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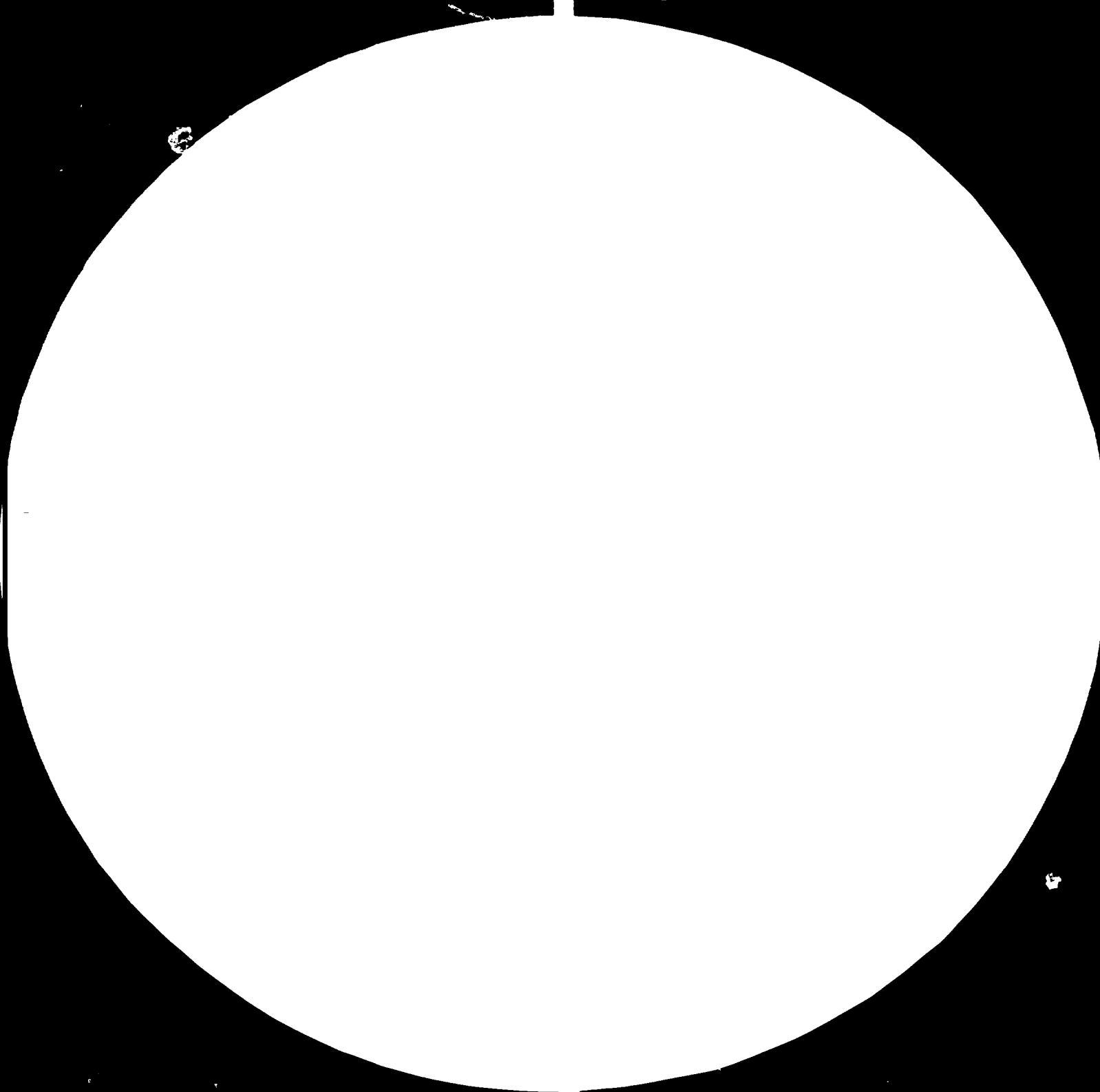
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DEVELOPMENT OF AN INTEGRATED INDUSTRIAL CONSULTANCY  
PROGRAMME AND CONNECTION WITH INTERNATIONAL DATA BASES  
FOR THE ESTABLISHMENT AND MANAGEMENT OF FACTORIES  
IN SYRIA - CO-OPERATION WITH THE UNIVERSITY OF ALEPPO

UC/SYR/78/155

SYRIA

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R. Cullen

Terminal report\*

Prepared for the Government of Syria by the  
United Nations Industrial Development Organization

United Nations Industrial Development Organization  
Vienna

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EXPLANATORY NOTES

Definitions are given of the following terms to avoid the possibility of misunderstanding such as existed at Aleppo when the project started.

A Management Consultant is an individual, qualified by education, experience, technical ability and temperament to advise or assist on a professional basis in identifying, defining and solving specific management problems involving the organisation, planning, direction, control and operation of an enterprise. He serves the enterprise as an impartial, objective advisor and is not an employee of its organisation.

Management Consultancy is the professional work performed by specially trained and experienced persons in helping managers of all types of enterprises solve management problems by the systematic analysis of facts and the application of objective judgement based on specialised knowledge, skills and techniques.

A Preliminary Survey is a survey carried out on the client's premises in order to determine the real problems faced by the organisation and to determine whether management consultancy is justified and will achieve worthwhile results. It is usually made free of charge.

Terms of Reference are a written statement of the work that will be carried out by the consultants during the assignment as mutually agreed between the client and the consultancy organisation.

Terms and Conditions of Working will contain the fee for the work specified in the terms of reference and the basis for invoicing and payment. Some of the clauses are a safeguard to the client particularly regarding confidentiality of the work. Terms and Conditions of Working originally form an "offer" and if the clients accept then a contract has been established.

The Marketing of Management Consultancy is the process which starts by obtaining a first meeting with a potential client through to reaching agreement on the Terms of Reference for an assignment to be carried out according to agreed Terms and Conditions of Working.

A Resident Consultant carries out the work specified in the Terms of Reference, usually working on the client's premises.

A Second Opinion Consultant advises and assists the resident consultant whom he visits, usually, about once in two weeks and he attends all major meetings with the client. The time of a Second Opinion Consultant is mainly occupied with the marketing of management consultancy.

ABSTRACT

Project

Title Survey of the environment for and promotion of management consultancy disciplines with planning and execution of programme.

Number UC/SYR/78/155

Purpose To raise the contribution of Syrian professional resources to industrialisation; to intensify the cooperation between industry and the University of Aleppo for the benefit of both.

Objective To estimate the potential market for management consultancy; to provide 'on-the-job' training in the marketing of management consultancy; to assist in the planning and execution of the programme for the Management Consultancy Unit.

Duration 4 months

Main Conclusions The Management Consultancy Unit consists of only three and enthusiastic but inexperienced members, working on a part-time basis. During training, one assignment and four preliminary surveys were authorised. It is essential that the Unit should have continued guidance during the last three weeks of the summer vacation, September 3rd - 23rd.

Recommendations The potential market will require the services of between three and five experienced management consultants, working on a full-time basis. They should achieve substantial benefits for their clients. It is recommended that the Rector should appoint management consultants to the Unit without University duties. It is recommended that during the week beginning 24th September, the suitability of members of the Management Development and Productivity Centre for transfer to the centre, after they have received appropriate training, should be assessed. Approval should be given by the Minister for Industry and the Rector.



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## I. INTRODUCTION

### A. Project Background

This project is the consequence of an initiative taken by the University of Aleppo to establish consultancy units.

The consultant arrived in Syria on 3rd February. The project of four months duration was terminated on 30th May.

### B. The Situation on Arrival

During the first days of the project, a situation was revealed which was significantly different from that recorded in the revised Project Report, dated 9th July 1980. This referred to 23 members of "The Professional Economics and Commerce Unit" and listed 9 fields for its activities and 8 contracts which had been concluded. All were concerned with management consultancy. However, it was found that only one contract (for the University itself) was in progress, and a second contract was in suspension because the two staff members who started the project have left the University. No marketing effort was in progress to promote new assignments.

The number of members of the Unit was 12 compared with 23 as at July 1980. In addition, on our arrival not one of the present members of the Unit has any real knowledge or understanding of management consultancy nor any real experience as a management consultant.

### C. Objectives of the Project

The duties of the consultant were:- "To briefly survey the industrial environment for consultancy disciplines and assist in promoting their acceptance; screen consulting job tenders made by Syrian or foreign firms; assist in the planning and execution of the Aleppo University industrial consultancy programme".

The reduced number and experience of the staff of the Unit did not have a serious effect on these duties but it increased the importance of the item "to assist in promoting their acceptance". It became necessary to set up a marketing function and to carry out a series of visits to companies with two objectives:-

- to provide 'on the job' training in the marketing of management consultancy and
- to collect information for the market survey

The training consisted of:-

- securing meetings with potential clients
- conducting the meetings
- securing authorisation for Preliminary Surveys
- carrying out Preliminary Surveys
- preparing and presenting the Preliminary Survey Reports
- negotiating contracts for assignments

#### D. Attainment

The results attained are:-

- 41 meetings held with 30 organisations
- 2 preliminary survey reports completed
- 2 preliminary survey reports authorised but not completed
- 1 assignment authorised

Three members only of the Unit availed themselves of this training and, of necessity, they worked very long hours to carry out their University duties as well as meeting the commitments of management consultants. They were, in addition, the only three members of the Unit who attended all the sessions of the seminar.

In contrast to the duties of the first consultant (01), the duties of the second consultant (02) were seriously affected and no longer constituted a full-time task. Hence, he submitted an Interim Report dated February 27th, 1982.

#### E. Relationship with Computer Consultants

Prior to our arrival, it had been expected by the Rector of the University and his staff that we would work with the computer specialist subcontractors (SZAMALK) in setting up a computer-based industrial consultancy unit. As a result we were given office accommodation in the Computer Centre. We explained that the majority of management consultancy does not involve the use of a computer. As a result of our explanations and at our request, we were moved to offices in the Faculty of Economics and Commerce. All the members of the management consultancy unit are members of this Faculty.

It was mutually agreed with members of the SZAMALK Organisation that we would cooperate on our respective assignments to the full extent necessary.

#### F. Cooperation

The training of the three consultants, whose names are listed at Section IV C has been conducted in an atmosphere of very real friendliness as well as great determination to succeed. It is unfortunate that other members of the Unit, in contrast, showed no interest in management consultancy.

There have been some constraints which have reduced the number of visits made, mainly the need for the three consultants to carry out their University duties. Sometimes there were shortages or breakdowns of transport. However, the consultants were most grateful to Dr. Hourieh, the Rector and Dr. Maghout, the Consultancy Coordinator, for their support for the project as well as their personal kindness.

The ten visits to various Government Departments in Damascus were only possible with the help and cooperation of Dr. A.S. Salem (SIDFA) who attended the last five.

Finally, during the three months that the UNIDO experts (Duty 02) were together at Aleppo, their work was carried out in a spirit of full cooperation and helpfulness.

## II. RECOMMENDATIONS

1. It is most strongly recommended that a consultant be authorised to carry out a project in Aleppo for a three-week period, September 3rd to 23rd inclusive, with duties to give guidance to the three members of the Management Consultancy Unit in their work for clients or potential clients as shown below:-

TABLE I

Consultant	Client	Duty
Dr. Zafir	General Organisation of the Euphrates Dam	To give guidance on this assignment, which was authorised during the project and is due to start late June.
Dr. Zafir	Nasri Plant	To give guidance in carrying out a Preliminary Survey and in preparing and presenting the Report and, if authorised, in starting the assignment. The Preliminary Survey was authorised towards the end of the project but was suspended as the Unit should not undertake it without guidance.
Dr. Rajab and Dr. Akili	The Aleppo Carpet Company	To give guidance in presenting the Preliminary Survey Report and if authorised, starting the assignment. The Preliminary Survey Report was prepared during the project but not presented due to the absence overseas of the General Director.
Dr. Rajab and Dr. Akili	The General Company for Retail Trade	To give guidance in presenting the Preliminary Survey Report and, if authorised, starting the assignment. The Preliminary Survey Report was prepared during the project but not presented.
Dr. Rajab and Dr. Akili	The Industrial Company for Garments	To give guidance in carrying out a Preliminary Survey and in preparing and presenting the Report and, if authorised, in starting up the assignment. The Preliminary Survey was authorised during the project but was not started.

The above programme could not be carried out in a three-week period later than 3rd - 23rd September, which is the last three weeks of the summer vacation when the three consultants would be available on a full-time basis.

There are three main reasons for this recommendation:-

(i) to ensure successful work is carried out by the three consultants.

Their comparable status in a reputable European or American consultancy is that of an inexperienced resident consultant who would receive weekly visits from a 'second-opinion' consultant,

(ii) to avoid the risk of an error being made which could be costly to the client and damaging to the reputation of the University, the Management Consultancy Unit and to the profession of management consultancy,

(iii) to ensure that the longer-term growth of management consultancy will continue to the considerable benefit of manufacturing and distributive companies in Northern Syria. If the reputation of management consultancy was damaged in the short-term, then plans for growth should be abandoned for some years.

This recommendation is made to the Rector of Aleppo University and to the Head of the Factory Establishment and Management Section of the Industrial Operations Division of UNIDO.

2. It is recommended that the Rector of Aleppo University should sanction the appointment of a limited number of experienced management consultants to the staff of the University. However, for maximum benefit they should not have any University duties, except for providing, with permission from their clients, study material.

3. It is recommended that the Minister for Industry should sanction the transfer of a limited number of members of the Centre for Management Development and Productivity to the staff of Aleppo University.

4. It is recommended that a consultant be authorised to spend one week at the Management Development and Productivity Centre in Damascus with the duties to interview appropriate members of the Centre to assess their present experience and knowledge of management consultancy, together with their potential after suitable training in management consultancy skills. The objective would be to assess how many, if any, members of the Unit would be willing to become members of a Management Consultancy Unit at Aleppo, and have the potential to fill the role of either a 'second-opinion' consultant or resident consultant.

Similar interviews and assessments were made of the members of the Management Consultancy Unit at Aleppo, the results of which are summarised at Annex V.

The proposed assessment should be made during the week beginning Friday, 24th September, immediately following the three week project in Aleppo, so that the knowledge of the potential market in Syria will be up to date.

This recommendation is made to the Minister for Industry, the Rector of Aleppo University and to the Head of the Factory Establishment and Management Section of the Industrial Operations Division of UNIDO.

5. It is recommended that selected or potential candidates for management consultancy at Aleppo should receive formal training in management consultancy skills.

This recommendation is made to the Minister for Industry and the Head of the Factory Establishment and Management Section of the Industrial Operations Division of UNIDO.

The reasons for recommendations (2) to (5) is that very considerable benefits should be derived by manufacturing and distributive companies in Northern Syria through the service of a small group of experienced management consultants working on a full-time basis. The existing Management Consultancy Unit at Aleppo University could match only a small proportion of the demand for management consultancy services.

6. If no suitable candidate for the post of 'second opinion' consultant at Aleppo exists at the Centre for Management Development and Productivity, then it is recommended that consideration be given to Mr. Tayssir Azmeh, a former Director General of the Centre and now Director of the Department for Scientific and Technical Affairs at the Ministry of Industry (Visit Report No.9, Annex I). Mr. Azmeh is the only experienced management consultant who was met during the project and apparently spends some time out of the country, undertaking consultancy assignments. It is possible that his experience could be better employed for the benefit of the Syrian economy.

This recommendation is made to the Ministry for Industry, if the need arises.



III. SURVEY OF THE INDUSTRIAL ENVIRONMENT  
FOR CONSULTANCY DISCIPLINES

A. Description of Visits

A total of 41 visits were made to 30 organisations. The objectives of the visits and their number, by category of organisation, are shown in Table 2 below. More than one objective was satisfied at each meeting.

TABLE 2

Objective	Public Sector		Private Sector		Government Department	Total
	Mftg.	Non-Mftg.	Mftg.	Non-Mftg.		
To provide information for the survey	9	4	6	2	9	30
To provide training in marketing	19	4	6	2	0	31
To provide information on job tenders	0	0	0	0	9	9
To obtain authorisation for a Preliminary Survey	4	1	1	0	N/A	6
To carry out a Preliminary Survey	5	4	0	0	N/A	9
To obtain auhtorisation for an assignment	0	1	0	0	N/A	1
	37	14	13	4	18	86

A copy of the visit report at each organisation is given at Annex I, and the names of the consultants who attended the meetings are shown at Table 3, below.

TABLE 3

Meeting Attended By	Public Sector		Private Sector		Government Department	Total
	Mfgt.	Non-Mfgt.	Mfgt.	Non-Mfgt.		
G.M. Evans	17	6	6	2	10	41
Dr. Rajab	11	4	0	0	0	15
Dr. Akili	11	4	0	0	0	15
Miss Oghiguiian	5	0	6	0	0	11
Dr. Maghout	3	1	0	0	3	7
Dr. Mhabik	4	2	0	0	0	6
Dr. Salem (SIDFA)	0	0	0	0	5	5
Dr. Aboubakr	2	0	0	0	0	2
Dr. Kahala	0	1	0	0	0	1

The job titles of the interviewees are shown in Table 4 below, excluding Government Departments.

TABLE 4

Job Title	Public Sector		Private Sector		Total
	Mfgt.	Non-Mfgt.	Mfgt.	Non-Mfgt.	
General Director (Managing Director)	6	3	6	2	17
Director	3	1	0	0	4
Other	0	0	0	0	0

It can be seen that over 80% of the interviewees were with General Directors and no-one below the level of Director was the main interviewee. Managers and staff members were sometimes present at the meeting, but they tended to make little contribution.

The friendliness of the reception and the response of the interviewees were remarkably high, as shown in Table 5 below.

TABLE 5

Estimate of 'Response'	Public Sector		Private Sector		Total
	Mftg.	Non-Mftg.	Mftg.	Non-Mftg.	
Above normal	7	3	4	2	16
Normal	2	1	2	0	5
Below normal	0	0	0	0	0

More than three times as many interviewees gave an 'above normal' response as gave a normal response. None gave a below normal response.

The appointments were secured as a result of telephone calls by a clerk in Dr. Maghout's office, who had no previous experience of making such calls. She reported that only one company (which was very small and in the private sector) declined the visit. This acceptance rate of 21 out of 22 or about 95% is phenomenally high for what, in Europe and America, are sometimes termed "blind calls". In the experience of the UNIDO consultant and former colleagues, a response of about 5% to 10% is usual.

However, in assessing the potential market, too much emphasis should not be placed on this very positive response in Northern Syria, where contributory factors would be the uniqueness of the approach and the inherent courtesy of the interviewee.

The size of the companies, in terms of number of employees, are given in Table 6 below.

TABLE 6

Number of employees	Public Sector		Private Sector		Total
	Mftg.	Non-Mftg.	Mftg.	Non-Mftg.	
Up to 50	0	0	4	2	6
Over 50 to 100	0	0	2	0	2
Over 100 to 300	2	2	0	0	4
Over 300 to 500	4	0	0	0	4
Over 500 to 1000	0	0	0	0	0
Over 1000	3	2	0	0	5

For the public companies, the number of employees are either between 100 and 500 or are in excess of 1000. Private companies are, by law, small in size, and they all had less than 100 employees of which most had less than 50.

The location of all the Companies, except three, were within 15 kms. of Aleppo. One organization, the General Organisation for the Euphrates Dam, is located about 250 kms. from Aleppo at El Thaura. (Ironically, this company is the one which has, already, authorised an assignment.)

Two companies are located in Damascus. They were visited to obtain an indication of any significant differences in response between companies in Damascus compared with Aleppo. No differences were detected and the results for the two Damascus companies are included in the survey.

#### B. Conduct of Interviews

##### With Companies

The length of time in discussion with the Directors and Managers varied from about one hour to 10 days. The meetings of short duration were with the smaller of the companies in the private sector where it was clear that the prospects of ultimately being authorised to undertake fee-paying work were negligible. The longer periods were, of course, with the companies who had authorised preliminary surveys.

In all cases, the meetings began with an explanation of the purpose of the visits and an introduction to the subject of management consultancy describing briefly the way in which management consultants operate. The interviewee was then asked to describe his company's operations, including a plant tour.

Usually, at the end of the day, the interviewee was invited to express his opinions on the potential value of management consultancy to his company, and, if he were to employ management consultants, to describe the area of his operations where they would be most likely to achieve financial or other benefits.

##### With Government Departments

Interviews were conducted with five Government Departments in the period 13th to 16th March with the main objectives of obtaining opinions and information to assist the survey of the industrial environment for consultancy disciplines and also to seek information concerning the screening of consulting job tenders.

The visits were made to the departments shown below with their corresponding number in the list of 'Notes on Visits' at Annex I.

TABLE 7

Name	Number in Annex I
Mr. Harmid Mir'i, Deputy Director, State Planning Commission	5
Eng. M.H. Sharafly, General Manager, Industrial Testing and Research Centre	7
Mr. Abdulla Elbearry, Director, Department of Organisation and Management, Prime Minister's Office	8
Eng. Tayssir Azmeh, Director, Department for Scientific and Technical Affairs, Ministry of Industry	9
Dr. Abdelfattah Aboubakr, Director, Management Development and Productivity Centre	10

Interview No.9 with Eng. Tayssir Azmeh was particularly helpful in defining the types of management consultancy disciplines which were and which should be required by manufacturing and distributive companies. Mr. Azmeh is a practising management consultant who obtains leave of absence to undertake assignments outside Syria.

If no suitable candidate for the post of 'second-opinion' consultant exists at the Management Development and Productivity Centre, then consideration should be given to the appointment of Mr. Azmeh. In this way, his skill as a management consultant would be employed for the benefit of Syria rather than for companies in other countries.

A further five interviews were conducted at the end of the project in the period 22nd to 25th May. There were then two additional reasons for the meetings. The first concerned the solution to the problem of the potential demand for management consultancy in Aleppo being so much larger than the resources of the Management Consultancy Unit. The second objective was to obtain views on the likelihood of acceptance by the Ministries concerned of contracts which companies were prepared to agree with the Management Consultancy Unit.

These visits were made as shown below.

TABLE 8

Name	Number in Annex I
Dr. Abdulla Sallouta, Deputy Minister, Ministry of Industry	27
Dr. Mamduh Monaged, General Director, General Organisation for Engineering Industry	28
Dr. Nassuh Malass, General Director, General Organisation for Chemical Industry	29
Mr. Hussein Azobe, General Director, General Organisation for Textiles	30
Dr. Adel Joudeh, General Director, Management Development and Productivity Centre	31

These meetings, which were arranged and attended by Dr. Salem, SIDFA, were most valuable in helping to finalise opinions, in particular of the matching of the potential demand for and supply of management consultancy in Aleppo. At the Management Development and Productivity Centre, the UNIDO consultant was invited to talk to 25 members of the staff on the subject of marketing management consultancy, which, with discussion, took about 2 hours.

C. Nature of Required Consultancy Services

For the Companies in the Public Sector, the more precise nature of the required consultancy services varied from company to company. However, there was evidence of an overall common interest in those services which fall within the broad spectrum of industrial engineering, together with problems associated with organisational structure. No one suggested a requirement involving more advanced management techniques, nor a need for computer-based information systems.

The function which received the greatest emphasis in terms of need for assistance was material control and, in particular, raw material control. This need was, invariably, generated by acute problems which arise, from time to time, due to shortage of imported raw materials which, in turn, stem from problems associated with supply of foreign currency. One distressing example was revealed at the visit (Organisation No.14 on 28th March, 1982 ) to the T.V. Screen Company. This is a modern plant with an investment of over £5 60 million which was standing idle and had been idle for the past

two and a half months due to shortage of a certain chemical, imported from Germany.

This type of situation is beyond the scope of management consultancy skills, but on the evidence of the two companies where preliminary surveys were conducted, the Aleppo Carpet Company, and the General Company for Retail Trade (Aleppo District), a reduction in the value of materials of at least 20% could be achieved at the present standard of availability. The UNIDO consultant has more than 30 years experience of assignments in this area and believes that 20% is a conservative estimate. It is likely that good management consultancy, working closely with the clients in developing and implementing appropriate procedures, could succeed in reducing the investment on stocks by 40% to 50%, without reducing their availability.

Other areas frequently mentioned by the General Directors were work measurement (associated with effective incentive schemes), planned maintenance of plant and quality control. These are areas where management consultants have carried out a vast amount of successful work in developed countries, and, again the UNIDO consultant is confident that experienced management consultants could achieve a significant return for their efforts to the benefit of the Syrian economy.

#### D. Probability of Negotiating Contracts

None of the companies visited had previously employed the services of management consultants, they had not even contemplated such action and they had little or no understanding of the way in which management consultants operate. Some of the companies had received, or were receiving, assistance from the Management Development and Productivity Centre, and it was necessary to explain to these companies some of the differences between the services provided by the Centre and those usually provided by management consultants, in terms of:-

- marketing approach, frequently through differences in the presentation of Preliminary Survey Reports, in which consultants specify precise Terms of Reference to be carried out under Terms and Conditions of Working, which constitute a contract between consultants and client
- work by the Centre, being more frequently carried out in their own offices whereas consultants normally work on the premises of their clients

- the influence of fee-paying as compared with non fee-paying services on the relationship between client and consultant.

The two visits to companies in Damascus were arranged and attended by Dr. Aboubakr of the Centre. He was instrumental in explaining the above differences.

On the evidence from 25 visits to 13 companies in the Public Sector, there is no doubt that the majority would accept the offer of a Preliminary Survey to be undertaken without payment of fees. It was necessary to be discriminating in making such an offer because the work generated could not be completed within the time scale of the project.

Preliminary Surveys were proposed to 4 of the 13 companies and all accepted. Undoubtedly, more preliminary surveys would have been authorised. The situation at the end of the project is that one assignment for £S 100,000 has been negotiated with the General Organisation of the Euphrates Dam. Two surveys are under discussion with a very high probability of acceptance by the General Directors concerned, and one was not started because the members of the Unit did not have sufficient time. Undoubtedly, more preliminary surveys would have been authorised if the selling effort had not been restrained on some of the visits.

Thus, at the present situation, at least 4 out of 13, or 30%, of the public companies visited would probably have wanted to authorise assignments. In all 4 cases, the proposed terms of reference would have led to substantial benefits to the companies, both in financial and other less tangible terms.

In the private sector, 6 of the 8 firms visited employ less than 50 staff, and their scale of operations would be too small to justify most management consultancy assignments. Two of the 8 companies could benefit from management consultancy, and the offer of a preliminary survey was made in writing to one of them, mainly to test the reaction. The offer was accepted, but the preliminary survey has been postponed because it could not be completed within the time-span of the project. On the evidence of the meetings, 25% of the private sector companies are potential users of management consultancy. If it is assumed that a half of these companies would agree to contracts, then the potential market is about 12-1/2% of the total number of private companies.

The marketing potential is summarised in Table 9.



TABLE 9

Marketing Potential	Public Sector		Private Sector		Total
	Mftg.	Non-Mftg.	Mftg.	Non-Mftg.	
Assignment Authorised	0	1	0	0	1
Preliminary Survey Authorised	2	1	1	0	4
Good long-term prospect	5	2	1	0	8
Poor long-term prospect	2	0	0	0	2
No potential	0	0	4	2	6

Visits reports for the companies referred to in the above table are given at Annex I, as follows:-

TABLE 10

Marketing Potential	Organisation Number
Assignment authorised	4
Preliminary Survey authorised	1, 2, 24, 25
Good long-term prospects	6, 12, 13, 14, 15, 23, 25, 26
Poor long-term prospects	3, 18
No potential	16, 17, 19, 20, 21, 22

In addition the Preliminary Survey Report for the Aleppo Carpet Company is given at Annex 3 and for the General Company for Retail Trade at Annex 4.

Two companies, located in Damascus, are outside the geographical area covered by the Aleppo Unit. However, they are included in the assessment of the potential which was made on a percentage basis.

#### E. Estimate of Market Size

A directory of industrial companies and organisations in the Aleppo area is being prepared by the Department of Industry and should be available later in 1982. In the meantime, Mr. Thabet Blai, Head of the Office of Industry in Aleppo, supplied a list of 20 public and 24 private firms in the Aleppo area. It is from this list that meetings were secured following a telephoned approach.

The estimate of the volume of management consultancy which could be generated by the 11 companies in the public sector in the Aleppo region who were visited is at the rate of between 1-1/2 and 2 consultant years per year. This is on the basis of full-time working by experienced management consultants. If it is assumed that the 11 companies visited are representative of the total of 20, and if the volume of management consultancy is prorated, then the estimated volume of work is approximately at the rate of slightly less than 3 or 4 consultant years per year, on a full-time basis, again assuming experienced consultants are available.

If the same volume of work were to be undertaken by the University Management Consultancy Unit on the present, limited, part-time basis, then it is estimated that 12 to 16 experienced consultants would be required in the Unit. In addition, part-time working in management consultancy is not a feasible concept.

In the private sector, the estimate of consulting work-load from the 8 companies visited is one or two consultant months per year. If the 8 companies are assumed to be representative of the total of 24 then the prorated volume of work becomes 3 to 4 man months per year, assuming experienced consultants are available.

The overall work-load is assumed to be 3 to 4 consultant years per year on a full-time basis with a probability of about 70%.

#### F. Validity of Estimate

The companies visited in the Aleppo area do not constitute a statistically valid sample in terms of market size, hence the estimate is indicative rather than conclusive. However, the UNIDO consultant has full confidence in the findings concerning the nature of the required consultancy disciplines, where the estimates are subjective rather than probabilistic.

In addition, the findings are supported by some well-informed opinions in Government Departments in Damascus.

The size of the market in Aleppo has been estimated as probably requiring the services of 3 or 4 experienced consultants on a full-time basis. In terms of probabilities, the UNIDO consultant qualifies the estimate as follows:-

TABLE 11

Probability	No. of Resident Consultants	No. of Second-Opinion Consultants	Total No. of Consultants
2-1/2%	0	1	1
12-1/2%	2	1	3
35%	3	1	4
35%	4	1	5
12-1/2%	5	2	7
2-1/2%	6	2	8
<hr/> 100%			

The above numbers assume full-time working by the resident consultants under the guidance of a 'second opinion' consultant. One second-opinion consultant should not supervise the work of more than 4 resident consultants and a large part of his time should be spent on the marketing of management consultants. In the unlikely event (2-1/2% probability) of only one assignment being authorised, it should be undertaken by a 'second opinion' consultant.

The most likely situation (70% probability) is that 3 or 4 resident consultants and one 'second opinion' consultant would be required.

The existing 3 members of the Management Consultancy Unit, with the severe demands on their time of University duties, could only undertake a small proportion of the consulting work-load.

The number of visits made to companies for the purpose of the market survey was restricted for a number of reasons, but mainly the availability of members of the Unit to join meetings was limited to about a day per week. A schedule of availability was included in a Progress Review, submitted to the Rector on 30th March, but changes in, and pressures of, the University

programme prevented adequate implementation of the schedule. Secondly, a shortage of transport or break-downs in transport resulted in the cancellation of several meetings. This was discussed with the Rector on several occasions and, although he was most sympathetic, little could be done to overcome the problem in the short term. On 4 occasions the UNIDO consultant attempted to carry out meetings unaccompanied, using taxis as transport. On two of these occasions, the discussion was hampered by the lack of an interpreter and on the other two occasions the taxi drivers were unable to find the companies premises, although supplied with names and addresses in Arabic script.

The third reason for a restriction in market survey visits is that priority was given to undertaking preliminary surveys in the allocation of the available time of Unit members.

#### IV TRAINING IN MARKETING FOR MANAGEMENT CONSULTANCY

##### A. Nature of Training

The training was provided by two methods:-

- i) 'on the job' training through 31 visits to 40 organisations
- ii) training in marketing provided by the consultants in the seminars given.

##### B. Guidance on the Marketing of Management Consultancy

Annex II contains Notes for Guidance on the Marketing of Management Consultancy. These notes describe the main functions of marketing which were both taught and implemented including:-

- listing the companies
- setting up a filing system
- planning for and making visits
- following-up visits
- proposals for a preliminary survey
- key points in a Preliminary Survey Report
- estimate of fee
- 'Terms and Conditions of Working'
- mutual support

The notes refer to 4 appendices which are not included in this Annex because Appendix A (a list of companies) and Appendix B (a card containing key information for each company) are printed in Arabic script. In addition, Appendix C (an example of 'Terms of Reference') and Appendix D (an example of 'Terms and Conditions of Working') are included in Annex III.

The Arabic translation of these notes were provided as a 'hand-out' following a talk on the marketing of management consultancy and given to 25 members of the Centre for Management Development and Productivity in Damascus.

### C. Preliminary Surveys

Two preliminary surveys have been carried out and the Preliminary Survey Reports prepared. They are for:-

- a manufacturing company, The Aleppo Carpet Company and
- a distributive company, The General Company for Retail Trade (Aleppo district)

In both cases, the proposals conform to the marketing policy described in the next section. In particular the proposed 'Terms of Reference' relate to a limited area where the chances of success are highest but where the area permits extensions of work into adjacent areas.

Also, for both Companies, the proposals go up to, but not beyond, the point of implementation. It might be dangerous to propose an implementation programme with inexperienced consultants, until they have demonstrated their ability and speed of working on the first stage of the assignment.

The General Director of the Aleppo Carpet Company created a most favourable impression and there were indications of a well-run company. Of the Directors and Managers who were seen, the Commercial Director appeared to know his job. Unfortunately, the General Director did not return from a visit to Cairo University, in connection with his doctorate, before the end of the project. The Preliminary Survey Report has not yet been discussed with him. He was though very enthusiastic at the earlier verbal reports. It was, however, discussed with the General Director of the General Organisation for Textiles in Damascus.

In contrast to the Aleppo Carpet Company, the General Company for Retail Trade was not impressive in terms of its departmental stores or central office operations. Again the General Director was unable to discuss the Report

but he had been particularly enthusiastic about going ahead with a survey at earlier meetings.

Because of their importance to the project, the Preliminary Survey Report for the Aleppo Carpet Company is given at Annex III, and for the General Company for Retail Trade at Annex IV. Based upon the experience of the UNIDO consultant in many comparable situations, acceptance of both proposals should lead to a number of repeat assignments and to very substantial savings both in cost of stock-holding and in improved service to customers.

Preliminary Survey proposals have also been made to and accepted by the Industrial Company for Garments and by Nasri Plast, a private company. In both cases, the start was delayed, and the surveys could not be carried out within the time scale of the project.

In all aspects of the marketing of management consulting, it is essential that the consultants should behave with integrity, and they should acquire a reputation for integrity. In particular, when conducting preliminary surveys and negotiating the 'Terms and Conditions of Working' with the client, it is essential to avoid the temptation to cut the time, and hence the fee, to undertake the assignment in an effort to 'close the sale'.

#### D. Assignment Authorised

A visit was made with Dr. Mhabik to the General Organisation of the Euphrates Dam, which is responsible for electricity production. In consequence, Dr. Mhabik has submitted, in a letter, Terms of Reference for an assignment to develop and implement accountancy procedures, in accordance with attached Terms and Conditions of Working.

It has been agreed that the assignment, for a fee of £S 100,000, will start at the end of June 1982, with a completion date of June 1983. Before starting the assignment, Dr. Mhabek will complete the fourth stage (the only current external assignment) of a project, started in 1978, for the Euphrates Basin Project. The procedures in the new assignment will be implemented on a manual basis, but the coding will permit a later conversion to a computer-based system.

## V CAPABILITY OF MANAGEMENT CONSULTANCY UNIT

### A. Previous Experience

At the start of the project, all 12 members of the Management Consultancy Unit were interviewed by the UNIDO experts. With the exception of one member who is shortly leaving the University, no-one had any real knowledge or understanding of management consultancy, nor any real experience as a management consultant. At Annex V, the 12 consultants are listed by name, year of birth, subject and country of their doctorates, together with assessments of their knowledge and experience in both management and consultancy.

### B. Present Capability

#### Response to Training

Three of the twelve members have worked with very real determination and enthusiasm at the 'on-the-job' training in the marketing of management consultancy, right through from first visits to securing an assignment. In addition they attended and benefitted greatly from the seminars.

The acquisition of practical experience in management consultancy has been achieved over a period of less than four months in February to May 1982, which has coincided with the University term. The only day of the week in which two of the members were free from University duties was Thursday, and the third member was free each Sunday. On all other days of the week (except Friday) the attendance at seminars visits, report preparation etc., have been undertaken outside normal University hours, in late afternoons and evenings.

The Unit member, who is shortly leaving the University to return to Canada, attended the Seminar and gave valuable help as a translator. The other eight members of the Unit apparently did not have sufficient interest in management consultancy to attend the seminars, apart from one session, and took no part, whatever, in 'on-the-job' training.

The three members of the Unit who received training are:-

Dr. Adel Rajab, Vice-Dean

Dr. Omar Akili, Head of Department of Management  
Studies

Dr. Zafer Mhabik, Head of Department of Accountancy

Dr. Rajab and Dr. Akili are capable of acting as resident consultants in projects involving subjects such as material control, production control and organisational studies. In addition, whenever possible, they will assist each other on assignments by acting as 'second opinion' consultants to each other.

Dr. Mhabik is capable of undertaking assignments in the financial area and introducing accountancy and costing systems. He prepared the Terms of Reference and the Terms and Conditions of Working for the assignment involving the development and implementation of accounting and costing system for the General Organisation of the Euphrates Dam. This has been authorised, and he will undertake the assignment.

The training in the marketing of management consultancy included the conduct of preliminary surveys and the preparation of preliminary survey reports. However, apart from the introduction of accountancy procedures by Dr. Mhabik it could be very dangerous for the client, the University, and for themselves if inexperienced consultants undertook preliminary surveys and negotiated contracts with the client. In European management consultancies, a resident consultant would first undertake survey work in conjunction with a very experienced colleague. The resident consultant would usually have had at least six years full-time experience.

During the project, Dr. Rajab and Dr. Mhabik have made determined and successful efforts to learn English. In February, the UNIDO consultant could not speak to them without the assistance of an interpreter. In May, they were able to serve as interpreters in conversations between the UNIDO consultant and members of the clients' staff. Dr. Akili could speak some English at the start of the assignment.

Dr. Kahalla, who is a part-time member of the faculty, and is an accountant, will be joining on a full-time basis, next term. Dr. Kahalla attended the meeting with the Vice-President of the General Organisation of the Euphrates Dam, of whom he is a personal friend, and he will take over from Dr. Mhabek, a part of the assignment to be completed in June for the Euphrates Basin Development Organisation. Unfortunately, apart from this one visit, Dr. Kahalla has not taken part in any of the training seminars.



Miss Arpio Oghiguan, who is a member of the Faculty, but not of the Unit, has also received practical training in the marketing of management consultancy, and she attended the seminars. She provided invaluable help as a translator at seminars and visits. Miss Oghiguan could undertake those parts of projects which are of a research nature. However, she is not temperamentally suited to filling the role of a management consultant.

Miss Oghiguan accompanied the UNIDO consultant on a visit to a private company, Nasri Plast, where Mr. Plast authorised a preliminary survey in the field of market research. Dr. Mhabik agreed to take part in the preliminary survey and to act as second-opinion consultant with Miss Oghiguan as resident consultant. This visit occurred in the latter part of the project, since Miss Oghiguan has been seen ill.

Dr. Mhabik will arrange for the preliminary survey to be postponed, indefinitely, as he agrees it should not be undertaken in the absence of the UNIDO consultant.

#### C. Future Guidance

In properly conducted management consultancies in Europe and America, no resident consultant, irrespective of his experience, would be allowed to work for a client without supervisory visits, usually one per two weeks, from a 'second opinion' consultant. The degree of supervision would depend upon the experience of the resident consultant and the complexity and importance of the assignment. The limited experience possessed by the members of the Unit would call for very close supervision, especially in the early stages of the assignment.

In fairness, both to the consultants and to the clients who have authorised preliminary surveys or assignments, it is essential that some form of continued guidance be provided.

The very strong recommendation from the UNIDO consultant in that he should be authorised to resume his assignment for a three-week period from the 3rd to 23rd September. The dates are important because they are the last three weeks of the University's summer vacation. In terms of availability of the members of the Unit and the number of visits which could be made to clients, the first three weeks of September would be equivalent to the three months, October to November, during term-time.

## VI CONSULTING JOB TENDERS

On the evidence of discussions at 31 Government Departments and Public and private companies, no management consulting job tenders are being submitted by Syrian or foreign firms, either currently or in the recent past, with the exception of those submitted by the Aleppo University and the University of Damascus Management Consultancy Unit. Where tenders are submitted, they are usually for projects involving technical consultancy rather than management consultancy.

## VII PLANNING AND EXECUTION OF FUTURE PROGRAMME

### A. Administration

The members of the Unit should report to Dr. Khaled Maghout in his capacity as Coordinator of all consultancy services - computer, technical and management. It is specified in the 'Notes for Guidance on the Marketing of Management Consultants' contained as Annex II, that the consultants who prepare the 'Terms and Conditions of Working' for an assignment must discuss and agree them with Dr. Maghout before they are presented to the client.

Procedures for card-indexing and filing have been instituted and are described in the 'Notes for Guidance'.

After discussions with Dr. Maghout and the members of the Unit, a fee rate of £S 1,000 per consultant day has been used as the basis for invoicing in the preliminary survey proposals. The fee is derived by estimating, very carefully, the number of consultant days necessary to fulfill the 'Terms of Reference', and then multiplying this figure by £S 1,000. The basis on which fees will be invoiced and payable must be specified in each proposal. It is vital for the reputation of management consultants, that the estimate of the number of consultant days is made with integrity.

The allocation of fees has been defined by the University and applies to all types of consultancy services. The allocation is:-

#### For each invoice paid

to the consultants	40%
retained temporarily by the University	60%

At the end of each assignment

to expenses fund	30%
to University	15%
to the Consultants	12%
to miscellaneous funds	3%
	<hr/>
	60%

Expenses in the Aleppo region should be considerably lower than 30% of the fee, and the balance remaining after payment of expenses will be paid to the consultants. The consultants will, normally, have incurred the expenses themselves, hence the payment to the consultants will be 40% + 30% + 12% less expenses or 82% less expenses, the University receiving 15% and miscellaneous funds 3%.

This should provide a steep incentive to the consultants to compensate for the investment they make in time, effort and expenses during the marketing of management consultancy.

B. Marketing Policy

The nature of the services required by 21 companies is given at Section III (C), and is, in summary, the broad area of industrial engineering, organisational studies plus accounting and costing systems. The strength of the teaching experience of the Unit members lies within those areas.

The UNIDO consultant believes that the members of the consultancy unit can undertake successful work in these areas, provided that the assignments are undertaken in situations where:-

- the chances of success are highest
- the initial assignments are not necessarily the most important to the client
- the time spent on assignments can be limited to time available
- the present management knowledge can be applied
- the work to be carried out is strictly defined in the 'Terms of Reference'
- the fee is calculated based on the estimate of consultant time multiplied by the fee rate, and the fee is incorporated in 'Terms and Conditions of Working'

- the areas of working permits extensions of work into adjacent areas
- there is a concentration on 'repeat' assignments for a limited number of clients, rather than a thin dispersal of effort over the whole market.

Finally, it is vital that those inexperienced consultants in the Unit are given periodic, short spells of further guidance from an experienced 'second opinion' consultant.

The proposed marketing policy is different in nature from those usually adopted by management consultancy firms in Europe. The essence of the Aleppo University policy is that it recognises the constraints imposed by shortages of numbers and experience, but is matching the needs of clients and potential clients to the best possible extent.

#### C. Short-term Plans

Short-term plans have to be based on the current situation where the estimate of the size of the market in Northern Syria is, at least, four times the strength of the management consultancy unit.

The status of current assignments and proposals is shown in Table 12 below, which includes information contained in Table 1.

TABLE 12

Consultant	Client	Status of Proposal or Assignment
Dr. Zafir and Dr. Kahalla	Euphrates Basin Development Organisation	Current assignment to be completed in June, 1972
Dr. Zafir	General Organisation of the Euphrates Dam	Assignment authorised to start late June, 1972 with completion date June 1973
Dr. Zafir and Ms. Oghiguiari	Nasri Plant (a private company)	Preliminary survey authorised but cannot be undertaken, at present
Dr. Rajab and Dr. Akili	Aleppo University	Work on organisation structure completed but final discussions not yet held
Dr. Akili	The Aleppo Carpet Company	Preliminary Survey Report completed but not discussed
Dr. Akili	The General Company for Retail Trade	Preliminary Survey Report completed but not discussed
Dr. Akili	The Industrial Company for Garments	Preliminary Survey authorised but not started
Dr. Akili	Techrine University Lattakiah	This University has suggested an organisational study. No discussions have yet taken place.

Dr. Zafir can undertake no additional assignments until June 1983, and therefore should postpone any further marketing until the spring of 1983. If 2 out of a possible 4 of their proposals were authorised, Dr. Rajab and Dr. Akili would be fully loaded. In the meantime, they should not initiate any new approaches to companies but should concentrate upon 'closing the sale' where negotiations or preliminary surveys are in progress.

The UNIDO consultant is convinced that they should be given guidance during the last three weeks of the summer vacation, September 3rd to 23rd. If this is not done there are two dangers. One is that, due to inexperience, they may give damaging advice to clients. The second risk is that, without help, there may be an erosion of their enthusiasm and all four possible projects may fail to materialise.

In both cases, there would be an adverse reaction in the attitudes towards management consultancy among manufacturing and distributive companies in Aleppo. Such poor opinions of management consultants would take some years to eradicate and further plans for developing management consultancy in Aleppo would have to be postponed unless the present situation is consolidated.

It is relevant that at the meeting with Mr. Nassuh Malass, General Director of the General Organisation for the Chemical Industry, he was forcible in his view that the reputation of management consultants from the Unit at Damascus University had been damaged by the practise of accepting an assignment at a higher fee and then sub-contracting the work at a considerably lower fee. It is vital for the success of management consultants that they are known to have integrity.

#### D. Longer-Term Plans

It is understood that the three members of the Management Consultancy Unit will not be released from their University duties. At their present level of availability for consultancy, they can only make a small impact upon the potential market for management consultancy in Northern Syria. It is therefore necessary to find an additional means of realising the full benefits available from successful operations by experienced management consultants.

It is always difficult to forecast whether or not a particular proposal will be acceptable by a client but, the UNIDO's consultants views, if the preliminary surveys now outstanding are completed, then the present

three members will be unable to cope with the resultant work-load. The very large potential benefits which should, undoubtedly, be secured for the clients will be lost unless a solution can be found to the problem of finding suitable experienced management consultants to undertake the assignments.

The Rector of Aleppo University has said that, in principle, he would accept the appointment of experienced management consultants to the University staff on a non-teaching basis. This could provide the basis for a solution to the problem.

The UNIDO consultant was impressed by the professional approach of Dr. Adel Joudeh, the Director General of the Management Development and Productivity Centre as well as by the level of the discussion following the talk given to 25 members of the staff. The strong recommendation is made that a week should be spent at the Centre for the purpose of interviewing and assessing the members of the staff. A similar type of assessment was made of the 12 members of the Consultancy Unit at Aleppo, the results of which are summarised at Annex V.

The objective of the assessment would be to find first, whether a member of the Centre had the ability, experience, and the willingness to act as a 'second opinion' consultant at Aleppo. Secondly, to find how many members of the centre had the ability, experience and the willingness to act as a resident consultant at Aleppo. It is recommended that potential candidates should be given training in management consultancy skills.

The number of resident consultants who are appointed to Aleppo should depend upon the number and scale of the assignments which are authorised. Initially, it is possible that one 'second-opinion' and one resident consultant would be required, increasing to three or four and possibly to five or six. In the latter case, another second-opinion consultant would be required. The most careful consideration will be required to ensure that appointments are not made to satisfy a peak demand which may not be maintained.

ANNEX I

Visit Report

Objective - To provide 'on the job' training in the marketing of management consultancy

- To provide data for the market survey

- To obtain authorisation to undertake a preliminary survey

Organisation number 1

Date(s) of visit 14/2, 18/2 and 11/3/82

Name of organisation The Industrial Company for Garments

Type of organisation Public sector manufacturer of ready-made clothes for men, women and children

When established 1979

Address P.O. Box 5739, Aleppo

Meeting(s) with Mr. Hassan Al-Ahmed, General Manager  
Mr. Osmat, Commercial Director

Accompanied by Dr. Maghout, Dr. Rajab, Dr. Akili

Number employed 1,500

Have internal management services? /No

Have previously employed management consultants? /No

Most likely area in which management consultants would be employed

Production scheduling and raw material control

Friendliness of reception Very friendly

Remarks A preliminary survey in the area of production scheduling and raw material control was accepted verbally by the General Manager. At his request, the UNIDO consultant wrote a letter so that his management committee can consider the proposals.

Follow-up required by Aleppo University Management Consultancy Unit

Follow-up letter of proposal with Mr. Hassan Al-Ahmed or, if he has been transferred to Syrian Airways, with his successor. On the last day of the project the Director General of the General Organisation for Textiles knew about the Proposal and said Mr. Hassan Al-Ahmed was not leaving the company (Visit Report No.30) and hence the proposal was authorised.

Visit Report

Objective - To provide 'on the job' training in the marketing of management consultancy

- To provide data for the market survey
- To obtain authorisation to undertake a preliminary survey

Organisation number 2                      Date(s) of visit 15/2, 20/2, 1/4, 4/4  
8/4, 12/4/82

Name of organisation The Aleppo Carpet Company

Type of organisation Public sector manufacturer of carpets and textiles

When established 1979

Address Aleppo

Meeting(s) with Dr. Jameel Bash Aga, General Director; Mr. Chayyah, Commercial Director; Miss Shabani, Financial Manager, Mr. Sakale, Production Manager.

Accompanied by Dr. Maghout, Dr. Rajab, Dr. Akili, Miss Oghigian.

Number employed 800

Have internal management services? NO

Have previously employed management consultants? NO

Most likely area in which management consultants would be employed

Production scheduling and material control

Friendliness of reception Most friendly

Remarks On 1.4.82, a preliminary survey was proposed and confirmed in writing to Dr. Jameel. The preliminary survey report was submitted on 29.4.82 and proposed a study of raw materials controls followed by a longer-term programme. The fee quoted for the first study was £S 28,000.

Follow-up required by Aleppo University Management Consultancy Unit

To follow up the proposal when Dr. Jameel has returned from an extended visit to Cairo University in connection with his doctorate. The General Director of the General Organisation for Textiles has been told about the Report (Visit No.30) and said he would consider it carefully when Dr. Jameel raises it.



Visit Report

Objective - To provide 'on the job' training in the marketing of management consultancy

- To provide data for the market survey

Organisation number 3            Date(s) of visit 17.2.82

Name of organisation The Aleppo Cable Company

Type of organisation Public Sector manufacturer of cables

When established 1976

Address Aleppo

Meeting(s) with Mr. Mohammed, Financial Director  
and the Production Supervisor

Accompanied by Dr. Rajab, Dr. Akili

Number employed 490 (target 1,200)

Have internal management services? NO

Have previously employed management consultants? NO

Most likely area in which management consultants would be employed

There was no grasp of what management consultants might do.

Friendliness of reception Friendly but confused.

Remarks At the present time, technical rather than management consultancy is required. A very low level of plant utilisation is being achieved and most of the factory floor space is not occupied. Area = 15,000 sq. m. Capital = £S 160 million.

Follow-up required by Aleppo University Management Consultancy Unit

None, for the time being.

Visit Report

Objective To follow up a request for assistance in installing accounting and costing systems.

Organisation number 4      Date(s) of visit 7.3.82  
Name of organisation General Organisation of the Euphrates Dam  
Type of organisation Hydro-electric and irrigation  
When established 1975-80 (USSR assisted)  
Address Al Thawra  
Meeting(s) with Mr. Ahmed Nouri Ashran, Vice-President  
Accompanied by Dr. Mhabik, Dr. Kahalla  
Number employed 10,000 (own township)  
Have internal management services? NO  
Have previously employed management consultants? NO

Most likely area in which management consultants would be employed

The Vice-President authorised the consultancy unit to carry out the assignment for £S 60,000.

Friendliness of reception Most friendly.

Remarks The consultancy unit stated that they need to carry out a preliminary survey to estimate the time and cost in fees. Data was supplied to them. A proposal letter with Terms of Reference and 'Terms and Conditions of Working' was sent by Dr. Zafir Mhabik.

Follow-up required by Aleppo University Management Consultancy Unit

The means of undertaking the assignment, and the fee of £S 100,000 were agreed on 13.5.82. A team of four will be made available from the staff of the Euphrates Basin Authority to work under the direction of Dr. Mhabik, starting late June, 1982, documentation to be completed by October, 1982, the system developed by March 1983 and training and implementation completed by June 1983.

Visit Report

Objective To provide data for the market survey.

Organisation number 5                      Date of visit 13.3.82

Name of organisation State Planning Commission.

Address Damascus

Meeting(s) with Mr. Harmid Mir'i, Deputy Director.

Accompanied by Dr. Maghout

Friendliness of reception Friendly.

Comments Mr. Mir'i could give no information himself but recommended we visit:-

Mr. Abdulla Elbearry, Director of the Organisation and Management Department in the Prime Minister's Office, and

Mr. Tayssir Azmeh, Director, Scientific and Technical Affairs, Ministry of Industry.

Visit Report

Objective            To obtain data for the market survey.

Organisation number    6            Date(s) of visit    14.3.82

Name of organisation    General Company for Technical Studies and Consultancy

Type of organisation    Consulting Engineers

When established        1980

Address                    Damascus

Meeting(s) with         Dr. Fouad Bachour, General Director

Accompanied by         Dr. Maghout

Number employed         250

Have internal management services?        NO

Have previously employed management consultants?    NO

Most likely area in which management consultants would be employed

Project management

Friendliness of reception        Very friendly

Remarks

The company of consulting engineers has grown to 200 (professional) and plans to double its size within a year. It may be growing too fast.

There is a great need for help with project management.

Follow-up required by Aleppo University Management Consultancy Unit

None

Visit Report

Objective            To obtain data for the market survey

Organisation number    7                    Date of visit        14.3.82

Name of organisation    Industrial Testing and Research Centre

Address                    Damascus

Meeting(s) with         Eng. M.H. Sharafly, General Manager  
Mr. H. Visvesvaraya, Project Manger  
UNDP Project No. SYR/77/004

Accompanied by         Dr. Maghout

Friendliness of reception    Very friendly

Comments

No useful information gathered for market survey, but their work is very interesting.

Visit Report

Objective - To obtain data for the market survey  
- To screen consulting job tenders

Organisation number 8                      Date of visit 14.3.82

Name of organisation Department of Organisation and Management,  
Prime Minister's Office

Address Damascus

Meeting(s) with Mr. Abdulla Elbearry, Director

Accompanied by Dr. Maghout

Friendliness of reception Friendly

Comments

The post is mainly concerned with O and M type activities within the Government. The Director had little understanding of what management consultancy is and had a rather negative attitude towards it. He thought there was no point in carrying out management consultancy in individual companies until overall organisational problems (e.g. job descriptions) are dealt with. Nothing was known of consulting job tenders submitted by Syrian or foreign firms.



Visit Report

Objective - To obtain data for the market survey  
- To screen consulting job tenders

Organisation number 10      Date of visit 16.3.82

Name of organisation Management Development and Productivity Centre

Address Damascus

Meeting(s) with Dr. Abdelfattah Aboubakr, Dr. Abdel Majid Rabat,  
Industrial Engineers

Accompanied by (alone)

Friendliness of reception Most friendly and helpful

Comments

Dr. Aboubakr very kindly arranged visits for the UNIDO consultant - see numbers 11 and 12.



Visit Report

Objective To obtain data for the market survey

Organisation number 11 Date(s) of visit 17.3.82

Name of organisation Nasser Company for Television Fabrication (Syronics)

Type of organisation Public sector manufacturer of television sets and components and telephone equipment.

When established 1977

Address Kaboun, Damascus

Meeting(s) with Dr. Nazir Koussa, General Director

Accompanied by Dr. Aboubakr

Number employed 1,400 in 10 plants

Have internal management services? YES

Have previously employed management consultants? NO

Most likely area in which management consultants would be employed

Organisation studies and procedures. He does not envisage using consultants on a departmental basis (e.g. productivity) because he has internal specialists.

Friendliness of reception Friendly

Remarks Dr. Koussa impressed as an energetic, enthusiastic General Director (age 35/40). He does not control distribution which is by Syronics. He has to sell on the home market at a fixed price but can negotiate export prices.

Follow-up required by Aleppo University Management Consultancy Unit

N/A - Market survey (only)

Visit Report

Objective                      To obtain data for the market survey

Organisation number        12                      Date(s) of visit        18.3.82

Name of organisation        Al-Ahlia Company for Rubber and Plastic Products

Type of organisation        Public sector manufacturing of rubber and plastic products

When established            1978

Address                        Damascus

Meeting(s) with              Chem. M. Kamal Al-Fakeer

Accompanied by              Dr. Aboubakr

Number employed

Have internal management services?                      NO

Have previously employed management consultants? NO

Most likely area in which management consultants would be employed

He considered the Productivity Centre had provided management consultancy services for him. In 1981 work measurement, 3 months; organisational study, 25 days.

Friendliness of reception                      Friendly

Remarks

Dr. Aboubakr explained the services provided by the Productivity Centre in relation to management consultancy services. The main differences are that the Productivity Centre are not fee-earning, do not have Terms and Conditions of Working and do not work mainly on the clients premises.

Follow-up required by Aleppo University Management Consultancy Unit

N/A            Market survey only



Visit Report

- Objective - To provide 'on the job' training in the marketing of management consultancy
- To provide data for the market survey

Organisation number 14                      Date(s) of visit 28.3.82

Name of organisation The T.V. Screen Company

Type of organisation Public sector manufacturer of T.V. screens, a subsidiary of the Syrionic Tube Company.

When established 1979

Address near Aleppo

Meeting(s) with Mr. Nouman Hanou, Production Director

Accompanied by Dr. Mhabik, Miss Oghiguan

Number employed 140, normally

Have internal management services? NO

Have previously employed management consultants? NO

Most likely area in which management consultants would be employed

Dr. Mhabik had previously proposed an assignment for installing the Syrian 'unit cost' system at a fee of £S 30,000. The client had originally offered £S 16,000. No decision by Damascus H.Q.

Friendliness of reception Friendly

Remarks

This modern plant has been standing idle for 2-1/2 months due to a shortage of a few chemical raw materials to be imported from West Germany. This, in turn, is due to a shortage of foreign currency.

Follow-up required by Aleppo University Management Consultancy Unit

Dr. Mhabik should follow up his proposal when the Company is, again, earning revenue.

Visit Report

- Objective - To provide 'on the job' training in the marketing of management consultancy.
- To provide data for the market survey.

Organisation number 15                      Date(s) of visit 18/4 and 25/4/82

Name of organisation The General Company for Glass Production

Type of organisation Public sector manufacturer of sheet glass, containers and tempered or fluted glass.

When established 1978

Address Aleppo

Meeting(s) with Mr. Hesham Hindawi - General Director of Factory and Deputy General Manager; Mr. Mustafa Engraini, Commercial Director.

Accompanied by Dr. Mhabik

Number employed 120

Have internal management services? NO

Have previously employed management consultants? NO

Most likely area in which management consultants would be employed.  
Costing systems.

Friendliness of reception Very friendly.

Remarks This Company has overcome technical problems and problems of spare parts. French built - - but West German technical glass consultants helped to solve their problem. 50% of their sales in 1982 are to Iraq. They cannot deliver but do not want to incur the heavy cost of shutting down the furnaces. Enormous stocks are accumulating. No alternative market found.

Follow-up required by Aleppo University Management Consultancy Unit.

When they have overcome the problem caused by restriction on very large orders to Iraq, a follow up should yield a preliminary survey.

Visit Report

- Objective - To provide 'on the job' training in the marketing of management consultancy.
- To provide data for the market survey.

Organisation number 16                      Date(s) of visit 21.4.82

Name of organisation Katmariz, Kalayjian and Nalbandian and Co.

Type of organisation Private sector manufacturers of batteries (under licence to Panter Battery Factory, Denmark).

When established 1979, with help from Panter.

Address Aleppo

Meeting(s) with George Kalayjian and Noubar Nalbandian, Partners and Production Supervisors.

Accompanied by Miss Oghiguan

Number employed 25

Have internal management services? NO

Have previously employed management consultants? NO

Most likely area in which management consultants would be employed  
They operate on too small a scale to use management consultants

Friendliness of reception Very friendly

Remarks An efficient and profitable small private company.

Follow-up required by Aleppo University Management Consultancy Unit

None

Visit Report

- Objective - To provide 'on the job' training in management consultancy  
- To provide data for the market survey

Organisation number 17      Date(s) of visit 21.4.82  
Name of organisation      Arsellinian and Cappochian  
Type of organisation      Private sector manufacturers of taps, valves, etc.  
for domestic plumbing.  
When established      1974      Family business  
Address      Aleppo  
Meeting(s) with      Mr. Charlie Cappochian  
  
Accompanied by      Miss Oghiguan  
Number employed      35  
Have internal management services?      NO  
Have previously employed management consultants?      NO  
Most likely area in which management consultants would be employed  
They operate on too small a scale to use management consultants  
  
Friendliness of reception      Friendly  
Remarks      None

Follow-up required by Aleppo University Management Consultancy Unit

None

Visit Report

Objective - To provide 'on the job' training in the marketing of management consultancy.

- To provide data for the market survey.

Organisation number 18                      Date(s) of visit 24.4.82

Name of organisation Lights Source Project  
(to be called 'Aleppo Electrical and Lamp Company')

Type of organisation Public sector manufacturers of electric light bulbs. About to come into production.

When established 1982 (under construction since 1979)

Address Aleppo

Meeting(s) with Mr. H. Shahoud Juratli, Project Manager  
Prof. Dr. Badr-El-Din Koja (No real title - a type of technical consultant)

Accompanied by Dr. Maghout  
Miss Oghiguan

Number employed N/A

Have internal management services? NO

Have previously employed management consultants? NO

Most likely area in which management consultants would be employed

Costing procedures

Friendliness of reception Very friendly

Remarks This company has been set up to avoid imports, mainly Hungarian

Follow-up required by Aleppo University Management Consultancy Unit  
Dr. Mhabik should maintain contact with Mr. Engraine, Commercial Director of the General Company for Glass Production who, at present, has administrative control.



Visit Report

Objective To obtain data for the market survey

Organisation number 19                      Date of visit 25.4.82

Name of organisation Safwan Ashrafie Company

Type of organisation Pharmaceutical wholesale in the private sector

When established 1977

Address Aleppo

Meeting(s) with Mr. Safwan Ashrafie

Accompanied by Alone

Number employed 25

Have internal management services? NO

Have previously employed management consultants? NO

Most likely area in which management consultants would be employed

Too small to employ the services of management consultants

Friendliness of reception Very friendly

Remarks

Communications were difficult as there was no interpreter.

Follow-up required by Aleppo University Management Consultancy Unit

None

Visit Report

Objective To obtain data for the market survey

Organisation number 20      Date(s) of visit 22.4.82

Name of organisation Alif Maleese Company

Type of organisation Spare parts supply and vehicle maintenance in the private sector

When established 1975

Address Aleppo

Meeting(s) with Mr. Alif Maleese, Proprietor

Accompanied by Alone

Number employed 20

Have internal management services? NO

Have previously employed management consultants? NO

Most likely area in which management consultants would be employed

Too small to employ the services of management consultants

Friendliness of reception Very friendly

Remarks

Communications were difficult as there was no interpreter

Follow-up required by Aleppo University Management Consultancy Unit

None

Visit Report

- Objective - To provide 'on the job' training in the marketing of management consultancy  
- To provide data for the market survey

Organisation number 21            Date(s) of visit 24.4.82  
Name of organisation El-Effendi Refrigeration Plants  
Type of organisation Private sector manufacturers of refrigerators  
When established 1967  
Address Aleppo  
Meeting(s) with Mr. M. Dib El-Effendi, Proprietor

Accompanied by Miss Oghiguan

Number employed 35

Have internal management services? NO

Have previously employed management consultants? NO

Most likely area in which management consultants would be employed

They operate on too small a scale to employ management consultants

Friendliness of reception Friendly

Remarks None

Follow-up required by Aleppo University Management Consultancy Unit

Visit Report

- Objective - To provide 'on the job' training in the marketing of management consultancy
- To provide data for the market survey.

Organisation number 22                      Date(s) of visit 27.4.82

Name of organisation Etablissement ARA

Type of organisation (i) A private company importing cosmetics, textile machinery, etc.

(ii) A private company manufacturing from raw materials supplied by Bayendorf and Hoechst.

When established 1949

Address Aleppo

Meeting(s) with Mr. Abdallah Kilo, Directeur General

Accompanied by Miss Oghigian

Number employed 6 in (i) 29 in (ii) 11 at factory

Have internal management services? NO

Have previously employed management consultants? NO

Most likely area in which management consultants would be employed

On the border line of being too small to employ management consultants

Friendliness of reception Very friendly

Remarks Mr. Kilo has been 33 years with the organisation. Under the nationalisation laws of 1965 they were reduced to 5% of their previous size.

Follow-up required by Aleppo University Management Consultancy Unit

None

Visit Report

- Objective - To provide 'on the job' training in the marketing of management consultancy.
- To provide data for the market survey

Organisation number 23                      Date(s) of visit 28.4.82

Name of organisation Hamol International

Type of organisation A private company manufacturing 60 types of perfumery and cosmetics, under license to Hamol.

When established 1966

Address Aleppo

Meeting(s) with Michael Bannal (Proprietor), Joseph J. Tobjian, Director Technique.

Accompanied by Miss Oghiguan

Number employed 60 including 40 in 5 factories

Have internal management services? NO

Have previously employed management consultants? NO

Most likely area in which management consultants would be employed  
Marketing. No executive is responsible for marketing and advertising

Friendliness of reception Very friendly

Remarks They have 11 or 12 competitors in Syria. They operate on a large enough scale to justify management consultancy.

Follow-up required by Aleppo University Management Consultancy Unit

Follow up on marketing after the marketing proposals for Nasri Plant have been completed.

Visit Report

Objective - To provide 'on the job' training in the marketing of management consultancy

- To provide data for the market survey
- To obtain authorisation to undertake a preliminary survey

Organisation number            24            Date(s) of visit            28.4.82

Name of organisation            Nasri Plast

Type of organisation            (i) Private sector manufacturers of compound and powder  
(ii) Trading in raw materials for above

When established                (i) 1973 (ii) 1980

Address                            Aleppo

Meeting(s) with                    Joseph B. Nasri (Proprietor)

Accompanied by                    Miss Oghiguan

Number employed                  90

Have internal management services?            NO

Have previously employed management consultants?            NO

Most likely area in which management consultants would be employed

Marketing and market research

Friendliness of reception                    Very friendly

Remarks    They definitely operate on a scale large enough to justify management consultancy. Mr. Nasri was interested in an assignment to assess his marketing strength and penetration. He has been sent a letter proposing a preliminary survey. One of the purposes of the letter is to ensure he understands that he must disclose confidential information.

Follow-up required by Aleppo University Management Consultancy Unit

The letter was sent in English over the signature of Dr. Mhabik. Miss Oghiguan was asked to phone to follow up. Since then she has not been seen and could not be reached on the telephone. Mr. Nasri was in Damascus on the last day of the project. Dr. Mhabek will telephone him to postpone further action by the Unit.

Visit Report

Objective - To provide 'on the job' training in the marketing of management consultancy

- To provide data for the market survey
- To obtain authorisation to undertake a preliminary survey

Organisation number            25            Date(s) of visit            29.4.82

Name of organisation            General Company for Retail Trade (Aleppo Region)

Type of organisation            Public Sector Retailers (The Government Shops)

When established

Address                            Aleppo

Meeting(s) with                    Mr. Farouk El Turk, General Director, Aleppo Region

Accompanied by                    Dr. Rajab, Dr. Akili

Number employed                    520

Have internal management services?                    NO

Have previously employed management consultants?                    NO

Most likely area in which management consultants would be employed

Large potential in all areas

Friendliness of reception                    Very friendly

Remarks    On 29.4.82 Mr. El Turk authorised a Preliminary Survey which was carried out and the Report was written in English. Warehousing and retailing operations are ineffective and there are large potential savings from several years of full-time consultancy.

Follow-up required by Aleppo University Management Consultancy Unit

A meeting was arranged with Mr. El Turk at his home on 18/4 to discuss the Report. He told Dr. Rajab that Dr. Al Samman would be with him. There is very bad feeling between Dr. Rajab and Dr. Al Samman. Dr. Rajab sent a message to Mr. El Turk proposing that the meeting be held at his office so that we could demonstrate a small micro computer for stock control. There was no reply from El Turk.

It is important that the Report is discussed with Mr. El Turk.

Visit Report

Objective - To provide data for the market survey

Organisation number                    26                    Date(s) of visit                    29.4.82

Name of organisation                    Vehicle and Parts Distribution Company, Aleppo  
Region

Type of organisation                    Public Sector Distributors

When established

Address                                    Aleppo

Meeting(s) with                            Mr. Rashid Kayal, General Director, Aleppo Region.

Accompanied by                            Dr. Rajab                    Dr. Akili

Number employed

Have internal management services?                    NO

Have previously employed management consultants?                    NO

Most likely area in which management consultants would be employed

Friendliness of reception                    Friendly

Remarks

Follow-up required by Aleppo University Management Consultancy Unit

Following outcome of preliminary survey with General Company for  
Retail Trade.



Visit Report

- Objective - To obtain data for the market survey
- To screen consulting job tenders
  - To describe and discuss the short and long term problems of the University

Organisation number            27                      Date(s) of visit        23.5.82

Name of organisation            Ministry of Industry

Address                            Damascus

Meeting(s) with                    Dr. Abdulla Sallouta, Deputy Minister

Accompanied by                    Dr. Salem, SIDFA

Friendliness of reception                                      Most friendly and helpful

Comments

The present situation and short-term and long-term problems described, i.e. demand for consultancy, is at least 4 times the supply.

He thought that the UNIDO consultants' conversion factor of 50% by the Ministries concerned was low.

He said no consulting jobs are put out to tender. Stock figures could be obtained from the central bureau of statistics.

The Aleppo Carpet Company's Preliminary Survey Report would be discussed with Mr. Hussein Azabe of the Ministry of Industry.

The General Company for Retail Trade's Report would be discussed with Mr. Mahmoot Fallah of the Ministry of Supply and Home Trade.

Visit Report

Objective - To obtain data for the market survey  
- Likelihood of accepting Preliminary Survey proposals

Organisation number            28                      Date of visit    24.5.82  
Name of organisation            General Organisation for Engineering Industry  
Address                            Damascus

Meeting(s) with                    Mr. Mamduh Monaged, General Director

Accompanied by                    Dr. Salem, SIDFA

Friendliness of reception            Friendly

Comments

Dr. Monaged was vehement in making the point that technical studies carried out by foreign experts are too theoretical. They do not recognize that:-

- (i) there is a shortage of trained people
- (ii) there are constraints imposed by a Socialist State.

He quoted as an example a study regarding compressors where an output of 500,000 was proposed but the market in Syria is 200,000.

He believed there was a need for consultancy in new product development which utilises existing capacity to the best possible extent.

He said a good practical proposal which demonstrates benefits would be authorised.

Visit Report

Objective - To obtain data for the market survey  
- Likelihood of accepting Preliminary Survey Proposals

Organisation number 29                      Date of visit 24.5.82  
Name of organisation General Organisation for Chemical Industry  
Address Damascus  
Meeting(s) with Mr. Nassuh Malass, General Director  
Accompanied by Dr. Salem, SIDFA

Friendliness of reception Very friendly

Comments

Mr. Malass was very concerned at the fact that consulting units in Damascus have acquired a reputation for undertaking assignments at £S 800 per day, and sub-contracting them at £S 200 per day. It is giving consultancy a bad name at the executive level, although Ministers do not appear to be aware of the practise.

Mr. Malass was sure that a practical proposal demonstrating benefits would be authorised at Ministerial level.

Visit Report

Objective - To obtain data for the market survey  
- Likelihood of accepting Preliminary Survey Proposals

Organisation number 30      Date of visit 24.5.82  
Name of organisation General Organisation for Textile Industry  
Address Damascus  
Meeting(s) with Mr. Hussein Azobe, General Director  
Accompanied by Dr. Salem  
Friendliness of reception Friendly

Comments

Mr. Azobe is very new to his job. He was aware of the preliminary survey for the Industrial Company for Garments but not for the Aleppo Carpet Company. He confirmed that Mr. Hassan Al-Ahmed was not moving to Syrian Airways, and that the Preliminary Survey was authorised.

He said that a good proposal, demonstrating benefits, would be authorised by him.

Visit Report

Objective - To obtain data for the market survey  
- To make a preliminary assessment of the operations  
of the Productivity Centre

Organisation number 31                      Date of visit 25.5.82  
Name of organisation Management Development and Productivity Centre  
Address Damascus

Meeting(s) with Dr. Adel Joudeh, General Director

Accompanied by Dr. Salem

Friendliness of reception Most friendly

Comments

Dr. Joudeh described the organisation and work of the centre. This is the only group met which could be considered as coping with the demands of N. Syrian companies, particularly if:-

- (i) the best members were coopted
- (ii) R.C.C. were to give his seminars on management consultancy skills.

The UNIDO consultant was invited to give a talk on the marketing of management consultancy. With questions, it lasted for two hours and was attended by 25 of the staff. On the basis of questions asked, they had little previous knowledge of the subject.

The 'Notes for Guidance on the Marketing of Management Consultancy' have been translated into Arabic and will be provided as a handout.

ANNEX II

ALEPPO UNIVERSITY MANAGEMENT CONSULTANCY UNIT

Notes for Guidance on the Marketing  
of Management Consultancy

Introduction

Events of the last few months have shown that there is a great deal of interest in the Management Consultancy Unit of Aleppo University on the part of companies in and around Aleppo. At the beginning of May, preliminary surveys or negotiations are in progress with 6 organisations where 3 months earlier, there were none.

A satisfactory level of income in fees paid to the Unit will be achieved and maintained only if:-

- the marketing effort is sustained
- the quality of the work is good

These brief notes are intended to highlight some of the more important aspects of marketing in management consultancy.

1. The Market

A directory of industrial companies and organizations in the Aleppo area is being prepared by the Department of Industry. Copies should be obtained by each consultant when they become available later in 1982.

2. Card Index and Filing

A card has been established for each of these companies, on which certain key information is recorded on one side and the date and type of each contact is entered on the reverse side.

In addition, a correspondence file should be maintained for each company where contact is made. The files will contain:-

- visit reports
- letters
- Preliminary Survey Reports

When a Preliminary Survey or an assignment is undertaken, the consultants concerned should, carefully, keep all the working papers.

3. Visits

In the marketing of management consultancy, the most valuable time is that which is spent in discussion with the clients General Director and Directors. It is, therefore, essential that this time is used as effectively as possible. This is achieved by preparing carefully for each meeting and deciding on the objectives. At the same time, the General Director may introduce an unexpected topic, so that flexibility is required.

4. Following-up Visits

Following each marketing visit, the consultant should:-

- write to the Company, even if it is only a short letter of thanks. This is usually remembered, favourably, by the General Director.
- write a short 'visit report' on the main points which arose.

Each visit should be 'followed up' in about 6 months time. If the Company concerned is a "good contact", a repeat visit should be made. If the Company is not such a "good contact", and/or the consultant is heavily loaded with current assignments, then a letter should be written or telephone call made to show interest and to keep in touch with the General Director.

5. Proposals for a Preliminary Survey

A preliminary survey without charge, should be prepared only if it has a good chance of success. The amount of time and effort put into a free preliminary survey will depend upon the importance and size of the Company and the current work-load of the consultant. A free preliminary survey should not exceed 5 days, made up as follows:-

- 2 days at the company's premises
- 2 days analysing data and writing the Report
- 1 day presenting the Report and negotiating the proposal.

For a small or private company less time should be spent and the proposal could be in the form of a letter.

In very rare circumstances and when the consultant has a heavy workload, a fee could be proposed for a preliminary survey.

6. Key Points in a Preliminary Survey Report

The key points are:-

(a) The Technical Content

Background information

Findings

Recommendations

Benefits

(b) The Use of our Services

Terms of Reference (Example at Appendix C)

Resident Consultant/2nd Opinion Consultant

Counterparts

(c) Terms and Conditions of Working

Confidential Information

Cooperation and Counterparts

Fees

7. Estimate of Fee

Estimate for each item in the Terms of Reference:-

Resident Consultant (Consultant days)

Calendar Time (weeks)

Counterpart Time (days)

Calculation of Total Fee

Resident Consultant (Total consultant days) = A

Resident Consultant (Fee per consultant day) = B

Total fee = A x B



8. Terms and Conditions of Working

The "Terms and Conditions of Working" constitute a contract between the Management Consultancy Unit of the University of Aleppo and the client. The consultants who prepare the 'Terms and Conditions of Working' should discuss and agree them with the University Consultancy Coordinator, Dr. Khaled Maghout, before they are presented to the client.

An example of Terms and Conditions of Working is given at Appendix D.

9. Consultants Undertaking a Preliminary Survey

A preliminary survey, like an assignment, should never be undertaken by one consultant alone. There should be at least a 'second opinion' consultant and, normally, two consultants should work together on the preliminary survey.

The consultant who obtained authorization from the company to undertake the preliminary survey, should be one of the two consultants.

If authorization to carry out the proposed assignment is received, then at your present small size, the resident consultant and the 'second opinion' consultant should be the same two who undertook the preliminary survey.

10. Mutual Support

During visits to clients, consultants should take every opportunity to describe the full range of services provided and, whenever possible and appropriate, to propose an introduction for a colleague.

ANNEX III

THE ALEPPO CARPET COMPANY  
ALEPPC

Preliminary Survey Report

April 1982

CONSULTANTS

Dr. Adel Rajab  
Dr. Omar Akili  
(Assistance -  
Mr. G.M. Evans,  
Senior Industrial  
Consultancy Expert,  
UNIDO)

THE MANAGEMENT CONSULTANCY UNIT

ALEPPO UNIVERSITY

ALEPPO

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## I INTRODUCTION

Discussions were held with Dr. Jameel Bash Aga, General Director, and Mr. Chayyah, Commercial Director, on 15th February 1982, with the following objectives:-

- to describe the main processes involved in management consultancy
- to introduce and describe the management consultancy services provided by the Aleppo University Management Consultancy Units
- to obtain an initial insight into the main procedures and problems of the Aleppo Carpet Company

Following the meeting, Dr. Jameel authorised that a Preliminary Survey should be carried out by Dr. Rajab and Dr. Akili, on behalf of the Aleppo University Consultancy Units, with assistance provided by the UNIDO consultant. The Terms of Reference of the Preliminary Survey were to consider some of the main problems facing the Company, and, in particular, the best procedures for the control of raw materials.

We have now completed our Preliminary Survey and we have pleasure in presenting our Report which has been prepared without any cost in fees.

The Report contains essentially:-

- background information
- our main findings
- recommendations, benefits and use of our services for development of raw material controls
- other considerations

## II BACKGROUND INFORMATION

The General Director provided relevant background information to the Company's present situation, which included the following points:-

- (i) There has been a considerable growth in sales in 1981, compared with 1980, as shown below:-

	1980 (S.P. million)	1981 (S.P. million)
Textiles	20	32
Wollen Carpets	15	20
Silk Carpets	10	13
Total	45	65

- (ii) The overall profit for 1981 is 6 million S.P.
- (iii) About 50% of the profits were achieved through the successful marketing of woollen and silk carpets
- (iv) Losses were incurred on the sale of textiles to the Army, but this situation should be reversed when the 152 textile machines are replaced by 8 looms.
- (v) One of the main reasons for the substantial increase in production (43%) is that the Company was successful in installing and operating a fifth loom, well ahead of schedule
- (vi) The increase in production was achieved despite the handicap of a crude incentive scheme for the operators which was not based on work-measured standards in the factory
- (vii) There is a need to replace certain machines
- (viii) There are serious problems related to the supply of and control over imported yarns

### III FINDINGS

#### A. Basis of Findings

Our findings are based, mainly, upon:-

- (i) Discussions with:-
  - Dr. Jameel, General Director
  - Mr. Chayyah, Commercial Director
  - Miss Shabani, Financial Manager
  - Mr. Sakale, Production Manager
- (ii) An inspection of the factory and the main procedures in use
- (iii) An examination of the main financial results
- (iv) An inspection of the procedures for the control of raw material stocks

#### B. Overall Findings

Our general conclusion from the preliminary investigation is that the Company has achieved a most creditable performance due to clear-sighted management policy and directives. The enthusiasm for the success of the Company was high among those Directors and Managers whom we met.

However, the General Director showed himself to be very conscious of the problems which must be overcome if the present growth rate is to be not

only maintained, but also increased. We discuss, briefly, some of these problems in the following four sections of this chapter.

### C. Control over Raw Materials

We discuss the problems of control over raw materials under the following sub-headings:-

#### (i) Our Approach to the Problems

This is given under

- the value of raw materials
- physical storage facilities
- data-processing procedures
- decision rules concerning 'when' and 'how much' to re-order
- the influence of lead-times
- buying policy
- quality control over raw materials

#### (ii) The Value of Raw Materials

Based upon information supplied by the Financial Manager, Miss Shabani, the value of raw materials used in 1981 was about 41 million S.P., compared with the 'added value' of labour costs of about 19 million S.P. On this evidence, raw material costs are approximately 68% of production costs. In addition to the importance of this high percentage, considerable excess costs can arise if there is a shortage of some types of raw materials, or if some raw materials are of unsuitable quality.

We were told that the year-end value of raw material stocks was 17,530,000 S.P., which means that they are being turned over at the rate of 2.3 times per year. However, we think it more meaningful, in accordance with modern practice, to express the stocks as being equivalent to 5.1 months of production.

#### (iii) Physical Storage Facilities

We inspected the five storage areas for raw materials which were clean, and there was evidence of a good standard of "house keeping" by the staff concerned. However, similar types of materials were not always stored together, sometimes they were not identified and there was a need for

racking and other appropriate facilities for storage and materials handling.

(iv) Data Processing Procedures

These procedures are the means whereby data is recorded, stored, processed and transferred with accuracy, and at the required intervals of times.

For the Company's raw materials, the data is concerned with information which includes, by item, with the correct dates:-

- stock in warehouse
- stock ordered but not yet delivered
- stock allocated against customers orders
- stock balances
- stock received into warehouse
- stock issued from warehouse
- the 'lead-time' or the interval of time between the decision to place an order for raw materials and the receipt of the order in the warehouse

We were shown some examples of the present methods of stock-recording in the warehouse, which were carried out carefully and neatly.

(v) Decision Rules

Decision rules for the ordering of each type of raw material are concerned with two questions -

- how much to order ?
- when to order ?

These questions must be answered so that the following conflicting objectives are balanced against each other, in accordance with Company policy:

- stock levels and, hence, the cost of holding stocks is kept as low as possible
- stocks are available in the required quantity and stock-outs are avoided
- the cost of placing orders on your suppliers is kept to a minimum

The answers to the two questions depend upon:-

- the average lead-time and the variability of the lead-times
- the expected orders from your customers during the lead-time

In the company's case, we understand that the volume of customers orders is known, in August, for the following year. Hence, in placing orders for each raw material, we are concerned only with the average (or expected) lead-time and its statistical pattern.

(vi) The Influence of Lead-Times

At Appendix I, we have included a technical note on 'safety stocks' which should be held as a precaution against the actual lead-time being greater than the expected lead-time.

The larger the size of the safety stocks, the smaller will be the risk of running out of stock, and, conversely, the smaller the size of the safety stocks, the larger will be the risk of running out of stock.

There is in existence, today, a considerable body of knowledge on statistical stock control, which you can use to select the policy one wishes to adopt concerning the balance between:-

- lower levels of stock
- higher risks of stock-outs

The principles apply whether one is re-ordering the Company's raw materials according to a fixed period (e.g. monthly) basis or according to a re-order point basis.

The use of statistical stock control must, of course, be accompanied by normal commercial considerations influencing the choice of supplier who gives the shortest lead-times, as well as the response of suppliers to shorten their lead-times when requested. It is most important that one adopt any reasonable measure which will result in the lead-times for raw materials being reduced. This, of course, includes all clerical and administrative procedures.



(vii) Buying Policies

We have been told that the existing policy for purchasing raw materials is based, mainly, upon 'bids' or the lowest price. It is not sound commercial practise to adopt a buying policy which does not also fully recognise:-

- quality
- consistency of quality
- lead-times
- consistency of lead-times

We fear that the company's competitive position in the export market may be jeopardised if one does not adopt commercially acceptable procedures for buying raw materials. This is of particular importance to the Company where raw materials are the largest cost component of the finished product.

(viii) Quality Control over Raw Materials

Within the time available for the Preliminary Survey, we were unable to study the measures of inspection and/or quality control applied to incoming raw materials. Clearly, however, this is a function which must be carefully controlled both as a factor which influences buying policy and, again, because of the high cost of raw materials as a percentage of the finished product.

D. Work Measurement

We were told that no work measurement has been carried out in the factory. We believe that properly measured time-standards are one of the most important fundamental units of information which make scientific management possible. Among their uses at the factory, should be:-

- an effective incentive scheme, closely related to operator effort
- labour cost controls
- cost estimating
- standard costing
- production scheduling

E. Machine Replacement

We understand that there is a need to replace some old machines.

Recognition and systematic handling of replacement problems have paid off in many companies. Some advantages that have accrued include:-

- maintenance costs have been reduced
- production costs have been reduced
- losses from scrap or rejected work have been reduced
- delays and down-time have been reduced
- enthusiasm and morale of supervisors and operators have been increased, thus resulting in both lower costs and better industrial relations

#### F. Quality Control

We have been impressed by the improvements and changes which have been introduced in the field of quality control, and by the importance which has now been attached to this function.

However, we would like to make a distinction between the procedures for inspection, which we understand has been implemented and operated as compared with those for statistical quality control.

With inspection procedures, it is necessary to inspect every item in a batch which may be too costly and, perhaps, not necessary. On the other hand, if the product has been processed under conditions of statistical quality control, a good idea of the average quality of the products in a batch can be formed by merely inspecting a representative sample, taken at random from the batch. The purpose of sampling is to reduce the cost of inspection without sacrificing knowledge of the quality of the product. This process has been successfully applied to products such as your own.

#### IV RECOMMENDATIONS FOR RAW MATERIAL CONTROLS

Based upon our findings, we recommend that, as a matter of some urgency, in view of the financial significance of raw materials, a programme of action should be undertaken in the area of raw material controls.

We consider that this programme should be undertaken in two parts:-

- (i) a detailed survey to establish the best procedures which should be implemented, and to estimate the financial and other benefits together with the costs of implementation
- (ii) an implementation programme designed to secure permanent and beneficial change in the area of raw material controls

The first part would involve detailed studies of:-

- physical storage and handling methods
- data-processing procedures to ensure the necessary accuracy and timeliness of information, recording and transmitting
- an analysis of lead-times and their variations
- the development of decision rules concerning 'how much' and 'when' to reorder raw materials, designed to reduce stocks and improve availability of raw materials
- a commercially, competitive buying policy
- quality control over raw materials

The second part, the implementation programme, would depend upon the results of the first part of the study. However, the implementation programme would include, as its main steps:-

- the preparation of a 'manual of operating procedures' related to material controls
- training of relevant personnel in the new procedures so that they understand, accept and operate them satisfactorily
- measurement and reporting of results achieved

#### V BENEFITS FROM RAW MATERIAL CONTROLS

As described in the previous chapter, one of the main purposes of the first part of the proposed detailed survey is to establish the financial and other benefits which should accrue from an implementation programme, before that programme is authorised.

At this stage, before the first part of the detailed study is undertaken, we include among the potential benefits, the following:-

- a reduction in the value of stocks held at the warehouses. Based upon experience in comparable situations, we would expect the reduction in the value of stocks to be about 20%, while maintaining if not improving, the availability of raw materials for the production lines. On a conservative basis, if the potential reduction in stocks were assumed to be 10% of the year-end value of

17,530,000 S.P., this would release a sum of approximately 1,700,000 S.P. We understand that the company has some problems of liquidity, which would be eased by such a release of capital, previously tied up in stocks

- the possibility of an improved availability of raw materials for the production lines. Again, we base our expectation of an improvement on comparable experience, when the problems of rescheduling due to shortages of raw material have been reduced
- the achievement of improvements in the company's buying policy whereby it would satisfy commercial requirements of quality, speed of delivery and reliability of delivery, as well as a commercially competitive price
- an acceleration in the rate of overall Company progress, stemming from improved morale due to improvements in the vital area of raw material control

#### VI USE OF OUR SERVICES

##### A. Terms of Reference

We propose that we should assist the company to undertake the first part of the recommendations. This would be a detailed survey, having the following Terms of Reference:-

- (i) to study the methods used in physical storage and materials handling of raw materials, and to make recommendations for any changes which would improve their performance and reduce costs
- (ii) to study the present decision rules concerning the quantities of raw materials ordered, and the timing of these orders
- (iii) to analyse the levels of appropriate categories of raw materials stocks, over a past (reference period) interval, in terms of:-
  - physical units
  - value
  - average rate of usage
  - stock, in terms of usage (or stock-turnover)
  - stock-outs, and their duration

- (iv) to analyse the lead-times of appropriate categories of raw materials, in terms of:-
  - averages
  - variability
- (v) to propose improvements in the decision rules for the quantity and timing of orders for raw materials
- (vi) to recommend the data-processing procedures necessary to operate the proposed decision rules
- (vii) to estimate the potential financial and other benefits which should accrue from the implementation of the proposals
- (viii) to describe the proposed implementation programme and to estimate its cost and duration
- (ix) to review the buying policy and to make recommendations whereby the company's procedures would be more effective and commercially competitive
- (x) to review the inspection and quality control procedures for the acceptance of raw materials and to make necessary recommendations for their improvement
- (xi) to prepare, submit and discuss with the company a Survey Report containing the findings, recommendations, estimated benefits and costs from a programme of implementation

#### B. Use of our Consultants

We should allocate a 'resident consultant' to carry out the proposed Terms of Reference, working mainly on the company's premises but also carrying out necessary analysis and report writing in our own offices.

In addition, we should allocate a 'second-opinion consultant' to your assignment, from whom the resident consultant would have the benefit of discussions and guidance. The 'second-opinion' consultant would also attend the major meetings with the General Director.

#### C. The Use of Counterparts

We refer to 'counterparts' as those members of the management team or the firm's staff who would work very closely with our consultants during

the assignment. The counterparts would describe existing procedures and, under the direction of our consultants, carry out, or arrange for, the collection and preparation of data necessary for analysis.

In this way, our time and cost in fees can be minimised by making appropriate use of the knowledge of the company's managers and staff regarding existing procedures, as well as the time of the staff in data collection. In addition, the members of the firm's staff, who act as counterparts, would benefit from the experience of working closely with our consultants during the survey. These benefits, of training by our consultants, would be even more beneficial during the implementation programme.

Our estimate of the required availability of the counterparts is, approximately, 26 days on a full-time basis, working with or under the direction of our consultants.

#### D. Duration of Assignment

The duration of the assignment, in calendar time, would depend upon the agreed starting date and the time of the year. However, we estimate that the calendar time should not exceed 13 calendar weeks, and might be shorter.

### VII OTHER CONSIDERATIONS

In addition to our proposals in the field of raw material controls, we have also discussed findings in sections III D to III E of this Report, under the headings:-

- The need for work measurement
- Policy for machine replacement
- Feasibility of statistical quality control

In our opinion, all of these subjects are vital to the company's continued growth and prosperity, and parts of them are urgent. We think that some of these parts should be undertaken by your management team. At the same time, however, we should caution the company on the dangers, inherent in overloading its managers with responsibilities for the development of new procedures. It may be impossible for them to carry out these, as well as their own, managerial responsibilities.

In addition, there are matters concerned with organisational structure and managerial effectiveness to which only the Company can give personal attention.

We should, of course, be pleased to discuss with the company the broad plans for the above programmes, which are so essential for increasing profitability.

#### VIII CONCLUSION

We wish to express our appreciation and thanks for the kind and helpful reception which we have received from the company, the managers, and the staff on each of our visits during the Preliminary Survey.

We believe that the good relationship which already exists between the Company and members of the Aleppo University Consultancy Units, promises well for our future collaboration in raising the performance and profitability of your Company.

APPENDIX I

TECHNICAL NOTE ON SAFETY STOCKS

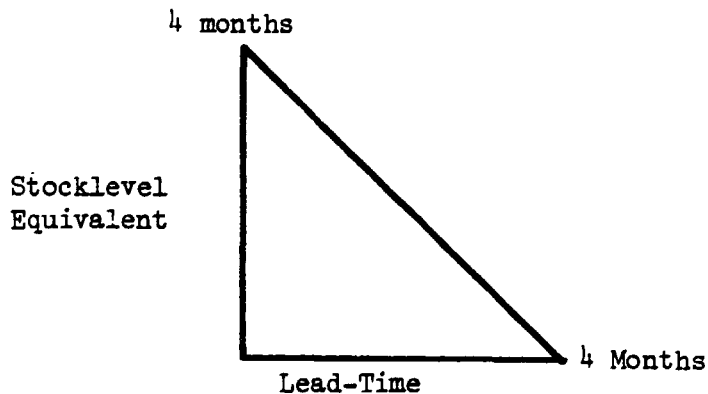
Safety stocks are held to allow for:-

- (i) the actual usage of a rawmaterial in the lead-time being greater than expected
- (ii) the lead-time for the raw material being greater than expected

In the above case, it is assumed that the company's customers orders (and hence raw material requirements) during the lead-time are known. Hence, safety stocks would need to be calculated to allow only for the variation in lead-times, for each raw material.

As an example, it is assumed that for a particular raw material, the average lead-time is 4 months and the statistical pattern of the lead-times follows the "Poisson Distribution".

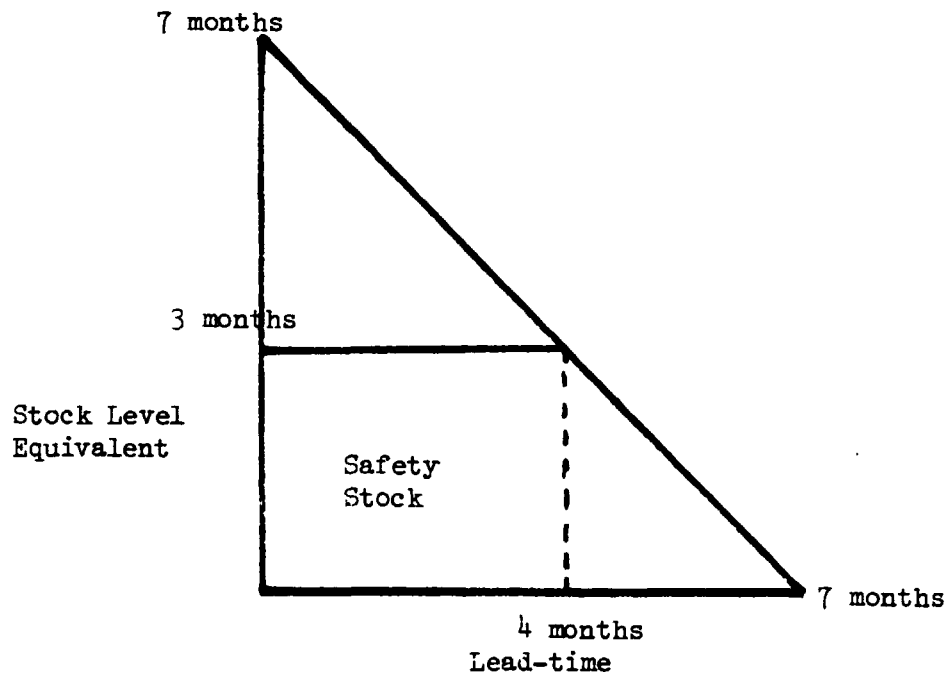
If no safety stock is allowed for, the lead-time will exceed 4 months on 56% of occasions, i.e. a stock-out will arise on 56% of occasions.



If however a safety stock equivalent to 3 months usage is allowed for, the lead-time will exceed (4 + 3) or 7 months on 11% of occasions, i.e., a stock-out will arise on 11% of occasions.



APPENDIX I



Notes:-

- (i) The safety stock can be calculated corresponding to any risk accepted of a stock-out
- (ii) The actual order quantity for a raw material is based on the calculation:-  
$$\text{order quantity} = (\text{quantity required in expected lead-time}) + (\text{safety stock}) - (\text{stock available})$$
- (iii) The same principle applies for the calculation of safety stocks if the decision to reorder is based upon a re-order point
- (iv) Full recognition is, of course, given to the response of suppliers to requests for earlier deliveries

APPENDIX II

TERMS AND CONDITIONS OF WORKING

The Terms of Reference, given at Section VI A of this Report, would be carried out in accordance with the following Terms and Conditions of Working:

- (i) Confidential information concerning a client's business will be protected and will not be disclosed without the client's permission
- (ii) No employee of a client will be invited to consider alternative employment
- (iii) Full cooperation will be received from the client in the conduct of the assignment and 'counterparts' will be made available on the agreed basis
- (iv) The consultants will have access to the General Director at all times during the assignment
- (v) The client will provide for the consultants the office accommodation and secretarial and other clerical services necessary for the effective execution of the assignment
- (vi) The total fee for the services specified in the Terms of Reference is 28,000 S.P.
- (vii) Fees would be invoiced and payable on the following basis:-
  - 9,000 S.P. at the end of the first calendar month following the agreed starting date of the assignment
  - 9,000 S.P. at the end of the second calendar month following the agreed starting date of the assignment
  - the balance of 10,000 S.P. on presentation of the final report to you
- (viii) The Contract may be terminated by either side, at any time, on giving two weeks notice, in writing.

ANNEX IV

THE GENERAL COMPANY FOR RETAIL TRADE

ALEPPO DISTRICT

PRELIMINARY SURVEY REPORT

MAY 1982

CONSULTANTS

Dr. Adel Rajab

Dr. Omar Akili

(Assistance - Mr. G.M. Evans,

Senior Industrial Consultancy

Expert, UNIDO)

THE MANAGEMENT CONSULTANCY UNIT

ALEPPO UNIVERSITY

ALEPPO

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## I INTRODUCTION

On 2nd May 1982, Mr. Farouk El Turk, General Director, authorised that a Preliminary Survey should be carried out by Dr. Rajab and Dr. Akili of the Aleppo University Management Consultancy Unit, with assistance provided by UNIDO.

The Terms of Reference for the Preliminary Survey were to identify some of the main problems facing the organisation and, if appropriate, to make proposals to assist it to overcome them. We have spent three days on visits and discussions at a warehouse, a supermarket and at the firm's central office. We have analysed our findings and we now have pleasure in presenting our Preliminary Survey Report which has been prepared without any cost in fees. The report contains, essentially:-

- background information
- our main findings
- recommendations
- the proposed use of our services
- further work necessary

## II BACKGROUND INFORMATION

Mr. El Turk provided us with relevant background information concerning your company's operations, including the following points:-

- (i) Products are distributed from 5 specialised warehouses to the supermarkets and shops;
- (ii) Inside Aleppo there are 17 supermarkets and 52 shops and outside Aleppo there are 8 supermarkets and 23 shops, making a total of 100 supermarkets and shops. The number of departments in a supermarket varies from 3 to 13;
- (iii) The furthest distance of a shop from Aleppo is 160 km.
- (iv) Approximately 45,000 different types of products are stored at the 5 warehouses, of which 4,500, on average, are held at a supermarket, with 15,000 at the largest;
- (v) The approximate value of sales in 1981 was £S 60 million inside Aleppo and £S 30 million outside Aleppo, giving a total value of sales of £S 90 million. In addition, there were transfers of approximately £S 25 million;

- (vi) The planned value of sales in 1981 was £S 88 million, and for 1982, the planned value is £S 186 million, which is, perhaps, optimistic at an increase of 111%. In the first quarter of 1982, sales were £S 25 million, which is an increase of 47% over the sales of £S 17 million in the first quarter of 1981;
- (vii) The evaluation of direct and indirect costs, for commercial purposes, in 1981 was £S 7.8 million or 8.7% of the value of sales. Of this, the cost of salaries was £S 650,000 or only 0.7% of the value of sales;
- (viii) During 1982, the total number of supermarkets and shops should increase by 7% to 107. Thus the planned increase in the value of sales should be derived from increased sales in the present supermarkets and shops rather than from the opening of new premises;
- (ix) The total number of employees is 520 and their average annual earnings are, approximately, £S 1,250 per year;
- (x) The value of stocks in the five warehouses was on (figures not yet supplied);
- (xi) The firms share of the market is, currently, 16% to 17%.

### III FINDINGS

#### A Basis of Findings

Our findings are based mainly upon:-

- (i) Discussions with:-
  - Mr. Farouk El Turk, General Director
  - Mr. Ghassan Wetee, Supervisor, Control Department
  - Mr. Mohammed El Kasir, Commercial Manager
- (ii) An inspection of the El-Zahra supermarket and the No.2 warehouse
- (iii) An inspection of the procedures used for ordering stocks at a retail outlet, a warehouse and centrally
- (iv) An examination of the statistics available to monitor and control the performance of the retail outlets

### B. Physical Storage and Handling Facilities

We consider that the storage and handling facilities at the No.2 warehouse are not satisfactory. The standard of "housekeeping" was poor and the receipt and despatch of products involved carrying them up or down a flight of 13 steps.

We were impressed by the general appearance of the El-Zahra supermarket by the courteous service provided by the sales assistants and by the wide and attractive range of products. Unfortunately, in our view, the commercial effectiveness of the display was reduced by the firm's need to use space in the sales area for the storage of products. We understand that this is necessary because of the lack of or inadequate storage facilities at the retail outlets.

However, the use of the selling area for storage may lead to sales being lost for three main reasons:-

- (i) valuable floor area cannot be used for selling and display;
- (ii) customers may be discouraged by the unattractive, untidy and uncommercial appearance which is created;
- (iii) customers may be discouraged by the congestion which sometimes arises in consequence of the lost floor area.

Under these unsatisfactory conditions of storage space and facilities one may find it very difficult if not impossible to achieve the planned increase in sales. Indeed, we believe the firm deserves to be congratulated on having achieved its present rate of increase despite the handicap of inadequate storage and facilities.

### C. Decision Rules for Stock Control

#### Description

These decision rules, for different types of products, are used to decide:-

- (i) when should an order be placed for a certain product?
- (ii) in what quantity should the order be placed?

The decision rules are designed to achieve two objectives:-

- (i) to maintain stocks of the products at the lowest possible level but, at the same time,
- (ii) to provide the highest degree of service or availability from stocks of the products

#### Retail Outlets

We were told that, at the retail outlets, the decision 'when to place an order for a product' is based upon whether or not the stock level is above or below a reorder point. We were also told the size of the reorder point is based upon experience and judgment.

We were told that no quantity is specified for products of high value by the retail outlet, but the quantity is specified, based on experience, for products of low value. We understand that the definition of 'high value' and 'low value' is based upon experience.

#### Warehouses

We were told that 80% of the products are ordered once per year, with a 'call-off' on a monthly basis. The monthly 'call-offs' are not equal, particularly for products with a seasonal demand.

Monthly order quantities can be changed, as follows:-

within  $\pm$  10% for 40% of the range

within  $\pm$  25% for 40% of the range

No annual contract is required for 20% of the range.

About 70% of the orders are placed via the central warehouse in Damascus and 30% are placed with suppliers in the private sector.

#### D. Data Processing Procedures

Data processing procedures are the means whereby data is recorded, stored, processed and transferred with accuracy and at the required intervals of time. In the field of stock control, the data processing procedures are the means whereby the decision rules for stock control are carried out.

In the firm's retail outlets and warehouses, the data is concerned with information which includes, item by item, with the correct dates:-



- stock available
- stock ordered but not yet delivered
- stock received
- stock issued
- sales
- 'the lead-time' or the interval of time between the decision to place an order for a product and the receipt of that order in the warehouse or retail outlet

The data-processing procedures which we saw at the No.2 warehouse satisfy the needs of the firm's present decision rules very well. However, we were also told that the telephone is the means whereby orders are passed from retail outlets to the Commercial Manager, and the Commercial Manager instructs the warehouses by telephone to deliver certain quantities to the retail outlets.

E. Organisational Structure and

Management Control Information

The organisation contains both 'line' and 'staff' relationships. In the 'line' relationship, we were told that all 100 managers of the supermarkets and shops report directly to the General Director, as well as the managers in the central office and the managers of the 6 specialised departments. We consider that this places an excessive burden upon the General Director, and a more effective structure is feasible.

For the staff functions, we understand there are 6 specialised departments consisting of:-

- management affairs
- financial and commercial
- statistical
- sales
- goods inwards
- goods outwards

Each manager of a supermarket or shop has a staff responsibility to report to each of the 6 managers of the specialised departments.

A monthly report is submitted to the General Director for each department in each retail outlet and for each retail outlet giving:-

- value of stocks at first of month
- deliveries inwards during the month, including, for example, the effect of price changes
- sales during the month
- any other form of output during the month, for example, subsidies

This is very valuable control information but under the challenging conditions of growth with which he is faced, we believe that the General Director could be provided with other information of a statistical nature to help him to steer and control his managers.

#### IV RECOMMENDATIONS

##### A Nature of Recommendations

In this section of our report we make recommendations concerning:-

- organisational structure and management control information
- decision rules for stock control at warehouses
- the necessary data processing procedures
- physical storage and handling facilities at warehouses, and supermarkets
- decision rules for stock control at retail outlets and the supporting data processing procedures
- the preparation of an integrated programme for evaluation and implementation of the recommendations

In preparing these recommendations, we have been assisted by the UNIDO consultant who has more than 30 years experience of working as a management consultant. This includes assignments for the major supermarket groups in the United Kingdom and Canada. In particular, successful work for Tesco Stores Limited, the leaders in their field in the United Kingdom, received wide publicity in the press in 1964 under the heading "The Tesco Story".

B. Organisational Structure and  
Management Control Information

As we have stated in our findings, we believe that a more effective organisation structure and improved management control information is essential for the General Director to steer his Company towards profitable growth at the required speed.

We would not presume, on the evidence of a preliminary survey, to specify the required structure but we do most strongly recommend that the firm should authorise us to undertake a short assignment to develop both the required organisational structure and the management control information which it should use.

C. Decision Rules for Stock Control  
at Warehouses

The UNIDO consultant has informed us that all the supermarket groups for whom he has carried out assignments originally based their decisions concerning reorder points and order quantities on "managerial experience". However, the sheer volume of decisions concerning thousands of products at hundred of supermarkets and shops and several warehouses, causes this procedure to be inefficient.

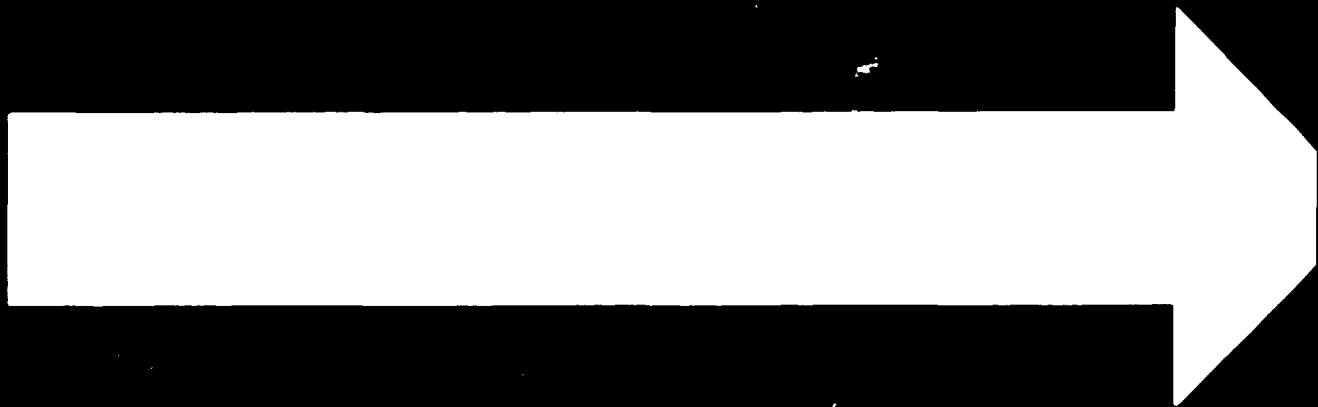
There is in existence, today, a considerable body of knowledge on stock control which one can use to select the policy one wishes to adopt concerning the delicate balance between:-

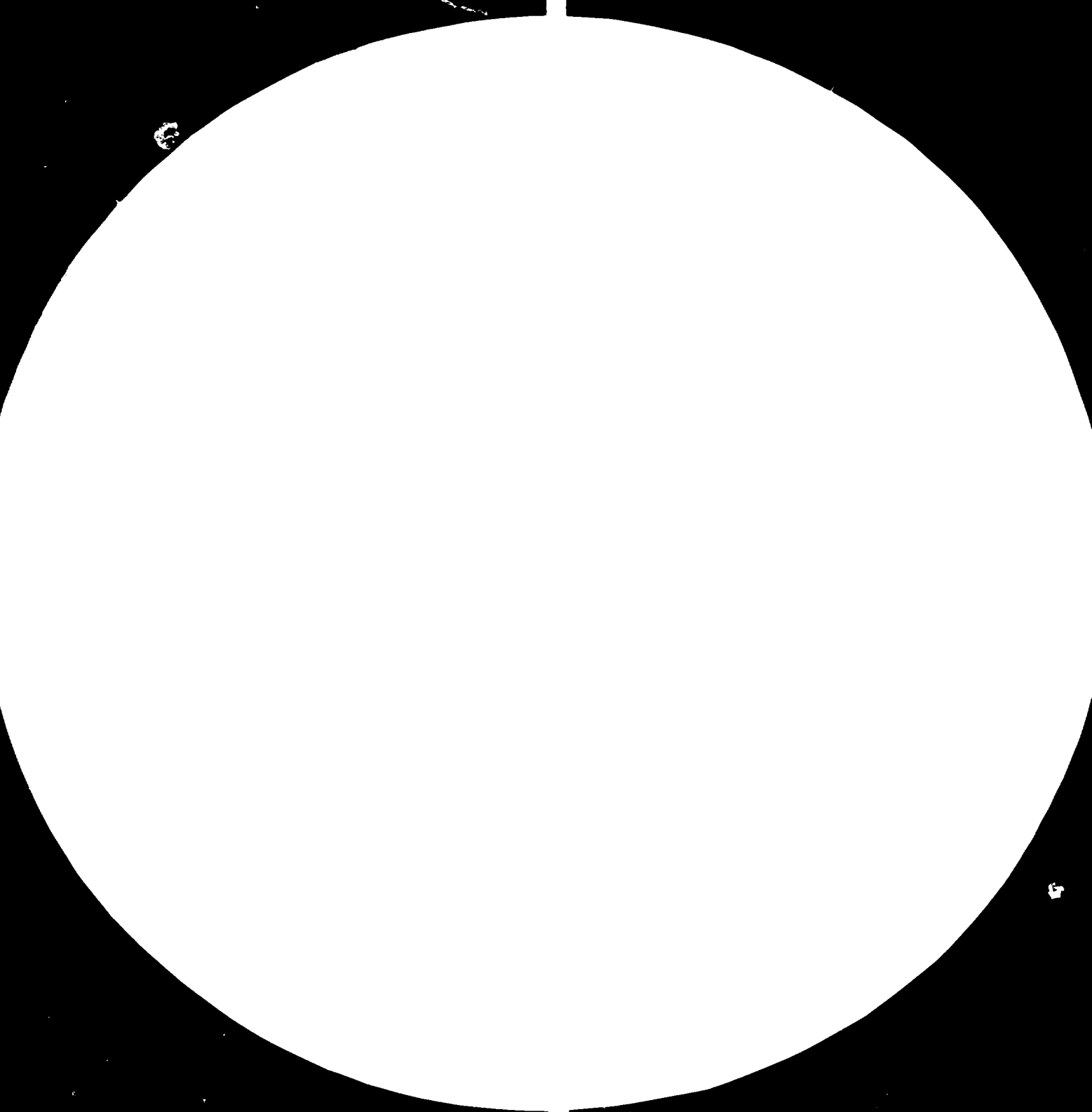
- the lowest level of stock
- the highest level of service to customers

Some brief notes are given on the principles involved, at Appendix I.

In the UNIDO's consultant's experience of applying these principles, and when the previous decision rules were "based on experience", then the reduction in stock levels, at an unchanged level of customer service, has always been more than 30% and, sometimes, more than 50%.

The use of 'scientific' stock control must, of course, be accompanied by normal commercial considerations concerning the choice of supplier who gives the shortest 'lead-time' or interval of time between your decision to place an order and the products being available in the warehouse.







1.25



1.4



1.6

4. The test is conducted at a resolution of 1.25 cycles/mm.

5. The test is conducted at a resolution of 1.4 cycles/mm.

6. The test is conducted at a resolution of 1.6 cycles/mm.

1

1



28



It is essential that 'lead-times' are kept as short as possible. We believe that the present policy of placing orders once a year and 'calling-off' on a monthly basis, is inflicting upon the firm considerable commercial punishment. We are, of course, also aware that there may be reasons for this policy which lie outside the Terms of Reference of our Preliminary Survey.

Our strong recommendation is that a simulation should be carried out for a sample of the products at the warehouses, in order to compare the 'real-life' results and the 'simulated' results in terms of:-

- stock levels
- and
- customer-service (as measured by availability of stocks)

In 1962, the UNIDO consultant developed an analogue computer known as ORacle which was used both to carry out such simulations and then to implement the new procedures. The UNIDO consultant has now replaced the ORacle with an inexpensive programmable calculator and printer for which he has developed a library of programs for use in statistical forecasting and stock control. These programmes would be available to carry out the simulation and, if found to be appropriate, the implementation of new procedures.

#### D. Data-Processing Procedures for Warehouse Stocks

When one has established, from the simulation, the appropriate decision rules to apply to the control of stocks at the warehouses, and the resultant reduction in costs, then we recommend that one determines the appropriate data-processing procedures necessary to apply the rules. This would probably involve the use of a programmable calculator or micro computer.

The costs of the new procedures should be compared with existing costs, and any excess costs weighed against the financial benefits accruing from the implementation of the decision rates.

#### E. Physical Storage and Handling Facilities

##### Warehouses

We were not impressed by the storage and handling facilities at the



No.2 warehouse and we do recommend that a short study be conducted to determine the means, costs and benefits necessary to secure the improvements. The study should include in its Terms of Reference consideration of centralisation at one location instead of five.

The main benefit would be that one would require only one Warehouse Manager of the required calibre and experience, instead of five. Other savings should accrue in labour costs and transport costs.

#### Supermarkets

In our view, the successful image of the supermarkets, at which all worked so hard to enhance, is being tarnished by the practise of holding stocks in the selling area. In addition, vital selling space, hence potential revenue, is being lost.

We, again, recommend that a short but intensive study is conducted to investigate the means, costs and benefits of eliminating these stocks.

#### F. Decision Rules for Stock Control at Supermarkets and the Supporting Data-Processing Procedures

It is more difficult to solve the problems in this area than in those previously discussed in this Report. The same needs exist to reduce stocks and to improve service to customers while at the same time, considerations such as the optimum allocation of shelf space will also arise. In addition, the data processing problems become more complex.

Our recommendation is that one include this subject as an item in the proposed integrated programme for evaluation of the recommendations.

#### G. Integrated Programme for Evaluation and Implementation of Recommendations

Many important recommendations have been made in this report relating to:-

- organisational structure
- management control information
- stock levels
- service to customers, in terms of  
availability of products

Other important subjects have not been included such as, for example, training in customer service by sales assistants. While we have remarked on the courteous service provided by the sales assistants at the El-Zahra supermarket, it has told to us that, on a few occasions, the service received has not been up to the very high standard to which it is accustomed in Syria.

However, we think more progress can be made if the programme is confined to these recommendations contained in this Report, which alone are sufficiently extensive.

We therefore recommend that as a matter of urgency we assist the firm to specify programme details including:-

- priorities
- manpower requirements
- schedule

In terms of priorities, we have already stated that a review of the organisational structure should receive the highest priority.

#### V USE OF OUR SERVICES

##### A Terms of Reference

We propose that we should assist the firm by undertaking an assignment having the following Terms of Reference:-

- (i) to study the existing organisational structure from the level of General Director down to, but not below, the Managers of Retail Outlets, and Warehouses, but to include all levels in the Central Office
- (ii) to study the existing statistics and information made available for the General Director to guide and control the Company's operations
- (iii) to propose an organisational structure at the same levels as in (i) above
- (iv) to propose the statistics and management control information necessary as in (ii) above

- (v) to assist in drawing up an integrated programme for:-
- (a) evaluating the potential benefits and costs of implementing the most appropriate decision rules for stock control at the warehouses, together with the best means of data processing. This evaluation will include an analysis to determine the optimum number of warehouses;
  - (b) studying the facilities for the physical storage and handling facilities at the warehouses and making recommendations for their improvement. This would be based upon the optimum number of warehouses and upon any proposed changes in organisational structure which might affect the management of the warehouses,
  - (c) studying the feasibility of eliminating the practise of holding stocks in selling areas at the supermarkets;
  - (d) considering the priority which should be given to the development of improved decision rules for stock control at the supermarkets and the supporting data-processing facilities. This does not mean a study, in detail, of this subject.

#### B Use of our Consultants

We should allocate a 'resident consultant' to carry out the Proposed Terms of Reference, working mainly on the premises but also carrying out necessary analysis and report writing in our own offices.

In addition, we should allocate a 'second-opinion' consultant to the assignment, from whom the resident consultant would have the benefit of discussions and guidance. The 'second opinion' consultant would also attend the major meetings with the Director General.

#### C Demands Upon the Time of the General Director

Because of the nature and importance of our proposals, we shall be working mainly at the level of the General Director. It is therefore inevitable that the assignments will place considerable demands upon the time of the Director General.

VI CONCLUSION

Our proposed Terms of Reference constitute the first vital step in establishing and implementing the organisation structure, management control information and the stock control procedures which will enable the firm to provide a satisfactory standard of service to your customers at the lowest cost.

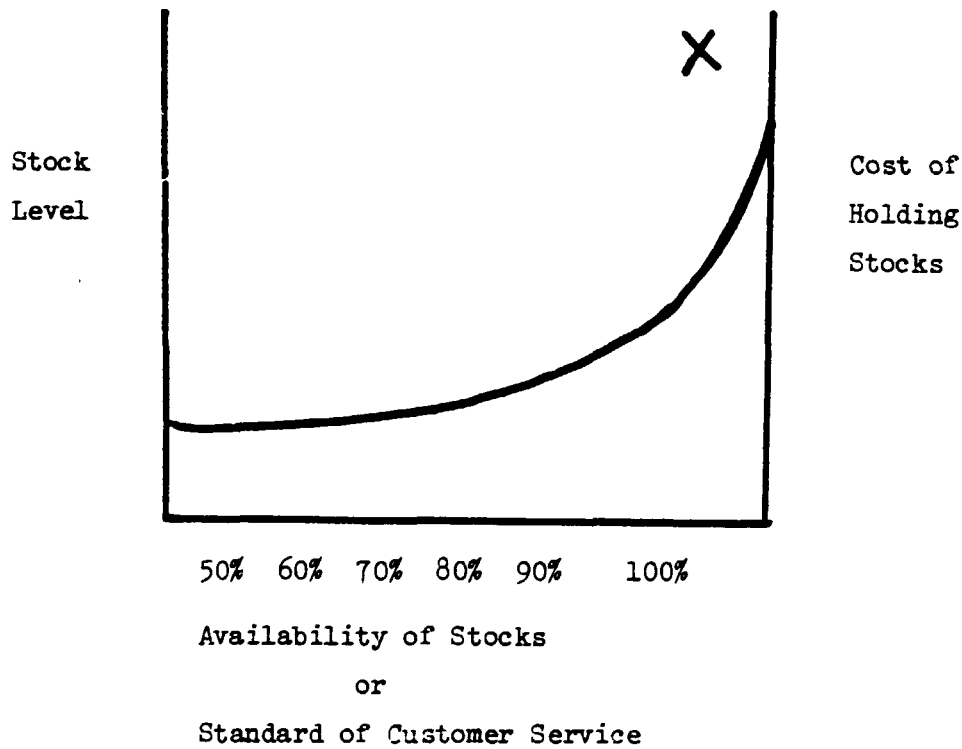
We have been encouraged by the kind and helpful attitudes of those members of the firm's staff whom we have met but, in particular, by the General cooperation during the Preliminary Survey. We believe that it promises well for the success of our future work together.

APPENDIX I

BRIEF NOTE ON SCIENTIFIC STOCK CONTROL

RELATIONSHIP BETWEEN STOCKS AND CUSTOMER SERVICE

The relationship between stock levels or the cost of holding stocks on the one hand and the availability of the stocks when required or the standard of service to customers is indicated by the curve, below.



This relationship will always apply in supermarket operations when it is not known, in advance, exactly what quantities of a product will be bought by the public in the next period.

In supermarket operations it is necessary to give a very high and commercially competitive standard of service to the public, usually in excess of 90%. As the service level increases above 90%, then the cost of holding stocks increases more and more steeply. It would be prohibitively expensive to attempt to provide a standard of service of 100%.

This relationship can be calculated and management decisions can be taken concerning which point on the line it is the best commercial policy to operate.

Without using methods of scientific stock control it is not possible to operate 'on the line'. Typically, it has been found, for many supermarket organisations, that they were operating well above the line, at a point such as 'x', before the introduction of scientific stock control.

#### THE MAIN FACTORS IN SCIENTIFIC STOCK CONTROL

The main factors for fast-moving products are:-

##### Forecasting the expected demand for a product

The forecast may be statistical, judgemental or a combination of both. In practise, a statistical forecast is usually made, using the technique of exponential smoothing.

##### Measuring the Reliability of the Forecasts

The forecasts will not be correct, they will be wrong and it is essential to measure the forecast errors and to incorporate them into the calculation of the order quantity. This is done by applying exponential smoothing to the forecast errors.

##### Reducing the Lead Times to a Minimum

Lead-times are the intervals of time between the decision to place an order on a supplier and the time when the order is delivered to ones warehouse.

It is essential that lead-times are as small as possible. Negotiations must be conducted with suppliers to persuade them to reduce their lead-times. No delays must be allowed in ones own clerical or transport procedures which will increase the lead-times.

##### Measuring the Variations in Lead-Times

The variability (or standard deviation) of the lead-times must be used in the calculation of the order quantity, as well as the average lead-time.

##### Reducing the Re-ordering Costs

The number of orders per period hence your clerical cost of ordering a product must be minimised. This is achieved by including the cost of holding stocks and the cost of placing each order in the calculation of reorder quantities.

APPENDIX I

Slow-moving products

The procedures for slow-moving products are the same as for the fast-moving, except that a statistical forecast and the measurement of its reliability is replaced by the use of the Poisson Probability Distribution.

SCIENTIFIC STOCK CONTROL, IN PRACTISE

In each of the Supermarket Groups where these methods have been used it is necessary to use a microcomputer to establish the order quantity which corresponds to management's decisions on stock levels and standards of service.

However, it is essential that the data concerning actual stock levels and sales in the most recent period are accurate. Unless this is the case then the rule of GIGO will apply, where GIGO stands for "Garbage in, Garbage out".

APPENDIX II

TERMS AND CONDITIONS OF WORKING

The Terms of Reference, given at Section V A of this Report, would be carried out in accordance with the following Terms and Conditions of Working:

- (i) Confidential information concerning a client's business will be protected and will not be disclosed without the client's permission
- (ii) No employee of a client will be invited to consider alternative employment
- (iii) Full cooperation will be received from the client in the conduct of the assignment and 'counterparts' will be made available on the agreed basis
- (iv) The consultants will have access to the General Director at all times during the assignment
- (v) The client will provide for the consultants the office accommodation and secretarial and other clerical services necessary for the effective execution of the assignment
- (vi) The total fee for the services specified in the Terms of Reference is £S 25,000
- (vii) Fees would be invoiced and payable on the following basis:
  - £S 8,000 at the end of the first calendar month following the agreed starting date of the assignment
  - £S 8,000 at the end of the second calendar month following the agreed starting date of the assignment
  - the balance of £S 9,000 on presentation of the final Report to you
- (viii) The Contract may be terminated by either side, at any time, on giving two weeks notice, in writing.



ANNEX V

ANALYSIS OF INTERVIEWS WITH UNIT MEMBERS

Note: Management experience and knowledge, and consultancy experience and knowledge, are assessed on a scale from 0 to 5 points.

Name	Year of Birth	Doctorate		Management		Consultancy	
		Subject	Country	Exp.	Know.	Exp.	Know.
Omar Akili	1946	Business Administration	Egypt	1	4	1	1
Ziad Alouani	1937	Monetary policies in developing countries	France	0	2	0	0
Ahmed Al Ashkar	1945	Applied mathematics	USSR	0	1	0	0
Abdul Kader Al Effendi	1932	Risks in insurance policies	Belgium	0	1	0	0
Ibrahim Hayani	1940	-		4	4	3	3
Amal Kaboos	1944	Production problems in developing countries	France	1	2	0	0
Walad Kataya	1945	Forecasting balance of payments	France	0	1	0	0
Zafer Mhabik	1946	Economic forecasting	Egypt	0	3	0	0
Ahmad Fares Moustafa	1947	International economic relations	France	1	2	1	0
Tayssir Raddawi	1948	Educational Planning	France	0	1	0	0
Adel Rajab	1940	Business Administration	Egypt	1	4	1	1
Marwan Al Samman	1948	Planning for undeveloped countries	France	0	1	0	0

