results will be useful in broadening our perspective as well as validating those opinions we now share.

Many of you have probably seen the questionnaire and have clients who were asked to respond. Also, we had a test group within KSA participate in filling out the questionnaire. Once we are finished, the results will be published in the form of a "Perspectives." We also plan to have a more in-depth internal memorandum of results.

As a result of conducting this survey, we hope to raise and broaden our profile regarding the future prospects of the apparel industry.

New Staff

M. Ronald Everett. . . .
Age 35. Wife *Linda*. Two children. BBA-Management, Georgia State University. Over 14 years experience in hospital administration, most recently with Brookwood Medical Center in Birmingham, Ala. Based in Atlanta assisting in project work and business development for HIC. Interests: Quail and duck hunting, bass fishing, golf, tennis.



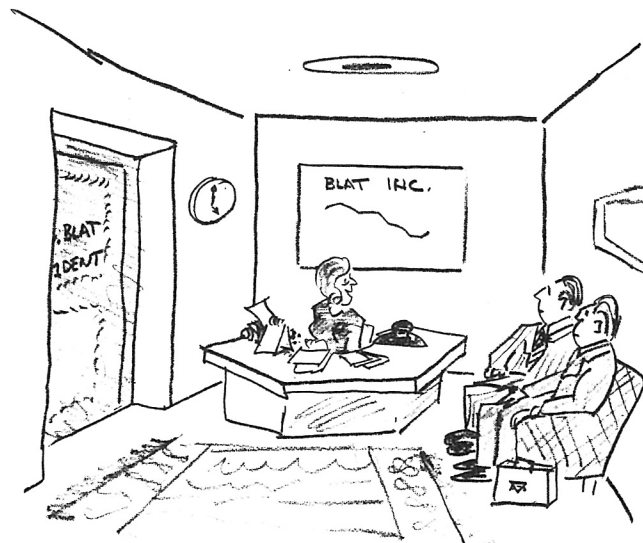
Mexico—Cont.

industrial employment. At the same time, productivity is the key element in apparel, and the management techniques needed to make it a productive industry are critical to its development. Mexico should have a large and productive apparel industry to provide the products it needs, as well as the employment it needs. Kurt Salmon Associates is uniquely qualified to assist the industry, and provide and train Mexican management with the techniques to make it productive.

"We have recently been involved in doing studies for the two largest synthetic fiber producing firms in the U.S., evaluating the economics of domestic vs. import vs. 807 operations for apparel products distributed in the United States. One study clearly showed that the difference between exporting to the U.S. and its not being economically feasible was a 10% productivity improvement for the exporting nation. In order to be internationally competitive, Mexico will need to have a *productive* apparel industry.

"We are of the opinion that the 807-type operation for the next several years can be a very worthwhile instrument for the economics of both Mexico and the U.S. It can provide good employment for the Mexican work force, as well as offset labor shortages in the U.S."

The military and religious conquest of Mexico required 175 years. With only months of serious consideration, perhaps KSA's conquest is ahead of schedule.



We had consultants last year. . . Mr. Blat threw them out.

Punch-Drunk on May Wine

(Public Relations Report)

On a single day last May, the PR Dept. dealt with the following: A 12-page layout for a Perspectives on the Textile Financial Performance Profile; analysis of the Apparel Profile; research for an update on our Soft Goods Outlook; a speech introducing the results of KSA's Carpet Delphi study; slides for same; transporting four new Bulletins on health care management services to a hospital show in Atlantic City; a search for display units for our exhibit at the same show (finally located in Broken Crutch, N.C., where they had been off-loaded for the night); last-minute corrections for a Portuguese translation of a Textile Perspectives (where do you break the word "pouco"?); and a last-minute mailing to promote attendance at our Financial Luncheon. (May was loaded with last-minutes. . .)

Unfortunately, such a mix of activities was fairly typical for the second quarter. Variety is not the spice of life; when overdone, it becomes a great big headache.

Everyone in PR was punch-drunk for a while. Most severely afflicted was *Debbie Galloway*. Her responsibilities for collecting and processing Profile data, the carpet Delphi, and the hospital show caused her to hear birds chirping at all hours (and she worked all hours, logging 250 in the fifth period alone!)

Kathy Couch had an easier time of it. The calendar allowed her to bob and weave her way through the Greenville textile show earlier in the period, while there were only two other things going on. Consequently, when the Textile Profile data were sent back to the computer just as she got involved in Portuguese slides and a health care speech, she never flinched.

Up in New York, counterpunching was the order of the day. Using Express Mail to maximum advantage, *Dave Eldredge* set up a long-distance printing service and turned out over a dozen pieces in six weeks. He only cracked once, briefly, when he discovered he had been working simultaneously on four separate sets of slides instead of three.

Your correspondent, a veteran of May Madness and punchy withal, chirped along with his own private flock.

When ticket sales for the Financial Luncheon lagged dangerously (we were thinking of switching it to Burger King), he instructed his faithful secretary to start calling her family and friends. Thus unleashed, *Jill Steinberg* sold up a storm. Now, if we could only collect. . .

Scoreboard—Our Financial Luncheon, introducing KSA's Sixth Annual Apparel Profile and Seventh Annual Textile Profile, was a success. We finally sold enough tickets (105) to break even, a total audience of 162 heard *John Wilcox*, *Josh Taylor*, *Ralph Ross*, *Dean Vought*, and a panel of investment, banking, and industry representatives discuss financial performance among public soft goods firms. This has become an annual fixture.

Since our last report, the PR Dept. has also produced:

- A Carpet Delphi Survey (*Bob Saunders* introduced it); a Retail and a Textile Perspectives; four Textile Service Bulletins; article in Textile World (*Josh Taylor*); four Health Care Service Bulletins; speech (*Paul Flood*); Imports article (*John Wilcox*); Cutting Room article (*Nort Eberly*); Strategic Planning Bulletin; Portuguese reprint of a Textile Perspectives; Portuguese slide presentation (*Doug Moore*); Apparel Imports speech (*Bob Frazier*); Retail Systems speech (*Jim Giddings/John Wilcox*.)

One of our busiest quarters ever, and we are still reeling at the memory. There's a lot scheduled for the next three months, but we're having trouble remembering what. All we get is this damned chirping. . . —*J.S.*

Training and Professional Development

After six months in the making, our Apparel Factory Managers' course was ready to fly in March. Blessed with six willing students, we took off and it really did fly. It was an action packed, five-day course with much night-time reading and discussion sessions the next day. . . they actually did their homework and the discussions were very lively. Student industry experience ranged from six months to 15 years, enabling them to make worthwhile contributions as well as keep the instructor on his toes. It was a very interesting week and a rewarding experience for the instructor.

We've also conducted two Apparel Engineering Basics courses and greatly appreciate the efforts of those who helped supply students. . . please keep them coming.

A KSA class of three MMD men, *Paul Reese*, *Bill Snavely* and *Peter Voget*, along with *Carol Bakely*, has been our internal training for the year, however, we anticipate starting another class in late June or early July.

Meanwhile, yours truly has dusted off the briefcase and hit the consultant trail. —*Bill Cameron*

HIC Activities

The pace is torrid. Tulsa, Okla., in general, and the Oral Roberts University Campus in particular, have almost become Atlanta-West for *Fran Fowler*, *Dwight Totten*, and *Mac Ryland*. Mac now understands that many principles are the same in an apparel cutting room and a hospital operating room. . . both are cutting rooms with different material utilization problems! However, Fran keeps reminding Dwight that style factor is of little concern to surgeons and scrub nurses, so we don't need to worry about separate storage space for green, blue or white operating gowns. Under *Bill Luttrell's* guidance, this project is moving forward with great client satisfaction. Around our office Bill's been kidded about being a TV star. . . he appeared on NBC's Today Show with President Roberts when he was interviewed during the Certificate of Need approval hearings.

Pete Paddrick covers such exotic client locations as Milan and Maryville, Tenn., Americus, Ga., and Belleville, N.J., with a travel schedule typical of an apparel engineer's. From time to time he manages to schedule Friday/Monday meetings in Naples and Jacksonville, Fla. and also has a good tennis-playing hospital administrator in Vero Beach, Fla., requiring Pete's presence a day or two every month or so. . . at least that's what Pete tells me!

After seven months, *Virginia Lamb* has not completely unpacked her Atlanta apartment, having spent a lot of time on projects from Greenville, S.C., to Tullahoma, Tenn., to Vero Beach, to Pittsburgh, Pa., to Laurel, Miss. These ranged from consolidation of health care services and facilities to the development of a strategic marketing plan for an individual hospital, and the feasibility of a proprietary chain acquisition of a health care facility.

Our newest member, *Ron Everett* jumped right into

Continued on page 8

HIC—Cont.

sales and project work, and has been involved in the successful sale of a complete management overview of Tampa General Hospital and Hillsborough County Hospital. . . part of the Tampa, Fla. Hospital System.

Jim Wermert, who worked with us last summer between his first and second year in the MBA program at Harvard, will join us full-time in July.

The author continues his sales/administrative efforts and project management activities, and tried to keep up with the TV personality mentioned above by appearing on all three local TV stations in Richmond, Va., during a public hearing regarding the move of a large urban hospital to the suburbs.

The chief of our outfit, *Diane Bailey*, continues to ride herd on us and gets high marks for her secretarial work which includes making sure Pete and Virginia don't mix up their suitcases when dashing for a plane, and that yours truly knows what cities he's to be in from one day to the next.

The correct impression is. . .all's well and we're extremely busy.
—*Paul Flood*

Atlanta



Dianne Gunn



Wilma Terrell



Barbara Perry

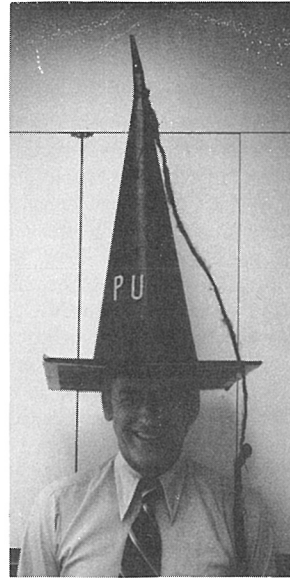


Sharon Kelly

These are four new faces in Atlanta office. We welcome them to KSA and introduce them to you.

Dianne Gunn took over as Administrative Assistant for Apparel Systems in May. *Julie Peddycoart* transferred to MMD as their Administrative Assistant, and will be keeping track of sales and staff. . . . *Nancy Hutcherson* is moving into word processing to assist in editing, proofing and production. . . . *Wilma Terrell* is a new member of word processing. . . . In March *Barbara Perry* became a new member of the Xerox/Mail Room team. . . . *Sharon Kelly* joined us in May as receptionist/switchboard operator.

Millie Simeone, Administrative Assistant to Atlanta



Dr. Pee

The University of Cal-Davis invited the AAMA Educational Committee to their school to discuss the possibility of an apparel course in home economics. Association with so many PhD's inspired *Bob Pee* to bestow similar degrees upon the committee. At a recent meeting in Florida, these learned members decided *Bob* should be equally educated, but wearing an appropriate cap! Who said Educational Committee work is serious business?

Nashville Happenings

Hal and *Connie Ivey* happily vacated the Holiday Inn in Jackson, Tenn. for an apartment. . . . Speaking of Holiday Inns, *Charles Kelly* switched hats when he changed from the rag to motel business and is enjoying his Albuquerque vacations.

Ed Loseman and *Peter Voget* have been on a sewing room engineering project in New Albany, Ind. (across the river from Louisville, Ky.) *Ed* also acted as tour guide for *Peter* and his wife, *Heidi* at St. Louis, Mo. and Sand Mountain, Ala. . . *Jack Johnson* must be selling the scenic wonders of Sand Mountain again!

Ed Merigan and *Paul Reese* have been working in Adairsville, Ga. The plant news bulletin carried this item: "Last week we were very pleased to have the following visitors: *Cerigo Cruise*, *Frank Armstead*, and *Jerry Armfield*—KSA." Must be a new group of trainees!

Congratulations to *Zeb Roberts* on his 39 lb. weight loss. . . reportedly to help eliminate slicing the ball and improve his golf score. If news of his noticeable improvement gets out, guys like *Malburg* and *Burkhalter* will probably rush into a weight loss program.

Vacationers include *Carolyn* and *Zeb Roberts* to Florida. . . *Linda* (Nashville Sec.) and *Jim Mosier*, Caribbean cruise. . . *Mary Jane* and *Jerry Armfield* to England.

Departures

Frank Beckmann has joined the Southern Silk Mills in Spring City, Tennessee. . . and *Peter Ehlinger* is now associated with M. Wile & Company, Buffalo, N.Y., his home state. We wish Frank and Pete every success.

based Textile Division, was leaving on vacation the following day, but surprised everyone by quietly—this in itself is unusual for *Millie*!—slipping away and being married to *Alex Karabeika* on April 28. Following the ceremony, she just as quietly returned to the office to clean up her desk before departing for two weeks. . . . *Janice Cagle* is planning an August wedding to *Mike Ryer*. Best wishes to the bride and bride-to-be.

EUROPE . . .

Go East Young Man!

Throughout 1977, the "pioneering" spirit drove 14 KSA associates eastward to work on one of the largest engineering projects of KSA-Europe's history. Instead of taking covered wagons over the Rockies, KSA pioneers jetted beyond the Transylvania Mountains of Dracula fame to land in Sofia, capital of Bulgaria, where commissars now do the bloodsucking. Then followed a three-hour (hair raising) or four-hour (merely frightening) overland car journey to the client's factory in Biala Slatina. The job was a productivity project in the trouser and jacket shops at the "Pioner" factory of the state enterprise Technika, which produces boys' wear and KSA was committed to achieve a 26-minute reduction in jacket times and a 15-minute improvement for trousers.

Consultants truly faced pioneering conditions. . .the factory buildings were in poor shape, and washrooms were well below human standards. Those without military field experience or a cast-iron stomach used the company car. . .to drive to the hotel! This was a considerable improvement, being short of accepted flophouse standards only in minor respects. Cold water was available almost daily and each room was equipped with a plastic bucket. On several occasions, tepid water could be obtained. Subject to repeated requests, towels and bed linen was changed. It was the only hotel in town!

Nightlife was limited to the smoke filled hotel restaurant where live music made up in loudness what it lacked in harmony. Without soundproofing, everyone participated in the entertainment, whether in the restaurant or in their rooms trying to sleep. Food was well prepared but suffered from lack of variety, so enormous quantities of yogurt were consumed, thereby adding years to the life expectancy of our consultants. There was one positive aspect. . .free use of factory tennis courts, including services of a full-time coach. On the whole, our men who spent time in Biala Slatina were happy. The main problems were to find food and shelter so other frustrations of a more complex nature were felt less keenly. Maslow's theory of hierarchy of needs was again proven.

The Assignment—The problems of day-to-day living were matched by those on the job. Even by Bulgarian standards, Biala Slatina is well off the beaten track. Consequently, it was seldom visited by executives from Head Office in Sofia and local management ran things their own way. People showed more opposition to change than nor-



"The first arrivals" L to R: (Interpreter) Luther Brucher, Gus Van Der Wolf, Dieter Fertig, and Helmut Blettenberger

mally. The tendency for operators to slide back to old methods posed a real problem. Initially, this was made worse because "Pioner" management failed to keep their promise that operators being trained would receive their average earnings. Since a straight piece rate system was used, with guaranteed minimum that failed to cover living costs, many operators suffered (mostly silently) substantial losses for a month or two. . .we found out that KSA had been blamed for lower earnings! Communications were difficult due to poor qualifications of interpreters at our disposal; however, they were much better at their secondary task of keeping our consultants under close observation for the state police.

In addition to engineering skills, a great deal of diplomacy was needed. Language problems made it difficult to gain the needed cooperation, however, inexpensive gifts from the West had prestige value in Bulgaria. . .such gifts were often successful in achieving results and obtaining equipment and services that had been unattainable.

In business and social life, alcohol is a staple ingredient. Frightening quantities are consumed, and refusal to accept such hospitality tends to create bad feelings. Meal times and meetings with management were ordeals for our men who developed their individual and ingenious means of coping with this problem.

The scope of the job—\$560,000 in billings—and conditions were such that KSA functional specialists came to lend a hand. . .none of the staff could be expected to remain 12 months on the assignment. During the implementation phase, a four-man KSA team was on the spot, with individuals rotated according to other commitments and the needs of the assignment. Almost half of our German colleagues spent some time in Bulgaria, including *Hardy Artelt, Oscar Honsalek, Dieter Fertig, Luther Brucher, Hans-Horst Hensche, Ferdinand Korpff, Peter Untermann, Helmut Blettenberger. Werner Iten* from Greece, *Horst Dieckmann* from Switzerland, *Joe Muller* and *Roberto Pavia* from Italy and *Guus Van Der Wolf*, an associate from Holland, also spent time on the assignment.

Happy Ending—Despite all the problems, the results were brilliantly successful. Productivity improvement was estimated at 28% for jackets (from 117.8 to 93 min.) and 35% for trousers (from 58.6 to 43.4 min.) Final results showed that jacket time had been reduced to 81.5 min., a 44.5% improvement; trousers time down to 32.7 min., a productivity gain of 79.2%. . .more than double the original estimate.

While these improvements may appear less impressive than those possible from the same low base in a western country, conditions prevented the installation of advanced equipment, so productivity increases were achieved mainly through better methods and procedures.

Before the job started, several factory executives and a number of managers at the group's head office expressed doubts about KSA's ability to reach the target. It was a major investment for them—as it was for us—and they were not convinced it would pay off. . .they are now! We hear the Biala Slatina factory, formerly considered a backwater, is now visited frequently by managers of other factories in the group. They come to study the systems and methods installed by KSA and it is not unlikely that we shall have other assignments in their country. Some other

Continued on page 12

How Do We Do

Progress in Europe during the last four months tended to be overshadowed by the need to face up to the difficulties experienced with our Italian practice. The economic and political problems of that country have again been highlighted by recent events and the achievements of our colleagues there is all the more deserving of respect because of the environment. KSA is highly respected throughout the Italian apparel industry, and has a reputation as good as anywhere, built up over 15 years. Although the group included many long-serving dedicated members of KSA, we had to face the fact that we suffered from extensive bad debts due to sudden bankruptcies, that industry lacks confidence and that the future is highly unpredictable. We kept our staff busy over the last two years by providing them with opportunities to work outside Italy...creating much personal inconvenience. Nevertheless, in sheer business terms, we could not continue to maintain a permanent presence in Italy, together with office support in Chiasso, when enough volume to support the operation could not be developed.

We have tried to get as many as possible of our Italian staff to work for KSA outside of Italy, and we hope that *Giuseppe Tosco* and *Bruno Castagna* will spend some time in the USA. *Joe Muller*, (a German national) is now working permanently for German region. *Ricardo Stretti* and *Franco Guazzo* have both left to pursue other careers. The efficient office in Chiasso will close in July and *Alpa Filpa*, who built it up from nothing largely unaided, has found another job in the Ticino, close to her home. Our management, *Giacomo Ronco* and *Renato Tarditi*, with 24 years service between them have seriously considered proposals to work in the USA, but are unable to leave Italy for family and personal reasons. We regret very much that they are both leaving KSA in the next few months and we thank them for so many years of loyal service. We do not know yet what they are going to do, but we are sure we will keep in touch.

We expect to continue working in Italy, however, as we did before we had our Italian office. In fact, in addition to those mentioned, we have a number of staff in other countries who speak Italian, including *Werner Iten*, *Hardy Artelt*, *Werner Degen* and *Cesare Aspes*. We hope to keep our availability known to the industry there and to remain ready to return when conditions have stabilized.

We also say farewell to *Bob Fitze* this year, as many of you already know. We should like to take the opportunity of wishing him every success in the new career he will be developing, and to thank him for the many services he has rendered to KSA over the last 16 years.

On the positive side, we can report fee income and sales over budget for the first four periods. The UK performance started off slowly, but after the huge growth achieved in 1977 this was perhaps to be expected. France and Spain are making progress and exceeding their limited but tough objectives so far this year. German Region has had a fine start, billing above budget, but also selling at twice the budgeted rate in PMS (MMD) and at 30% above budget overall. Profits in Europe are over budget too, and while we see this continuing in the fully operating parts of Europe, we must expect a major shortfall in the form of one-time close-out costs in Italy.

The decisions made in Europe in the last six months include the reduction of the Zug office to a form which still enables us to bill in Switzerland our German region clients

in that country, but avoids the need to keep our own office and secretarial staff. We lose some potential tax-saving benefits but, as these depend on getting volume in countries where we are not incorporated, they are unpredictable whereas the overhead cost is fixed. *Verena Wintsch* is staying with us long enough to manage the changeover, which involves considerable work, but we shall lose her around the end of the year. Again thanks are due to Verena for many years of loyal service.

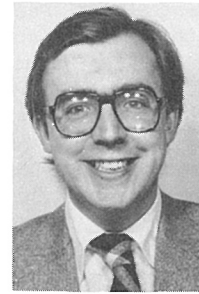
All these unhappy decisions will reduce European costs by about \$700,000, or around 15% of total costs, by 1979. It will make KSA Europe less vulnerable to downside risk and enable us to concentrate our attention on those areas where we have reasonably stable economic and political conditions, and where we are getting stronger all the time.

—Stuart Hollander

New Staff



Pinder-Brown



Wood

Peter M. Pinder-Brown. . .age 34, joined German region's apparel division in April. Peter was born in Salisbury, Rhodesia, but has lived in Germany for many years. He holds qualifications in textile engineering from the Muenchengladbach Technical College. His previous experience includes six years with a leading German manufacturer of ski wear. Hobbies: photography and chess. He lives in Oberguenzburg in Southern Germany with his wife, *Karin*, and their two children.

Jeffrey Wood. . .age 28 joined UK region in April to work in the retail division. Jeffrey holds a degree in English and American Studies as well as a Diploma in Management Studies from the North London Polytechnic. His previous experience covers merchandising, marketing and store management, acquired first with C & A Modes and later with the retail division of the giant Coats Patons group which he helped to build into an 80-store operation with outlets in most major European markets. Jeffrey is also an Associate Member of the British Institute of Management and has traveled and worked in the U.S. and throughout Europe.

European Offices

Duesseldorf— The newest of our offices in Europe is also one of the two located in a major city, and the only one right in the middle of the busy commercial center.

Duesseldorf office also symbolizes KSA's ability to move from a general approach to highly specialized applications. In effect, KSA, the specialists, moved into the office as it was vacated by the German Association of Consultants. . .and you can't get more general than that.

That happened in 1975 when *Hans Horst Hensche* felt the need for a permanent base and support services in the

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Hardy Artelt

Some people are not really happy unless they can produce something tangible at the end of a day's work. They usually make good mechanics but seldom succeed as consultants. *Hardy Artelt* is the exception. Although he has never been a mechanic, he did begin his career producing something tangible...he was trained as a tailor and



worked for two years in a custom tailoring shop in Hanover. And there is no doubt as to his succeeding as a consultant. Hardy was appointed manager of PMS in German region in 1974 and his record speaks for itself.

Following his initial tailoring experience, he took a course at Hohenstein, Germany's leading college for apparel technicians, where he qualified in 1960. Before he joined KSA five years later, Hardy spent two years

as assistant manager of a work and leisurewear company which incidentally, is still a KSA client, and three years as production manager of a shirt factory in the Italian-speaking South of Switzerland, a first step toward international consulting.

After three years training in the U.S., he came back to Europe for an assignment in Italy, before finally settling in his native Germany. Hardy's promotion to "field supervisor" in April 1970 was followed by a sequence of successful major assignments including trouser engineering and sewing room jobs for some of the largest companies in Germany and Switzerland.

He took over responsibility of our German PMS group from *Fredy Hollenbach* and later became a member of the

Euro-Offices—Cont.

fashion center of Germany. Before the decision was finalized, the merits of Munich—the country's second major fashion industry center—were also considered but it was less conveniently located to service our many clients in the northern half of Germany. Our presence in Duesseldorf is thought to have helped strengthen KSA's professional image in Germany. Other considerations included the fact that Duesseldorf is within easy reach of Holland and Belgium and has good communications with London and Paris, being only a short taxi ride from the airport. Several key GMS and retail division staff are located nearby and work through Duesseldorf. Geographically, it is a convenient center from which to service most major German textile companies as well as a large part of the women's wear trade. As our retail and textile operations develop in Germany, they will also account for an increasing amount of activity there. Despite its central position in a large city, Duesseldorf office is very pleasant, thanks to bright, well lit rooms and particularly well chosen decor. It's on the third and fourth floor of a small, fairly narrow building, but laid out so as to provide several small rooms as well as one attractive large room. This is where Hans

German management committee. In a country where hard work remains a national characteristic, Hardy's capacity for getting on with the job is generally recognized as exceptional, as is the quality of his work. Much of his success as a consultant, however, is due to his human qualities and understanding. Hardy's leadership is truly professional. He is quiet, unassuming and deliberate. He gains the confidence of others gradually as they begin to appreciate his extensive grasp of the subject, his integrity and the accuracy of his judgment.

Like many of our German colleagues, Hardy has a keen sense of humor but never a trace of malice. His humorous comments always seem to have the effect of strengthening a personal bond rather than presuming upon a relationship. These qualities stood Hardy in good stead during the major assignment for Pioner in Bulgaria. There, his personal contribution played an important part in ensuring success. In the face of particularly depressing conditions both in and out of the factory, he managed to revive morale whenever necessary and to motivate the team most effectively while directing the project toward set objectives.

Hardy's professional life clearly brings him the fulfillment he needs as he has no special hobbies. He likes to travel...but that is part of his job. He also likes to work on D.I.Y. projects in the house he built in 1975 and is proficient in woodworking, painting, laying carpets and mowing lawns. Here again, these activities reflect his wish to have something concrete (he can lay that too!) to show for his work.

Without conscious effort, Hardy inspires the immediate confidence of clients and colleagues. Closer acquaintance only strengthens the initial impact. He was right to abandon hand tailoring...he would have produced outstanding suits but used only a fraction of the potential that has served KSA so well.

Horst has his desk as well as space for staff/client meetings. Behind his desk is a blown up photo of the Empire State Building so that, as someone commented shortly after the opening, *Stig Kry* is permanently looking over Hans Horst's shoulder.



As this is written, the office is staffed only by *Inge Lauterbach*, due to difficulty in finding suitable assistance. Inge not only runs the office but assists Hans Horst in his management tasks and is also assuming increasing responsibilities in the field of German P.R. She speaks excellent English and even better French, having been P.A. to the director of the German subsidiary of a French company for some years before joining KSA in 1976. Lack of additional help keeps her ex-

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Holland KSA Markets

To the average European and American, Holland is a small country as flat as a billiard table, mainly covered with tulip fields, and peopled with picturesque peasants in baggy trousers, wooden shoes and funny hats. Much of the country lies below sea level, behind dykes built over generations to push back the encroaching sea. Holland's national hero is no warrior or conqueror, but a legendary small boy who is supposed to have saved a village from being flooded by sticking his finger in a hole in a dyke.

In truth, Holland is very different from that P.R. projected image. Like England and Spain, it's a small country that once ranked among major world powers... thanks to its trade with colonies many times larger. Also like England and Spain, it is dependent entirely on its own resources. Traditionally, a nation of sea-faring traders, Holland remains commercially oriented but has also built some major industries. Europe's largest specialist in electronics, the Philips Group in Eindhoven, a household word throughout Europe, is known around the world. One of the world's largest oil trading companies, Shell, is headquartered there, as is the Unilever Group. Natural resources, however, are very limited and consist mainly of extensive off-shore oil and gas deposits in the North Sea. They were the first energy resources to be developed in this area. Agriculture also thrives and, as with the Danes, leads the world in farming methods. The main port, Rotterdam, is the most important ocean gateway on Europe's sea coast and its major oil terminal. A vast petro-chemical complex has been developed there. Another characteristic of the country is the high density of population... 1,100 people/square mile. Twenty years ago, Holland had a major textile industry and many large apparel companies, but the loss of its colonies in the 50's led to the loss of a large market. Trading companies sought new markets but also found new suppliers. Official policy led to considerable and rapid shrinkage, due to a liberal import policy which made Holland the gateway for much of Europe's imports of low cost, overseas goods before the first MFA. For many years, Dutch authorities subscribed unconditionally to the theory that advanced countries should allow their textile needs to be supplied by the industrializing countries while concentrating on more advanced technologies. Only recently has this attitude been questioned. The few remaining spinning and weaving mills are now being regrouped with state assistance in an attempt to retain some domestic production. The apparel industry suffered also and the labor force declined from 68,000 in 1964 to less than 20,000 today. Although there are a few fairly large apparel companies in Holland, as well as a number of smaller specialists, consulting opportunities are limited, for several reasons:

- The introduction of generous minimum wages—now \$800 per month—to which employers must add an average of 60% to cover the cost of social services, obliged producers to seek new plant locations overseas.
- Strong opposition from trade unions to incentive payment systems for younger as well as older workers. Also, 70% of employees are under 18 and are allowed to take from one to three days off each week for further education.
- Social laws prevent employers from laying off redundant workers.

Consequently, the benefits of productivity improvement can only be realized by increased output. Since labor

costs can seldom be reduced significantly, higher productivity does not reduce prices so that appropriate sales increases are difficult to achieve. Under such conditions, KSA's traditional engineering skills are clearly of little value to potential clients.

Our man in Holland, *Joe van Gent*, has nevertheless scored some notable successes in the area of GMS. A significant breakthrough was made last year when we sold an EDP system to Van Gils, the Dutch brand leader in men's wear. One of our major European Retail/P.D. assignments in Europe was the planning of a big ticket distribution concept and facilities for a large department store group, De Bijenkorf. MacIntosh with \$200 Million turnover is another important client in the men's wear field. We have also carried out some major research projects for association and government bodies in Holland.

Although prospects for expansion remain limited, our presence in Holland is being maintained by Joep who speaks fluent German, as well as English and French, in addition to his native language. This makes him very mobile and he often bills in Germany. English and German are widely spoken in Holland so that our minimal presence can be built up rapidly with staff from other countries according to the needs of assignments.

While not a major market, Holland represents yet another of the many varied backgrounds against which KSA operates in Europe and makes an appropriate contribution to our activities.

Go East Young Man—Cont.

European colleagues may yet have an opportunity to sample the sybaritic luxury of underdeveloped Eastern Europe. They can be sure of a memorable farewell at the end of the assignment... the highlight of the Biala Slatina job. The successful conclusion of the jacket test period, marking the end of the job, was celebrated by a lively party. Our men were presented with a table lamp, said to symbolize justice and friendship between all the world's nations, whatever their political system. A heartwarming ending to an experience that will always be remembered, sometimes with mixed feelings, by all who contributed to its success.

Departures

Claude Reynvoet at the end of February and *Henry-Louis Stimfling* at the end of March. We wish them success in their new careers.

Euro-Offices—Cont.

tremely busy and we hope to be able to report soon that Duesseldorf is no longer the only KSA office in Europe being run single handed.



Janice Gowing was welcomed to the Windsor office staff in April. Janice lives in Windsor with her husband who has an accounting practice and lectures on taxation. She formerly worked for the managing director of a company making good processing equipment and takes over from *Barbara Reynolds* who recently left to devote more time to her family.

At Altrincham office, *Hieda Clack* recently joined the staff, mainly to deal with report typing. *Heida* comes from Iran and we welcome her also to KSA.

Fiona Hicks-Beach left Windsor office in March.