

Centre for the Development of Enterprise

Integral Diagnostic Review Final Report FEURA



16thth May 2014, Gaborone, Botswana

Summary

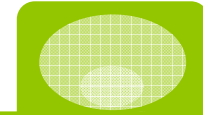
- Background
- Diagnosis process
- Preliminary results
- Recommendations

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The Company's Diagnostic Process

- Company's background review
- Interview with the management and staff to understand the different elements of the company – 14th May 2014
- Co-construction (management validation of preliminary findings) – 16th April 2014
- Preliminary Report 16th May 2014
- Final reporting –22nd May 2014

Background



- Feura is a sole proprietorship which is 100% citizen owned operating in the garment industry. It was registered in 2007 but commenced business in a garage in 2008.
- Its major focus is providing a variety of sportswear, however it also manufactures protective clothing ,corporate wear ,gloves, sports bags,
- The business recently relocated its operation to its own premises which were recently purchased through a loan from CEDA. Tribal Lot 1310,Kgakangwe Ward, Oodi.
- The main clients are Government, Parastatals, Local teams and sports associations. The private market also contributes substantially to its clientele.
- The business vision is to be the best supplier of sportswear, casual wear and leisure wear and sports accessories in Botswana and to expand into the export sector. The business is currently trying to export its products to Zambia and other countries.
- The business currently comprises of a total of 8 employees (including the Manager): 1 admin, 1 bookkeeper, 1 cleaner, 3 full time and 2 part time tailors and the manager. There are also 2 sales persons who operate on commission. One operates from Palapye and the other Gaborone.
- Financial statements were not made available to the team.
- According to management, the company had sales of P228,000 in 2012 financial year.
- Challenges faced by the business include lack of finances to complete alterations and renovation of the buildings, power outages, low market penetration, failure to cope with large orders which results in dependence on alliances with other clothing manufacturers to fulfill large orders.

Preliminary Findings

Preliminary Findings

Subareas Needing Improvement

Strategic Management

- Strategic Objectives

Production and Operations

- Planning
- Plant layout
- Machinery maintenance

Information Management

- Information
- Communication

Finance

- Financial Administration
- Accounting Records
- Cost Analysis

Marketing and Sales

- Communications
- Sales Management
- Product
- Client Relationship

Quality Management

- Procedures
- Quality control

Results

The Company Strengths and subareas for Intervention

Strengths	Areas of Intervention
1.Management is passionate about the business.	1.Strategic Management-Strategic Objectives
2.Management is knowledgeable about company history	2.Production Operation-Planning
3.Business provides a wide range of sizes to suit all age groups	3. Quality Management- Procedures
4.Premises are owned by the company	4.Finance - Accounting records
	5. Finance- Finance Administration
	6.Finance – Cost Analysis
	7. Information Management – Information

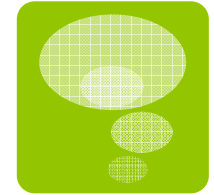
Strategic Management – Strategic Objectives

Having strategic objectives and specific projects and action plans will enable the company to:

- Have a clear roadmap
- Better planning and decision making(short and long term)
- Have clarity regarding future goals and consistency between the company's action and proposed strategic objectives
- Develop and prioritize functions and activities and allocation of resources
- Have consistency between the objectives and the company structure. Changes being demonstrated in those areas which are strategic.

The Strategic Process of Value Creation

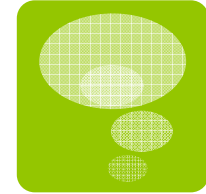




Production & Operations – Planning

Proper planning in conjunction with sales unit will enable the business to:

- Facilitate procurement and handling of inventory
- Make better arrangement for needed working capital
- Respond to market demand in a timely manner
- Ascertain the kind of product demand forecasts to make.
- Put in place a well structured production which makes room for adjustments if an important order had to be filled.



Quality Management – Procedures

There is need for the company to have set quality control procedures, with specific criteria used in maintaining quality. This will ensure:

- Systematic checks are maintained
- A clearly defined procedure for handling complaints
- Less rejection of products
- Consistency in products quality
- Improved customer loyalty
- More sales

Finance – Accounting Records

Good record keeping is a legal requirement for all businesses in Botswana. It will help enable the business to:

- Be managed better and make it grow - reliable information can only be extracted from the records.
- Stay organised when dealing with customers and suppliers: producing invoices, quotations and estimates promptly and with ease
- Adds leverage to requests for financing - bank loans or overdraft etc
- Builds historical data on which financial control, future budgeting and forecasting can be based.
- Better determine whether or not the resources of the business are being managed efficiently and in alignment with the budget.

Finance - Financial Administration

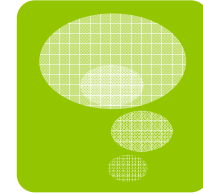
Having proper financial administration (budgets and benchmarks) will allow the business:

- Control of company's expenses and revenue
- To make relevant and meaningful budgets which are appropriately used for decision making. Comparison of projected and actual budgets. Systematic assessment of company's investment
- Have financial control (comparisons of historical, actual and forecasts) of its resources.
- Help the company to make informed decisions on investments
- Improve efficiency: better utilization of resources

Finance - Cost Analysis

Accurate costing analyses:

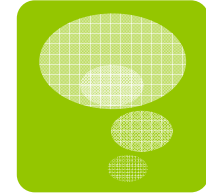
- Ensures positive cash flows and non tying up of capital on products that are not profitable.
- Makes available a historical cost data that allows the company to forecast and identify important and relevant costs.
- Enables the company to have a cost control that permits cost/benefit analysis and the programming of cost reduction activities.
- Encourages good procurement methods
- Enables the company to appropriately price its products to secure the profit margin taking into account break even points.
- Assist in monitoring finance costs and returns and allows maximization of returns from available resources.



Information Management - Information

A proper information management system will help the business to:

- Have a clear definition of the requirements and an identification of the relevant information sources.
- Have a formal and regular processing of information that is documented in periodic reports according to company needs.
- Have information reports which are used for decision making at the different levels of the company.
- Improve coordination adding value to decision making within the company.
- Improve communication internally and externally
- Become market intelligent
- Identify and seize opportunities ahead of competition



Financial Analysis – Disclaimer

The Business could not provide the Consultant's team with financial statements, including the balance sheet and the income statement for the last three years. Therefore an full assessment of economic and financial performance of Feura could not be ascertained. This assessment would have corroborated or invalidated the qualitative analyzes and the diagnostic results in terms of growth, profitability, liquidity and solvency of the company in short and long term.

The Business financial year is 1st July to 30th June of the following year

Conclusions of the Diagnosis

Conclusion

Conclusion

- Feura is a sole proprietorship. It was registered in 2007 but commenced business in 2008. It is a 100% citizen owned. Its major focus is providing a variety of sportswear, however it also manufactures protective clothing ,corporate wear ,gloves, sports bags.
- The business currently operates from its own premises which were recently purchased through a loan from CEDA. Tribal Lot 1310,Kgakangwe ward,Oodi.
- There are a total of 8 employees (including the Manager). There are also 2 sales persons who operate on commission. One operates from Palapye and the other Gaborone
- The main clients are Government, parastatals, local teams and sports associations. The private market also contributes substantially to its clientele.
- They are currently trying to export their products to Zambia and other countries.
- The company did not provide financial statements to the team.

Conclusion

Conclusion Cont'd

- After a growth period, the business has reduced its operations since last year due to the council not issuing operating licence. The premises where the company operates from are non compliant to council regulations.
- There is insufficient market penetration; the absence of licenses to operate has probable contributed to this. The business has to complete renovations of its buildings to obtain compliance and license to operate from the council.
- The diagnostic exercise revealed 7 specific subareas that require interventions. These are Strategic Management-Strategic Objective; Production and Operations -Planning; Quality Management- Procedures; Finance –Accounting Records, Finance Administration, Cost Analyses; Information Management – Information management systems.
- The viability of the business cannot be ascertained in the absence to financial data. The company will need to consolidate before expanding.

Recommendations for Improvement

SUB-AREAS	RECOMMENDATIONS	
	INTERNALLY	WITH SUPPORT OF EXTERNAL RESOURCES
STRATEGIC MANAGEMENT-OBJECTIVES	<ul style="list-style-type: none"> ➤ Define strategic objectives & set key indicators and targets for the short, medium, and long term 	<ul style="list-style-type: none"> ➤ Assistance with developing strategic objectives ➤ Evaluate strategic options ➤ Establish stabilization & transition measures ➤ Facilitate business and investment plan to help in mobilizing needed resources
PRODUCTION OPERATIONS-PLANNING	<ul style="list-style-type: none"> ➤ Coordinate with Sales department in order to determine product and service delivery forecasts ➤ Develop resource (human & material) plan and procurement schedule ➤ Set up a monitoring and evaluation mechanism 	<ul style="list-style-type: none"> ➤ Enlist the help of an IT expert to put in place a software for resource forecasting

SUB-AREAS	RECOMMENDATIONS	
	INTERNALLY	WITH SUPPORT OF EXTERNAL RESOURCES
QUALITY MANAGEMENT-PROCEDURES	<ul style="list-style-type: none"> ➤ Establish clientele preference ➤ Implement and document recognized standards such as BOBS ➤ Establish documented measurement criteria's ➤ Identify and document critical control points which should be adhered to ➤ Implement quality checks procedures 	<ul style="list-style-type: none"> ➤ Enlist the assistance of experts in this field of business
FINANCE-ACCOUNTING RECORDS	<ul style="list-style-type: none"> ➤ Create a filing system ➤ File all accounting documents such as receipts, bank slips, and quotations ➤ Update the expense and income registers ➤ Set up a petty cash register 	<ul style="list-style-type: none"> ➤ Obtain the assistance of an accounting /bookkeeping service provider to set up a basic accounting and reporting system

SUB-AREAS	RECOMMENDATIONS	
	INTERNALLY	WITH SUPPORT OF EXTERNAL RESOURCES
FINANCE-FINANCIAL ADMINISTRATION	<ul style="list-style-type: none"> ➤ Design and develop accounting policies and principles in line with relevant regulatory requirements ➤ Establish financial forecasts including cash flow and budgets ➤ Regularly produce financial reports, supported by financial analysis ➤ Draw up financial plans and objectives ➤ Develop a financial administration procedure 	<ul style="list-style-type: none"> ➤ Get an accounting software to capture all accounting data ➤ Engage a professional to support monthly and quarterly review of accounts ➤ Produce annual financial statements ➤ Training in accounts for non-finance managers

SUB-AREAS	RECOMMENDATIONS	
	INTERNALLY	WITH SUPPORT OF EXTERNAL RESOURCES
FINANCE-COST ANALYSIS	<ul style="list-style-type: none"> ➤ Clearly identify all fixed and variable costs ➤ Update the existing pricing to ensure all costs are captured ➤ Establish job-cards to capture effective variable costs ➤ Constantly reconcile the costing with financial records 	<ul style="list-style-type: none"> ➤ Enlist the help of a cost accountant to implement a costing system and train staff on using it
INFORMATION MANAGEMENT- INFORMATION	<ul style="list-style-type: none"> ➤ Identify important information needs at all levels and that of partners ➤ Systematically collect data including market and report in a timely manner on key indicators for staff to make informed decisions ➤ Share management and operational information with staff on a regular basis 	<ul style="list-style-type: none"> ➤ Develop an appropriate management information system (i.e. a system with an inventory control / costing module).

Priority Interventions

In order to enhance its performance and attract financials, the company should develop and implement a stabilization plan aimed at improving its profitability. This implies:

- a) Set up a proper working capital management including
- b) Proper market segmentation and targeting
 - i) Determine the targets and where the company has competitive advantage.
 - ii) For each segment to develop product, pricing and communication appropriately.
- c) Upgrade the accounting system incorporating costs accounting and monthly management reporting
- d) Develop a business plan together with an investment plan for the company and mobilize adequate resources to complete building renovations and to fund current and future growth.



Thank You