



A GOOD YARN

By remaining flexible and moving with the times Allied Textiles has survived while many other British manufacturers have not. **Xenia Taliotis** learns the art of cutting your cloth according to your means



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“Did you see Jeremy Deller’s huge bouncy-castle Stonehenge?” asks Stewart McGuffie, group chief executive at Allied Textiles.

“It was commissioned by the Glasgow International Festival of Visual Art but then toured the UK. We made the fabric for that. That’s what our textiles end up as: bouncy inflatables and hot air balloons, butchers’ aprons and parachutes, air bags and tents.

“People aren’t aware of our product but each time they put up an umbrella or throw a rucksack on their back they may well be using something we had a part in making. We don’t make any of these finished items but we do produce a good deal of the high-quality technical material they’re made from.”

With a small head office in Barnsley, South Yorkshire, Allied Textiles – now one of the UK’s leading manufacturers of synthetic textiles – has been in business since William Blake’s satanic mills glowered over north-west England in the early 1800s. A century ago the

company traded in cotton and wool. But with the departure of the bulk of those industries from Britain’s shores, and with no desire to follow them, the company decided it was time to spin a different yarn. Eight years ago, the last metres of natural fibre left Allied Textiles’ factories and the company switched to making polymers – polyamide, polyester, polyolefin and polyurethane among them – that had more numerous and versatile applications.

According to McGuffie, of the three or four largest listed companies that were around a century ago, Allied Textiles is the only one still running as an independent concern. The others have merged, sold up or gone abroad, no longer the stalwart British companies they once were. “It’s remarkable really, given the upheaval the industry has gone through over the decades, that we’re still here,” he says.

“I’m not pretending it’s been easy. I’ve been here just five years, and even in such a short time I’ve seen some turbulent times, but we’re doing okay. Annual turnover is up, we hit £30m last year and each of our businesses is busy, but I can’t

say with any degree of certainty that we’re through the worst.

“The markets are still volatile. We do a lot of business with Spain, France and Germany and the European situation is very tricky, potentially disastrous, so we’ll have to sit tight to see what happens there.”

PRODUCTION LINES

The businesses McGuffie refers to are the handful of subsidiaries that sit under the Allied Textiles umbrella. Located in Derbyshire, Yorkshire and Lancashire, and employing nearly 300 people in total, they each specialise in a different aspect of synthetic fibre production.

The companies – William Reed Weaving, Mayfield Yarns (which also has an offshoot in Canada), Coating Applications Group and Century Dyeing – operate as discrete businesses. But together they provide Allied Textiles’ customers with a full range of services, from basic yarn processing and loom-state fabric to fully finished, dyed and coated material that can go straight onto their production lines.

By keeping them as separate concerns, Allied Textiles can monitor closely how

each one is doing and take steps to address problems that arise at an individual level without affecting the entire company.

“When I joined, I did wonder whether they should all be consolidated into one name, one brand, but I realised that wouldn’t have been right for us,” says McGuffie. “This way each one of them survives on its own merits, and this model allows for a high specialisation of skills.

“Our customers also want to ensure confidentiality and this is protected by such segregation. All our staff are highly trained to do a particular job. How you weave is different to how you coat, for example, and we have companies that offer expertise in one or the other. It’s one of our key selling points, something that allows us to stay ahead of our competitors, because each of the companies is seen as a specialist in its field and manufactures only

for its specific market rather than as one unified brand that tries to do everything.”

CUTTING LOSSES

Keeping the businesses separate also enables Allied Textiles to sell off those that no longer fit within the company’s portfolio. This is what happened in 2009 when the company divested two enterprises that, says McGuffie, “didn’t gel with our long-term strategy”. The sale part-funded the acquisition of four others, including a dyeing and a coating business.

“That’s the upside of a recession: the fact that it does present good opportunities. We saw that some of our competitors were struggling so we bought them. In all, we replaced about a third of our business to give us a more sustainable portfolio that could offer additional services to our clients.”

That was the soft side of the downturn.

The hard side of it was that Allied Textiles had to close its Canadian factory, run by Mayfield Yarns Canada, for eight months during 2009. “We had to act quickly to protect the whole,” says McGuffie. “Of course it was a tough decision to close the Quebec factory and to reduce our overall group workforce by 20% but it would have been foolhardy to have done otherwise.

“Following the collapse of Lehman Brothers, the automotive business imploded, taking other markets with it. Mayfield Yarns Canada, which prepares yarn for the air bag industry, had absolutely no orders for most of 2009. In situations like that you can’t afford to procrastinate because every day costs you money.”

He continues, “It’s obvious what you need to do and you should do it as swiftly as possible. And it’s better for morale. There’s nothing worse than for people to keep going to work when there’s no work

the decades, that we’re still here”



For Stewart McGuffie the recession has offered up the chance to focus on his company’s strengths and to capitalise on new opportunities

to be done. They sense the inevitability of closure or redundancy and the strain of that uncertainty is extremely stressful.

"It was a difficult time but orders are slowly picking up again. The impact of the recession was felt earlier and deeper by our North American business than in Britain but our recovery has been stronger over there and so far is holding its ground."

RECESSION PROOFING

One of the problems faced by an operation like Allied Textiles is that it is very difficult to make recession-proof (if that is ever possible), partly because it is situated in the midst of a long supply chain. This is business to business, or even business to business to business, since many of its clients don't sell direct to the public either.

For example, it supplies the material to a business that makes camouflage netting

for a paintball enterprise. As such, it has almost no direct control over its sales because it is so reliant on the continued success of its customers' customers.

The other big challenge, McGuffie explains, is that Allied Textiles operates in generally mature markets, which means that there are fewer opportunities to increase sales or to collect significant new customers.

The focus over the past few years has therefore been on consolidation through acquisition, creating new products for existing clients, optimising profitability, investing in technology to increase efficiency and economising in every area of the business without compromising on quality.

Another step the company has taken, after 100 years, is to switch banks.

"Lloyds offered us such favourable terms that we'd have been daft not to go with them," says McGuffie. "Their pricing

was good and they were prepared to be very flexible.

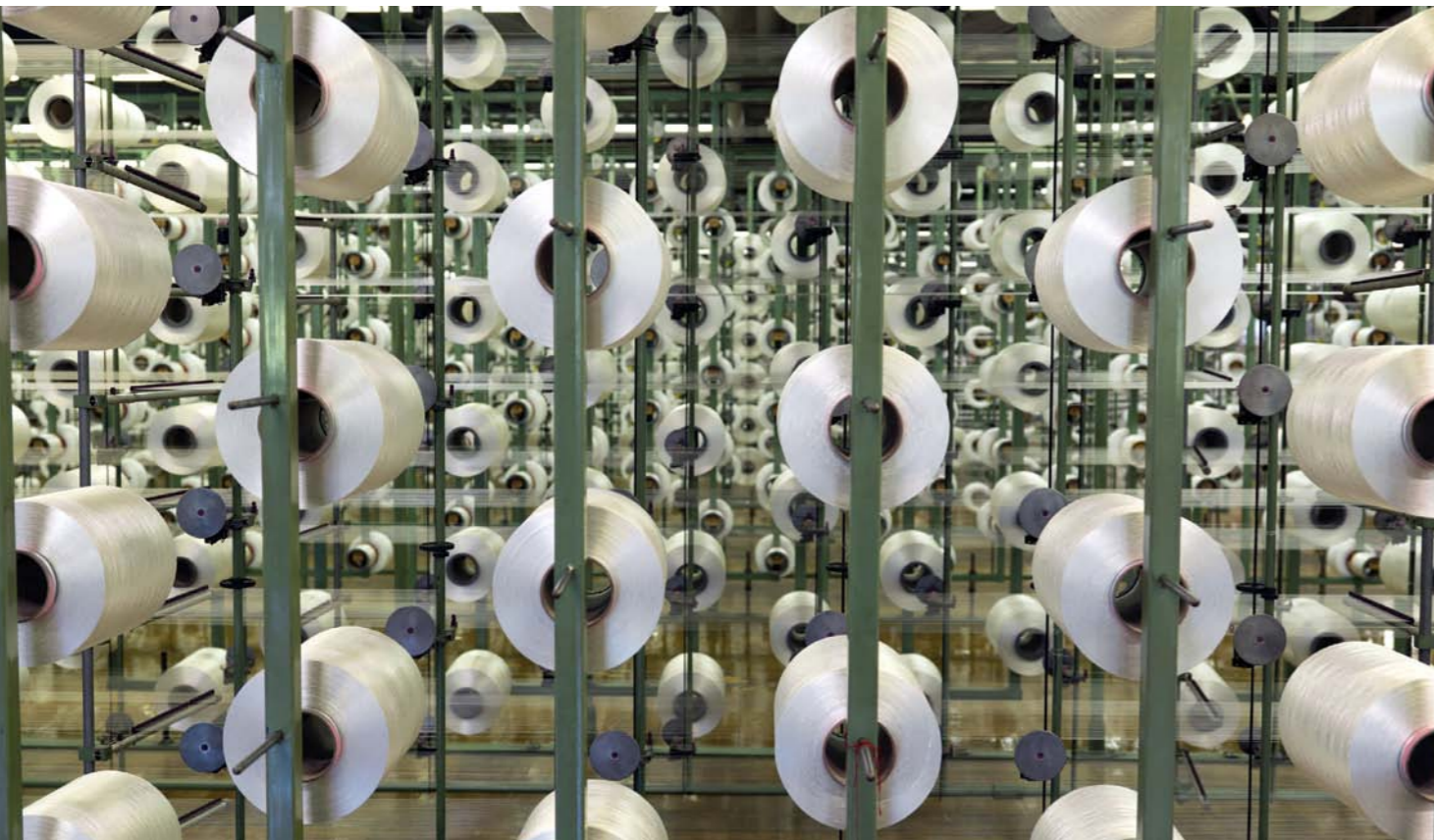
"I also got the impression that they really understood our business and were in it for the long term, which was so important. They are also able to approve facilities locally and quickly. That's the kind of partner you need by your side in a recession – the kind that helps you find solutions to keep your business profitable."

CLOSED GOVERNMENT

McGuffie wishes he could speak as favourably about government assistance, which he says is non-existent.

"It's hopeless – over-bureaucratic, rigid and tied up in so much red tape that you'd need a lifetime to cut through it. I realised pretty quickly that I had better things to do than try to fight my way through that system. I'm sure many companies would say the same. We need more concrete

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PICTURES: ROBERT WHITROW



Plastic fantastic: during the recession Allied Textiles has focused on creating new products and optimising profitability

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support rather than vague promises of advice or facilitation. Generally our people know what has to be done – it is the resources to do it that are a problem."

CHINA CRISIS?

How does McGuffie view the Chinese companies that have gobbled up British and American cotton manufacturing? Are they a legitimate threat to what Allied Textiles is doing?

"I think we have some protection because we offer our customers something different. Asian companies are more about making the finished product. Plus, if you ordered from Asia you'd have to commit to set volumes and long lead times – often up to three months – and you wouldn't be able to check the quality until your entire order arrived on your doorstep.

"At Allied Textiles, we're much more accommodating. Our lead times are much shorter and we offer our customers low minimum order contracts. Since the recession we've had to be far more flexible. It's far better in times like this to demonstrate your agility, to show your clients that you can work around them."

Asked whether Allied Textiles will be

around for another century, McGuffie says, "I've every hope that will be the case and we're doing our utmost to keep the textile industry alive in the north-west. We're very aware that we need to move with the times – that's why we moved all our production to synthetics – and right now we're investing heavily in technology.

"I've been in this industry since I left university more than 20 years ago and I've seen how it has changed over the years. As long as we keep innovating, keep producing quality technical textiles for our clients, keep focused on our core niche market, we'll continue to benefit from our strong market positions." ■

The Squeezed Middle campaign is supported by Lloyds Bank Wholesale Banking & Markets. For more information, visit lloydsbankwholesale.com/growthchampions Read more coverage of the campaign at icaew.com/economia/sqzmld

STEWART MCGUFFIE'S TOP TIPS FOR SURVIVING A RECESSION

- If you face difficult decisions – like laying people off – act quickly. Procrastination costs money and destroys morale.
- Sort the wheat from the chaff. Look at your business and offload aspects that have no future. Getting rid of the weaknesses will fortify your strengths.
- Keeping your customers is key, so listen to them. It's not always about prices – often it's about offering flexibility and giving your clients what they want, when they want it.
- Seize opportunities. The time may be ripe to buy out a competitor, but don't overstretch. There's no point in buying a new factory if you can't afford to cover the costs on your existing assets.
- Keep staff motivated. They form a key investment and if staff leave, another firm will reap the benefits of the training you've given them. Think about succession, too. Is it time to start training the next generation of workers?