

Corine Quarterman TZ47 Kibaiywa
RECOMMENDATIONS AND RATIONALE

1. OPERATIONAL CONTROL AND ACCOUNTING SYSTEMS

Implement the system in accordance with the Action Plan provided.
Practice with the schedules and controls and make notes for changes, additions, deletions for implementation early next year before setting up the new controls for 2016.

ACTION PLAN FOR THE OPERATIONAL AND FINANCIAL CONTROLS

FIELD FORMS

Develop manual field forms from the schedules in the Controls for the processing center	Robert	Immediately
Collect the daily information and enter into the corresponding schedules in Excel	Robert	Immediately
Purchase a new laptop computer for Robert to facilitate this	KFS	ASAP

CONTROLS

Give Evelyn Robert's desktop computer for her use to manage Petty Cash Disbursements	Evelyn	ASAP
Maintain accurate Disbursement, Sales and Payroll records using the journals provided	Mary	Immediately

FINANCIALS

Maintain and update the Investment and Equipment Schedules	Carles	As needed
Enter the purchase and sales information from the plant controls into the schedules	Mary	Immediately
Enter the disbursements into the P&L; analyze and review monthly. Use as a planning tool for the next months.	Mgmt Team	

SALES & MARKETING

Profile Suppliers and Customers	Sebastian	
Source larger wholesalers on line and through Extention Agents	Cynthia	Immediately
Production Forecasting	Alex	Immediately

2. CONSOLODATE PLANTS

Plant A is inaccessible by truck and not efficient for loading & unloading.
Plant B is the largest and had the newest equipment. It also has ample parking and turn-around space for deliveries, as well as a loading platform.
This platform is not level with a truck bed and a ramp has to be added to the platform to facilitate loading and off-loading by forklift or hand-truck.

Plant C is also not accessible by truck. Currently trucks back around the gas pump and loading/off-loading are done manually, causing damage and material losses. The equipment in both plants A and C, while relatively new, has not been maintained and looks years old.

It is recommended that the plants be consolidated into one. The mills from A and C should be dismantled, serviced, reassembled and the best one added to the equipment in plant B. This would increase the capacity of the milling equipment to 4T.

Based on observations during this short assignment it is estimated the plant A only operates 15% of the time, plant C about 50% and plant B about 30%. This estimates were confirmed as approximately correct by Carles. Machine operators, however, are paid full-time regardless of whether they work or not. Consolidation will streamline operations and cut down on unproductive staffing.

Plant C, where the gas pumps and offices are, can continue to handle sunflower processing since it is in much smaller quantities, lighter in weight and easier to handle with smaller trucks that can get in and out of the plant.

3. PROFILE SUPPLIERS AND CUSTOMERS

Through the first half of this year, KFS was producing primarily maize flour, sold to retailers and small wholesalers. As such, the company was operating in three different capacities – processor, wholesaler and retailer. Since June, a large brewery has been added to the customer base and it is no longer productive for the company to continue such mixed operations. It is recommended that KFS re-identify its mission and concentrate on production. As such, they need to source and target a different wholesale market for the maize flour. This can be accomplished through the agricultural department extension officers in specific targeted regions as well as through online research.

To date, the company has never profiled its supplier or customer base and do not seem to have a planned, cohesive approach to acquiring either. While they complain that there is a shortage of raw material, it appears that it's not the shortage but rather to price that's the problem. Currently they process maize and sorghum which they purchase in the Igunga and Subawanga districts. A separate workshop was conducted to address their options:

- Buy raw material at higher prices and negotiate with the buyers a flexible pricing arrangement to reflect market prices
- Expand the territories where the raw material is purchased
- Stockpile immediately after the harvest
- Build small and simple warehouses in the districts and encourage farmer associations to store their harvest there. Arrangements could be made with a guaranteed sale, for payment at each pick-up.
- Reduce the cost base with the plant consolidation.

At the customer end, KFS needs to focus on acquiring larger wholesalers who will do the “bagging down” the plant is currently still doing. While there is a value-added component to bagging down, it is time consuming and inefficient. Under the current conditions, it also potentially increases the risk of contamination. Through regional extension officers, Cynthia can compile a list of potential wholesalers and profile them on the basis of total annual volume and frequency of purchase.

A separate workshop was conducted on Marketing where the following topics were discussed:

- Advertising
- Promotion through education

- Networking through building connections (Trade Association, AG Department)
- Facilitation/Accommodation
- Social Awareness
- Quality and Reliability
- Customer maintenance
- Supplier access and retention

4. STRATEGY AND OBJECTIVES

The company is owned and managed by a family, Sebastian Msola, his wife, his oldest son Carles, Kelvin, Christopher and possibly one more son. As in all small family-owned businesses, decisions are made emotionally and directives are issued reactively. Only over the past five months a management team has been assembled. Cynthia was hired as an accountant but didn't know Quick Books and was moved into sales. Mary, the current accountant started in June. Alex was hired in September as general manager, doing double duty as plant manager. There are no plant managers or supervisors. The machine operators are illiterate and compliance with rules and regulations is minimal. The owners tend to blame the staff for all the problems but it was noted that there is a breakdown and a gap in communication between the owners and their management team. It took about 10 days to get Carles to accept that this was an ownership problem, not the problem of the staff.

The first week of Carles left for Dar and the volunteer did not meet with Sebastian and Carles till Friday. Kelvin has the title of Financial Manager but he attended the meetings and workshops only a few minutes and showed no interest in, or knowledge of, finance. Christopher is active in sales I was told but we didn't meet.

With the substantially increased sales from the breweries, the company is now at a point where it has to change to facilitate further growth. They need to develop a more professional approach to management, communicate better, set standards and expectations, hold meetings, and be available to manage.

While the owners believe that they are transparent, it appears that they may not know what this means. Certainly, there was little or no disclosure. The financial statements requested were never produced, not were any bank statements. The base-line information for the investment and equipment schedules were provided as a handwritten list.

5. JOB DESCRIPTIONS

To support recommendation #4, it is recommended that Sebastian and Carles write for each job an outline of their expectations. At the same time, everybody in the company will outline their own job description in two parts: first what they are currently doing, second what they think they should (and could) be doing. Then they need to meet and hash this out.

6. COMINGLING AND TILL-DIPPING

KFS owns and operates a number of other, unrelated businesses. Sebastian owns a farm and piggery; the offices are housed in a complex with a building, plant C and a gas station (currently not operational). The volunteer was told they also own a trucking company but I have no idea of the scope beyond the two 18-wheelers they use to pick up and deliver material. There was talk of establishing another plant closer to the supply chain. Considering how poorly the current plants are managed, this would **not** be a good idea.

It is recommended that separate bank accounts and books are set up for all the different entities to ensure that each function on its own merit, be an independent profit center and the "borrowing from Peter to pay Paul" stops.

Since this is still substantially a cash business, an enormous amount of daily cash transactions are conducted, all manually recorded and signed for. The company provides three meals a day for all employees and as many as twenty people hang out in front of the office to collect their meal allowance regardless of whether they are working or not. The owners get cash allowances for fuel and travel expenses without any accounting or receipts requirements. Additionally, it appears that substantial amount of cash are drawn for personal expenses, including home payments(?). This liberal and uncontrolled access leads to excessive overhead expenses and causes discontent and mistrust among the staff.

All family member draw salary, albeit a small one on this company, supplemented by income from other activities, I was told. If this is true, there is no excuse for the liberal distribution of cash for unaccounted expenses. It was recommended that the salary be increased instead.