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REGIONAL AFRICA

HIDES & SKINS, LEATHER AND LEATHER PRODUCTS IMPROVEMENT SCHEME

US/RAF/88/100/11-75

MISSION REPORT (\*)

Workshop at the Leather Goods Training and Production Unit  
Lilongwe, Malawi  
24 November to 17 December 1992

Based on the work of

D. Tracy, Leather Goods Expert

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Agro-Based Industries Branch

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## RECOMMENDATIONS

### TO THE COMPANY DIRECTORS

- 1 All the recommendations made in the earlier working paper (apart from Recommendation 6) are *outstanding and urgent*. Action *must* be taken on all these points without delay.
- 2 With reference to the earlier Recommendation 5, the stock/store room control documents which have been introduced are not working efficiently. Reference should be made to the suggested documents at Annex 4 of that working paper, and consultation should take place with store room and production personnel for their opinion on the best system.
- 3 Marketing and selling is the key to ensuring production and cash flow are maintained. An energetic salesperson may provide the impetus to start the selling/production cycle. Recruitment of a salesperson with experience in selling should be given priority.

### TO UNIDO

- 1 Recommendations in the earlier working paper made reference to overseas training for one or two individuals. At that time the selection was deferred until the second mission, and the individual selected for training is *Khembo (Campbell) Tagwira*, the present production supervisor.
- 2 The summing up comments in the CONCLUSIONS section of this report strongly recommends the fielding of a UN volunteer. UNIDO should give this recommendation early consideration.
- 3 Recommendation 5 in the earlier working paper requires attention. At the present time the Juki sewing machines have not had very much use and have therefore not required maintenance. When the situation moves into continuous production there must be somebody local, or on site, to carry out maintenance. Some form of training on the maintenance of Juki sewing machines is essential. If Juki cannot come to Malawi, then an employee must go to Juki.
- 4 The full list of tools and equipment recommended at Annex 7 of the working paper are required at the earliest opportunity.

- 5 The cold bend cutting die equipment has been withdrawn from the recommended machinery list and replaced with an offer by UNIDO to organise die manufacture by a specialised manufacturer outside Malawi. It is recommended that this offer is extended until a direct link can be made between Superior and a die manufacturer.

## LEATHER GOODS PRODUCTION AND TRAINING UNIT

### INTRODUCTION

The second part of the split mission to Malawi took place between the dates of 24/11/92 - 17/12/92. The first part of the mission entailed the setting up of the Leather Goods Production and Training Unit (LGPTU) between the dates 3/6/92 - 28/7/92. At that time the LGPTU was trading as Mtupanyama Leather Co. Ltd and the report produced as a result of the first mission is referred to within this report as a working paper. In the period between the first and second missions LGPTU has changed from Mtupanyama to Superior Leather Co. Ltd.

During the first part of the mission the majority of duties in the original job description were achieved to various degrees depending on local circumstances and restrictions. The details of those achievements are described in the working paper.

For the second part of the mission a workplan for the expert was prepared in Vienna by the expert and backstopping officer. The agreed duties, which would be mostly consolidatory, can be found at Annex 1 of this report.

The objectives of the workplan were to develop new products and technology to be based on market guidance from the directors of LGPTU, but the necessary preparation work had not been done and the objectives were marginally revised to compensate. The activities of the expert during the mission were not seriously affected by the changes but the results may be less effective in volume and market targetting.

## 1 BACKGROUND

There have been four months between the end of the first mission and the start of the second mission during which time some changes have taken place within LGPTU. The company directorship has been reorganised and there are now only two directors in place of the original three. Mr S Chalanda has left the company leaving Messrs K B Tagwira and D P Mtsuko as the promoter and the company is now called Superior Leather Company Limited.

The departure of Mr Chalanda has created an element of disruption at all levels. The remaining two directors have been forced to divert their energies towards the legal issues, while in the meantime the manufacturing side of the company has lacked direction. There were two sons of Mr Chalanda assisting the supervision of production who were trained during the first mission, but now they have also left the company and their absence is noticeable.

1.1 Personnel: From the group of workers trained during the first mission the majority are still employed. Thom Msiska is the designer/production manager and the sons/nephew of Mr Tagwira are supervising different aspects of production. Two of the original girls on the production table are still employed as is the same woman storekeeper. There are three additional women being trained for production.

A full time book keeper is being trained and the position of company secretary has been created for Mr D Chikwakwa from Lilongwe Hides Company.

1.2 The product range: In addition to the products developed during the first mission a wide variety of new products are being added on a regular basis, most of these are 'one offs' to customers' designs. Considering the age and experience of the company the product range is now far too large. Warnings given during the first mission about allowing the product range to become too large and diversified have not been heeded.

1.3 The type of production: There is no planning to production with the greatest proportion of production being 'one offs'. The irregular nature of this type of production has prevented any improvements and developments from taking place during the intervening four months. There are no exact figures on record on the volume of production but the figures will be very low based on the experiences of this expert. During the three weeks of this mission approximately twenty items were made in total.

1.4 Quality: Without exception there is a marked downward trend in quality. Attempts have been made to produce complex items to customers' requirements with poor results. Those items which were being produced to a good quality during the first mission have noticeably fallen in quality.

## 2 POSITIVE RESULTS FROM THE FIRST MISSION

Cutting: All aspects of cutting are now in regular use. Hand cutting by clicking knife directly to the pattern has become normal procedure. Hacksaw blades are adapted for use with the clicking knife handle and the cutting skills are acceptable considering the irregular production background. The operation of the skiving machine is good but the adjustments are not carried out accurately. The splitting machine is used infrequently and as far as can be determined there are no difficulties in adjustment or use.

Estimating: The continuation of pattern measurement plus waste percentages to arrive at a figure for costings has been the procedure for each new item added to the range. The frequently increasing range size has provided a good base to reinforce the skills learned during training. Materials are issued for cutting based on the estimated figures.

Sewing: Sewing skills of the five operators have developed well. All sewing carried out during the mission was to a very good quality, but the sewing on some of the samples produced before this mission is not so good. This could indicate inadequate supervision and/or inexperience on the level of quality required.

Workshop housekeeping: The storeroom has become the central issue point for materials, tools, equipment and finished goods and is operating to a system. A superficial check on the document system gives the impression of a complicated signatory route before any materials/finished goods can be issued and needs re-thinking by the directors together with these individuals who work the system.

Company secretary/accountant: By employing Mr Chikwakwa as company secretary there is now somebody permanently available to liaise between customers/suppliers, administration and production. A telephone and telex have been connected which has already benefitted the company.

The accountant/book keeper has a less clearly defined role and may be an unnecessary overhead for a company of this size.



## 2.1 Negative results from the first mission

The most obvious observations to be made are low output and deteriorating quality, for which the responsibility must fall on management decisions taken without proper consideration of production capabilities.

Recommendations made to the company directors during the first mission were heavily biased towards managerial responsibilities and warnings were given throughout that mission on the possible outcome if proper control and direction were lacking.

The recommendations made on: planning, identification of markets, suppliers of consumable materials, accurate costings and the need for continuous production have not been acted on and the result is now the same situation of which warnings were given.. Part of the reason is of course the disruption caused by the change in company name/directors which has been damaging to production confidence and time consuming. However, the fact remains that the recommendations have not been acted on and the present situation needs to be rectified.

## 3 ACTION TAKEN

The situation at the outset of the mission required action in three areas:

- 3.1 Reduce the range size and develop new products using simplified technology and known skills.
  - 3.2 Consolidate the skills and training given during the first mission.
  - 3.3 Make the directors aware of their responsibilities and the effects of their actions on the operation of the company.
- 3.1 During the four month period between missions almost every type of product has been produced to satisfy individual customers. Each new product requires new patterns and new skills and without any previous leather goods manufacturing experience by any of the employees the quality of the new product will inevitably be lower than products made by known and reusable skills. The damage caused by this type of production cannot be over emphasised. The development of the company has been affected by loss of skills, very low productivity, poor quality and low turnover.

### 3.1.1 The new range

The production manager and directors were able to advise on which items were selling and/or having interest shown in them. A short list was put together and then further reduced by removing the technically difficult and poorly designed items.

The items removed from the range are not to be shown as part of the range and will be sold off as old stock.

**New products.** The concept is low technology combined with standardised production methods, standardised design features and the use of skills which have been previously learned.

The product groups selected for the new products were: briefcases, handbags, belts and wallets.

Three fundamental production methods were the basis for all the designs:

*Method one* used vegetable tanned leather with a common seaming feature. Two briefcases and two handbags were made by this method.

*Method two* was based on a simple turned seam using finished leather. Two briefcases and two handbags were made by this method.

*Method three* standardised a basic wallet with interchangeable inside units. Six wallet variations on this theme were made.

The belts are to be produced by the production manager and will be finalised when buckles are available. The designs and materials will compliment the briefcases and handbags.

The skills required for the standardised production methods make maximum use of sewing as these skills are more developed than bench skills. The remaining skills employed have been in use throughout the four month period.

3.2 Bench skills. Skills training during the first mission concentrated on simple tasks in order to establish the basic principles and disciplines of production. By enlarging the product range without planning the trainees at the bench have been forced to attempt advanced work without any training. During this mission the need for those advanced skills has been removed by excluding those items from the range. The simple skills used for training during the first mission were glueing and folding, combining different unit pieces, fixing buckles and rings etc, hole punching and rivet setting. These same skills are the basis for production of the new range.

**Cutting and sewing.** These skills are common to all products and have therefore been practised continuously regardless of which products are in production.

**Supervisory skills.** During the recent months there has been a natural selection of individuals for specific responsibilities. During this mission those responsibilities were officially recognised and designated on a trial basis as follows:

Khembo Tagwira - Overall workshop supervisor  
Kenredy Tagwira - Cutting section supervisor  
B Sikelo - Controller of wallet production and responsible for pattern storage  
R Bwanali - Head of sewing and quality controller  
V Chaweza - Possible workbench supervisor.

For the purpose of training, which was mostly corrective action on the quality, all instructions were given via these individuals.

**The training given.** As there were very few items in production and the priority was to develop new styles, the majority of training given was carried out on prototypes of the new range which were put through production in the usual way.

The supervisors were first instructed on the processes to be carried out and then the relevant supervisor was encouraged to instruct his/her section of production on the correct method. Each of the three groups of prototypes (3.1) were based on standardised production methods therefore the skills needing to be learned by each section were few. By minimising the skills to be learned at each point of production the probability of individuals retaining those skills should be greater.

- 3.3 The majority of recommendations from the first mission were for the attention of the directors and required urgent action. As mentioned earlier in the report (1.2) most of the recommendations have not been acted on, in particular those which require planning. The situation at the outset of this mission of low productivity (almost nil), declining quality/skills and no identified market can be attributed directly to a lack of action from the directors. A priority of this mission became the need to ensure the directors understood what was required of them and the inevitable consequences if positive action was not taken immediately.

Several lengthy meetings took place between the expert, Mr Mtsuko, Mr Tagwira, Mr Chikwakwa and Mr Msiska on the subjects raised in the recommendations and the action which must be taken to prevent the situation from continuing. The essence of the discussions was to explain how their actions have shaped the company over the previous four months and what was likely to happen in the coming months unless action was taken.

The points for discussion were:

- The product range and market identification.
- Suppliers of materials to produce the products.
- Loss of skills due to lack of practice and confusion.
- The need for active marketing/selling.
- The need for production to start as soon as possible.
- Costing requirements and the recovery of overheads.
- The inevitable cash flow problems if the above are not given immediate attention.

### 3.3.1 Outcome of meetings with the directors

Positive action was taken on reducing the size of the current range but nothing was done to find markets and the new range was left to the expert. Decisions on products and styling were made without any local knowledge which means the new range is not necessarily correct for the available market.

No solid contact has been made with suppliers of consumable materials apart from Coats thread (S Africa) who have sent a pro forma invoice. Thom Msiska travelled to South Africa before this mission and a few buckles/fittings are due to arrive soon but these will only be a temporary solution and will not be of any use on a standardised product range. Assistance from UNIDO with contact addresses would help to speed up the search for suppliers.

The leather from Alfarama tannery has now been paid for and delivery should take place before the end of the year.

Marketing and selling are at the centre of all the difficulties facing production and no real attempt has been made to find markets and make sales. In the absence of a market and the need to start production it has been agreed that production for stock will begin in January. The items chosen for

production have been selected from the range by Mr Mtsuko (Marketing director) who is finally responsible for selling whatever is produced. It has been recommended that a minimum of one sales person is recruited on a full time basis to assist Mr Mtsuko.

The concept of pricing goods to recover costs and the necessity to maintain output/productivity which is dependent on selling, has been a difficult subject in the discussions. To illustrate the potential problems, the overhead costs per annum were calculated and balanced against the production forecast prepared by Mr Mtsuko. The results were very revealing:

The envisaged monthly production based on potential sales would recover only 20% of overheads.

Assuming 100% efficiency, the recovery rate of overheads would need to be 500% of direct labour.

Based on figures produced by Mr Msiska the most probable efficiency figure is 20%. this increases the recovery rate to 2,500% of direct labour.

The envisaged monthly production would use 5% of the available labour capacity.

The outcome of this exercise was a realisation by the directors that a problem did exist and more detailed calculations would need to be done to recover costs. Over a period of two days towards the end of the mission realistic figures were discussed and an assessment made of the income required to break even. It was agreed that 40% of income is the figure required to cover overheads and from this deduction the annual income would need to be 350,000 Kwacha to break even.

Monthly forecasts for production targets can now be produced, but the urgent problem of selling has to be given top priority.

#### 4 JUKI SEWING MACHINE LZH-1290-6

During the first mission this machine was diagnosed by the installing mechanic as needing a step down transformer and was not connected to the three phase supply for this reason.

No action had been taken in the months between missions to make the machine ready for use and there were no plans to investigate the availability of a transformer.

In order to establish whether or not a transformer was indeed required, a second opinion was requested by the expert and a local company specialising in electrical engineering carried out an inspection of the motor and electrical components. During the inspection the electrical engineers accidentally burned out some internal components in the motor. The extent of the damage has not been fully explained by the engineers but they have guaranteed to repair the damage at their own cost. As far as can be determined a step down transformer is not required but this will be confirmed following repairs to the motor.

## 5 THE DAMATT PROJECT

It was DAMATT who produced the early feasibility study for LGPTU and they have volunteered to carry out a market research project for Superior Leather Co Ltd using students from the business studies course at Lilongwe Technical School.

Three groups of students have been sent to the north, central and southern regions respectively with samples of the Superior range and handouts on the background of the company together with marketing information. Unfortunately the preparation time was very limited and the maximum advantage of this opportunity has not been exploited.

The students will report back to DAMATT at the start of the next term and the results passed on to Superior.

## 6 CONCLUSIONS

All the basic inputs to enable production to be maintained are in place although of course the dextrous skills are not yet developed beyond the basic essentials, but a good quality, simple product can be produced using the elements of the training given during these two missions.

The key to the success or failure of Superior Leather Co Ltd (LGPTU) is in the hands of management. There has been an absence of any form of planning during the first seven months of operation and the current situation is dire. The cash flow situation has reached crisis point with no market as yet found, therefore no sales, and there are fixed costs of 8,500 Kwacha per month which are not being recovered. The production capacity far exceeds the requirements needed to recover costs, but production has not been given the opportunity to expand because there is no strategy for selling and no attempt has been made by the directors to rectify

this situation. A great deal of talk has taken place during this mission about the need to sell and there is hope that the situation is about to change.

At the centre of the problem is a lack of experience within the leather goods sector. This lack of experience extends into every corner of the company, from familiarity with; the products, consumable materials, manufacturing skills, production management skills, right through to marketing and selling. The most valuable form of assistance for the LGPTU during the first months/year of operation would be some form of permanent on-site technical, managerial and selling/marketing assistance.

The working paper produced during the first mission recommended to UNIDO (Recommendation 3) that a UN volunteer, fielded for an extended period (say one year) would be the best solution to the problems at LGPTU. The volunteer should have experience in manufacturing and know how to organise batch production. Most important is the need to market the products aggressively and enthusiastically and the company needs an individual who can generate this kind of motivation within the company. What the company does not need is a lowering of quality standards and if a volunteer is found, he/she must not confuse the production workers but introducing too many rapid changes. The skills which have already been learned must be allowed to develop.

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It was agreed that the second mission of the expert would take place 24 November - 16 December 1992 after the Tanzania mission (12/10 - 23/11) and that the expert would concentrate in the areas of product development and production technology and to consolidate the results of the previous mission.

The directors of LGPTU must prepare for the next mission by:

- 1) researching the tourist market and preparing suitable prototypes;
- 2) ensuring that production materials are available for training and product development.

We have requested Mr. Jumbe to follow up these matters with the Directors of LGPTU.

Yours sincerely,

Juhani Berg  
Senior Industrial Development Officer  
Agro-based Industries Branch/Leather Unit  
Industrial Operations Technology Division

NOTE FOR MR. JUMBE:

PLEASE FOLLOW-UP THESE MATTERS SO THAT ALL IS PREPARED FOR THE NEXT MISSION.

jdraf.tracy.mlw