

Integral Diagnostic Review Preliminary Report ChedMar Holdings



March 4-7, 2014, Gaborone-Botswana

Summary

- Background
- Diagnosis process
- Preliminary results
- Recommendations

Consultant Team

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Background

- The business was formally registered 2009 and operations started in June 2012.
- The company currently owned by two women and operates from Broadhurst Industrial site in Gaborone
- Business idea emanated from and observing the demand of ice
- The company in the business of manufacturing ice cubes and blocks
- The company's main target market: retailers, restaurants and individuals. Market potential is high and the company seeks to improve share
- Total of 3 employees (owner, ice making specialist and driver)

The Company's Diagnostic Process

- Company's background review
- Interview with the management and staff to understand the different elements of the company (March 4th, 2014)
- Co-construction (management validation of preliminary findings)(March 6th, 2014)
- Preliminary report (March 7th, 2014)
- Final reporting (March 12th, 2014)

RESULTS

The Company Strengths and Areas for Improvement

Strengths	Areas for Improvement
1. Understanding of the business environment	1. Strategic Management– Mission and Vision
2. Management and Leadership-Style	2. Marketing and Sales- Segmentation, Target marketing and Positioning
3. Business Environment Analysis-Alliances	3. Market and sales-Product
4. Finance-Tax laws and Legal Regulations	4. Production and Operations- Planning
	5. Finance – Cost Analysis
	6. Human Resource
	7. Information management

Strategic Management – Mission and Vision

Having a clear strategic plan will enable the company to :

- Have a clear roadmap as defined by its vision and mission
- Improve on better allocation of resources
- Focus on where to go and how to get there to reach its objectives
- Assist the company to establish a lead and create a sustainable business model within its sector
- bring consistency with operations, developed priority plans of action

Marketing and Sales-Segmentation, Target marketing and Positioning

If the company has its market well segmented (niche: upper end, middle and lower end) will enable the company to:

- Develop effective marketing (marketing mix) and focus on profitable customers and products
- Improve market penetration and increase revenue
- Promote the company's brand (not yet) and develop customer's loyalty
- Enhance brand awareness and customer loyalty
- target clients in the different segments with specific products, prices distribution channels and promotions that match customers needs

Best Practices -Cont'd

Marketing and Sales – Product

A written marketing plan will:

- Improve coordination between production and marketing
- Tracking fast moving products (Cash cow)
- it will help the company to assess if their sales and costs are on target
- Improve efficiency of the sales workforce
- Tracking revenue and possible causes of revenue decline if any
- Keeping an up-to-date client database

Production & Operations - Planning

Proper planning will enable the company to increase their productivity in that it:

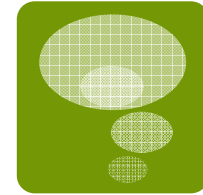
- Enables the company to respond to market demands on time
- Guides in product demand forecasting
- Can track production flow and possible causes of production decline if any
- Allows for in advance production requirements planning
- facilitate procurement and handling of inventory

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
- Make informed decisions on investments (better allocation of resources)
- Enables costs reduction and benchmark

Therefore contributes to reduce costs and improve margin



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.

Strategic & Financial Indicators

FINANCIAL INDICATORS	2013
Local Sales per Employee	P75,781.41
Fixed Assets Turnover	1.13times
Number Of Managers to employees	0.33times

Best practices- Cont'd

Financial Analysis

STRATEGIC INDICATORS

- **Local sales per Employee-** on its first 7 months of operation the company made sales of P227,344.00. Each employee contributing P75,781.41 worth of sales to the company.
- **Fixed Assets Turnover:** Sales covered fixed assets 1.13 times this indicates the rate at which each pula invested on fixed assets contributes to the company's sales value.
- **Number Of Managers To employees:** Managers represent 1 third of the company s workforce leaving 2 thirds to operations, this is a normal trend in SMME however as the company expands the ratio is expected to decline i.e. 1 manager to 4 employees

Best Practices - Cont'd

Human Resource-Staff Performance

Personnel policy will help the company to:

- Attract, recruit and retain human capital with relevant experience that is in line with company strategy.
- Systematically track employee performance

Information Management – Communication

A proper information management system will help the company to:

- Improve communication internally and externally
- Capture and monitor key performance indicators
- Enable staff to appreciate their contribution to support company's objectives
- Assess and reward staff performance
- Easily follow up on agreed actions

Conclusions Of the diagnosis

Conclusion

conclusion

The business was formally registered 2009 and in the business of manufacturing ice cubes and blocks.

The owner of the business showed keen interest in the diagnostic process conducted and cooperated fully in providing information requested.

The diagnostic exercise drew attention to five key areas for attention namely, Finance, Human Resources, Production and Operations, Strategic Management and Technical Innovation..

The critical aspects requiring improvement were: Strategic Management – Mission and Vision, Marketing and Sales-Segmentation, Target Market and Positioning, , Marketing and Sales-Product, Production and Operations – Planning, Finance –Cost Analysis, Human Resources – Staff Performance, Information Management-Cummunication.

SUB-AREAS	RECOMMENDATIONS	
	INTERNALLY	WITH SUPPORT OF EXTERNAL RESOURCES
STRATEGIC MANAGEMENT- MISSION AND VISION	<ul style="list-style-type: none"> • Develop clear strategic goals in line with its mission and vision and define quarterly milestones and monthly targets as a break-down of these objectives. • Cascade these goals to the operational levels of the company and identify activities to support these goals • Define the sales target for 2014 and 2015 per quarter 	<ul style="list-style-type: none"> • Develop Strategic Plan: 2014-2016 • Get the assistance of a Mentor to help structure the strategic objectives per: Year, Market
SEGMENTATION, TARGET MARKET & POSITIONING	<ul style="list-style-type: none"> • Develop criteria for and categorise precisely the customers based on their specific purchasing habits and requirements. • Clearly identify and present in a document the differentiators and the key benefits ChedMar Holdings is offering 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"> • Get the assistance of a Mentor to help build a proper segmentation and develop a marketing strategy per segment (Clients, price, place, promotion). • Undertake light market research

SUB-AREAS	RECOMMENDATIONS	
	INTERNALLY	WITH SUPPORT OF EXTERNAL RESOURCES
MARKETING AND SALES-PRODUCT	<ul style="list-style-type: none"> • Develop marketing and sales plan. • Have monthly sales forecasts. • Develop sales targets for sales team 	<ul style="list-style-type: none"> • Training on product pricing. • Assistance with development of Sales and Marketing plan.
PRODUCTION AND OPERATIONS-PLANNING	<ul style="list-style-type: none"> • Set clear production plan in coordination with sales goals • Develop timetable and procurement plan to achieve the company objectives 	<ul style="list-style-type: none"> • Develop a business plan together with an investment plan for the company and mobilize adequate resources to fund future growth
FINANCE-COST ANALYSIS	<ul style="list-style-type: none"> • Develop a cost structure per business line or product that includes relevant, variable and fixed cost(overheads). • 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"> • Get assistance of mentor to develop a proper cost structure • Get the assistance of a financial consultant to make financial analysis of every strategic investment decisions and business opportunities in order to enable ChedMar Holdings Management to have a clear understanding of their financial requirements and consequences.

SUB-AREAS	RECOMMENDATIONS	
	INTERNALLY	WITH SUPPORT OF EXTERNAL RESOURCES
HUMAN RESOURCES-STAFF PERFORMANCE	<ul style="list-style-type: none"> Define performance criteria and put in place quarterly performance target and have records for all meetings held the staff Summarize all the Define all the human resource measures in a "Human Resource Policy" document 	No recommendation
INFORMATION MANAGEMENT-COMMUNICATION	<ul style="list-style-type: none"> Identify important information needs internally and with external customers Share management and operational information with staff on a regular basis 	<ul style="list-style-type: none"> Develop an appropriate communication plan

RECCOMENDATIONS for improvement

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) Develop a business plan together with an investment plan for the company and mobilize adequate resources to fund future growth.
- b) set up a proper working capital management including sourcing for adequate external funds
- c) proper market segmentation
- d) Put in place a corporate governance that will ensure independence of the business as a separate entity
- e) Upgrade the accounting system incorporating costs accounting and monthly management reporting



Thank You