

Integral Diagnostic Review

Final Report

Stell-Mac Services (Pty) Ltd.
T/A Khayalame General Dealers

May 16 - 18, 2014, Francistown - 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 to understand the different elements of the company (16th May 2014)
- Co-construction: management validation of preliminary findings (17th May 2014)
- Preliminary reporting (17th May 2014)
- Final reporting (18th May 2014)

Background



- Stell-Mac Services (Pty) Ltd was formally registered in 2010 and is trading as Khayalame General Dealers (shareholding by the owner and her daughter). It is located in the Monarch industrial area of Francistown.
- Stell-Mac Services (Pty) Ltd houses a butchery specialising in meat processing.
- It started the meat processing operations in 2012 after obtaining a loan from CEDA to the amount of P320,000 with the vision to ultimately diversify (polony, sausages, pet foods, etc.) and expand into packaging. They source the meats and carcasses from quality certified abattoirs and store meats in their cold rooms.
- The facility is well equipped with fairly new equipment .
- Their clientele is comprised of industrial class employees in the location and other random walk-in customers.
- Stell-Mac Services has one employee to maintain the storefront and the Manager, who is also the business owner; a total of 2 employees.
- The Company has produced no financial reports although they have outsourced an accountant who is responsible for tax and company returns
- Management estimates its turnover at about P300,000 per annum.
- The company faces apparent immediate competition as it is operating in an area saturated with butcheries. Stell-Mac also has a limited cashflow.

Preliminary Findings

Preliminary Findings

Subareas Needing Improvement (see attachment for explanations)

Strategic Management

- Mission and Vision
- Strategic Objectives

Human Resources

- Staff Performance

Business Environment Analysis

- Understanding the business sector

Information Management

- Information

Marketing and Sales

- Segmentation, Target Market, and Positioning
- Sales Management
- Communications
- Distribution

Quality Management

- Quality Control
- Procedures
- Product quality

Production and Operations

- Planning

Technological Innovation

- Information Technologies

Finance

- Financial Administration

Results

The Company Strengths and Subareas for Intervention

Strengths	Areas for Intervention
1. The company is fully aware of the regulations governing the meat processing sector.	1. Strategic Management – Strategic Objectives
2. Stell Mac has a deliberate customer communication system in place supported by an upto date database	2. Business Environment Analysis – Understanding of the sector
3. It has priced its product for its clearly defined customer (industrial class employee)	3. Marketing and Sales – Segmentation, Target Market and Positioning
4. Stell Mac purchases its material only from national quality certified meat suppliers	4. Marketing and Sales – Sales Management
5. It meets environmental regulations and maintains an odourless and sanitary work environment.	5. Information Management - Information
6. Stell Mac Services operates with relatively new machinery fully serviced by qualified technicians	6. Quality Management - Procedures
	7. Technological Innovation- Information Technologies

Strategic Management – Strategic Objectives

Having strategic objectives and specific projects and action plans will enable Stell-Mac Services to:

- Provide guidance and direction, facilitate planning, motivate and inspire employees, and help them to improve performance.
- Help employees to work toward common goals, concentrate and to work collectively in a more efficient manner
- Ultimately improve the company's profitability and competitive advantage on the markets

The Strategic Process of Value Creation



Business Environment Analysis - Understanding the Business Sector

Having a clear and formalized system for gathering information about the business environment will enable the company to:

- Have necessary and updated information on current industry trends
- Improve trading capabilities and market positioning efficiencies
- Identify macroeconomic variables that affect the company and take appropriate actions
- Establish strategic partnerships with trade support institutions to support the company
- Improved performance by optimally utilizing acquired market intelligence.

Marketing and Sales – Segmentation, Target Market & Positioning

Regrouping customers in categories based on specific criteria and targeting the ones that have potential for growth and adapting the company offering to each target market will enable the company to:

- Effectively focus on profitable customers based on the meat products they prefer
- Develop effective marketing and promotional plans for desired segments
- Improve market penetration, pricing and increase revenue
- Enhance reputation and customer loyalty

Marketing and Sales – Sales Management

Sales Management systems (sales plans per category, sales targets, sales incentives) in place will assist in:

- Defining targets and levels of production
- Effective focus on targets with potential for growth
- Improved inputs into customization for each segment resulting from interaction with walk in customers
- Implementing appropriate procurement and inventory procedures.
- Cost structuring and product management given its quick changing value based on storage duration.

Information Management - Information

A proper information management system will help the company 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 communication internally and externally and become market intelligent
- Capture and monitor key performance indicators

Ultimately, identify and seize opportunities ahead of competition and develop strategic alliances to support growth strategy

Best Practices -Cont'd

Quality Management - Procedures

Having a clear quality management system, including product specification, shelf life – value information, procedures, meat grading and packaging methods will enable Stell-Mac Services to:

- Work smarter (cost and process efficiency)
- Continue and enhance current sanitary environment required for storing and handling meat products
- Increase internal awareness of the standardized requirements for sold meat products
- Adhere to national and international standards for meat products and its processing.

Therefore, reduce costs and improve revenue and patronage.

Technological Innovation - Information Technologies

Incorporating information technologies in the business will help:

- Ensure more efficient and effective internal processes.
- Enhance communication with clients (both existing and prospective) and suppliers.
- Improve the company's exposure in the market through electronic promotion and communication
- Improve ability to respond to, receive and transmit sales and marketing information

Financial Analysis - Disclaimer

➤ Disclaimer

- *No financial data or reports were made available to allow any form of financial extraction, analysis or conclusion for the purpose of this exercise.*
- *Stell-Mac Services Pty Ltd is registered as a tax payer with Botswana Unified Revenue Services and is in compliance with required returns. Business records (sales ledgers, deposits and receipt books) are maintained.*
- *Tax submissions are supported by an external consultant that carries out the accounting and book keeping function.*

Conclusions of the Diagnosis

Conclusion

- Stell-Mac Services Pty Ltd is a butchery sharing a storefront with Khayalame General Dealers.
- Stell-Mac Services is not in the meat processing business. The owner shares the premises with a butchery business. The application to this project was made based on the butchery operations even if Stell Mac does not own it.
- The due diligence was conducted along the meat processing and butchery business line.
- The butchery is still at the inception phase. It is been operational since 2012 but has yet to be fully established by way of market share and revenue
- Profitability of the butchery could not be ascertained; no financial reports were provided.
- The existing butchery business is unable to grow due to limited human and financial resources. Current staff do not have the skill or expertise to strategically drive the business forward.
- The business needs to follow through with the start-up plan

Conclusion

- The diagnostic exercise revealed 6 broad sections that require attention. These are in Strategic Management, Business Environment Analysis, Marketing & Sales, Quality Management , Information Management and Technological Innovation.
- The specific areas that require critical intervention are: the clarification of strategic objectives, greater understanding of the business sector, Segmentation, Target Market and Positioning, more efficient sales management, quality control procedures, information management and technologies
- Stell-Mac Services needs to close the gaps in above indicated subareas to unleash performance and gain competitive advantages on target markets

Recommendations For Improvement

SUB-AREAS	RECOMMENDATIONS	
	INTERNALLY	WITH SUPPORT OF EXTERNAL RESOURCES
STRATEGIC OBJECTIVES	<ul style="list-style-type: none"> ➤ Formulate strategic objectives. ➤ Develop clear strategic goals in line with its mission and vision ➤ Document strategic objectives and strategic plan ➤ Develop a business plan 	<ul style="list-style-type: none"> ➤ Assistance with the formulation and development of objectives and plan ➤ Develop a Business Plan
UNDERSTANDING OF THE BUSINESS SECTOR	<ul style="list-style-type: none"> ➤ Systematically gather the necessary information about the business environment to be aware of the current industry trends, growth of the company and its position in the industry. ➤ Establish strategic relationships with suppliers and distributors in order to benefit and get support to the company 	<ul style="list-style-type: none"> ➤ Undertake market research

SUB-AREAS	RECOMMENDATIONS	
	INTERNALLY	WITH SUPPORT OF EXTERNAL RESOURCES
SEGMENTATION, TARGET MARKET & POSITIONING	<ul style="list-style-type: none"> ➤ Develop criteria for and categorise customers based on their specific purchasing habits and requirements. ➤ Clearly identify and present in a document the differentiators and the key benefits being offered to each customer category. ➤ Consider the resulting customers segment (or categories) and target those with growth potentials and for which the company has competitive advantages 	<ul style="list-style-type: none"> ➤ Develop a marketing plan encompassing market segmentation and target marketing for each identified segment.
SALES MANAGEMENT	<ul style="list-style-type: none"> ➤ Develop a sales marketing team, initially from internal resources and consideration for external resources to develop bulk sales and contract sales. ➤ Have monthly sales forecasts, sales targets and objectives. ➤ Consider sales incentives and commission plans ➤ Increase capacity and capability of internally sourced salesperson 	<ul style="list-style-type: none"> ➤ Development of strategic sales and marketing plan. ➤ Development of a sales incentives program within the plan ➤ Assistance with setting up a sales management system. ➤ Training on product costing, pricing and promotion for the existing sales person and for future sales team members.

SUB-AREAS	RECOMMENDATIONS	
	INTERNALLY	WITH SUPPORT OF EXTERNAL RESOURCES
PROCEDURES	<ul style="list-style-type: none"> ➤ Document all existing procedures and practices. ➤ Develop and document quality management procedures and practices ➤ Document internal product specification and quality check procedures ➤ Identify and document critical control points which should be adhered to 	<ul style="list-style-type: none"> ➤ Assistance with developing quality management system ➤ Assist in identifying and improving procedures for standards and quality assurance ➤ Assist with developing documented quality measurement techniques
INFORMATION	<ul style="list-style-type: none"> ➤ Systematically collect data about the market, industry and from customers for use in decision making and business review. ➤ Share management and operational information with staff on a regular basis 	<ul style="list-style-type: none"> ➤ Develop an appropriate management information system ➤ Training on how to best utilise information

SUB-AREAS	RECOMMENDATIONS	
	INTERNALLY	WITH SUPPORT OF EXTERNAL RESOURCES
INFORMATION & TECHNOLOGIES	<ul style="list-style-type: none"> ➤ Invest in repairing the computer for the business. Also ensure get all necessary software as well as accounting software for greater efficiency in business reporting ➤ Consider internet connectivity to enable the use of email to communicate with clients and suppliers. ➤ Invest in a fax machine 	<ul style="list-style-type: none"> ➤ Assistance with basic computer skills training for the management and administration personnel. ➤ Assistance with acquiring necessary software and equipment.

Priority Intervention

Stell Mac Services needs to urgently clarify its business position so that it can accordingly plan for its business performance improvement. There is a need for the company to review its start-up plan . This implies that :

1. Representation Issues

- The two businesses should maintain separate identities in all their legal and operational interactions.

2. Strategic Management - Strategic Objectives

- Enlist a professional and experience manager to drive and grow the business
- Review the business model to integrate other income streams such as contract butchering
- Draw up a financing plan to support the business.

3. Marketing & Sales – Segmentation, Targeting and Positioning

- The company needs to investigate the market further, developing sales and marketing strategies to address any identified growth-led opportunities in the market.



Thank You