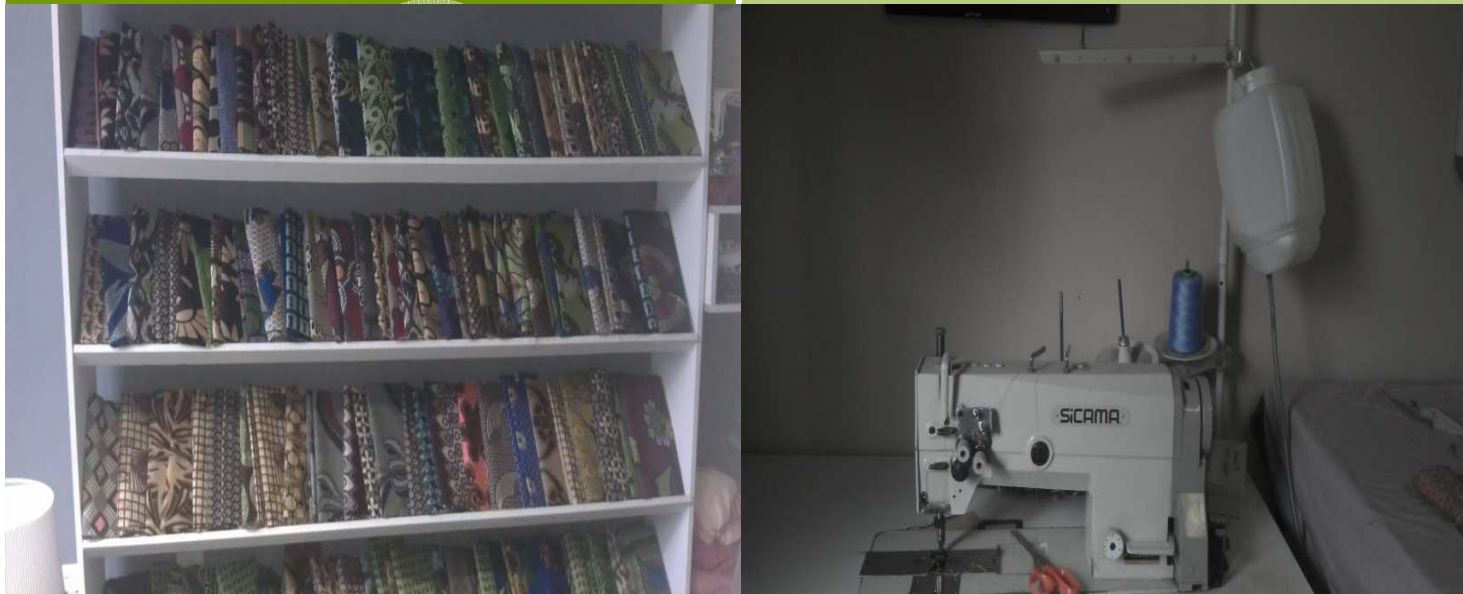


Integral Diagnostic Review Final Report SURPASS Pty (Ltd) t/a DiMonde Reign



March 4 - 7, 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 (4 March 2014)
- Co-construction (management validation of preliminary findings)(6 March 2014)
- Preliminary report (7 March 2014)
- Final reporting (18 March 2014)

Background



- The business idea stemmed from the owner in 2011. Surpass (parent company) was formally registered in 2011, and the current trading company (DiMonde Reign) in 2012.
- The business started as a mobile venture in 2011, until 2012 when the current space was acquired, and the owner started shop.
- The business owner envisions a fully fledged shop, with 4 distinct departments specializing on: weddings, uniforms, fashion shows and individual orders.
- DiMonde Reign uses premium pricing, and targets the high end market, with its main clients being the hospitality industry and individuals. The main products are formal and casual garments, wedding attire and uniforms.
- The business comprises of a total of 4 employees (3 permanent and 1 temporary staff), and the business is based in Gaborone.

Results

The Company Strengths and Areas for Improvement

Strengths	Areas for Improvement
1. Company's vision	1. Strategic Management - Strategic Objectives
2. Knowledge of the business environment- market, trends etc	2. Marketing & Sales - Sales Management
3. Capacity to make alliances and leverage support and resources	3. Production & Operations - Inventory Handling
4. Quality products	4. Production & Operations - Technological Level
5. Customer service	5. Finance - Accounting Records
	6. Finance - Financial Administration
	7. Information Management - Information

Strategic Management – Strategic Objectives

Having a clear mission and vision, supported by strategic objectives and specific projects and action plans will enable the company to:

- Have a clear roadmap
- Better plan
- Better allocate resources
- Track operational performance
- Improve decision making across the company

Therefore, overall efficient processes and a motivated and prepared team of staff.

The Strategic Process of Value Creation



Best Practices -Cont'd

Marketing and Sales – Sales Management

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

- Tracking revenue and possible causes of revenue decline if any
- Tracking fast moving products (cash cows)
- Identifying optimal distribution network
- Keeping an up-to-date client database
- Differentiating client buying patterns

Ultimately improving efficiency (of the sales workforce) and sales revenues.

Best practices- Cont'd

Production & Operations - Inventory Handling

Having a register for materials bought, received and stored is essential in that:

- It helps keep track of stock
- It helps identify the best selling items
- It reduces wastage
- It ensures consistent and planned purchases to replenish raw materials

Therefore helps minimize costs.

Best practices- Cont'd

Production & Operations- Technological Level

This ensures that there is a strategic investment plan to acquire new machinery. This goes hand in hand with the expansion plans a company may have, and translates into:

- Increased production
- Minimized costs
- Profit maximization

Best practices- Cont'd

Finance – Accounting Records

Keeping updated and systematic accounting records helps the company:

- Have a clearer picture of its expenses and revenue
- Determine whether or not the company is making money and take corrective actions in a timely manner
- Keep track of its investment decisions

This will ultimately result in more financially sound decisions being made for the company, and increased revenue.

Finance - Financial Administration

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

- Control of company's expenses and revenue
- 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 of products:

- Ensures positive cash flows and prevents the tying up of capital on products or services that are not profitable.
- Makes it easier to estimate the company's break even point (level of sales where all fixed costs are covered by revenue)
- Encourages good procurement practices
- Enables the company to appropriately price its products and services to secure the profit margin
- Enables costs reduction and benchmark

Information Management - Information

A proper information management system will help the company to:

- Improve communication internally and externally
- Become market intelligent
- Identify and seize opportunities ahead of competition
- Develop strategic alliances to support growth strategy

Financial Analysis – Disclaimer

Disclaimer

The strategic financial indicators are based on financial statements provided by the company. There are a number of apparent discrepancies leading to some extreme ratios which are the subject of outstanding queries. The inclusion by the CDE consulting team of these figures and ratios in no way implies verification of the figures and ratios by the CDE consulting team.

Financial Analysis - Sales and Profitability

➤ Net Profit Margin

- In 2013 the company recorded a decline at -0.4% in terms of net profit margin when compared to a -0.03% the previous year.
- This indicates a low margin of safety: higher risk in that the decline in sales is depleting profits and resulting in a net loss.
- It also indicates that pricing policies and cost structures may need to be reviewed.
- Production may not be at optimal levels.

Financial Analysis - Working Capital and Liquidity

➤ Working capital

- Average debt collection period is at 156 days in 2013. This suggests in effective debt collection.
- This indicates slow or late payments by debtors
- The company may have too many credit sales

Financial Analysis – Strategic Indicators

➤ **Assets turnover**

- The assets turnover ratio rose to 2.28 times in 2013 from to 1.98 in 2012 indicating that the company is utilizing their assets more in 2013.

➤ **Net worth**

- In 2013 the company recorded a slight increase of P5,124 in net profit ; to P50,444 in 2013 from P45,320 in 2012.

Conclusions of the Diagnosis

Conclusion

- In order to overcome these challenges the company intends to move to a bigger factory space and acquire more machinery funds permitting. The company also intends to engage an accounting clerk to deal with accounting responsibilities.
- On the overall the company has potential to grow but its limited by supply capacity and reluctance to actively pursue other market segments. Product quality is impressive and seems to have found a niche market for their products
- The diagnostic exercise revealed 5 broad areas that require attention at DiMonde Reign. These are Strategic Management; Marketing & Sales; Production & Operations; Finance and Information Management.
- Specific areas that need improvement are: Strategic Management – Strategic Objectives; Marketing and Sales – Sales Management; Production & Operations- Inventory Handling and Technological level; Finance – Accounting Records and Financial Administration as well as Information Management – Information.

Recommendations For Improvement

SUB-AREAS	RECOMMENDATIONS	
	INTERNALLY	WITH SUPPORT OF EXTERNAL RESOURCES
STRATEGIC MANAGEMENT- STRATEGIC OBJECTIVES	<ul style="list-style-type: none"> ➤ Develop strategic objectives, document company mission and vision and transmit these to workers. ➤ Involve other team members in business planning and clarify roles. ➤ Set out goals and objectives for each business function and set measures to track progress. 	<ul style="list-style-type: none"> ➤ Assistance with development of a strategic plan. ➤ Help in mobilizing resources needed to finance expansion plans.
MARKETING & SALES- SALES MANAGEMENT	<ul style="list-style-type: none"> ➤ Develop marketing and sales plan. ➤ Have monthly sales forecasts. ➤ Have dedicated sales staff. ➤ Analyze sales data regularly to inform decision making. 	<ul style="list-style-type: none"> ➤ Assistance with development of Sales and Marketing plan. ➤ Assistance with setting up a sales management system. ➤ Training on product pricing.

SUB-AREAS	RECOMMENDATIONS	
	INTERNALLY	WITH SUPPORT OF EXTERNAL RESOURCES
PRODUCTION & OPERATIONS- INVENTORY HANDLING	<ul style="list-style-type: none"> ➤ Develop inventory receiving and storage procedure. ➤ Develop records for movement of stock items. ➤ Conduct stock taking exercises on a regular basis. ➤ In the medium to long term, consider computerized inventory management. 	<ul style="list-style-type: none"> ➤ Assistance with developing inventory management system.
PRODUCTION & OPERATIONS- TECHNOLOGICAL LEVEL	<ul style="list-style-type: none"> ➤ Acquisition of bigger factory space. ➤ Training plan for technical personnel. ➤ Recognition and reward for innovative ideas. ➤ Acquisition of business phone and computer with internet connection. 	<ul style="list-style-type: none"> ➤ Facilitator to business and investment plan.

SUB-AREAS	RECOMMENDATIONS	
	INTERNALLY	WITH SUPPORT OF EXTERNAL RESOURCES
FINANCE-ACCOUNTING RECORDS	<ul style="list-style-type: none"> ➤ Record financial transactions in a systematic way e.g. by date or invoice number or type. ➤ Have dedicated personnel for financial administration. ➤ Utilize financial records for business planning. 	<ul style="list-style-type: none"> ➤ Training of staff on record keeping.
FINANCE-FINANCIAL ADMINISTRATION	<ul style="list-style-type: none"> ➤ Establish financial forecasts including cash flow. ➤ Regularly produce financial reports, supported by financial analysis. ➤ Take corrective actions based on analysis. ➤ Establish or outsource accounting function. ➤ Have a clear distinction between personal and business account. All business transactions should reflect this. 	<ul style="list-style-type: none"> ➤ Assistance on acquisition of accounting systems. ➤ Training of management on 'finance for non financial managers'.

SUB-AREAS	RECOMMENDATIONS	
	INTERNALLY	WITH SUPPORT OF EXTERNAL RESOURCES
INFORMATION MANAGEMENT- INFORMATION	<ul style="list-style-type: none"> ➤ Keep record of information on the business environment- market, trends, competitors etc ➤ Ensure systematic information on product sales are kept and updated regularly. 	<ul style="list-style-type: none"> ➤ Training of staff on record keeping.

Priority Intervention

In order to improve company operations and aid future growth, the company should develop a turnaround strategy. These includes:

1. Strategic Management- Strategic Objectives

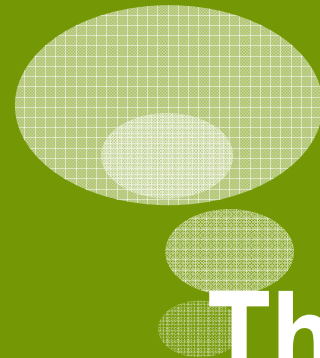
- The company should develop and implement strategic objectives and pave way forward for the company. This will all processes in the business are detailed (inventory, sales plans etc), and as such increase revenue and minimize costs. Also, this will fully outline any expansion plans the company may have going forth.

2. Production and Operations- Technological Level

- To aid expansion the company should acquire more space, equipment and employees. This will improve on efficiency and output.

3. Finance- Financial Administration

- The company should put systems in place to ensure stringent and prudent financial administration. This will ensure that updated accounting records are kept. Furthermore, decisions taken in the business should be based on this information, and as such result in more efficient resource allocation.



Thank You