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**GOVERNMENT OF THE REPUBLIC
OF UGANDA**

CONTRACT : **TECHNICAL ASSISTANCE UNDER
UNIDO CONTRACT NO. 91/111
AMENDMENT A**

PROJECT : **BR/UGA/89/001 PUBLIC INDUSTRIAL
ENTERPRISES SECRETARIAT**

TITLE **FINAL REPORT**
**UNITED GARMENT INDUSTRY
LIMITED (UGIL)**
AND
**THE UGANDA METAL PRODUCTS
AND ENAMELLING COMPANY
LIMITED (TUMPECO)**

VOLUME (1)

PREPARED BY



**INDUSTRIAL AND MANAGEMENT
SERVICES LIMITED (IMAS)
ACCRA—GHANA**

JANUARY, 1993

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AND
APPENDICES**

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TECHNICAL ASSISTANCE GIVEN TO
UNITED GARMENT INDUSTRY LIMITED
A N D
THE UGANDA METAL PRODUCTS AND
ENAMELLING COMPANY LIMITED
VOLUME (I)

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PART I

**INTRODUCTION TO UGIL AND TUMPECO
TECHNICAL ASSISTANCE
GIVEN BY IMAS**

CHAPTER 1.0.

INTRODUCTION

FINAL REPORT ON TECHNICAL ASSISTANCE GIVEN TO UNITED GARMENT INDUSTRY LIMITED AND THE UGANDA METAL PRODUCTS AND ENAMELLING COMPANY LIMITED

1.0. INTRODUCTION

1.1. ORGANIZATION OF FINAL REPORT

- 1.1.1. This Final Report on the Technical Assistance given by IMAS to United Garment Industry Limited (UGIL) and The Uganda Metal Products and Enamelling Company Limited (TUMPECO) is made up of three main parts.
- 1.1.2. PART (I) of the Final Report comprises an Introduction which covers the detailed organization of the Final Report and also gives some background information on the Technical Assistance Contract under which the Final Report was prepared.
- 1.1.3. In addition, Part (I) of the Final Report ends with an Acknowledgement of assistance given to the Consultants of IMAS who rendered the Technical Assistance.
- 1.1.4. In PART (II) of the Final Report, a Summary of the Main Recommendations on UGIL is given. This is followed by a brief history of UGIL together with details of the shareholding structure of the Company.
- 1.1.5. In addition, the present state of the Company's operations is reported on in Part (II) of the Final Report together with details of the main problems facing UGIL.

- 1.1.6. Part (II) of the Final Report ends with details of the technical assistance rendered by IMAS Consultants to UGIL in Corporate Planning, Finance and Accounting and Marketing the light of the problems facing UGIL and details of recommendations of the Consultants.
- 1.1.7. In PART (III) of the Final Report, a Summary of the Main Recommendations on TUMPECO is given. This is followed by a brief background report on TUMPECO together with details of the shareholding structure of the Company.
- 1.1.8. The present state of the Company's operations is also reported on in Part (III) of the Final Report together with details of the main problems facing TUMPECO.
- 1.1.9. Part (III) of the Final Report ends with details of the technical assistance given to TUMPECO by IMAS Consultants as a result of the problems facing the Company in Management, Finance and Marketing together with details of recommendations of the Consultants.

1.2. **BACKGROUND OF TECHNICAL ASSISTANCE CONTRACT**

- 1.2.1. Since 1970, performance of the Public Industrial Enterprises Sector in Uganda has been characterized by low capacity utilization (*between 10-25% in most cases*), lack of an integrated system of planning, budgeting, costing, management information, controlling and steering of the Public Industrial Enterprises, absence of aggressive marketing strategies and low productivity.

- 1.2.2. In order to reverse the situation, a recovery programme was launched in 1982. As part of the recovery programme in 1990, selected Public Industrial Enterprises were management audited with a view to recommending among other things, steps to increase efficiency, production capacity, productivity and control of the affected enterprises.
- 1.2.3. The Management Audit Reports recommended that general management training required in the enterprises would be better performed through on-the-job training given by highly experienced external consultants to guide Managers of the Public Industrial Enterprises.
- 1.2.4. Consultants of the Industrial and Management Services Limited (IMAS) therefore rendered technical assistance to the United Garment Industry Limited (UGIL) and The Uganda Metal Products and Enamelling Company Limited (TUMPECO) from the 18th May, 1992 to 23rd June, 1992. The programmes followed by the IMAS Consultants are shown in Appendices 1 to 3.
- 1.2.5. The Technical Assistance was expected to provide on-the-site advice and on-the-job training by
- *analyzing specific deficiencies in the two Companies*
 - *developing a co-ordinated strategy to overcome the deficiencies*
 - *advising and guiding hand-in-hand staff of the two Companies with regard to the strategies to be adopted and implemented to overcome the problems and*
 - *working to co-ordinate solutions and training programmes to be instituted in the two Companies.*

1.2.6. The Technical Assistance rendered by IMAS Consultants was to be in the areas of

- *general management, including corporate planning and strategy*
- *marketing and distribution*
- *financial management and accounting.*

1.3. **ACKNOWLEDGEMENTS**

IMAS would like to express their deepest gratitude to the General Managers and staff of UGIL and TUMPECO as well as the Director, C.T.A and staff of PIES, without whose assistance the Technical Assistance Programme would not have been possible.

PART II

**SUMMARY OF MAIN RECOMMENDATIONS,
DETAILS OF ASSISTANCE ON
CORPORATE PLANNING, FINANCE AND
ACCOUNTING AND MARKETING
ON UGIL**

CHAPTER 2.0.

SUMMARY OF MAIN RECOMMENDATIONS

2.0. **SUMMARY OF MAIN RECOMMENDATIONS**

2.1. **ORGANIZATION STRUCTURE**

There are a lot of one-to-one reporting relationships in the Present Organization Structure of UGIL.

A re-organization of the Organization Structure of UGIL to remove the one-to-one reporting relationships as well as improve the overall effectiveness and efficiency of operations is highly recommended.

Towards this end, the following re-organization of departments in the Company is recommended.

2.1.1. **Production Department**

Due to the wide span of control of the Production Manager who supervises the work of eight Plant Managers, it is recommended that the quality control and designing functions should be re-assigned to a new department, the ENGINEERING AND PRODUCTION SERVICES DEPARTMENT.

2.1.2. **Engineering and Production Services Department**

It is recommended that a new department should be created to handle quality control, designing, product research and development, work study, purchasing, material requirements planning as well as production planning and control. This department is to be called the ENGINEERING AND PRODUCTION SERVICES DEPARTMENT.

2.1.3. **Marketing Department**

The Marketing Department is to be re-organised into three sections which will be responsible for Sales (Kampala area and upcountry), Marketing Services (Research, Sales Planning and Control, Advertising and Promotion) and Exports.

2.1.4. **Accounting Department**

It is recommended that the Accounts Department should be re-organised into three sections to handle the functions of financial accounting, cost accounting and planning, budgeting and management information.

The creation of the Planning, Budgeting and Management Information Section will facilitate the preparation of management information reports after analysis of variances from planned targets thus making it possible for management to steer the Company's operations towards achievement of its goals.

2.1.5. **Internal Audit Department**

The Internal Audit Department should be re-organised and a more experienced and suitably qualified person appointed to head the Department as INTERNAL AUDIT MANAGER.

The Department should be re-organized into two main sections to undertake the functions of pre- and post-auditing of transactions as well as internal control systems review and investigation of fraud cases.

2.1.6. Personnel Department

The Personnel Department should be reorganized into two sections with responsibility for the personnel and administrative functions within the department.

It is recommended that the Department should be redesignated as the PERSONNEL AND ADMINISTRATION DEPARTMENT.

It is recommended that the Personnel and Administrative Manager should be assisted by two Officers, one of whom will be responsible for personnel matters while the other handles administrative matters.

2.2. HUMAN RESOURCES MANAGEMENT

2.2.1. Confirmation

A Pre-Confirmation Check List is recommended to be introduced to guide the Personnel Records Clerk to ensure that all necessary requirements in terms of personnel records have been fully satisfied prior to arranging for new staff to be confirmed as permanent employees.

2.2.2. Grading of Staff

A new job grading system is to be introduced after a job evaluation exercise covering all jobs in the Company to ensure that job grades are uniform intra-departmentally as well as inter-departmentally.

2.2.3. **Manpower Training and Development**

It is recommended that on-the-job training programmes should be drawn up for employees in various sections of the Company and their response to such training monitored through use of a new on-the-job Training Progress Report Form.

External training courses and vestibule sessions organized internally should be arranged for employees of the Company to help remove "training gaps" that become apparent as a result of the monitoring of employees responses to on-the-job training.

2.2.4. **Evaluation of Work Performance and Conduct of Employees**

It is recommended that an employee performance and conduct evaluation system should be introduced under which the work performance and conduct of employees is monitored continuously throughout the year and employees assisted to improve upon their areas of weak assessment.

Towards this end, an appraisal system based upon management by objectives should be introduced.

An Objectives Form, a Critical Incidents Form and an Employee Performance Evaluation Form are to be introduced for use in appraising the work performance and conduct of all staff.

2.2.5. **Corporate Planning**

It is recommended that detailed action programmes that must be followed by various departments of the Company in order for it to achieve its long term goals should be prepared with specific time targets for completing various tasks.

In this regard, it is recommended that the detailed action programmes suggested by the Consultants in this report should form the basis of current and future action programmes.

The Corporate Plan should form the basis of preparing short-term development plans for the Company.

CHAPTER 3.0.
COMPANY BACKGROUND

3.0. COMPANY BACKGROUND

3.1. OWNERSHIP

- 3.1.1. The United Garment Industry Limited (UGIL) was incorporated in 1964 as a joint venture between Uganda Development Corporation (UDC), two Japanese Companies, Yamato International and Marubeni Corporation and the United Commercial Agencies. The composition of shareholding and other shareholding details are as follows:-

Authorised Number of Shares	200,000
Value Per Share 20 USh.	
Value of Authorised Shares	40,000 USh.
Calls in Arrears:	
No. of Shares in Arrears	13,750
Value of Shares in Arrears	2,750 USh.
No. of Paid Up Ordinary Shares	186,250
Value of Paid Up Ordinary Shares	37,250 USh.
12 1/2% Redeemable Cumulative Preference Shares	20,000 USh.

<u>Shareholder</u>	<u>No. of Shares</u>	<u>Value of Shares</u>	<u>Percentage Shareholding</u>
1. Uganda Development Corp.	134,250	26,850 USh.	67.13
2. Marubeni Corporation	27,500	5,500 USh.	13.75
3. Yamato International	13,750	2,750 USh.	6.87
4. United Commercial Agencies	10,750	2,150 USh.	5.38
5. - (Calls in Arrears)	13,750	2,750 USh.	6.87
TOTAL	200,000	40,000 USh.	100.00%

3.2. TYPE OF BUSINESS AND MISSION OF UGIL

- 3.2.1. The United Garment Industry Limited is a Garment Manufacturing Company which produces Shirts, Trousers, Suits, Knitted Wear including T-Shirts and Briefs as well as Uniforms for schools and the Uganda Army.

3.2.2. The Company regards itself as being in the garment and yarn industries. The Company's products and markets are in:-

- high quality fashion apparel of knitted products such as T-shirts, polo shirts, briefs and knickers for export to Europe the United States of America and Canada.
- fine quality yarn for export
- medium quality knitted woven wear for the local market such as T-shirts, underwear, sports wear and nappies.
- woven garments for local markets such as shirts, trousers, shorts, army and school uniforms.

3.2.3. The long term goal of UGIL as stated by its management is to achieve profitability for the Company to be self sustaining, that is, to generate internal funds to achieve a financially healthy position.*

1.1. PRESENT STATE OF UGIL BUSINESS

3.3.1. Organization Structure

The Organization Chart of UGIL at the beginning of IMAS Technical Assistance is shown in Appendix 4.

The Organization Chart is characterized by poor interface between functions which complement each other. For example, there is a poor interface between production and the purchase of raw materials as well as between production and physical custody of raw materials.

* FOOTNOTE: UGIL STRATEGIC PLAN DEVELOPED WITH MESUNIDO ASSISTANCE, 22ND TO 23RD NOVEMBER, 1991

In addition, the effectiveness of important functions such as marketing of the Company's products is hampered by an inadequately developed organization structure in the Marketing Department.

By placing the physical custody of raw materials for production under the Marketing Department, the Marketing Manager's attention has to be focused not only on his main function of marketing but also on the warehousing and issue of raw materials for production.

The Department is therefore prevented from fully concentrating on the critical aspects of marketing such as selling, distribution, research, sales promotion, advertising and pricing.

The structure of most departments including the Marketing, Accounts and Engineering Departments are characterized by one-to-one reporting relationships. The one-to-one reporting relationships tend to make affected officers/positions virtually redundant as they merely pass documents/reports/memoranda/decisions up or down between their superior officers and their immediate subordinates.

There is a mixture of position titles and grade titles in the designation of various positions which appear on the Organization Chart resulting in inconsistency in designation of positions.

Finally, important industrial engineering functions such as Research and Development of Products, Work Study and Methods Review, Production Planning and Control, Maintenance Planning and Control, Material Requirements planning and Quality Control have been given a low profile, organizationally.

With a view to removing the weaknesses inherent in the present organizational framework, which adversely affects overall effectiveness and efficiency, a number of changes in the organization structure were proposed, discussed with the management of UGIL and agreement, in principle, reached on implementation of the proposed changes.

These changes, which are shown in the Proposed Departmental Organization Charts in Appendices 5(a) to 5(q) are detailed below.

3.3.2. Production Department

A good interface between production and physical custody of raw materials for production is ensured through placing the Raw Materials Store under the Production Manager.

It is felt that quality control within the Company could be improved by giving the quality control function greater independence to review and comment on the quality of both products produced and maintenance schemes used within the Company.

In order to enhance the effectiveness of the quality control function, quality control has been removed from the Production Department and placed under the new Production and Engineering Services Department.

3.3.3. Production and Engineering Services Department

In the Proposed Organization Structure, functions which are considered vital to the successful achievement of the objectives of UGIL in the production area such as quality control, research and development of new products, production planning and control, maintenance planning and control, work study and methods review, material requirements planning and purchasing have been placed under a new department, the Production and Engineering Services Department.

The critical purchases within the Company are those made for the Production Department and therefore the officer responsible for purchasing must, preferably, be placed under the control of a manager with a technical background.

Due to the need to improve internal checks and control, the key activities involved in the procurement of inputs such as ordering, payment authorization, payment and physical custody of items purchased have been separated and placed under different departments/sections. As a result, all activities associated with ordering of inputs, follow-up of orders and clearing of goods ordered on arrival have been made the responsibility of the Purchasing Officer who is to report to the Head of the Production and Engineering Services Department.

3.3.4. Marketing Department

A major weakness of the marketing function at UGIL is the low profile given to marketing services such as sales planning and control, market research, sales promotion and advertising.

In the Proposed Organization Structure therefore, the existing one-to-one reporting relationships are removed by creating two sections within the Marketing Department to handle selling/distribution of products and marketing services.

Furthermore, all activities which are not directly related to the marketing function such as those related to the physical custody of raw materials and inputs for production have been removed from the list of responsibilities of the Marketing Manager with the Raw Materials and Inputs Storekeeper placed under the Production and Engineering Services Manager.

With regard to marketing activities, a position of Marketing Services Officer has been created to handle such services as Sales Planning and Control, Market Research and Sales Promotion/Advertising.

3.3.5. Finance and Accounts Department

A number of one-to-one reporting relationships within this department have been removed in the Proposed Organization Structure of the Finance and Accounts Department.

In addition, the position of Senior Statistician (a grade title) is to be redesignated as Planning, Budgeting and Management Information Officer and made responsible for duties such as planning, budgeting, variance analysis and writing of management information reports.

Under the Proposed Organization Structure therefore, there would be three sections within the Financial and Accounts Department responsible for Financial Accounting, Cost Accounting and Planning, Budgeting/Management Information.

Finally, the position of Chief Accountant (a grade title) should be redesignated as Finance and Accounts Manager.

3.3.6. Internal Audit Department

The Internal Audit Department has hitherto been given a low profile organizationally.

It is therefore recommended that the department should be strengthened and headed by an Internal Audit Manager.

In addition to the traditional internal auditing functions of pre- and post-auditing of transactions, it is recommended that the Internal Audit Department should also undertake systems audit to ensure that internal control, internal checks and balances within UGIL are enhanced and various management information reports are prepared as well as submitted to management on time.

Two sections are therefore to be created in the department with responsibilities for Internal Control Systems and Investigations as well as Pre- and Post-Auditing.

3.3.7. **Personnel Department**

The Personnel Department handles all personnel matters as well as administrative matters of the Company.

It is therefore recommended that the department should be redesignated as the Personnel and Administration Department.

Furthermore, it is necessary for all personnel matters to be separated from administrative matters within the department and different officers assigned to handle the personnel and administrative functions within the department.

The personnel function is expected to be handled by a Personnel Officer while an Administrative Officer is expected to handle the Company's administrative matters.

Personnel matters expected to be handled by the Personnel Section of the department include recruitment, wages/salaries administration, personnel records management, manpower training and development, appraisal of staff performance, industrial relations, discipline of staff and welfare.

Administrative matters expected to be handled by the Administrative Section of the department include office cleaning, transport, security, protocol, public relations, general administration including secretarial and clerical services and other general services.

3.3.8. Engineering Department

The Engineering Department is characterized by one-to-one reporting relationships.

All one-to-one reporting relationships within the department have been removed through the creation of three sections which are expected to handle all mechanical engineering, electrical engineering and civil/estate maintenance functions in the Company.

The department should be strengthened through training of staff in the department to improve their knowledge and skills.

The Head of Department's designation should be changed from Chief Engineer (a grade title) to Engineering Manager (a position title).

3.4. STAFF STRENGTH

The United Garments Industry Limited employed 454 members of staff at the time of the IMAS Technical Assistance Programme. Out of the total staff complement of 454, 328 members of staff were directly engaged within the Production Department while the remaining 126 were engaged in other departments which render support services to the Production Department.

An analysis of the indirect staff complement showed that a total of 45 employees were engaged within the Personnel and Administration Department while 18 employees were engaged within the Accounts Department. In spite of the reduction in the number of staff in the Company in the last quarter of 1991, it is recommended that additional reductions in the number of employees especially those engaged in the above-mentioned two departments should be seriously considered.

It is the view of IMAS that the total number of employees engaged in the above-mentioned two departments can be reduced by ten (10) (ie. two from the Accounts Department and eight (8) from the Personnel and Administration Department).

In view of the anticipated increase in the level of capacity utilization by the Company between 1993 to 1995 and beyond, no additional reduction in the number of employees of the Company is recommended.

3.5. HUMAN RESOURCES MANAGEMENT

The human resources management function at UGIL was observed to be generally satisfactory. However, improvements have to be made in job grading, recruitment procedures, performance appraisal and training schemes for staff.

Consequently, technical assistance and guidance was provided by IMAS to enable the Personnel/ Administration Manager and the Personnel Officer improve upon the above mentioned areas of weakness.

During the IMAS Technical Assistance Programme, it was observed that there was a very high turnover of skilled staff of UGIL. For example, 12% of employees in this category left the service of UGIL in 1991/92 (i.e. July to May).

Reasons for this high rate of turnover of skilled employees include low morale arising from low salaries, lack of training and absence of employee performance evaluation.

It was observed that no comprehensive personnel programme covering recruitment, training and manpower development, wages and salaries administration, staff performance appraisal, industrial relations and welfare was followed on a consistent basis by the Company.

Thus employees could not easily link achievement of the Company's goals and objectives to the attainment of their own personal objectives.

The need for the Company to implement a more comprehensive personnel programme was therefore stressed. Specific areas of deficiencies which were identified together with details of technical assistance given to staff in the Personnel/Administration Department at UGIL are as follows:-

1.1.1. Job Grading System

The grading of jobs in UGIL was observed not to be comprehensive enough. It was therefore not possible for job grades in various departments of the Company to be compared for the purpose of determining salaries of employees undertaking the affected jobs. There was thus no uniformity and consistency in the grading of staff both intra-departmentally and inter-departmentally.

Assistance was therefore given by IMAS to the Personnel/Administration Manager of UGIL to develop a job grading system that would help to remove the deficiencies that are inherent in the UGIL job grading system.

The main objective of the Technical Assistance given to UGIL was to ensure that a comprehensive job grading system was introduced, which made it possible to compare job grades within departments of the Company as well as between various departments of the Company.

The proposed job grading system is shown in Appendix 6.

3.5.2. Manpower Training and Development

The main weakness observed at UGIL in the area of manpower training and development was the fact that no structured training programmes were prepared for staff of UGIL to follow.

The only training given to staff on-the-job was not structured to ensure proper career development and increase in productivity.

Furthermore, off-the-job training courses which were arranged for employees of UGIL were selected on an ad-hoc basis and were not selected to fill any previously identified training gaps in employees response to on-the-job training programmes.

Another weakness was that over any period of time, the Personnel/Administration Manager had no means of knowing the sort of on-the-job training being given to staff in various departments of the Company.

With a view to removing these weaknesses, the IMAS Consultant assisted the Personnel/Administration Manager of UGIL to design an On-The-Job Training Progress Report Form which is to be sent to other Heads of Department from time to time for them to give Progress Reports on the training programmes being followed by staff in their departments. (Please see Appendix 7 for a copy of the On-The-Job Training Progress Report Form).

In addition, the need for employees of UGIL to be made to go through structured training programmes to enable them acquire new knowledge as well as improve their skills and thereby help to increase their productivity was emphasized.

3.5.3. Appraisal of Performance of Staff

Even though the performance of employees at UGIL was evaluated at the end of each financial year, the appraisal system used was characterized by subjectivity and performance of staff was not continuously monitored throughout the year.

As a result of the absence of an objective performance evaluation system in the Company, staff could not readily associate achievement of the Company's objectives with attainment of their own personal objectives.

Furthermore, employees of UGIL could not easily link increases in their productivity with corresponding increases in their remuneration.

Technical assistance given by IMAS in the area of appraisal of employee performance was therefore aimed at introducing objectivity into the appraisal process and making the process continuous (ie. one that goes on throughout the year) and based upon a system of Management By Objectives (MBO).

The performance evaluation system designed by UGIL with assistance by IHAS consists of a Staff Performance Evaluation Form which would be completed on an annual basis, at the end of each financial year, and is supported by an Objectives Form that specifies targets for employees to achieve by the end of specific periods. It also includes a Critical Incidents Form, which is to be completed quarterly during the year by all Heads of Department in respect of the work of all staff in their departments.

The Critical Incidents Form is expected to list all the positive achievements of staff as well as the negative incidents they have been involved in during the quarter under review with recommendations for the employee to improve upon his/her areas of weak assessment, which have led to negative critical incidents recorded against him or her.

The Staff Performance Evaluation Form, Objectives Form and the Critical Incidents Form are shown in Appendices 8 to 10.

It is expected that introduction of the new Employee Performance Evaluation Forms would introduce greater objectivity into the appraisal of the performance of employees at UGIL as well as help to let employees see the linkage between excellent performance on the one hand, and recognition by the Company through such means as upgrading, promotion, cash awards and bonuses on the other.

3.6. CAPACITY UTILIZATION

The United Garments Industry Limited (UGIL) had seven (7) main production plants with the following capacities at the time of the IMAS Technical Assistance Programme.

<u>PLANT</u>	<u>INSTALLED CAPACITY</u>	<u>ACHIEVABLE CAPACITY UTILIZATION LEVEL</u>	<u>CURRENT ACTUAL CAPACITY UTILI-</u>
1. Spinning	17.5 Tonnes/Month (30P) 18.0 Tonnes/Month (20P, 30P and 40P)	14 Tonnes/M 15.3 Tonnes/M	10 Tonnes/Month
2. Knitting	16,000 Kg Per Month	12,000 Kg/M	8,500 Kg/M
3. Dy. House	21,000 Kg Per Month	18,150 Kg/M	8,000 Kg/M
4. CMT	100,000 Pieces/Month	75,000 Pcs/M	40,000 Pcs/M
5. Shirts	11,000 Pieces/Month	9,750 Pcs/M	6,400 Pcs/M
6. Trousers	5,000 Pieces/Month	4,000 Pcs/M	2,340 Pcs/M
7. Printing	15,000 Pieces/Month	11,250 Pcs/M	7,923 Pcs/M

An analysis of the bottlenecks that would affect achievement of the above stated capacity utilization levels was made in terms of the following bottlenecks:-

- (i) Working capital tied up by the items produced in each plant.
- (ii) Machine hours used up during the production of each item in each of the six shops at UGIL.
- (iii) Labour cost associated with the production of each item in each of the seven plants of UGIL.

The analysis showed that working capital tied up by some products of UGIL before the capital locked up in them was converted through sales into cash as well as obtaining sufficient working capital to cover the cost of production inputs were the most critical bottlenecks.

Another bottleneck was the low capacity utilization which made it impossible to meet potential export orders.

In view of the main bottleneck posed by working capital, production of items which tie up less working capital and turn over quickly in terms of sales as well as provide attractive contribution margins is to be emphasized in determining the Company's product mix.

In view of the foregoing, it was decided by the Management of UGIL to produce at the levels shown below as well as set for the Company an objective of attaining the practical capacity utilization levels by the end of a four-year target period (1993 - 1995) as follows:-

<u>PERIOD</u>	<u>PLANT</u>	<u>PROJECTED CAPACITY UTILIZATION LEVEL</u>
January to June, 1993	Spinning	14 Tonnes/Month
- do -	Knitting	12 Kg/Month
- do -	Dye-House	18.15 Kg/Month
- do -	CMT	75,000 Pcs/Month
- do -	Shirts	8,250 Pcs/Month
- do -	Trousers	5,000 Pcs/Month
- do -	Printing	15,000 Pcs/Month
July to December, 1993	Spinning	30 Tonnes/Month
- do -	Knitting	18 Kg/Month
- do -	Dye-House	27.21 Kg/Month
- do -	CMT	75,000 Pcs/Month
- do -	Shirts	8,250 Pcs/Month
- do -	Trousers	5,000 Pcs/Month
- do -	Printing	15,000 Pcs/Month
January to December, 1994	Spinning	35 Tonnes/Month
- do -	Knitting	21 Kg/Month
- do -	Dye-House	31.7 Kg/Month
- do -	CMT	75,000 Pcs/Month
- do -	Shirts	8,250 Pcs/Month
- do -	Trousers	5,000 Pcs/Month
- do -	Printing	15,000 Pcs/Month

<u>PERIOD</u>	<u>PLANT</u>	<u>PROJECTED CAPACITY UTILIZATION LEVEL</u>
January to December, 1995	Spinning	40 Tonnes/Month
- do -	Knitting	24 Kg/Month
- do -	Dye-House	36.35 Kg/Month
- do -	CMT	75,000 Pcs/Month
- do -	Shirts	8,250 Pcs/Month
- do -	Trousers	5,000 Pcs/Month
- do -	Printing	15,000 Pcs/Month

On the basis of the projected levels of capacity utilization during the period 1993 to 1995 as shown above, the raw materials and other inputs which will be required for production at the projected levels are shown in the Bill of Materials in Appendix 11.

In order to help achieve the projected levels of capacity utilization, the Management of UGIL intends to embark on a restructuring of the Company to enhance its overall effectiveness and efficiency in meeting the projected levels of output.

In addition, the following strategies and action programmes are to be followed by UGIL during the period 1993 to 1995.

3.7. CORPORATE PLANNING

The following strategies was agreed to be followed by various departments of the Company.

3.7.1. Strategies to be followed by the Marketing Department of UGIL

- (a) Undertake market research with a view to advising on appropriate quality standards, customer design preferences, prices, effectiveness of advertising and sales promotion measures.
- (b) Undertake sales promotion to sell more of the Company's products.
- (c) Advertise to reach specific target markets and monitor results.
- (d) Open new distribution channels and evaluate their effectiveness in terms of promoting sales and reducing distribution costs.
- (e) Pricing - advise General Manager on pricing policy.
- (f) Improve customer service by prompt delivery of orders.
- (g) Improve mobility of salesmen/representatives.
- (h) Re-organise Marketing Department.
- (i) Determine sales-mix for optimum results.
- (j) Promote branding
- (k) Train Salesmen
- (l) Strengthen export drive
- (m) Analyze sales results and undertake sales planning/control.
- (n) Review the performance of all UGIL sales depots and close down all depots which are not profitable to run.

3.7.2. **Strategies to be Followed by the Production Department**

- (a) Meet projected capacity utilization levels by ensuring uninterrupted production.
- (b) Ensure adequate stocks of production inputs
- (c) Prepare bill of materials on inputs required for production.
- (d) Install standby generator.
- (e) Improve productivity of production staff by enhancing efficiency through training of staff and introduction of productivity based incentive schemes.
- (f) Instill cost consciousness in all production staff.
- (g) Undertake cost reduction measures.
- (h) Improve quality.
- (i) Establish production targets and monitor results.
- (j) Re-schedule production lost through interruptions of power and breakdowns.

3.7.3. **Strategies to be Followed by the Accounts Department**

- (a) Modernise Accounting System through introduction of an integrated planning, budgeting, costing and reporting management information system based upon computerization.
- (b) Secure rescheduling of existing loans and re-financing of existing loans on more favourable terms.
- (c) Strictly stick to rescheduled or refinanced loan repayment terms.
- (d) Arrange improvement of asset/loan ratio through re-valuing assets and creation of capital reserves.
- (e) Improve budgeting system.
- (f) Improve costing system.

- (g) Improve reporting and controlling systems.
- (h) Improve financial planning including working capital management.
- (i) Lobby for lower taxes and an increase in float on tax payments.

3.7.4. Strategies to be Followed by the Personnel and Administration Department

- (a) Improve job satisfaction through:-
 - *improved welfare facilities*
 - *productivity based incentive schemes*
 - *improved service conditions*
 - *job evaluation and grading*
 - *motivate staff through an objective staff performance appraisal system*
- (b) Re-organise various departments of Company as will be approved by UGIL Board.
- (c) Liaise with other Heads of Department and design structured staff training programmes including induction programmes for new employees.
- (d) Prepare a staff/organization manual.
- (e) Ensure more effective and efficient administrative support systems.
- (f) Reinforce security of the Company's assets.

3.7.5. Strategies to be Followed by the Production and Engineering Services Department

- (a) Secure production and other inputs on time by undertaking material requirements planning and arranging purchasing in economic lots on time.
- (b) Monitor quality of products and introduce schemes to improve quality.
- (c) Monitor designs and introduce new designs based upon market research.

- (d) Undertake production and maintenance planning/control to enhance efficiency.
- (e) Undertake product/process research and development of work methods/procedures.

3.7.6. Strategies to be Followed by the Engineering Department

- (a) Ensure uninterrupted machine availability for production.
- (b) Prepare and implement planned/preventive maintenance schemes.
- (c) Reduce machine downtime by improving breakdown repair times.
- (d) Liaise with Production and Engineering Services Department for purchase of required spare parts on time.

3.7.7. Strategies to be Followed by the Internal Audit Department

- (a) Design Internal Control Questionnaires covering all facets of the Company's operations.
- (b) Test-check all present systems of internal control and submit recommendations for their improvement.
- (c) Review all procedures and management systems to ensure they contribute to optimization of effectiveness and efficiency.
- (d) Monitor integrated planning, budgeting, costing, reporting and control systems to ensure that management reports that are expected to be submitted under the system are in fact submitted on time and corrective follow-up action is taken on time.

- (e) Undertake pre-auditing of all petty cash, cash disbursements, payments by cash or cheque for inputs, spares, stationery and all other materials.
- (f) Undertake post-auditing of all transactions.
- (g) Undertake investigations of fraud and other cases as and when necessary.

3.7.8. **Strategies to be Followed by the General Manager's Office**

- (a) Oversee preparation and review of the Company's Corporate Plan from time to time.
- (b) Arrange for each revised Corporate Plan to be approved by the Board of Directors.
- (c) Oversee preparation of the Company's Annual Budgets which should be based on the Company's Corporate Plan.
- (d) Tackle under-capitalization of Company by lobbying shareholders to inject new equity into the Company or permit the floating of shares to new shareholders.
- (e) Lobby EADB and other creditor Banks to reschedule or refinance the Company's loans.
- (f) Follow-up export contracts to ensure firm export contracts are executed.
- (g) Lobby Ministry to ensure dumping of second-hand clothes is reduced.
- (h) Ensure financial planning and control is strictly undertaken and followed by the Company.
- (i) Oversee re-organization of Company's Organization Structure after approval of proposed changes by the Board.
- (j) Chair monthly management meetings to review management information reports.

- (k) Review prices at which raw materials and other inputs are purchased on a regular basis.
- (l) Review prices of finished products from time to time.
- (m) Review sales performance reports from time to time.
- (n) Review the performance of Heads of Department.

3.8. **DETAILED ACTION PROGRAMMES**

Detailed action programmes that **IMAS** recommends should be followed by various Sections/Departments of **UGIL** during the period 1993 to 1995 are shown in Appendices 12 to 19 for the guidance of Heads of Department.

IMAS TECHNICAL ASSISTANCE
PROGRAMME FOR IMAS FINANCE AND ACCOUNTING EXPERT

Month	May 1992															June 1992																										
	DURATION																																									
	18	19	20	21	22	23	24	25	26	27	28	29	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27			
Day of month																																										
Day of assignment																																										
ACTIVITY																																										
1. Review financial and Accounting operations at UGIL; o Identify weaknesses and possible solutions including specific reference to: - possible areas of cost reduction. - management information system including budgeting, costing reporting and controlling). - working capital management - Write interim report.																																										
2. Review financial and accounting operations at TUMPECO. o Identify weaknesses and possible solutions with specific reference to - possible areas of cost reduction. - management information system (including budgeting costing, reporting and controlling). - working capital management Write interim report.																																										

PHUGHAMME FOH IMAS FINANCE AND ACCOUNTING EXPERT

Month	May 1992														June 1992																																											
	DURATION														1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27																	
Day of month	18	19	20	21	22	23	24	25	26	27	28	29	30	31	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27																	
Day of assignment	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27
ACTIVITY																																																										
UGIL																																																										
7. Assist with the development and introduction of an integrated planning, budgeting, costing, reporting and controlling management systems at UGIL.																																																										
8. Assist with introduction of more effective and efficient working capital management at UGIL. <ul style="list-style-type: none"> o Determine daily, weekly, monthly, and quarterly reporting that is necessary in respect of working capital. o Determine optimum stock and accounts receivable levels in relation to level of activity. o Introduce preparation of ageing schedules for accounts receivable. 																																																										
9. Assist with determination of product costing and product contribution.																																																										
10. Assist with the preparation of projected schedules and statements as follows: <ul style="list-style-type: none"> - Schedule of raw materials and production inputs requirements for 1993 to 1995. - Manufacturing/Profit and Loss Accounts for 1993 to 1995. - Cash Flow Statement for 1993 to 1995 - Sources and uses of Funds Statements for 1993 to 1995. - Balance Sheets for 1993 to 1995. 																																																										
11. Complete 1992 Final Report on UGIL.																																																										

IMAS TECHNICAL ASSISTANCE
PROGRAMME FOR IMAS MARKETING EXPERT

Month	May 1992										June 1992																	
	DURATION																											
Day of month	18	19	20	21	22	25	26	27	28	29	1	2	3	4	5	8	9	10	11	12	15	16	17	18	19	22	23	
Day of assignment	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	
ACTIVITY																												
1. o Review sales and marketing operations at UGIL. o Identify existing weaknesses and possible solutions including specific reference to - present and optimum product mix - present and optimum pricing of various products - present distribution channels and optimum channel mix - present and optimum advertising sales promotion and market research to be carried - present staff levels, background and future requirements o Write interim report.																												
2. - Review sales and marketing operations at TUMPECO, identify, weaknesses and possible solutions including specific reference to - present and optimum product mix - present and optimum pricing of various products - present distribution channels and optimum channel mix - present and optimum advertising sales promotion and - market research to be carried out - present staff levels, background and future requirements o Write interim report.																												

**IMAS TECHNICAL ASSISTANCE
PROGRAMME FOR IMAS MARKETING**

Month	May 1992															June 1992							
	DURATION																						
Day of month	18	19	20	21	22	23	24	25	26	27	28	29	1	2	3	4	5	8					
Day of assignment	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16							
ACTIVITY	<p>3. Assist with the development and introduction of a comprehensive marketing programme at TUMPECO, covering:</p> <ul style="list-style-type: none"> - present products and optimum product mix. - optimum prices - distribution channels, optimum channel mix and optimum location of retail outlets. - optimum advertising and sales promotion - optimum market segmentation - optimum export programme - optimum market research <p>4. Assist with preparation of schedules as follows:</p> <ul style="list-style-type: none"> - Projected product sales mix 1993 to 1995 - Projected value of sales by Product 1993 to 1995 - Projected value of sales by market segment 1993 to 1995 - Projected minimum stock levels of finished goods required for each distribution channel at the end of each financial year to ensure uninterrupted supply/sales of products in subsequent period and minimum tie up of working capital. 																						

APPENDIX 7 CONTD..

Advise whether or not the employee is ready for the next phase of training. Give brief details of the next phase of training (including duration of training).

.....

.....
 Signature of Head of Dept

Date: _____

Please complete and submit this form to the Personnel/Administrative Manager before

.....
 Sig. of Personnel Manager

SECTION 3

TO BE COMPLETED BY PERSONNEL/ADMINISTRATION DEPARTMENT

Based on the information provided by the employees' Head of Department in Section 2 of this form, please complete the following:

- (a) Describe any training gap identified

- (b) Follow-up action taken to close training gap

- (c) Give brief details of employee's performance after action taken in (b) above

**IMAS TECHNICAL ASSISTANT
PROGRAMME FOR IMAS MARKETING**

Month	May 1992							June 1992																				
	18	19	20	21	22	23	24	25	26	27	28	29	30	1	2	3	4	5	6	7	8	9	10	11	12	13		
Day of month																												
Day of assignment	1	2	3	4	5	6	7	8	9	10	11	12	13															
ACTIVITY	<p>5. Complete Draft Final Report on TUMPECO.</p> <p>6. Assist with the development and introduction of a comprehensive marketing programme at UGIL covering</p> <ul style="list-style-type: none"> - present products and optimum product mix - optimum prices - distribution channels, optimum channel mix and optimum location of retail/market outlets - optimum advertising and sales promotion - optimum market segmentation - optimum export programme - optimum market research <p>7. Assist with preparation of schedules as follows:</p> <ul style="list-style-type: none"> - projected product sales mix 1993 to 1995 - project value of sales by product 1993 to 1995 - projected value of sales by market segment 1993 to 1995 - projected minimum stock levels of finished goods required for each distribution channel at the end of each financial year to ensure uninterrupted supply sales of products in subsequent period and minimum tie up of working capital. 																											

APPENDIX 8

**UNITED GARMENT INDUSTRY LIMITED
OBJECTIVES FORM**

NOTE: THIS FORM IS TO BE COMPLETED BY THE HEAD OF DEPARTMENT OR SECTION

PLEASE INDICATE IN THE SPACE BELOW THE OBJECTIVE(S) TO BE COMPLETED BY THE EMPLOYEE AS WELL AS THE TARGET COMPLETION DATE		PROPOSED TARGET COMPLETION DATE	EMPLOYEES COMMENTS OR REMARKS ON TARGET COMPLETION DATE	AGREED COMPLETION DATE	ACTUAL COMPLETION DATE	REMARKS OF HEAD OF DEPARTMENT
NO.	OBJECTIVE					

NAME OF EMPLOYEE

GRADE

POSITION

SECTION

SIGNATURE OF EMPLOYEE

DATE: _____

**IMAS TECHNICAL ASSISTANCE
PROGRAMME FOR IMAS MARKETING EXP**

Month	May 1992										June 1992												
	DURATION																						
Day of month	18	19	20	21	22	23	24	25	26	27	28	29	1	2	3	4	5	6	7	8	9		
Day of assignment	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17						
ACTIVITY	<p>8. Complete Draft Final Report on UGIL.</p> <p>9. Assist with the development and introduction of a comprehensive marketing programme at.....</p> <ul style="list-style-type: none"> covering - process products and optimum product mix - optimum prices and distribution channels, optimum channel mix and optimum location of retail outlets/markets - optimum advertising and sales promotion - optimum market segmentation - optimum export programmes - optimum market research <p>10. Assist with preparation of schedules as follows:</p> <ul style="list-style-type: none"> o projected product sales mix 1993 to 1995 o projected value of sales by product 1993 to 1995 o projected value of sales by market segment 1993 to 1995 o projected minimum stock levels of finished goods required for distribution channels at the end of each financial year to ensure uninterrupted supply/sales of products in subsequent period and minimum tie up of working capital. <p>11. Complete Draft Final Report on</p>																						

APPENDIX 9

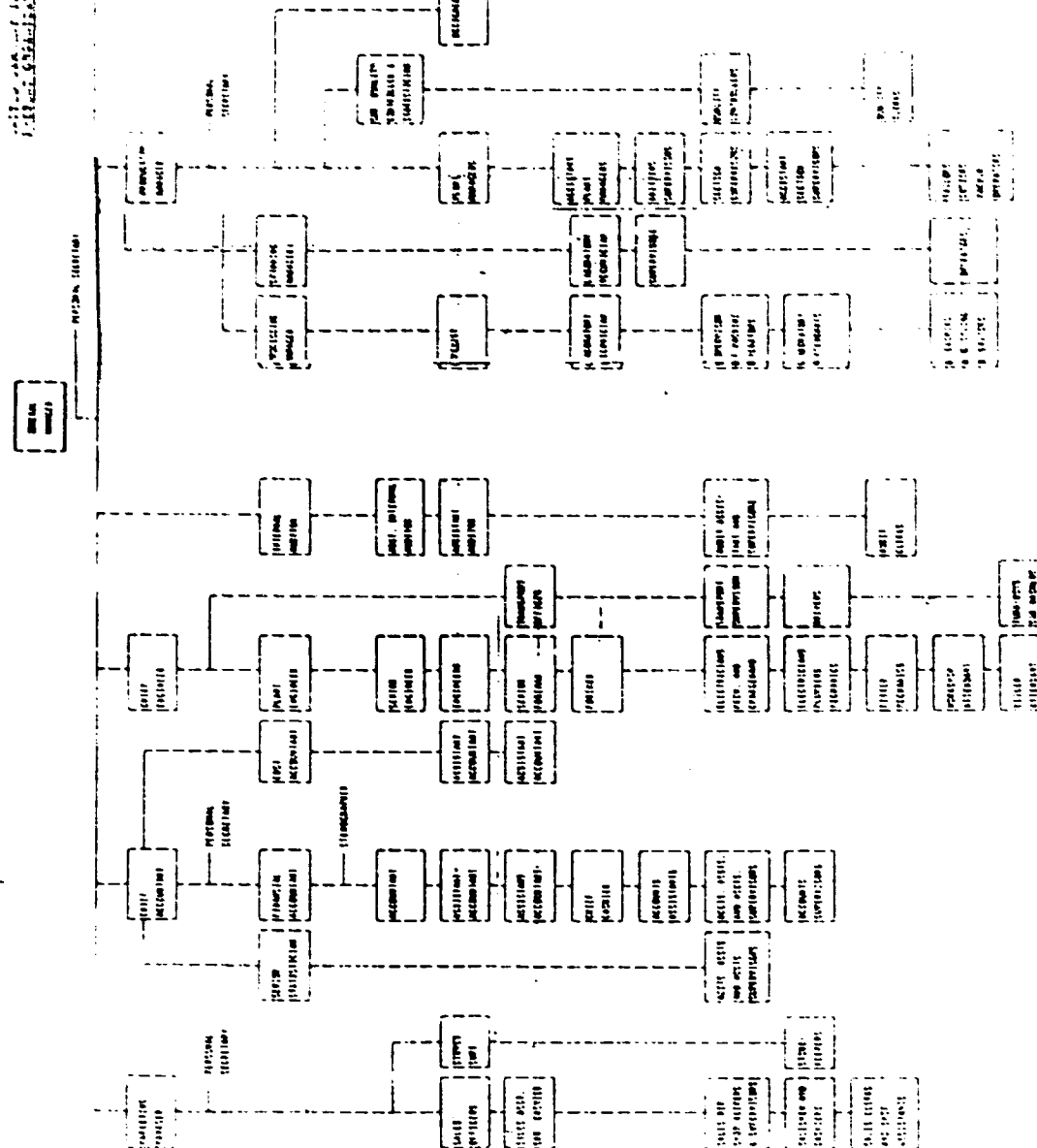
**UNITED GARMENT INDUSTRY LIMITED
CRITICAL INCIDENTS FORM**

Name of Employee: Position:
 Department: Section:
 Name of Immediate Supervisor:
 Name of Head of Department:
 Period Under Review: FROM: 19... TO: 19...

NOTE: THIS FORM IS TO BE COMPLETED BY THE EMPLOYEE'S HEAD OF SECTION OR HEAD OF DEPARTMENT.

PLEASE INDICATE IN THE SPACE BELOW ANY POSITIVE OR NEGATIVE CRITICAL INCIDENTS THAT HAVE OCCURRED DURING THE PERFORMANCE OF WORK BY THE ABOVE NAMED EMPLOYEE DURING THE PERIOD UNDER REVIEW					
NO.	POSITIVE CRITICAL INCIDENT (GIVE BRIEF DETAILS)	FOLLOW-UP ACTION	NO.	NEGATIVE (GIVE BRIEF CRITICAL DETAILS) INCIDENT	FOLLOW-UP ACTION

.....
SIGNATURE OF HEAD OF SECTION



APPENDIX 10

**UNITED GARMENT INDUSTRY LIMITED
EMPLOYEE PERFORMANCE EVALUATION FORM**

Name : Position:
 Grade: Department: Section:
 Date of Evaluation: 19...
 Date of Last Evaluation: 19...
 Period of Last Evaluation: FROM: 19... TO: 19...
 Date of Last Promotion : 19...
 (If Applicable)

Purpose of Evaluation:

- End of Probationary Period Annual Review For Bonus or Incentive Award Other Reason

Give Details of other Reason for Evaluation

INSTRUCTIONS TO PERSON COMPLETING THIS FORM

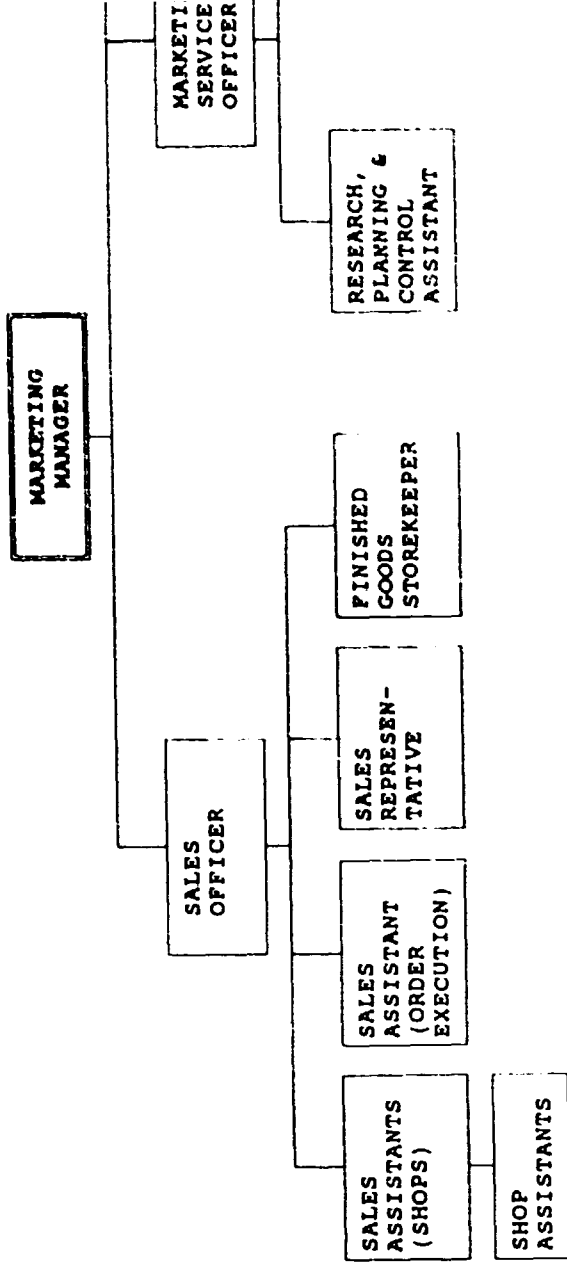
Carefully consider each of the performance evaluation criteria indicated on this form and place an "x" or check mark (/) in the column which best describes the performance of the employee being evaluated.

Please be guided by the following scoring details:

- | | |
|--|--------------|
| (a) Consistently Poor Performance | SCORE |
| (b) Fair Performance | 1 |
| (c) Highly Satisfactory Performance | 2 |
| (d) Very Good Performance | 3 |
| (e) Outstanding or Excellent Performance | 4 |
| | 5 |

Please total your scores for the employee and indicate your overall assessment in the space provided.

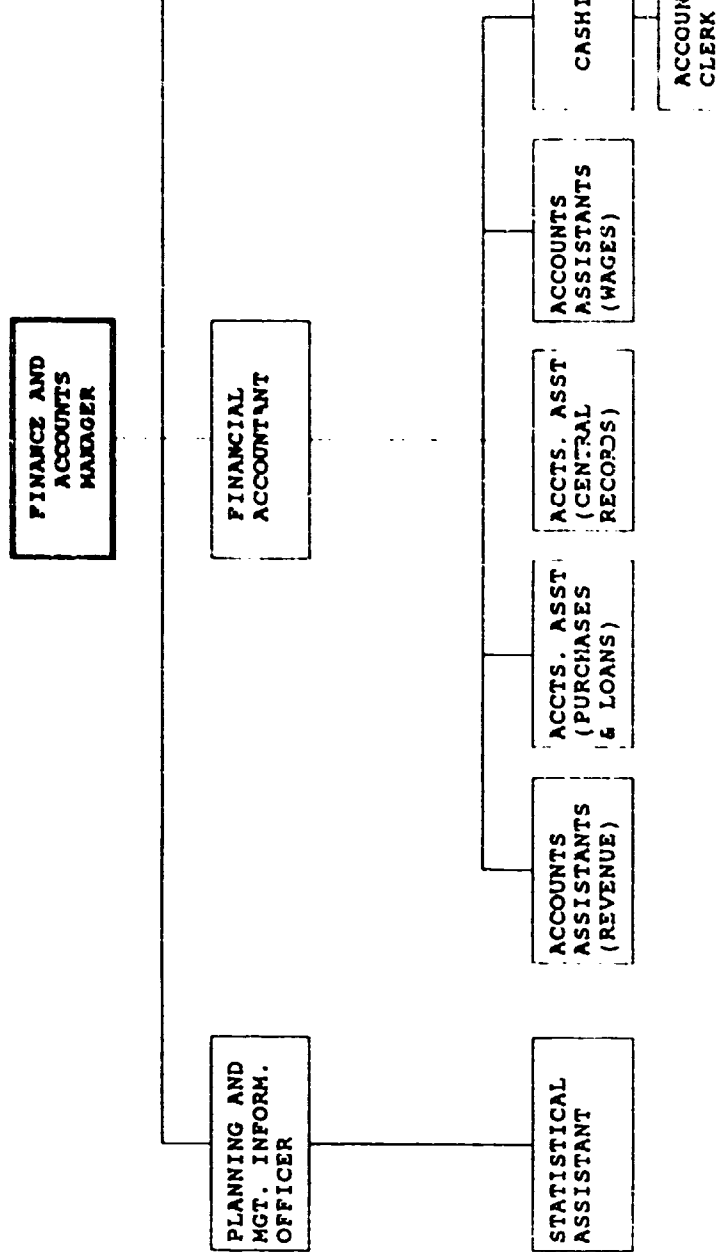
**UNITED GARMENT INDUSTRY LIMITE
PROPOSED DEPARTMENTAL ORGANIGRAM
MARKETING DEPARTMENT**



NOTE: The Organigrams shown in Appendix .. depict only reporting relationships and not grade.

JOB PERFORMANCE CHARACTERISTIC	POOR	FAIR	HIGHLY SATISFACTORY	VERY GOOD	EXCELLENT	SCORE
1. Quality of Work						
2. Quantity of Work						
3. Performance Under Stress						
4. Knowledge of Work						
5. Initiative						
6. Adaptability						
7. Judgement						
8. Resourcefulness						
9. Co-operation						
10. Job Presence						
11. Administrative or Clerical Ability OR Secretarial or Typing Ability OR Knowledge of Storekeeping and Practice of Stores Routine OR Knowledge of Accounting or Book-keeping and its Practice OR Technical Proficiency OR Effectiveness of Public Contact						
12. Appearance						
13. Attitude						
14. Discipline						
15. Special Aptitude						
16. Future Potential						

UNITED GARMENT INDUSTRY LIMITED
ACCOUNTS DEPARTMENT



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OVERALL ASSESSMENT

N.B: PLEASE PLACE A CHECK MARK (/) IN THE SPACE PROVIDED

SCORE	SCORE	SCORE	SCORE	SCORE
16	17 - 32	33 - 48	49 - 64	65 - 80
POOR	FAIR	HIGHLY SATISFACTORY	VERY GOOD	EXCELLENT

IMMEDIATE SUPERVISOR

- Has the above assessment been discussed with the employee during an appraisal interview?
 Yes No
- If your answer is "No", please endeavour to conduct an appraisal interview as soon as possible.
- If your answer is "Yes", please request the employee to complete the next section of this form.

SIGNATURE:
DATE:

EMPLOYEE

- Please comment on how you intend to improve upon your areas of weak assessment in the space below:-
- Please give any other comments on your assessment below:

SIGNATURE OF EMPLOYEE:
DATE:

UNITED GARMENT INDUSTRY LIMITE
INTERNAL AUDIT DEPARTMENT

INTERNAL
AUDIT
MANAGER

SYSTEMS AND
INVESTIGATIONS
ASSISTANT

AUDIT
CLERK

PR
AU
AS

AU
CL

HEAD OF DEPARTMENT

1) Do you AGREE WITH THE ABOVE ASSESSMENT? Yes No

2) If your answer is "No" then please give your reasons for disagreeing with the assessment in the space below:

3) Indicate your own assessment of the employee's performance:

SCORE	SCORE	SCORE	SCORE	SCORE
16	17 - 32	33 - 48	49 - 64	65 - 80
POOR	FAIR	HIGHLY SATISFACTORY	VERY GOOD	EXCELLENT

4) What measures do you consider necessary in order to help the employee to improve upon his/her performance during the next review period?

5) What other comments do you have regarding the overall performance and future potential of this employee?

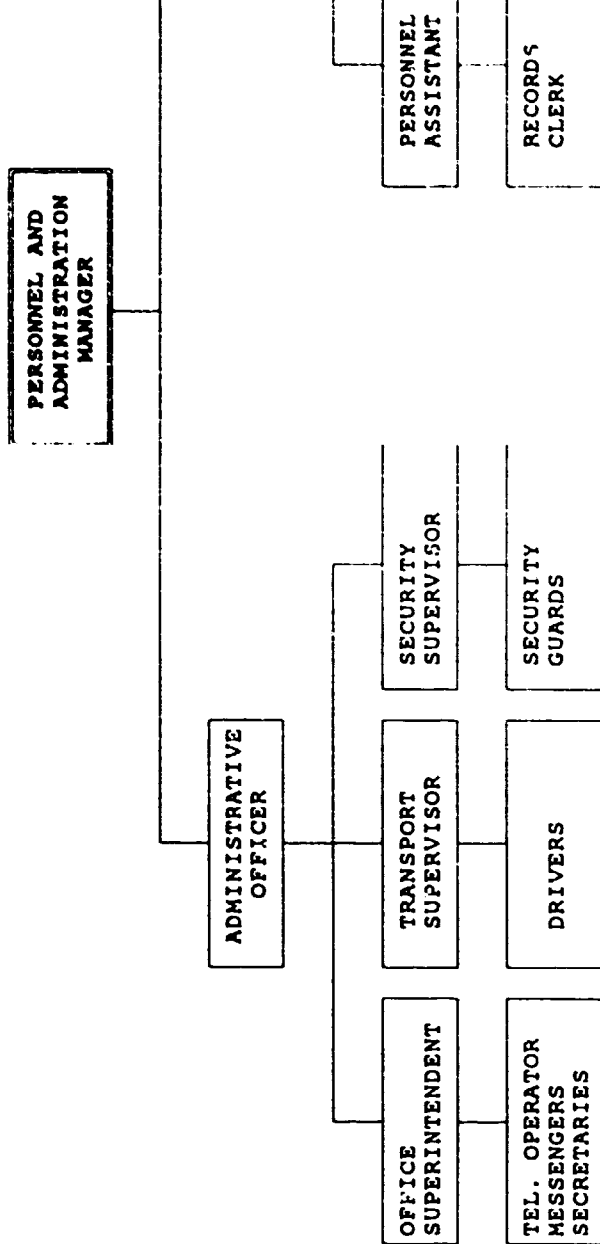
6) RECOMMENDATION OF HEAD OF DEPARTMENT
(This must NOT be Communicated to the Employee).
On the basis of my assessment of the employee's performance and conduct, I recommend that he/she should be given the following:-

- Normal Increment on his/her present scale

- Increment should be withheld/deferred

- Normal increment plus a merit increment

UNITED GARMENT INDUSTRY LIMITED
PERSONNEL AND ADMINISTRATION DEPARTMENT



- To be confirmed in his/her present position/grade
- Probationary period to be extended for weeks/month(s)
- To be given a special award of
- Appointment of employee is to be terminated
- Other recommendation

(Please give details)

Give any other comments/recommendations in the space below:-

.....
SIGNATURE OF HEAD OF DEPARTMENT
.....
DATE

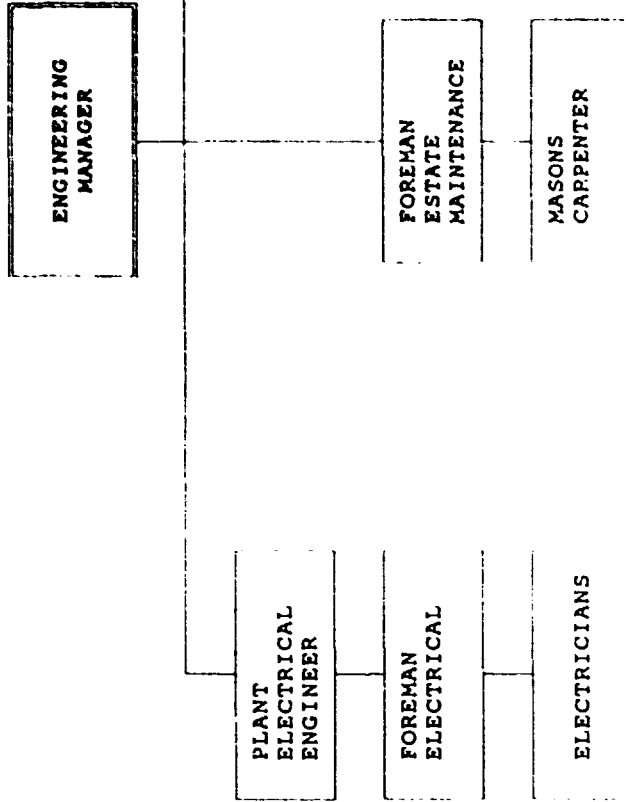
PERSONNEL/ADMINISTRATIVE MANAGER

1) I do/do not endorse the recommendation of the employee's Head of Department.

NB: IN CASE YOU ARE UNABLE TO ENDORSE THE RECOMMENDATION OF THE EMPLOYEE'S HEAD OF DEPARTMENT, PLEASE GIVE YOUR REASONS IN THE SPACE BELOW

2) What is your own recommendation on the employee?

UNITED GARMENT INDUSTRY LIMITED
ENGINEERING DEPARTMENT



GENERAL MANAGER'S APPROVAL

.....
SIGNATURE OF GENERAL
MANAGER

.....
DATE

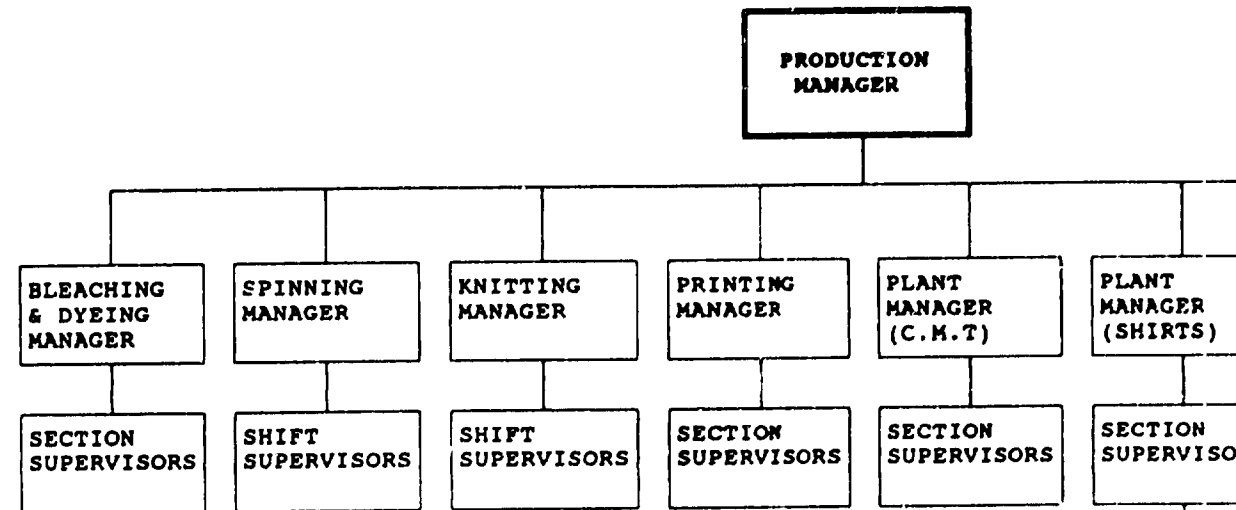
PERSONNEL/ADMINISTRATIVE MANAGER

PLEASE INDICATE FOLLOW-UP ACTION TAKEN AFTER THE GENERAL MANAGER'S APPROVAL

NO.	FOLLOW-UP ACTION	DATE COMPLETED

.....
SIGNATURE OF PERSONNEL
MANAGER

**UNITED GARMENT INDUSTRY LIMITED
PRODUCTION DEPARTMENT**



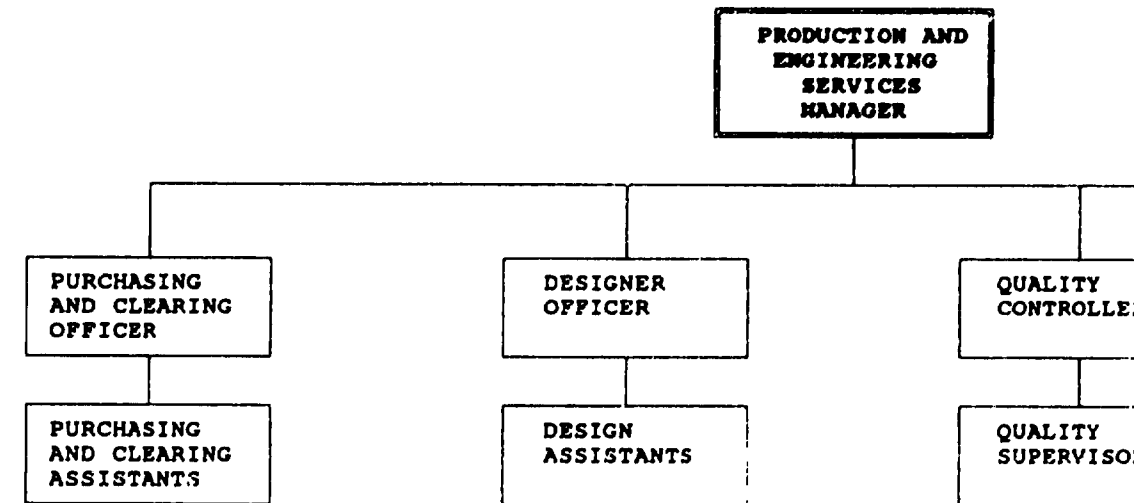
BILL OF MATERIALS REQUIRED
FOR PRODUCTION

APPENDIX 11

**UNITED GARMENT INDUSTRY LIMITED
CORPORATE PLAN 1992 TO 1995
STRATEGY AND ACTION PLAN SHEET**

**UNITED GARMENT INDUSTRY LIM
PRODUCTION AND ENGINEERING SERVICES**

	(6) TARGET COMPLETION DATE(S)	(7) REPORTS(S) TO BE SUBMITTED PRODUCED	(8) TARGET SUBMISSION DATE(S)	(9) FOLLOW-UP ACTION	(10) OFFICER(S) RESPONSIBLE FOR FOLLOW-UP	(11) TARGET COMPLETION DATE FOR FOLLOW- UP ACTION
Draft the plan used mitted board approval.	30th November 1992	Proposed corporate plan.	31st Dec. 1992	. Ensure that the Corporate plan serves as the basis of all annual budgets during the plan period.	General Manager	31/12/95
... results ... are Daily, weekly, monthly, quarterly, and annually up to 31/12/95	. Monthly reports to the Board of Directors. . Quarterly reports, Final Accounts, Budget and Corporate Plan to the Board of Directors.	. Not later than two weeks before next scheduled board meeting up to 31/12/95	. Ensure bankable proposal is prepared from the corporate plan and secure re-scheduling of existing loans. . Obtain reaction of board to all reports, take necessary corrective action and implement policies of the Board of Directors.	General Manager	Immediately upon receipt of Board Directives/ reaction up to 31/12/95.



11 to 16 Highly Skilled

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Trainee Managers,
Assistant Managers
Managers
Senior Managers
Principal Managers
Chief Managers

(7) 10220 x 120 - 11420
(8) 11660 x 130 - 12960
(9) 13220 x 140 - 14620
(10) 14900 x 150 - 16400

(11) 16700 x 250 - 19200
(12) 20030 x 260 - 22630

(13) 23150 x 270 - 25850
(14) 26390 x 280 - 29190
(15) 29750 x 290 - 32650

(16) 33230 x 300 - 36230

17 to 18 Highly Skilled

Top Management

(17) 36830 x 310 - 39930
(18) 40550 x 320 - 43750

UNITED GARMENT INDUSTRY LIMITED
CORPORATE PLAN 1992 TO 1995
STRATEGY AND ACTION PLAN SHEET

(6) TARGET COMPLETION DATE(S)	(7) REPORTS(S) TO BE SUBMITTED PRODUCED	(8) TARGET SUBMISSION DATE(S)	(9) FOLLOW-UP ACTION	(10) OFFICER(S) RESPONSIBLE FOR FOLLOW-UP	(11) TARGET COMPLETION DATE FOR FOLLOW- UP ACTION
Daily, weekly, monthly, quarterly and annually up to 31/12/95.	Monthly and Quarterly Reports to the Board of Directors.	Not later than two weeks before next scheduled Board meeting up to 31/12/95	Obtain reaction of Board to reports and take necessary corrective action.	General Manager	Immediately upon receipt of Board reaction up to 31/12/95.

UNITED GARMENT INDUSTRY LIMITED
 CORPORATE PLAN 1992 TO 1995
 STRATEGY AND ACTION PLAN SHEET

	(6) TARGET COMPLETION DATE(S)	(7) REPORTS(S) TO BE SUBMITTED PRODUCED	(8) TARGET SUBMISSION DATE(S)	(9) FOLLOW-UP ACTION	(10) OFFICER(S) RESPONSIBLE FOR FOLLOW-UP	(11) TARGET COMPLETION DATE FOR FOLLOW- UP ACTION
See State	31st May, 1993.	. Memorandum to the Board of Directors on redeploy- ments and resignations of staff.	31st Jan. 1993.	. After approval of the Board, submit a memorandum to the Personnel Manager to give directives on - Redeployments - Resignations - Reorganisation of Department and - New appointments.	General Manager	By 31st March 1993 Thereafter carry out other necessary review of the organisation structure, staff designations and new appointments as appropriate up to 31/12/95.
See re- location, Action, eg, Tel, Audit, ring counts ents.		. Memorandum to the Board of Directors for approval of the proposed reorganisation of departments.	31st Jan. 1993.			
See ment		. Memorandum to the Board of Directors on the new staff to be appointed.		. Request from Heads of Department reports on performance of staff after re-deployments re-designations and new appointments.	General Manager	Not later than three months after assumption of duty of new employee or after redeploy- ments/ resignation of staff.

ENGINEERS
 (11) Trainee Engineer
 (12) Assistant Engineer
 (13) Engineer
 (14) Senior Engineer
 (15) Principal Engineer
 (16) Chief Engineer

ACCOUNTANTS
 (11) Trainee Accountant
 (12) Assistant Accountant
 (13) Accountant
 (14) Senior Accountant
 (15) Principal Accountant
 (16) Chief Accountant

APPENDIX 7

UNITED GARMENT INDUSTRY LIMITED
ON-THE-JOB TRAINING PROGRESS REPORT

FORM 1

SECTION 1

Personal Information

Name: Employee No: Grade: Position:
Department: Section:
Date of Report Date of Last Progress Report

SECTION 2

To the Head of Department
.....
.....

Subject:
(Name of Employee)

Please give details of training given to the above named
employee during the last quarter/month in the space below:-

Details of Training

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.....

Please comment on employee's response to the training given and
suggest ways of improving upon the employee's response to the training given.

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.....
.....

**UNITED GARMENT INDUSTRY LIMITED
CORPORATE PLAN 1992 TO 1995
STRATEGY AND ACTION PLAN SHEET**

(1) CORPORATE MISSION	(2) OBJECTIVES	(3) STRATEGY	(4) OFFICER RESPON- SIBLE	(5) NECESSARY ACTION	(6) TARGET COMPLETION DATE(S)	(7) REPORTS(S) TO BE SUBMITTED PRODUCED	(8) TARGET SUBMISSION DATE(S)	(9) FOLLOW-UP ACTION	(10) OFFICER(S) RESPONSIBLE FOR FOLLOW-UP	(11) TARGET COMPLETION DATE FOR FOLLOW- UP ACTION
	3. To steer and control UGIL, to achieve its mission.	. Arrange and chair monthly management meetings to review the following:- - Profit and Loss Account - Balance Sheet - Cash Flow Statements - Cash Budget - Sales Reports - Production Reports - Personnel Reports - Internal Audit Reports - Other Management Information Reports.	General Manager	. Review overall performance as highlighted in reports and take corrective action to - Improve overall performance in subsequent months.	Not later than one week after management meeting up to 31/12/95	. Relevant extracts of monthly and quarterly reports on the company's performance to the Board of Directors.	Not later than two weeks before the next scheduled Board Meeting up to 31/12/95	. Obtain reaction of the Board of Directors to various reports that are submitted to it and carry out Board Directives.	General Manager	. Immediately upon receipt of Board reaction up to 31/12/95.
				- Remove weaknesses in internal control and management systems. Motivate staff to exceed targets.		. Final Draft Accounts and Audited Final Accounts to the Board of Directors.	Same as above	Same as above	General Manager	Same as above
				. Review performance in specific areas of UGIL operations and take corrective action.	. Not later than one week after management meeting up to 31/12/95.	. Give necessary queries and provide guidance as necessary.	. As and when necessary up to 31/12/95	. Ensure that the right action is taken by all Heads of Dept. in response to queries.	General Manager	. Daily up to 31/12/95.
				. Give daily directives and guidance to staff as necessary.	. Daily up to 31/12/95.	. Give necessary queries and provide guidance as necessary.	. As and when necessary up to 31/12/95	. Ensure that the right action is taken by all Heads of Dept. in response to queries.	General Manager	. Daily up to 31/12/95.

GENERAL MANAGER 5

UNITED GARMENT INDUSTRY LIMITED
CORPORATE PLAN 1992 TO 1995
STRATEGY AND ACTION PLAN SHEET

(1) CORPORATE MISSION	(2) OBJECTIVES	(3) STRATEGY	(4) OFFICER RESPON- SIBLE	(5) NECESSARY ACTION	(6) TARGET COMPLETION DATE(S)	(7) REPORTS(S) TO BE SUBMITTED PRODUCED	(8) TARGET SUBMISSION DATE(S)	(9) FOLLOW-UP ACTION	(10) OFFICER(S) RESPONSIBLE FOR FOLLOW-UP	(11) TARGET COMPLETION DATE FOR FOLLOW- UP ACTION
		<ul style="list-style-type: none"> . Oversee preparation of Board papers and attend all Board meetings. 	General Manager	Oversee distribution of Board Papers.	Three weeks before each Board meeting up to 31/12/95	<ul style="list-style-type: none"> . Monthly Performance Reports. . Quarterly Reports . Annual/Final Accounts . Budgets . Corporate Plan. 	<ul style="list-style-type: none"> . Two weeks before each Board meeting up to 30th June, 1996. 	<ul style="list-style-type: none"> . Ensure Board directives on reports are carried out up to 31/12/95. 	General Manager	Immediately upon receipt of Board Directives up to 31/12/95.
		<ul style="list-style-type: none"> . Ensure import of raw materials spare parts, and other inputs for production are done on time and at the right prices. 	General Manager	Monitor performance/ activities of purchasing and other departments.	<ul style="list-style-type: none"> . Daily up to 31/12/95 	N/A	N/A	<ul style="list-style-type: none"> . Undertake continuous high-level lobbying to ensure quick approval of all forex applications submitted to the Bank of Uganda and other Banks. 	General Manager	Whenever necessary up to 31/12/95.
		<ul style="list-style-type: none"> . Determine prices for goods produced which are passed on to Marketing Manager, Chief Accountant. 	General Manager	<ul style="list-style-type: none"> . Review detailed costing report on each batch and determine prices, retailer incentives and company profit margin. 	<ul style="list-style-type: none"> . After each batch up to 31/12/95 	<ul style="list-style-type: none"> . Price list to Marketing Manager indicating incentives for retailers. 	<ul style="list-style-type: none"> . Before close of day on which batch is produced 	<ul style="list-style-type: none"> . Monitor sales and adjust prices per market segment as necessary. 	General Manager	<ul style="list-style-type: none"> . Continue monitoring as necessary during plan period up to 31/12/95

GENERAL MANAGER 6

UNITED GARMENT INDUSTRY LIMITED
CORPORATE PLAN 1992 TO 1995
STRATEGY AND ACTION PLAN SHEET

(1) CORPORATE MISSION	(2) OBJECTIVES	(3) STRATEGY	(4) OFFICER RESPON- SIBLE	(5) NECESSARY ACTION	(6) TARGET COMPLETION DATE(S)	(7) REPORTS(S) TO BE SUBMITTED PRODUCED	(8) TARGET SUBMISSION DATE(S)	(9) FOLLOW-UP ACTION	(10) OFFICER(S) RESPONSIBLE FOR FOLLOW-UP	(11) TARGET COMPLETION DATE FOR FOLLOW- UP ACTION
		. Appraise or evaluate performance of Heads of Departments.	General Manager	. Complete performance evaluation forms for each Head of Department.	By 31st Dec. of every year during the plan period up to 31/12/95.	. Complete performance evaluation forms for personal files of Heads of Departments.	By 15th Aug. yearly up to 31/12/95	Monitor performance of Heads of Department and ensure improvement in all areas where they are weak.	General Manager	. Continue monitoring as necessary during the plan period up to 31/12/95.

PRODUCTION MANAGER 1

UNITED GARMENT INDUSTRY LIMITED
CORPORATE PLAN 1992 TO 1995
STRATEGY AND ACTION PLAN SHEET

DEPARTMENT

(1) CORPORATE MISSION	(2) OBJECTIVES	(3) STRATEGY	(4) OFFICER RESPON- SIBLE	(5) NECESSARY ACTION	(6) TARGET COMPLETION DATE(S)	(7) REPORTS(S) TO BE SUBMITTED PRODUCED	(8) TARGET SUBMISSION DATE(S)	(9) FOLLOW-UP ACTION	(10) OFFICER(S) RESPONSIBLE FOR FOLLOW-UP	(11) TARGET COMPLETION DATE FOR FOLLOW- UP ACTION
	1. Improve capacity utilisation	1. Complete all necessary installation/rehabilitation of production plant and equipment.	Production Manager	Arrange for procurement section to acquire all inputs required for uninterrupted production. - Acquire other necessary items.	By 31st Dec. yearly for subsequent years production. Same as above	1. Raw materials and other inputs requirements list to be sent to Engineering and Production Services Dept.	31st July yearly for next year's production. Same as above	a) Ensure orders are placed for inputs, spare parts and other items by procurement officer in good time to ensure balanced and uninterrupted production and other operations. (Refer to attached procurement/ programme. Same as above	Production Manager Same as above	1. 31st December yearly for subsequent year's production. Same as above.

(See pageof report)

PRODUCTION MANAGER 2

UNITED GARMENT INDUSTRY LIMITED CORPORATE PLAN 1992 TO 1995 STRATEGY AND ACTION PLAN SHEET

DEPARTMENT

(1) CORPORATE MISSION	(2) OBJECTIVES	(3) STRATEGY	(4) OFFICER RESPON- SIBLE	(5) NECESSARY ACTION	(6) TARGET COMPLETION DATE(S)	(7) REPORTS(S) TO BE SUBMITTED PRODUCED	(8) TARGET SUBMISSION DATE(S)	(9) FOLLOW-UP ACTION	(10) OFFICER(S) RESPONSIBLE FOR FOLLOW-UP	(11) TARGET COMPLETION DATE FOR FOLLOW- UP ACTION
	2. Achieve balanced and uninterrupted production throughout plan period.	2. Prepare Bill of materials on inputs required for production one year ahead of schedule during plan period.	Production Manager	2. Prepare detailed bill of materials to guide the procurement officer in his purchasing activities.	2. 31st July 1992 and thereafter by 31st July of each year of the plan period up to 31st December 1995.	2. Bill of materials showing details of all inputs required for production to procurement officer.		2. Ensure procurement officer obtains General Manager's approval and places orders for production inputs spares, and other materials/ items required by the company in good time 2.b) Ensure procurement officer follows-up orders to ensure prompt delivery of items ordered.	2. Engineering and Production Services Manager/ Procurement Officer	31st December 1992 and thereafter by 31st Dec. of each year of the plan period up to 31st Dec. 1995.

UNITED GARMENT INDUSTRY LIMITED
CORPORATE PLAN 1992 TO 1995
STRATEGY AND ACTION PLAN SHEET

DEPARTMENT

(1) CORPORATE MISSION	(2) OBJECTIVES	(3) STRATEGY	(4) OFFICER RESPON- SIBLE	(5) NECESSARY ACTION	(6) TARGET COMPLETION DATE(S)	(7) REPORTS(S) TO BE SUBMITTED PRODUCED	(8) TARGET SUBMISSION DATE(S)	(9) FOLLOW-UP ACTION	(10) OFFICER(S) RESPONSIBLE FOR FOLLOW-UP	(11) TARGET COMPLETION DATE FOR FOLLO- UP ACTION
		2.c) Arrange training schemes for staff in Department	Production Manager	2.c) Determine on-the-job training programmes for all staff. . Contact Personnel Department to arrange external training courses for staff.	As required during plan period up to 31st Dec. 1995.	. Detailed on-the-job training programmes to Personnel Manager. . Progress reports on both on-the-job and off-the-job training courses to be submitted to the Personnel Manager.	. After each round of on-the-job training . After each course during plan period up to 31st Dec. 1995.	. Assess improvement in performance of staff as result of training received.	Production Manager	Continue assessment of effectiveness of training throughout the plan period up to 31st Dec. 1995.

PRODUCTION MANAGER 4

UNITED GARMENT INDUSTRY LIMITED CORPORATE PLAN 1992 TO 1995 STRATEGY AND ACTION PLAN SHEET

DEPARTMENT

(1) CORPORATE MISSION	(2) OBJECTIVES	(3) STRATEGY	(4) OFFICER RESPON- SIBLE	(5) NECESSARY ACTION	(6) TARGET COMPLETION DATE(S)	(7) REPORTS(S) TO BE SUBMITTED PRODUCED	(8) TARGET SUBMISSION DATE(S)	(9) FOLLOW-UP ACTION	(10) OFFICER(S) RESPONSIBLE FOR FOLLOW-UP	(11) TARGET COMPLETION DATE FOR FOLLOW- UP ACTION
		Intensify quality control efforts	Production Manager	Improve work methods and train employees.	Throughout plan period up to 31st Dec. 1995	Regular quality control reports from plants to Production Manager	After each Batch but within 12 hours of end of Batch.	Initiate corrective action to improve quality of products.	Production Manager	Continue with quality control efforts up to 31st Dec. 1995.
		Undertake product/process innovation studies and implement results	Production Manager	Research into possibility of improving work flow and work methods as well as use of existing machines for new products.	Throughout plan period up to 31st Dec. 1995.	Submit new findings reports to General Manager monthly or quarterly as necessary.	By end of first week following quarter during plan period up to 31st Dec. 1995.	Review reports on major findings to General Manager Arrange for employees who achieve outstanding results to be rewarded with incentives as necessary.	Production Manager Production Manager	Continue with production innovation studies and continue to encourage staff to be more productive throughout plan period up to 31st Dec. 1995.
	Achieve production targets without polluting the environment	Intensify pollution control efforts	Production Manager	Ensure factory waste is cleared and disposed of safely. Ensure employees are provided with adequate protective gear.	Throughout plan period up to 31/12/95 Same as above			Take corrective action by installing a cost effective pollution control mechanism if an unacceptably high level of pollution is established. Same as above	Production Manager Same as above	Continue with pollution control measures up to 31/12/95. Same as above.

PRODUCTION MANAGER 5

UNITED GARMENT INDUSTRY LIMITED CORPORATE PLAN 1992 TO 1995 STRATEGY AND ACTION PLAN SHEET

(1) CORPORATE MISSION	(2) OBJECTIVES	(3) STRATEGY	(4) OFFICER RESPON- SIBLE	(5) NECESSARY ACTION	(6) TARGET COMPLETION DATE(S)	(7) REPORTS(S) TO BE SUBMITTED PRODUCED	(8) TARGET SUBMISSION DATE(S)	(9) FOLLOW-UP ACTION	(10) OFFICER(S) RESPONSIBLE FOR FOLLOW-UP	(11) TARGET COMPLETION DATE FOR FOLLOW- UP ACTION
		<p>Improve Productivity of staff.</p> <p>Restructure Department to separate Production Support Services from direct production activities</p>	Production Manager	<ul style="list-style-type: none"> . Set Production targets . Monitor performance . Complete performance evaluation forms. . Discipline staff . Carry out necessary re-deployment of staff in Department. 	<p>Before end of each year during plan period and whenever necessary.</p> <p>Up to 31/12/95</p> <p>Before 31/12/95</p>	<ul style="list-style-type: none"> . Memoranda on productivity bonuses to Personnel Manager . Performance evaluation forms to Personnel Manager. . Queries and memoranda on staff conduct and performance to Personnel Manager. . Memorandum on staff re-deployments to Personnel Manager 	<p>Before 31st Dec. of each year during the plan period up to 31st Dec. 1995 and whenever necessary up to 31/12/95.</p> <p>. Not Later than one working day after each incident requiring disciplinary action</p> <p>. Before 31st Dec. 1992</p>	<p>. Ensure disciplinary action directed by Personnel Manager is carried out.</p> <p>. Monitor performance of re-deployed staff.</p>	<p>Production Manager</p> <p>Production Manager</p>	<p>Continue with disciplinary measures up to the end of the plan period (i.e up to 31/12/95.</p> <p>. Continue to monitor performance up to 31/12/95.</p>

PRODUCTION MANAGER 6

UNITED GARMENT INDUSTRY LIMITED CORPORATE PLAN 1992 TO 1995 STRATEGY AND ACTION PLAN SHEET

DEPARTMENT

(1) CORPORATE MISSION	(2) OBJECTIVES	(3) STRATEGY	(4) OFFICER RESPONSIBLE	(5) NECESSARY ACTION	(6) TARGET COMPLETION DATE(S)	(7) REPORTS(S) TO BE SUBMITTED PRODUCED	(8) TARGET SUBMISSION DATE(S)	(9) FOLLOW-UP ACTION	(10) OFFICER(S) RESPONSIBLE FOR FOLLOW-UP	(11) TARGET COMPLETION DATE FOR FOLLOW-UP ACTION
	To reduce cost in all facets of Departmental activity.	. Instill cost, safety and efficiency consciousness in all staff. . Undertake cost reduction measures.	Production Manager	1. Organise quarterly cost, safety and efficiency improvement meetings with staff.	Before end of each quarter up to 31/12/95	Reports on reductions in rate of waste-age to Production Manager on daily basis up to 31/12/95	At the end of each day up to 31/12/95	Monitor gains in cost reduction and take necessary corrective action.	Production Manager	Continue with cost reduction, safety improvement and efficiency enhancement indoctrination of staff up to 31/12/95
			Production Manager	Examine possibility of recycling in production process	31st Dec. 1995	Progress reports on Pilot Project to General Manager	Monthly up to 30th June, 1997.	. Determine cost savings from using recycled water . Ensure bottle washing is effectively done.	Production Manager	31/12/95
				. Determine optimal mix of local and imported input for production that will not affect quality standards but will reduce cost.	31/12/95	Cost savings reports to General Manager	Weekly up to 31/12/95	. Determine cost savings from using an optimal mix of local and imported inputs.	Production Manager	31/12/97
			Production Manager	. Complete standardized budget from for department . Attend budget hearing meetings. . Obtain and be guided by approved budget.	31st Dec. yearly during plan period.	Completed standardized Budget Form to Chief Accountant. . Approved Budget.	5th January yearly up to 31/12/95	. Monitor performance and compare actual results to planned targets and take	Production Manager.	. Continue to monitor and improve actual results up to 31/12/95.

MARKETING 2

UNITED GARMENT INDUSTRY LIMITED CORPORATE PLAN 1992 TO 1995 STRATEGY AND ACTION PLAN SHEET

GENERAL/DEPARTMENT

(1) CORPORATE MISSION	(2) OBJECTIVES	(3) STRATEGY	(4) OFFICER RESPON- SIBLE	(5) NECESSARY ACTION	(6) TARGET COMPLETION DATE(S)	(7) REPORTS(S) TO BE SUBMITTED PRODUCED	(8) TARGET SUBMISSION DATE(S)	(9) FOLLOW-UP ACTION	(10) OFFICER(S) RESPONSIBLE FOR FOLLOW-UP	(11) TARGET COMPLETION DATE FOR FOLLO- UP ACTION
	2. Ensure balanced and uninterrupted supply of UGIL products to all market segments.	1. Determine product sales mix	Marketing Manager	Prepare and send projected sales Mix report to Production Manager	31st Oct. yearly during the plan period.	Projected sales mix reports	31st Oct. yearly	Ensure Production Department produces correct quantities of products as indicated on sales mix report.	Marketing Manager through Sales officer and Finished Goods Store-keeper.	Daily up to 31/12/95
		2. Ensure optimum distribution of products to various market segments.	Marketing Manager	a) Monitor stock positions, liaise with production manager and ensure daily sales targets are met. b) Undertake at least 2 field trips to monitor marketing activities.	31/12/95	Daily sales report Marketing Manager.	By 10.00 a.m. of following day.	Take necessary corrective action.	Marketing Manager through Sales officer and Marketing Services officer	Daily up to 31/12/95
	3. Prepare comprehensive marketing programmes for the company.	a) Brief Sectional Heads on marketing objectives of the company	Marketing Manager	a) Submit memorandum to sectional Heads for them to submit their sectional programmes to the Marketing Manager.	B. 30th April yearly up to 31/12/95	Sectional Programmes to Marketing Manager.	31st May yearly up to 31/12/95	1. Consolidate all sectional programmes into Departmental programmes.	Marketing Manager	End of June yearly up to 31/12/95

MARKETING 2 CONT'D

UNITED GARMENT INDUSTRY LIMITED
CORPORATE PLAN 1992 TO 1995
STRATEGY AND ACTION PLAN SHEET

GENERAL/DEPARTMENT

(1) CORPORATE MISSION	(2) OBJECTIVES	(3) STRATEGY	(4) OFFICER RESPON- SIBLE	(5) NECESSARY ACTION	(6) TARGET COMPLETION DATE(S)	(7) REPORTS(S) TO BE SUBMITTED PRODUCED	(8) TARGET SUBMISSION DATE(S)	(9) FOLLOW-UP ACTION	(10) OFFICER(S) RESPONSIBLE FOR FOLLOW-UP	(11) TARGET COMPLETION DATE FOR FOLLOW- UP ACTION
	4. Ensure adequate financial support is provided for Departmental programme.	Prepare draft Departmental Budget.	Marketing Manager	a) Quantity cost of departmental programme and incorporate in Departmental Budget.	End of Nov. yearly up to 31/12/95	Draft Departmental Budget to Chief Accountant	15th Nov. yearly up to 31/12/95	Attend Budget hearing meeting. Obtain a copy of the company's approved budget and be guided by same up to 31/12/95.	Marketing Manager Same as above	30th Nov. yearly up to 31/12/95 By 5th January yearly up to 31/12/95.

**UNITED GARMENT INDUSTRY LIMITED
CORPORATE PLAN 1992 TO 1995
STRATEGY AND ACTION PLAN SHEET**

GENERAL/DEPARTMENT

(1) CORPORATE MISSION	(2) OBJECTIVES	(3) STRATEGY	(4) OFFICER RESPON- SIBLE	(5) NECESSARY ACTION	(6) TARGET COMPLETION DATE(S)	(7) REPORTS(S) TO BE SUBMITTED PRODUCED	(8) TARGET SUBMISSION DATE(S)	(9) FOLLOW-UP ACTION	(10) OFFICER(S) RESPONSIBLE FOR FOLLOW-UP	(11) TARGET COMPLETION DATE FOR FOLLOW- UP ACTION
	5. Gain intimate knowledge of markets and customer requirements.	Undertake comprehensive market research.	Marketing Manager	1. Define Marketing Research objectives and set targets/covering areas such as:- a. Total national demand for UGIL products b. UGIL market share analysis c. Brand Performance d. Market Segment performance e. Distribution channel performance effectiveness f. Effectiveness of Advertising and promotion. g. Product innovation h. Product sales-mix i. Market statistics j. Competition k. Export Market potential	31/12/95	Memo on marketing research objectives and targets to marketing services officer.	As and when necessary during plan period up to 31/12/95	1. Ensure targets set for Marketing Research activities are met through reviewing reports that are submitted. 2. Make personal follow-up of research findings for confirmation purposes.	Marketing Manager	Up to 31/12/95

UNITED GARMENT INDUSTRY LIMITED

CORPORATE PLAN 1992 TO 1995

STRATEGY AND ACTION PLAN SHEET

GENERAL/DEPARTMENT

(1) CORPORATE MISSION	(2) OBJECTIVES	(3) STRATEGY	(4) OFFICER RESPON- SIBLE	(5) NECESSARY ACTION	(6) TARGET COMPLETION DATE(S)	(7) REPORTS(S) TO BE SUBMITTED PRODUCED	(8) TARGET SUBMISSION DATE(S)	(9) FOLLOW-UP ACTION	(10) OFFICER(S) RESPONSIBLE FOR FOLLOW-UP	(11) TARGET COMPLETION DATE FOR FOLLOW- UP ACTION
	6. Increase productivity of Marketing Department Personnel	a) Train Salesmen	Marketing Manager	<p>1. Arrange suitable on-the-job training schemes for salesmen.</p> <p>2. Monitor performance of salesmen.</p> <p>3. Arrange for identified training gaps to be filled by outside courses, attachments and in-house training sessions.</p> <p>4. Appraise performance of salesmen.</p> <p>5. Arrange for deserving salesmen to be given incentives</p>	<p>Up to 31/12/95</p> <p>Up to 31/12/97</p> <p>Up to 31/12/97</p> <p>After each training session, quarterly and annually up 31/12/95.</p> <p>After achievement of specific targets and or quarterly basis.</p>	<p>1. Periodic exceptional performance reports to Personnel Manager</p> <p>3. Copies of Certificates of employees to be forwarded to Personnel Manager</p> <p>Letter/Memo to General Manager for approval of incentives.</p>				

MARKETING 5

UNITED GARMENT INDUSTRY LIMITED CORPORATE PLAN 1992 TO 1995 STRATEGY AND ACTION PLAN SHEET

GENERAL/DEPARTMENT

(1) CORPORATE MISSION	(2) OBJECTIVES	(3) STRATEGY	(4) OFFICER RESPON- SIBLE	(5) NECESSARY ACTION	(6) TARGET COMPLETION DATE(S)	(7) REPORTS(S) TO BE SUBMITTED PRODUCED	(8) TARGET SUBMISSION DATE(S)	(9) FOLLOW-UP ACTION	(10) OFFICER(S) RESPONSIBLE FOR FOLLOW-UP	(11) TARGET COMPLETION DATE FOR FOLLOW- UP ACTION
	6. Ensure effective planning and control of marketing activities	1. Monthly and Quarterly review of Departmental achievements in terms of their contribution towards the company's vision.	Marketing Manager	1. Ensure monthly and quarterly submission of performance reports by sectional Heads. 2. Compare actual sectional achievements against planned targets. 3. Analyse variances and take necessary action.	Latest by end of 1st week of next month or quarter of assessment.	Monthly and Quarterly Sales Summary.	Latest end of 1st week of next month or quarter of Assessment.	1. Analyse performance of Department and steer departmental activities to ensure that company vision is achieved.	Marketing Manager.	By 15th of next month following month or quarter of submission up to 31/12/95
		2. Ensure regular checks of Retail shop activities and motivate shop staff.	Marketing Manager	1. Liaise with Internal Auditor for regular audit checks of shop activities. 2. Conduct surprise visits to check shop activities.	Without notice throughout the plan period. Up to 31/12/95	Copies of 1. Audit Reports to be received by Marketing Manager. 2. Surprise shop inspection Report.	Not later than two days after return from inspection visit. Same as above.	1. Take necessary action to control shop activities based upon recommendations in inspection report. Same as above	Marketing Manager Marketing Manager	Continue up to 31/12/95 Same as above.

MARKETING 6

UNITED GARMENT INDUSTRY LIMITED CORPORATE PLAN 1992 TO 1995 STRATEGY AND ACTION PLAN SHEET

GENERAL/DEPARTMENT

(1) CORPORATE MISSION	(2) OBJECTIVES	(3) STRATEGY	(4) OFFICER RESPON- SIBLE	(5) NECESSARY ACTION	(6) TARGET COMPLETION DATE(S)	(7) REPORTS(S) TO BE SUBMITTED PRODUCED	(8) TARGET SUBMISSION DATE(S)	(9) FOLLOW-UP ACTION	(10) OFFICER(S) RESPONSIBLE FOR FOLLOW-UP	(11) TARGET COMPLETION DATE FOR FOLLOW- UP ACTION
	7. Maintain a high standard of discipline in department	Monitor performance and conduct of staff in department.	Marketing Manager	1. Ensure Sectional Heads authority limits are clearly stated and communicated to subordinates. 2. Ensure Sectional Heads submit Quarterly appraisals of performance of all staff in their sections.	31st Jan. 1994 Latest by 15th of next month following quarter under review.	Memo on authority limits to all Sectional Heads. Staff performance appraisal form	31st Jan. 1994. 15th of next month following quarter under review.	1. Ensure that authority limits are complied with and not exceeded. 1. Ensure staff improve upon areas of weak assessment 2. Arrange incentives for staff showing outstanding performance and conduct.	Marketing Manager Marketing Manager.	Continue throughout the plan period up to 31/12/95 Continue up to 31/12/95
	8. Secure Export contracts for UGIL products	8. Undertake a sustained marketing Drive to secure export contracts	Marketing Manager	1. Ensure Export officer is appointed	30th June 1993	Memorandum to Personnel/ Administrative Manager	31st Jan. 1993	1. Ensure Export Officer maintains - Maintains contact with existing export customers - Attends various trade fairs - Establish contact with new and potential foreign buyers of UGIL products.	Export Officer	Up to 31/12/95.

ACCOUNTING 1

UNITED GARMENT INDUSTRY LIMITED CORPORATE PLAN 1992 TO 1995 STRATEGY AND ACTION PLAN SHEET

DEPARTMENT

(1) CORPORATE MISSION	(2) OBJECTIVES	(3) STRATEGY	(4) OFFICER RESPON- SIBLE	(5) NECESSARY ACTION	(6) TARGET COMPLETION DATE(S)	(7) REPORTS(S) TO BE SUBMITTED PRODUCED	(8) TARGET SUBMISSION DATE(S)	(9) FOLLOW-UP ACTION	(10) OFFICER(S) RESPONSIBLE FOR FOLLOW-UP	(11) TARGET COMPLETION DATE FOR FOLLOW- UP ACTION
	1. Modernise accounting system.	1. Improve planning and budgeting system.	Chief Accountant	<p>1. a) Review projected sales summary prepared by marketing department and determine relative revenue.</p> <p>b) Review procurement schedule covering materials for production, capital expenditure from 1993-95 and estimate relative cost.</p> <p>c) Determine other expenditure during 1992-95</p> <p>d) Prepare projected cash flow statement for 1993-95</p> <p>e) Prepare projected sources and</p>	28th Aug. yearly up to 31/12/95	1. Draft corporate plan for 1993 to 1995 for consideration by management.	30th Sept. 1992	<p>1.a) Ensure draft corporate plan is amended as necessary after it has been considered by management and prepare final draft corporate plan.</p> <p>b) Arrange meeting of General Manager and all Heads of Dept. to adopt final draft of corporate plan.</p> <p>c) Ensure copy of final draft of corporate plan is forwarded to the General Manager for onward transmission to the Board of Directors through the Board Finance Committee.</p>	Chief Accountant	30th Nov. 1992

ACCOUNTING 2

UNITED GARMENT INDUSTRY LIMITED
CORPORATE PLAN 1992 TO 1995
STRATEGY AND ACTION PLAN SHEET

DEPARTMENT

(1) CORPORATE MISSION	(2) OBJECTIVES	(3) STRATEGY	(4) OFFICER RESPON- SIBLE	(5) NECESSARY ACTION	(6) TARGET COMPLETION DATE(S)	(7) REPORTS(S) TO BE SUBMITTED PRODUCED	(8) TARGET SUBMISSION DATE(S)	(9) FOLLOW-UP ACTION	(10) OFFICER(S) RESPONSIBLE FOR FOLLOW-UP	(11) TARGET COMPLETION DATE FOR FOLLOW- UP ACTION
				i) Make necessary adjustment to corporate plan after comments of directors at finance committee level and full board level.	15th Dec. 1992.	Final corporate plan	31st Dec. 1992	i) Submit copies of Final corporate plan to General Manager, all Heads of Department and sectional Heads for their guidance.	Chief Accountant	Latest by end of first week in January 1993.

ACCOUNTING 3

UNITED GARMENT INDUSTRY LIMITED CORPORATE PLAN 1992 TO 1995 STRATEGY AND ACTION PLAN SHEET

DEPARTMENT

(1) CORPORATE MISSION	(2) OBJECTIVES	(3) STRATEGY	(4) OFFICER RESPON- SIBLE	(5) NECESSARY ACTION	(6) TARGET COMPLETION DATE(S)	(7) REPORT(S) TO BE SUBMITTED PRODUCED	(8) TARGET SUBMISSION DATE(S)	(9) FOLLOW-UP ACTION	(10) OFFICER(S) RESPONSIBLE FOR FOLLOW-UP	(11) TARGET COMPLETION DATE FOR FOLLOW- UP ACTION
		3) Develop standardised budget proposal format for use by all departments when submitting budget proposals	Chief Accountant	2.a) Distribute budget proposal forms to all Heads of Department.	31st Oct. 1992.	a) Budget proposal form.	31st Oct. 1992.	Ensure budget proposal forms are distributed to all Heads of Department completed and returned by them on time. (Budget proposal forms should also be completed by the Chief Accountant).	Chief Accountant	15th Nov. 1992 and thereafter by 15th Nov. of each year up to 31/12/95
				b) Consolidate departmental budget proposals.	30th Nov. 1992 and 30th Nov. yearly up to 31/12/95	b) Draft budget to General Manager and Heads of Department.	15th Dec. 1992 thereafter by 15th Dec. yearly up to 31/12/95	b) Ensure budget is reviewed and endorsed by General Manager and Heads of Department.	Chief Accountant	15th Dec. 1992 and thereafter by 15th Dec. yearly up to 31/12/95
				c) Prepare final draft budget document.	20th Dec. '92 and thereafter 20th Dec. yearly up to 31/12/95	c) Draft final budget to company secretary for onward transmission to Board Directors	31/12/92 and thereafter by 31st Dec. yearly to 31/12/95	c) Present Budget and receive comments of Board on budget and make necessary adjustments to budget.	Chief Accountant	31st Dec. 1992 and thereafter by 31st Dec. yearly up to 31/12/95
				d) Submit amended budget to full board for approval.	31st Dec. '92 and thereafter 31st Dec. yearly.	Proposed budget to full board.	31st Dec. 1992 and thereafter 31st Dec. yearly up to 31/12/95	d) Present and receive comments of full board on budget and make necessary changes.	Chief Accountant	31st Dec. 1992 and thereafter by 31st Dec. yearly up to 31/12/95

UNITED GARMENT INDUSTRY LIMITED
CORPORATE PLAN 1992 TO 1995
STRATEGY AND ACTION PLAN SHEET

DEPARTMENT

(1) CORPORATE MISSION	(2) OBJECTIVES	(3) STRATEGY	(4) OFFICER RESPON- SIBLE	(5) NECESSARY ACTION	(6) TARGET COMPLETION DATE(S)	(7) REPORTS(S) TO BE SUBMITTED PRODUCED	(8) TARGET SUBMISSION DATE(S)	(9) FOLLOW-UP ACTION	(10) OFFICER(S) RESPONSIBLE FOR FOLLOW-UP	(11) TARGET COMPLETION DATE FOR FOLLOW- UP ACTION
				2.d) Distribute copies of approved budget to General Manager, all Heads of Department and sectional Heads for their guidance	5th Jan. '93 and thereafter by 5th Jan. yearly up to 31/12/95	Final copy of annual budget.	5th Jan. 1993 and thereafter by 5th Jan. yearly up to 31/12/95	2.d) Monitor performance of all departments and compare actual results to budgeted results. 2.e) Analyse variances and submit relevant management information reports for corrective action.	Chief Accountant	Daily, weekly, monthly, quarterly semi-annually and or whenever necessary during plan period up to 31/12/95
		3) Improve costing system.	Chief Accountant	3.a) Create cost centres to cover all functional areas of the company.	31st Aug. 1993.	3.a) Memorandum to all Heads of Department to inform them about new cost centres.	15th Sept. 1993	3.a) Hold joint Accounts Dept/ User Department discussions on new costing system.	Chief Accountant	30th Sept. 1993.

ACCOUNTING 5

UNITED GARMENT INDUSTRY LIMITED
CORPORATE PLAN 1992 TO 1995
STRATEGY AND ACTION PLAN SHEET

DEPARTMENT

(1) CORPORATE MISSION	(2) OBJECTIVES	(3) STRATEGY	(4) OFFICER RESPON- SIBLE	(5) NECESSARY ACTION	(6) TARGET COMPLETION DATE(S)	(7) REPORTS(S) TO BE SUBMITTED PRODUCED	(8) TARGET SUBMISSION DATE(S)	(9) FOLLOW-UP ACTION	(10) OFFICER(S) RESPONSIBLE FOR FOLLOW-UP	(11) TARGET COMPLETION DATE FOR FOLLOW- UP ACTION
				3.b) Introduce revised PIES chart to accounts	30th Sept. 1993	b) Memorandum to all Heads of Department to explain cost codes and break-down of costs into fixed and variable elements (i.e. controllable costs) and non-controllable costs).	30th Sept. 1993	b) Hold discussions on new chart of accounts with Heads of Department to clear any difficulties they may have.	Chief Accountant	30th Sept. 1993
				3.c) Upgrade marketing and maintenance cost centres to profit centres.	30th Nov. 1994	c) Memorandum to all Heads of Heads of Departments on new profit centres.	31st Oct. 1994	c) Discussions with Heads of Department to explain rationale behind change to profit centres.	Chief Accountant	31st Dec. 1994

ACCOUNTING 6

UNITED GARMENT INDUSTRY LIMITED CORPORATE PLAN 1992 TO 1995 STRATEGY AND ACTION PLAN SHEET

DEPARTMENT

(1) CORPORATE MISSION	(2) OBJECTIVES	(3) STRATEGY	(4) OFFICER RESPON- SIBLE	(5) NECESSARY ACTION	(6) TARGET COMPLETION DATE(S)	(7) REPORTS(S) TO BE SUBMITTED PRODUCED	(8) TARGET SUBMISSION DATE(S)	(9) FOLLOW-UP ACTION	(10) OFFICER(S) RESPONSIBLE FOR FOLLOW-UP	(11) TARGET COMPLETION DATE FOR FOLLOW- UP ACTION
		4. Improve reporting and controlling systems	Chief Accountant	4. Design forms for management information reports indicating responsibility of each officer in-charge of Head of Department b) Improve existing management information report forms	30th Nov. 1992 and thereafter as and when necessary during plan period up to 31/12/95	4.a) Production forms . Production forms . Marketing forms . Finished goods store forms . Other stores forms . Personnel forms . Accounts forms . Internal forms . Audit forms . Procurement forms . Other forms to various departments.	30th Nov. 1992 and thereafter as and when necessary during plan period up to 31/12/95	b) Assist all Heads of Department and other users with any difficulties that may surface with regard to use of new and revised forms.	Chief Accountant	15th January, 1993 and thereafter as and when necessary during plan period up to 31/12/95

UNITED GARMENT INDUSTRY LIMITED

CORPORATE PLAN 1992 TO 1995

STRATEGY AND ACTION PLAN SHEET

DEPARTMENT

(1) CORPORATE MISSION	(2) OBJECTIVES	(3) STRATEGY	(4) OFFICER RESPON- SIBLE	(5) NECESSARY ACTION	(6) TARGET COMPLETION DATE(S)	(7) REPORTS(S) TO BE SUBMITTED PRODUCED	(8) TARGET SUBMISSION DATE(S)	(9) FOLLOW-UP ACTION	(10) OFFICER(S) RESPONSIBLE FOR FOLLOW-UP	(11) TARGET COMPLETION DATE FOR FOLLOW- UP ACTION
				4.c) Arrange printing/cyclostiling of new forms and distribute same.	31st Dec. 1992 and thereafter as and when necessary during the plan period up to 31/12/95	4.c) Various printed forms to user departments.	31/12/92	c) Same as 4(b) above	Chief Accountant	
				4.d) Prepare circular indicating target dates for submission of various forms to accounts Dept. Submit circular for General Managers signature.	d) 31/12/92	d) Circular to all Heads of department together with new forms	31/12/92	d) Obtain General Manager's signature on circular and distribute circular to all Heads of Department together with new forms.	Chief Accountant	31/12/92
				4.e) Analyse various reports as and when they are submitted by Heads of Department and prepare relevant management information reports.	Throughout plan period up to 31/12/95	Various management information reports.	Throughout plan period but not later than one week after receipt of form from the various Departments	e) Liaise with the General Manager, Internal Auditor and relevant Head of Department to ensure that corrective action is taken on the report.	Chief Accountant	Not later than two weeks after submission of management information report.

ACCOUNTING 7 CONT'D

UNITED GARMENT INDUSTRY LIMITED CORPORATE PLAN 1992 TO 1995 STRATEGY AND ACTION PLAN SHEET

DEPARTMENT

(1) CORPORATE MISSION	(2) OBJECTIVES	(3) STRATEGY	(4) OFFICER RESPON- SIBLE	(5) NECESSARY ACTION	(6) TARGET COMPLETION DATE(S)	(7) REPORTS(S) TO BE SUBMITTED PRODUCED	(8) TARGET SUBMISSION DATE(S)	(9) FOLLOW-UP ACTION	(10) OFFICER(S) RESPONSIBLE FOR FOLLOW-UP	(11) TARGET COMPLETION DATE FOR FOLLOW- UP ACTION
				4.f) Prepare monthly, quarterly and annual profit and loss accounts, balance sheets and sources and uses of funds statements up to 31/12/95	Not later than end of 1st week of next month or next quarter or next year of plan period	Monthly, quarterly, and annual • Profit-Loss accounts • Balance sheet and sources and uses of funds statements.	Not later than end of second week of next month or next quarter or next year of plan period up to 31/12/95	Discuss profit and loss accounts, balance sheets and sources and uses of funds statement with management and board as follows:- • Management - monthly, quarterly, and annually. • Board - quarterly and annually.	Chief Accountant	Latest by end of last week of next month after issue of monthly quarterly and annual final accounts.
				4.g) Amend draft final annual accounts as directed by the board and present amended final accounts to External Auditors.	Latest by end of first week of second month after end of financial year. (i.e August yearly during plan period).	Draft final accounts.	Latest by end of 1st week of March yearly during plan period up to 31/12/95	g) Liaise with external auditors to ensure receipt of audited final accounts.	Chief Accountant	Latest by end of second week of April yearly during plan period.
								h) Prepare board memorandum on final accounts and submit memorandum together with final copies of accounts to company secretary.	Chief Accountant	Latest by end of third week in May yearly up to 31/12/92

UNITED GARMENT INDUSTRY LIMITED CORPORATE PLAN 1992 TO 1995 STRATEGY AND ACTION PLAN SHEET

DEPARTMENT

(1) CORPORATE MISSION	(2) OBJECTIVES	(3) STRATEGY	(4) OFFICER RESPON- SIBLE	(5) NECESSARY ACTION	(6) TARGET COMPLETION DATE(S)	(7) REPORTS(S) TO BE SUBMITTED PRODUCED	(8) TARGET SUBMISSION DATE(S)	(9) FOLLOW-UP ACTION	(10) OFFICER(S) RESPONSIBLE FOR FOLLOW-UP	(11) TARGET COMPLETION DATE FOR FOLLOW- UP ACTION
		5.a) Introduce and progressively extend use of computers for all accounts of company.	Chief Accountant	a) Select staff from department to receive training on use of computers	31/12/92	Memorandum on selected staff to Personnel Manager	31/12/92	a) Monitor performance of staff after initial training.	Chief Accountant	Continue monitoring up to end of the plan period (ie 31/12/95)
				b) Acquire personal computers.	31/12/93	Letter to PIES for technical assistance.	30/9/93	b) Seek assistance from vendor/PIES to commission and give training on P/Cs.	Chief Accountant	Continue with training up to 31/12/95
				c) Liaise with PIES for further training of staff on use of spread sheets, Database management computerized accounting packages and word processing	31/12/95	Letters to PIES for further training as necessary.	Whenever necessary up to 31/12/95	c) Monitor staff performance after each training session and re-train as necessary	Chief Accountant	Continue up to 31/12/95
				d) Use output from P/Cs to improve management information and control systems.	Up to 31/12/95	d) Various management information reports.	As necessary up to 31/12/95	d) Ensure proper integration of planning budgeting costing, reporting and controlling systems.	Chief Accountant	Continue up to 31/12/95
		5.b) Improve financial reporting as well as working capital management.	Chief Accountant	b) Prepare weekly cash budget and previous week's cash performance report.	First thing on Monday morning of cash budget week.	Cash budget for current week and previous week's cash performance report to General Manager	b) By 10 ⁰⁰ a.m on Monday of cash budget week.	Discuss cash position with General Manager.	Chief Accountant	By 12.00 noon on Monday of cash budget week.
				c) Obtain weekly Bank Statements and do necessary reconciliation.	c) Before close of on Monday of cash budget week.	c) Weekly Bank reconciliation statement	c) Before close of day on Monday of Bank reconciliation week	c) Discuss bank position with General Manager.	Chief Accountant	By close of day on Tuesday of reconciliation week.

ACCOUNTING 9

UNITED GARMENT INDUSTRY LIMITED
CORPORATE PLAN 1992 TO 1995
STRATEGY AND ACTION PLAN SHEET

DEPARTMENT

(1) CORPORATE MISSION	(2) OBJECTIVES	(3) STRATEGY	(4) OFFICER RESPON- SIBLE	(5) NECESSARY ACTION	(6) TARGET COMPLETION DATE(S)	(7) REPORTS(S) TO BE SUBMITTED PRODUCED	(8) TARGET SUBMISSION DATE(S)	(9) FOLLOW-UP ACTION	(10) OFFICER(S) RESPONSIBLE FOR FOLLOW-UP	(11) TARGET COMPLETION DATE FOR FOLLOW- UP ACTION
				5.d) Introduce budgetary vote control of expenditure.	1st Jan., 1993	Weekly expenditure reports to all Heads of Department and copy to General Manager.	Latest by Monday morning of next week up to 31/12/95.	Discuss expenditure position at management meetings	Chief Accountant	By close of day Tuesday of every week up to 31/12/95
				5.e) Prepare monthly cash budgets showing previous months cash performance	First working day of each budget month up to 31.12/95.	e) Monthly cash budget and cash performance reports of previous month to General Manager.	e) Before close of day on first working day of cash budget month.	e) Discuss cash position with General Manager.	Chief Accountant	Before close of day of second working day of cash budget month.
				5.f) Prepare monthly and quarterly Bank reconciliation statements.	End of first working day of next month or next quarter.	Monthly and quarterly Bank Reconciliation statements.	Before close of day on first working day of next month or next quarter up to 31/12/95	Discuss monthly and quarterly Bank Reconciliation statements with General Manager.	Chief Accountant	Before close of day of second working day of next month or next quarter up to 31/12/95.

**UNITED GARMENT INDUSTRY LIMITED
CORPORATE PLAN 1992 TO 1995
STRATEGY AND ACTION PLAN SHEET**

DEPARTMENT

(1) CORPORATE MISSION	(2) OBJECTIVES	(3) STRATEGY	(4) OFFICER RESPON- SIBLE	(5) NECESSARY ACTION	(6) TARGET COMPLETION DATE(S)	(7) REPORTS(S) TO BE SUBMITTED PRODUCED	(8) TARGET SUBMISSION DATE(S)	(9) FOLLOW-UP ACTION	(10) OFFICER(S) RESPONSIBLE FOR FOLLOW-UP	(11) TARGET COMPLETION DATE FOR FOLLOW- UP ACTION
				5.g) Prepare quarterly cash budget showing previous quarters cash performance.	End of first working day of cash budget quarter.	Quarterly cash budget and previous quarter's cash performance report to General Manager and Heads of Department for discussion at management meeting.	Before close of day on first working day of cash budget quarter.	Discuss cash position with General Manager and Heads of Department at management meeting.	Chief Accountant	Before end of 1st week of next quarter up to 31/12/95.
				6. Monitor working-in-progress levels to ensure that too much capital is not tied up in work-in-progress.	By end of every week during plan period up to 31/12/95	Analysis of work through put report to General Manager	By Tuesday of subsequent week up to 31/12/95	Ensure that plant with unacceptably high levels of work-in-progress take action for products to be finished without any further delay.	Chief Accountant	Weekly up to 31/12/95
				7. Monitor collections of accounts receivable and ensure all outstanding debts are collected within 30 days.	Monthly up to 31/12/95	Ageing schedule of Debts due to UGIL	By end of 1st week after each month of to 31/12/95	Charge interest on overdue debts Collect overdue debts.	Chief Accountant	Monthly up to 31/12/95.

UNITED GARMENT INDUSTRY LIMITED

CORPORATE PLAN 1992 TO 1995

STRATEGY AND ACTION PLAN SHEET

DEPARTMENT

(1) CORPORATE MISSION	(2) OBJECTIVES	(3) STRATEGY	(4) OFFICER RESPONSIBLE	(5) NECESSARY ACTION	(6) TARGET COMPLETION DATE(S)	(7) REPORTS(S) TO BE SUBMITTED PRODUCED	(8) TARGET SUBMISSION DATE(S)	(9) FOLLOW-UP ACTION	(10) OFFICER(S) RESPONSIBLE FOR FOLLOW-UP	(11) TARGET COMPLETION DATE FOR FOLLOW-UP ACTION
				8.h) Workout all relevant financial ratios to show the financial company's position.	Monthly, quarterly budget and by end of first week of next month or next quarter or next year up to 31/12/95.	Financial Ratio performance report to General Manager and Heads of Departments.	Monthly quarterly or annually before end of second week of next month or next quarter or next year up to 31/12/95	Discuss with General Manager and Heads of department at monthly management meetings for necessary corrective action to be taken.	Chief Accountant	Monthly, quarterly and annually before end of third week of next month or next quarter or next year up to 31/12/95.
	2) Reduce incidence of taxes on company.	a) Lobby tax authorities for lower taxes and more favourable payment terms.	Chief Accountant	a) Increase float on tax payments.	Throughout plan period up to 31/12/95	-	-	a) Ensure taxes due are paid on last day of period given for payment.	Chief Accountant	Continue up to 31/12/95
				b) Prepare with assistance of PIES a paper on the effects of various levels of taxation on sales and tax revenue for government.	31st Dec. 1992	b) Paper on effects on company revenue and government taxes of various levels of taxation to be submitted to the Hon. Minister of Finance with a copy to the Uganda Revenue Authority.	31st Jan. 1993	b) Continue to revise paper during plan period as necessary up to 31/12/95	Chief Accountant	Continue up to 31/12/95
				c) Use paper to argue for more favourable tax	30th June 1993	c) Same as above.	31st Dec. 1995	c) Continue to lobby tax authorities as necessary.	Chief Accountant	Continue revision of paper up to 31/12/95

ACCOUNTING 12

UNITED GARMENT INDUSTRY LIMITED CORPORATE PLAN 1992 TO 1995 STRATEGY AND ACTION PLAN SHEET

DEPARTMENT

(1) CORPORATE MISSION	(2) OBJECTIVES	(3) STRATEGY	(4) OFFICER RESPONSIBLE	(5) NECESSARY ACTION	(6) TARGET COMPLETION DATE(S)	(7) REPORTS(S) TO BE SUBMITTED PRODUCED	(8) TARGET SUBMISSION DATE(S)	(9) FOLLOW-UP ACTION	(10) OFFICER(S) RESPONSIBLE FOR FOLLOW-UP	(11) TARGET COMPLETION DATE FOR FOLLOW-UP ACTION
	3. Maintain disciplined and motivated staff in department.	a) Enforce all company rules and regulations.	Chief Accountant	a) Monitor staff compliance with rules and regulations and arrange for necessary disciplinary action to be taken.	31/12/95	Queries and letters to company secretary as necessary.	Not later than one day after any specific incident.	a) Ensure staff turn over a new leaf or improve upon performance/ conduct.	Chief Accountant	Continue up to 31/12/95
		7.b) Appraise performance of staff quarterly semi-annually and annually.		b) Complete staff appraisal forms after probation and for quarterly semi-annual, and annual assessment.	31/12/95	Staff performance evaluation forms to company secretary.	Not later than one week after completion of form up to 31/12/95	b) Ensure staff improve upon performance in areas of week assessment.	Chief Accountant	Continue up to 31/12/95
		7.c) Arrange on-the-job and external training courses for staff through Personnel/ Administrative Manager.	Chief Accountant	c) Determine appropriate on-the-job training programmes for staff and arrange for them to benefit from external training courses where necessary.	31/12/95	On-the-job training progress reports to Company Secretary as well as memoranda recommending external training courses for staff in department.	As necessary during plan period up to 31/12/95	c) Monitor and assess staff performance after training to ensure that training has been beneficial. Re-train staff as necessary.	Chief Accountant	Continue up to 31/12/95

PERSONNEL 1/ADMINISTRATION

**UNITED GARMENT INDUSTRY LIMITED
CORPORATE PLAN 1992 TO 1995
STRATEGY AND ACTION PLAN SHEET**

DEPARTMENT

(1) CORPORATE MISSION	(2) OBJECTIVES	(3) STRATEGY	(4) OFFICER RESPON- SIBLE	(5) NECESSARY ACTION	(6) TARGET COMPLETION DATE(S)	(7) REPORTS(S) TO BE SUBMITTED PRODUCED	(8) TARGET SUBMISSION DATE(S)	(9) FOLLOW-UP ACTION	(10) OFFICER(S) RESPONSIBLE FOR FOLLOW-UP	(11) TARGET COMPLETION DATE FOR FOLLOW- UP ACTION
	1. To develop a comprehensive personnel programme to enable the company achieve its mission in terms of . Recruitment . Training & development . Remuneration . Appraisal . Motivation . Discipline . Welfare	1. Review present methods of recruitment in the company to ensure effectiveness and objectivity.	Personnel Manager	1. Re-design application form for employment in order to obtain relevant personal information about prospective employees.	By 31st Oct. 1992.	New application form for employment.	By 30th Nov. 1992	Ensure new application form for employment is approved used by all new employees.	Personnel Manager	Continue up to 31/12/95
		. Review interview procedure and recruitment procedure for new employees to ensure objectivity in all recruitment.	Personnel Manager	. Draw up aptitude tests to be taken by all group employees joining the company.	By 31st Oct. 1992.	Confidential aptitude tests for various categories of new employees to personnel manager and General Manager for approval.	By 30th Nov. 1992	Ensure aptitude tests are taken and passed by all short listed prospective applicants before they are interviewed.	Personnel Manager	Continue using objective recruitment procedures throughout the plan period up to 31/12/95.
				. Determine and advise membership of recruitment interview panels for various positions.	By 31st Oct. 1992.	. Circular on membership of interview panels for various categories of new employees to General Manager and all Heads of Department	By 30th Nov. 1992			

PERSONNEL 2/ADMINISTRATION

UNITED GARMENT INDUSTRY LIMITED CORPORATE PLAN 1992 TO 1995 STRATEGY AND ACTION PLAN SHEET

DEPARTMENT

(1) CORPORATE MISSION	(2) OBJECTIVES	(3) STRATEGY	(4) OFFICER RESPON- SIBLE	(5) NECESSARY ACTION	(6) TARGET COMPLETION DATE(S)	(7) REPORTS(S) TO BE SUBMITTED PRODUCED	(8) TARGET SUBMISSION DATE(S)	(9) FOLLOW-UP ACTION	(10) OFFICER(S) RESPONSIBLE FOR FOLLOW-UP	(11) TARGET COMPLETION DATE FOR FOLLOW- UP ACTION
	2. Ensure legality of employment procedures.	. Review all labour laws of Uganda and ensure company complies with them.	Personnel Manager	. Summarise all relevant laws on engagement of apprentices, casual labour, contract labour and permanent labour to guide personnel officer.	31st Oct. 1992	Summary of relevant labour laws to personnel officer for his guidance.	30th Nov. 1992	. Ensure all recruitment procedures comply with laws of the country.	Personnel Manager through Personnel Officer.	Continue to comply with all labour laws up to 31/12/95
	3. Simplify recruitment procedures.	. Design and prepare pre-printed appointment letters for:- - permanent appointments - contract appointments - casual appointments.	Personnel Manager	Cyclostyle . Pre-printed appointment letters for permanent, casual and contract appointments.	31st Oct. 1992	. Pre-printed appointment forms. . Obtain referees reports . Obtain medical examination report.	30th Nov. 1992	. Ensure use of pre-printed appointment forms. . Continue to obtain referees and medical fitness reports up to 31/12/95	Same as above	Continue to use pre-printed forms until 31/12/95

PERSONNEL 3/ADMINISTRATION

UNITED GARMENT INDUSTRY LIMITED
CORPORATE PLAN 1992 TO 1995
STRATEGY AND ACTION PLAN SHEET

DEPARTMENT

(1) CORPORATE MISSION	(2) OBJECTIVES	(3) STRATEGY	(4) OFFICER RESPON- SIBLE	(5) NECESSARY ACTION	(6) TARGET COMPLETION DATE(S)	(7) REPORTS(S) TO BE SUBMITTED PRODUCED	(8) TARGET SUBMISSION DATE(S)	(9) FOLLOW-UP ACTION	(10) OFFICER(S) RESPONSIBLE FOR FOLLOW-UP	(11) TARGET COMPLETION DATE FOR FOLLOW- UP ACTION
	4. Ensure proper orientation/ induction of all new employees.	Design induction programmes to be followed by all new entrants into the company.	Personnel Manager	Liaise with Heads of Department on proposed induction programmes and finalise all induction programmes.	30th Nov. 1992	Induction/ orientation programmes to be followed by all new entrants into the company.	31st Nov. 1992	<p>Ensure all new employees go through orientation /induction programmes in order for them to settle down quickly.</p> <p>Obtain feedback on new employee performance during their probationary periods and confirm/discharge them as necessary</p> <p>Extend probationary period if necessary.</p>	<p>Personnel Manager</p> <p>Personnel Manager</p> <p>Personnel Manager</p>	<p>Continue to ensure that new staff are properly inducted into the company up to 31/12/95</p> <p>On last day of probationary period of new employee throughout the plan period up to 31/12/95.</p> <p>Continue monitoring progress of employees up to 31/12/95.</p>

PERSONNEL 4/ADMINISTRATION

UNITED GARMENT INDUSTRY LIMITED CORPORATE PLAN 1992 TO 1995 STRATEGY AND ACTION PLAN SHEET

DEPARTMENT

(1) CORPORATE MISSION	(2) OBJECTIVES	(3) STRATEGY	(4) OFFICER RESPON- SIBLE	(5) NECESSARY ACTION	(6) TARGET COMPLETION DATE(S)	(7) REPORT(S) TO BE SUBMITTED PRODUCED	(8) TARGET SUBMISSION DATE(S)	(9) FOLLOW-UP ACTION	(10) OFFICER(S) RESPONSIBLE FOR FOLLOW-UP	(11) TARGET COMPLETION DATE FOR FOLLOW- UP ACTION
	5. Retain a highly trained labour force	. Prepare on-the-job training progress report form for general use by all Heads of department.	Personnel Manager	. Arrange for on-the-job training progress report forms to be printed and distributed to all Heads of Department	30th Nov. 1992	On-the-job training progress report form to all Heads of Department.	15th Nov. 1992	. Obtain completed on-the-job training progress report forms from Heads of Department. . Review forms and arrange external training courses or other appropriate training to fill any identified training gaps.	Personnel Manager	Continue reviewing on-the-job training progress reports and arrange further training as necessary up to 31/12/95.
	3. Simplify recruitment procedures.	. Review existing training schemes and draw up structured training and manpower development programmes for all staff.	Personnel Manager	. Assess off-the-job training requirements of all staff and review training programmes of external training institutions.	Annually throughout the plan period up to 31/12/95	Memoranda to Heads of Dept. to inform them about staff in their departments who have been selected for off-the-job training courses.	Throughout the plan period but not later than two weeks before commencement of each training course.	. Liaise with Heads of department and arrange for staff to attend training courses	Personnel Manager	. Continue to arrange necessary off-the-job training courses for staff up to 31/12/95

PERSONNEL 5/ADMINISTRATION

UNITED GARMENT INDUSTRY LIMITED
CORPORATE PLAN 1992 TO 1995
STRATEGY AND ACTION PLAN SHEET

DEPARTMENT

(1) CORPORATE MISSION	(2) OBJECTIVES	(3) STRATEGY	(4) OFFICER RESPON- SIBLE	(5) NECESSARY ACTION	(6) TARGET COMPLETION DATE(S)	(7) REPORTS(S) TO BE SUBMITTED PRODUCED	(8) TARGET SUBMISSION DATE(S)	(9) FOLLOW-UP ACTION	(10) OFFICER(S) RESPONSIBLE FOR FOLLOW-UP	(11) TARGET COMPLETION DATE FOR FOLLOW- UP ACTION
		<ul style="list-style-type: none"> Select staff who based upon their consistent outstanding performance and future potential should be developed for management succession. 	Personnel Manager	<ul style="list-style-type: none"> Review on-the-job training progress reports staff performance appraisal forms. 	<ul style="list-style-type: none"> Up to 31/12/95 	<ul style="list-style-type: none"> Confidential special staff appraisal reports to General Manager for approval. 	<ul style="list-style-type: none"> As and when necessary during plan period up to 31/12/95 	<ul style="list-style-type: none"> Arrange special training courses for selected staff Arrange bonding of staff as necessary. 	Personnel Manager	<ul style="list-style-type: none"> Continue to arrange such special training and bonding of staff up to 31/12/95
	6. Ensure a highly motivated work force.	<ul style="list-style-type: none"> Improve wages and salaries administration and link remuneration scheme to productivity of staff through appraisal of performance. 	Personnel Manager	<ul style="list-style-type: none"> Conduct wages and salaries surveys to ensure UGIL wages and salaries continue to be competitive 	<ul style="list-style-type: none"> Up to 31/12/95 	<ul style="list-style-type: none"> Wages and salaries survey reports to General Manager for his information prior to negotiations with union. 	<ul style="list-style-type: none"> By the end of each year up to 31/12/95 	<ul style="list-style-type: none"> Submit recommendations to General Manager on possible review of conditions of service 	Personnel Manager	<ul style="list-style-type: none"> Continue to review staff salaries, wages and other benefits up to 31/12/95.

PERSONNEL 6/ADMINISTRATION

UNITED GARMENT INDUSTRY LIMITED
CORPORATE PLAN 1992 TO 1995
STRATEGY AND ACTION PLAN SHEET

DEPARTMENT

(1) CORPORATE MISSION	(2) OBJECTIVES	(3) STRATEGY	(4) OFFICER RESPON- SIBLE	(5) NECESSARY ACTION	(6) TARGET COMPLETION DATE(S)	(7) REPORTS(S) TO BE SUBMITTED PRODUCED	(8) TARGET SUBMISSION DATE(S)	(9) FOLLOW-UP ACTION	(10) OFFICER(S) RESPONSIBLE FOR FOLLOW-UP	(11) TARGET COMPLETION DATE FOR FOLLOW- UP ACTION
				<ul style="list-style-type: none"> Develop a job grading system for the company and determine appropriate salary scales for the new job grades that will be determined 	30th June 1993	Proposed job grading report to General Manager for approval of new job grades.	31st July 1993.	<ul style="list-style-type: none"> Advise all Heads of Department of new job grades. Advise all staff of their new job grades and corresponding salaries. 	Personnel Manager	31/12/95
				<ul style="list-style-type: none"> Determine appropriate productivity related bonus schemes for staff in all departments. 	31/12/95	Report on productivity related bonus schemes to General Manager for approval of targets to be achieved by staff in all departments in order to qualify for productivity bonuses.	31/1/93	<ul style="list-style-type: none"> Obtain from Heads of department and study reports on staff performance. Submit recommendations for payment of productivity bonuses to General Manager for approval. Issue letters on productivity bonuses to staff. Ensure deserving staff receive approved bonuses. 	Personnel Manager	As and when necessary during the plan period up to 31/12/95.

PERSONNEL 7/ADMINISTRATION

UNITED GARMENT INDUSTRY LIMITED
CORPORATE PLAN 1992 TO 1995
STRATEGY AND ACTION PLAN SHEET

DEPARTMENT

(1) CORPORATE MISSION	(2) OBJECTIVES	(3) STRATEGY	(4) OFFICER RESPON- SIBLE	(5) NECESSARY ACTION	(6) TARGET COMPLETION DATE(S)	(7) REPORTS(S) TO BE SUBMITTED PROCCED	(8) TARGET SUBMISSION DATE(S)	(9) FOLLOW-UP ACTION	(10) OFFICER(S) RESPONSIBLE FOR FOLLOW-UP	(11) TARGET COMPLETION DATE FOR FOLLOW- UP ACTION
		Develop an objective staff appraisal system	Personnel Manager	Re-design and arrange printing of draft of new staff performance evaluation forms for junior (group) employees and for senior staff. Link appraisal process to productivity by recommending increments up-grading and promotions for deserving staff.	By 30th June, 1993 Annually or as necessary during plan period up to 30th June, 97.	New staff performance appraisal forms for:- - group employees and - senior staff. Complete staff appraisal form to General Manager or Board for appraisal.	31st July, 1993 Annually and whenever necessary during the plan period up to 31/12/95.	Obtain approval of General Manager to revised forms. Distribute revised forms to head of department and General Manager. Organise a one-day-workshop to brief all heads of department and General Manager on the use of the new staff appraisal forms. Monitor employees performance to ensure improvement in areas of weak assessment. Issue letters to positively reinforce employees by giving them incentives that are commensurate with their performance.	Personnel Manager	Continue to monitor employees performance throughout the plan period up to 31/12/95.

PERSONNEL 8/ADMINISTRATION

UNITED GARMENT INDUSTRY LIMITED CORPORATE PLAN 1992 TO 1995 STRATEGY AND ACTION PLAN SHEET

DEPARTMENT

(1) CORPORATE MISSION	(2) OBJECTIVES	(3) STRATEGY	(4) OFFICER RESPONSIBLE	(5) NECESSARY ACTION	(6) TARGET COMPLETION DATE(S)	(7) REPORT(S) TO BE SUBMITTED PRODUCED	(8) TARGET SUBMISSION DATE(S)	(9) FOLLOW-UP ACTION	(10) OFFICER(S) RESPONSIBLE FOR FOLLOW-UP	(11) TARGET COMPLETION DATE FOR FOLLOW-UP ACTION
		<ul style="list-style-type: none"> Prepare a staff and organisational manual for UGIL 	Personnel Manager	<ul style="list-style-type: none"> Prepare job descriptions and man-specification for all jobs evaluate all jobs and re-align salary scales. Determine promotion policy Draft training policy Determine scheme of services for all staff. Prepare conditions of service for group employees and senior staff. Prepare revised Organisational Chart. 	By 30th June, 1994	Comprehensive organisational and staff manual.	31st July, 1994	<ul style="list-style-type: none"> Arrange for the revised comprehensive organisational and staff manual to be approved. Circulate comprehensive organisational and staff manual to all Heads of Department and General Manager for their guidance. 	Personnel Manager through Personnel Officer. Personnel Manager through Personnel Officer.	31st August, 1994 Be guided by manual up to 31/12/95

PERSONNEL 9/ADMINISTRATION

UNITED GARMENT INDUSTRY LIMITED CORPORATE PLAN 1992 TO 1995 STRATEGY AND ACTION PLAN SHEET

DEPARTMENT

(1) CORPORATE MISSION	(2) OBJECTIVES	(3) STRATEGY	(4) OFFICER RESPON- SIBLE	(5) NECESSARY ACTION	(6) TARGET COMPLETION DATE(S)	(7) REPORT(S) TO BE SUBMITTED PRODUCED	(8) TARGET SUBMISSION DATE(S)	(9) FOLLOW-UP ACTION	(10) OFFICER(S) RESPONSIBLE FOR FOLLOW-UP	(11) TARGET COMPLETION DATE FOR FOLLOW- UP ACTION
	Maintain an organisational chart which ensures that operations of the company lead it in the right strategic direction.	Undertake activities to . Revise the present organisational chart.	Personnel Manager	<ul style="list-style-type: none"> • Redesignate positions in the production department. • Redesignate positions in the Marketing Department. • Redesignate positions in the Personnel Department. • Redesignate other positions as necessary. • Carry out necessary deployments of staff. 	By 30th June, 1993.	Letters to affected staff whose positions will be re-designated and letters to staff who will be re-deployed.	By 31st July, 1993	• Monitor performance of staff after they have been re-designated and/or re-deployed.	Personnel Manager	Continue to monitor performance and train staff up to 31/12/95.

PERSONNEL 10/ADMINISTRATION

UNITED GARMENT INDUSTRY LIMITED
CORPORATE PLAN 1992 TO 1995
STRATEGY AND ACTION PLAN SHEET

DEPARTMENT

(1) CORPORATE MISSION	(2) OBJECTIVES	(3) STRATEGY	(4) OFFICER RESPONSIBLE	(5) NECESSARY ACTION	(6) TARGET COMPLETION DATE(S)	(7) REPORTS(S) TO BE SUBMITTED PRODUCED	(8) TARGET SUBMISSION DATE(S)	(9) FOLLOW-UP ACTION	(10) OFFICER(S) RESPONSIBLE FOR FOLLOW-UP	(11) TARGET COMPLETION DATE FOR FOLLOW-UP ACTION
	To provide effective and efficient administrative support services to the company.	Ensure availability of efficient administrative support	Personnel Manager	Handle routine administrative functions on a day-to-day basis.	Each working day up to 31/12/95	Memoranda letters and circulars as necessary.	Within the shortest time possible for each case up to 31/12/95	Ensure routine administrative matters are headed without undue delay	Personnel Manager through Administrative Officer.	Continue up to 31/12/95
				Review assets of company covered by insurance and ensure insurance cover as well as insurance values are adequate.	30th June, 1993	Memorandum on type of insurance cover and insurance values to General Manager for approval.	At least two weeks before expiration or present policies.	Ensure all insurance values are adequate and all assets of the company have been properly insured.	Same as above	Same as above
				Schedule use of all pool vehicles to ensure optimal usage at the least cost possible.	Daily up to 31/12/95	Vehicle log books, accident reports, gate passes etc.	As and when necessary up to 31/12/95	Ensure cost effective usage of all vehicles up to 31/12/95.	Same as above	Same as above

PERSONNEL 11/ADMINISTRATION

UNITED GARMENT INDUSTRY LIMITED
CORPORATE PLAN 1992 TO 1995
STRATEGY AND ACTION PLAN SHEET

DEPARTMENT

(1) CORPORATE MISSION	(2) OBJECTIVES	(3) STRATEGY	(4) OFFICER RESPONSIBLE	(5) NECESSARY ACTION	(6) TARGET COMPLETION DATE(S)	(7) REPORTS(S) TO BE SUBMITTED PRODUCED	(8) TARGET SUBMISSION DATE(S)	(9) FOLLOW-UP ACTION	(10) OFFICER(S) RESPONSIBLE FOR FOLLOW-UP	(11) TARGET COMPLETION DATE FOR FOLLOW-UP ACTION
	8. To secure all company assets and products.	Reinforce security procedures and strengthen security section.	Personnel Manager	<ul style="list-style-type: none"> Arrange effective security at exit points from factory yard and Head office. Arrange adequate overnight security at all company bungalows, offices, retailshops and factory. Investigate stealing cases, fraud and accidents involving company vehicles. 	<ul style="list-style-type: none"> Daily up to 31/12/95 Daily up to 31/12/95 As and when necessary up to 31/12/95 	<ul style="list-style-type: none"> Daily occurrence reports. Same as above Investigation reports. 	<ul style="list-style-type: none"> Daily up to 31/12/95 Daily up to 31/12/95 Within 1 hr. in emergency cases and within two days of incident up to 31/12/95 	<ul style="list-style-type: none"> Ensure security officers perform effectively at exit points. Ensure night security officers perform effectively Ensure action is taken to prevent similar occurrences in future. 	<ul style="list-style-type: none"> Personnel Manager through Security Superintendent. Same as above Same as above 	<ul style="list-style-type: none"> Continue security vigilance until 31/12/95. Same as above. Continue to investigate all fraud and stealing cases up to 31/12/95

PERSONNEL 12/ADMINISTRATION

UNITED GARMENT INDUSTRY LIMITED
CORPORATE PLAN 1992 TO 1995
STRATEGY AND ACTION PLAN SHEET

DEPARTMENT

(1) CORPORATE MISSION	(2) OBJECTIVES	(3) STRATEGY	(4) OFFICER RESPON- SIBLE	(5) NECESSARY ACTION	(6) TARGET COMPLETION DATE(S)	(7) REPORTS(S) TO BE SUBMITTED PRODUCED	(8) TARGET SUBMISSION DATE(S)	(9) FOLLOW-UP ACTION	(10) OFFICER(S) RESPONSIBLE FOR FOLLOW-UP	(11) TARGET COMPLETION DATE FOR FOLLOW- UP ACTION
	9. Secure sufficient funding for the operations of the Personnel Department.	Prepare and obtain approval of Personnel Department budget.	Personnel Manager	<ul style="list-style-type: none"> . Determine vacancies to be filled during plan period. . Determine likely cases of promotion. . Determine likely salary and wages increases during the plan period . Determine training and manpower development. . Determine capital expenditure . Determine cost of welfare services. 	<p>By 30th Sept. 1993 and thereafter by 30th Sept. yearly during the plan period up to 31/12/95</p> <p>Same as above.</p> <p>Same as above.</p>	Draft Departmental Budget to Chief Accountant for consolidation in the company's Draft Master Budget.	15th Nov. yearly during the plan period up to 30/12/95	<ul style="list-style-type: none"> . Attend budget hearing meetings. . Obtain approved company budget for guidance of the department 	<p>Personnel Manager</p> <p>Same as above.</p>	<p>Be guided by planned targets in the budget up to 31/12/95.</p> <p>5th January yearly up to 31/12/95</p>

ENGINEERING 1

APPENDIX 17

UNITED GARMENT INDUSTRY LIMITED CORPORATE PLAN 1992 TO 1995 STRATEGY AND ACTION PLAN SHEET

DEPARTMENT

(1) CORPORATE MISSION	(2) OBJECTIVES	(3) STRATEGY	(4) OFFICER RESPON- SIBLE	(5) NECESSARY ACTION	(6) TARGET COMPLETION DATE(S)	(7) REPORTS(S) TO BE SUBMITTED PRODUCED	(8) TARGET SUBMISSION DATE(S)	(9) FOLLOW-UP ACTION	(10) OFFICER(S) RESPONSIBLE FOR FOLLOW-UP	(11) TARGET COMPLETION DATE FOR FOLLOW- UP ACTION
	9. Achieve sound management of the company's properties/ estates.	Enhance cost effectiveness of estate maintenance function.	Engineering Manager	<ul style="list-style-type: none"> Arrange for scheduled maintenance of factory building, and company bungalows to be undertaken. Supervise day-to-day carpentry, masonry and plumbing jobs that are undertaken in the company. 	<ul style="list-style-type: none"> By the end of each scheduled daily, weekly, monthly, quarterly and annual maintenance period up to 31/12/95 Daily up to 31/12/95 	<ul style="list-style-type: none"> Scheduled estate management book. Daily job cards/time sheets as required. 	<ul style="list-style-type: none"> By end of first working day of next scheduled maintenance period up to 31/12/95 By close of each working day up to 31/12/95 	<ul style="list-style-type: none"> Ensure scheduled estate maintenance management tasks are undertaken as necessary. Ensure day-to-day work of sectional staff is properly supervised and appropriate forms completed. 	<ul style="list-style-type: none"> Estate Maintenance Supervisor or Foreman Estate Maintenance Supervisor or Foreman. 	<ul style="list-style-type: none"> Continue with effective estate management up to 31/12/95 Continue with day-to-day supervision up to 31/12/95

ENGINEERING 2

UNITED GARMENT INDUSTRY LIMITED CORPORATE PLAN 1992 TO 1995 STRATEGY AND ACTION PLAN SHEET

DEPARTMENT

(1) CORPORATE MISSION	(2) OBJECTIVES	(3) STRATEGY	(4) OFFICER RESPON- SIBLE	(5) NECESSARY ACTION	(6) TARGET COMPLETION DATE(S)	(7) REPORTS(S) TO BE SUBMITTED PRODUCED	(8) TARGET SUBMISSION DATE(S)	(9) FOLLOW-UP ACTION	(10) OFFICER(S) RESPONSIBLE FOR FOLLOW-UP	(11) TARGET COMPLETION DATE FOR FOLLOW- UP ACTION
		2.b) Carry out planned and preventive maintenance schemes.	Engineering Manager through Mechanical Engineer and Electrical Engineer	Undertake daily scheduled maintenance*	Daily up to 31/12/95	Daily scheduled maintenance book.	Latest by close of day or first thing on next day up to 31/12/95	Ensure daily inspections are carried out. Correct all detected faults, change parts, lubricate/grease as necessary.	Engineering Manager through Mechanical Engineer and Electrical Engineer.	Continue daily up to 31/12/95.

* Refer to Appendix for further details of maintenance programmes.

ENGINEERING 3

UNITED GARMENT INDUSTRY LIMITED CORPORATE PLAN 1992 TO 1995 STRATEGY AND ACTION PLAN SHEET

DEPARTMENT

(1) CORPORATE MISSION	(2) OBJECTIVES	(3) STRATEGY	(4) OFFICER RESPON- SIBLE	(5) NECESSARY ACTION	(6) TARGET COMPLETION DATE(S)	(7) REPORTS(S) TO BE SUBMITTED PRODUCED	(8) TARGET SUBMISSION DATE(S)	(9) FOLLOW-UP ACTION	(10) OFFICER(S) RESPONSIBLE FOR FOLLOW-UP	(11) TARGET COMPLETION DATE FOR FOLLOW- UP ACTION
				Undertake scheduled weekly maintenance.	Weekly up to 31/12/95	Weekly scheduled maintenance book.	Latest by close of first working day of next week up to 31/12/95	Ensure weekly inspections are carried out and all necessary faults corrected as necessary.	Engineering Manager through Mechanical Engineer and Electrical Engineer	Continue weekly up to 31/12/95

ENGINEERING 4

UNITED GARMENT INDUSTRY LIMITED CORPORATE PLAN 1992 TO 1995 STRATEGY AND ACTION PLAN SHEET

DEPARTMENT

(1) CORPORATE MISSION	(2) OBJECTIVES	(3) STRATEGY	(4) OFFICER RESPONSIBLE	(5) NECESSARY ACTION	(6) TARGET COMPLETION DATE(S)	(7) REPORTS(S) TO BE SUBMITTED PRODUCED	(8) TARGET SUBMISSION DATE(S)	(9) FOLLOW-UP ACTION	(10) OFFICER(S) RESPONSIBLE FOR FOLLOW-UP	(11) TARGET COMPLETION DATE FOR FOLLOW-UP ACTION
				Undertake scheduled monthly maintenance	Monthly up to 31/12/95	Monthly scheduled maintenance book.	On first day of next month up to 31/12/95	Ensure monthly scheduled maintenance is carried out and faults rectified.	Engineering Manager through Mechanical Engineer and Electrical Engineer.	Continue every monthly up to 31/12/95
				Undertake scheduled two-monthly maintenance	Once every two months up to 31/12/95	Two-monthly scheduled maintenance book.	On first day of next two-monthly period up to 31/12/95	Ensure two-monthly scheduled maintenance is carried out and faults rectified.	Same as above	Continue every two-monthly period up to 31/12/95
				Undertake scheduled half-yearly maintenance	Every half-year up to 31/12/95	Half-yearly scheduled maintenance book	On first day of next half-yearly period up to 31/12/95	Ensure half-yearly maintenance is carried out and all faults corrected.	Same as above	Continue every half year up to 31/12/95.

ENGINEERING 5

UNITED GARMENT INDUSTRY LIMITED
CORPORATE PLAN 1992 TO 1995
STRATEGY AND ACTION PLAN SHEET

DEPARTMENT

(1) CORPORATE MISSION	(2) OBJECTIVES	(3) STRATEGY	(4) OFFICER RESPON- SIBLE	(5) NECESSARY ACTION	(6) TARGET COMPLETION DATE(S)	(7) REPORT(S) TO BE SUBMITTED PRODUCED	(8) TARGET SUBMISSION DATE(S)	(9) FOLLOW-UP ACTION	(10) OFFICER(S) RESPONSIBLE FOR FOLLOW-UP	(11) TARGET COMPLETION DATE FOR FOLLOW- UP ACTION
				Undertake scheduled yearly maintenance	Yearly up to 31/12/95	Yearly scheduled maintenance book.	Latest by end of second week of next year up to 31/12/95	Ensure yearly scheduled maintenance is carried out, all faults detected rectified and ensure factory inspector is present during inspection of boiler.	Engineering Manager through Mechanical Engineer and Electrical Engineer	Continue every year up to 31/12/95
				Carry out periodic scheduled periodic maintenance	Periodically up to 31/12/95	Periodic scheduled maintenance book.	Latest within two days of periodic inspection during plan period up to 31/12/95	Ensure periodic scheduled maintenance is carried out and detected faults corrected.	Engineering Manager through Mechanical Engineer and Electrical Engineer	Continue periodic whenever necessary during the plan period up to 31/12/95

ENGINEERING 6

UNITED GARMENT INDUSTRY LIMITED CORPORATE PLAN 1992 TO 1995 STRATEGY AND ACTION PLAN SHEET

DEPARTMENT

(1) CORPORATE MISSION	(2) OBJECTIVES	(3) STRATEGY	(4) OFFICER RESPON- SIBLE	(5) NECESSARY ACTION	(6) TARGET COMPLETION DATE(S)	(7) REPORTS(S) TO BE SUBMITTED PRODUCED	(8) TARGET SUBMISSION DATE(S)	(9) FOLLOW-UP ACTION	(10) OFFICER(S) RESPONSIBLE FOR FOLLOW-UP	(11) TARGET COMPLETION DATE FOR FOLLOW- UP ACTION
		3. Re-organise department to enhance effectiveness and efficiency	Engineering Manager	<ul style="list-style-type: none"> Create Mechanical, Electrical and Estate maintenance sections within the department. Carry out necessary re-deployments of staff within the department to fill positions in the three new sections. 	31/12/93	Job descriptions to all staff in department.	31/12/93	<ul style="list-style-type: none"> Evaluate performance of staff in department Submit performance evaluation reports to Personnel/ Administrative Manager Discipline staff in department in accordance with UGIL rules and conditions of service. Train staff in department to improve upon their performance 	Engineering Manager	<ul style="list-style-type: none"> Continue with follow-up action up to 31/12/95. Same as above Same as above Same as above.

UNITED GARMENT INDUSTRY LIMITED
CORPORATE PLAN 1992 TO 1995
STRATEGY AND ACTION PLAN SHEET

DEPARTMENT

(1) CORPORATE MISSION	(2) OBJECTIVES	(3) STRATEGY	(4) OFFICER RESPON- SIBLE	(5) NECESSARY ACTION	(6) TARGET COMPLETION DATE(S)	(7) REPORT(S) TO BE SUBMITTED PRODUCED	(8) TARGET SUBMISSION DATE(S)	(9) FOLLOW-UP ACTION	(10) OFFICER(S) RESPONSIBLE FOR FOLLOW-UP	(11) TARGET COMPLETION DATE FOR FOLLOW- UP ACTION
	4. Secure sufficient funding for departmental activities	Prepare draft Departmental Budget.	Engineering Manager	<ul style="list-style-type: none"> . Draw up schedule of spare parts requirements for the period 1993 to 1995 to meet all scheduled maintenance and break-down repair schemes. . Quantify cost of other departmental programmes and incorporate in Departmental Budget. 	. By end of Nov. yearly up to 31/12/95	. Draft Dept. Budget to Chief Accountant	15th Nov. yearly up to 31/12/95	<ul style="list-style-type: none"> . Attend Budget hearing meeting . Obtain a copy of the approved budget and be guided by same up to 31/12/95 	Engineering Manager	By 5th January yearly up to 31/12/95.

SECRETARY 1

UNITED GARMENT INDUSTRY LIMITED
CORPORATE PLAN 1992 TO 1995
STRATEGY AND ACTION PLAN SHEET

DEPARTMENT

(1) CORPORATE MISSION	(2) OBJECTIVES	(3) STRATEGY	(4) OFFICER RESPON- SIBLE	(5) NECESSARY ACTION	(6) TARGET COMPLETION DATE(S)	(7) REPORTS(S) TO BE SUBMITTED PRODUCED	(8) TARGET SUBMISSION DATE(S)	(9) FOLLOW-UP ACTION	(10) OFFICER(S) RESPONSIBLE FOR FOLLOW-UP	(11) TARGET COMPLETION DATE FOR FOLLOW- UP ACTION
	Comply with all statutory requirements of the position of Company Secretary	<p>Arrange meetings of the Board of Directors</p> <p>Keep and update all statutory books/ Registers including:-</p> <ul style="list-style-type: none"> - Shareholders register - Register of Directors and Secretary - Minutes Book - Directors' Attendance Register - Share Certificates Book. 	<p>Company Secretary</p> <p>Company Secretary</p>	<p>Discuss date for meeting with Board Chairman</p> <p>Update all statutory books/ registers as necessary</p>	<p>By end of last month of each quarter for the next quarter's Board meeting up to 31/12/95</p> <p>Immediately after each event requiring update of Register or book.</p>	<p>Letters inviting members of the Board to attend meeting.</p> <p>Agenda for Board meeting and relevant Board Papers.</p> <p>Returns on the following:-</p> <ul style="list-style-type: none"> Change in location/ address of company Change of Directors or Secretary 	<p>Two weeks before each scheduled Board meeting.</p> <p>Within time limits stipulated in company's Act, 1962 for each Return.</p>	<p>Attend Board meetings and take minutes</p> <p>Finalize Board minutes and distribute minutes to Board Members</p> <p>File Returns with Registrar of Companies as stipulated in the Company's Act, 1962 including Annual Returns special Resolutions and Ordinary Resolutions.</p>	<p>Company Secretary</p> <p>Same as above</p> <p>Company Secretary</p>	<p>Two weeks before each scheduled Board meeting up to 31/12/95</p> <p>Within time period stipulated in the company's Act, 1962 for each Return or Resolution.</p>

INTERNAL AUDIT 1

UNITED GARMENT INDUSTRY LIMITED
CORPORATE PLAN 1992 TO 1995
STRATEGY AND ACTION PLAN SHEET

DEPARTMENT

(1) CORPORATE MISSION	(2) OBJECTIVES	(3) STRATEGY	(4) OFFICER RESPON- SIBLE	(5) NECESSARY ACTION	(6) TARGET COMPLETION DATE(S)	(7) REPORTS (1) TO BE SUBMITTED PRODUCE:	(8) TARGET SUBMISSION DATE(S)	(9) FOLLOW-UP ACTION	(10) OFFICER(S) RESPONSIBLE FOR FOLLOW-UP	(11) TARGET COMPLETION DATE FOR FOLLOW- UP ACTION
	1. Improve existing systems of Internal control	1. Revise standard internal control questionnaires to cover <ul style="list-style-type: none"> . General transactions . Cash and Bank . Sales and Debtors . Purchases and creditors . Fixed Assets . Wages and Salaries . Stocks and work-in-process . Cost Accounting . Other 	Internal Audit Manager	. Use revised Internal Control Questionnaires to test for weaknesses in all existing procedures at UGIL.	31st Dec. 1993	Internal Control weakness Report to General Manager and Board of Directors.	Monthly to General Manager and quarterly and annually to Board whenever necessary up to the end of the plan period (ie 31/12/95).	. Ensure that all weaknesses in systems of internal control are improved through institution of appropriate checks and balances as well as review of procedures.	Internal Audit Manager through Internal Audit Supervisors and Internal Audit Assistants.	Continue to strengthen Internal Control up to 31/12/95
		2. Draw up and follow a comprehensive Audit programme which covers all functional areas of the company including paper work.	Internal Audit Manager	Systematically follow audit programme for all functional areas.	Throughout plan period up to 31/12/95	Routine audit progress reports to General Manager monthly and to Board of Directors quarterly and annually.	Not later than end of first week of next monthly, quarterly or annual period up to 31/12/95.	Arrange for management systems and procedures which do not promote effectiveness and efficiency to be revised. <ul style="list-style-type: none"> . Tighten systems of internal control. 	Internal Audit Manager	Continue to review management systems and procedures up to 31/12/95.

UNITED GARMENT INDUSTRY LIMITED CORPORATE PLAN 1992 TO 1995 STRATEGY AND ACTION PLAN SHEET

DEPARTMENT

(1) CORPORATE MISSION	(2) OBJECTIVES	(3) STRATEGY	(4) OFFICER RESPON- SIBLE	(5) NECESSARY ACTION	(6) TARGET COMPLETION DATE(S)	(7) REPORTS(S) TO BE SUBMITTED PRODUCED	(8) TARGET SUBMISSION DATE(S)	(9) FOLLOW-UP ACTION	(10) OFFICER(S) RESPONSIBLE FOR FOLLOW-UP	(11) TARGET COMPLETION DATE FOR FOLLOW- UP ACTION
	2. Ensure that the company's management systems and procedures move it in the right strategic direction towards its mission.	2. Conduct monthly and quarterly management systems audits. Undertake pre and post audit of transactions. Review and identify possible areas of cost reduction as well as comment on efficiency of operations.	Internal Audit Manager Internal Audit Manager	Review monthly and quarterly reports of the company and assess impact of management in terms of achievement of corporate objectives. Vouch documents and all payment vouchers to ascertain their accuracy and authenticity Study work methods, staff levels and areas of waste such as:- - Shrin Kage - Stop motion - Yarn breakages - Needle breakages - Yarn wastage - Selling and distribution costs - Stationery usage - Other and Submit findings/recommendations to General Manager for corrective action.	Monthly and quarterly up to 30th June, 1997. Daily as necessary up to 31/12/95 Daily, weekly, monthly, quarterly, and annually up to 31/12/95.	Monthly report on Audit of Management systems to General Manager These reports should cover achievements of the company relative to its mission. Reports on fraud as and when detected to General Manager. Departmental cost reduction and work methods improvement reports to General Manager and Board of Directors.	Latest by end of first working day of next month or next quarter up to 30th June, 1997. Immediately upon detection of fraud up to 31/12/95 To General Manager monthly and to Board quarterly and annually up to 31/12/95 or by end of first week of next relevant period.	Ensure that weak and ineffective management systems are improved to enhance the company's chances of achieving its mission. Arrange for checks and balances to be instituted to prevent recurrence fraud particularly at Depot Level. Ensure that measures are put in place to reduce cost and waste.	Internal Audit Manager through Internal Audit Supervisors and Internal Audit Assistants. Internal Audit Manager Internal Audit Manager	Continue up to 30th June, 1997. Continue to prevent, detect and eliminate fraud up to 30th June, 1997. Undertake measures to reduce cost and waste up to 31/12/95.

INTERNAL AUDIT 3

UNITED GARMENT INDUSTRY LIMITED CORPORATE PLAN 1992 TO 1995 STRATEGY AND ACTION PLAN SHEET

DEPARTMENT

(1) CORPORATE MISSION	(2) OBJECTIVES	(3) STRATEGY	(4) OFFICER RESPON- SIBLE	(5) NECESSARY ACTION	(6) TARGET COMPLETION DATE(S)	(7) REPORTS TO BE SUBMITTED PRODUCE:	(8) TARGET SUBMISSION DATE(S)	(9) FOLLOW-UP ACTION	(10) OFFICER(S) RESPONSIBLE FOR FOLLOW-UP	(11) TARGET COMPLETION DATE FOR FOLLOW- UP ACTION
	3. Ensure proper protection of the company's properties and assets.	Physically inspect and confirm the existence location and value of all company properties and assets.	Internal Audit Manager.	<ul style="list-style-type: none"> Arrange for all company fixed assets to be coded. Supervise codification of all fixed assets. Carry out monthly checks on physical existence and location of assets. Ensure that all staff and company assets are properly and adequately insured against all appropriate risks. 	<ul style="list-style-type: none"> By 30th June, 1993. By 31st Dec. 1993. By 15th of each month up to 31/12/95 By 31st Dec. 31/12/95 	<ul style="list-style-type: none"> Codification List to General Manager :c to Chief Accountant. Monthly fixed assets inspection report to General Manager including information on ownership and valuation. Fixed Assets and other assets insurance cover Adequacy Report to General Manager 	<ul style="list-style-type: none"> By 31st January 1993. By end of first week of following month up to 31/12/95 By end of first week of January of each year up to 31st Jan. 1996. 	<ul style="list-style-type: none"> Oversee codification of all new company fixed assets. Ensure necessary maintenance of fixed assets is carried out by company. Ensure that all that are not properly insured are adequately covered by insurance. 	<ul style="list-style-type: none"> Internal Audit Manager Internal Audit Manager Internal Audit Manager 	<ul style="list-style-type: none"> Whenever new fixed assets are acquired up to 30th June, 1997. By end of second week of following month up to 30th June, 1997. By the end of the second week of July yearly up to 31/12/95.

INTERNAL AUDIT 4

UNITED GARMENT INDUSTRY LIMITED CORPORATE PLAN 1992 TO 1995 STRATEGY AND ACTION PLAN SHEET

DEPARTMENT

(1) CORPORATE MISSION	(2) OBJECTIVES	(3) STRATEGY	(4) OFFICER RESPON- SIBLE	(5) NECESSARY ACTION	(6) TARGET COMPLETION DATE(S)	(7) REPORTS TO BE SUBMITTED PRODUCED	(8) TARGET SUBMISSION DATE(S)	(9) FOLLOW-UP ACTION	(10) OFFICER(S) RESPONSIBLE FOR FOLLOW-UP	(11) TARGET COMPLETION DATE FOR FOLLOW- UP ACTION
	4. Achieve an Effective and Integrated Management Information System.	. Strengthen and increase reliability of management reporting system.	Internal Audit Manager	. Ensure that all daily, weekly, monthly, quarterly and annual management information reports including - Trial balances - Final Accounts - Cash Budgets - Bank Reconciliation statements - Staff Performance Reports - Evaluation Reports - Sales Reports - Production Reports - Staff Training reports - Other Reports are submitted on time as spelt out in this corporate plan.	Daily, weekly, monthly, quarterly or annually as specified in the corporate plan up to 31/12/95.	Management information reports called for in the Corporate Plan 1993-1995.	Not later than various times specified in corporate plan.	. Ensure that all reports that are not submitted in accordance with the deadlines spelt out in the corporate plan in any period are promptly submitted in subsequent periods and arrange for lapses in report submission to be made known to the General Manager for corrective action.	Internal Audit Manager	Continue to ensure prompt submission of all management information reports up to 31/12/95.

INTERNAL AUDIT 5

UNITED GARMENT INDUSTRY LIMITED CORPORATE PLAN 1992 TO 1995 STRATEGY AND ACTION PLAN SHEET

DEPARTMENT

(1) CORPORATE MISSION	(2) OBJECTIVES	(3) STRATEGY	(4) OFFICER RESPON- SIBLE	(5) NECESSARY ACTION	(6) TARGET COMPLETION DATE(S)	(7) REPORT(S) TO BE SUBMITTED PRODUCED	(8) TARGET SUBMISSION DATE(S)	(9) FOLLOW-UP ACTION	(10) OFFICER(S) RESPONSIBLE FOR FOLLOW-UP	(11) TARGET COMPLETION DATE FOR FOLLOW- UP ACTION
	5. Strengthen Internal Audit Section into Department.	Re-organise Internal Audit section to ensure greater effectiveness and efficiency during the plan period.	Internal Audit Manager	<ul style="list-style-type: none"> Liaise with Personnel Manager for creation of sections for Internal Audit-Operations and Internal Audit-systems. Assign an Internal Audit Assistant to handle investigations. Re-designate various positions within department as appropriate. Train personnel in department on:- <ul style="list-style-type: none"> Computers Systems analysis, internal control investigations and report writing. 	<ul style="list-style-type: none"> By 31/5/93. By 31/5/93. Commence immediately and continue up to 31/12/95. 	<ul style="list-style-type: none"> Memorandum to Personnel Manager/Company Secretary on proposed re-organisation of the Audit Section. Letter to assign duties to Internal Audit Assistant Letters to staff who will be redesignated Training progress reports to Personnel Administrative Manager. 	<ul style="list-style-type: none"> 31st Dec. 1991. 31st Aug. 1993. 31st Aug. 1993. As and when necessary during plan period up to 31/12/95. 	<ul style="list-style-type: none"> Ensure staff perform effectively and efficiently in their new positions. Ensure vacancies are filled. Train staff as necessary to make them more effective and efficient in their new positions Ensure staff follow structured training programmes to improve their skills and knowledge particularly on computers. 	<ul style="list-style-type: none"> Internal Audit Manager Internal Audit Manager Internal Audit Manager Internal Audit Manager 	<ul style="list-style-type: none"> 30th June, 1997. 31st Dec. 1992. Continue with training up to 31/12/95. Arrange structured training programmes up to 31/12/95.

INTERNAL AUDIT 6

UNITED GARMENT INDUSTRY LIMITED CORPORATE PLAN 1992 TO 1995 STRATEGY AND ACTION PLAN SHEET

DEPARTMENT

(1) CORPORATE MISSION	(2) OBJECTIVES	(3) STRATEGY	(4) OFFICER RESPON- SIBLE	(5) NECESSARY ACTION	(6) TARGET COMPLETION DATE(S)	(7) REPORTS(S) TO BE SUBMITTED PRODUCED	(8) TARGET SUBMISSION DATE(S)	(9) FOLLOW-UP ACTION	(10) OFFICER(S) RESPONSIBLE FOR FOLLOW-UP	(11) TARGET COMPLETION DATE FOR FOLLOW- UP ACTION
	6. Secure sufficient funding to cover all activities of the Department.	. Prepare Departmental Budget.	Internal Audit Manager	. Complete standardized Budget Form . Submit complete form to Chief Accountant for consolidation with draft budgets of other departments. . Attend Budget hearings meetings.	31st Oct. yearly up to 31/12/95. 30th Nov. yearly up to 31/12/95.	Completed Budget proposal form to Chief Accountant.	15th November yearly up to 31/12/95.	. Revised departmental budget based upon comments made at budget hearing meetings and re-submit final draft departmental budget proposals to the Chief Accountant. . Obtain approved copy of budget.	Internal Audit Manager Internal Audit Manager	30th November yearly up to 31/12/95. By 5th January yearly up to 31/12/95.

CHAPTER 4.0.
PROGRAMME OBJECTIVES

FINANCE AND ACCOUNTING REPORT ON UNITED GARMENT INDUSTRIES LIMITED

4.0. PROGRAMME OBJECTIVES

It was expected that by the end of the programme, the Chief Accountant of **United Garment Industries Limited (UGIL)** and his two subordinates working closely with the **IMAS Consultant** as facilitator would be able to do the following:-

4.1. DEVELOP A COST ACCOUNTING SYSTEM WHICH WILL:

- a) ensure that cost of finished products will not transfer any cost of inefficiencies in production, material handling and valuation, to the ultimate consumer;
- b) provide flexible cost structures that will not only facilitate pricing of the finished goods but also enable cost-volume-profit relationships of product lines to be determined periodically, and at varying levels of capacity utilization;
- c) be adaptable to computerization;
- d) adopt methods of process costing and job order costing suitable for customised products and special one-off orders, respectively.

4.2. DEVELOP A BUDGETING SYSTEM FOR UGIL WHICH WILL:

- a) create responsibility accounting;
- b) motivate high performance by all functions in the areas of cost reduction and profit maximization;
- c) provide instant checks and halts on unplanned spending;
- d) be adaptable to computerization;
- e) provide a feedback mechanism for actual departmental performance in relation to planned performance sanctioned for annual profit plans;

4.3. **DEVELOP AN IMPROVED REPORTING SYSTEM WHICH WILL:**

- a) be capable of identifying and reviewing management information needs at all times;
- b) prescribe management information report formats for all responsibility centres indicating levels and frequency of reporting;
- c) be adaptable to computerization;
- d) set target reporting dates;
- e) provide opportunities for feedback on reports.

4.4. **DEVELOP A DETAILED CONTROLLING SYSTEM WHICH WILL:**

- a) utilise an effective financial and management accounting systems and procedures well suited for capturing data required in the processing of basic periodic financial information mainly:-
 - Profit and Loss Account
 - Balance Sheet and
 - Statement of Source and Application of Funds;
- b) enhance management control of operations through exception reporting through highlighting deviations of actual performance from planned performance within a budget period;
- c) demand periodic and timely analysis of the Company's business situation in terms of its liquidity, profitability and solvency.

4.5. **DEVELOP A FINANCIAL PLANNING SYSTEM WHICH WILL:**

- a) enhance top management control of enterprise cash and working capital through the following:-
 - the preparation of weekly, monthly, quarterly and annual cash budgets and more importantly, monthly working capital budget.
 - the preparation of debtors monthly ageing analysis.
 - the preparation of monthly analysis of raw material and consumables in stock, identifying obsolete stock, damaged stock and assigning reasons for the conditions of each class of stock.

- *the preparation of monthly analysis of work-in-progress, assigning reasons for locking up capital in uncompleted jobs or process.*
- *the preparation of monthly analysis of finished goods stock at current selling prices, indicating corresponding realizable mark-ups and unrealised sales taxes, if any.*

b) enhance tax planning.

4.b. **DEVELOP A LIQUIDITY CONTROL SYSTEM WHICH WILL:**

- a) provide an ideal measure of the extent to which the Company should be deemed prepared to satisfy all maturing financial obligations under both normal and abnormal operating conditions.

CHAPTER 5.0.

SUMMARY OF RECOMMENDATIONS

5.0. SUMMARY OF RECOMMENDATIONS

5.1. PRODUCT COSTING

- 5.1.1. A hybrid of Process and Job Order Costing methods should be adopted as appropriate in determining the finished cost of each batch produced.
- 5.1.2. Accounting for the production of each product line should be on the basis of batches.
- 5.1.3. Realizable incomes from the sale of production wastes should be applied to reduce actual cost of input raw material charged to Work-in-Process Accounts. The treatment of realizable incomes from waste sales as sundry income should be discontinued forthwith.
- 5.1.4. The issue of raw materials and other sub-materials to production should be done on the method of Last-In-First-Out (L.I.F.O).
- 5.1.5. The production of plant Daily Labour Usage Report should be commenced as the basis of capturing actual labour cost per each production batch.
- 5.1.6. Machine hour rates should be adopted as the basis for absorbing production fixed overhead cost.
- 5.1.7. For more effective results, the recommended costing and inventory control system should be computerised.

5.2. **WORKING CAPITAL MANAGEMENT**

- 5.2.1. Monthly stock taking should be carried out as a matter of policy.
- 5.2.2. Materials Requirement Planning System should be adopted for closer co-ordination between inventory control and production control.
- 5.2.3. A Perpetual Inventory Control System should be adopted for immediate use.
- 5.2.4. Monthly preparation of Ageing Schedule for accounts receivables should be commenced immediately.
- 5.2.5. UGIL's Management should establish a policy on its Accounts Receivables to take account of cash and trade discounts, creditworthiness of customers, and levying of penalty on overdue accounts.
- 5.2.6. In order to improve upon the financial planning and working capital management, weekly, monthly, quarterly and annual cash budgets should be prepared.

5.3. **BUDGETING SYSTEM**

- 5.3.1. A Budget Committee should be formed to, inter alia, formulate broad guidelines for the preparation of UGIL's annual budgets.

5.4. **FINANCIAL ACCOUNTING**

- 5.4.1. There should be a permanent Fixed Assets Register for the Company.
- 5.4.2. The new Chart of Accounts should be modified with the assistance from PIES in order to be more suitable. Monthly Variance Analysis should be emphasized.

CHAPTER 6.0.
**REVIEW OF FINANCIAL AND
ACCOUNTING OPERATION**

6.0. REVIEW OF FINANCIAL AND ACCOUNTING OPERATION

6.1. REVIEW METHODOLOGY

6.1.1. The methodology employed by the Consultant consisted of:

- (i) a series of interviews with the Internal Audit staff.
- (ii) a series of interviews and discussions with the Chief Accountant and the Financial Accountant.
- (iii) a continuous interaction with the Company's Senior Statistician and the Assistant Cost Accountant as well as all the general accounting staff.
- (iv) series of interviews with the Production Manager, the Spinning Specialist, the Chief Engineer, the Stores Superintendent and all the Assistant Managers and Supervisors in the Production and Marketing Departments.
- (v) a study of the data flow through the operations of the Company, (Appendix I).
- (vi) a working visit to the two UGIL retail shops in Kampala.

6.1.2. Critical analysis of the existing operation systems was conducted within the constraint of the Consultants time. Several problem areas were identified as a result, and these have been provided with the Consultants recommended solutions for improvements deemed necessary.

6.1.3. Prominent among the identified problem areas was the complete lack of cost centres in the costing system. Other problems included the following:-

- The lack of a realistic method of costing for the finished goods.
- The method of controlling raw material issues from the raw material stores to the Production.
- The method of controlling production labour cost.
- The method of controlling factory overhead cost.
- Working capital management.
- General planning for working capital needs.

6.1.4. Appropriate Cost Centres have been evolved for all the major production activities in the factory. The steps followed in the determination of the cost centres included the following:-

- initially identifying relevant profit centres.
- specifying the product lines of the profit centres.
- flowcharting the processes involved in the manufacture of the specified product lines
- defining the appropriate product costs to be measured for the manufactured product lines.
- highlighting the main features of the product cost and stating the objectives of the cost.
- physically observing production runs at each section of the Production Department with a view to identifying actual sectional cost elements and the suitability for cost centre creation.

6.1.5. Throughout the foregoing phases, the Senior Statistician and the Assistant Cost Accountant actively participated. Acting as a facilitator, the Consultant assisted the participants to eventually evolve the maiden cost centres of the factory into which they would be measuring the unit costs of various product lines.

6.1.6. In the course of the cost centre development, opportunities for cost reductions were identified. These have been addressed in the final design of the recommended methods of product costing. The Chief Accountant and the Financial Accountant were also engaged in the discussion of the practicabilities of the recommendations made for the improvements in the identified problem areas.

6.2. REVIEW OF THE COST ACCOUNTING SYSTEM

- 6.2.1. The existing Cost Accounting System is not integrated with the financial accounting system. The only interface provided by the system is in the area of keeping subsidiary records in support of stock accounts, mainly, raw material, work-in-progress and finished goods.
- 6.2.2. The keeping of the raw material stock subsidiary record entails keeping detailed stock cards on each item of raw material from the point the purchased goods are received into the store up to the time requisition are made for raw material requirements. No method exists for recording the cost of issues to production.
- 6.2.3. It also records the movement of finished goods stock from the Work-In-Progress (W.I.P) account, but fails to account for what actually goes into the W.I.P Account before the transfers of products.
- 6.2.4. The only semblance of costing activity in the Company is in estimating a product cost for pricing purposes under an existing cost plus method of pricing. This is usually done upon request from either the Design Section or the Marketing Department for the purpose of producing and delivering specific job on a customer's orders.
- 6.2.5. In order to determine the estimated cost per unit of goods to be manufactured, the estimator prepares a statement on a cost sheet detailing the following:-
- The cost of raw materials required according to the design specifications, at the latest purchase price.

<u>Entry</u>	<u>: By Journal</u>	Dr.	Cr.
	Debit : Factory Fixed Overhead Control	57,012	
	Credit: Machine Depreciation Provision Account		57,012
	Debit : Factory Fixed Overhead Control	591	
	Credit: Land and Building Depreciation Provision		591
	Debit : Factory Fixed Overhead Control	1,812	
	Credit: Supervisory Charge		1,812

By Ledger Posting

Factory Overhead Control	Machine Depr. Provision
Machine Depr. 57,012	Factory O/H Ctrl. 57,012
Land & Buildg Depr. 591	Land & Buildg Depr. Prov.
Supervisor Charge 1,812	Factory O/H Control 519
	Supervisory Charge
	Factory O/H Control 1,812

7.3.16. **Recommended Steps to Follow in Accounting for Factory Fixed Overhead**

Select a cost allocation base (*otherwise known as cost application base*). This should serve as a common denominator for all products depending on the factory plant being considered, eg. Spinning Plant, C.M.T Plant.

7.3.17. A cost application or allocation base is the common denominator for systematically relating a factory overhead with products.

7.3.17. The application base should be the most appropriate measure of the cause and effect relationship between overhead costs and production volume.

7.3.18. At UGIL, the recommended cost allocation bases are as follows:-

<u>Plant</u>	<u>Recommended Cost Allocation Base</u>
(i) Spinning	Machine Hours
(ii) Knitting/Bleaching/Dyeing	Machine Hours
(iii) C.M.T	Labour Hours
(iv) Trousers Plant	Labour Hours
(v) Jacket Plant	Labour Hours

7.3.19. Prepare a factory overhead budget for one year, detailing the individual overhead items like machine depreciation, supervisory charge, insurance, property rates and taxes, etc. At the same time, prepare a budget for the total volume of the application base, eg. 20,000 machine hours, 50,000 labour hours.

7.3.20. Compute the budgeted factory overhead rate by dividing the budgeted total overhead by the budgeted application base.

7.3.21. Obtain the actual application base data (*such as machine-hours or direct-labour hours*) as the year unfolds.

- 7.3.22. Apply the budgeted overhead to the products in the process accounts by multiplying the budgeted rate times the actual application base data.
- 7.3.23. At the year end, the Chief Accountant should account for any difference between the amount of overhead actually incurred and overhead applied to products.

CHAPTER 8.0.

WORKING CAPITAL MANAGEMENT

8.0. WORKING CAPITAL MANAGEMENT

8.1. GENERAL OBSERVATIONS

- 8.1.1. Working capital needs of UGIL has for a very long time been a source of concern for the successive managements of the Company.
- 8.1.2. Varied reasons have been adduced for the problem of working capital, including for example, the effect of massive looting of the movable parts of the factory equipment during the two successive civil wars in the country before 1986.
- 8.1.3. The Consultants however believe that lack of a clear understanding of the relationship between one component of working capital and another is one contributing factor to the problem of working capital. Another factor is lack of understanding of UGIL's working capital relationship with its source and application of funds statement.
- 8.1.4. In the opinion of the Consultants, an effective management of UGIL's working capital should commence with a clear insight of the Company's Working Capital Cycle. Figure 8.1 depicts the cycle. *(Please see next page)*.
- 8.1.5. The success at managing the working capital will depend on the concurrent management of the major components of working capital, viz, Inventory, Accounts Receivable and Cash.

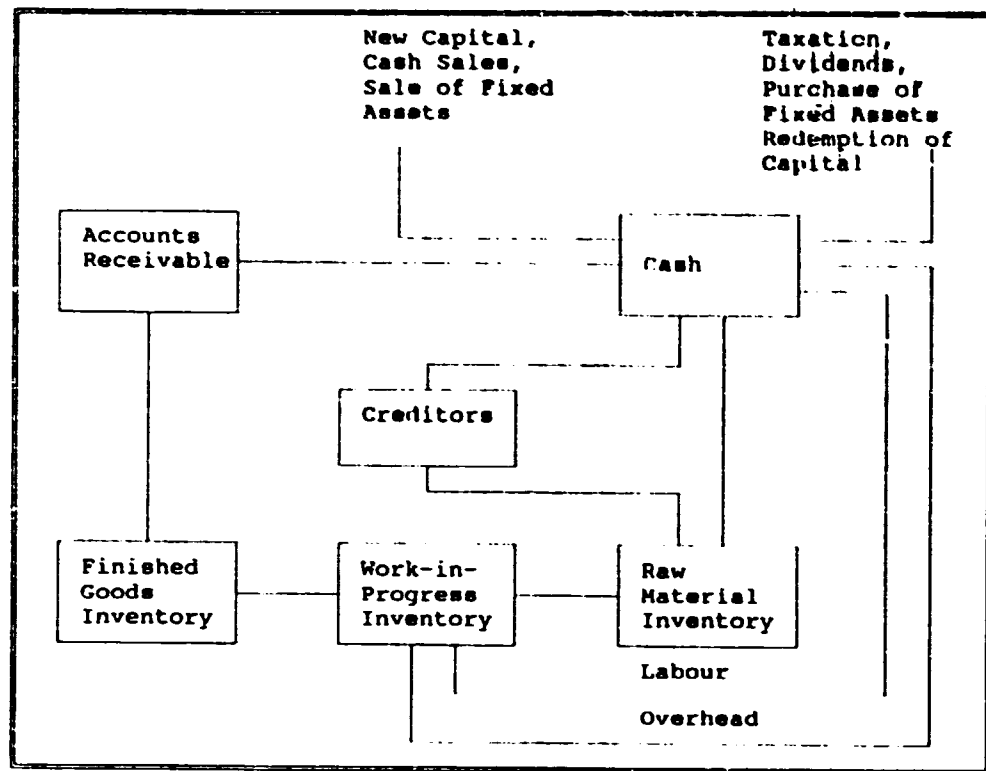


FIGURE 8.1 : Working Capital Cycle

8.2. INVENTORY MANAGEMENT

- 8.2.1. In the opinion of the Consultants, UGIL's objective of the control of raw materials should be to satisfy the customer by meeting the schedule for deliveries.
- 8.2.2. Failure to deliver on time has been one principal cause for loss of business and customers.

- 8.2.3. Effective control of the raw materials throughout the manufacturing cycle should be pursued in order to prevent this problem from arising.
- 8.2.4. Specifically, the maintenance of optimum inventory levels and inventory turnover for UGIL's operation at maximum profit will be achieved through the control of inventories to ensure that the right material, in the right quantity and of the right quality is made available at the right plant at the right time.
- 8.2.5. Inventories represent a financial investment, i.e. the purchase price paid for the material, the cost of labour applied to goods that are in process or finished, and the cost of handling and storage.
- 8.2.6. The planning of optimum inventory levels by inventory management requires close cooperation with the marketing function.
- 8.2.7. Market trends should be predicted accurately and inventory levels adjusted - increased when increased sales are anticipated and decreased when lower sales volume can be foreseen.
- 8.2.8. Large inventories in the face of declining sales mean lower profits. Small and inadequate inventories in the face of an increasing marketing demand may result in the loss of sales to competitors and a decreased profit.
- 8.2.9. The use of a ratio of the investment in inventories to operating profit may be used as a guide in establishing optimum inventory levels for all classes of inventory on a historical basis.

8.2.10. It is pertinent to emphasize however, that the optimum inventory is not necessarily either the minimum or the maximum level of inventory; nor is it the operation at a maximum inventory turnover.

8.2.11. Inventory turnover, a very common index of inventory control, is equal to the ratio of the value of the finished products sold out to the average investment in inventory for the same period.

$$\text{Inventory Turnover} = \frac{\text{Value of Finished Products Sold}}{\text{Value of Average Inventory}}$$

8.2.12. Obviously, the higher this index, the lower the inventory levels and the lower the cost of maintaining the inventories. Also, it is obvious that a high index indicates a shorter manufacturing cycle with all the saving inherent therein.

8.3. THE CASE FOR THE ADOPTION OF MATERIALS REQUIREMENT PLANNING CONCEPT (MRP)

8.3.1. At UGIL, the only known approach to inventory management and control has depended largely on the determination of reorder points and Economic Order Quantities or Economic Manufacturing Quantities (EMQ).

8.3.2. The fundamental assumption underlying these order point and EMQ system is that each item in inventory is independent of all other items and can be ordered independently. This may be true in some instances.

8.3.3. However, in the case of UGIL, this system has not really worked well in the past leading to uncoordinated material inputs purchases.

- 8.3.4. Consequently, in the CMP Plant, for instance, huge amounts of working capital have been locked up in work-in-progress inventory because of lack of sewing thread and mere packaging materials.
- 8.3.5. On the contrary, production materials at UGIL are definitely dependent on each other.
- 8.3.6. Accordingly, the adoption of a system that permits the calculation of future raw material demands co-ordinated in time according to when they are required on the production line need not be overemphasized.
- 8.3.7. In the view of the Consultants, the adoption of a Materials Requirement Planning System is recommended. The co-ordinating role of MRP is shown in the Figure 8.2 below.

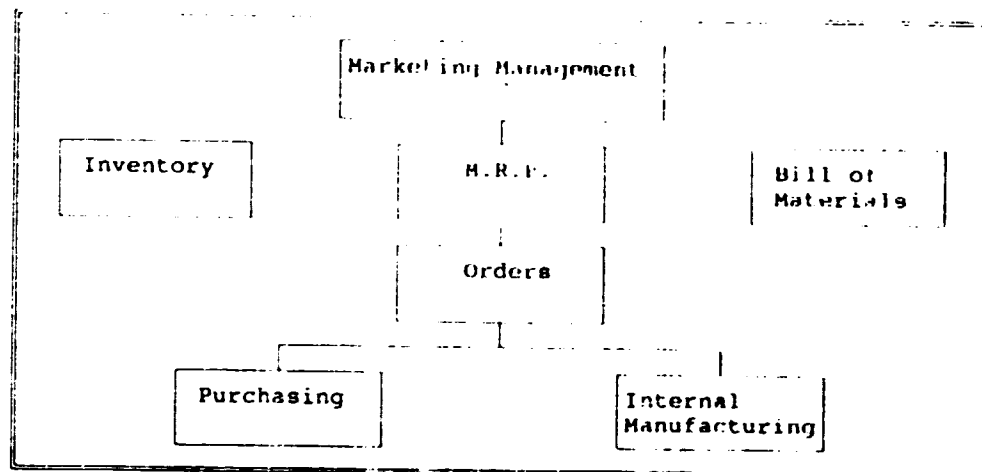


FIGURE 8.2 : The Co-ordinating Role of M.R.P.

- 8.3.8. Inputs from marketing management would be customer orders and orders to produce just-in-time quantities for stock in order to meet a seasonal demand, eg. school uniforms.
- 8.3.9. In this connection, basic inventory information should be provided by regular inventory records.
- 8.3.10. M.R.P would then co-ordinate the above information with a bill of materials, usually prepared by Production Department.
- 8.3.11. The bill of material should not simply be a list of material required; it should be structured, that is, it must indicate the manner in which a product is put together from the raw material state into the final stage.
- 8.3.12. The items listed can be time phased and made into a master schedule which becomes the prime tool of MRP.
- 8.3.13. A master schedule in turn can generate material and capacity requirements over a period of time, taking into account, the interdependency of these requirements.
- 8.3.14. As shown in figure 8.2 above, MRP then issues order for materials either through purchasing or through the internal manufacturing facility.
- 8.3.15. Through a proper computer programming, the MRP system can be handled easily into the result that Managers can devote their time to managing production rather than tracing material.

8.3.16. The merits of MRP apart from adaptability and computerization include the following:

- (i) *Emphasis is placed not only on having the right quantity of an item but also having it at the right time as required in the production cycle.*
- (ii) *M.R.P is concerned not only with inventory levels but is also tied in closely with the function of production planning and control, which deals with the flow of materials through the actual production process.*
- (iii) *M.R.P offers the opportunity for closer co-ordination between inventory control and production control with attendant savings in costs as well as improvements in meeting customer delivery dates.*

8.4. PURCHASING AND CONTROL OF MATERIALS AT UGIL

8.4.1. Control of the flow of incoming material is an important responsibility of the Purchasing Committee of UGIL.

8.4.2. The primary goals of the purchasing function are twofold viz:-

- to contribute towards the profits of the manufacturing activity, and
- to ensure the availability of materials so that delivery schedules can be maintained, thus keeping the customer satisfied.

8.4.3. In order to support the above goals, the following specific objectives must be met:-

- (i) *Procurement of the right material, in the right quantity and of the right quality.*
- (ii) *Receipt or delivery of this material at the right place and at the right time.*
- (iii) *Purchase of the material from the right source and at the right place.*

8.5. **PURCHASING PROCEDURE**

- 8.5.1. The Company's profits are affected by good purchasing practices based upon sound principles.
- 8.5.2. For effective industrial purchasing, the Purchasing Committee or the purchasing function should be assigned the full responsibility and authority for the determination of the sources of supply and the price to be paid.
- 8.5.3. In this connection, the following 10-step procedure is recommended:-
- (i) Receipt and analysis of the purchase requisition
 - (ii) Selection of potential sources of supply
 - (iii) Issuance of request for quotations
 - (iv) Receipt and analysis of quotations
 - (v) Selection of the right sources
 - (vi) Determination of the right price
 - (vii) Issuance of the purchase order
 - (viii) Follow up to ensure scheduled delivery
 - (ix) Analysis of receiving reports
 - (x) Analysis and approval of supplier's invoice for payment

8.6. **RECOMMENDED INVENTORY CONTROL SYSTEM**

- 8.6.1. The problem of UGIL's control of manufacturing inventories is basically typical of problems in industrial communications.
- 8.6.2. The complexity of the system is directly proportional to the number of items in the inventories and the number of transactions that have to be recorded to keep abreast of the movement of the material.

7.3.13. In the Blowing/Carding Cost Centre idle time, redundant or unproductive labour cost for a month can be revealed by comparing the actual cost of labour consumed with the total salary and wages payable per month, based on the approved payroll for the cost centre.

7.3.14. The required accounting would be as follows:-

Transaction: Payroll for Blowing/Carding Cost Centre for the month of May: USH. 10,000

Entry	:	By Journal		Dr.		Cr.
			Debit :	Labour Cost Control A/C	10,000	
			Credit:	Salary and Wages Payable Account		10,000

By Ledger Posting	
Labour Cost Control A/C	Salary & Wages Payable A/C
Salary and Wages Payable 10,000	Labour Cost Control 10,000

8.6.3. In order to ensure the availability of inventory items at all times at UGIL, a close control through a system which will ensure that a new inventory figure is determined after each transaction, ie. receipt and issues, cannot be overemphasized.

8.6.4. To this end, the Consultants recommend a system of perpetual inventory for immediate use. Such a system should be administered through the provision of the following basic information:-

- (i) **On Order**
This part of the record shall show the quantity of material ordered but not received. New orders shall be added in this column and receipts subtracted.
- (ii) **Received**
All receipts shall be posted here; there shall be no balance quantity in this column.
- (iii) **On Hand**
This balance figure shall represent the quantity of the item that should be in the stock room. Receipts shall be added to this column and issues subtracted.
- (iv) **Issued**
A record of all quantities to be issued to the factory shall be entered in this column.
- (v) **Allocated**
In this column, there shall be entered the quantities to be reserved for later issue for specific orders. Reserving of materials still in the stock room will ensure their availability when they shall be on the manufacturing floor.

- 7.3.15. The entry in the Variable Overhead Control Account should normally be preceded by the entry of the charge for meter readings. All ascertained value should be credited to the U.E.B Account and debited to the Variable Overhead (Power) Control Account.

Transaction: Factory Overhead Incurred: USh. 59,415

Analysis : For the individual factory fixed overhead accounts these should first be budgeted. An absorption rate should then be determined on the basis of an appropriate cost driver, eg. machine hours, labour hours or labour cost.

Relevant Fixed Overhead in Process 1 include:

- Machine Depreciation
- Land and Building Depreciation and
- Supervisory Charge.

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- 8.6.5. In order to achieve effective control of inventory items, perpetual comparison of the above levels of inventory should be made to the planned levels of inventory determinable through the Materials Requirement Planning System recommended in section 8.3.7 above.
- 8.6.6. Whenever any significant variation is revealed it must be immediately investigated and a purchase requisitioned or shop order originated which information shall be recorded in the "On Order" column.
- 8.6.7. The merit of this system is that, properly operated, there shall never be any resultant over or under supply of inventory item resulting in constant flow of production activity.

8.7. RECOMMENDED INDUSTRIAL DOCUMENTATION

- 8.7.1. In order to forestall the observed problem of industrial communication in the matter of control of manufacturing inventories, five (5) basic communication forms have been recommended as follows. These forms shall be the principal sources of basic data in inventory control.

10.0. REPORTING SYSTEM

10.1. EXISTING SYSTEM

10.1.1. The main management information produced by the System consist of the year-end Profit and Loss Accounts, the Balance Sheet and the Statement of Source and Application of Funds. In addition, there used to be a Monthly Plant Manufacturing Account but this has not been prepared for well over one year.

10.1.2. The identified defects with the said Manufacturing Account (Appendix 9) are as follows:-

- (i) *Payroll payments are erroneously included in the cost of production instead of actual cost of labour usage in production.*
- (ii) *Factory fixed overheads is completely excluded from the determination of the actual cost of production.*

10.1.3. The effect of the above defects is that the true cost of the finished product is grossly misstated.

10.2. PROPOSED MANUFACTURING REPORTING FORMAT

10.2.1. In order to reflect the actual cost of labour consumed and the true factory fixed overhead in the cost of manufactured product, the proposed format as per Appendix 10 is recommended.

10.2.2. The total cost of producing the goods must be transferred to the finished goods stock account from which transfers will be made to cost of sales account when sales are eventually made.

10.2.3. The PIES Financial Manual incorporates specified accounting and financial reporting system. These should be referred to for the purposes of meeting the new reporting requirements of the Company.

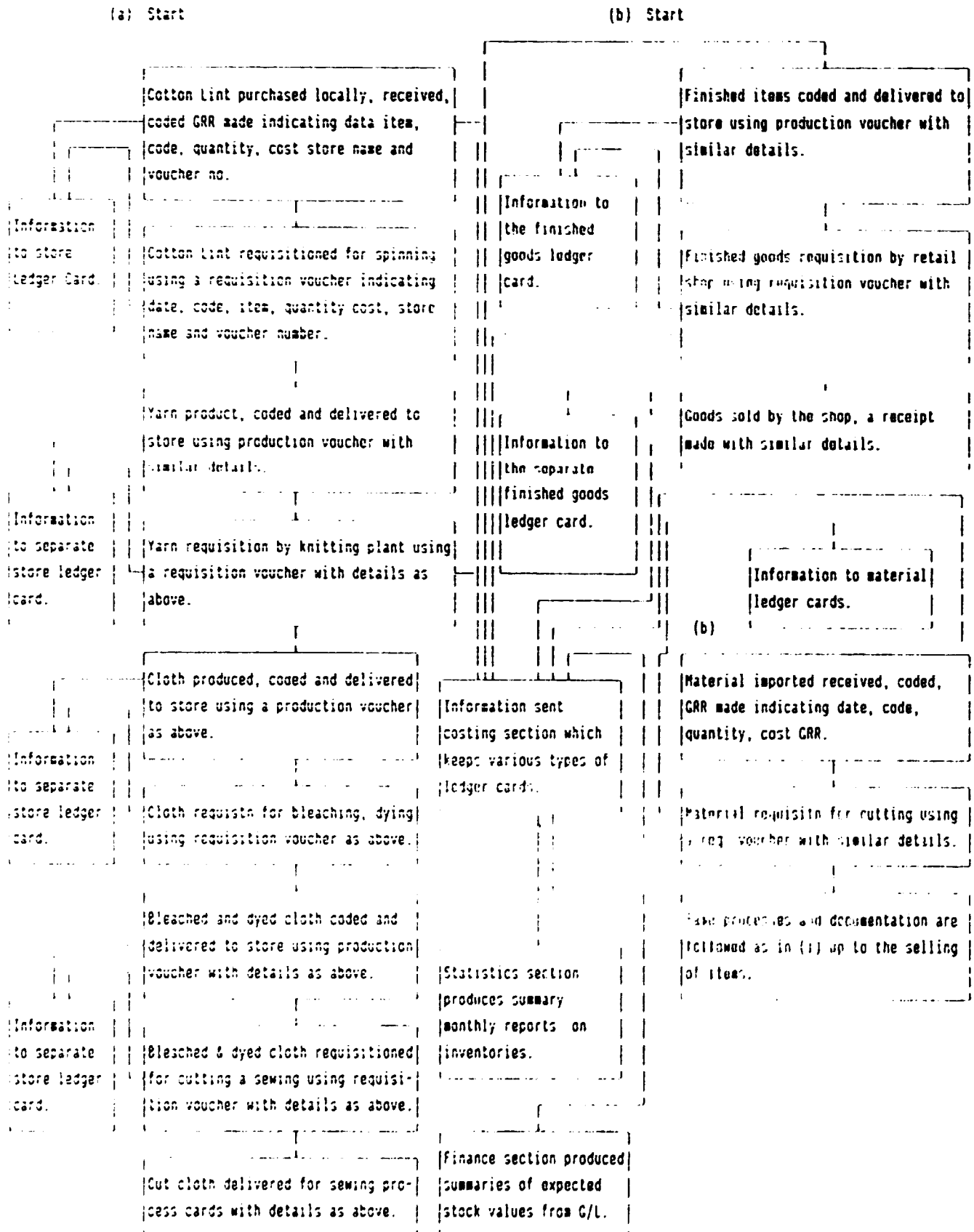
10.2.4. It is however pertinent to mention that the contribution approach to the income statement and to the problems of cost allocation should be emphasized on monthly basis. In this way, the Management of UGIL would be helped to evaluate performance and make decisions.

10.3. **NON-FINANCIAL PERFORMANCE MEASURE**

10.3.1. The following measures should be instituted in addition to the usual financial measure:

- Percentage of products delivered on time
- Number of defective units produced
- Set up time for a batch of production
- Average time from order to delivery, and
- Kilogram of output per direct-labour hour

UNITED GARMENTS INDUSTRIES LIMITED
PRESENT PROCESSES AND INFORMATION FLOW DIAGRAM



UNITED GARMENT INDUSTRY LIMITED

PRICING METHOD: LIFO

STORE ITEM: COTTON LINT (in bales)

DATE	DESCRIPTION	RECEIPTS			ISSUANCE			BALANCE*	
		QTY	RATE	VALUE	QTY	RATE	VALUE	QTY	VALUE

NB: * Any difference on this balance should be charged
charged to an Inventory Variation Account.

UNITED GARMENT INDUSTRY LIMITED

CASH BUDGET: WEEK ENDING

PREVIOUS WEEK ENDED (ACTUALS)	DETAILS OF CASH FLOWS	MONDAY	TUESDAY	WED.	THURS.	FRIDAY	TOTAL	COMMENTS
	<u>Inflows:</u> Cash Sales Debtors Collections Loans Wastes Sales Scraps Sales							
	TOTAL							
	<u>Outflows:</u> Factory Expenses Admin. Expenses Selling Expenses Finance Expenses Creditor Obligation Capital Expenditure							
	TOTAL							
	Net Cash Flow							
	Opening Balance/(O/D)							
	Closing Balance/(O/D)							
	<u>Closing Details:-</u> Cash Bank A ... Bank B ... Bank C ...							

UNITED GARMENT INDUSTRY LIMITED

CASH BUDGET: MONTH ENDING

PREVIOUS MONTH ENDED (ACTUALS)	DETAILS OF CASH FLOWS	WEEK 1	WEEK 2	WEEK 3	WEEK 4	WEEK 5	TOTAL	COMMENTS
	Inflows: Cash Sales Debtors Collections Loans Wastes Sales Scraps Sales							
	TOTAL							
	Outflows: Factory Expenses Admin. Expenses Selling Expenses Finance Expenses Creditor Obligation Capital Expenditure							
	TOTAL							
	Net Cash Flow							
	Opening Balance/(O/D)							
	Closing Balance/(O/D)							
	Closing Details:- Cash Bank A ... Bank B ... Bank C ...							

UNITED GARMENT INDUSTRY LIMITED

CASH BUDGET: QUARTER ENDING

PREVIOUS QUARTER ENDED (ACTUALS)	DETAILS OF CASH FLOWS	MONTH 1	MONTH 2	MONTH 3	TOTAL	COMMENTS
	<u>Inflows:</u> Cash Sales Debtors Collections Loans Waste Sales Scrap Sales					
	TOTAL					
	<u>Outflows:</u> Factory Expenses Administrative Expenses Selling Expenses Finance Expenses Creditor Obligation Capital Expenditure					
	TOTAL					
	Net Cash Flow					
	Opening Balance/(O/D)					
	Closing Balance/(O/D)					
	Closing Details:- Cash Bank A ... Bank B ... Bank C ...					

UNITED GARMENT INDUSTRY LIMITED
CASH BUDGET: YEAR ENDING

PREVIOUS YEAR ENDED (ACTUALS)				DETAILS OF CASH FLOW	CURRENT YEAR				COMMENTS
QTR. 1	QTR. 2	QTR. 3	QTR. 4		QTR. 1	QTR. 2	QTR. 3	QTR. 4	
				<u>Inflows</u> Same details as above					
				<u>Outflows</u> Same as above					
				TOTAL					
				Net Cash Flow					
				Opening Bal./(O/D)					
				Closing Bal./(O/D)					
				Closing Details:- Cash Bank A ... Bank B ... Bank C ...					

UNITED GARMENT INDUSTRY LIMITED
MANUFACTURING ACCOUNT FOR AUGUST 1977
KNITWEAR PLANT

PRODUCTION IN UNITS:-

KEY: (F) = Favourable
 (A) = Adverse
 (*) = Unspecified Budget-wise

PARTICULARS	TOTAL	CLOTH	SUBMATERIAL	ACC & PACKG	CHEMICALS	LABOUR	DUTY
Opening W.I.P	416,146.96	344,751.69	14,183.81	26,494.88	8,981.16	20,834.40	898.02
Add: Stores Issues	244,564.80	196,481.52	13,090.07	13,652.19	9,026.44	-	12,314.58
Add: Payroll Payments	21,895.20	-	-	-	-	21,895.20	-
Less: Waste Material Sales	606.25	606.25	-	-	-	-	-
Less: Closing W.I.P	577,217.25	495,365.26	12,478.98	21,157.53	6,534.03	36,672.28	5,009.17
Actual Cost of Production	104,783.46	45,261.70	14,794.90	18,989.54	11,473.57	6,060.32	8,203.43
Less: Production at Standard	187,902.38	135,625.50	5,196.38	12,444.38	3,944.95	26,938.95	3,752.22
Manufacturing Usage Variance	(83,118.92)F	(-90368.80)F	(9,598.52)A	(6,545.16)A	(7,528.62)A	(20,878.63)F	(4,451.21)A
Actual Cost of Production	104,783.46	45,261.70	14,794.90	18,989.54	11,473.57	6,060.32	8,203.43
Less: Production at Budget	591,620=	447,600=	44,940=	35,080=	-	64,000=	-
VARIANCE	(-486,836.54)	(-402338.30)	(-30145.10)	(-16090.46)	-	(-57,939.68)	-

UNITED GARMENT INDUSTRY LIMITED
MANUFACTURING ACCOUNT FOR THE
MONTH ENDED 19...

P A R T I C U L A R S	TOTAL	DETAILS OF WORK-IN-PROGRESS INPUTS			
Opening W.I.P	xxx				
<u>Add:</u> Stores Issued	xx				
Actual Labour Consumed	xx				
Variable Overhead	xx				
<u>Less:</u> Waste Material Sales	(x)				
	xxx				
<u>Add:</u> Fixed Overhead	xx				
	xxx				
<u>Less:</u> Closing W.I.P	(xx)				
Actual Cost of Production	xxx				
Transferred to Finished Goods Account	xxx				

UNITED GARMENT INDUSTRY LIMITED
BUDGETED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDING
(IN U.SHS '000 + 1 DECIMAL)

Signed By:

C/A

G/M

	ACTUAL CUMMULATIVE 30TH SEPT. ...	ESTIMATED 3 MONTHS TO 31ST DEC.	BUDGET
Budgeted Net Sales
<u>Less:</u> Cost of Sales
Budgeted Gross Profit
<u>Product:</u> Selling General and Adminis- trative Expenses Per Respon- sibility Centres			
<u>MARKETING AND SALES</u>			
SUB-TOTAL			
<u>ACCOUNTING AND FINANCE</u>			
SUB-TOTAL			

APPENDIX 11 CONTD.

	ACTUAL CUMMULATIVE 30TH SEPT.	ESTIMATED 3 MONTHS TO 31ST DEC.	BUDGET
<u>ADMINISTRATION</u>			
SUB-TOTAL			
<u>PERSONNEL</u>			
SUB-TOTAL			
<u>AUDIT</u>			
SUB-TOTAL			
GRAND TOTAL EXPENSES			
BUDGETED NET PROFIT/(LOSS) BEFORE TAX			
TAXATION PROVISION			
BUDGETED NET PROFIT/(LOSS) AFTER TAX			

UNITED GARMENT INDUSTRY LIMITED
SPINNING PRODUCTION COST REPORT
FOR THE MONTH ENDED 31ST MAY, 1992

PROCESS 1 A/C

(FOR COUNT 20'S PRODUCTION)

<u>COST ELEMENTS</u>	<u>INPUT/OUTPUT</u> <u>(Kg)</u>	<u>AVERAGE COST</u> <u>(Kg)</u>	<u>VALUE</u> <u>U.Sh.</u>
Raw Materials Account (Cotton Lint)	369	1750	645,750
Labour Cost Control Account	-	-	4,082
<u>Variable Overhead</u> <u>Cost Control Account</u>			
- Power	-	-	8,356
<u>Fixed Overhead</u> Cost Control Account			
Machine Depreciation			57,012
Building & Land Depreciation			591
Supervisory Charge			1,812
			<u>717,603</u>
<u>Deduct:</u> Normal Loss (5.6% of Input Qty.) and realisable value	(21)		(18,372)
Total Cost of Sliver Output to Account	348		699,231
Transferred to Process 3	348		699,231

In respect of Count 20's production, cost transfers from Process 1 goes directly to Process 3. No Process 2 is involved.

APPENDIX 12 CONTD..

PROCESS 3 A/C

(FOR COUNT 20'S PRODUCTION)

<u>COST ELEMENTS</u>	<u>INPUT/OUTPUT</u> <u>(Kg)</u>	<u>AVERAGE COST</u> <u>(Kg)</u>	<u>VALUE</u> <u>U. Sh.</u>
Transferred Output from Process 1	348	2009.28	699,231
Labour	-	-	13,292
<u>Variable Overhead</u>			
- Power	-	-	63,375
<u>Fixed Overhead</u>			
Machine Depreciation			49,006
Building & Land Depreciation			1,040
Supervisory Charge			3,200

			782,144
<u>Deduct:</u> Normal Loss (3% of Input Qty.) and realisable value	(10)		(10,488)
	---		-----
Total Cost of Yarn Output to Account	338	2283	771,656
Transferred to Yarn Stock A/C	338	2283	771,656
	---		-----

UNITED GARMENT INDUSTRY LIMITED
KNITTING PRODUCTION COST REPORT
FOR THE MONTH ENDED

PROCESS 4 A/C

(FOR COUNT 30'S PRODUCTION)

<u>COST ELEMENTS</u>	<u>INPUT/OUTPUT</u> <u>(Kg)</u>	<u>AVERAGE COST</u> <u>(Kg)</u>	<u>VALUE</u> <u>U.Sh.</u>
Yarn (Raw Material)	246.5		767,234
Labour	-	-	4,602
<u>Variable Overhead</u>			
- Power	-	-	11,049
<u>Fixed Overhead</u>			
Machine Depreciation			21,452
Building & Land Depreciation			1,078
Supervisory Charge			800
	-----		-----
	246.5		806,215
Deduct: Normal Loss (1.99% of Input Qty.) at realisable value	4.9		5,089
	-----		-----
Total Cost of Knitted Fabric Output to Account (Code 3045)	241.6	3316	801,126
Transferred to Process 5 (Bleaching)	241.6	3316	801,126
	-----	-----	-----

APPENDIX 13 CONTD.

PROCESS 1 A/C (FOR SPUN YARN COUNT 30'S PRODUCTION)

<u>COST ELEMENTS</u>	<u>INPUT/OUTPUT</u> <u>(Kg)</u>	<u>AVERAGE COST</u> <u>(Kg)</u>	<u>VALUE</u> <u>U. Sh.</u>
Raw Materials (Cotton Lint)	369	1750	645,750
Labour Cost	-	-	4,082
<u>Variable Overhead</u>			
<u>Cost Control</u>			
- Power	-	-	8,356
<u>Fixed Overhead</u>			
Machine Depreciation	-	-	57,012
Building & Land Depreciation	-	-	591
Supervisory Charge	-	-	1,812
	-----	-----	717,603
Deduct: Normal Loss (5.69% of Input Qty.) and Realisable Value	(21)		(18,372)
	-----	-----	-----
Total Sliver Output Cost to Account	348		699,231
Transferred to Process 2 A/C	348		699,231
	-----	-----	-----

APPENDIX 13 CONTD.

PROCESS 2 A/C

(FOR COUNT 30'S PRODUCTION)

<u>COST ELEMENTS</u>	<u>INPUT/OUTPUT</u> <u>(Kg)</u>	<u>AVERAGE COST</u> <u>(Kg)</u>	<u>VALUE</u> <u>U.Sh.</u>
Transferred from Process 1	348	2009	699,231
Labour	-	-	2,449
<u>Variable Overhead</u>			
- Power	-	-	3,440
<u>Fixed Overhead</u>			
Machine Depreciation			35,614
Building & Land Depreciation			451
Supervisory Charge			1,388
	---		-----
	348		742,573
<u>Deduct: Normal Loss (23.56%</u> <u>of Input Qty.) and</u> <u>Realisable Value</u>	82		41,184
	---		-----
Total Sliver Cost to Account	266	2637	701,388
Transferred to Process 3	266	2637	701,388
	---	---	-----

APPENDIX 13 CONTD..

PROCESS 3 A/C

(FOR COUNT 30'S PRODUCTION)

<u>COST ELEMENTS</u>	<u>INPUT/OUTPUT</u> <u>(Kg)</u>	<u>AVERAGE COST</u> <u>(Kg)</u>	<u>VALUE</u> <u>U.Sh.</u>
Transferred from Process 2	266	2637	701,388
Labour	-	-	13,292
<u>Variable Overhead</u>			
- Power	-	-	16,375
<u>Fixed Overhead</u>			
Machine Depreciation			49,006
Building & Land Depreciation			1,240
Supervisory Charge			3,200
	-----		-----
	266		784,301
<u>Deduct: Normal Loss (7.3%</u> <u>of Input Qty.) and</u> <u>Realisable Value</u>	(19.5)		(17,067)
	-----		-----
Total Yarn Production Cost to Account	246.	3113	767,234
Transferred to Finished Yarn Stock Account (Count 30's)	246.5	-----	767,234
	-----		-----

APPENDIX 13 CONTD..

PROCESS 4: BLEACHING COST REPORT (COUNT 30'S PRODUCTION)

<u>COST ELEMENTS</u>	<u>INPUT/OUTPUT</u> <u>(Kg)</u>	<u>AVERAGE COST</u> <u>(Kg)</u>	<u>VALUE</u> <u>U. Sh.</u>
Knitted Fabric (Code 3045)	241.6	3316	801,126
Labour			2,940
<u>Variable Overhead</u>			
- Water			16,000
- Chemical and Dye Staff			57,122
- Power			16,882
- Furnace Oil			90,000
<u>Fixed Overhead</u>			
Boiler Machine Depreciation			33,038
Building & Land Depreciation			1,401
Supervisory Charge			2,200
	-----		-----
	241.6		1,020,709
<u>Deduct:</u> Normal Loss (2.2% of Input Qty.) at Nil Realizable Value	5.3		-
	-----		-----
Total Cost of Bleached Fabric to Account	236.3	4320	1,020,709
Transferred to Bleached Fabric Stock Account	236.3	4320	1,020,709
	-----	-----	-----

CHAPTER 11.0.
EVALUATION OF CURRENT SITUATION

MARKETING REPORT ON UNITED GARMENT INDUSTRY LIMITED

11.0. EVALUATION OF CURRENT SITUATION

11.1. MARKETS AND MARKETING

- 11.1.1. UGIL products which were broadly grouped into three (3) categories namely, fine yarn, knitted and woven products were sold in both the local and foreign markets.
- 11.1.2. Only high quality knitted products and fine yarn were being exported. The exports were made mainly to Europe, the U.S.A. and Canada.
- 11.1.3. Even though no export order was being processed at the time of the IMAS review exercise, the potential for export, in terms of the magnitude of enquiries was great. Enquiries about T-Shirts and Polo Shirts had been received from several European and African countries, the U.S.A. and Canada.
- 11.1.4. In the local market, UGIL had been and still was the country's leading garment manufacturing Company.
- 11.1.5. During the review exercise, however, increasing competition was being provided by imports including second-hand clothing.
- 11.1.6. It was observed that one of the reasons why the second-hand clothing business was flourishing was the hard economic time the country was passing through.

11.1.7. The woven garments were also facing competition from both imported garments including second-hand clothing and some small scale local garment industries.

11.1.8. The total Uganda population of 16,580,000 a segment of which was providing the local market is broken down as follows:-

Male	-	8,124,700	(49%)
Female	-	8,455,300	(51%)
Children < 15	-	7,958,400	
Adults > 15 < 65	-	8,124,200.	

11.1.9. Even though statistics were not available, at the time of the review, to indicate the size of the competition, UGIL already felt threatened and was lobbying the government to place a ban on the importation of second-hand clothing.

11.1.10 At the time of the review, little or no marketing was being done.

11.1.11 Observations were made including the underlisted that greatly accounted for the no marketing situation:-

- The Marketing Department was weak and understaffed. Even though the department had been upgraded from a "Sales Department" to a Marketing Department, it was still performing only limited sales functions with a staff of 5 at the Head Office comprising the following:-

- . 1 Acting Marketing Manager
- . 1 Marketing Officer in Charge of Sales
- . 1 Field's Salesman
- . 2 Sales Assistants.

- The Acting Marketing Manager was barely 3 months at post, at the time of the review and had no previous experience in that position. The Marketing Officer who had some sales experience was barely a year at post. The two Sales Assistants were junior staff and their roles were limited to receiving and recording sales orders.
- The Department had nothing to do with product development and design. The Production Manager of the Company was deciding what to produce and how much to produce.
- Products prices were determined by the Cost Accountant with no inputs from the Marketing Department.
- In the face of rising costs and increasing competition the Company was still relying on its old and ineffective ways of distributing its products. UGIL maintained its own store outlets. 8 were being operated at the time, down from more than 15 it operated in the mid seventies.
- Promotion was being done on a small scale and limited to mainly Christmas and Easter clearance sales. Advertising was non existent.
- In the area of export, the Company had not been exporting for about a year at the time of the review exercise. This was because the foreign companies buying the products had requested improvement on quality.

11.1.12 In view of the aggressive marketing policies that are expected to be pursued during the plan period, the Marketing Department is to be strengthened with the appointments, in the first year of the plan period, of the following:-

- A substantive Marketing and Sales Manager who has a previous experience in marketing.
- A Marketing Services Officer to be in charge of Research.
- An Export Officer to be in charge of the Export Section of the Department.

CHAPTER 12.0.

DETAILED ANALYSIS AND FINDINGS

12.0. DETAILED ANALYSIS AND FINDINGS

12.1. PRODUCT MIX

- 12.1.1. At the time of IMAS review exercise, Management differed on the number of product items produced by the Company. Production and Marketing Departments quoted different figures. Even the staff of the Marketing Department did not agree on one number. See Appendix 1.
- 12.1.2. From the listed prices as at the 3rd of October, 1991 and the 20th of February, 1992, one hundred and twelve (112) product items were counted. Appendix 2 refers.
- 12.1.3. In 1989, however, the figure was 70, indicating that between 1989 and 1991, 42 more products were added to the number of products produced in 1989, representing a 60% increase within 2 years. In the same period, sales dropped from U.Sh 284,600,000 to U.Sh 157,154,468, a drop of about 45%.
- 12.1.4. The 112 product items were grouped into 6 product lines as follows:-
- Shirts
 - T-Shirts
 - Briefs and Pants
 - Trousers
 - Kaunda Suits
 - Suits.
- 12.1.5. The six product lines made disproportionate contributions to sales. Table 12a shows the sales and the corresponding percentage shares for the product lines in the first quarter of 1992.

TABLE 12a

SALES AND PERCENTAGE SHARES FOR THE
SIX PRODUCT LINES IN THE 1ST QUARTER OF 1992

PRODUCT LINE	JANUARY		FEBRUARY		MARCH		TOTAL	%
	QTY.	VALUE (US\$)	QTY.	VALUE	QTY.	VALUE		
SHIRTS	121	4,358,000	134	4,026,432	32	1,432,320	9,814,752	8%
T-SHIRTS	2,134	32,394,120	2,289	34,731,840	1,421	21,570,780	88,696,740	71%
BRIEFS AND PANTS	68	550,400	75	595,700	47	375,000	1,501,100	1%
TROUSERS	82	4,555,920	102	5,493,472	210	13,015,800	23,175,192	19%
WALMATA SUITS	-	-	2	1,117,040	4	707,824	1,824,864	1%
SUITS	-	-	-	-	-	-	-	-
TOTAL		41,836,440		46,077,405		37,103,784	125,017,629	100%

12.1.6. It can be seen from the above table that no suits were made and sold in the 1st quarter of 1992. Of the total of US\$. 125,017,629 volume of sales, T-Shirts alone contributed US\$. 88,696,740, representing 71% of the total sales volume for the quarter.

12.1.7. Under the T-Shirts product line, eight (8) product items were being produced. Three of the eight, namely, Buggy T-Shirts, Ordinary T-Shirts and Junior T-Shirts dominated the number of pieces produced under that line. Out of 136,747 pieces produced, the 3 contributed 131,220 pieces, representing a hefty 96% of the total.

12.1.8. The same trend has been identified for the two successive previous years of 1991 and 1990.

12.1.9. From Table 12a above, it can be seen that the quantity (in pieces) of T-Shirts sold for the first quarter are given by the following calculations:-

<u>MONTH</u>	<u>QTY (IN DOZEN)</u>	<u>QTY (IN PIECES)</u>
January	2,134	25,608
February	2,288	27,456
March	1,421	17,052
	-----	-----
T O T A L	5,844	70,116
	=====	=====

12.1.10 Unsold T-Shirts in pieces is given by 136,747 - 70,116 = 66,631, indicating that only 51% of T-Shirts produced in the first quarter was sold. The rest was left in stock.

12.1.11 The conclusion is that, even though T-Shirts, especially the Buggies are one of the products that is much in demand, and one of the fast moving items, its production is not planned, thus, locking up the Company's scarce working capital in inventory.

12.1.12 Consultants recommend that decisions concerning what products to produce and the quantities to be produced are to be made by the Marketing Manager in consultation with the Production Manager. Distinction is to be made between products on order and products to replenish stock. With regard to products on order, the present practice of the Marketing Manager consulting with the Production Manager should continue.

Producing to replenish stock should however be guided by sales forecast for, and the stock positions of, each region.

- 12.1.13 With regard to needucts, the decisions should be made after a market research has identified customers needs and preferences and the size of the markets to be served. The General Manager is to approve of the production of new products.
- 12.1.14 In the face of working capital shortages, knowing what to produce from the market research is even not enough. A further step is needed to ensure that products that make high contribution to sales and have high turnover rates are selected for production.
- 12.1.15 The marketing staff of UGIL have been taken through the steps of determining products contribution to sales and the combination of products that ensures optimum sales. Appendix 3 illustrates the steps involved.
- 12.1.16 Grouping UGIL products into Knitted Garments, Woven Garments and Fine Yarn also revealed disproportionate contributions to sales.
- 12.1.17 In the first quarter of 1992, out of the total sales of USh. 125,017,629, knitted garments alone contributed USh.100,012,650 representing 80% of the total sales for the quarter.

- 12.1.18 However, in terms of the number of pieces sold, IMAS review team discovered that more knitted garments would have been sold if they were made available in the right quantities and colours at the right time. For instance, most schools use the T-Shirts as sectional jerseys. They are therefore needed in the four colours of red, yellow, green and blue. Yet, the dye needed to turn out these products has almost always been in short supply.
- 12.1.19 In the case of woven garments, it was revealed that it was not because they did not sell that explained why they made a far less contribution to sales, but that they were not made available at the right time. For example, Yamato white short-sleeve shirts are mostly used as school uniforms and therefore bought mostly by students. Thus, they are high in demand at the beginning of the school seasons which are clearly listed as: January/February, May/June, and August/September.
- 12.1.20 Records however showed that these shirts have never been produced and made ready to meet these seasons simply because their production has never been planned with these seasons in mind.
- 12.1.21 In the months of January through May, 1992, a total of only 2,209 pieces were produced. This could be the result of poor planning.
- 12.1.22 It was observed that Kaunda suits were high on demand. Several factors account for this high demand. Firstly, its price averages less than USH. 29,000 while the competitors' prices are averaging more than USH. 50,000.

- 12.1.23 Secondly, the suits are very popular in Uganda. They are worn on almost all occasions by both the rich and the poor and because their prices are affordable compared with the European suits, the market for Kaunda suits is relatively big.
- 12.1.24 Thirdly, UGIL tailors have not been found wanting in terms of skills. The Company boasts of its highly skilled tailors. They only need very little training in terms of time and money to adjust to new trends, regarding style and fashion, on the market.
- 12.1.25 In spite of these advantages, Kaunda suits have been in short supply. At the time of the review exercise, it was being produced in one kind of material and colour and in a limited quantity.
- 12.1.26 Also on demand in the woven category were bed sheets. Customers who have once bought and used UGIL bed sheets have been enquiring about these products but they are rarely found on the shelves.
- 12.1.27 Available UGIL records indicate that Store Attendants have been communicating customers' requests to the Head Office but little or nothing has been done about these requests.
- 12.1.28 Consultants see a need to plan the production of the Company's products to meet the demands on the markets. First and foremost, the production of Yamato Shirts used by schools should be planned to meet the start of the school seasons. This requires that they be made ready

in the outlets latest one month before the schools start. Statistics to help determine how much to produce to meet the demand can be obtained from the Ministry of Education in such releases as "proposed intake into government aided boarding secondary schools".

12.2. PRODUCT DECISIONS

- 12.2.1. Decisions concerning what to produce and how much to produce at UGIL with regard to the introduction of new product are made without the knowledge and involvement of the Marketing Department.
- 12.2.2. At the time of IMAS review, the Production Manager of the Company made almost all major decisions concerning the products produced by UGIL.
- 12.2.3. The time to produce was determined by the time an order was received and by the need to produce to replenish Company's outlets; the design of products was determined by the trend of the time, as expressed by the Production Department; and the quantity produced was dictated by raw materials availability and storage capacity. (See Appendix 4). The Production Manager puts it simply in the following words: "Marketing rarely advises us".
- 12.2.4. The Marketing Manager's role with regard to production was limited to receiving orders and consulting with the Production Manager on whether or not the Production Department was capable technically, of producing to meet the order.

12.2.5. The practice has resulted in situations that are adversely affecting the Company, of which the following are prominent:-

- Creating stock piles of products that are not in demand especially in the upcountry regions;
- Unbalanced product mix in favour of T-Shirts;
- Creating stockout situations for seasonal items such as school uniforms;
- Ignoring specific orders from the store Managers.

12.2.6. Consultants recommend that product decisions should be made by the Marketing Manager in consultation with the Production Manager.

12.3. PRICING PROBLEMS

12.3.1. UGIL's finished goods prices are set by the Company's Cost Accountant. The price of the finished product is determined as follows:-

$$\text{PRICE} = \text{Production Cost} + \text{Other Fixed Overheads} + \text{Margin} + 10\% \text{ Sales Tax.}$$

12.3.2. The set price is communicated to Management through the Chief Accountant. After Management's acceptance, the Marketing Manager writes to inform all Shop Managers about the new prices.

12.3.3. Even though the other fixed overheads include distribution and sales costs, the Marketing Manager plays no role in setting the price.

- 12.3.4. The method does not take cognizance of the markets ability to pay. It also alienates the Marketing Department which is supposed to know how much the customer is ready to pay.
- 12.3.5. Also, because of UGIL's dominance of the garment market, it has not been competitive in its pricing. The Company has had too much freedom to change prices.
- 12.3.6. It was observed that price change announcements have been made every year since 1989.
- 12.3.7. In the two successive years of 1990 and 1991 prices changed two times during each year.

Dates on which New Prices were Announced

April	6	-	1989
February	17	-	1990
June	18	-	1990
January	15	-	1991
October	3	-	1991
February	20	-	1992

SOURCE: UGIL Records

- 12.3.8. It was noted that almost all price changes were increases.
- 12.3.9. Table 12b below shows the average prices in Uganda Shillings, of the 5 product lines of Shirts, T-Shirts, Briefs, Trousers and Kaunda Suits in each month of the first quarter of 1992.

TABLE 12b

LIST OF PRICES OF THE 5 PRODUCT LINES IN
EACH MONTH OF THE FIRST QUARTER OF 1992

MONTH	SHIRTS	T-SHIRTS	BRIEFS	TROUSERS	KAUNDA
January	3000	1265	650	4630	10,370
February	2504	1265	663	4578	10,370
March	3730	1265	663	5165	14,788

SOURCE: UGIL's Records.

- 12.3.10 The Table above shows that apart from T-Shirts prices that remained unchanged at an average of US\$ 1265 there were price changes in all the other product lines for the period.
- 12.3.11 Shirts and Trousers show decreases of 17% and 1% respectively in February but went up by 49% and 13% respectively in the following month.
- 12.3.12 Such erratic changes in prices are likely to create negative impressions of unstable prices and/or increasing prices in the minds of both the customers and the Company's employees. Furthermore, they do not help customers to plan their purchases.
- 12.3.13 Consultants recommend that, price changes that are effected immediately after an input prices change should cease.

- 12.3.14 It came to light during the review exercise that customers were complaining that UGIL's prices were high. Even UGIL's own personnel, including marketing personnel, were of the view that UGIL's prices were high relative to the competitors.
- 12.3.15 In a situation of little or no marketing as prevailed at UGIL during the review exercise, marketing personnel are likely to blame poor sales on the "perceived" high UGIL prices.
- 12.3.16 Almost every UGIL personnel interviewed by Consultants mentioned high prices of UGIL's products as one of the factors causing poor sales over the years as shown below:

TABLE 12c

YEARLY SALES VOLUME (IN USH): 1985 - 1991

YEAR	VOLUME	INCREASE/DECREASE
1985	350,700,000	-
1986	407,800,000	+ 57,100,000
1987	20,900,000	- 386,900,000
1988	167,700,000	+ 146,800,000
1989	284,600,000	+ 116,900,000
1990	95,920,845	- 88,679,155
1991	157,154,468	+ 61,233,623

SOURCE: UGIL Records

The sales trend over the years has not been encouraging.

- 12.3.17 Even though the looting during the wars could be used to explain some of the poor sales performances, it is interesting to note that the 1986 high of USH.407,800,000 has never been reached in the succeeding years.

12.3.18 Also while it is true that there have been price increases for most of the Company's products over the years, the general customer perception that UGIL as a Government Company, should have the lowest of prices could be working against the Company.

12.3.19 Consultants survey of the major competitors (second-hand clothing dealers) prices for certain items revealed the following:-

<u>ITEM</u>	<u>PRICE RANGE (IN SHILLINGS)</u>
T-Shirt (50% Polyester) (50% Cotton)	2,000 - 4,500
Polo (65% Nylon 35% Cotton) Shirt	2,600 and upwards 2,000 - 5,000
Trousers	6,000 - 15,000
Suits	30,000 - 65,000

12.3.20 Compared with UGIL's 1992 first quarter average prices (Appendix 5) for similar items, UGIL's prices are not higher as claimed.

12.3.21 Consultants recommend that information on the market be gathered to verify customer or competitor claims.

12.3.22 In order to make customers aware of the Company's relatively low prices, Consultants recommend comparative advertisement of prices in the print media. Chapter 12.5.10 explains comparative advertisement.

12.3.23 The General Manager is to set the final prices of UGIL products in consultation with the Marketing Manager and with inputs from the Cost Accountant.

Also, price changes - if any - could be made after the Government's reading of the national budgets

12.4. **DISTRIBUTION**

- 12.4.1. UGIL distributes most of its products direct to the end user through its own retail store outlets.
- 12.4.2. Currently, there are 8 of them serving the whole country at the following locations:
- Factory
 - Kampala
 - Masaka
 - Misindi
 - Mitiana
 - Mukono
 - Jinja
 - Mbale
- 12.4.3. It is argued that distributing through own retail outlets has a major advantage in exercising full control over the Company's products.
- 12.4.4. Product prices, for example, are kept the same in every part of the country where there is an outlet.
- 12.4.5. It is explained that price is to be controlled because most of UGIL's customers fall within the age group (below 21 years) that depends on parents for clothing needs.
- 12.4.6. It is further argued that distributing through own outlets helps to get every part of the country covered.

- 12.4.7. However, for UGIL to continue in its present policy of distributing through its own store outlets there is an immediate need for more outlets in order to cover all the regions of the country. Currently, there is no outlet in the Northern region.
- 12.4.8. Within certain regions that are already being covered, more outlets are also needed.
- 12.4.9. The staff of the Kampala store outlet are of the view that at least three store outlets are needed in Kampala alone.
- 12.4.10 In their view, the present location of the Kampala shop is remote in relation to where their major competitors - second-hand clothing dealers - are concentrated.
- 12.4.11 They have observed that customers usually converge to that part of town where their competitors are located, and where almost every item is sold, and find it difficult and time consuming to walk all the way from there to the Kampala outlet.
- 12.4.12 Again, they claim sometime ago, UGIL maintained 5 retail outlets in Kampala alone.
- 12.4.13 To run the outlets, a substantial number of staff is needed. A staff of 19 run the 8 outlets the Company is maintaining, serving as Shop Managers, Cashiers, Shop Assistants, Cleaners and Security Personnel.

- 12.4.14 However, the present economic situation in the country in addition to the financial constraints of the Company make it difficult if not impossible to continue with the practice.
- 12.4.15 UGIL, in the mid seventies, had more than twice the number of its present 8 outlets, covering every region of the country. Their operations were discontinued during the wars when they were looted. After the wars, however, it has been slow to get even 8 of them reactivated because of the economic problems faced by the Company.
- 12.4.16 Apart from the financial problems of starting new outlets, the cost of maintaining the existing ones has been considerable.
- 12.4.17 Besides staff salaries and expenditures on maintenance of the outlets, the following expenditures are made every month:
- 50,000/- being rent for the 7 shops
 - 80,000/- spent by each shop manager on transportation and other expenses to collect items from the factory.
 - 10,000/- stationery cost.
- (See Appendix 6).
- 12.4.18 The revenues generated by these shops have not been impressive. The six shops outside Kampala have been generating on the average a total of 6.3 million Uganda Shillings per month with the following contributions:-

SHOP REVENUE (IN MILLIONS OF USH/MONTH)

Masaka	1.5
Misindi	0.6
Mitiana	0.8
Mukono	1.0
Jinja	1.2
Mbale	1.2

SOURCE: UGIL Records

12.4.19 In contrast, the two shops in Kampala alone generate an average of 10.8 million Uganda Shillings every month.

12.4.20 All the 8 shops together generate a total of about 17 million Uganda Shillings in revenue every month.

12.4.21 A total of about 30 million Uganda Shillings is generated every month through deposits and deliveries that are made at the factory and serve as other channels of distribution.

12.4.22 On the basis of about 40.1 million Uganda Shillings generated by all channels of distribution together, the following percentages are recorded:-

	<u>REVENUE</u>	<u>% OF TOTAL</u>
All Shops Outside Kampala	6.3m	17%
2 Shops in Kampala	10.8m	29%
Through Deliveries and Deposits	20.0m	54%

12.4.23 Communication between the Head Office and the Shops outside Kampala has also been a problem. In the absence of a reliable telephone network system, sending information from the Head Office to the Shops outside Kampala is only possible by travelling the distance.

The Company does not have the transport to do this on regular basis as required. To acquire one is not possible in the short run due to lack of funds. As a result, Shop Managers spend much of their time travelling to and fro.

- 12.4.24 At the time of IMAB review exercise, most of the shops employees who stay in direct contact with the customers and are therefore in a position to know or find out about their needs and preferences were not educated. To use them to gather research information from customers and the areas they operate will call for new appointments and training that will require time and money which the Company cannot afford.
- 12.4.25 In some of the shops, it was observed that there was lack of proper care and supervision. Items on shelves were not properly arranged. They were bundled together and most of them had no covers giving the stores the appearance of "discount outlets". A discount outlook is most likely to alienate our customers in sports such as tennis and golf players who are considered relatively well-to-do in Uganda.
- 12.4.26 The relatively well-to-do consumers are interested in more than just price. They are interested in product quality, distinctiveness, style and many other factors which lead to both physical and psychological satisfaction. Consumers not only can afford but want product differentiation and sales promotion. From them the consumer receives a great deal of psychological satisfaction and utility.

- 12.4.27 Consultants recommend that products designed for tennis and golf players be distributed through speciality stores like the boutiques in the cities.
- 12.4.28 Finally, shortages in the shops were a big problem. There were shortages for certain items such as school shirts which are high in demand. Worse still, most of those that were made available were not in sizes and colours customers want most. Non-availability results in unreliability and unreliability on the part of UGIL will make customers shift to other sources that have them available. This may also explain why the second-hand clothing business is flourishing even though they do not have comparative advantage in price.
- 12.4.29 In conclusion, UGIL's direct method of distribution through its own outlets is ineffective and inefficient. The goods are not reaching the customers in adequate quantities at the right locations and times when they are needed.
- 12.4.30 Strategies for Expansion
- 12.4.31 UGIL should take full advantage of its monopoly in knitted garments in Uganda.
- 12.4.32 Goal is to make its products available in every region of the country. Each region is to be segmented on the basis of sex, age, customer type, etc.

12.4.33 Of the four major market expansion alternatives identified, (see Appendix 7), the dual diversification strategy can be selected for use by UGIL. The strategy implies that all regions will be covered; and within every region, all the available segments will be targeted.

12.4.34 This strategy is to be used for the simple reason that UGIL's product lines appeal to many segments, and every region in the country is to be covered.

12.4.35 The Company has already acquired some experience in covering all the regions of the country. But since UGIL's resources to accomplish this dual diversification is limited, the use of commission agents and retail agents in each region is recommended. This approach will require relatively little investment in the short run. See Appendix 12 for the details of the approach.

12.4.36 The agents duties requirements should be specified in an agreement. They should include, among other things, the following:-

- storage facilities
- carrying non-competitive products
- geographical area to cover
- commission based on a percentage of sales to be determined by management.

12.4.37 It is also recommended that an advisory country of some of the retail agents be formed to help in the search for information about:-

- changes in buyer preference
- changes in the concentration of buyers
- changes in the location of buyers.

12.5. **ADVERTISING AND SALES PROMOTION**

12.5.1. Advertising by definition seeks to inform and persuade consumers about the Company or its products through the mass media.

12.5.2. This important aspect of the Company's marketing mix has, for several years running, not been given the due attention by Management.

12.5.3. Since 1989, the Company has had for its sales promotions, the following expenses:

TABLE 12d

**SALES PROMOTION EXPENSES IN US\$.
1989 TO JUNE 1992**

<u>YEAR</u>	<u>PRESS, TV, RADIO</u>	<u>GRATIS</u>	<u>TRADE SHOWS</u>	<u>TOTAL</u>
1989	1,296,525	1,580,196	221,800	3,098,521
1990	1,051,080	2,037,085	120,000	3,208,165
1991	1,272,725	4,251,453	NIL	5,524,178
June 1992	NIL	NIL	NIL	NIL

SOURCE: UGIL Records

12.5.4. Even though Table 12d is showing expenditures for the use of the mass media, what was paid for had only very little persuasion to do. They were expenditures on the following:-

- UGIL's congratulatory messages to the nation on the occasions of independent day anniversaries.
- Radio announcements on UGIL's Easter or Christmas clearance sales.

- 12.5.5. Gratis are donations, in kind, to charitable organizations such as the red cross. They are made by the General Manager on behalf of the Company to those organizations. With the exception of gratis that have been increasing over the years, the expenditures on the media and trade shows have been decreasing and do not follow any regular pattern.
- 12.5.6. The apparent neglect of advertising can only be attributed to the monopoly which UGIL has enjoyed, for a long time, as a garment concern in Uganda.
- 12.5.7. With the emergence of increasing competition, advertising and sales promotion can no longer be overlooked. It should be planned and organised on yearly basis.
- 12.5.8. It is recommended that UGIL should seek to achieve the Uganda public's acceptance of the Company and its products through advertising and sales promotion.
- 12.5.9. The Marketing and Sales Manager should select and schedule advertising media. Both newspapers and radio should be used, as well as television and occasionally, local areas promotions. The radio will be the most appropriate medium to reach the upcountry population. Consumers will need to be informed about the distribution outlets throughout the country.
- 12.5.10 UGIL has several comparative strengths that the public should know about. For instance, the quality of its products (*the texture, especially*) compares favourably

with imports. In addition, the Company can easily produce to meet special designs and preferences at affordable prices.

- 12.5.11 In order to disabuse peoples minds of the "perceived" high prices of the Company's products, comparative advertisement through the newspaper, and in the form provided below, should be used:

<u>ITEM</u>	<u>UGIL'S AVERAGE PRICE</u>	<u>COMPETITORS AVERAGE PRICE</u>
T-Shirts	3,000/-	3,250/-
Polo	3,910/-	4,000/-
etc.		

- 12.5.12 The items selected should be those in demand and those in which UGIL has a comparative price advantage. With prices compared side by side as above, the customers will find it easy to tell the difference.

- 12.5.13 For a start, and during the plan period, advertising expenditures should be fixed at not less than 5 percent of sales for each year. Considering the Company's sales volume (chapter 12.3.16 refers) since 1989 and the sales promotion expenses as shown in Table 12d, the 5 percent is not unaffordable.

- 12.5.14 The sales volume for 1991, for example, was USh. 157,154,468. Expenditure on sales promotions for that same year was USh. 5,524,178 which is about 4% of sales. Furthermore, with an aggressive marketing in place, sales volumes are expected to show increases over the plan period.

12.5.15 The Company is also to be involved in special promotions which give the customer something extra for buying at UGIL; for example, a gift of a trophy decorated with the UGIL logo, to a school or college that purchases house jerseys in four or more colours for the students of the school. The trophy is to be contested for in inter-house football tournament, for example.

12.5.16 UGIL should also sponsor some selected sporting events and celebrations in the country; and organise fashion shows since the Company produces fashion products.

12.6. EXPORT

12.6.1. The Company has been exporting some of its products for some years now.

12.6.2. The main reason which the Company assigns to exporting some of its products is to acquire knowledge and experience about exporting.

12.6.3. Export has already been made to some European and African countries, the U.S.A and Canada. The following quantities and volumes have been exported in the past two years:

<u>DATE</u>	<u>QUANTITY</u> <u>(IN PIECES)</u>	<u>PRICE</u> <u>(IN US \$)</u>	<u>VOLUME</u> <u>(IN US \$)</u>
26/03/90	6,000	0.90	5,400
22/08/90	20,040	1.10	22,044
20/12/90	27,520	1.10	30,272
19/03/91	20,000	1.10	22,000
	-----		-----
T O T A L	73,560		US \$79,716
	=====		=====

- 12.6.4. Inquiries have been received from several countries; and the trend for inquiries has been up over the years.
- 12.6.5. The full list of countries that are offering competing products to customers in Europe, the U.S.A. and Canada is not available. It however includes far East countries like Taiwan and Singapore which are known to produce in mass quantities and therefore enjoy the economies of scale.
- 12.6.6. At the time of the review exercise, UGIL had not achieved its export goal but was hopeful of achieving it. However, in the absence of a stated objective as to how much experience, in which areas of exporting, and within what time period, this goal may forever remain illusive.
- 12.6.7. Furthermore, knowledge and experience in exporting will be acquired at a relatively short time if the Company is directly involved in distributing and promoting its own products. UGIL has not been involved in doing this. Instead, the Company has been shipping its products FOB and has no idea what happens to the products when they get to their destinations.
- 12.6.8. Finally, UGIL is not covering all its costs in some of its exports. According to UGIL's costing, T-Shirt for export should sell at 2,500/- or more, the dollar equivalent of which is \$2.08 at the then prevailing rate of 1200/- to the U.S Dollar. UGIL however, was selling it at a price far below \$2.08 to C&A of Germany (See Appendix 6).

The question is how long can UGIL support this practice in the face of working capital shortage problems it already faces.

- 12.6.9. A low price strategy (if this practice can be so termed) is ideal if the Company wants to dispose of excess or obsolete inventory. It is also generally considered as a short-term strategy. However, considering the Company's present financial situation and in the light of the approach it is using for export (Chapter 12.6.7 refers), setting export price below cost will only plunge the Company into a more serious working capital crises.
- 12.6.10 The price of the Company's export product will depend on the competitive situation, the level of demand in the foreign market for the product and the total cost necessary to market. But it is recommended that the price should be set to cover cost, at least.
- 12.6.11 Besides the low price strategy, the two other basic strategies to choose from are: a high price strategy, and a moderate price strategy. Appendix 11 list the three strategies.
- 12.6.12 In the view of Consultants, exporting is a necessary requirement for UGIL's growth and must be continued. The Company, at the time of IMAS review exercise, was expanding its production capacity.

- 12.6.13 With production capacity increased, and local competition looming, exporting will help increase the Company's overall sales volume and spread out fixed costs.
- 12.6.14 Bearing in mind the Company's working capital problem and therefore its short term financial needs, Consultants recommend that the approach to exporting should be through intermediaries. This is to be pursued alongside exporting direct to companies and organizations that request direct orders.
- 12.6.15 To prepare products for export, it will be important to know the unique characteristics of the export market the Company is targeting and the specific distribution channels that will be utilized. In addition, UGIL will have to determine what, if any, product modifications will be necessary to either meet buyer needs in other countries, comply with foreign government regulations or conform to different technical standards.
- 12.6.16 Furthermore, deciding to develop completely new products for a foreign market requires a major investment in research and development, and most likely in production facilities.
- 12.6.17 Packaging will also play an important role in UGIL's export sales. The visual impact of a product might be a critical selling feature. UGIL will need to modify its packaging and labelling to increase the products appeal.

- find intermediaries

- determining what would be required to design and package products specifically for export.

12.6.21 UGIL should have a written down export policy which states, among other things, the goal of exporting and the percentage of the Company's sales that will be in exports every year.

12.7. **MARKETING INFORMATION PROCESSING,
STORAGE AND RETRIEVAL**

12.7.1. At UGIL, the statistical section is responsible for marketing information processing, storage and retrieval.

12.7.2. While there is no problem of proximity and there were no questions about the capabilities of the statistical staff and their readiness to work, the marketing records they keep do not readily serve the needs of the Marketing Department.

**UNITED GARMENT INDUSTRY LIMITED
INTERVIEW WITH THE PRODUCTION MANAGER**

Department not properly manned - no leadership. The rest of the staff is junior. They are not giving us any strategies - they do not tell us about fashion, etc. etc.

First, we enjoyed monopoly - so the markets were open - no marketing needed. The department is therefore relaxed. But today, there is a change so they have to be aggressive.

In the past, we had stores all over the country. But after the wars and we were looted, we had to stop operating the stores.

Budget is never made use of because money has been no money. Even we are not able to get to all the institutions within our reach (Kampala).

Export

They determine the price. We are producing at a loss. Within PTA, we have not done much to get markets. Those who come here come by themselves. Zaire, Randa, Burundi, Tanzania (they do not have knitting factories, they order from France). Send people there to prospect for buyers. They go with samples.

Q : Do you think a leader at Marketing Department will solve the problems?

Ans: It will be better than it is now.

Q : Do you think they need to research?

Ans: Every Marketing Department needs to do that.

APPENDIX 4 CONTD..

Q : Where do the customers go to place orders?

Ans: Marketing. And they bring them here for technical discussion.

Q : How about the items in the store?

Ans: We turn to the trend of the time.

Q : So buggy is your own innovation?

Ans: Yes. When the Europeans come with their designs we copy them.

Q : How about the quantity to be produced?

Ans: It is determined by the storage capacity.

Q : How do you produce?

Ans: Marketing rarely advise us. Marketing should be taking technical people, so bring in professionals.

Q : Have you produced something that marketing said will not sell?

Ans: Yes. We made some track suits which were not selling. There was also competition.

Q : Why did you try it at all?

Ans: We thought it is part of sportswear so we thought they would like it but they preferred outside one.

Q : Do you think they will buy it if we improve quality?

Ans: Yes. If we blend it. But if it is 100% cotton people will not like. Polyester must be in (ie blended).

Q : Do you have any designers in your area?

Ans: Yes. But for ladies wear only.

Q : Why was she not sent to the Marketing Department?

CHAPTER 13.0.
ORGANIZATION STRUCTURE

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APPENDIX 4 CONTD..

Q : Your capacity, is it enough?

Ans: Yes. Even excess

Q : So production will not be a problem if marketing and inputs are there?

Ans: Yes.

- 13.2.2. A market research should precede product decisions when necessary.
- 13.2.3. Products that make high contributions to sales and have high turnover rates should be produced.
- 13.2.4. Production should be planned to meet the demand on the markets.

13.3. **PRICING PROBLEMS**

- 13.3.1. Prices should not change everyday just because input prices change everyday.
- 13.3.2. Customer and competitor claims should be verified on the basis of market information.
- 13.3.3. Comparative advertisement should be used.

**UNITED GARMENT INDUSTRY LIMITED
FIRST QUARTER AVERAGE PRICES, 1992**

NO.	NAME OF PRODUCT LINE	P R I C E S		
		JANUARY	FEBRUARY	MARCH
1	Shirts	3,000	2,204	3,730
2	T-Shirts	1,265	1,265	1,265
3	Briefs and Pants	650	613	663
4	Trousers	4,630	4,578	5,165
5	Kaunda	10,370	10,370	14,788
6	Suits	-	-	-

13.4.3. Use Commission Agents for upcountry consumers.

13.4.4. The formation of an Advisory Council of selected Commission Agents.

13.5. **ADVERTISING AND SALES PROMOTION**

13.5.1. Seek acceptance of the Company and its products.

13.5.2. The Marketing and Sales Manager should select and schedule advertising media.

13.5.3. 5% of sales should be allocated for advertising.

13.5.4. Promotion through gifts should be encouraged.

13.5.5. Sponsor sporting events and fashion shows.

13.6. **EXPORT**

13.6.1. A written down export policy.

13.6.2. Exporting should be continued.

UNITED GARMENT INDUSTRY LIMITED
INTERVIEW WITH CHIEF ACCOUNTANT
18/06/92

The Department is (now) badly manned

- no substantive Marketing Manager
- people under him are very junior (inexperienced)

Has lacked the vigour of selling than marketing

- and research
- no promotion campaign
- marketing is totally lacking
- the staff does not have enough marketing background.

The advantage we have with our products

- the knitting is peculiar in Uganda
- so we have a competitive advantage
- we are not making use of this advantage.

We have tended to rely more on upcountry shops.

We should ourselves work for markets in the country .

We have observed some are coming themselves. If we do marketing, we will have plenty.

The status is marketing now. We changed it from sales to marketing.

Q : Any efforts to reactivate?

Ans: We have been on them all the time. But we see stock piling up.

Q : How much do you spend on these shops?

Ans: Rent averages about 50000/- /month. This is on 7 shops.

Deposits per month is about 10ml
Deliveries per month is about 5 - 10ml

Export (one time) ago.

Once every 2 months we made a delivery of one container containing about 35k T-Shirts at \$1.1 per T-Shirt.

We have not been exporting since about a year ago. This is because they wanted us to improve on quality.

Our problem is on the price. We have not agreed on one. The price issue has been controversial. According to our costing, it should sell about 2500 divided by 1200 gives us \$2.08. But then we are constrained because other manufacturers can offer them at .7 to 1 dollar per suit. So we are just making a break through to the external market by offering them at their price.

Q : So how are you going to follow up to get the markets?

Ans: If funds become available, our marketing should be sent abroad to find markets. They will also attend trade shows.

Q : Selling below cost in export, what is the strategy to bargain for more or reduce cost?

Ans: As we improve the quality especially on the polo, we can get \$2.5 for one. They also want other items so as we develop the products we will be selling at competitive prices.

The yarn has a better price but the problem is we have not had a serious buyer (in substantive quantities).

We have improved on the quality of sewing and shrinkage. If the designs improve we hope to get a better price.

The long term objective is for us to develop our own name.

- (vi) Ladies Pants
- (vii) Yamato Shirts
- (viii) Trousers
- (ix) Safari Suits
- (x) Executive Suits
- (xi) Ladies Dresses and Skirts.

2. Product Line:

The items produced are classified under one product line depending on their similarity as below:-

- (i) Product Line for T-Shirts
- (ii) Product Line for Mens and Ladies Pants
- (iii) Shirts Product Line
- (iv) Trousers, Safari Suits and Executive Suits.
- (v) Product Line for Ladies Dresses and Skirts.

UNITED GARMENT INDUSTRY LIMITED
MARKET EXPANSION STRATEGIES BASED ON
FOUR REGIONS AND FOUR SEGMENTS

Four major market expansion alternatives can be identified. These alternatives are presented.

		S E G M E N T S	
		CONCENTRATION	DIVERSIFICATION
REGIONS	Concentration	1	2
	Diversification	3	4

Strategy 1 - Concentrates on specific market segments in a few regions and a gradual increase in the number of markets served. This dual concentration is particularly appropriate when the product appeals to a definite group of similar customers in different regions.

Strategy 2 - Characterized by market concentration and segment diversification.

Strategy 3 - Characterized by market diversification and segment concentration - is suitable for firms with a specialized product line and potential customers in all regions.

2. Markets in Uganda:

The available markets mostly transact in convenient goods. These consists of Government Ministries, Social Clubs, and Individuals. Whereby Government Ministries, Social Clubs, and Individuals. whereby Government Ministries, Social Clubs, mostly transact in school uniform, sports wear making it convenient for them to buy in the required quantity and quality at any given time. Government Ministries mostly transact in woven like kaunda suits, suits, shirts, etc. For Social Clubs, these transactions enables them for publicity eg. wildlife, golf clubs, etc.

Also, our shop outlets like Kampala, Masaka, Jinja, Mbale, Misindi, Mukono.

Markets Abroad:

At present we are trading with C.A. for the export of T-Shirts, Burundi, and also some yarn was exported to Iran.

3. Products Produced in Ugil:

- | | |
|---------------------|---------------------|
| (a) T-Shirts | (b) Track Suits |
| (c) Vests | (d) Underpants |
| (e) Underwears | (f) Shirts |
| (g) Cardigans | (h) Sports Wears |
| (i) Dresses | (j) Nappies |
| (k) Collar T-Shirts | (l) Sun Suits, etc. |

UNITED GARMENT INDUSTRY LIMITED
SALES PROCEDURE NARRATIVES

<u>STEPS</u>	<u>RESPONSIBILITY</u>	<u>ACTION</u>	<u>NARRATION</u>
1	Customer	places	order for goods.
2	Sales Assistant - do - - do -	receives prepares distributes	order for goods. order slip in quadruplicate. original to Production Manager duplicate to customer triplicate to Accounts Dept. quadruplicate copy retained on file The order slip indicates the time of collection of goods. customer to Cashier to make payment
	- do -	directs	
3	Customer	makes	payment to Cashier
4	Cashier - do -	receives prepares	cash from customer official cash receipt for customer
5	Customer do	receives submits	official cash receipt copy of order slip and official cash receipt to Finished Goods (FG) Storekeeper when goods are ready.
6	FG Storekeeper - do - - do - - do -	receives checks verifies verifies	order slip and official cash receipt receipt for availability of finished goods goods agreement of order quality with stock quantity. agreement of approved price with quoted price.

- (1) Junior T-Shirts
- (2) Standard T-Shirts in Ordinary Form
- (3) Baggy T-Shirts
- (4) Collar T-Shirts
- (5) Junior Shorts
- (6) Junior Sun Suits
- (7) Junior Vests
- (8) Track Suits
- (9) Ladies Pants
- (10) Baby Liners
- (11) Nappies
- (12) Ladies Blouses
- (13) Sports Wear
- (14) Mens Briefs
- (15) Shirts
- (16) Trousers
- (17) Safari Suits
- (18) Executive Suits

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APPENDIX 8 CONTD.

<u>STEPS</u>	<u>RESPONSIBILITY</u>	<u>ACTION</u>	<u>NARRATION</u>
7	Cashier - do -	receives prepares	cash for balance outstanding. official cash receipt in duplicate for customer.
8	Customer - do -	receives returns	original of cash receipt. to FG store to deliver the official cash receipt.
9	FG Storekeeper - do -	inspects and authenticates issues	value on cash receipt customer with delivery note.
10	Customer	receives	delivery note.
11	FG Storekeeper	escorts	customer to Sales Officer to submit delivery note for endorsement.
	Customer	submits	delivery note to Sales Officer
12	Sales Officer - do - - do -	receives endorses summons	delivery note from customer delivery note the Internal Auditor and the security office to witness the issue of goods
13	Security Officer & Internal Auditor	report	at the entrance of the FG store
14	FG Storekeeper	issues	the goods to customer
15	Security Officer & Internal Auditor - do - - do -	inspect count sign	the goods the goods the delivery note
16	Customer - do -	takes signs	delivery of goods delivery note.

Shirts	4,450
Trousers	1,915
Kaunda Suits	21,600
Dustcoat	12,000
Yamato Shirt	3,630
Yamato Shirt	3,000
Yamato Shirt	2,550
Fancy Shirts	4,950
Yamato Shirts	3,295
Vests	445
Vests	670
Vests	450
Vests	250
Vests Junior	670
Vests Junior	315
Vests Junior	315
Vests Junior	315
Shorts Junior	440
Sun Suits	985
Sun Suits	855
Sun Suits	970
Sun Suits	970
Sun Suits	1,015
Sun Suits	1,285
Sun Suits	985
Sun Suits	970
Track Suits	7,530
Track Suits	2,220

246

APPENDIX 8 CONTD..

<u>STEPS</u>	<u>RESPONSIBILITY</u>	<u>ACTION</u>	<u>NARRATION</u>
18	Customer - do -	receives presents	gate pass gate pass, the delivery note and the goods to the security office at the security gate.
19	Security Officer - do - - do - - do -	checks examines endorses retains	the gate pass and the delivery note for the second time. the goods for the second time. gate pass. gate pass.
20	Customer	leaves	with the goods.

Dresses	910=
Blouses	450=
Blouses	1,135=
Blouses	720=
Blouses	720=
Skirts	955=
Dresses Jr.	1,080=
Dresses Jr.	1,080=
Blouse	1,620=
Polo Shirts	1,500=
Polo Shirts	1,850=
Polo Shirts (stripped)	1,850=
Polo Shirts	1,210=
Polo Shirts	1,425=
Junior Nighties	900=
Junior Nighties Tops	670=
Junior Nighties Tops	250=
Junior Tops	625=
Junior Tops	250=
Junior Tops	670=
Double Bedcover	4,800=
Single Bedcover	2,400=
Double Bedcover	10,000=
Single Bedcover	6,000=
Double Bedcover	11,200=
Single Bedcover	8,100=
Gown	1,200=
Sports Wear	690=
Sports Wear	690=

UNITED GARMENT INDUSTRY LIMITED
OBSERVATIONS

1. The customer is directed, after receipt of the order slip, to the Cashier's office about 60 meters away to make payment.

For the purpose of speeding up the sales process, we consider it expedient to station the Cashier in Sales Assistant's office.

It is important to notify the FG Storekeeper about this impending order, so that notice of the receipt of the goods in the FG Store can be furnished to the Sales Assistant.

When the above is fulfilled, there will be no need for the customer to go to the FG Storekeeper for checking and verification.

In this case, for the customer to collect the goods he needs only to contact the Sales Assistant.

If the goods are ready, the Sales Assistant will request final payment be made to the Cashier on the basis of which a supply slip can be prepared to the FG Storekeeper making reference to the final payment having been settled and for the order for goods.

The issue of the delivery note to the customer to evidence the issue of the goods should only be undertaken when the goods are finally leaving the FG Shop. The distribution of this note should therefore be restricted to the customer and the security. The security will check the quantity against the

Junior Shorts	140=	
Men's Cardigans	950=	
Baggy T-Shirt	1,510=	
Junior Pullovers	700=	
Baggy T-Shirts	1,760=	
Baggy T-Shirts	1,515=	
Baggy T-Shirts	1,445=	
Ordinary T-Shirt	1,470=	
Sleeveless T-Shirts	1,090=	
Ordinary T-Shirts	975=	
Ordinary T-Shirts	1,090=	
Ordinary T-Shirts	975=	
Ordinary T-Shirts	1,345=	
Ordinary T-Shirts	940=	
Ordinary T-Shirts	700=	
Junior T-Shirt	265=	
Junior T-Shirt	}	
Junior T-Shirt	}	ON ORDER
Junior T-Shirt	}	
Junior T-Shirt	}	SIZES 2,4 210= 600/=
Junior T-Shirt	}	6,8 265= 700/=
Junior T-Shirt	}	18,14 700= 900/=
Polo Shirts	1,515=	
Polo Shirts	1,515=	
Polo Shirts	1,775=	
Polo Shirts		

UNITED GARMENT INDUSTRY LIMITED
RECOMMENDED SALES PROCEDURE NARRATIVE

<u>STEPS</u>	<u>RESPONSIBILITY</u>	<u>ACTION</u>	<u>NARRATION</u>
1	Customer	places	order for goods.
2	Sales Assistant - do - - do -	receives prepares distributes	order for goods. order slip in quadruplicate. original to Production Manager duplicate to customer triplicate to Accounts Dept. quadruplicate retained on file The order slip indicates the time of collection of goods.
3	Customer	makes	payment to Cashier
4	Cashier - do -	receives prepares	cash from customer official cash receipt for customer
5	Customer - do - - do -	receives submits makes	official cash receipt copy of order slip and official cash receipt to Sales Assistant when goods are ready. rest payment to Cashier.
6	Cashier - do -	receives prepares	cash for balance outstanding. official cash receipt in duplicate for customer.
7	Customer - do -	receives returns	original cash receipt. to FG store to deliver the official cash receipt.
8	FG Storekeeper - do -	issues issues	the goods to customer a delivery note.

CC: General Manager
 Chief Accountant
 Production Manager
 Personnel Manager
 Assistant Accountant
 Caretaker Internal Auditor

APPENDIX 10 CONTD..

<u>STEPS</u>	<u>RESPONSIBILITY</u>	<u>ACTION</u>	<u>NARRATION</u>
10	FG Storekeeper	issues	gate pass to customer.
11	Customer - do -	receives presents	gate pass. gate pass, the delivery note and the goods to security office at the security gate.
12	Security Officer - do - - do - - do -	checks examines endorses retains	the gate pass and the delivery note. the goods gate pass gate pass.
13	Customer	leaves	with the goods.

Contribution/Unit	1535	425	265	3150	9982	15357
Contribution Margin %	.41	.34	.40	.61	.68	

UNITED GARMENT INDUSTRY LIMITED
THE THREE BASIC PRICING STRATEGIES

- * **High Price Strategy** - A high price strategy is best if the Company is selling a unique or new product, or if it wants to establish a high-quality image by positioning its product as being "top of the line". The advantages of this approach are high profit margins. However, selecting a high price strategy can also limit the product's marketability and will probably attract competition to that market.
- * **Low Price Strategy** - A low price strategy is ideal if the Company wants to dispose of excess or obsolete inventory. The low price strategy is generally considered a short-term strategy. Although it tends to discourage new competition and might even reduce the competition's market share, the result will be low profit margins. Moreover, the Company risks giving the wrong impression to the market - eg. that it is not serious about a long-term commitment.
- * **Moderate Price Strategy** - A moderate price strategy is a safe alternative between the high and low price strategies. It enables the Company to meet the competition and at the same time retain adequate margins and develop market share. Moderate pricing can lead to a long-term position in the market. The disadvantage is that it might encourage existing suppliers to present tough price competition.

UNITED GARMENT INDUSTRY LIMITED
DETAILS OF APPROACH

As a first step to achieving the above stated goal, the practice of opening new Company's own store outlets should cease forthwith.

A plan to phase out the existing outlets is to be put in place. The plan is to be carried out in two phases. The first is to phase out the six outlets outside Kampala by the end of 1994. The phase out is to start with the least performing outlets. The second part is to phase out the Kampala outlets by the end of the plan period.

Relatively, these two outlets generate enough revenues per month; they also do not have problems communicating with head office.

In place of the Company's own store outlets, two kinds of agents will be appointed, namely: commission agents or representatives, and independent retail agents.

Each region is to have a regional centre in the regional capital to serve as a hub.

Supply of products to a regional centre will be made direct from the factory and the cost of transportation will be shouldered by UGIL.

Independent retail agents in a region will buy their needs of products from the regional centre at wholesale prices and retail them at prices they themselves will set. Cost of transportation to and from a regional centre will be shouldered by the retail agents.

In order not to create a vacuum, the exercise of phasing out the outlets and appointing both the commission agents and the independent retail agents should go side by side in all the towns where the Company's own store outlets are already located.

Commission agents will receive commission based on a percentage of sales that they make in a month. This percentage is to be determined by Management.

APPENDIX 12 CONTD..

The responsibilities of a commission agent will include the following:-

- Hold goods in own warehouse or store but will not take title to goods.
- Identify and assist in the selection of independent agents.
- Can sell goods only to appointed independent agents.
- Must not sell competing goods.

The responsibilities of the independent retail agents will include the following:-

- Supply information to the regional representative on fast moving items.
- Supply information on the trend and preferences of customers.

UGIL should increase customer awareness of distribution outlets through advertisements.



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20143
(2 of 2)

**GOVERNMENT OF THE REPUBLIC
OF UGANDA**

CONTRACT : **TECHNICAL ASSISTANCE UNDER
UNIDO CONTRACT NO. 91/111
AMENDMENT A**

PROJECT : **BR/UGA/89/001 PUBLIC INDUSTRIAL
ENTERPRISES SECRETARIAT**

TITLE **FINAL REPORT**
**UNITED GARMENT INDUSTRY
LIMITED (UGIL)**
AND
**THE UGANDA METAL PRODUCTS
AND ENAMELLING COMPANY
LIMITED (TUMPECO)**

VOLUME (II)

PREPARED BY



**INDUSTRIAL AND MANAGEMENT
SERVICES LIMITED (IMAS)
ACCRA—GHANA**

JANUARY, 1993

FINAL REPORT ON
TECHNICAL ASSISTANCE GIVEN TO
UNITED GARMENT INDUSTRY LIMITED
A N D
THE UGANDA METAL PRODUCTS AND
ENAMELLING COMPANY LIMITED

VOLUME (I I)

TUMPECO

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PART III

SUMMARY OF MAIN RECOMMENDATIONS,
DETAILS OF ASSISTANCE ON
CORPORATE PLANNING, FINANCE AND
ACCOUNTING AND MARKETING
ON TUMPECO

CHAPTER 14.0.

SUMMARY OF MAIN RECOMMENDATIONS

**CORPORATE PLAN REPORT ON
THE UGANDA METAL PRODUCTS
AND ENAMELLING COMPANY LIMITED**

14.0. **SUMMARY OF MAIN RECOMMENDATIONS**

14.1. **ORGANIZATION STRUCTURE**

A re-organization of the Organization Structure of TUMPECO to remove one-to-one reporting relationships as well as to improve the overall effectiveness and efficiency of operations is recommended.

14.1.1. **Marketing Department**

The Marketing Department is to be re-organised into three sections which will be responsible for Sales, Marketing Services and Exports.

The procurement function should be moved from the Marketing Department and placed under a new department, the PRODUCTION AND ENGINEERING SERVICES DEPARTMENT.

14.1.2. **Production Department**

The quality control function is to be removed from the Production Department to make it more effective. It is recommended that the quality control function should be placed under a new department, the PRODUCTION AND ENGINEERING SERVICES DEPARTMENT.

14.1.3. **Production and Engineering Services Department**

It is recommended that a Production and Engineering Services Department should be set up to handle such functions as quality control, material requirements planning and procurement, production planning and control, work study and methods improvement as well as product research and development.

14.1.4. **Accounting Department**

It is recommended that the Accounts Department should be re-organised into three sections to handle the functions of Financial Accounting, Cost Accounting and Budgeting/Management Information.

The creation of the Budgeting/Management Information Section will facilitate the preparation of management information reports after analysis of variances from planned targets and thus make it possible for management to steer the Company's operations towards achievement of its goals.

14.1.5. **Internal Audit Department**

The Internal Audit Department should be strengthened through the appointment of a suitably qualified and experienced person to fill the position of INTERNAL AUDIT MANAGER.

The Department should be re-organized into two main sections to undertake the functions of pre- and post-auditing of transactions as well as internal control systems review and investigation of fraud cases.

14.1.6. Personnel Department

This Department handles all personnel as well as administrative matters of the Company.

In view of the volume of work in respect of both personnel and administrative matters, it is recommended that the Personnel Department should be re-organised into a PERSONNEL AND ADMINISTRATION DEPARTMENT with clear separation of administrative and personnel duties.

Two assistants to the Personnel and Administrative Manager, one with responsibility for all personnel matters and the other with responsibility for administrative matters will be required.

14.2. HUMAN RESOURCES MANAGEMENT

14.2.1. Recruitment

It is recommended that an Application Form for Employment should be introduced, which must be completed by all applicants prior to their being offered appointment.

It is further recommended that an Interview Assessment Form should be introduced into the Company and completed by all members of interview panels which are set up to interview prospective staff, prior to their appointment.

14.2.2. Confirmation

A Pre-Confirmation Check-List is recommended to be introduced to guide the Personnel Records Clerk to ensure that all necessary requirements in terms of

personnel records have been fully satisfied, prior to arranging for new staff to be confirmed as permanent employees.

14.2.3. Grading of Staff

A new job grading system is to be introduced after evaluation of all jobs to ensure that job grades are uniform intra-departmentally as well as inter-departmentally.

14.2.4. Manpower Training and Development

On-the-job training programmes should be drawn up for employees in various sections of the Company and their response to such training monitored through use of a new On-The-Job Training Progress Report Form.

External training courses or vestibule sessions organized internally should be arranged for employees of the Company to help close "Training Gaps" that become apparent as a result of the introduction of a system of continuous monitoring of employees responses to on-the-job training.

14.2.5. Evaluation of Work Performance and Conduct of Employees

It is recommended that an employee performance and conduct evaluation system should be introduced under which the work performance and conduct of employees will be monitored continuously throughout the year and employees assisted to improve upon their areas of weak assessment.

Towards this end, an appraisal system based upon Management by Objectives should be introduced.

An Objectives Form, a Critical Incidents Form and an Employee Performance Evaluation Form are to be introduced for use in appraising the work performance and conduct of all staff.

14.2.6. **Corporate Planning**

It is recommended that detailed action programmes to be followed by various sections of the Company in order for the Company to achieve its long term goals of profitability and growth should be prepared with specific time targets for completing specific assignments.

Towards this end, it is recommended that the detailed action programmes suggested by the consultants should form the basis of current and future action programmes.

Re-planning should also be done to reflect changes in the Company's environment and in its internal strengths as well as weaknesses.

The Corporate Plan should form the basis of preparing short-term development plans for the Company.

CHAPTER 15.0.
COMPANY BACKGROUND

15.0. **COMPANY BACKGROUND**

15.1. **OWNERSHIP AND BRIEF HISTORY**

- 15.1.1. The Uganda Metal Products and Enamelling Company Limited (TUMPECO) was incorporated in 1956 and started production in 1957. The Uganda Government is the sole shareholder with 225,000 ordinary shares, each of which is valued at 0.20 Ush.

The Company's paid up capital therefore totals 45,000 USh.

15.2. **TYPE OF BUSINESS AND MISSION OF TUMPECO**

- 15.2.1. The Uganda Metal Products and Enamelling Company Limited manufactures furniture such as spring beds and hospital equipment as well as other products like reflective signs, including car number plates and enamelware.

15.3. **PRESENT STATE OF TUMPECO BUSINESS AND IMAS RECOMMENDATIONS**

15.3.1. **Organization Structure**

The Organization Structure of TUMPECO at the time of the IMAS Technical Assistance Programme is shown in Appendix 1.

Reporting relationships dictated by this Organization Structure were not very clear and, in any case, did not provide the close link between the critical interfaces of the Company's operations that one would normally expect.

For example, there is a poor link between the Production Department and the Stores or Supplies Section which is placed under the Marketing Department.

In addition, the Purchasing Officer has physical custody of items ordered. Apart from the poor interface between production and the procurement of inputs for production that this arrangement provides, it also prevents the Marketing Department from concentrating on the critical aspects of marketing such as selling, distribution, research, sales promotion and advertising as well as pricing.

Furthermore, important industrial engineering functions such as research and development of new products, work study and methods review, production planning and control, maintenance planning and control, material requirements planning and quality control are either non-existent or have been given a low profile organizationally.

One-to-one reporting relationships exist within some of the departments of the Company such as in the Marketing Section of the Marketing Department, the Security Section of the Personnel/Administration Department, various sections of the Production Department and within the Internal Audit Department.

These one-to-one reporting relationships tend to make the positions of affected officers virtually redundant as they merely pass documents/reports/memoranda/

decisions up or down between their superior officers and their immediate subordinates.

There is also no clear separation between the personnel functions and the administrative functions in the Personnel/Administration Department.

With a view to removing the weaknesses inherent in the present organizational framework which adversely affect overall effectiveness and efficiency, a number of changes in the Present Organization Structure were proposed by IMAS and discussed with the management of TUMPECO. Agreement was reached on implementation of the proposed changes with the Management of TUMPECO.

These changes which are shown in the Proposed Organization Charts in Appendices 2 to 8 are highlighted below:-

15.3.2. Personnel/Administration Department

Under the Proposed Organization Chart, all personnel functions are separated from administrative functions with each of the two sections under a Personnel Officer and Administrative Officer respectively.

This arrangement is expected to remove the weakness in the present structure which makes the Personnel Officer attend to numerous administrative matters thus allowing him little time to attend to important personnel matters such as manpower training/development and staff performance appraisal.

It is recommended that the job description and man-specification of the Head of the Personnel/Administration Department should be changed to require the incumbent to undertake all Company secretarial duties.

Accordingly, it is recommended that the Head of the Personnel/Administration Department should be re-designated as the Personnel/Administrative Manager and Company Secretary.

A suitably qualified and experienced person should be appointed to fill this new position while the Officer currently acting as Personnel/Administrative Manager should be redeployed within the department as Administrative Officer.

15.3.3. Production Department

The structure of the present Production Department has been largely maintained in the Proposed Organization Chart as a result of the good interface between production and maintenance activities. However, the present arrangement under which the Quality Controller (Not at Post at the time of the IMAS Technical Assistance) reports to the Production Manager is not considered the best arrangement since sub-standard products are likely to be passed as okay if the Quality Controller is not able to act independently as a result of the strong influence of his boss, the Production Manager.

There is ample evidence to suggest that the Quality Control Function at TUMPECO has been poor in the past since the quality of most of the finished goods stocked in the Finished Goods Store at the time of the IMAS Technical Assistance was very poor.

TUMPECO products could therefore not move or be sold quickly or at prices that are high enough to provide contribution to overheads and profits at the desired levels.

Thus, the Quality Control Function has been placed under a new position of Production and Engineering Services Manager in the Proposed Organization Chart.

15.3.4. Production and Engineering Services Department

In the Proposed Organization Structure, functions which are considered vital to the successful achievement of the objectives of TUMPECO in the production area such as quality control, research and development, production/maintenance planning and control, work study and methods review, material requirements planning have been placed under a new department, the Production and Engineering Services Department.

Furthermore, with a view to improving internal checks and control, the key activities involved in the procurement of inputs such as ordering, payment authorization, payment and physical custody of inputs ordered have been separated and placed under different departments/sections.

As a result, all activities associated with ordering of inputs, follow-up of orders and clearing of goods ordered, on arrival, have been made the responsibility of the Purchasing Officer, who is to report to the Head of the Production and Engineering Services Department.

It is expected that the functions within the Production and Engineering Services Department will be more effectively and efficiently carried out within TUMPECO if suitably qualified and experienced persons are redeployed from within the Company or recruited, where absolutely necessary, to fill the new positions within this department. In the short term, the Chief Engineer whose position has not been provided for in the Present Organization Structure should first be trained and thereafter, redeployed to fill the position of Production and Engineering Services Manager.

15.3.5. Marketing Department

A major weakness of the marketing function at TUMPECO is the complete inability of the Marketing Department to undertake any meaningful marketing activities to secure orders or promote sales of the Company's products.

The success of the recommendations made in this report will depend on how a strengthened Marketing Department pursues an aggressive marketing programme to enable the Company achieve its sales targets at the lowest cost possible.

With a view to enhancing the effectiveness of the Marketing Function at TUMPECO, all activities, which are not directly related to the Marketing of TUMPECO products have been removed from the list of responsibilities of the Marketing Department. Thus, the Purchasing Function has been removed and placed under the Production and Engineering Services Manager and the Inputs/Supplies Storekeeper placed under the Production Department.

With regard to marketing activities, all selling activities have been separated from marketing services such as sales planning/control, market research and sales promotion/advertising in order to improve reporting relationships and enhance effectiveness.

Thus, a position of Sales Officer has been created to make this Officer directly responsible for selling the Company's products while another position of Marketing Services Officer has been created to provide the marketing support services, which have been enumerated above, within the department.

A section within the Marketing Department to be responsible for exports has also been created to facilitate export of the Company's products, in future.

15.3.6. Accounts Department

The existing organigram for this Department has been adopted, intact, within the Proposed Organization Structure.

However, in view of the integrated planning, budgeting, costing, reporting and controlling system that is to be introduced, the present position of Cost Accountant is to be upgraded to Management Accountant to ensure the provision of appropriate management information reports after periodic analysis of operations in the light of planned targets.

It is recommended therefore that the Cost Accountant should be trained to enable him improve his knowledge and skills (*this is to include knowledge of EDP*) to enable him discharge the responsibilities of Management Accountant effectively and efficiently.

The position of Chief Accountant (*a grade title*), which should be redesignated as Finance and Accounts Manager in order to ensure consistency in position titles given to Heads of Department, should also be strengthened through training in the areas of Electronic Data Processing (*EDP*), Working Capital Management and Financial Planning/Reporting.

Finally, the Financial Accountant should also receive training in the aforementioned areas in order to improve upon his effectiveness and efficiency.

15.3.7. **Internal Audit Department**

The Internal Audit Department has hitherto been given a low profile organizationally. The incumbent Internal Auditor lacks the necessary knowledge and experience to

effectively and efficiently undertake the duties expected of the Company's Internal Auditor in the medium term.

It is therefore recommended that the department should be strengthened through the appointment of a suitably qualified and experienced person as Internal Audit Manager. Furthermore, the present Internal Auditor should be trained and re-designated as the Internal Audit Manager's Assistant.

In addition to the traditional internal auditing functions of pre- and post-auditing of transactions, it is recommended that the Internal Audit Department should also undertake systems audit to ensure that internal control, internal checks and balances within TUMPECO are enhanced and various management information reports are prepared as well as submitted to management on time.

15.4. **INCREMENTAL COST OF PROPOSED
ORGANIZATIONAL CHANGES**

- 15.4.1. Most of the organizational changes recommended could be implemented through redeploying staff from within TUMPECO. However, the following positions will have to be filled through recruitment of outsiders.

<u>POSITION</u>	<u>DEPARTMENT</u>	<u>INCREMENTAL COST OF RECRUITMENT</u>	<u>AVERAGE COST SAVINGS OR * INCREMENTAL REVENUE FROM RECRUITMENT</u>	<u>NET BENEFIT/ COST OF RECRUITMENT</u>
		<u>US\$.</u>	<u>US\$.</u>	<u>US\$.</u>
1. Personnel/Administrative Manager and Company Secretary	Personnel/ Administration	2,004,000.00/Yr.	2,510,000/Yr.	506,000/Yr.
2. Marketing Manager	Marketing	- (Replacement)	50,000,000/Yr. (20% of 1991 Sales)	50,000,000/Yr.
3. Sales Officer	Marketing	731,040.00/Yr.	37,000,000/Yr. (15% of 1991 Sales)	36,268,960/Yr.
4. Quality Controller	Engineering Services	1,345,200.00/Yr.	12,500,000/Yr.	11,154,800/Yr.
5. Internal Audit Manager	Internal Audit	1,345,200.00/Yr.	6,275,000/Yr.	4,929,800/Yr.
				----- TOTAL US\$. 102,859,560 -----

* **BENEFITS FROM RECRUITMENT**

1. Reduction in high turnover of skilled staff savings in fees paid to external Company Secretary, increase in productivity of staff as a result of improved motivation and retention of skilled hands.
2. Increase in sales volume of all products, improved market research and satisfaction of customer preferences leading to higher demand for TUMPECO products, more effective sales planning and control of sales.
3. Higher sales of TUMPECO products and reduction in selling and distribution cost.
4. Better and improved quality of TUMPECO products leading to higher prices and increased sales volumes.
5. Improved internal control to prevent misappropriation of company resources and assets leading to savings from reduced rates of diversion of raw materials, finished products and lower rates of stealing.

15.5. CAPACITY UTILIZATION

15.5.1. The Uganda Metal Products and Enamelling Company Limited (TUMPECO) has six (6) main production shops with installed capacities as detailed below:

<u>SHOP</u>	<u>INSTALLED CAPACITY</u>	<u>NO. OF SHIFTS</u>	<u>PRODUCTS</u>
1. Enamelling	2500 pcs/day or 2.2 million pcs/year	3	Enamelware
2. Tool Edge	35 pcs/day or 9000 pcs/year	1	Hospital Equipment and Steel Furniture
3. Vono Beds	70 pcs/day or 18000 pcs/year	2	Steel Beds
4. Vono Mattress	14 pcs/day or 3600 pcs/year	1	Spring Mattress
5. Carpentry	14 pcs/day or 3600 pcs/year	1	Wooden Beds and Furniture
6. Signs	4333 pairs/day or 52,000 pairs/yr.	1	Number Plates

15.5.2. In order to set realistic targets for the Company to achieve during the period from 1993 to 1995 (both years inclusive), IMAS Consultants assisted Management of TUMPECO to determine levels of practical capacity for the above mentioned shops as well as levels of capacity utilization that could be achieved over the aforementioned three year period given the constraints to be faced by the Company during the period.

15.5.3. In arriving at the practical capacities of the various shops of TUMPECO, the following methodology was used:-

- (i) State installed capacity of plant
- (ii) Subtract provision for breakdowns and repairs (An adjustment of 10% of installed capacity was provided for). In the case of the signs shop, a provision of 5% was made to cover breakdowns and repairs.

- (iii) Sub Total I (i.e. (i) minus (ii) above).
- (iv) Less provision for planned/preventive maintenance, weekends and public holidays. (This was determined by taking a provision for 152 days to cover weekends, public holidays and planned/preventive maintenance ie. $\frac{152}{365} = 41.64\%$)
- The provision of 41.64% was then applied by subtracting same from 100% and multiplying the result, (58.35% by Sub Total I)
- (v) Operations (i) to (iv) resulted in the practical or effective capacity.

15.5.4. Using the above stated methodology, the following practical capacities were determined for the various shops of TUMPECO.

SHOP	PRACTICAL CAPACITY
1) Enamelling	393863 pcs/year
2) Tool Room	4727 pcs (beds) or 9454 pcs of stackable chairs/year
3) Vono Beds	4727 pcs/year
4) Vono Mattress	1891 pcs/year
5) Carpentry	1891 pcs (beds)/year
6) Signs	27308 pairs/year

15.5.5. Based on the above stated practical capacities and the constraints that are expected to be faced by the Company during the period 1993 to 1995 (these constraints are highlighted elsewhere in this report), the following levels of capacity utilization were considered achievable over a three year period. The actual levels of capacity utilization at the time of the IMAS Technical Assistance together with estimates of production for the year 1992 are also shown below:

<u>SHOP</u>	<u>ACTUAL PRODUCTION JAN. TO APRIL 1992</u>	<u>ESTIMATED TOTAL PRODUCTION JAN. TO DECEMBER 1992</u>	<u>ACHIEVABLE CAPACITY UTILIZATION LEVELS</u>
1) Enamelling	-	-	384000 pcs/yr
2) Tool Room	697 pcs	2091 pcs	5760 pcs (Chairs)/yr
3) Vono Beds	374 pcs	1122 pcs	2300 pcs
4) Vono Mattress	16 pcs	48 pcs	480 pcs
5) Carpentry	133 pcs (Chairs)	399 pcs (Chairs)	3000 pcs (Chairs)
6) Signs	1293 pairs	9000	24000 pairs

15.5.6. In the light of the figures shown above, the following percentages of practical capacity and projected output for 1992 as a percentage of achievable capacity utilization levels were determined.

<u>SHOP</u>	<u>PERCENTAGE OF ACHIEVABLE CAPACITY UTILIZATION PROJEC- TED TO BE ACHIEVED IN 1992</u>	<u>PERCENTAGE OF PRACTICAL CAPACITY TO BE ACHIEVED IN 1992</u>
1) Enamelling	-	-
2) Tool Room (Stackable Chairs)	36.3%	22.11%
3) Vono Beds	49.0%	23.7%
4) Vono Mattress	10.0%	2.5%
5) Carpentry (Chairs)	13.3%	7.5%
6) Signs	37.0%	32.9%

15.5.7. An analysis of the bottlenecks that would affect achievement of the above stated capacity utilization levels was made in terms of the following bottlenecks:-

- i. Working capital tied up by the products produced in each shop.
- ii. Machine hours used up by the production of each product in each of the six shops of TUMPECO.

iii. Labour cost associated with the production of each product in each of the six shops of TUNPECO.

15.5.8. The analysis showed that working capital tied up by products of TUNPECO before they were sold and relative revenue collected in the form of cash was the most critical bottleneck.

15.5.9. In view of the bottleneck posed by working capital, production of products which tied up less working capital and turned over more quickly in terms of sales as well as provided attractive contribution margins was to be emphasized in determining the product mix.

15.5.10 Having regard to the foregoing, it was decided by management to set an objective of attaining the achievable capacity utilization levels within a three-year target period (1993 to 1995) as follows:-

SHOP	GAP BETWEEN ACHIEVABLE AND ACTUAL 1992 CAPACITY UTILI- ZATION LEVELS	TOTAL UNITS TO BE PRODUCED	ACTUAL PRODUCTION AS A PERCENTAGE OF ACHIEVABLE PRODUCTION				
			1993	UNITS	1994	UNITS	1995
1) Enamelling	100%	128000	33 1/3%	256000	66 2/3%	384000	100%
2) Tool Room (Chairs)	63.7%	3314	57%	4537	79%	5760	100%
3) Vene Beds	51.0%	1515	66%	1908	83%	2301	100%
4) Vene Mattress	90.0%	192	40%	336	70%	480	100%
5) Carpentry (Chairs)	86.7%	1266	42%	2133	71%	3000	100%
6) Signs	63.0%	12000	50%	15000	63%	18000	75%

15.5.11 On the basis of the foregoing, Management set for itself an objective of achieving the following total average levels in terms of percentages, by which actual capacity utilization levels would be increased during 1993, 1994, and 1995.

<u>STAGE</u>	<u>YEAR</u>	<u>PROJECTED AVERAGE PERCENTAGE INCREASE IN ACTUAL CAPACITY UTILIZATION LEVELS FOR ALL TUMPECO SHOPS WITH REFERENCE TO ACHIEVABLE CAPACITY UTILIZATION LEVELS BY THE END OF 1995</u>
1	1993	20%
2	1994	25%
3	1995	30%

15.5.12 Thus, it is expected that by 1995, the achievable capacity utilization levels would have been attained.

15.6. STAFF STRENGTH

15.6.1. At the time of the IMAS Technical Assistance, Tumpeco had a staff strength of 137 made up of 46 senior members of staff and 91 group employees or junior members of staff.

15.6.2. An analysis of the total labour force showed a situation of TUMPECO having "too many chiefs and too few Indians". In other words, there were too many supervisors and managerial personnel for the limited number of personnel directly engaged in the production of the Company's goods.

15.6.3. At the time of the IMAS survey, there were 2.9, or, say, 3 junior members of staff for each senior member of staff. The position became worse if an adjustment was made for the number of junior members of staff who were not directly engaged in production or marketing related activities.

- 15.6.4. The number of junior staff not directly engaged in production or marketing activities was 26 (*i.e.* 11 for security and 15 for administration). If the total number of staff in this category (*i.e.* 26) is subtracted from the total number of junior staff in TUMPECO (*i.e.* 91), the resulting figure of 65 represents the number of staff directly engaged in production and marketing related activities.
- 15.6.5. When the total number of senior and supervisory staff in TUMPECO (*i.e.* 46) is compared to the number of junior staff directly engaged in production and marketing related activities (*i.e.* 65), then the Senior Staff to Junior Staff Ratio worsens to 1:1.4.
- 15.6.6. Clearly, there is the need to improve this ratio as one would normally expect a ratio of Senior/Supervisory Staff to Junior Staff of at least 1:6 in a Company engaged in activities similar to the ones performed by TUMPECO.
- 15.6.7. There is therefore the need to reduce staff of TUMPECO particularly, those working in the areas of Administration, including staff engaged for the cleaning of the compound and security.

- 15.6.8. One way of achieving this objective is to re-deploy staff from these areas to fill any of the 46 positions indicated below which will have to be filled when the enamelling line is re-opened**.

**** ADDITIONAL STAFF TO BE ENGAGED WHEN THE ENAMELLING LINE IS REOPENED**

<u>SECTION</u>	<u>NUMBER OF STAFF TO BE ENGAGED</u>
1) PICKLE SHOP	3 - Attendants
2) MILL ROOM	2 - Attendants
3) PRESSING STORE	1 - Storekeeper
	1 - Porter
4) PRESSING MACHINE	2 - Operatives
5) SWILLING	9 - Ground Coat
	9 - Cover Coat
6) READING	5 - Operatives
7) BOX FURNACE	4 - Operatives
8) CONTINUOUS FURNACE	2 - Loading Hands
	2 - Off Loaders
9) INSPECTION	1 - Box Furnace
	1 - Continuous Furnace
10) SPRAYING	1 - Sprayer
11) PACKING	1 - Packers
	--
	TOTAL 46
	--

- 15.6.9. In addition, it is recommended that a work study exercise should be carried out at TUMPECO to determine appropriate levels of senior/supervisory staff that will be required to effectively and efficiently manage the operations of the Company. Thereafter, supervisory personnel that are found to be surplus to the Company's short to medium-term requirements should be laid off.

15.7. **HUMAN RESOURCES MANAGEMENT**

The Human Resources Management function at TUMPECO was found to be very weak by the IMAS team of Consultants. Consequently, technical assistance and guidance was provided to enable the Personnel/Administrative Manager and the Personnel/Welfare Officer to improve upon areas of weakness in their management of human resources at TUMPECO.

During the IMAS Technical Assistance Programme, it was observed that staff morale was very low with the Company having experienced a high rate of labour turnover in the years preceding the Technical Assistance Programme.

The low morale of staff was observed to be one of the main reasons for low productivity in the various production shops of the Company. It was found that no comprehensive personnel programme covering recruitment, training and manpower development, wages and salaries administration, staff performance appraisal, industrial relations and welfare was followed by the Company on a consistent basis.

Thus, staff and workers could not easily link achievement of the Company's goals and objectives with the attainment of their own personal objectives. This situation led to instances where some workers placed their personal interests above that of the Company thus leading to their taking actions which resulted in the Company incurring otherwise avoidable costs or losing revenue.

The need for the Company to implement a comprehensive personnel programme was therefore stressed. Specific areas of deficiencies which were observed and the training/guidance given to staff in the Personnel Department of TUMPECO are as follows:-

15.7.1. **Recruitment Procedure**

With the recruitment of staff, it was observed that the legal requirement that all recruitment of staff should be through the nearest employment centre was not being observed.

The need to fully observe all legal requirements in recruitment of personnel by the Company was stressed.

Furthermore, it was observed that prospective employees were not made to fill in Application Forms for employment which are signed by them as a basis of the contract of appointment between the prospective employees and TUMPECO.

During the interview of prospective applicants, no Interview Assessment Forms are completed by Interview Panel Members. There is therefore no way of verifying the results of interviews to ensure that such interviews were objectively carried out and candidates properly assessed.

Assistance was therefore given by the IMAS Consultant to the Personnel Department of TUMPECO to design an Interview Assessment Form for use to appraise or assess prospective employees who are interviewed in future. (Please refer to a copy of this Form in Appendix 9).

In addition, the IMAS Consultant guided the Personnel/Administrative Manager of TUMPECO to design an Application Form for Employment, a pre-printed Letter for obtaining Referees Reports on Prospective Employees and a pre-printed Pre-Confirmation Check List, which will be used to ensure that all necessary action has been taken before employees on probation are confirmed as permanently employed staff. Copies of these forms can be seen in Appendices 10, 11, and 12.

15.7.2. Manpower Training and Development

No structured staff training programmes were prepared for staff of TUMPECO before the IMAS Technical Assistance Programme. The only training given to staff on-the-job was rudimentary and not structured to ensure proper career development and increase in productivity. Furthermore, off-the-job training courses, which staff of TUMPECO were sponsored to attend from time to time, were selected on an ad hoc basis and were not selected to fill previously identified training gaps in employees' response to on-the-job training programmes.

Another weakness was that the Personnel/Administrative Manager did not at any point in time know the sort of on-the-job training that staff in various departments of the Company were being given.

In order to help remove these weaknesses, the IMAS Consultants assisted the Personnel/Administrative Manager of TUMPECO to design an On-The-Job Training Progress Report Form which would be sent to other Heads

of Department from time to time for them to give progress reports on the training programmes being followed by staff in their departments. (Please refer to Appendix 13 for a copy of this Form).

In addition, the need for staff of TUMPECO to be made to go through structured training programmes to enable them acquire new knowledge as well as improve upon their skills and thereby help to increase their productivity was stressed.

15.7.3. Appraisal of Performance of Staff

It was observed at the beginning of the IMAS Technical Assistance that the performance of staff at TUMPECO was not assessed on any consistent and objective basis.

As a result of the absence of an objective performance evaluation system in the Company, staff did not associate achievement of the Company's objectives with achievement of their personal objectives. Furthermore, staff of the Company could not link increases in productivity with corresponding increases in their remuneration.

IMAS Consultants therefore assisted the Personnel Department of TUMPECO to design basic forms which could be used to assess the performance of staff in order for them to be positively reinforced through such means as promotion, cash awards/bonuses and increments as well as for correction of deficiencies in their performance

arising from lack of training, poor performance or other areas of weak assessment of the staff whose performance is evaluated.

With the introduction of the new performance evaluation system in TUMPECO, there can now be an objective basis of assessing the performance of staff to be used by all Heads of Department.

The system designed with IMAS technical assistance consists of a Staff Performance Evaluation Form, which would be completed on an annual basis, at the end of each financial year, and is supported by an Objectives Form that specifies targets for employees to achieve by the end of specific periods and a Critical Incidents Form, which is to be completed quarterly during the year by all heads of Department in respect of the work of all staff in their departments.

The Critical Incidents Form would list all the positive achievements of staff as well as the negative incidents they have been involved in during the quarter under review.

The Objectives Form, Critical Incidents Form and the Employee Performance Evaluation Form are shown in Appendices 14, 15 and 16.

15.7.4. **Results Expected as a Result of the IMAS
Technical Assistance Programme in the
Personnel Area**

Following the technical assistance offered by IMAS to the Personnel/Administration Section of TUMPECO, it is expected that Human Resources Management in the Company will henceforth be influenced by the adoption and implementation of the following strategies.

- (i) Implementation of a comprehensive personnel programme covering objective recruitment of staff, remuneration schemes, training and manpower development schemes and appraisal of performance by staff.
- (ii) Improvement of productivity of staff through training and motivation of staff.
- (iii) Improvement in the discipline of staff.
- (iv) Encouragement of teamwork.
- (v) Improvement of wages and salaries administration as well as personnel records management.
- (vi) Development and implementation of incentive bonus schemes based on productivity.
- (vii) Improvement of the terms and conditions of service of staff.
- (viii) Promotion of sound industrial relations and a harmonious relationship between management and workers.

15.8. **CONDITION OF PLANT AND EQUIPMENT OF TUMPECO**

15.8.1. A summary of the condition of plant and machinery of TUMPECO is provided in Appendix 17.

15.8.2. Generally, the condition of TUMPECO plant and machinery is in fairly good condition due to the effective maintenance schemes that are followed by the Company.

- 15.8.3. In addition, a policy of actively encouraging the fabrication of parts of old machines which are no longer produced by the original manufacturer has kept such machines serviceable and in good working condition.
- 15.8.4. In spite of the fairly good condition of the plant and machinery of TUMPECO Limited, the Company's Enamelling Line had not been active for about a year prior to the IMAS Technical Assistance Programme. In order to reactivate the Enamelling Line, spare parts worth about \$19,000.00 will need to be ordered and installed. The spares which are required are as follows:-

	<u>US \$</u>	<u>US\$.</u>
i) Rubber Diaphragm 6' x 4'	600.00	720,000.00
ii) Furnace Heating Elements	13512.00	16,214,400.00
iii) H.R.C. Fuses	2620.00	3,144,000.00
iv) Pedding Master No. 40/60 Unit	2093.00	2,511,600.00
	-----	-----
	\$18825.00	22,580,000.00
	*****	*****

- 15.8.5. It is recommended that the required parts should be ordered as quickly as possible and the Enamelling Line put back into active production as soon as possible. All other plant and machinery in other shops of the Company can be operated to meet the projected levels of capacity utilization between 1993 and 1995 without any significant levels of capital expenditure.

15.9. **BOARD OF DIRECTORS**

- 15.9.1. At the time of the IMAS Technical Assistance Programme, TUMPECO did not have a properly constituted Board of Directors. The absence of this very important body for policy formulation, which also provides strategic direction in companies has had very adverse consequences on the operations of TUMPECO.
- 15.9.2. Furthermore, tenure of office of Chief Executives of the Company has, in the past, been brief and characterized by uncertainty. This has made continuity impossible with regard to implementation of approved plans.
- 15.9.3. It is therefore necessary for members of the Board of Directors of TUMPECO to be appointed as soon as possible to oversee and direct all activities of the Company.
- 15.9.4. Furthermore, a Performance Contract should be signed with the Chief Executive and Management of the Company for a specified period to provide them with job security as a means of motivating them to improve upon their performance.
- 15.9.5. Under the Performance Contract, management and staff could be offered incentives based upon the achievement of predetermined targets within specified cost limits.

15.10.

CORPORATE PLANNING

Prior to the IMAS Technical Assistance Programme in 1991, The Uganda Metal Products and Enamelling Company Limited had received Technical Assistance from UNIDO/PIES in the area of Corporate Planning.

As a result of this technical assistance, the Company was able to decide on its mission, critical success factors and broad strategies for achieving objectives of the Company.

During the IMAS Technical Assistance, it was observed that even though the Company was being guided by its mission statement and objectives, there was no detailed action programme that was being followed on a consistent basis to guide day-to-day operational activities towards achievement of the Company's objectives.

Consequently, there was no yardstick against which day-to-day activities could be compared to measure the overall effectiveness of activities, in terms of achieving the strategic goals of TUMPECO.

To help remove this weakness and to develop the corporate planning process in TUMPECO up to a stage where short-term development plans as well as day-to-day action programmes are followed and achievements evaluated in terms of objectives of the Company, the IMAS Consultant in corporate planning reviewed various

strategies that could be followed by TUMPECO with the Company's top management. As a result of the review, it was agreed that the following strategies should be followed by various departments of the Company.

15.10.1

**Strategies to be Followed by the Administration
Including the General Manager's Office**

- (a) Oversee preparation and review by the Company of its corporate plan from time to time.
- (b) Arrange for the revised corporate plan to be approved by the Board of Directors.
- (c) Lobby the Ministry of Commerce, Industry and Cooperatives for the Company's Board of Directors to be set up.
- (d) Lobby for the Ministry to appoint an interim Board if constitution of the full Board of Directors is likely to take longer than 31st July, 1977.
- (e) Oversee preparation of annual budgets of the Company which should be based on the Company's corporate plan.
- (f) Ensure financial planning and control is strictly undertaken and followed by the Company.
- (g) Oversee reorganization of the Company along lines recommended by IMAS.
- (h) Chair monthly management meetings to review management information reports.
- (i) Review prices at which raw materials and other inputs are purchased on a regular basis.
- (j) Review prices of finished products from time to time.
- (k) Appraise the work performance of Heads of Department.
- (l) Lobby for re-financing of the Company's loans.

- (m) Ensure that the Company embarks on repayment of outstanding loans and strictly adheres to the agreed repayment programme.
- (n) Press the shareholder to pay for all authorised shares that have not yet been paid for.
- (o) Explore the possibility of entering into a joint venture with other parties, who would bring in additional funds.
- (p) Convince the shareholder to agree to the Company floating shares for injection of new equity funds.
- (q) Improve public relations and business promotion.
- (r) Lobby for prompt payment of all outstanding and any future government orders.

15.10.2 **Strategies to be followed by the Marketing Department**

- (a) Arrange for the Department to be reorganized into sales (*local and export*) and Marketing Services Section.
- (b) Initiate and sustain market research to help determine an optimum sales mix at all times.
- (c) Undertake sales planning and sales controlling.
- (d) Identify and penetrate all potential markets with TUMPECO products.
- (e) Encourage prepayment by customers for TUMPECO products or arrange for cash payments to be made upon delivery.
- (f) Identify market segments and determine sales promotion/advertising that will optimise penetration of these market segments.
- (g) Follow a comprehensive marketing programme covering products, prices, distribution, promotion, advertising and research.
- (h) Train and discipline staff in department.
- (i) Secure sufficient funding for departmental activities.

15.10.3 **Strategies to be Followed by the
Production Department**

- (a) Prepare on an annual basis at the beginning of each year, a bill of material requirements for the year's production.
- (b) Train and discipline staff in department.
- (c) Secure sufficient funding for departmental activities.
- (d) Undertake research and product/process innovation studies to improve upon work methods/procedures and improve overall efficiency.
- (e) Instill cost consciousness in all employees and introduce cost reduction measures.
- (f) Instill safety and efficiency consciousness in all staff.
- (g) Improve upon quality of products.
- (h) Establish production targets and monitor performance to ensure targets are met.
- (i) Explore possibility of introducing night shifts to take advantage of lower tariff rates by the Uganda Energy Board.
- (j) Improve maintenance schemes for all plant, vehicles and equipment.

15.10.4 **Strategies to be Followed by the
Accounts Department**

- (a) Prepare a bankable proposal based upon the IMAS report which should be presented to Creditor Banks for either re-financing of existing loans or rescheduling of loan repayments.
- (b) Follow strictly repayment schedules of all loans.
- (c) Improve systems of financial planning and control.
- (d) Improve working capital management.

- (e) Introduce an integrated budgeting, costing and reporting system.
- (f) Introduce EDP gradually to cover all accounting systems.
- (g) Assist the General Manager to lobby for lower government taxes on imported raw materials and finished goods.

15.10.5 Strategies to be Followed by the
Personnel and Administration Department

- (a) Adhere to government rules and laws on recruitment of staff.
- (b) Maintain good relationship with the Workers' Union by executing all agreements reached with the Union on time.
- (c) Maintain good relationship with workers by fair interpretation and application of disciplinary code.
- (d) Review recruitment procedures to ensure objectivity.
- (e) Review, design and introduce forms for appraisal of performance and recruitment of staff.
- (f) Review and introduce induction/orientation programmes for new staff.
- (g) Draw up structured training programmes to be followed by staff.
- (h) Ensure a highly motivated workforce by improving wages/salaries and appraising performance of employees.
- (i) Develop a job grading system to ensure uniformity in job grading throughout the Company.
- (j) Finalize and introduce a comprehensive incentive bonus scheme based upon productivity to cover all staff.

- (k) Prepare a staff manual and an organizational manual.
- (l) Ensure effective and efficient administrative support systems throughout the Company.
- (m) Reinforce security of the Company's assets.

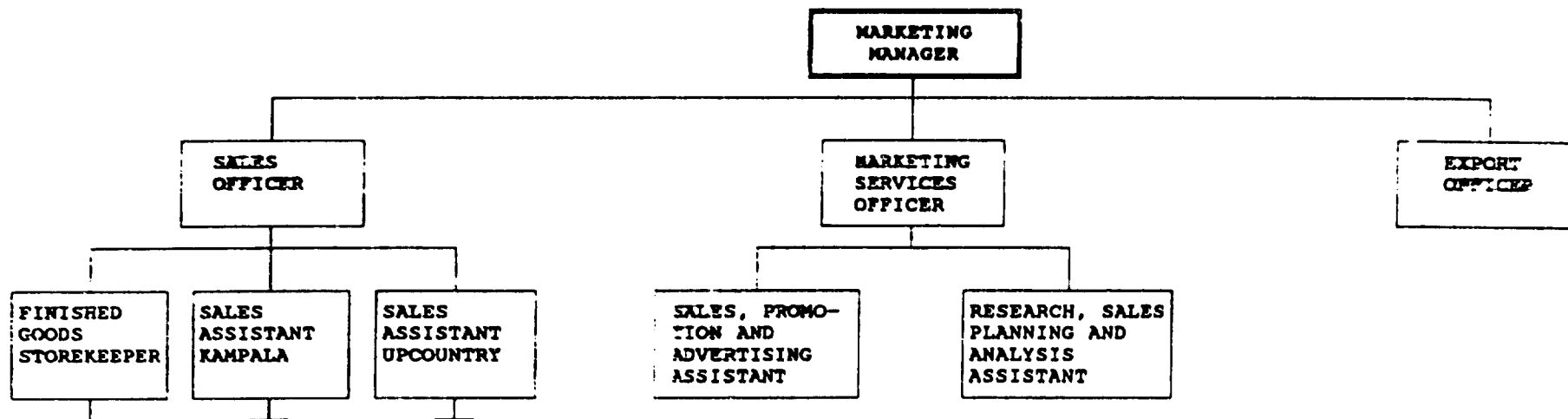
15.10.6 **Strategies to be Followed by the Internal Audit Function**

- (a) Design Internal Control Questionnaires covering all facets of the Company's operations.
- (b) Test-check all present systems of internal control and submit recommendations for their improvement.
- (c) Review all procedures and management systems to ensure they contribute to optimization of effectiveness and efficiency.
- (d) Monitor integrated planning, budgeting, costing, reporting and controlling systems to ensure management reports expected to be submitted under the system are in fact submitted on time and corrective follow-up action is taken at the right time.
- (e) Undertake pre-auditing of all petty cash, cash disbursements, payments by cash or cheque for inputs, spares, stationery and all other materials.
- (f) Undertake post-auditing of all transactions.
- (g) Undertake investigation of fraud and other cases as and when necessary.

15.11. **DETAILED ACTION PROGRAMMES**

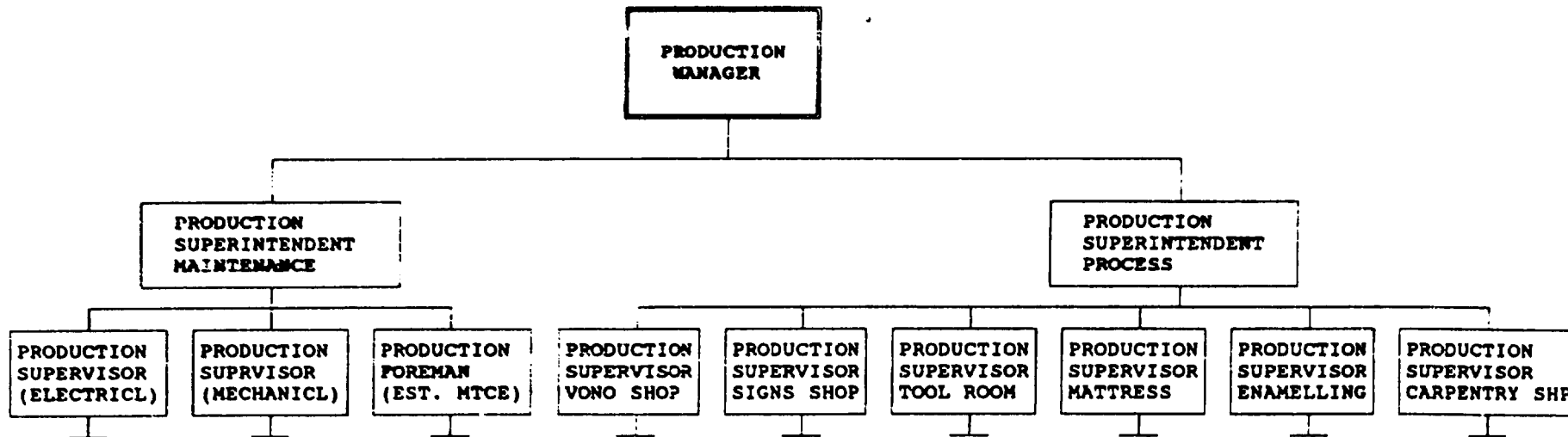
- 15.11.1 The detailed action programmes that IMAS recommends should be followed by Heads of Department and the General Manager of TUMPECO are shown in Appendices 18 to 23.

TUMPECO LIMITED
PROPOSED ORGANIZATION CHART
MARKETING DEPARTMENT



NOTE: The Organigrams shown in Appendices 2 to 8 depict only reporting relationships and not grade.

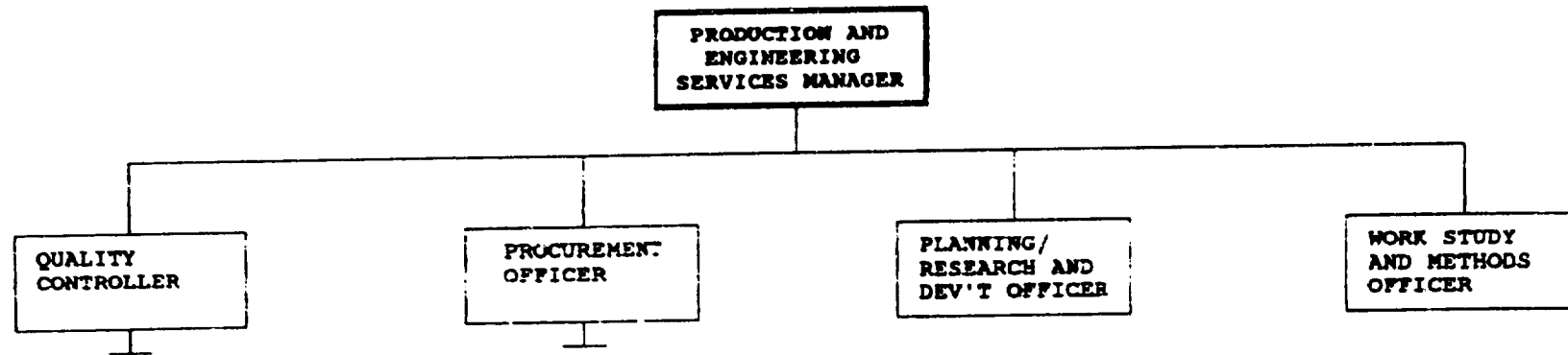
**TUMPECO LIMITED
PRODUCTION DEPARTMENT**



KEY:

┆ - OTHER POSITIONS REPORT TO THIS POSITION

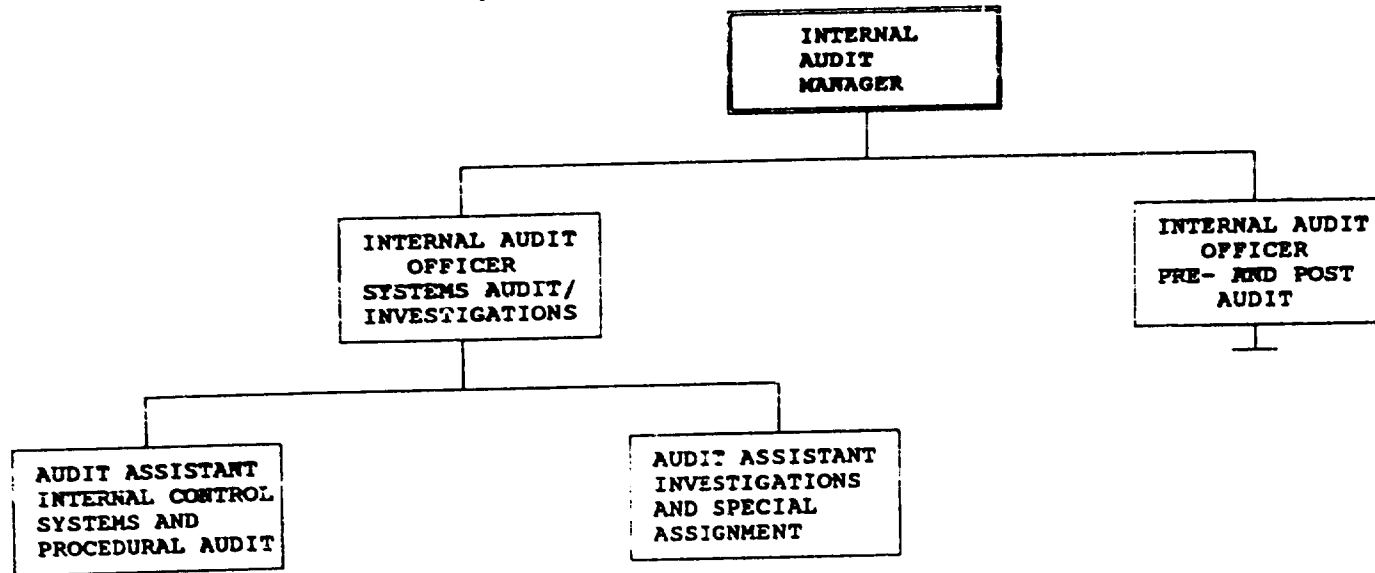
TUMPECO LIMITED
PROPOSED ORGANIZATION CHART
PRODUCTION AND ENGINEERING SERVICES DEPARTMENT



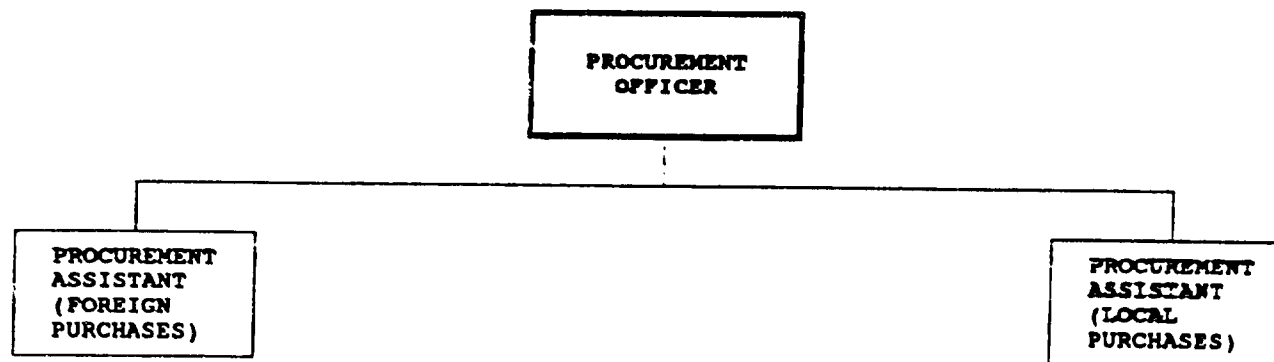
KEY:

| = OTHER POSITIONS REPORT TO THIS POSITION


**TUMPECO LIMITED
PROPOSED ORGANIZATION CHART
INTERNAL AUDIT DEPARTMENT**



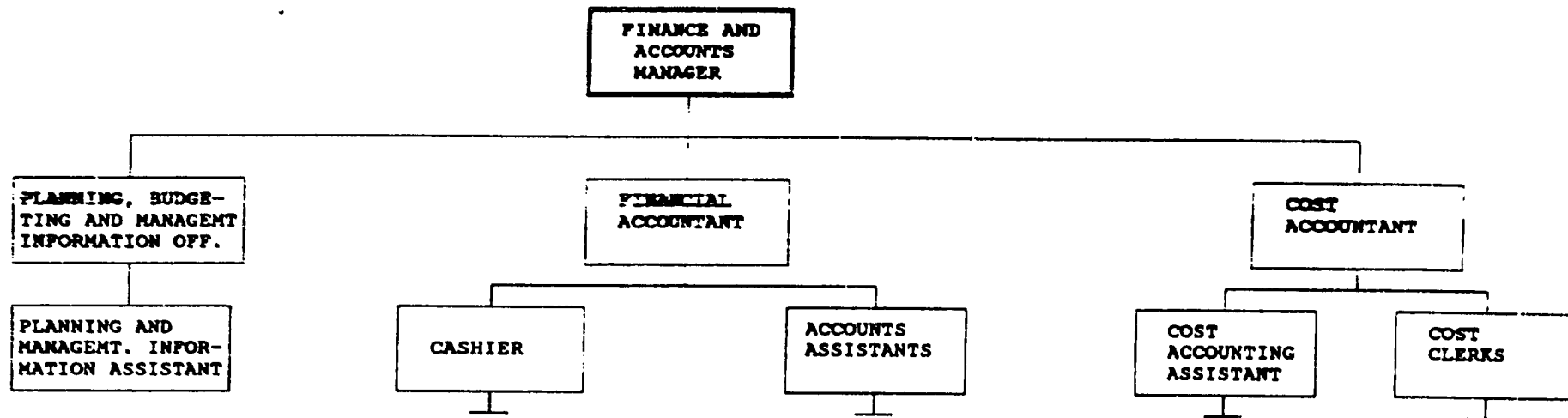
TUMPECO LIMITED
PROPOSED ORGANIZATION CHART
PROCUREMENT SECTION



KEY:

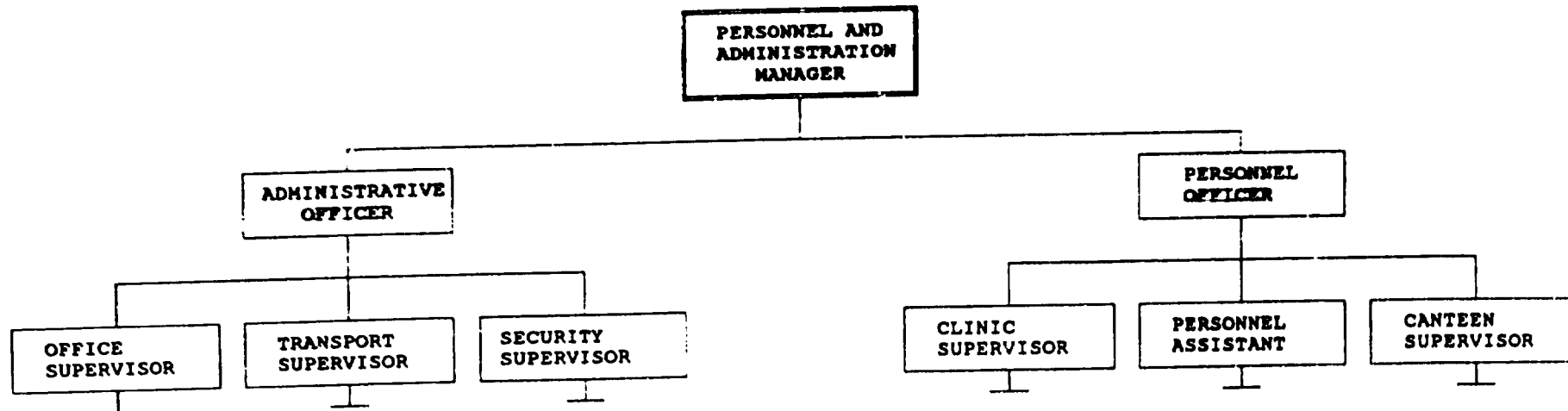
 = ADDITIONAL STAFF REPORT TO THIS POSITION
CHART DEPICTS REPORTING RELATIONSHIPS ONLY AND NOT GRADE

**TUMPECO LIMITED
PROPOSED ORGANIZATION CHART
FINANCE AND ACCOUNTS DEPARTMENT**

**KEY:**

┆ = OTHER POSITIONS REPORT TO THIS POSITION

**TUMPECO LIMITED
PROPOSED ORGANIZATION CHART
PERSONNEL AND ADMINISTRATION DEPARTMENT**



KEY: | = OTHER POSITIONS REPORT TO THIS POSITION

**TUMPECO LIMITED
ON-THE-JOB TRAINING PROGRESS REPORT**

FORM 1

SECTION 1

Personal Information

Name: Employee No: Grade: Position:
Department: Section:
Date of Report Date of Last Progress Report

SECTION 2

To the Head of Department
.....
.....

Subject:
(Name of Employee)

Please give details of training given to the above named employee during the last quarter/month in the space below:-

Details of Training

.....
.....
.....

Please comment on employee's response to the training given and suggest ways of improving upon the employee's response to the training given.

.....
.....
.....

APPENDIX 13 CONTD..

Advise whether or not the employee is ready for the next phase of training. Give brief details of the next phase of training (including duration of training).

.....
.....
.....

.....
Signature of Head of Dept

Date: _____

Please complete and submit this form to the Personnel/Administrative Manager before

.....
Sig. of Personnel Manager

SECTION 3

TO BE COMPLETED BY PERSONNEL/ADMINISTRATION DEPARTMENT

Based on the information provided by the employees' Head of Department in Section 2 of this form, please complete the following:

- (a) Describe any training gap identified
.....
.....
- (b) Follow-up action taken to close training gap
.....
.....
- (c) Give brief details of employee's performance after action taken in (b) above
.....
.....

.....
Sig. of Personnel Manager

Date: _____

APPENDIX 14

**TUMPECO LIMITED
OBJECTIVES FORM**

**NOTE: THIS FORM IS TO BE COMPLETED BY THE
HEAD OF DEPARTMENT OR SECTION**

PLEASE INDICATE IN THE SPACE BELOW THE OBJECTIVE(S) TO BE COMPLETED BY THE EMPLOYEE AS WELL AS THE TARGET COMPLE- TION DATE		PROPOSED TARGET COMPLETION DATE	EMPLOYEES COMMENTS OR REMARKS ON TARGET COMPLETION DATE	AGREED COMPLETION DATE	ACTUAL COMPLETION DATE	REMARKS OF HEAD OF DEPARTMENT
NO.	OBJECTIVE					

NAME OF EMPLOYEE

GRADE

POSITION

SECTION

SIGNATURE OF EMPLOYEE

DATE: _____

SIGNATURE OF HEAD OF DEPARTMENT

DATE: _____

**NB: SUBMIT A COPY OF THIS FORM TO THE PERSONNEL AND ADMINISTRATIVE MANAGER
TOGETHER WITH THE CRITICAL INCIDENTS FORM.**

APPENDIX 15

**TUMPECO LIMITED
CRITICAL INCIDENTS FORM**

Name of Employee: Position:
 Department: Section:
 Name of Immediate Supervisor:
 Name of Head of Department:
 Period Under Review: FROM: 19... TO: 19...

NOTE: THIS FORM IS TO BE COMPLETED BY THE EMPLOYEE'S HEAD OF SECTION OR HEAD OF DEPARTMENT.

PLEASE INDICATE IN THE SPACE BELOW ANY POSITIVE OR NEGATIVE CRITICAL INCIDENTS THAT HAVE OCCURED DURING THE PERFORMANCE OF WORK BY THE ABOVE NAMED EMPLOYEE DURING THE PERIOD UNDER REVIEW					
NO.	POSITIVE CRITICAL INCIDENT (GIVE BRIEF DETAILS)	FOLLOW-UP ACTION	NO.	NEGATIVE (GIVE BRIEF CRITICAL DETAILS) INCIDENT	FOLLOW-UP ACTION

.....
 SIGNATURE OF HEAD OF SECTION
 DATE: _____

.....
 SIGNATURE OF HEAD OF DEPT.
 DATE: _____

N.B. PLEASE SUBMIT COMPLETED FORM TO THE PERSONNEL/ADMINISTRATIVE MANAGER

APPENDIX 16

TUMPECO LIMITED
EMPLOYEE PERFORMANCE EVALUATION FORM

Name : Position:
Grade: Department: Section:
Date of Evaluation: 19...
Date of Last Evaluation: 19...
Period of Last Evaluation: FROM: TO: 19...
Date of Last Promotion : 19...
(If Applicable)

Purpose of Evaluation:

End of Probationary Period

Annual Review

For Bonus or Incentive Award

Other Reason

Give Details of other Reason for Evaluation

INSTRUCTIONS TO PERSON COMPLETING THIS FORM

Carefully consider each of the performance evaluation criteria indicated on this form and place an "x" or check mark (/) in the column which best describes the performance of the employee being evaluated.

Please be guided by the following scoring details:

- | | <u>SCORE</u> |
|--|--------------|
| (a) Consistently Poor Performance | 1 |
| (b) Fair Performance | 2 |
| (c) Highly Satisfactory Performance | 3 |
| (d) Very Good Performance | 4 |
| (e) Outstanding or Excellent Performance | 5 |

Please total your scores for the employee and indicate your overall assessment in the space provided.

JOB PERFORMANCE CHARACTERISTIC	POOR	FAIR	HIGHLY SATISFACTORY	VERY GOOD	EXCELLENT	SCORE
1. Quality of Work						
2. Quantity of Work						
3. Performance Under Stress						
4. Knowledge of Work						
5. Initiative						
6. Adaptability						
7. Judgement						
8. Resourcefulness						
9. Co-operation						
10. Job Presence						
11. Administrative or Clerical Ability OR Secretarial or Typing Ability OR Knowledge of Storekeeping and Practice of Stores Routine OR Knowledge of Accounting or Book- keeping and its Practice OR Technical Proficiency OR Effectiveness of Public Contact						
12. Appearance						
13. Attitude						
14. Discipline						
15. Special Aptitude						
16. Future Potential						

TOTAL SCORE

TUMPECO LIMITED CORPORATE PLAN 1992 TO 1995 STRATEGY AND ACTION PLAN SHEET

(5) NECESSARY ACTION	(6) TARGET COMPLETION DATE(S)	(7) REPORTS(S) TO BE SUBMITTED PRODUCED	(8) TARGET SUBMISSION DATE(S)	(9) FOLLOW-UP ACTION	(10) OFFICER(S) RESPONSIBLE FOR FOLLOW-UP	(11) TARGET COMPLETION DATE FOR FOLLOW- UP ACTION
Prepare of materials required to target city ization.	31st August yearly.	Bill of materials to be prepared by the Production Manager and submitted to the Purchasing Officer	15th Sept. Annually	Ensure orders placed in good time by Purchasing Officer.	Production Manager	31st December yearly during plan period
Prepare Departmental Budget and submit to GM for review.	6th September yearly	Departmental Budget to be sent to General Manager	6th Sept. yearly	Obtain Budget Proposals from General Manager; revise same and submit revised budget proposals to Chief Accountant	Production Manager	10th September yearly
Analyze quarterly cost reduction and submit recommendations to GM with supporting documentation.	End of each quarter during plan period	Report on reductions in cost to be sent to GM quarterly during plan period up to 31/12/95.	Quarterly during plan period	Monitor gains in cost reduction and decreases in rate of injuries on-the- job and take corrective action.	Production Manager	Continue with cost reduction and safety indoctrination of staff up to 31/12/95.

1) If your answer is "Yes", please request the employee to complete the next section of this form.

SIGNATURE:

DATE:

EMPLOYEE

1) Please comment on how you intend to improve upon your areas of weak assessment in the space below:-

2) Please give any other comments on your assessment below:

SIGNATURE OF EMPLOYEE:

DATE:

- 4) What measures do you consider necessary in order to help the employee to improve upon his/her performance during the next review period?
- 5) What other comments do you have regarding the overall performance and future potential of this employee?
- 6) RECOMMENDATION OF HEAD OF DEPARTMENT
(This must NOT be Communicated to the Employee).
On the basis of my assessment of the employee's performance and conduct, I recommend that he/she should be given the following:-

- Normal Increment on his/her present scale
- Increment should be withheld/deferred
- Normal increment plus a merit increment
- To be promoted to the grade of with effect from 19..
- Normal increment with advise/warning

APPENDIX 20

TUMPECO LIMITED
CORPORATE PLAN 1992 TO 1995
STRATEGY AND ACTION PLAN SHEET

(6) TARGET COMPLETION DATE(S)	(7) REPORTS(S) TO BE SUBMITTED PRODUCED	(8) TARGET SUBMISSION DATE(S)	(9) FOLLOW-UP ACTION	(10) OFFICER(S) RESPONSIBLE FOR FOLLOW-UP	(11) TARGET COMPLETION DATE FOR FOLLOW- UP ACTION
31/7/93	Memo to PM should show details to tasks to be performed by personnel to be recruited	31/7/93	Send reminder and have verbal follow- up discussions with Personnel Manager (PM)	Sales Manager (SM)	31/12/93
31/7/93	Issue letters to staff detailing their responsi- bilities and targets	31/7/93	Review monthly performance reports from sales, marketing and export sections of department.	Marketing and Sales Manager (MSM)	Review month- ly performance reports throughout plan period but latest by end of first week of the week of the next month.
31/7/93 12/11/93 15/11/93 15/11/94 15/11/95 15/11/96	Marketing Programme and advice personnel to targets set for sales/marketing activities	31/7/93 12/11/93 15/11/93 15/11/94 15/11/95 15/11/96	Obtain approval of Marketing Programme and advice personnel to targets set for sales/marketing activities	Marketing and Sales Manager (MSM)	15/12/93 and by end of November of each year of plan period

.....
SIGNATURE OF HEAD OF DEPARTMENT
.....

.....
DATE
.....

PERSONNEL/ADMINISTRATIVE MANAGER

1) I do/do not endorse the recommendation of the employee's Head of Department.

NB: IN CASE YOU ARE UNABLE TO ENDORSE THE RECOMMENDATION OF THE EMPLOYEE'S HEAD OF DEPARTMENT, PLEASE GIVE YOUR REASONS IN THE SPACE BELOW

2) What is your own recommendation on the employee?

.....
SIGNATURE OF PERSONNEL & ADMINISTRATIVE MANAGER
.....

.....
DATE
.....

TUMPECO LIMITED
CORPORATE PLAN 1992 TO 1995
STRATEGY AND ACTION PLAN SHEET

(8) PRELIMINARY DATE(S)	(6) TARGET COMPLETION DATE(S)	(7) REPORTS(S) TO BE SUBMITTED PRODUCED	(5) TARGET SUBMISSION DATE(S)	(9) FOLLOW-UP ACTION	(10) OFFICER(S) RESPONSIBLE FOR FOLLOW-UP	(11) TARGET COMPLETION DATE FOR FOLLOW- UP ACTION
Prepare and submit departmental budget.	31/10/93 31/10/94 31/10/95	Draft Depart- mental budget and send same to Chief Accountant	6/9/93 6/9/94 6/9/95	Attend three budget hearing meetings to be held each year before 31st October during the plan period.	Marketing and Sales Manager	31st October of each year during the plan period.

CORPORATE VISION

TUMPECO LIMITED
CORPORATE PLAN 1992 TO 1995
STRATEGY AND ACTION PLAN SHEET

	(6) TARGET COMPLETION DATE(S)	(7) REPORTS(S) TO BE SUBMITTED PRODUCED	(8) TARGET SUBMISSION DATE(S)	(9) FOLLOW-UP ACTION	(10) OFFICER(S) RESPONSIBLE FOR FOLLOW-UP	(11) TARGET COMPLETION DATE FOR FOLLOW- UP ACTION
Identify select markets customer preference	31/7/93					
Design questionnaire customer preference arrange report and pitch teams target study and questionnaires pitching information to markets bullet points and present to GM approval stage for product development	30/6/93	Complete questionnaires and reports on findings to be prepared by marketing officer and sent to market- ing and sales manager	31/7/93	Detailed analysis and follow-up visits to target markets	Marketing Manager and Marketing Services Officer	30/9/93
	30-5-93	Market Research findings and Product Development reports to GM	31/12/93	Obtain GM's approval of new product development and liaise with Production Manager on product development.	Marketing Manager	Throughout plan period
	31-12-95	Progress Reports on new products	Monthly during plan period	Arrange marketing of new products to be developed	Marketing Manager	31/12/95

.....
SIGNATURE OF PERSONNEL
MANAGER

T'D

**TUMPECO LIMITED
CORPORATE PLAN 1992 TO 1995
STRATEGY AND ACTION PLAN SHEET**

GENERAL MANAGER 3

**TUMPECO LIMITED
CORPORATE PLAN 1
STRATEGY AND ACT**

(6) TARGET COMPLETION DATE(S)	(7) REPORT(S) TO BE SUBMITTED PRODUCED	(8) TARGET SUBMISSION DATE(S)	(9) FOLLOW-UP ACTION	(10) OFFICER(S) RESPONSIBLE FOR FOLLOW-UP	(11) TARGET COMPLETION DATE FOR FOLLOW-UP ACTION
As necessary during plan period	Market segment Performance Report	End of each month during plan period	Strengthen TUMPECO Brand image on all products through advertisements targeted at specific market segments.	Marketing Manager	Continue monitoring until 31/12/95
8. 31/12/93 and before end of each year of plan period.	Structured training programmes to Personnel Manager.	31st Dec. of each year of plan period	Assess effectiveness of training by appraising staff performance.	Marketing Manager	Continue with assessment up to 31/12/95
3. 31/12/93 and thereafter weekly by 31st Jan.	Monthly sales Performance Reports - By Agent - By Wholesaler - By Sales Off. - By Export market.	Monthly during plan period	Reward staff who exceed targets by giving cash, product incentives and "Best Worker Awards" etc.	Marketing Manager	31/12/95

GENERAL/DEPARTMENT

(1) CORPORATE MISSION	(2) OBJECTIVES	(3) STRATEGY	(4) OFFICER RESPONSIBLE	(5) NECESSARY ACTION	(6) TARGET COMPLETION DATE(S)	(7) REPORT(S) TO BE SUBMITTED PRODUCED	(8) TARGET SUBMISSION DATE(S)
		3) Arrange preparation of Board papers, arrange and attend Board meetings.	General Manager	Arrange distribution of Board papers	Two weeks before each Board meeting up to 31/12/95	1) Monthly Reports 2) Quarterly Reports 3) Annual Reports 4) Budget Reports 5) Corporate Plan 6) Other	Two weeks before each Board meeting up to 31/12/95
		4) Ensure import of raw materials and spare parts for production done on time.	General Manager	Monitor performance/ activities of production and other departments.	Continue monitoring until end of plan period.	N/A	N/A
		5) Price finished products per batch with Marketing Manager	General Manager	Review detailed costing reports from Accounts Department and determine price with Marketing Manager's assistance.	Immediately submission of report up to 31/12/95	Price List to Marketing Manager	Before close of day on which report is submitted

TUMPECO LIMITED
CORPORATE PLAN 1992 TO 1995
STRATEGY AND ACTION PLAN SHEET

(5) ISSUARY ION	(6) TARGET COMPLETION DATE(S)	(7) REPORTS(S) TO BE SUBMITTED PRODUCED	(8) TARGET SUBMISSION DATE(S)	(9) FOLLOW-UP ACTION	(10) OFFICER(S) RESPONSIBLE FOR FOLLOW-UP	(11) TARGET COMPLETION DATE FOR FOLLOW- UP ACTION
Forecast sales market ment and realistic targets. Ensure actual performance of target markets retails, Whole- salers and merchants to achieve targets and take necessary action where it falls short.	Weekly, Monthly, Quarterly and Annually throughout the plan period	Budgeted and Actual sales performance Reports with analysis of vacancies from budgeted targets.	Weekly, Monthly, Quarterly and Annually up to 31/12/95	Strengthen weak distribution channels and take other corrective action to meet planned sales targets.	Marketing Manager	31/12/95
Issue letters of commendation where necessary and Product Sales Cash	31/12/95	a) Letter or memo to GM for approval of incentives to staff.	As necessary	Reward employees.	Marketing Manager	31/12/95

GENERAL MANAGER 3 CONT'D

TUMPECO LIMITED
CORPORATE PLAN
STRATEGY AND ACTION

GENERAL/DEPARTMENT

(1) CORPORATE MISSION	(2) OBJECTIVES	(3) STRATEGY	(4) OFFICER RESPON- SIBLE	(5) NECESSARY ACTION	(6) TARGET COMPLETION DATE(S)	(7) REPORTS(S) TO BE SUBMITTED PRODUCED	(8) TARGET SUBMISSION DATE(S)
		6) Appraise or evaluate performance of Heads of Department.	General Manager	Complete performance evaluation forms for each Head of Department.	By end of first month of next year up to 31/12/95.	Complete Performance Evaluation Form for personal file of Heads of Department.	By end of first month of next year up 31/12/95

NT'D

**TUMPECO LIMITED
CORPORATE PLAN 1992 TO 1995
STRATEGY AND ACTION PLAN SHEET**

(5) NECESSARY ACTION	(6) TARGET COMPLETION DATE(S)	(7) REPORTS(S) TO BE SUBMITTED PRODUCED	(8) TARGET SUBMISSION DATE(S)	(9) FOLLOW-UP ACTION	(10) OFFICER(S) RESPONSIBLE FOR FOLLOW-UP	(11) TARGET COMPLETION DATE FOR FOLLOW- UP ACTION
Undertake appraisal of staff performance during plan period	By 31 Dec. of each year during plan period	b) Annual staff Appraisal Form.	31 Dec. yearly during plan period	Ensure staff improve on shortcomings or weak areas of assessment	Marketing Manager	31/12/95
Issue verbal warnings and other reports to Personnel Manager	31/12/95	Letter or memo to Personnel Manager	As necessary	Counsel staff to turn over new leaf.	Marketing Manager	31/12/95

GENERAL MANAGER 4

**TUMPECO LIMITED
CORPORATE PLAN
STRATEGY AND ACTION PLAN SHEET**

GENERAL/DEPARTMENT

(1) CORPORATE MISSION	(2) OBJECTIVES	(3) STRATEGY	(4) OFFICER RESPON- SIBLE	(5) NECESSARY ACTION	(6) TARGET COMPLETION DATE(S)	(7) REPORTS(S) TO BE SUBMITTED PRODUCED	(8) TARGET SUBMISSION DATE(S)
		1) Undertake continuous high-level lobbying to achieve company objectives.	General Manager	1) Arrange periodic visits 2) Arrange business meetings 3) Organize lunches 4) Undertake business promotion.	Continue throughout plan period	Verbal reports to other Directors to assist with lobbying.	As necessary during period.
	3) Plan activities of the company and monitor performance.	1) Oversee preparation of Corporate Plan.		Monitor actual results and compare to Corporate Plan and Budgeted targets.	Daily, Weekly, Monthly, Quarterly, and Annually up to 31/12/95.	Monthly Reports to Board. Quarterly Report to Board. Annual Reports to Board. Budget and Corporate Plan to Board.	Second week of next month or two weeks before next scheduled Board meeting to 31/12/95.
		2) Oversee preparation of Annual budgets. 3) Undertake financial planning. 4) Oversee preparation of daily, weekly, monthly, quarterly and Annual Reports.	General Manager	Same as above.	Same as above.	Same as above.	Same as above.

**TUMPECO LIMITED
CORPORATE PLAN 1992 TO 1995
STRATEGY AND ACTION PLAN SHEET**

(5) NECESSARY ACTION	(6) TARGET COMPLETION DATE(S)	(7) REPORTS(S) TO BE SUBMITTED PRODUCED	(5) TARGET SUBMISSION DATE(S)	(9) FOLLOW-UP ACTION	(10) OFFICER(S) RESPONSIBLE FOR FOLLOW-UP	(11) TARGET COMPLETION DATE FOR FOLLOW- UP ACTION
	31/12/96	N/A	N/A	N/A		
Develop stand- ardized budget format for general use	30/8/92	Budget Format to be distrib- uted to all Heads of Department	3/9/92	Ensure budget proposal formats are distributed completed and returned by all Heads of Department (including Chief Accountant) on time.	Chief Accountant	6/9/92
Consolidate departmental budgets and large budget items	16/9/92	Draft Budget to General Manager and Heads of Department	16/9/92	Ensure budget hearing meetings take place.	Chief Accountant	End of 1st week in October during each year of plan period
Prepare final draft of budget document	14/10/92	Draft final budget to General Manager Heads of	14/10/92	Remind General Manager to send copy to Ministry	Chief Accountant	14/10/92

PRODUCTION 1

**TUMPECO LIMITED
CORPORATE PLAN
STRATEGY AND AC**

GENERAL/DEPARTMENT

(1) CORPORATE MISSION	(2) OBJECTIVES	(3) STRATEGY	(4) OFFICER RESPON- SIBLE	(5) NECESSARY ACTION	(6) TARGET COMPLETION DATE(S)	(7) REPORTS(S) TO BE SUBMITTED PRODUCED	(8) TARGET SUBMISSION DATE(S)
1) Improve capacity utiliza- tion by an aver- age of 25% during 1993, 1994 and 1995.	a) Rehabili- tate plant and equipment and determine inputs and raw materials required for production at projected levels.	Complete all rehabilitation work by end of 1992.	Production Manager (PM)	Prepare Bill of materials for production in 1993, 1994 and 1995.	31/12/92 30/6/92	Memo to GM for approval of BOM	15/8/92
2) Improve Quality of products.	b) Carry out planned and preventive maintenance schemes.	Continue throughout the plan period.	Production Manager Production Supervisor (Mechanical)	- Undertake weekly inspec- tion of machinery as part of preventive maintenance programme.	End of each week	Complete preventive maintenance book and submit for review by Production Manager.	By end of Monday of next week
			Production Manager	- Undertake inspection of plant and buildings with mechanical Engineer.	By end of each month	Submit monthly inspection reports to General Manager	By end of first week of next month.

ONT'D

TUMPECO LIMITED
CORPORATE PLAN 1992 TO 1995
STRATEGY AND ACTION PLAN SHEET

(6) TARGET COMPLETION DATE(S)	(7) REPORTS(S) TO BE SUBMITTED PRODUCED	(8) TARGET SUBMISSION DATE(S)	(9) FOLLOW-UP ACTION	(10) OFFICER(S) RESPONSIBLE FOR FOLLOW-UP	(11) TARGET COMPLETION DATE FOR FOLLOW- UP ACTION
21/10/92	Departments and Executive Director (ED) Final budget to General Manager, Heads of Department and Directors	21/10/92	Send copies of final budget to General Manager, Heads of Department and Assistants as well as to Ministry for approval.	Chief Accountant	31/10/92

PRODUCTION 2

TUMPECO LIMITED
CORPORATE PLAN
STRATEGY AND AC

CORPORATE MISSION:

(1) CORPORATE MISSION	(2) OBJECTIVES	(3) STRATEGY	(4) OFFICER RESPON- SIBLE	(5) NECESSARY ACTION	(6) TARGET COMPLETION DATE(S)	(7) REPORTS(S) TO BE SUBMITTED PRODUCED	(8) TARGET SUBMISSION DATE(S)
	c) Train staff	Continue up to 31/12/95	Production Manager	Organize - on-the-job training	As required during plan period	Progress reports to be submitted to Personnel Manager	After each round of training
	d) Intensify quality control efforts	Continue up to 31/12/95	Production Manager	- identify suitable external training courses for staff. Improve inter-face between production and quality control functions.	As required during plan period	Progress reports to be submitted to Personnel Manager. Copies of certificate obtained by staff to be sent to Personnel Manager.	After each course during period
	e) Undertake product innovation studies	Continue up to 31/12/95	Production Manager	a) Research into production of new products with existing machines and raw material.	Throughout plan period	Quality control reports to GM New findings: report	At end of each day work. By end of first week of following month during plan period

TUMPECO LIMITED
CORPORATE PLAN 1992 TO 1995
STRATEGY AND ACTION PLAN SHEET

(1) ACTION DATE(S)	(7) REPORT(S) TO BE SUBMITTED PRODUCED	(8) TARGET SUBMISSION DATE(S)	(9) FOLLOW-UP ACTION	(10) OFFICER(S) RESPONSIBLE FOR FOLLOW-UP	(11) TARGET COMPLETION DATE FOR FOLLOW- UP ACTION
Review Bill of Materials statement phases of necessary					
Prepare statement for 5 years plan					
Prepare statement					

PRODUCTION 2 CONT'D

TUMPECO LIMITED
CORPORATE PLAN
STRATEGY AND ACTION PLAN SHEET

CORPORATE MISSION:

(1) CORPORATE MISSION	(2) OBJECTIVES	(3) STRATEGY	(4) OFFICER RESPON- SIBLE	(5) NECESSARY ACTION	(6) TARGET COMPLETION DATE(S)	(7) REPORT(S) TO BE SUBMITTED PRODUCED	(8) TARGET SUBMISSION DATE(S)
	f) Improve productivity	Continue up to 31/12/95	Production Manager	a) Set production targets b) Monitor performance c) Complete performance evaluation forms.	Before end of each year throughout plan period.	Submit recommendations for productivity Bonuses. Submit performance Evaluation forms.	Before 31 December each year during plan period.

**TUMPECO LIMITED
CORPORATE PLAN 1992 TO 1995
STRATEGY AND ACTION PLAN SHEET**

(6) TARGET COMPLETION DATE(S)	(7) REPORTS(S) TO BE SUBMITTED PRODUCED	(8) TARGET SUBMISSION DATE(S)	(9) FOLLOW-UP ACTION	(10) OFFICER(S) RESPONSIBLE FOR FOLLOW-UP	(11) TARGET COMPLETION DATE FOR FOLLOW- UP ACTION
13/9/92	Production forms Sales forms Store forms Personnel forms Accounts forms	13/9/92	Obtain consent of Heads of Department on suitability of forms. Obtain approval of General Manager and all Heads of Department at management meeting.	Chief Accountant	13/9/92
30/9/92	Submit various forms to Heads of User Departments	30/9/92	Assist Heads of Department and Users with difficulties in filling forms	Chief Accountant	17/9/92 31/12/92
30/9/92	Circular to all Heads of Department	30/9/92	Obtain General Manager's signature on circular and distribute circular		30/9/92
Throughout plan period but not later than one week after receipt of report	Management Information Reports.	One week after receipt of report.	Liaise with General Manager and relevant officer-in-charge to ensure corrective action taken.	Chief Accountant	Not later than one week after submission of management information report

MARKETING 2 CONT'D

**TUMPECO LIMITED
CORPORATE PLAN 1
STRATEGY AND ACT**

CORPORATE MISSION:

(1) CORPORATE MISSION	(2) OBJECTIVES	(3) STRATEGY	(4) OFFICER RESPON- SIBLE	(5) NECESSARY ACTION	(6) TARGET COMPLETION DATE(S)	(7) REPORTS(S) TO BE SUBMITTED PRODUCED	(8) TARGET SUBMISSION DATE(S)
				v) Liaise with Production Manager for production of new products to be developed.	31/12/95	production to General Manager	
				a) Export market identify, select and develop target export markets	30/8/95	Potential Export markets report to General Manager	Within one week of selection of export market up to 31/12/95

**TUMPECO LIMITED
CORPORATE PLAN 1992 TO 1995
STRATEGY AND ACTION PLAN SHEET**

(6) TARGET COMPLETION DATE(S)	(7) REPORTS(S) TO BE SUBMITTED PRODUCED	(8) TARGET SUBMISSION DATE(S)	(9) FOLLOW-UP ACTION	(10) OFFICER(S) RESPONSIBLE FOR FOLLOW-UP	(11) TARGET COMPLETION DATE FOR FOLLOW- UP ACTION
First thing on Monday of Cash Budget week	Cash Budget to General Manager and all Heads of Department	10 a.m on Monday of Cash Budget week	Discuss cash position with General Manager.	Chief Accountant	By 12.00 noon on Monday of Budget week.
Monday of Cash Budget week	Bank recon- ciliation Statement	Before close of day on Monday of Reconcilia- tion week.	Discuss with General Manager.	Chief Accountant	By close of day on Tuesday of Reconciliation week.
1/11/92	Weekly Expenditure Reports to all Heads of Department.	Latest by Monday morning of next week.	Discuss expenditure position with Heads of Department.	Chief Accountant	By close of day on Tuesday of every week.

MARKETING MANAGER 3

**TUMPECO LI
CORPORATE
STRATEGY A**

CORPORATE MISSION:

(1) CORPORATE MISSION	(2) OBJECTIVES	(3) STRATEGY	(4) OFFICER RESPON- SIBLE	(5) NECESSARY ACTION	(6) TARGET COMPLETION DATE(S)	(7) REPORTS(S) TO BE SUBMITTED PRODUCED	(8) TARGET SUBMISSION DATE(S)
				Review quality of products for local and export markets	31/3/94 for initial export orders and there- after up to 31/12/95	Export products Quality and Reports to General Manager	Whenever necessary up to 31/12/95
				Suggest export prices	31/3/94 and thereafter up to 31/12/95		
				Determine and place adverts in target Export market	31/3/94 and thereafter up to 31/12/95	Export Prices to GM for approval Sample adverts to General Manager for approval.	Same as above
				Start execut- ing Exports orders.	1/5/94 and thereafter up to 31/12/95		Same as above

MARKETING MANAGER 3 CONT'D

TUMPECO LIMITED CORPORATE PLAN 1992 TO 1995 STRATEGY AND ACTION PLAN SHEET

CORPORATE MISSION:

(1) CORPORATE MISSION	(2) OBJECTIVES	(3) STRATEGY	(4) OFFICER RESPON- SIBLE	(5) NECESSARY ACTION	(6) TARGET COMPLETION DATE(S)	(7) REPORTS(S) TO BE SUBMITTED PRODUCED	(8) TARGET SUBMISSION DATE(S)	(9) FOLLOW-UP ACTION	(10) OFFICER(S) RESPONSIBLE FOR FOLLOW-UP	(11) TARGET COMPLETION DATE FOR FOLLOW- UP ACTION
	2.3 Adopt product differentiation.	Up to end of plan period (i.e 31/12/95)	Marketing and Sales Manager	Review quality pricing, advertising and distribution methods of existing products to be sold in market segments for: . Low income rural customer . Middle income city dwellers . High income city dwellers/ Export market	As necessary up to 31/12/95	Memoranda suggesting basis of differentiation of products to General Manager	Throughout plan period	a) Conduct market research to determine customer needs in terms of quality, price and distribution methods. b) Liaise with Production Manager on quality of products.	Marketing Manager	31/12/95
	2.4 Develop new markets	Up to end of plan period (i.e 31/12/95)	Marketing Manager	Promote Development of new markets through . Advertising . Promotion . New product Development . Entry of new exports market	31/12/95	New markets report	At end of each quarter of plan period up to 31/12/95	Assess performance of new markets.	Marketing Manager	31/12/95

TUMPECO LIMITED
 CORPORATE PLAN 1992 TO 1995
 STRATEGY AND ACTION PLAN SHEET

CORPORATE MISSION:

(1) CORPORATE MISSION	(2) OBJECTIVES	(3) STRATEGY	(4) OFFICER RESPONSIBLE	(5) NECESSARY ACTION	(6) TARGET COMPLETION DATE(S)	(7) REPORTS(S) TO BE SUBMITTED PRODUCED	(8) TARGET SUBMISSION DATE(S)	(9) FOLLOW-UP ACTION	(10) OFFICER(S) RESPONSIBLE FOR FOLLOW-UP	(11) TARGET COMPLETION DATE FOR FOLLOW-UP ACTION
	2.5 Balance distribution channel-mix	Continue up to 31/12/95	Marketing Manager	1) Identify, select and develop wholesalers for products 2) Categorise Agents to facilitate credit sales.	31/12/93 31/12/93	Distribution channel Performance Reports on • direct sales through • Wholesalers • Agents	End of each month during plan period	Increase customer awareness of distribution outlets through advertisements	Marketing Manager	31/12/95
	2.6 Market penetration	Continue up to 31/12/95	Marketing Manager	1) Review price levels to ensure affordability by various market segments. Advertise new prices at which products will be sold in various market segments.	31/7/93 31/7/93 and thereafter up to 31/12/95	New price Lists to General Manager for approval.	31/7/93 and thereafter whenever new price lists are released.	Monitor customer acceptance of new prices and sales performance following price reviews.	Marketing Manager	Continue monitoring until 31/12/95

ACCOUNTS DEPARTMENT 2 CONT'D

TUMPECO LIMITED
 CORPORATE PLAN 1992 TO 1995
 STRATEGY AND ACTION PLAN SHEET

GENERAL/DEPARTMENT:

(1) CORPORATE MISSION	(2) OBJECTIVES	(3) STRATEGY	(4) OFFICER RESPON- SIBLE	(5) NECESSARY ACTION	(6) TARGET COMPLETION DATE(S)	(7) REPORTS(S) TO BE SUBMITTED PRODUCED	(8) TARGET SUBMISSION DATE(S)	(9) FOLLOW-UP ACTION	(10) OFFICER(S) RESPONSIBLE FOR FOLLOW-UP	(11) TARGET COMPLETION DATE FOR FOLLOW- UP ACTION
				5) Prepare projected sources and uses of funds statement	2/8/92					
				6) Arrange meetings of General Manager and Heads of Department to adopt corporate plan	6/8/92	Draft Corporate plan	2/8/92			

ACCOUNTS DEPARTMENT 3

TUMPECO LIMITED
CORPORATE PLAN 1992 TO 1995
STRATEGY AND ACTION PLAN SHEET

GENERAL/DEPARTMENT:

(1) CORPORATE MISSION	(2) OBJECTIVES	(3) STRATEGY	(4) OFFICER RESPON- SIBLE	(5) NECESSARY ACTION	(6) TARGET COMPLETION DATE(S)	(7) REPORTS(S) TO BE SUBMITTED PRODUCED	(8) TARGET SUBMISSION DATE(S)	(9) FOLLOW-UP ACTION	(10) OFFICER(S) RESPONSIBLE FOR FOLLOW-UP	(11) TARGET COMPLETION DATE FOR FOLLOW- UP ACTION
				Make necessary adjustments to Corporate Plan	9/8/92	Draft Corporate plan to General Manager and Heads of Departments.	9/8/92	Submit Information copy to Ministry and obtain comments of Ministry	Chief Accountant	21/8/92
				Same as above	23/8/92	Corporate Plan	23/8/92	Submit copies of Corporate Plan to General Manager and Heads of Department for study and submission to Ministry/Board for approval.	Chief Accountant	29/8/92
				Make final adjustments to Corporate plan	30/11/92	Final Corporate Plan	30/11/92	Submit copies of final corporate plan to General Manager and Heads of Department for guidance.		Latest by end of second week after Board/Ministry approval.

ACCOUNTS DEPARTMENT 4

TUMPECO LIMITED
CORPORATE PLAN 1992 TO 1995
STRATEGY AND ACTION PLAN SHEET

GENERAL/DEPARTMENT:

(1) CORPORATE MISSION	(2) OBJECTIVES	(3) STRATEGY	(4) OFFICER RESPON- SIBLE	(5) NECESSARY ACTION	(6) TARGET COMPLETION DATE(S)	(7) REPORTS(S) TO BE SUBMITTED PRODUCED	(8) TARGET SUBMISSION DATE(S)	(9) FOLLOW-UP ACTION	(10) OFFICER(S) RE: PONSIBLE FOR FOLLOW-UP	(11) TARGET COMPLETION DATE FOR FOLLOW- UP ACTION
		Improve Costing System	Chief Accountant	1) Extend cost centres to cover all functional areas as follows including forms design: - Production - Marketing - Personnel - Accounting - Administration - Internal Audit	23/8/92	Memoranda to all Heads of Department on new cost centres	16/8/92	Joint Accounts Department/User Department discussions on new costing system	Chief Accountant and costing Assistant	23/8/92
				2) Introduce and install PIES Chart of Accounts	23/8/92	Memoranda to all Heads of Departments to explain cost codes and break down to costs into fixed and variable elements. (i.e. controllable	30/8/92	Discussions on new Chart of Accounts with Heads of Department	Chief Accountant and Costing Assistant	30/8/92

ACCOUNTS DEPARTMENT 4 CONT'D

TUMPECO LIMITED
CORPORATE PLAN 1992 TO 1995
STRATEGY AND ACTION PLAN SHEET

GENERAL/DEPARTMENT:

(1) CORPORATE OBJECTIVES	(2) OBJECTIVES	(3) STRATEGY	(4) OFFICER RESPONSIBLE	(5) NECESSARY ACTION	(6) TARGET COMPLETION DATE(S)	(7) REPORTS(S) TO BE SUBMITTED PRODUCED	(8) TARGET SUBMISSION DATE(S)	(9) FOLLOW-UP ACTION	(10) OFFICER RESPONSIBLE FOR FOLLOW-UP	(11) TARGET COMPLETION DATE FOR FOLLOW-UP OF ACTION
				3) Upgrade Marketing and maintenance cost centres to profit centres.	1/7/93	and non-controllable costs) Memoranda to Heads of Department	1/7/93	Discussions to explain rational behind change to Heads of Department	Chief Accountant	1/7/93

ACCOUNTS DEPARTMENT 7

TUMPECO LIMITED
 CORPORATE PLAN 1992 TO 1995
 STRATEGY AND ACTION PLAN SHEET

GENERAL/DEPARTMENT:

(1) CORPORATE MISSION	(2) OBJECTIVES	(3) STRATEGY	(4) OFFICER RESPON- SIBLE	(5) NECESSARY ACTION	(6) TARGET COMPLETION DATE(S)	(7) REPORTS(S) TO BE SUBMITTED PRODUCED	(8) TARGET SUBMISSION DATE(S)	(9) FOLLOW-UP ACTION	(10) OFFICER(S) RESPONSIBLE FOR FOLLOW-UP	(11) TARGET COMPLETION DATE FOR FOLLOW- UP ACTION
				4) Prepare monthly cash budgets showing previous months cash performance	First working day of cash budget month.	Monthly cash budget and cash performance report to General Manager and Heads of Department.	Before close of day on first working day of cash budget month.	Discuss cash position with General Manager	Chief Accountant	Before close of day on first working day of cash budget month
				5) Prepare monthly Bank Reconciliation Statement	End of first working day of cash budget month	Monthly Bank Reconciliation Statement.	Same as above	Discuss Bank Reconciliation Statement with General Manager	Chief Accountant	Same as above
				6) Prepare quarterly cash budget showing previous quarter cash performance	End of first working day of cash budget quarter.	Quarterly cash budget and cash performance report to General Manager and Heads of Department.	Before close of day on first working day of cash budget quarter.	Discuss position with General Manager and Heads of Department at management meeting.	Chief Accountant	Before end of 1st week of next quarter.

ACCOUNTS DEPARTMENT 8

TUMPECO LIMITED CORPORATE PLAN 1992 TO 1995 STRATEGY AND ACTION PLAN SHEET

GENERAL/DEPARTMENT:

(1) CORPORATE MISSION	(2) OBJECTIVES	(3) STRATEGY	(4) OFFICER RESPON- SIBLE	(6) NECESSARY ACTION	(8) TARGET COMPLETION DATE(S)	(7) REPORTS(S) TO BE SUBMITTED PRODUCED	(5) TARGET SUBMISSION DATE(S)	(9) FOLLOW-UP ACTION	(10) OFFICER(S) RESPONSIBLE FOR FOLLOW-UP	(11) TARGET COMPLETION DATE FOR FOLLOW- UP ACTION
				7. Follow-up all forex applications to be lodged with Bank of Uganda to ensure quick approval	Throughout plan period as necessary	N/A	N/A	Meet schedule officers regularly to discuss status of applications	Chief Accountant	As necessary
				Work out all relevant financial ratios	Monthly by end of first week of next month	Financial Ratio Performance Report to General Manager	Monthly before end of first week of the next month	Discuss with General Manager and Heads of Department at management meeting and initiate corrective action.	Chief Accountant	Monthly before end of second week of next month.
				5) Increase float on tax payments	Throughout plan period but not later than 21 days after sale of products.	Customs Monthly Sales Returns	By end of first week of next month.	Negotiate tax payments with tax authorities.	Chief Accountant	Two day prior to due date.
		Monitor operations to ensure profitability and liquidity.	Chief Accountant	Prepare monthly operating statements including Balance Sheet and Cash Flow Statement.	Monthly before end of first week of next month.	Trading Profit & Loss A/c Appropriation Account Balance Sheet and Funds Flow Statement.	Monthly before end of first week of the next month.	Discuss with General Manager and other Heads of Department at management meeting.	Chief Accountant	Monthly before end of second week of the next month.

PERSONNEL MANAGER 1

TUMPECO LIMITED
CORPORATE PLAN 1992 TO 1995
STRATEGY AND ACTION PLAN SHEET

GENERAL/DEPARTMENT:

(1) CORPORATE MISSION	(2) OBJECTIVES	(3) STRATEGY	(4) OFFICER RESPON- SIBLE	(5) NECESSARY- ACTION	(6) TARGET COMPLETION DATE(S)	(7) REPORT(S) TO BE SUBMITTED PRODUCED	(8) TARGET SUBMISSION DATE(S)	(9) FOLLOW-UP ACTION	(10) OFFICER(S) RESPONSIBLE FOR FOLLOW-UP	(11) TARGET COMPLETION DATE FOR FOLLOW- UP ACTION
	1) To develop a comprehensive Personnel programme to enable the company achieve its mission	1) Review and develop present Personnel recruitment procedures	Personnel Adm. Manager(PM)	a) Examine and re-design present Application Form for Employment	31/8/92	Revised Application form for Employment for GM's approval	6/9/92	To arrange for revised form to be used.	Personnel/ Adm. Manager	Continue using until 31/12/95
				b) Review all Labour laws in the country and comply with provisions.	31/5/92	Summary of Relevant laws affecting EADL	6/9/92	Educate all personnel in Dept., HOD and GM on labour laws	Personnel/ Adm. Manager	Be guided by labour laws until 31/12/95
				c) Design induction programmes to be followed by all new entrants.	30/6/93	a) Induction or orientation programmes to be followed by new staff to GM for approval b) On-the-job Training Progress Report Form to GM for approval.	Monthly up to 30/6/95	a) Advise all HOD on Induction programmes and ensure programmes are followed b) Obtain on-the-job training progress reports from HOD.	Personnel/ Adm. Manager Personnel/ Adm. Manager	Receive and review on-the-job training progress reports up to 31/12/95
				d) Design and prepare pre-printed appointment letter for i) Permanent appointments ii) Contract appointments iii) casual appointments	31/8/92	Pre-printed appointment letter forms to GM for perusal and approval.	6/9/92	Ensure use of new pre-printed appointment letters	Personnel/ Adm. Manager	Continue use of pre-printed appointment letters up to 31/12/95

PERSONNEL MANAGER 1 CONT'D

TUMPECO LIMITED
CORPORATE PLAN 1992 TO 1995
STRATEGY AND ACTION PLAN SHEET

GENERAL/DEPARTMENT:

(1) CORPORATE MISSION	(2) OBJECTIVES	(3) STRATEGY	(4) OFFICER RESPON- SIBLE	(5) NECESSARY ACTION	(6) TARGET COMPLETION DATE(S)	(7) REPORTS(S) TO BE SUBMITTED PRODUCED	(8) TARGET SUBMISSION DATE(S)	(9) FOLLOW-UP ACTION	(10) OFFICER(S) RESPONSIBLE FOR FOLLOW-UP	(11) TARGET COMPLETION DATE FOR FOLLOW- UP ACTION
				e) Obtain feed back on employees performance during probationary period.	Two weeks before completion of each probationary period up to 31/12/95	Memorandum to employee's Head of Department.	Two weeks before completion of each probationary period up to 31/12/95	Confirm or discharge employee before end of probationary period i) Issue confirmation letter or ii) Issue letter of discharge	Personnel/ Adm. Manager	On last day of probationary period throughout plan period up to 31/12/95

CHAPTER 16.0.

INTRODUCTION

**FINANCE AND ACCOUNTING REPORT ON
THE UGANDA METAL PRODUCTS AND
ENAMELLING COMPANY LIMITED**

16.0. **INTRODUCTION**

16.1. **BACKGROUND**

16.1.1. Reference Contract No. BR/UGA/89/001, Public Industrial Enterprises Secretariat. This is a report on the Finance and Accounting Programme carried out for **The Uganda Metal Products and Enamelling Company Limited (TUMPECO)** between May 19 to 20, 1992 and between May 25 to June 3, 1992 respectively, as part of the Technical Assistance Programme under extension of the above quoted contract.

16.1.2. Under this extension programme, IMAS conducted a management audit of the financial and accounting operations of TUMPECO between May 19 to 20, 1992 prior to the task of systems evaluation, evolution and development.

16.2. **PROGRAMME AIMS AND SCOPE**

The programme aimed at the following:-

16.2.1. Identifying and recommending areas of potential cost reductions in the Company's operations.

16.2.2. Evolving an efficient management information system at TUMPECO which will not only induce cost consciousness at all levels of management, but also enhance commitment for cost effectiveness by all functional heads.

CHAPTER 17.0.
PROGRAMME OBJECTIVES

17.0.

PROGRAMME OBJECTIVES

It was expected that by the end of the programme, the Chief Accountant of TUMPECO and his two subordinates working closely with the IMAS Consultant as facilitator would be able to do the following:-

17.1.

DEVELOP A COST ACCOUNTING SYSTEM WHICH WILL:

- a) ensure that cost of finished products will not transfer any cost of inefficiencies in production, material handling and valuation, to the ultimate consumer;
- b) provide flexible cost structures that will not only facilitate pricing of the finished goods but also enable cost-volume-profit relationships of product lines to be determined periodically, and at varying levels of capacity utilization;
- c) be adaptable to computerization;
- d) adopt methods of job costing and batch costing suitable for one off orders and customised products, respectively.

17.2.

DEVELOP A BUDGETING SYSTEM FOR TUMPECO WHICH WILL:

- a) create responsibility accounting;
- b) motivate high performance by all functions in the areas of cost cutting and profit maximization;
- c) provide instant checks and halts on unplanned spending;
- d) be adaptable to computerization;
- e) provide a feedback mechanism for actual departmental performance in relation to planned performance sanctioned for annual profit plans;

17.3.

DEVELOP AN IMPROVED REPORTING SYSTEM WHICH WILL:

- a) be capable of identifying and reviewing management information needs at all times;
- b) prescribe management information report formats for all responsibility centres, indicating levels and frequency of reporting;
- c) be adaptable for computerization;
- d) set target reporting dates;
- e) provide opportunities for feedback on reports.

17.4.

DEVELOP A DETAILED CONTROLLING SYSTEM WHICH WILL:

- a) utilise an effective financial and management accounting systems and procedures well suited for capturing data required in the processing of basic periodic financial information viz:-
 - Profit and Loss Account
 - Balance Sheet
 - Statement of Source and Application of Funds;
- b) enhance management control of operations through exception reporting through highlighting deviations of actual performance from planned performance within a budget period;
- c) demand periodic and timely analysis of the Company's business situation in terms of its liquidity, profitability and solvency.

17.5.

DEVELOP A FINANCIAL PLANNING SYSTEM WHICH WILL:

- a) enhance top management control of enterprise cash and working capital through the following:-
 - the preparation of weekly, monthly, quarterly and annual cash budgets and more importantly, monthly working capital budget.
 - the preparation of debtors monthly ageing analysis.
 - the preparation of monthly analysis of raw material and consumables in stock, identifying obsolete stock, damaged stock and assigning reasons for the conditions of each class of stock.

- the preparation of monthly analysis of work-in-progress stock, assigning reasons for locking up capital in uncompleted jobs.
 - the preparation of monthly analysis of finished goods stock at current selling prices, indicating corresponding realizable mark-ups and unrealised sales taxes, if any.
- b) enhance tax planning.

17.6.

DEVELOP A LIQUIDITY CONTROL SYSTEM WHICH WILL:

- a) provide an ideal measure of the extent to which the Company should be deemed prepared to satisfy all maturing financial obligations under both normal and abnormal operating conditions.

CHAPTER 18.0.
SUMMARY OF CONCLUSIONS
AND RECOMMENDATIONS

18.0. SUMMARY OF CONCLUSIONS
AND RECOMMENDATIONS

18.1. GENERAL

- 18.1.1. TUMPECO^s working capital problems stemmed from lack of planning and policy. In order to overcome the crippling effects of this situation, systems of planning and control have been recommended for handling each item on a working capital structure.
- 18.1.2. The successful implementation of the recommended systems calls for strict discipline on the part of Management. This is because, no amount of loans will ever be adequate to support the needs of the Company, if Management fails to show commitment in allocating the scarce resources in the best interest of the Company.
- 18.1.3. The use of short-term debt as against the expansion of equity is not advantageous for TUMPECO in view of the exceedingly high cost of capital in an inflationary period.
- 18.1.4. The present asset base of the Company warrants a fresh injection of capital from TUMPECO^s shareholders.
- 18.1.5. Pending the receipt of the shareholders' capital, the Company may negotiate for a bank overdraft under total guarantee to be provided by the shareholders.
- 18.1.6. In order to achieve cost efficiency and effectiveness in operations, tool room should merge with carpentry and vono with mattress profit centres.

18.2. COST ACCOUNTING SYSTEM

- 18.2.1. The present standard costing method should be discontinued.
- 18.2.2. The Company should adopt methods of job costing and batch costing suitable for one off orders and customised products respectively, based on actual cost of resources consumed in production.
- 18.2.3. The application of marginal costing technique should be followed under all circumstances to aid decision making.
- 18.2.4. Last-In-First-Out (*L.I.F.O*) method should be adopted in valuing material issues to production.
- 18.2.5. Labour hourly rate should form the basis for labour cost charge to batch or job production costs.
- 18.2.6. Weekly summary of batch/job costs should be prepared for the General Manager.
- 18.2.7. Depreciation charge as component of total fixed cost for break-even analysis, should exclude amortisation of the unrealised appreciation in the value of any fixed assets of the Company. In the case of TUMPECO, write-offs of asset value appreciations (*not caused by cash outlays*) should be charged against capital reserve accounts.

- 18.2.8. Planned Capacity Absorption Rule should be adopted as basis for charging fixed overhead to production.

18.3. **BUDGETING SYSTEM**

- 18.3.1. A Budget Committee, made up of all Heads of Department should be set up to co-ordinate all budgeting activities. The Committee should be chaired by the General Manager.
- 18.3.2. Monthly, quarterly and annual budgets should be prepared and submitted according to well defined deadline dates.
- 18.3.3. Responsibility Accounting Concept should be enforced in budgetary control reporting.

18.4. **REPORTING SYSTEM**

- 18.4.1. The PIES new Monthly Production Cost Account Format and Monthly Profit and Loss Account Format should be used.

18.5. **FINANCIAL PLANNING SYSTEM**

- 18.5.1. Weekly, monthly, quarterly and annual cash budgets should be prepared and submitted according to deadline dates.

18.6. **CONTROLLING SYSTEM**

- 18.6.1. Variance analysis should be extended to include variances of material cost, labour cost, overhead costs and sales values.

18.7. **LIQUIDITY CONTROL SYSTEM**

- 18.7.1. Trend analysis should be done in respect of current and acid-test ratios.
- 18.7.2. Statements of sources and application of working capital should be prepared monthly.
- 18.7.3. Monthly Debtors Ageing Analysis should be prepared modified to show outstanding debts beyond 30 days. A portion of the analysis should indicate references to actions taken to recover debts beyond 30 days.

18.8. **SYSTEMS IMPLEMENTATION**

- 18.8.1. A Committee of the Board of Directors should be formed to oversee the implementation of all the recommended systems. In the absence of a Board, a Management Committee should be formed, or PIES assistance should be sought.
- 18.8.2. In order to fully cover all the developed systems on the computer, the Financial Accountant and the Cost Accountant should be given training in computer applications, especially, in database management and spreadsheet, prior to acquisition of personal computers for the Company.

CHAPTER 19.0.

**REVIEW OF FINANCIAL AND
ACCOUNTING OPERATION**

19.0. REVIEW OF FINANCIAL AND ACCOUNTING OPERATION

19.1. REVIEW METHODOLOGY

19.1.1. The methodology employed by the Consultant consisted of:

- (i) a series of interviews with the Chief Accountant and his subordinates and also the Chief Engineer and his subordinates;
- (ii) a study of the data flow through the operations of the Company.

19.1.2. Analysis of the existing systems of operation identified several areas where improvements might be made. These areas include the following:-

- the means of controlling material issues from raw material store through the production.
- the method of costing for the finished products per various profit centres.
- the means of costing for the cost of labour actually consumed in production.
- the means of absorption of the fixed overhead to production.
- the method of planning the working capital needs of the Company, and
- the method followed in effectively managing the Company's working capital.

19.1.3. The Chief Accountant and his subordinates were largely engaged with the Finance and Accounting Consultant throughout the above phases discussing all the identified areas of possible cost reduction and examining the practicabilities of all recommendations made for the improvements of the identified problem areas.

19.2. THE COST ACCOUNTING SYSTEM

The present system of costing for finished goods stock, work-in-progress stock and raw material and consumables stock leaves much to be desired.

19.2.1. Costing for Finished Goods

A standard cost structure is adopted for almost all the known products of the Company. This is based on a total costing approach which does not lend itself to any meaningful cost-volume-profit analysis of the Company's marketable product lines. The cost structure is as follows:-

	<u>Unit</u>	<u>Usage</u>	<u>Rate</u>	<u>Value</u>
<u>Direct Materials</u>				
<u>Labour</u>		x	x	xx
		x	x	xx
Prime Cost				----
Add: Factory Overhead				xxxx
(20% of Prime Cost)				x
Total Factory Cost of Production				----
				xxxx
				=====

This structure has for a very long time fashioned the cost of completed units in the factory to which a 30% mark-up is added under a cost-plus pricing method being followed. Appendix 1: "Costing Sheet for Hospital Equipment" provides details of a typical cost build-up of a product line.

In the above cost structure, reference to direct materials includes raw materials and factory consumables.

19.2.2. Methodology for Finished Goods Costing

In the methodology of the present finished goods costing, standard direct material inputs and labour usage for each product unit have been pre-costed.

The pre-costing is done annually and is based on the engineering specifications for the production of each specified product line and the market prices of the inputs prevailing at the point in time the rates are being determined.

Thus, when goods are produced, the good units are costed by multiplying the number produced by the pre-determined unit rates according to specific direct material usage and labour usage. The resulting prime cost (*direct material and labour costs*) does not include all the other variable factory cost of production such as oils, water and power consumed.

No system exists for determining the costs involved in consuming the other variable costs, neither is there a system for determining relevant factory fixed costs.

Consequently, an arbitrary rate of 20% is traditionally applied on the prime cost, representing both the variable and fixed overheads. The sum total of the prime cost and the 20% overheads gives the factory cost of production. This invariably leads to excessive over-valuation of the cost of finished goods.

In conclusion, there was a pressing need to develop and install an effective system of costing which would

ensure, inter alia, that the cost of finished goods should not only be realistic but more importantly be competitive. This, in its installation necessitated the use of a cost ledger which was hitherto not in operation.

19.2.3. Costing for Factory Work-in-Progress

Like the finished goods, the costing for the work-in-progress is based on predetermined rates. This is done by ascertaining the percentage level of completion of each product-in-progress and multiplying the estimated inputs to date by the predetermined rates. Thus, the actual costs of raw material and consumables usage are completely ignored.

The effect of this lapse was that an awful chunk of working capital was tied up in the work-in-progress without being properly accounted for.

As a result of the lack of a proper system of recording movements in-and-out for actual raw material usage, the true value of work-in-progress had always been misstated.

In conclusion, it became imperative to devise a way of tracking actual consumption of raw material and consumables in work-in-progress in order to avoid the misstatements of the binding effect of actual working capital which had hitherto been overlooked.

19.2.4. Costing for Raw Material and Consumables

The method of calculating the landed cost of either imported raw materials or local materials prior to being taken on charge is appropriate. The only identified defect was that the actual issue of the materials to production did not take cognisance of the replacement price of inputs.

In an inflationary environment, the effect of not including the latest obtainable price in material issues into production will be to declare gross profits which would scarcely represent the real gross earnings for an operating period.

In conclusion, there was the need to develop a method of pricing material issues that would reflect the latest prices of inputs in the cost of sales of all product lines.

19.3. FINANCIAL ACCOUNTING SYSTEM

19.3.1. Accounting for Operations

The system for capturing financial data in respect of daily sales and relevant expenses for further processing into monthly management accounts is sound.

The accounting system being followed is in accordance with the requirements of the PIES manual of Accounts.

What the system lacked was an acceptable basis for determining the working capital needs of the Company as a going concern.

Consequently, successive managements did not have the opportunity of using a system to effectively plan and monitor the Company's working capital. This led to the ever weakening liquidity position, inspite of successive loans obtained from various banks in the recent past to finance raw material purchases and rehabilitation of machinery.

19.4.

ANALYSIS OF WORKING CAPITAL

In order to fully appreciate the impact of inefficient planning and control of TUMPECO's working capital since 1985 on its liquidity and asset utilization, the following analysis was made.

The notable features of the working capital fund for the past seven years have been as follows:-

In respect of Current/Circulating Assets

- Cash and Bank Balances
- debtors and Prepayments
- Stocks and Work-in-Progress

In respect of Current Liabilities

- Balance due to U.D.C. (resulting from accrued management fees)
- Creditors and Accrued Charges
- Corporation Tax Payable, and
- Interest on Bank Loans.

The liquidity and financial health of a Company, at any point in time, is measured by the difference between the total amount of available circulating assets and the total current liabilities.

The maintenance of a stable level of this difference in relation to sales, production and total assets is of utmost importance.

Yet, during the past seven years, (1985 to 1991), this level of stability had not been achieved, as shown by Table 19(a) below:

TABLE 19(a)

TUMPECO
RELATIVE STABILITY OF WORKING CAPITAL TO SALES,
PRODUCTION AND FIXED ASSETS (1985-1991)

Ratio	1985	1986	1987	1988	1989	1990	1991
<u>Working Capital (WC)</u> Sales	1.26	0.05	0.11	0.35	0.15	0.18	0.22*
WC/Value of Production	2.69	0	0.16	0.65			
WC/Fixed Assets	0.48	0.06	0.26	1.70	0.17	0.30	0.03*

SOURCE: IMAS Computations. May, 1992.

* Working Capital has been adjusted by maturing EADB Loan.

The dramatic fluctuations shown in the above trends simply means that the importance of planning working capital levels in keeping with sales and production activities had not been accorded its rightful place in the overall management of the factory since 1985.

If working capital needs are not planned in consonance with the level of planned sales activity, it will result in inadequacy of working capital to meet production requirements.

The failure to meet production requirements in turn leads to inability to satisfy market demand.

Little or no sales obviously leads to low asset utilization. The effect of low or under utilization of available and otherwise resourceful assets inevitably leads to perpetual working capital problems.

In such a situation, breaking even operationally as an enterprise will be difficult. The recent financial history of TUMPECO has been typical of this condition.

In the analysis of the Company's asset utilization as per Table 19(b) below, a fluctuating trend is highlighted on all the variables throughout the seven-year period considered.

TABLE 19(b)

TUMPECO
ASSET UTILIZATION RATIOS (1985 - 1991)

<u>Ratios</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>
1. Sales to Cash and Bank Balance	-2702	9.1	-75.5	-66.3	39.8	-17.8	57.9
2. Sales to Debtors and Prepayments	2.9	5.0	3.0	3.6	5.8	4.0	2.2
3. Sales to Stocks & Work-in-Progress	0.9	2.5	1.7	1.3	1.5	1.7	1.2
4. Sales to Fixed Assets	0.4	1.0	2.4	4.9	1.1	1.7	0.2
5. Sales to Total Assets	0.3	1.0	1.9	1.8	0.9	1.3	0.1
6. Sales to Total Current Liabilities	4.0	1.5	1.2	1.5	1.4	1.7	1.7

SOURCE: IMAS Computation. May, 1992.

19.5.

ANALYSIS OF SHORT-TERM LIQUIDITY

Table 19(c) below presents some important liquidity measures of The Uganda Metal Products and Enamelling Company Limited over the past seven years. The current ratio has been persistently low and the acid test ratio reveals a hopelessly risky financial cover for the Company's maturing bills.

TABLE 19(c)

TUMPECO
SHORT-TERM LIQUIDITY ANALYSIS

<u>Ratio</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>
Current	6.0	1.1	1.1	1.5	1.2	1.3	2.2
Acid Test	0	0.2	0	0	0	0	0
Cash to Current							
Liabilities	0	0.2	0	0	0	0	0
% Increase in							
Sales			125.5	97.3	69.8	51.2	56.0
% Increase in							
Current Liabilities			174.5	62.8	72.6	36.1	53.2

SOURCE: IMAS Computations. May, 1992.

The discouraging trend in these measures must be interpreted in the light of management's lack of clear policy and intent. It is quite conceivable that the current positions in 1985 and in 1991 respectively were unnecessarily strong and represented a wasteful typing up of resources that did not earn any appreciable return for the Company.

The proportion of cash and bank balances among the current assets has registered no impacts. What is worse, the absolute amounts of cash and bank balances

have continued to swing between overdrawn positions in every other year. There has been significant increases in current liabilities but actual cash and bank positions have shown declining and fluctuating trends, the interpretation being that there had not been any tolerable cover for the Company's maturing bills under crises conditions.

The average increase in current liabilities was out of proportion to the increase in sales during the period under review.

That means that TUMPECO was somehow able to secure short-term credit from suppliers and banks at a rate almost twice as fast as that warranted by growth in sales.

Included in the closing inventories of finished goods, raw materials and work-in-progress, underlying the current ratios, are excessive balances. A number of factors could account for this:-

- (i) *Lack of proper marketing plans and effort to convert finished goods inventory to cash.*
- (ii) *The absence of a practical sales policy on credit sales and collections, trade and cash discounts, as well as incentive sales commissions to staff.*
- (iii) *In respect of excessive raw material and work-in-progress holdings, the cause has been poor planning of production requirements coupled with indiscriminate purchasing, i.e. wrong components were either bought at the time they were urgently needed and therefore could not be used as right components bought without ensuring that other complimentary components to make finished products are also available in stock.*

19.6. **EVALUATION OF THE COMPANY'S
WORKING CAPITAL PROBLEM**

The identified cause of TUMPECO's working capital problem is more of mismanagement than the lack of it.

Analysis of the working capital balances at the end of each year from 1985 to 1991 and even up to 31st May, 1992 indicates that there has always been excess of current assets over current liabilities. Reference Appendix 2: *Summarised Balance Sheets (1985-1991)*.

But these net current assets have never been rendered in a form liquid enough to support the smooth running of the Company over these years. The components of the net current assets have been largely assets which did not have ready convertibility into cash, eg. obsolete and slow moving raw materials as well as slow moving and obsolete finished goods.

The analysis of inventories of raw materials and finished goods as at 30th April, 1992 revealed that out of a total of US\$ 170 million as much as 84.6% was raw material.

Included in this percentage were considerable amount of obsolete stock items. Table 19(d) on the next page provides an indication of the nature of stock items involved, confirmed by the latest stock take of 31st May, 1992 by the Company's Chief Engineer.

These are, infact, items which cannot be used by the Company any more, which in the opinion of the Consultants should be sold out immediately to recoup part of the locked up working capital in order to finance profitable product lines.

TABLE 19(d)

TUMPECO
OBSOLETE STOCK AS AT 31ST MAY, 1992

<u>STOCK ITEM</u>	<u>QUANTITY</u>	<u>YEAR OF PURCHASE</u>
1. Rejected Wires 13½" Guage Galvanised	79 Rolls	1985
2. Galvanised 8" Guage	11 Rolls	1982
<u>Chemicals</u>		
UREA	675 Kgs	1982
Sodium Aluminate	200 Kgs	1982
EPSONSALT	532 Kgs	1979
Sodium Nitrate	180 Kgs	1980
Potassium Chloride	600 Kgs	1980

SOURCE: TUMPECO Records. May, 1992

Short term bank loans have in the past been taken by the Company to support operations when positive balances of net current assets could not be turned into needed cash.

The effect of capital finding in inventories has been enormous. By December 31, 1991, total working capital locked up in stocks of raw materials, finished goods and work-in-progress amounted to US\$. 226.3 million. At the same time, the Company owed the Banks a total of US\$. 234.4 million (including interest charge accrued of US\$. 64.3 million).

The excessive binding of the working capital in stocks was brought about by either lack of know-how in the judicious allocation of scarce short-term loans or sheer lack of discipline on the part of Management.

Whenever Management had to allocate short-term loans to acquire raw materials in the past, no proper financial analysis was made to support any criteria adopted for the allocation decision.

Consequently, almost invariably scarce borrowed funds were held tied in raw materials, work-in-progress and finished goods of product lines, in proportions, which did not yield any significant contributions margins towards meeting the fixed interest charges.

In the analysis in Table 19(d) of the Cost-Volume-Profit relationship of product-lines, signs offered the least contribution margin per unit after mattress and carpentry, that is US\$. 2000 per unit as compared to US\$. 24,000 and US\$. 31,000 per unit respectively for tool room and vono product lines. Yet when the EADB loan of \$143,000 was obtained in the last quarter of 1990, supposedly for purchasing critical raw materials, as much as 65% of the loan amount was allocated to the signs alone.

No item of raw materials for the Enamelling Product Line was purchased, even though the circumstances of the Enamelling Department at that material time warranted the purchase of badly needed raw materials to supplement existing ones.

It is pertinent to mention here that as a result of the neglect to purchase the then critical raw materials for continuing enamelling production, quite a significant quantity of the old raw material stocks have been deteriorated and cannot be of any commercial use.

The Consultant's review of the loan allocation decision revealed among other things, that:

- (a) product line turnover was the primary criterion as against product unit contribution margin. At the time of the decision, the signs product line had the highest turnover among all the product lines. Secondly, management wanted to maintain a prestigious monopoly of being the supplier of motor vehicle number plates to the Government, in spite of the low contribution margin per unit offered.
- (b) Sources of supplies were chosen without due cognisance of delivery times, economic order quantities and raw material quality. For example:
 - (i) "Materials for making number plates which formed 65% of the loan did not only arrive late but also in bits".
 - (ii) "Materials for making beds also arrived late and in bits. By the time the entire consignment arrived, the season for the sale of beds to schools was over".
 - (iii) Large quantities of mild steel cold angle irons guage 1/8" were imported instead of the well known quality hot angles iron 1/8". Consequently production losses increased because the cold irons were sub-standard materials for making beds. The angle irons on the beds were weak and could bend. Naturally, customers who bought them were disappointed and other purchasers who took early notice of the poor quality broadcasted their perception of the poor image of TUMPECO.

TABLE 19(e)

ANALYSIS OF FINISHED GOODS
AS AT 31ST DECEMBER, 1991

	<u>US\$.</u>	<u>PERCENTAGE</u>
Enamelling Department	168,000	0.2
Signs Department	49,705,200	62.5
Vono Department	11,117,300	13.9
Tool Room Department	16,215,200	20.4
Mattress Department	172,300	0.2
Carpentry Department	2,211,635	2.8
	-----	-----
	79,589,635	100.0
	=====	=====

SOURCE: TUMPECO Records. May, 1992

The adverse effect of the foregoing short-term loan allocation decision and resultant binding of working capital in inventory as at 31st December, 1991 has been shown in Tables 19(e) above, 19(f) and 19(g) respectively below.

TABLE 19(f)

ANALYSIS OF WORK-IN-PROGRESS
AS AT 31ST DECEMBER, 1991

	<u>US\$.</u>	<u>PERCENTAGE</u>
Signs and Chevrons Department	6,250,363	44.2
Vono Department	3,447,863	24.3
Tool Room Department	4,159,762	29.4
Mattress Department	290,615	2.1
	-----	-----
	14,148,603	100.0
	=====	=====

SOURCE: TUMPECO Records. May, 1992

TABLE 19 (g)

ANALYSIS OF RAW MATERIAL INVENTORY
AS AT 31ST DECEMBER, 1991

	<u>USH. .</u>	<u>PERCENTAGE</u>
Enamelling Department	13,728,856	10.4
Signs and Chevrons Department	73,728,299	55.6
Vono Department	24,633,415	18.6
Tool Room Department	13,770,384	10.4
Mattress Department	6,662,817	5.0
	-----	-----
	132,523,771	100.0
	-----	-----

SOURCE: TUMPECO Records. May, 1992

In the case of signs, it represents 62.5% of USH. 79.6 million in finished goods, 44.2% of USH. 14.1 million in Work-in-progress and 55.6% of USH. 132.5 million locked up in raw material inventory.

In the view of the Consultants:

- the use of short-term loans to finance working capital needs is not recommended. Bank overdraft facility should be used instead, but should be within approval limits.
- working capital needs should always be planned in step with the level of capacity utilization.
- the elements of current assets at any point in time should be guided by policy and be controlled, inter alia, as follows:-
 - (i) the monthly level of raw material inventory considered adequate to support continuous production should be clearly defined by the Production Manager.

- (ii) the monthly level of unavoidable work-in-progress should always be determined in relation to the monthly level of production, As far as possible, however, working capital should not be locked up in work-in-progress inventory.
- (iii) The monthly level of finished goods inventory considered adequate to support the marketing programme and continuous sales should also be clearly defined by the Marketing Manager.
- (iv) As a sales policy, the percentage of monthly credit sales as against cash sales should be defined. For purposes of credit sales, there should be specific policy on credit period allowed.
- (v) As far as possible, prepayments should be avoided and where unavoidable, the amount should be planned in keeping with the level of production requirements phased in accordance with economic order quantities.
- (vi) Wherever feasible, suppliers' credit facility should always be negotiated as against bank overdraft facility and should be planned in consonance with the level of sales activity.
- (vii) It should always be ensured that the elements of the current assets component of the working capital be easily converted into cash in the event of any eventuality. Thus, the use of acid-test ratios should become a constant feature in measuring the extent of cover the Company's cash and near-cash elements have over the current liabilities at any point in time.
- (viii) Allocation of scarce cash resources for raw material purchases should be made in the light of the extent of contribution margin per unit each product line can provide, given that there is demand for the product and marketing effort is effective.

19.6.1. Capital Binding in Accounts Receivable

Unlike the inventories, the capital binding in debtors has had high prospects of convertibility in the past.

Table 19(h) below provides the ageing analysis of debtors as at 31st May, 1992. Out of the total of US\$ 31.8 million, as much as 87.7% was due from the Government departments.

TABLE 19(h)

TUMPECO
DEBTORS AGEING ANALYSIS AS AT 31ST MAY, 1992

<u>AGE OF DEBT</u>	<u>AMOUNT OF DEBT</u> <u>US\$.</u>	<u>PERCENTAGE</u>
Over 180 Days	9,450,958	29.7
Over 90 Days	845,100	2.7
Over 60 Days	8,756,200	27.5
Under 60 Days	12,763,700	40.1
	-----	-----
	31,815,958	100.0
	=====	=====

SOURCE: TUMPECO Records. May, 1992

Out of the debtors over 180 days, as much as 71% was expected from the government departments and of the total debtors over 60 days, 99.1% was expected from the government departments.

Delays in collections normally characterised TUMPECO's transactions with the government departments due partly to treasury allocation delays and largely to lack of appropriate credit and collection policy.

19.7.

**ANALYSIS OF OPERATING PERFORMANCE
AND RETURN ON INVESTMENT**

Table 19(i) presents Percentage Abridged Profit and Loss Accounts (1986 - 1991), followed by TUMPECO's return on investment ratios during the same period in Table 19(j).

TABLE 19(i)

**PERCENTAGE ABRIDGED PROFIT AND LOSS ACCOUNTS
(1986 TO 1991)**

	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>
Sales	100.0	100.0	100.0	100.0	100.0	100.0
Gross Profit Margin	0.9	65.4	84.5	67.1	56.5	57.1
Selling & Distribution Expenses	3.2	2.1	3.3	3.5	1.8	3.7
Administrative and General Expenses	55.0	45.8	49.6	53.9	38.1	33.5
Depreciation	4.7	2.1	1.1	4.8	3.5	12.8
Bank Interest on Loans	15.0	11.3	17.0	20.3	17.8	14.8
Total Operating Expenses	77.9	61.3	71.0	20.3	17.8	14.8
Net Profit/(Loss) Before Tax	(77.)	4.1	13.5	(15.4)	4.7	(7.7)

SOURCE: IMAS Computations. May, 1992.

TABLE 19(j)

**RETURN ON INVESTMENT RATIOS
(1986 TO 1991)**

<u>Ratios</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>
Return on Total Assets	-66.7	12.4	23.0	-14.6	6.8	1.0
Return on Equity Capital	0	0	0	0	0	0
Real Growth in Equity	0	0	0	0	0	0
Capital Contribution	0	0	0	0	0	0
Equity Growth Rate through Asset Valuations	233.3	42	107	527	1.3	1736

SOURCE: IMAS Computations. May, 1992.

The gross profit has fluctuated significantly, within relatively a range of 29.2% in 1987 to 12.7% in 1991.

The returns that the Company realised on total assets have been discouraging due to excesses in administrative expenses and high interest charges on loans. The best year was in 1988 at 23%. The negative return in 1986 was significant followed in 1989 with another negative return of 14.6%.

In comparison with the return on total assets, the rather constant zero return on equity capital may be traced to two factors:-

- i. The lack of maintenance of an acceptable dividend policy.
- ii. The relatively disadvantageous use of short-term and long-term loans.

It is important to note, however, that the Company cannot expand its debt much more from the present level since over the past six years debt has expanded very significantly. Thus, in the immediate future, an adequate return on equity will be dependent primarily on improvements in profitability in asset utilization.

TUMPECO is at the moment in dire need of fresh injection of equity capital. Needless to say, the future directors of the Company can no longer afford to take the issue of dividend policy for granted, if in the near future, the shareholders would be invited to contribute to equity capital, as in fact, they should, under the Memorandum and Articles of Association of the Company.

19.8. ANALYSIS OF CAPITAL STRUCTURE

The first part of this analysis discusses the risk of overbearing debt finance against the prospect of long-term solvency. In the latter part of the analysis a recommendation is made for fresh capital injection by the shareholders.

The Company's long term finance, since 1986 has been supported by equity capital of US\$ 45,000 only. This venture capital was not by any measure adequate to support any meaningful expansion in operational programmes. Therefore, between the period 1986 - 1991, the Company resorted to short-term borrowings, ranging from US\$ 10.2 million in 1986, through US\$ 21.8 million in 1988 right up to US\$ 160.1 million in 1991. The effect of this excessive term loans is a crippling interest charge unserved as at the end of 1986 to 1991, ranging from US\$ 2.2 million in 1986 to US\$ 64.3 million in 1991.

As at May 1992, the Company's outstanding debt position stood at approximately US\$ 200 million including accrued interest charges of about US\$ 64.3 million.

Meanwhile, during the period 1986 and 1991, the Company's fixed assets which have been largely financed by loan able capital, continued to appreciate in value. Consequently, the capital reserve of the Company has grown from US\$ 14.0 million in 1986 through US\$ 94.9 million in 1989 to US\$ 1.7 billion in 1991. The present revalued asset base of the Company is US\$ 1.9 billion.

The latest loan capital structure (392) stood as follows:-

	<u>US\$. MILLION</u>
Uganda Development Bank	10.7
Uganda Commercial Bank	26.4
East African Development Bank	98.0

Outstanding Loan Interest	135.1
	64.3

	USh. 199.4
	=====

Apart from the Uganda Development Bank Loan, the rest have become practically current liabilities and must be settled without fail.

It is pertinent to mention here that these maturing loan creditors have a lien on the Company's fixed assets, that is, a pari-passe sharing of the mortgage of the Company's fixed assets.

It goes without saying that beyond a reasonable period of grace and without being assured by the directors of any positive moves to liquidate the debts, the Banks will recover the debts by any available legal means.

At the moment, the Company has no Board of Directors to decide on this pressing issue.

The Consultants are aware that, following a recent government directive, the equity interests in TUMPECO have been transferred from UDC to the Ministry of Finance and Economic Planning.

In the opinion of the Consultants, the present asset base of the Company warrants a fresh injection of capital from the Company's stakeholders. The equity contribution required should be equivalent to the amount payable on calls to be made on shares in issue of which the authorised share prices have been substantially diluted, as a result of economic factors in the past.

19.8.1. **The Case for Required Injection of Equity Capital**

The Company currently has 225,000 ordinary shares in issue. The recorded amount paid on these issued shares at USh. 0.20/- is USh. 45,000.00.

However, by an ordinary resolution of the Company passed on April 2, 1965 (reference Appendix 4), the authorised share capital was 225,000 that is, at a par value of £1/share or USh. 2000/share (at current rate of exchange). This means that, to date, only 0.01% of the equity capital has been provided by the stakeholders.

In order to salvage the Company from its present precarious situation, the remaining 99% of the authorised share capital should be paid up. This will amount to:-

		<u>USh.</u>
225000 Shares @ USh. 2000/-	=	450,000,000
Less 225,000 Shares @ USh. 0.20/- already paid	=	45,000

Total amount of required Capital Injection	=	449,995,000
		=====

Under paragraph 5 of the Memorandum of Association of The Uganda Metal Products and Enamelling Company Limited, the liability of the members is limited.

By interpretation under the Companies Act of Uganda, the liability of the members is limited to the extent of unpaid amounts on the Company's issued shares.

It is expected that, out of the proceeds of this capital injection, the Company would be able to repay all its outstanding loans and interest of approximately 200 million and have a balance of about 250 million to finance its working capital needs estimated to be about same at the beginning of the plan period.

19.8.2. **Alternative Source of Finance**

Pending the receipt of the fresh capital injection from the Company's shareholders, it is recommended that the Company negotiates for a bank overdraft, under 100% guarantee by the shareholders.

19.9. **BREAK-EVEN ANALYSIS**

The culmination of poor working capital management is largely responsible for the factory's present low capacity utilization of 14% of installed capacity.

Consequently, even though all the product lines have bright prospects of yielding positive contribution per product unit towards total fixed costs and enterprise profit, the low level of production and sales activities makes a greater number of them loss leaders.

In 1991, the Company sustained overall corporate operating loss of US\$. 20.5 million. The analysis of the production and sales reports show that activities in the first three quarters of 1991 were relatively much lower as compared to the activity in the last quarter of the year.

The loss of 1991 was sustained because practically, there was no way, at 12% level of activity, the Company could breakeven, let alone make a marginal profit.

It is however reassuring to note that since January 1992, the modest increase in capacity to 14% has made it possible for the Company to repay its outstanding loans to the tune of US\$. 35 million between January and April, 1992.

Table 19(k) depicts an analysis of the cost-volume-profit relationships of the Company's product lines at 14% of capacity utilization between January and April, 1992.

In this analysis, five (5) out of the six (6) profit centres were considered. The sixth one, Enamelware was not operational at the time.

TABLE 19 (k)

TUMPECO
COST-VOLUME PROFIT-RELATIONSHIP
(JANUARY - APRIL, 1992)

<u>PROFIT CENTRES</u>	<u>TOOL ROOM</u>	<u>SIGNS</u>	<u>VONO</u>	<u>MATTRESS</u>	<u>CARPEN-TRY</u>	<u>TOTAL</u>
Volume (Units)	<u>719</u>	<u>3686</u>	<u>436</u>	<u>16</u>	<u>22</u>	4879
Average Unit Price (USh. '000)	44	15	62	29	37	
TOTAL SALES VALUE (USh. '000)	31663	56357	27012	463	810	116305
TOTAL VARIABLE COSTS	14358	49358	13560	1254	1677	80207
Direct Materials	12233	47479	11950	369	1081	
Direct Labour	1734	1445	1156	867	578	
Factory Variable Overheads	391	432	454	18	18	
TOTAL CONTRIBUTION	<u>17305</u>	<u>6999</u>	<u>13452</u>	(791)	(867)	36101
Per Unit Contribution	24	2	31	-	-	-
Fixed Overhead	17091	14204	10140	8191	6109	55735
Factory	1880	1527	2116	585	1038	
Administrative	11062	9219	7375	5531	3688	
Others	3175	2646	2117	1588	1058	
Marketing	974	812	649	487	325	
NET PROFIT/(LOSS)	214	(7205)	3312	(8982)	(6976)	(19634)

SOURCE: TUMPECO Records. May, 1992.

Guage or equivalent units employed for this analysis were as follows:

<u>Profit Centre</u>	<u>Guage/(Equivalent) Units</u>
Carpentry	Wooden Beds 3' x 6'
Vono	Double Deckers
Tool Room	Double Deckers
Sign	Motor Vehicle Number Plates
Mattress	Spring Mattress of 3' x

In this analysis, Fixed Overhead has been apportioned as follows:-

Tool Room	-	30%
Signs	-	25%
Vono	-	20%
Mattress	-	15%
Carpentry	-	10%

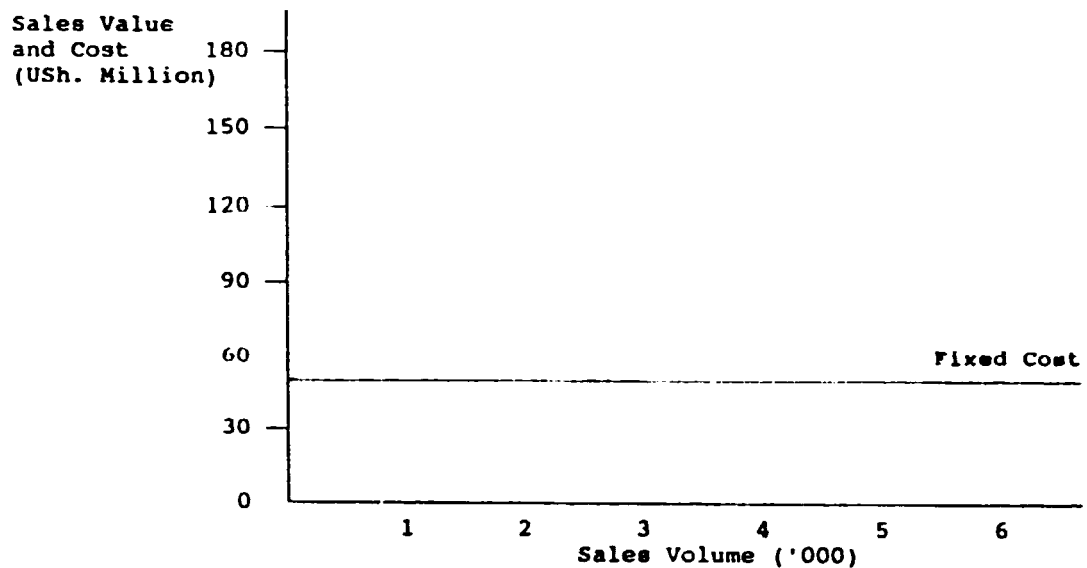
As can be seen from the Table 15(k) and the break-even graph on the next page, the Company did not breakeven at 14% activity level. Two main product lines, mattress and carpentry are loss leaders. This is because they are the product lines with the least sales activities. Most of these product lines completed units are used as components for tool room and vono production but their transfer costs have not been absorbed by them in the past. The major cause of the loss in the first four months of 1992 can be traced to lack of optimum sales mix.

For profit centre analysis purposes, in the future, it would be advisable to merge the operations of mattress with vono and carpentry with tool room, as vono/ mattress department and tool room/carpentry department respectively. In this connection, the physical locations of mattress and carpentry should continue to remain as they are.

Consequently, Management should concern itself with four profit centres, mainly,

- Enamelling, as soon as it becomes reactivated
- Tool room/Carpentry
- Signs and
- Vono/Mattress.

BREAK-EVEN GRAPH



As can be seen from this graph, more product quantities should be sold between May and December 1992 before the Company would break-even. The decision as to what product quantities should be sold need be an optimum sales-mix decision based on contribution margin per product line criterion.

CHAPTER 20.0.

PRODUCT COSTING

20.0. PRODUCT COSTING20.1. CHARACTERISTICS OF THE PRESENT PRODUCTION ON SYSTEM

Production either for stock or specific jobs is basically on batches with the following characteristics:-

- (i) *Small or large quantities (batches) of products.*
- (ii) *Systematic, standardised approach to one batch before moving on to the next batch.*
- (iii) *Short production runs, except enamelling plant.*
- (iv) *Skilled production run scheduling.*
- (v) *Skilful planning of batch size.*
- (vi) *Specific purpose machinery.*

Six production departments were identified as follows:-

- Tool room
- Vono
- Carpentry
- Signs
- Mattress
- Enamelling

20.2. Batch Costing

The basis for product costing should be by batches. This will enable each batch production to be fully costed so that cost of each unit of a produced batch can be easily determined.

Batch production will only be successful where production is planned, all inputs made available and production orders made in good time.

The following shifts of traditional goals should be emphasized.

<u>FROM</u> <u>Production Goals</u>	<u>TO</u> <u>Marketing Goals</u>
i. Efficiency of Production	Customer Satisfaction
ii. Standard Products	Customised Products
iii. Long Production Runs	One Off Orders
iv. Cost Effective Delivery	Quick Delivery Orders
v. Minimum Stocks	Just-in-time Stock Availability (based on Materials Requirement Planning)
vi. Prices based on Costs	Manufacture within Selling Price Constraint.

20.3. COST CENTRE IDENTIFICATION

In order to be able to ascertain the cost build-up at each successive level of batch production, a survey of the normal production processes at all the six plants were conducted by the Consultant in the company of the Company's Chief Engineer, the Cost Accountant and the Financial Accountant.

The objective of the survey was, inter alia, to assess the facility and suitability of identified production processes for purposes of cost accumulation and transfers by process as well as by departments.

The study also confirmed the adaptability of job costing method for all the departments except the Enamelling Department which was considered suitable for process costing method.

The principles involved in the systematic development of cost centres have been explained and illustrated to the Company's Cost and Financial Accountants.

The Chief Engineer's assistance to the Consultant, the Cost Accountant and the Financial Accountant in explaining the production processes, was significant.

The main steps followed in the determination of the cost centres included the following:

- Initially identifying relevant profit centres, viz Tool Room, Mattress, Vono, Signs, Carpentry and Enamelling.
- Specifying the product lines of the profit centres.
- Flowcharting the processes involved in the manufacturing of the specified product lines.
- Defining the appropriate product costs to be measured for the manufactured product lines.
- Highlighting the main features of the product cost and stating the objectives of the cost.
- Physically observing production runs at each section of the production department with a view to identifying actual departmental cost elements and the suitability of cost centre creation.

As part of the process of evolving appropriate cost centres, waste/material utilization factors at the tool room was critically examined. With the assistance of the Chief Engineer, a solution was found for effectively utilizing the off-cuts of angle irons and other waste materials. Appendix 17 is an exhibit of the outcome of the exercise on waste material utilization.

Toolroom Department was used as the basis for illustrating the cost centre development. Using the developed cost centre as guide, the cost centre is expected to develop cost centres for the remaining production departments of the factory.

The main Cost Centres of Toolroom are:-

- *Cutting and Punching*
- *Welding*
- *Painting and*
- *Finishing (Wiring and Plastic Ferrous Fixing)*

Appendix 18 illustrates the recommended accounting treatment for capturing the material, labour and production overhead costs elements in arriving at the cost of the finished product - double decker 2½' x 6'.

CHAPTER 21.0.

WORKING CAPITAL MANAGEMENT

21.0. **WORKING CAPITAL MANAGEMENT**

21.1. **UNDERSTANDING THE NATURE OF
THE COMPANY'S WORKING CAPITAL**

The identified cause of TUMPECO's working capital problem is mismanagement. In order to arrest this cause, it is important to first and foremost, understand the nature of the Company's working capital. The figure below (21.1) exhibits the normal Working Capital Cycle, highlighting its main components.

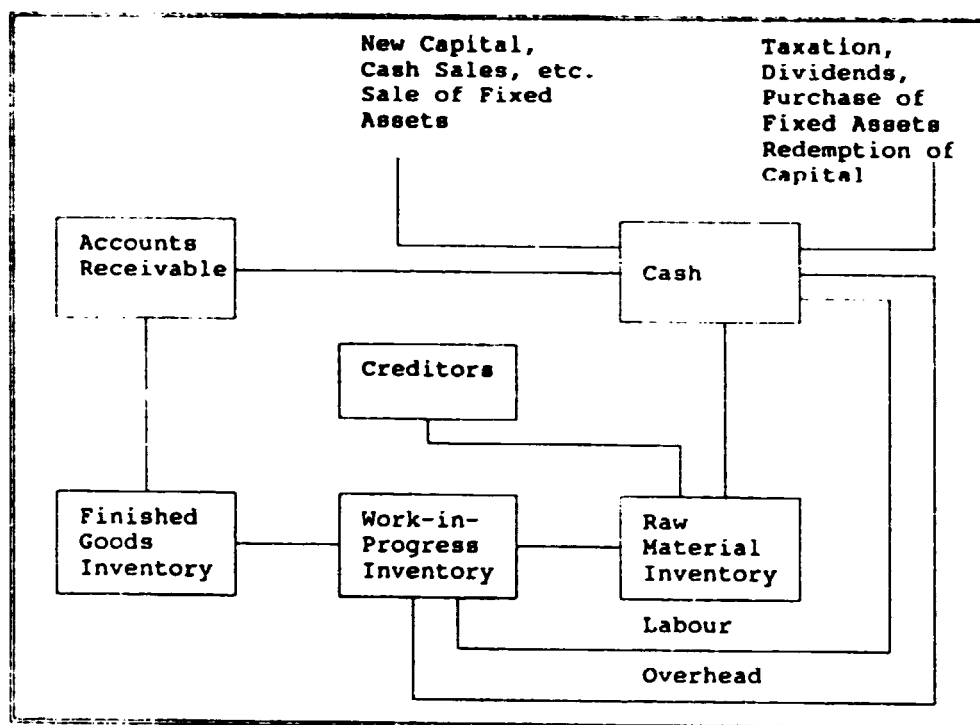


FIGURE 21.1 : Working Capital Cycle

The successful management of the circulating capital therefore depends on the success at the concurrent management of the investment in the above main components of the working capital, viz, inventory, accounts receivable, and cash.

21.2. INVENTORY MANAGEMENT

Inventories represent a financial investment, that is, the purchase price paid for the raw material, the cost of labour applied to goods in process prior to transfer to finished goods inventory and finally the cost of handling and storage.

Raw material inventory constitutes the largest percentage of TUMPECO's total inventory, by virtue of the nature of its business and the diversity of its product lines.

In the course of evaluating the identified problem associated with the Company's working capital, it was revealed in section 19.6 that the excessive binding of the working capital in raw material inventory for example, was partly caused by the lack of know-how in the judicious allocation of scarce short-term capital.

In view of the Consultants, there is the urgent need to control the raw material inventory with the objective of satisfying the customers scheduled delivery dates.

Effective control of the raw materials throughout the manufacturing cycle should be pursued in order to prevent the problem of having to give excuses to customers for late deliveries from reoccurring.

The maintenance of optimum inventory levels and inventory turnover for TUMPECO's operation at maximum profit will be achieved through the control of inventories to ensure that the right material, in the right quantity and of the right quality, is made available at the right plant at the right time.

In this connection, the planning of optimum inventory levels by inventory management should require close cooperation with the marketing function.

In order to avoid locking up needed capital in raw material inventory, market trends should be predicted accurately and inventory levels adjusted - increased when increased sales are anticipated and decreased when lower sales volume can be foreseen.

21.3. **THE CASE FOR THE ADOPTION OF MATERIALS REQUIREMENT PLANNING (MRP) CONCEPT**

The well known methodology of inventory management and control at TUMPECO has been based on the determination of Economic Manufacturing Quantities (EMQ).

The fundamental assumption underlying this system is that each item of raw material inventory is independent of all other items and can therefore be ordered independently.

At TUMPECO, this assumption has woefully failed to achieve any meaningful results in production. Consequently, this has led to rather uncoordinated material inputs purchases.

Some of the adverse consequences have been that, as much as 14 million Uganda Shillings had been locked up in work-in-process by the end of May, 1992 and as much as 132 million U. Shillings were locked up in raw materials as at 31st December, 1991, without any visible prospects of early convertibility to cash.

It goes without saying therefore, that, the adoption of a system that will permit the determination of future raw material demands co-ordinated in time according to when they shall be required on the production line need not be overemphasized.

The Consultants accordingly recommend the immediate adoption of the Materials Requirement Planning (MRP) System.

The co-ordinating role of MRP is shown in the Figure 21.2. on the next page.

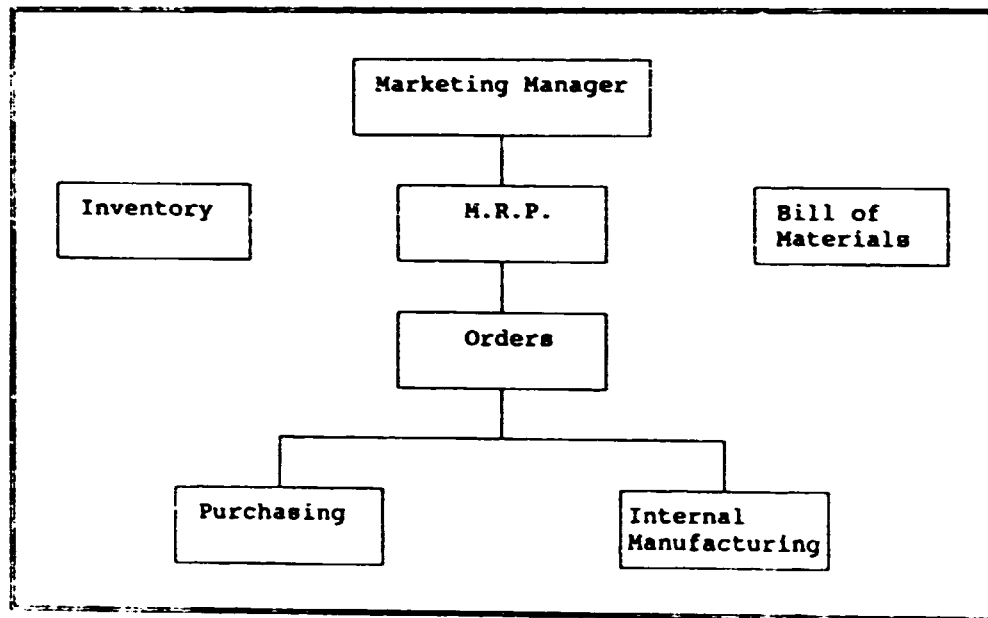


FIGURE 21.2 : The Co-ordinating Role of M.R.P.

Under this system, marketing management's inputs would be customer orders and orders to produce just-in-time quantities for stock in order to meet seasonal demand, eg. school beds.

Basic inventory information should be made available through regular inventory records in order to support the M.R.P System.

M.R.P would co-ordinate the inventory information with a bill of materials, which should be furnished by the Production Department.

The bill of material should not simply be a list of material required; it should be structured in such a way that it would indicate the manner in which a product is put together from the raw material state into the final stage.

A master schedule should be prepared for the above listed item which may be time-phased. The master schedule in turn can guarantee material and capacity requirements over a period of time, taking into account the interdependency of these requirements.

As shown in figure 21.2 above, MRP then issues order for materials either through the internal manufacturing facility.

The use of Personal Computers and proper computer programming should be pursued in order to facilitate the MRP system so that Managers can devote more time in managing production than tracing material movements.

In addition to the easy adaptability to computerization, the MRP System affords the following advantages:

- (i) *Emphasis is placed not only on having the right quantity of an item but also having it at the right time as required in the production cycle.*
- (ii) *M.R.P is concerned not only with inventory levels but is also tied in closely with the function of production planning and control, which deals with the flow of materials through the actual production process.*
- (iii) *M.R.P offers the opportunity for closer co-ordination between inventory attendant savings in costs as well as improvements in meeting customer delivery dates.*

21.4. PURCHASING AND CONTROL OF MATERIALS

TUMPECO, at the time of the IMAS study, had a Management Procurement Committee charged with the following responsibilities:-

- (i) to identify raw materials sources
- (ii) to compare prices and quality
- (iii) to recommend the right quality and minimum price to the Purchasing Department.

Membership of the Committee, headed by the Internal Auditor, included the following:-

- Marketing Manager
- Financial Accountant
- Cost Accountant/Secretary
- Production Manager
- Superintendent Production Process, and
- Chief Engineer.

The recorded achievement of the committee since its inception, was the procurement of bars of angle iron at US\$. 13,800 per piece instead of US\$. 16,000 as was being acquired by the Purchasing Officer, prior to the setting up of the Committee.

In the interest of cost reduction, the use of such Committees in the Company is highly commendable and should be encouraged to cover all critical bottleneck departments of the Committee, eg. the Marketing Department.

However, in the opinion of the Consultants, the structure of the Committee should exclude the Internal Auditor, in the interest of internal control and accountability.

The following 10-step procedure is recommended with a view to enhancing the effectiveness of purchasing at TUMPECO:-

- (i) Receipt and analysis of the purchase requisition.
- (ii) Selection of potential sources of supply.
- (iii) Issuance of request for quotations.
- (iv) Receipt and analysis of quotations.
- (v) Selection of the right sources.
- (vi) Determination of the right price.
- (vii) Issuance of the purchase order.
- (viii) Follow up to ensure scheduled delivery
- (ix) Analysis of receiving reports.
- (x) Analysis and approval of supplier's invoice for payment.

21.5. INVENTORY CONTROL

In view of the identified problems of raw material control, a system of perpetual inventory is recommended for immediate use.

Such a system should be administered through the provision of the following basic information.

- (i) On Order
This part of the record shall show the quantity of material ordered but not received. New orders shall be added in this column and receipt.
- (ii) Received
All receipts shall be posted here; there shall be no balance quantity in this column.
- (iii) On Hand
This balance figure shall represent the quantity of the item that should be in the stock room. Receipts shall be added to this column and issues subtracted.
- (iv) Issued
A record of all quantities to be issued to the factory shall be entered in this column.

- (v) Allocated
In this column, there shall be entered the quantities to be reserved for later issue for specific orders. Reserving of materials still in the stock room will ensure their availability when they shall be on the manufacturing floor.
- (vi) Available
This shall be the quantity of material on hand that is still available for assignment to future orders.

Appendix 12 exhibits a Perpetual Inventory Order. In order to achieve effective control of inventory items, perpetual comparison of the above levels of inventory should be made to the planned levels of inventory determinable through the Materials Requirement Planning System recommended in section 21.3.

In the event of any material variations being revealed it must be immediately investigated and a purchase requisitioned which information shall be recorded in the "On Order" column.

The merit of this system is that, properly operated, there shall never be any resultant over or under supply of inventory item, thereby ensuring a constant flow of production activity.

21.6. INVENTORY CONTROL RECORDS AND PROCEDURES

Basic data of inventory transactions should be posted into cost ledgers or cards with each entry made by hand.

In the cost ledgers, the individual inventory item accounts, cards or files should disclose both quantities and values in U. Shillings.

In order to enhance the efficiency and effectiveness of this procedure, the use of a Personal Computer is recommended.

Accordingly, staff training in computer appreciation, especially, on disk operating systems and specific application programmes, including inventory control, should be commenced.

21.7. **METHOD OF PRICING MATERIAL ISSUES**

Materials issues to production at TUMPECO were not valued, as there was no system that ensured the accounting for the use of all factors such as labour, factory overhead in addition to the material utilization.

Under an integrated system of accounting, full cost ledger accounts should co-exist and operate alongside financial accounts.

Accordingly, specific work-in-progress accounts should be operated for identifiable product line, irrespective of the costing method being adopted as suitable.

Material issues to production should be traced from Storekeeper's cards or bins. In addition, there should be a valuation of the issues prior to their being posted to the appropriate work-in-progress accounts in the cost ledger.

cost of the newest lot until that lot is used up. Then the price of the next newest lot shall be used and so on. If in the meantime, another lot should come in, the price of this even newer lot shall be used when issuing material until the quantity involved is issued.

As the price of new material will vary from lot to lot, a difference between the actual purchase price and the issuing price will arise. This difference should be critically investigated. The accounting treatment should be a charge to an inventory variation account initially and should be finally cleared out to the Profit and Loss Account at the end of each month.

21.8. MANAGEMENT OF ACCOUNTS RECEIVABLE

TUMPECO prepares monthly ageing analysis, yet the circumstances conditioning the credit sales and collection terms does not enable this report to be used by Management as it should.

APPENDIX 3 CONTD.

1986 (New Currency)	1987	1988	1989	1990	1991
(10,345,357)	1,346,740	8,865,566	(17,419,406)	(8,161,209)	(20,526,089)
-	-	-	2,046,952	-	69,524,044
105,475	833,740	-	12,224,767	17,109,085	2,172,818
(10,239,884)	2,180,480	8,365,566	(3,147,687)	8,947,876	51,170,773
158,557	-	(788,510)	-	5,156,431	28,542,032
-	(138,342)	-	-	-	-
1,409,765	(8,988,675)	(6,946,537)	630,519	(2,517,168)	1,261,941
(8,988,675)	(6,946,537)	630,519	(2,517,168)	(1,261,941)	21,366,800

- (iii) Trade discounts should be given to customers who are able to purchase in large quantities.
- (iv) Agency commission to creditworthy, guaranteed agents should be introduced as a matter of urgency.
- (v) Official period of normal credit offered should be specified.
- (vi) Credit worthiness of customers should be assessed.

21.9. **MANAGEMENT OF TUMPECO'S CASH**

The identified illiquidity of the Company's net current assets over the past seven years has been traced to lack of a formalised financial planning system in the Company.

In order to improve upon the financial planning and working capital management at TUMPECO, the Chief Accountant's preparation and submission of the following financial reports on schedule deadlines, is recommended for immediate implementation.

THE COMPANIES ORDINANCE, 1958

COMPANY LIMITED BY SHARES

Ordinary Resolution
OF
THE UGANDA METAL PRODUCTS AND
ENAMELLING COMPANY LIMITED

At an Extraordinary General Meeting of the Uganda Metal Products and Enamelling Company Limited duly convened and held on the Second day of April, 1965, the sub-joined Resolution was duly passed as an Ordinary Resolution:-

"RESOLVED that the Authorised Share Capital of the Company be and is hereby increased from £175,000 to £225,000 (Pounds Two hundred and twenty-five thousand) divided into 225,000 Ordinary Shares of Shs.20/- each by the creation of 50,000 new Ordinary Shares of Shs.20/- each ranking pari passu in all respects with the existing Ordinary Shares of the Company".

Appendices 13 to 16 exhibit the recommended formats of the weekly, monthly, quarterly and annual cash budgets.

In addition to the cash budgets, the Company's Chief Accountant should prepare a monthly series of the following two working capital ratios:

(i) Current Ratio: $\frac{\text{Current Assets}}{\text{Current Liabilities}}$
(The desired ratio should be 2:1)

(ii) Acid Test Ratio: $\frac{\text{Cash + Near Cash Assets}}{\text{Current Liabilities}}$
(The desired ratio should be 1:1)

TUMPECO LIMITED

TIME TICKET NO.....

JOB NO : 007
DEPARTMENT: TOOLROOM

DATE : MAY 30, 1992
ACCOUNT: WORK-IN-PROGRESS

LABOUR COST

OPERATIONS	OPERATORS INPUT	GRADE	TARGET OUTPUT	ACTUAL OUTPUT	START	STOP	TIME	RATE	AMOUNT
Cutting	IK	1							

Supervisors:

Production Managers:

CHAPTER 22.0.

BUDGETING SYSTEM

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APPENDIX 6

TUMPECO LIMITED

DIRECT MATERIAL REQUISITION/ISSUE VOUCHER NO.....

JOB NO : 007
DEPARTMENT: TOOLROOM

DATE : MAY 30, 1992
ACCOUNT: WORK-IN-PROGRESS

DESCRIPTION	UNIT	USAGE	RATE	VALUE
Angle 1000 1½" x 1½" x 17½"	Ft	14	1000	14000

Officer Requisitioning:

Authorised by:
PRODUCTION MANAGER

.....
STOREKEEPER

Consequently, the desired feature of responsibility accounting is not realised.

The effect of the foregoing approach to budgeting is that the budget documents thus produced do not lend themselves for use as effective tools to motivate functional heads in maximising company profits through conscious efforts at cost cutting departmentally.

In order to correct the identified defectives in the present system, the budgeting system should be commenced with a comprehensive integrated system of planning, involving all Departmental Heads.

Under this system, the Marketing Department's plans should drive the Production Department's plans. This should next occasion a materials requirement planning and raw materials inventory planning.

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APPENDIX 7

TUMPECO LIMITED

JOB COST RECORD

JOB ORDER NO: PRODUCT: MEDICINE TROLLY (2 TRAYS) 2" X 3" X 2½"

ELEMENT OF COST	REFERENCE MR NO.	DATE	UNIT	ACTUAL USAGE	RATE	VALUE USH.
<u>Direct Materials</u>						
1. Tubings 1"0	007	30/5/92	Ft	13½	500	
Tubings ¾ 0			Ft	18½	350	
3. Flat Bars ¾" x 1/8"			Ft	12	380	
4. Hooks (of flat bars ¾" x 1/8")			Ft	1	500	
5. Mild Steel Sheet			Sq Ft	10.6	1400	
6. Castors 550mm			Pcs	4	1550	
7. Welding Rods			Kg	0.2	2500	
8. Silver Part			Lts	½	7000	
9. Thinner			Lts	½	4000	
<u>Direct Labour</u>						
Various Time Tickets Attached		Various	Hrs	90	720	64800
Variable Overhead						
Total Variable Cost						
Fixed Overhead Applied			Hrs	420	100	42000
Total Production Cost						

No. of Units Produced 200
Average Unit Cost x700
Transferred to Finished Goods Stock Account 200 x

A cash flow plan should then follow, detailing the expected cash inflows from projected cash sales and collections from accounts receivables on one hand, and projected payments for raw material purchases, labour and other direct and indirect operating expenses.

A working capital requirements planning should be initiated to ensure that no scarce capital in excess of actual requirements are tied up in raw material, work-in-progress and finished goods inventories, let alone prepayments and accounts receivables.

22.2. **RECOMMENDED FORMALIZED APPROACH TO BUDGETING**

As a safeguard against repeating the informalized approach, the following budgetary machinery is recommended:

- (i) There should be a Budget Committee set up.
- (ii) Membership of the Committee should be all Heads of Department.
- (iii) The chairperson of the Committee should be the General Manager.
- (iv) The secretary co-ordinator of the Committee should be the Chief Accountant.
- (v) It shall be the responsibility of the Committee to formulate broad guidelines for the preparation of each annual budget and also to meet and discuss all departmental plans with a view to integration.
- (vi) Deadline dates shall be set for the completion and submission of departmental plans for purposes of annual budgeting.
- (vii) Deadline dates shall be set for the Committee to discuss the budget.

The Chief Accountant should further do the following:-

- Distribute the designed budget questionnaire forms to all Heads of Department for completion.
- Ensure that the forms are duly completed and returned by all Heads of Department, including the Accounts Department, on schedule.
- Consolidate departmental budget proposals and arrange budget hearing meetings.
- Submit draft budget to the General Manager and all Heads of Department.
- Ensure that the budget hearing meeting takes place on schedule.
- Prepare final draft of budget document.
- Submit final draft budget document to the General Manager and all Heads of Departments.
- Make necessary adjustment to budgetary items and figures.
- Submit final budget to the General Manager, Heads of Department and members of the Board of Directors.

Appendix 11, Budgeted Profit and Loss Account is a recommended format for adoption. This format has been designed to highlight the responsibility accounting concept.

The Chief Accountant should refer to PIES Financial Manual for guidance in designing additional formats as necessary.

APPENDIX 9a

TUMPECO LIMITED

PRICING METHOD: FIFO

RECEIPTS			ISSUANCE			BALANCE	
QTY	RATE	VALUE	QTY	RATE	VALUE	QTY	VALUE
		USH.			USH.		USH.
200	14000	2,800,000				200	2,800,000
200	15000	3,000,000				400	5,800,000
			100	14000	1,400,000	300	4,400,000

APPENDIX 9b

TUMPECO LIMITED

PRICING METHOD: LIFO

NOT

RECEIPTS			ISSUANCE			BALANCE	
QTY	RATE	VALUE	QTY	RATE	VALUE	QTY	VALUE
		USH.			USH.		USH.
200	14000	2,800,000				200	2,800,000
200	15000	3,000,000				400	5,800,000
			100	15000	1,500,000	300	4,300,000
			200	15000	3,000,000	100	1,300,000
			200	15000	1,500,000*		

Reference section 6.9, any difference should be charged to an Inventory Variation Account.

- (i) The financial performance in Ugandan Shillings.
- (ii) The production performance.
- (iii) The status of major projects under implementation.
- (iv) Summary of the monthly reports detailing analysis of the Company's working capital.
- (v) Monthly summary of operations detailing net sales, net profit/(loss) after tax, quantities and values of actual production as well as closing inventory at the month end.

Appendix 10: Monthly Flash Reports, exhibits the features above described for the month of April, 1992.

The PIES Financial Manual has spelt out types and forms of reports expected to be furnished monthly, quarterly and annually. These reporting requirements must be strictly complied with.

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APPENDIX 10

TUMPECO LIMITED

1. FINANCIAL PERFORMANCE IN UGANDA SHILLINGS

TOTAL SALES FOR APRIL	32,491,848=
TOTAL CAPITAL EMPLOYED	165,515,491
GROSS PROFIT	579,686
DEPRECIATION PROVISION	532,351
INTEREST ON LOANS	3,597,895
TAX ON PROFITS	-
NET PROFIT/LOSS	(3,550,560)

II. PRODUCTION PERFORMANCE

Main Products During the Month	Unit Pcs	Value in Shs.	Installed Capacity in Pcs	Capacity Utilization
Motor Vehicle No. Plates	191	2,526,822	24000	9.55%
Steel Beds (Assorted)	94	4,782,248	9000	12.53%
Stackable Chairs	27	607,635	3600	9.00%
Spring Mattresses	6	246,988	1600	2.00%
Totals	318	8,163,693		

Value of Inventory 30.4.92 170,021,947

III. STATUS OF MAJOR PROJECTS UNDER IMPLEMENTATION - NON AT ALL.

.....
J.S. KINTU (Mrs.)
CHIEF EXECUTIVE OFFICER

loss account, the disclosure of depreciation as a charge against profit should not include any amortization of the unrealised appreciation of any existing asset.

Amortizations of all appreciations in existing assets should be charged against the capital reserve (surplus) account instead of the Profit and Loss Account.

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APPENDIX 10 CONTD.

SUMMARY OF THE MONTHLY REPORT FOR APRIL 1992
WORKING CAPITAL POSITION

Cash/Bank Balance at 30.4.92 2,078,157

MAJOR DEBTORS

1.	Uganda Revenue Authority	32,392,000
2.	Makerere University	6,540,000
3.	Ministry of Health	5,059,565
4.	Ministry of Agriculture (Bukalasa)	4,251,000
5.	Ministry of Agriculture (Arapai)	4,424,000
6.	Paramedical School (Mulago)	6,121,400
7.	Institute of Teacher Education	660,800
8.	Other Debtors	8,313,621

Total Inventories Raw Materials & Finished Goods Shs. 170,021,947

Total Current Assets Shs. 239,862,490

ANALYSIS OF LIABILITIES

Trade Creditors and Services	11,716,691
Duty on Raw Materials	29,606,429
Housing for Staff, Audit Fees, Salaries & Wages	9,534,527
Management and Secretarial Fees (UDC)	17,044,061
Income Tax Provision from Profits	-
Other Taxes eg. Corporation Tax	5,156,431
PAYE and Sales Tax	1,333,900

Total Current Liabilities 74,391,999

NET WORKING CAPITAL 165,470,491

FIXED SHARE CAPITAL 45,000

TOTAL CAPITAL EMPLOYED 165,515,491

TUMPECO LIMITED
COSTING SHEET FOR HOSPITAL EQUIPM
PRODUCT-PATIENT BEDS - DEPT. TOOL-

	UNIT	USAGE	2 1/2' x 6' RATE
DIRECT MATERIALS:			
Angle Iron 1 1/2" x 1 1/2" x 20'	ft	20	800
Tub ngs 1 1/2" x 20'	ft	16	550
Tubings 1"0 x 20'	ft	9	410
Tubings 3/4"0 x 20'	ft	2	310
Brackets 1 1/2" x 1 1/2" x 20'	ft	2	50
Tension Spring 16cc x 12gge	kg	0.6	800
Eyelinks	kg	1	800
Hoop Iron 12gge	kg	0.03	800
Welding Rods	kg	0.033	3000
Silver Paint	ltrs	0.5	7500
Thinner	ltrs	0.25	3600
Plastic Ferruls 1 1/2"0	pcs	4	100
Labour	hrs	8	500
PRIME COST			
FACTORY OVERHEAD 20%			
PROFIT MARGIN 30%			
SALES TAX			
SELLING PRICE			

Rounded to :

Prepared By: (Cost Acco

Proved By : (Chief Acco

APPENDIX 10 CONTD.

SUMMARY FOR THE REPORT FOR APRIL 1992

Net Sales	32,491,848
Less: Cost of Goods Sold	10,707,019
Gross Profit	21,784,829
Less: Operating Expenses	21,624,943
Net Profit from Operations	159,886
Add : Sundry Income	419,800
Net Profit/Loss Before Tax	579,686
Less: Income Tax Provision	260,858
Net Profit After Tax	318,828

PRODUCTION SUMMARY:

<u>Product</u>	<u>Unit Pcs</u>	<u>Product Value</u>
Motor Vehicle Numbers	191	2,526,822
Steel Beds Assorted	94	4,782,248
Spring Mattresses	6	246,988
Stackable Chairs	27	607,635
Totals	318	8,163,693

Inventories on 30.4.92

Raw Materials Stock	143,846,937
Finished Goods Stock	26,175,010

	170,021,947

TUMPECO LIMITED
SUMMARISED COMPARATIVE BALANCE SHEETS
FOR THE YEARS 1985 - 1991

	1985 (Old Currency)	1986 (New Currency)	1987	1988	1989	1990	1991
<u>CURRENT ASSETS:</u>							
Cash and Bank Balances	(193,767)	1,626,578	(445,281)	(999,292)	2,830,186	(9,555,161)	4,589,719
Debtors and Prepayments	179,013,636	2,947,014	11,278,325	18,207,515	19,297,415	42,909,141	118,428,126
Stocks & Work in Progress	614,167,538	6,067,047	19,730,646	46,617,080	76,380,229	100,121,303	226,262,009
T O T A L	792,987,405	10,640,639	30,563,690	66,825,303	92,847,459	133,475,283	349,279,854
<u>LESS: CURRENT LIABILITIES</u>							
Uganda Dev. Corp. Ltd.	2,084,024	20,840	65,539	2,192,282	7,526,255	13,159,844	18,044,061
Creditors and Accrued Charges	129,957,533	7,540,676	20,769,951	24,332,851	31,216,361	47,821,261	45,180,903
Taxation	-	-	-	500,000	500,000	3,701,840	30,185,651
Interest on Loans	-	2,268,028	6,071,917	16,807,947	36,340,685	38,273,489	64,294,465
TOTAL CURRENT LIABILITIES	132,041,557	9,829,544	26,907,407	43,833,080	75,593,301	102,956,434	157,705,080
Net Current Assets	660,965,848	811,095	3,656,283	22,992,223	17,254,257	30,518,849	191,574,774
Fixed Assets	1,386,083,173	14,466,070	14,190,023	13,532,691	101,765,842	100,356,377	1,704,685,030
TOTAL ASSETS	2,047,029,021	15,277,165	17,846,306	36,524,914	119,019,999	130,875,226	1,896,259,804

APPENDIX 2 CONTD.

	1985 (Old Currency)	1986 (New Currency)	1987	1988
<u>FINANCED BY SHARE CAPITAL AND DEBT</u>				
225,000 Ordinary Shares of Shs. 0.2/= each authorised issue and fully paid	4,500,000	45,000	45,000	45,000
Capital Reserve	1,399,235,916	13,992,359	13,992,359	13,992,359
Profit and Loss Account	140,976,575	(8,988,675)	(6,946,537)	630,510
	-----	-----	-----	-----
SHAREHOLDERS INTEREST	1,544,712,491	5,048,684	7,090,822	14,667,270
	-----	-----	-----	-----
<u>LONG TERM LOANS:</u>				
Uganda Development Bank	502,336,530	10,228,481	10,755,484	10,755,484
Uganda Commercial Bank				
East African Development Bank				
	-----	-----	-----	-----
TOTAL FUNDS EMPLOYED	2,047,029,021	15,277,165	17,846,306	36,524,910
	-----	-----	-----	-----

APPENDIX 11 CONTD.

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	ACTUAL CUMULATIVE 30TH SEPT. 19.....	ESTIMATED 3 MONTHS TO 31ST DEC. 19.....	BUDGET
3. ADMINISTRATION			
SUB-TOTAL			
4. PERSONNEL			
SUB-TOTAL			
5. AUDIT			
SUB-TOTAL			
GRAND TOTAL EXPENSES			
BUDGETED NET PROFIT/(LOSS) BEFORE TAX TAXATION PROVISION			

TUMPECO LIMITED

PRICING METHOD: AVERAGE

STORE ITEM: ANGLE /700 1/8" HOT

DATE	DESCRIPTION	RECEIPTS			ISSUANCE			BALANCE		
		QTY	RATE	VALUE	QTY	RATE	VALUE	QTY	RATE	VALUE
				USH.			USH.			USH.
25/05/92	GRN 202	200	14000	2,800,000				200	14000	2,800,000
20/06/92	GRN 221	200	15000	3,000,000				400	14500	5,800,000
25/06/92	SIV 52				100	14500	1,450,000	300	14500	4,350,000

TUMPECO LIMITED

BUDGETED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDING (IN USH.'000 + 1 DECIMAL)

SIGNED BY:

CHIEF ACCOUNTANT

GENERAL MANAGER

	ACTUAL CUMMULATIVE 30TH SEPT. 19....	ESTIMATED 3 MONTHS TO 31ST DEC. 19....	BUDGET
BUDGETED NET SALES			
LESS: COST OF SALES			
BUDGETED GROSS PROFIT			
DEDUCT:			
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES PER RESPONSIBILITY CENTRES			
1. <u>MARKETING AND SALES</u>			
SUB-TOTAL			
2. <u>ACCOUNTING AND FINANCE</u>			
SUB-TOTAL			

TUMPECO

CASH BUDGET: WEEK ENDING

PREVIOUS WEEK ENDED (ACTUALS)	DETAILS OF CASH FLOWS	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	TOTAL
	<u>Inflows:</u> Cash Sales Debtors Collections Loans Scrap Sales Other Incomes						
	TOTAL						
	<u>Outflows:</u> Factory Expenses Administrative Expenses Selling Expenses Financial Expenses Creditor Obligation Capital Expenditure						
	TOTAL						
	Net Cash Flow						
	Opening Balance/(O/D)						
	Closing Balance/(O/D)						
	Closing Details:- Cash Bank A ... Bank B ... Bank C ...						

TUMPECO

CASH BUDGET: MONTH ENDING

PREVIOUS MONTH ENDED (ACTUALS)	DETAILS OF CASH FLOWS	WEEK 1	WEEK 2	WEEK 3	WEEK 4	TOTAL
	<u>Inflows:</u> Cash Sales Debtors Collections Loans Scrap Sales Other Incomes					
	TOTAL					
	<u>Outflows:</u> Factory Expenses Administrative Expenses Selling Expenses Financial Expenses Creditor Obligation Capital Expenditure					
	TOTAL					
	Net Cash Flow					
	Opening Balance/(O/D)					
	Closing Balance/(O/D)					
	Closing Details:- Cash Bank A ... Bank B ... Bank C ...					

TUMPECO

CASH BUDGET: QUARTER ENDING

PREVIOUS QUARTER ENDED..... (ACTUALS)	DETAILS OF CASH FLOWS	QUARTER 1	QUARTER 2	QUARTER 3	QUARTER 4	TOTAL
	Inflows: Cash Sales Debtors Collections Loans Scrap Sales Other Incomes					
	TOTAL					
	Outflows: Factory Expenses Administrative Expenses Selling Expenses Financial Expenses Creditor Obligation Capital Expenditure					
	TOTAL					
	Net Cash Flow					
	Opening Balance/(O/D)					
	Closing Balance/(O/D)					
	Closing Details:- Cash Bank A ... Bank B ... Bank C ...					

TUMPECO

CASH BUDGET: YEAR ENDING

PREVIOUS YEAR ENDED (ACTUALS)				DETAILS OF CASH FLOW	CURRENT YEAR			
QTR. 1	QTR. 2	QTR. 3	QTR. 4		QTR. 1	QTR. 2	QTR. 3	QTR. 4
				<u>Inflows</u> Cash Sales Debtors Collections Loans Scrap Sales Other Income				
				TOTAL				
				<u>Outflows</u> Factory Expenses Administrative Expenses Selling Expenses Financial Expenses Creditor Obligations Capital Expenditure				
				TOTAL				
				Net Cash Flow				
				Opening Balance /(O/D)				
				Closing Balances/(O/D)				
				Closing Details:- Cash ... Bank A ... Bank B ... Bank C ...				

CHAPTER 24.0.

EVALUATION OF CURRENT SITUATION

**MARKETING REPORT ON
THE UGANDA METAL PRODUCTS
AND ENAMELLING COMPANY LIMITED**

24.0. **EVALUATION OF CURRENT SITUATION**

24.1. **MARKETS AND MARKETING**

- 24.1.1. With the exception of enamelled holloware products, all the other products are produced for the domestic markets only.
- 24.1.2. Enamelled holloware products were once exported to Egypt. There are prospects of exporting them to Sudan and some PTA countries.
- 24.1.3. The domestic markets cover some government ministries, the boarding institutions, non-governmental organizations (NGO's) as well as private individuals.
- 24.1.4. TUMPECO has a complete monopoly in Uganda in the market for vehicle number plates. However, the Company faces increasing competition from Steelex Limited and Clinic Equipment in both domestic and hospital equipments, Delta - representing Pelican of Kenya in road signs; Shiptooth brush in plastic wares; steel and wooden cottage industries in various products.

- 24.1.5. The markets for all the Company's products exist and appear to be increasing except for inner spring mattress and carpentry.
- 24.1.6. At the time of IMAS review, little or no marketing was being done. Sales were only made direct from the factory "Go-Down" to customers who called in from different parts of the country. The "Go-Down" is the store for all the finished products of TUMPECO and any other goods stocked by TUMPECO and sold direct to customers.
- 24.1.7. While sales statistics were not readily available on competitors, TUMPECO's sales figures over the years have not been encouraging. Sales at the time of IMAS survey, for example, was less than 50% of budget.
- 24.1.8. No comprehensive marketing programme was being followed under which market research, sales planning, advertising and promotion were properly coordinated.
- 24.1.9. It was observed by Consultants that the Marketing Department, as then organised and staffed, would not be capable of introducing the comprehensive marketing

programme envisaged and embark on aggressive marketing strategies that would be necessary to enable the Company increase its sales.

24.1.10. The Consultants recommend the strengthening of the present Marketing Department of TUMPECO by appointing a suitably qualified and experienced Marketing Manager, creating a position for a Marketing Services Officer who would be responsible for market research, sales planning, advertising and promotion and creating a position for a Sales Officer who would be responsible for sales.

24.1.11. The Consultants also recommend the appointment of sales agents throughout the country and the introduction of sales-related incentives to be given to both agents and employees of TUMPECO who would solicit more sales.

CHAPTER 25.0.

SUMMARY OF RECOMMENDATIONS

25.0. SUMMARY OF RECOMMENDATIONS

- 25.1. Commission Sales Agents throughout the country should be appointed. Sales related incentives should be given to both agents and employees of TUMPECO who would solicit more sales.
- 25.1.1. The Marketing Manager should be involved in deciding what products should be produced and what quantities.
- 25.1.2. In deciding what products to manufacture, preference should be given to products with high contribution margin or products with a high turnover rate.
- 25.1.3. Prior to determining the appropriate sales mix, the Carpentry and Mattress product lines should be absorbed by the Toolroom and Vono product lines respectively.
- 25.1.4. TUMPECO should offer products combinations that provide one stop shopping facility especially for the customer in specialised areas like the hospitals or schools.
- 25.1.5. The Company should periodically advertise its product prices, stressing especially on its known price advantages to its customer.
- 25.1.6. Under no circumstance should the pricing of the product be determined without the involvement of the Marketing Manager or his representatives.
- 25.1.7. The practice of adding a traditional charge of 20% of prime cost of product as factory overhead and 30% as profit margin should cease.

- 25.1.7. All prices, ie. factory, wholesale, and retail should be made available to customers.
- 25.1.8. TUMPECO should open a showroom at the Kampala city centre for the purpose of putting on display all of the Company's products.
- 25.1.9. The Company should embark on extensive sales promotion and advertising campaign for all its existing and prospective products.
- 25.1.10. The advertising budget should be 7½% of 1993 sales budget and 6½% and 5% on the 1994 and 1995 sales budgets respectively.

CHAPTER 26.0
DETAILED ANALYSIS AND FINDINGS

- 26.2.3. Such decisions are not guided by any laid down plans. They are simply based on materials availability, the preferences of the Production Manager and the capabilities of the Engineering Department. As a result, the market needs are left out of consideration.
- 26.2.4. The consequences of the absence of targets planning and therefore no coordination are varied and disastrous.
- 26.2.5. Apart from the product mix imbalance that can be and has been created, the practice as a whole has the finished goods store filled with goods that the market is not ready for, thereby tiring up the Company's scarce working capital resources.
- 26.2.6. As a result of the non-involvement of the Marketing Manager, and the lack of coordination in the stock in trade planning, the incumbent Marketing Manager does not show the required commitment in ensuring that the goods are sold on time to generate cash needed for working capital support.
- 26.2.7. The Consultants recommend that decisions concerning what products are to be produced and in what quantities and quality are to be made in consultation with the Marketing Manager.
- 26.2.8. The decision should be arrived at after a market research has identified customers' needs and preferences, and the size of the markets in which they are needed. Even though inputs from other departments may be needed to arrive at the decision, the involvement

of the Marketing Manager or the Marketing Department will ensure commitment in selling the products in addition to ensuring that the right quantities are provided to avoid stock outs or excess finished goods inventory that can create working capital shortages - a major problem at TUMPECO.

- 26.2.9. In the face of working capital shortages, knowing what to produce from the market feedback is even not enough. A further step is needed to ensure that products that make high contribution to sales and have high turnover rates are selected for production.
- 26.2.10. The marketing staff have been taken through the steps of determining products contribution to sales and the combination of products that ensures optimum sales. Appendix 2 illustrates the steps involved.

26.3. **OPTIMUM SALES MIX ANALYSIS**

- 26.3.1. The analysis of the sales mix for the first four months of the year 1992 indicates that a total contribution of 36,098,000/- was made.
- 26.3.2. Out of total sales of 116,305,000/-, the net loss for the period was 19,364,000/-.
- 26.3.3. Analysis of the total contribution per product line revealed that, Mattress and Carpentry lines made negative contributions of 791,000/- and 861,000/- respectively.

- 26.3.4. In addition to Mattress and Carpentry making negative contributions, the low contribution to the overall sales was significantly affected by ineffective sales mix. At 14% level of capacity therefore, the Company has no prospect of breaking even if the sales mix is not revised.
- 26.3.5. The Consultants are of the opinion that prior to determining the appropriate sales mix, the Carpentry and Mattress product lines should be absorbed by the Tool Room and Vono respectively. This is because they work more for Tool Room and Vono than for direct consumers and that their transfer costs are normally not recognised by the consuming departments.
- 26.3.6. On the basis of the foregoing therefore, sales effort for the rest of the year will be concentrated on the remaining three main lines - Tool Room, Signs and Vono. The average contribution ratios for these lines are 45%, 13% and 48% respectively.
- 26.3.7. During the first four months of the year 1992, total fixed cost as per TUMPECO records was 55,735,000/-. It is estimated that by the end of the year, this figure will be 167,205,000/-.
- 26.3.8. For reasons enumerated above, the Company did not operate at breakeven during the first four months.
- 26.3.9. In the opinion of the Consultants, an optimum mix of sales to break even at 14% level of capacity utilization would have been for the three profitable product lines as follows:-

TABLE 26(c)

ESTIMATED QUANTITIES AND THEIR VALUES

<u>QUANTITIES ('000)</u>		<u>VALUE IN SHILLINGS ('000)</u>
Tool Room (T)	1070	47,113
Signs (S)	314	4,711
Vono (V)	1141	70,760
	-----	-----
	2525	122,584
	-----	-----

26.3.10. It is estimated that, for the remaining eight month period, May to December, the above sales mix would guide marketing programmes in order to generate additional sales of 245,168,000/-.

26.3.11. By the end of the year therefore, total sales expected will be 361,473,000/-. The estimated breakdown would be as follows:-

TABLE 26(d)

TOTAL SALES EXPECTED

<u>PRODUCT LINE</u>	<u>JANUARY - APRIL, 1992</u>		<u>MAY - DECEMBER, 1992</u>	
	<u>Actual Sales ('000)</u>		<u>Estimated ('000)</u>	
	<u>Units</u>	<u>Sales Value</u> <u>(U.Sh.)</u>	<u>Units</u>	<u>Sales Value</u> <u>(U.Sh.)</u>
Tool Room	719	31,663	2140	94,226
Signs	3686	56,357	628	9,420
Vono	436	27,012	2282	141,484
		-----		-----
		115,032		245,130
Mattress	16	463		-
Carpentry	22	810		-
		-----		-----
		116,305		245,130
		=====		=====

26.3.12. It is important to note that 245,130,000/- is a breakdown sales volume for the 8 months. In order to make a modest net profit by the year end, a target of 20% of total debt outstanding at the beginning of the year (of 170,000,000) amounting to 34,000,000 is envisaged by 31st December, 1992.

26.3.13. For the subsequent 3 years, 1993, 1994 and 1995, capacity utilization levels are expected to be 20%, 25% and 30% respectively. At these levels, given that sales price remained constant and that fixed cost remained within the present limits, sales activities are expected to be as follows:-

TABLE 26(e)

1993 - 1995 PROJECTED UNITS AND
THEIR CORRESPONDING VALUES

LEVEL OF ACTIVITY	1993 20%		1994 25%		1995 30%	
	UNITS	SALES ('000)	UNITS	SALES ('000)	UNITS	SALES ('000)
Tool Room	3810	201,913	4071	252,391	4093	302,869
Signs	1122	20,190	1147	25,237	1165	30,285
Vono	4098	303,257	1259	379,071	4251	454,885
TOTAL		525,360		656,700		788,040

26.3.14. With the coming into full operation of the enamelling in 1993 and afterwards, the sales mix for these years will change accordingly. At varying price levels therefore, the sales mix will be as below.

	1 9 9 3		1 9 9 4		1 9 9 5	
	<u>UNITS</u>	<u>VALUE</u>	<u>UNITS</u>	<u>VALUE</u>	<u>UNITS</u>	<u>VALUE</u>
Enamelling	128000		256000		384000	
Tool Room	3810	201,913	4071	252,391	4093	302,869
Signs	1122	20,190	1147	25,238	1165	30,285
Vono	4098	303,257	1259	378,071	4251	454,885

26.4. **NEW PRODUCT DEVELOPMENT AND MARKET PENETRATION**

26.4.1. The existing markets for metal products, excluding those from the Signs product line can be grouped as follows:-

- Hospital
- Domestic
- Office.

26.4.2. Of the three markets, TUMPECO is covering only two - the hospital and the domestic markets, while the Company's two major competitors cover all the three markets. Appendix 3 lists the various products produced by each of the three Competitors.

26.4.3. Table 26(f) below shows the growth alternatives open to the Companies.

TABLE 26(f)

GROWTH ALTERNATIVES

	Existing Products	New Products
Existing Markets	1. Market Penetration	2. Product Development
New Markets	3. Market Development	4. Diversification

EXPLANATION:

- Market Penetration : The product exists and the market for the product exists. Growth is through a bigger share of the market.
- Product Development : The product is to be developed for a market that already exists. The product will have to be introduced to the market.
- Market Development : The product is already known. Efforts have to be made to find new markets for the product.
- Diversification : The product is new; the market is also new.

26.4.4. Table 26(g) shows the number of products offered by the three competitors in the hospital, domestic and office markets.

TABLE 26(g)

PRODUCTS OFFERED BY COMPETITORS

MARKET	NUMBER OF PRODUCTS OFFERED		
	TUMPECO	STEELEX	CLINICAL
Hospital	11	19	24
Domestic	30	7	7
Office	NIL	8	6

SOURCE: IMAS Survey

- 26.4.5. During the review exercise, Consultants discovered that metal products such as window frames, gates and wire mesh were already on the markets for individuals and building firms that were carrying out building construction works. Also, office furniture such as chairs, desks and filing cabinets were being produced by TUMPECO's main competitors - Steelex and Clinical Equipment Limited.
- 26.4.6. While statistical data were not readily available as to the size and the extent of operations in these markets, the reasons for the emphasis by the competitors on the production of these products, especially the office furniture, are worth discovering.
- 26.4.7. A visit to one of the competitors production outfit revealed that only the office furniture were being produced at that time. While a similar visit to the

other competitor's outfit was not possible, information obtained showed that the two competitors offered the same office products for the office market (Appendix 3).

- 26.4.8. Consultants recommend that a market research be carried out in these markets to determine the sizes - both existing and potential, the market shares of the Companies that are already serving these markets and their future prospects.
- 26.4.9. TUMPECO's entry into the office market, for example, will not require any major investments by the Company since almost the same raw materials, equipments and personnel that the Company is employing now will be required for the production of office furniture. In addition, the marketing expertise already acquired in the home and the hospital markets is easily adaptable to the office market.
- 26.4.10. In the hospital market where clinic equipment is on top in the number of products offered - 24 products, followed by Steelex with 19 products, TUMPECO offers only 11 products. An examination of the products revealed that both clinic equipment and steelex produce most of the products that a hospital would need. The list includes the following:-
- Birth Bed (Labour Bed)
 - Examination Couch
 - Patient Bed
 - Beside Locker
 - Drip Stand
 - Surgeons and Stools
 - Steps
 - Drugs Cupboards

- *Linen Trolley*
- *Ward Screen*
- *Operation Table*

26.4.11. Thus, providing one stop shopping facilities for the customer in hospital equipments because the customer is most likely to find any item needed for the hospital in that shop. In contrast, TUMPECO offers only the following:-

- *Patient Bed*
- *Patient Trolley*
- *Ward Screen*
- *Drip Stand*
- *Birth Bed*
- *Bedside Locker*

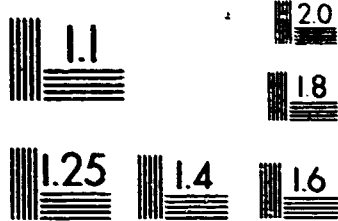
26.4.12. The result is that the customer who values product availability, time and convenience would want to shop at Clinic Equipment's or Steelex instead of TUMPECO, resulting in loss of sales to TUMPECO.

26.4.13. TUMPECO should offer products combinations that provide one stop shopping facility especially for the customer in a specialised area like the hospitals or schools.

26.4.14. At the time of IMAS's survey, TUMPECO's Management had no idea about the Company's shares of the markets in hospital and domestic products. This is a direct result of the absence of growth objectives resulting in the absence of any strategies to increase market shares.

26.4.15. Even in the domestic market where TUMPECO was leading with 30 different products, the few that the competitors offered are products that sell at high prices and have

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MICROCOPY RESOLUTION TEST CHART
NATIONAL BUREAU OF STANDARDS
STANDARD REFERENCE MATERIAL 1010a
ANSI and ISO TEST CHART No. 2

high turnover rates. Consequently, there cannot be much differences in their respective market shares in this market.

26.4.16. To penetrate the markets, TUMPECO must apply aggressive marketing. For instance, it is a well known fact that road construction contracts in the country are awarded together with the erection of road signs. However, not many road construction firms are able or would want to perform the two together. They therefore choose to subcontract the signs part of the contract. TUMPECO is to obtain the list of road contractors that have been awarded contracts or stand a chance of being awarded contracts, approach them and negotiate for the sign contracts.

26.4.17. Furthermore, TUMPECO must use advertisements to position its products. For instance, TUMPECO's price advantage must be made known to customers.

26.5. PRICING PROBLEMS

26.5.1. Prices of TUMPECO's finished products are set by the Cost Accountant with the help of the Production Manager. The price of a finished product is determined as follows:-

$$\text{PRICE} = \text{Production Cost} + \text{Other Fixed Overheads} + \text{Margin} + \text{Sales Tax.}$$

The other Fixed Overheads and the Margin are worked on 20% and 30% of the Production cost respectively.

26.1.2. Table 26(a) below shows the proportion of the product lines in the Company's total sales for 1991.

TABLE 26(a)

PROPORTION OF PRODUCT LINES IN 1991 SALES

PRODUCT LINE	SALES VALUE	% OF TOTAL
Tool Room	54,495,000	21.45
Signs	158,107,000	62.20
Vono	39,363,000	15.48
Mattress	1,666,000	0.65
Carpentry	575,000	0.22
T O T A L		

SOURCE: IMAS Computation

26.1.3. From Table 26(a), it can be seen that the Signs product line contributed 158,107,000/- representing 62.2% of the 1991 sales volume of 254,206,000/-. It is followed by the Tool Room product line which contributed 54,495,000/- representing only 21.5% of the 1991 sales.

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26.5.2. Even though the other fixed overheads include distribution and sales costs, the Marketing Manager plays no role in setting the prices.

26.5.3. Consequently, the prices set do not take cognizance of the customers ability to pay and any other strategic sales objective of TUMPECO.

26.5.4. The method alienates the Marketing Department which is supposed to know how much the customer is ready to pay, and is supposed to convince the customer of his money's worth.

26.5.5. In addition to the problem of who sets the final price, prices of TUMPECO's final products have been increased by an average of about 100% since March 1990. Appendix 4 lists the absolute and the percentage price changes for the period.

26.5.6. The result is that there is a tendency for the Marketing Department to blame low or no sales on the Company's high prices.

26.5.7. At the beginning of the review exercise, the Marketing

TABLE 26(b)

NUMBER PLATE SALES

<u>YEAR</u>	<u>SALES</u>	<u>% INCREASE</u>
1990	82,453,210	-
1991	139,231,000	69
1992	* 212,225,700	52

* (The first 4 months actual sales projected for the next 8 months)

26.1.7. These sales were realised with little or no marketing efforts because the Company has complete monopoly in the production of number plates guaranteed by the Government.

26.1.8. However, there is insecurity in relying mainly on number plates as the major source of income in the Signs product line.

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26.5.9. Table 26(h) below lists the prices, their differences in both absolute and percentage terms of 3 competitors - including TUMPECO - that produce double and triple decker beds. A complete list of the prices of the Companies is given in Appendices 3 and 4.

TABLE 26(h)

LIST OF PRICES AND THEIR DIFFERENCES IN ABSOLUTE AND PERCENTAGE TERMS

P R O D U C T	P R I C E (I N S H I L L I N G S)			D I F F E R E N C E	
	TUMPECO	CLINIC	STEELEX	ABSOLUTE	%
Double Decker 2½ x 6	92,900	111,140	111,140	18,240	20
Double Decker 3 x 6	98,800	121,980	121,980	23,180	23
Triple Decker 2½ x 6	124,600	127,750	127,750	3,150	2.5
Triple Decker 3 x 6	131,600	160,000	160,000	28,400	21.6

26.5.10. The price comparison is only made on double and triple decker beds for the simple reason that TUMPECO has, in its

26.1.11. The Chief Accountant of TUMPECO echoed these fears during the review exercise:

"There has been a ban by the Government on the importation of motor vehicles that are 5 years and above. Turnover has been reduced from 24 million Shillings per month to about 10 million Shillings per month. The price of the Dollar is gone up. We fixed our prices for the number plates when the Shilling equivalent of the Dollar was 700/-. Today, the Shilling equivalent is 1200/- but number plates prices cannot be revised without prior negotiation with the Government."
(See Appendix 9, Interviews with some members of Management).

26.1.12. Management's attention has been drawn to this insecurity and the need for a balanced and optimum product mix.

26.2. PRODUCT DECISIONS

26.2.1. Decisions concerning what to produce and how much to produce at TUMPECO are made without the knowledge and involvement of the Marketing Department.

26.2.2. The Production Department in consultation with the Engineering Department decides the type of product, the design of it and the quantity to be produced.

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26.5.12. The retailer can only make a profit by fixing the selling price to cover all costs associated with the possession of the product before adding a profit margin. The result is a selling price that will be higher than the price TUMPECO offers to the direct users.

26.5.13. Consultants recommend that, under no circumstance should the pricing of a product be determined without the involvement of the Marketing Manager or his representative.

26.5.14. It is expected that the General Manager (GM) fixes prices based on detailed costing information per batch or job order and the Marketing Manager's report on the prevailing prices on the market and his specific recommendations.

26.5.15. The General Manager will thus be left with the alternative of increasing or decreasing the Company's margin in order to come up with a price at which sales of the products can be optimised.

26.5.16. The practice of adding a traditional charges of 20% of cost of product as factory overhead and 30% as profit margin must cease.

- 26.5.18. These charges must reflect the actual use of overhead. The practice must therefore obtain the prime cost for each item, and then establish the volume of overhead such as water, electricity and depreciation involved in its production.
- 26.5.19. Consultants also recommend that all the three prices - factory, wholesale and retail - should be made available to customers.
- 26.5.20. In order to use price to boost sales in the prevailing economic and competitive environment, Consultants have oriented Management's mind to customer-oriented pricing.

26.6. DISTRIBUTION

- 26.6.1. Technically, what obtains at TUMPECO cannot be described as a distribution system. The objective of distribution is to provide the customer with the possession of the product at a convenient time and place.
- 26.6.2. TUMPECO stores all its finished products in what is referred to as factory "Go Down" at the factory in Luzira, a suburb of Kampala. The "Go-Down" is where all the finished products are kept and sold direct to the customers.
- 26.6.3. This "Go-down" is serving both as the Company's Finished Goods Store and its one and only sales outlet. It is out of this store that everything TUMPECO produces is sold.

- 26.6.4. This "Go down" was, sometime ago, used in addition to a retail outlet in a building on Nkrumah road in Kampala. The retail outlet has been closed down for lack of funds for its operation. Ever since, all customers have had to travel to Luzira for TUMPECO's products.
- 26.6.5. TUMPECO makes no effort through advertising or promotion to let customers know what is in the store at any particular time. The customers only way of knowing what the Company is selling and at what prices is to travel all the way to Luzira.
- 26.6.6. This method of distribution which can at best be described as a direct channel - from manufacturer to the end user - is in fact exclusive distribution and is not best suited for the Company's line of products.
- 26.6.7. While a direct channel may work best for products that require technical advice before their use, TUMPECO products do not require such technical advice, and are mainly shopping goods with the following characteristics:-
- Their use is expected to last over several years.
 - They are therefore infrequently bought.
 - They are relatively expensive.
 - Customers plan their purchase and shop around to compare prices.
 - They are sold in selected stores.
- 26.6.8. While TUMPECO is using only the direct channel, its competitors are making efforts to make their products available to customers at several and convenient locations.

26.6.9. Table 26(i) below shows and compares the distribution outlets of 3 competitors that deal in products such as beds and signs.

TABLE 26(i)

DISTRIBUTION OUTLETS OF 3 COMPETITORS

OUTLET USED	NAME OF COMPANY		
	TUMPECO	STEELEX	PELICAN
GO-DOWN	YES	YES	YES
SHOW-ROOM	NIL	YES	YES
RETAIL	NIL	YES	YES
AGENCY	NIL	NIL	YES

SOURCE: IHAS Survey

26.6.10. As can be seen from Table 26(i), TUMPECO's competitors are using, in addition to the Go-down, other channels for effective and efficient distribution.

26.6.11. TUMPECO's efforts have been nil in developing other outlets. The Company is still using only one outlet with the following accompanying problems:

- Absence of proximity. It is time consuming and inconvenient for the customer to travel to Luzira for the goods. The Company, in effect, is opening up chances for competitors to enter the business.

- The cost of transporting the bulky items are prohibitive, thus adding more cost to a product that competes in a market where customers shop to compare prices.

26.6.12. The conclusion is that, **TUMPECO**, by keeping to this one outlet, is simply not distributing. Its method is making it difficult to achieve any of the objectives of distribution. The result is loss of sales to competitors even though its products are lower in prices.

26.6.13. Consultants recommend the opening of a Show Room in the business centre of Kampala to put on display all of the Company's products. Part of the sales budget earmarked for 1993 could be used to open the Showroom.

26.6.14. While the exact cost of the Showroom cannot be immediately determined, and in the event that the sales budget earmarked is not enough to cover the cost of opening a Showroom, the Company is to make a special allocation in the 1993 budget for this important aspect of distribution of its products. It is to start operating before the end of 1993. All the items in the Showroom must be tagged with their respective prices. It is to be manned by a Marketing Officer who will report to the Marketing Manager. The Marketing Officer is to be assisted by a Sales Assistant who will be in charge of keeping records (as directed by the Marketing Officer) and also keep the Showroom tidy at all times in addition to performing any miscellaneous duties assigned by the Marketing Officer.

- 26.6.15. Consultants also recommend that, in the absence of enough working capital, TUMPECO is to rely on agents to build an efficient nationwide network.
- 26.6.16. For a start, Commissioned Agents are to be appointed for every major city representing a region in the country. Every Agent will carry the products that are in demand in that particular region. In order not to lock up scarce working capital, every Agent will carry only a sample of TUMPECO's product items. Thus, an Agent's outfit will serve as a Showroom of TUMPECO in the region.
- 26.6.17. Operations of all agencies are to be consolidated into a (*Warehousing*) network. In the absence of a reliable telephone connection, a Salesman is to be designated for every region to pick and fill orders for the region on a timely basis. In addition, the Salesman will keep tract of all information on sales trends and the peculiar needs of a region.
- 26.6.18. To make customers - both current and prospective - aware of the presence of an agent in a region, there should be adverts in both the national and the regional newsprints.
- 26.6.19. TUMPECO should contact and interview potential candidates personally. In addition, a questionnaire must be completed to serve as a contract agreement. Questionnaire must provide information on storage facilities, financial reputation of the agent, experience in selling TUMPECO's type of products among others.

26.6.20. Selected prospects must be trained on how to handle customers and the Company's products.

26.6.21. Agents are to be paid commissions on a percentage of sales basis.

26.7. **ADVERTISING AND SALES PROMOTION**

26.7.1. All the investment by TUMPECO in product modification, development and quality improvements envisaged for the plan period must be reflected in sales improvements.

26.7.2. Sales will improve only when customers buy the Company's products. And customers will buy only when they know about both the Company and the products.

26.7.3. Customers will need to be informed, among other things, about the products; that they are available at the right places in the right quality and at affordable prices.

26.7.4. One main way of keeping customers informed is through advertisement. Yet this vital part of the marketing mix has been neglected by the Company's Marketing Department since 1986.

26.7.5. Advertisement has only been considered since the beginning of 1992 but on a very small scale:

- Advertisement in the yellow pages costing 100,000/-
- Advertisement in the new vision (size: 5 x 1) at 72,000/-.

26.7.6. The lack of advertisement could be traced to its roots in the days when TUMPECO had a complete monopoly of the markets for its products.

26.7.7. As the market grew, instead of competing for a share, they were complacent and have therefore been overtaken by events.

26.7.8. An analysis of TUMPECO's operating expense reveals that, out of the sales over the period 1986 - 1991, the trend in sales and distribution expenses as a percentage of sales is as follows:-

<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>
3.2%	2.1%	3.3%	3.5%	1.8%	3.7%

SOURCE: IMAS Computations

26.7.9. The above listed percentage expenses could only result from sales and overheads of the Marketing Department over the period.

26.7.10. TUMPECO's relatively low prices is a very big advantage to the Company in the present inflationary and economic hard times in the country. But the lack of advertisement is keeping customers in the dark about the low prices therefore causing a loss in sales.

26.7.11. It came to light during the review exercise that the workings of a competitor included planting in the minds of customers the image that TUMPECO products are of inferior quality and are sold at cut throat prices. This negative image, if not corrected, can cost TUMPECO sales. Only advertising can quickly disabuse the minds of the public of this negative image.

26.7.12. In addition, for advertising to be effectively directed to boosting sales, it must be seen to be doing the following:-

- reassuring and retaining present or former customers. TUMPECO has been in existence since 1957. It is expected that a greater number of its old customers is considering new purchases. The Company has to get back former customers who are satisfied enough to repeat purchases. Again, customers need to be reaffirmed of the products virtues and values.
- bolstering and increasing the confidence, enthusiasm and eagerness of TUMPECO's own personnel especially the sales force, and the non-TUMPECO personnel that will be engaged in the distribution of its products.
- projecting a useful image to one or more of TUMPECO's various publics.

26.7.13. Against this background, the commitment to advertising must be directed to achieve, among others, the following goals:

- promote the Company's products.
- build a useful image for the Company.

26.7.14. Consumers must be made aware of all TUMPECO's products. To achieve this, the Company's products must be grouped under two main categories:-

- the products offered by TUMPECO alone, and
- products competitors also offer.

26.7.15. Under those competitors also offer, the advertising campaign must be designed to make consumers aware of the Company's competitive advantages. Consumers must be made aware, especially of the big price differences between TUMPECO's and the competitors' products.

- 26.7.16. During these hard economic times in the country, the Company must try to capitalize on its lower prices. Aware of the price differences, the consumer can make an informed purchase decision.
- 26.7.17. The media to be used should include the television, the radio and the newsprints. The television to be blanketed with acts that will present the Company and compare its products with competitors. The radio is intended to cover most parts of the country with messages about TUMPECO and its products. The newsprints are to be used to present pictures of products depicting main unique features and listing price differences.
- 26.7.18. Two of the main markets to be targeted for the campaign must be the schools and colleges that offer boarding facilities and will therefore need beds and desks and the hospitals that have needs for beds.
- 26.7.19. While the messages can be transmitted at any time of the year, the messages for the schools and colleges must be timed to meet the three months before new students are enrolled.
- 26.7.20. Consultants recommend that the advertising budget should be a fixed percentage of the sales.
- 26.7.21. In the first year of the period 1993, more work will need to be done to repair the damage done to the image of the Company and to increase induced demand. Therefore 7½% of sales is to be spent on advertising.

This percentage will be reduced to 6½% in the second year because it is expected that sales will have gone up and therefore spending the same amount of money, in absolute terms, as in the first year will bring the percentage down. In the third year, the percentage is expected to drop to 5% of sales to sustain growth.

- 26.7.22. The target market will be determined by the type of product that is being pushed. For instance, an advert on beds is to be directed to the domestic market to the wards of new entrants to schools and colleges with boarding facilities. This audience could best be reached through the radio and the newspaper media. The newspaper will provide the best means to list TUMPECO's prices in comparison with competitors. On the other hand, if school bursars are in charge of purchasing beds for students then personal contact is recommended.

26.8. **RESEARCH**

- 26.8.1. The days are gone when TUMPECO only had to make its products available on the markets. Today, not only is TUMPECO finding it difficult to find new markets, it is also losing its own markets to aggressive competitors. It will be suicidal for TUMPECO to continue operating in its old ways.
- 26.8.2. Research is needed to find information that will help management to make quick and better decisions. The need for research has become even more imperative in view of the intense competitiveness that characterizes the dynamic environment.

- 26.8.3. Yet, it became clear during the operational review that the introduction of this all-important marketing activity has never been considered by management.
- 26.8.4. In the view of the Consultants, the main cause of this total lack of marketing research for all these years since competitors started entering the market has been the absence of a marketing function. Consequently, past and present operatives operated without the appropriate marketing direction.
- 26.8.5. As a result of the lack of marketing research activity, TUMPECO is not even aware of its comparative advantage in low prices.
- 26.8.6. Apart from not being aware of this advantage , the Marketing Department is blaming low and slow sales of the Company's products on high prices.
- 26.8.7. Consultants recommend that research should be conducted to find the major factors that push the sale of the Company's products. Specifically, research must find the customer's view on price and quality of the Company's products. The competitors moves and strategies too must be researched into. Research the customer to determine their needs and to check how they view TUMPECO's products and Company.
- 26.8.8. It is in TUMPECO's programme to reactivate the enamelling processing plant and start production of enamelled-hollowware products by 1993.

- 26.8.9. It is believed that the demand for these products is high in the local market and that prospects are high for exporting them.
- 26.8.10. While there is evidence to show that this product line earned more income for the Company during the time it was active, it may not be enough to rely on past records alone for its revival.
- 26.8.11. Consultants recommend a research into the markets of the enamel-hollowware products to determine the sizes and the impact of the present competition from imports.

26.9. PRODUCT QUALITY

- 26.9.1. The provision of quality materials at appropriate prices is a critical success factor to achieve the marketing objectives.
- 26.9.2. TUMPECO's Finished Goods (FG) Store is stocked with beds made with sub-standard materials.
- 26.9.3. Procurement is one of the main areas of concern in TUMPECO's operations and it is essential that action be taken to employ a qualified Purchasing Officer and to introduce better controls. However, granted that the right materials are bought and used, TUMPECO's finishing leaves much to be desired.
- 26.9.4. In the Finished Goods Store are stackable steel chairs, for example, that have sharp edges. Apart from not being nice they pose potential danger to the user since the sharp edge can tear a dress or even the skin.

- 26.9.5. While the Company may not be in a sound financial position to purchase and install the requisite equipment to enable TUMPECO to produce to a reasonable and perfectly acceptable quality, a simple hand tool as portable grinder may be obtained to help.
- 26.9.6. What is not certain is whether the Company has the skilled labour to enable it to maximise the potential value of the product.
- 26.9.7. Management has recognised the lack of adequate support from quality control and is planning to upgrade present quality control facilities but skill upgrading and technical training in the use of tools would be useful. There is also a need to engage the services of a suitably qualified Quality Control Officer.
- 26.9.8. Consultants are also aware that competitors have already changed from the use of round pipes to using square pipes to build the legs of tables and chairs. This gives the final product a better and a more stable appearance.
- 26.9.9. Since TUMPECO's use of round pipes gives the Company no competitive advantage and the switch over would not bring any extra cost burden, consultants recommend the use of square pipes. This at least would ensure that all competitors have the same lead start.

26.10. ORGANIZATION STRUCTURE

- 26.10.1. The chart, as depicted in Appendix 5, appears to be merely a pictorial representation of employees status - staff and union or general workers designated as TS and TV respectively.
- 26.10.2. The chart depicts the Marketing Officer (MO) and the Purchasing Officer (PO) - both TS4 - as reporting directly to the Marketing Manager (MM).
- 26.10.3. Although they appear on the chart as TV1, the Marketing Assistant and the Purchasing Assistant are vacant posts.
- 26.10.4. The Purchasing Officer position is generating considerable controversy. Although the Purchasing Officer is still at post and reports to the Marketing Manager, a Committee runs the position.
- 26.10.5. The chart does not assign the running of the Finished Goods (FG) Store to anyone. It has been assigned to the Marketing Officer (MO). But the Marketing Officer is often times out, sometimes three times in a week, on outside duties including soliciting for sales orders. In that event, the Marketing Clerk is left in charge.
- 26.10.6. Although designated as Store Keeper on the chart, the Store Keeper's job is to keep stock of all purchased items. The chart depicts the Store Keeper as reporting to the Purchasing Officer - the one who purchases the items.

- 26.10.7. The existing reporting structure of the department may be indicative of weak management of the department. The organizational structure does not appear to be designed to support the critical functions of the department.
- 26.10.8. Under the Marketing Manager falls the role of Research - an important function for a company that is weak in sales, that needs to penetrate the market, that needs to diversify as well as hold an emerging competition in check. The research job is a full time job for TUMPECO.
- 26.10.9. The structure, however, makes no provision for a Marketing Officer in charge of research nor a Research Assistant.
- 26.10.10. The Purchasing Officer is in direct control of own purchases.
- 26.10.11. Even though the department is selling finished products directly to customers, no provision is made for the sales position.
- 26.10.12. Consultants recognize the main functions of the Marketing Department as marketing and sales and recommend the structure in Appendix 6 to support these critical functions.

26.11. SALES INCENTIVES

- 26.11.1. TUMPECO's Management expects to achieve set goals during this medium term. Prominent among these goals are the production targets and the sales volume to be achieved as and when goods are produced.
- 26.11.2. To achieve the desired task calls for a realistic and objective consideration for the recognition of the human resource factor to be engaged in its achievement. In this connection, the need for effective accounting of the human resource component of the sales performance need not be overemphasized.
- 26.11.3. Productivity enrichment is equally an important factor to be considered in relation to the achievement of the targeted sales output. The effort of the sales force therefore, are to be linked up with productivity incentive package. Such a package should be formulated with the aim of inspiring the Salesmen to attain levels of performance beyond their average capabilities.
- 26.11.4. At the time of IMAS review exercise, it was revealed that a Salesman soliciting orders was given 700/- and 5000/- for transport to make a personal call within the city of Kampala and outside Kampala respectively.
- 26.11.5. The result has been that Salesmen have had to walk greater part of the time, thus killing motivation and prolonging the time a Salesman uses to make a call. The 5000/- safari allowance has never been enough for a Salesman to find a decent hotel accommodation which is estimated to cost 10000/- per night or more upcountry.

The fear of having to look for and not likely to find an accommodation of 5000/- per night is a big demotivator. The total effect has been a waste of time and loss of sales.

26.11.6. Consultants see a need for incentives and recommend the following guidelines:-

- An incentive scheme to be approved by the Board of Directors - soon as they are appointed - should be worked out specially for the Salesmen. Bonus should be awarded to the Salesmen for higher performance at all times. The basis for awarding the bonuses should be percentages to be decided by Management, of the excess over targeted sales volume.
- Active competition among the Salesmen must be encouraged. In this connection, recognition and commendation for high performances must be publicly made to the performing Salesmen. This can subtly be achieved by erecting a notice board with publication of weekly sales performances conspicuously displayed with charts. At the end of each year, the Sales Manager must be awarded a bonus, if the overall sales for the year exceeds the targeted sales, by a percentage to be decided by Management.

26.12. AFTER SALES SERVICE

26.12.1. Even though TUMPECO had an after sales policy set in place during the time of IMAS review, the policy could at best be described as non-existent for the following reasons:-

- *The only aspect of it spelt out clearly is the repair charge to the customer.*
- *Responsibility was not assigned to any office or unit in particular.*
- *The parts for the repairs were not available.*

- 26.12.2. The service charge has been fixed at 50% of the original price - purchase price - of the product that needed the repair service. This charge, in the view of Consultants is ridiculous. The repair service may only call for the tightening of some few loose springs; the product may even be too old; and no records are kept on products sold. The charge scares customers away from making the repairs. Instead, they will choose to buy a new one but certainly not from TUMPECO.
- 26.12.3. Not knowing whom to report complaints to can be very expensive to the customer and can result in frustration and resentment on the part of the customer.
- 26.12.4. The unavailability of parts results in delays in providing the needed service.
- 26.12.5. The practice can result in loss of repeat purchase; it leaves affected customers to broadcast their bad experiences with TUMPECO resulting in a bad image that will scare new customers away.
- 26.12.6. The review exercise revealed that the after sales service is especially needed in the schools. Because the schools bought in bulk, they are the ones most affected. The school children also have a tendency to play with the beds and in the process remove the springs. There is therefore a need to stop the use of springs for beds intended for schools.

- 26.12.7. To remedy the situation, TUMPECO is to draw up a repair service policy. It must be a written down statement to be referred to at all times.
- 26.12.8. The policy must state, among other things, the following:
- The unit or office responsible for repair services. The office will receive all manner of complaints, relating to products and after sales service.
 - The time within which calls will be responded. The office will investigate and respond to these complaints, and in emergency cases, institute immediate remedial action.
 - The service charge must not be a fixed percentage. It must be made on the basis of the materials and workmanship involved.
- 26.12.9. The need for the service cannot be overemphasized. While the service is necessary to repair the broken down beds, including those produced three years ago, with substandard materials as TUMPECO admits, to reduce customer frustration and resentment, it can serve as a powerful tool to building good customer relationships and customer loyalty.

**TUMPECO LIMITED
PRODUCT LIST**

A. STEEL BEDS

1.	Double Decker	2½ x 6		
2.	" "	3 x 6		
3.	Tripple Decker	2½ x 6		
4.	" "	3 x 6		
5.	Folding Bed	2½ x 6		
6.	" "	3 x 6		
7.	Safari Bed	2½ x 6		
8.	" "	3 x 6		
9.	Baby Cot	2½ x 4½	(Single)	
10.	" "	2½ x 4½		
11.	Spring Bed	3 x 6	301 W/Stand	
12.	" "	3 x 6	" "	
13.	" "	3 x 6	" "	
14.	" "	3 x 6	" "	
15.	" "	3 x 6	" "	

B. HOSPITAL EQUIPMENTS

16.	Patient Bed	2½ x 6		
17.	" "	3 x 6		
18.	Patient Trolley			
19.	Ward Screen	4 Pannel		
20.	" "	5 Pannel		
21.	" "	6 Pannel		
22.	Drip Stand			
23.	Labour Bed			
24.	Bed Side Locker			
25.	Medicine Trolley			

C. STEEL AND WOODEN FURNITURE

26.	Metallic Sofa	Sittee	Frame				
27.	Verandah	Table					
28.	Bar/Lab	Stool	without	Cushion			
29.	Bar/Lab	Stool	with	Cushion			
30.	Stackable	Chairs	with	Wooden	Trip	with	Arm Rest
31.	"	"	"	"	"	without	" "
32.	"	"	"	Metal	Top	"	" "
33.	"	"	"	"	"	"	" "

APPENDIX 1 CONTD..

D. INNER SPRING MATTRESSES

34.	Spring Mattress	3' x 5
35.	"	" 3½ x 6'
36.	"	" 4' x 6'
37.	"	" 4½ x 6'
38.	"	" 5' x 6'
39.	"	" 6' x 6'

E. SIGNS, CHEVERONS AND VEHICLE NUMBER PLATES

40.	Signs
41.	Chevron Reflectors 2 x 1
42.	" " 1 x 1
43.	Motor Vehicle Number Plate
44.	Motor Cycle Number Plate

TUMPECO LIMITED

**DETERMINING CONTRIBUTION TO SALES
COST-VOLUME PROFIT-RELATIONSHIP (JAN. - APRIL 1992)**

	<u>TOOL ROOM</u>	<u>SIGNS</u>	<u>VONQ</u>	<u>MATTRESSES</u>	<u>CARPENTRY</u>	<u>TOTAL</u>
Units Produced	719	3,686	436	16	22	4,879
Unit Price (Sh)	44	15	52	29	37	
Sales Value (Sh)	31,663	56,357	27,012	463	810	116,305
Total Var. Cost	14,358	49,358	13,560	1,254	1,677	80,207
Var. Cost/Unit	20	13	31			
Total Contribt.	17,305	6,999	13,452	(791)	(867)	36,101
Per Unit Contribt.	24	2	31	-	-	
Fixed Overhead	17,091	14,204	10,140	8,191	6,109	55,735
Net Profit/(Loss)	214	(7,205)	3,312	(8,982)	(6,976)	19,634

Determining the Optimum Combination

Q1 : How many to be produced in the Company?

Ans: TFC

Avg. Price

55,735
= -----
8

= 6967

Q2 : How are you going to divide this 6,967 among the 3 producing product lines?

Ans: i. Multiply contribut margin % for each area by the value for each product line and add them up to equate this to the Total Fixed Cost
i.e. $.45T + .135 + .48V = 55,735$

APPENDIX 2 CONTD..

ii. Find the relationship between the Contribution per unit

i.e. T S X
 24 2 31

$$S = 1/15V$$

$$T = 2/3V$$

20 2 30
 --- = --- = ---
 30 30 30
 2 1
 --- = --- = 1
 3 15

$$.45 \times 2/3V + .13 \times 1/15V + .48V = 55,737$$

$$V = 70670 \quad T = 47113 \quad S = 4711$$

iii. Units are given by:

$$T = \frac{47113}{44} \quad S = \frac{4711}{15} \quad V = \frac{70670}{62}$$

Quantities ('000)

Value in Shillings ('000)

T = 1070	47080
S = 314	4710
Y = 1141	70742
-----	-----
2525	122532
-----	-----

This is what has been obtained for the first 4 months (January to April).

Therefore, Estimated Quantities and Values (May to December will be:

Quantity	Value
1070 x 2 = 2140	94,226
314 x 2 = 628	9,420
1141 x 2 = 2282	141,484

	245,130

Therefore, Total Sales for 1992 = Actual + Estimated
 Jan - Apr May - Dec
 = 122,532 + 245,130 = 367,662

TUMPECO LIMITED

PRODUCTS OF THE COMPETITORS AND THEIR PRICESCLINIC EQUIPMENT LIMITED

<u>Item</u>	<u>Hospital and Clinic Furniture</u>	<u>U, Shs</u>
1.	Birth Bed or Gyn Couch (Labour Bed)	450,000=
2.	Examination Couch	90,000=
3.	Examination Couch fitted with a pair of lithotomy poles	100,000=
4.	Patient Bed 6'2" x 3' wide fitted with raising backrest, easy to reassemble	90,000=
5.	Patient Bed 6'2" x 2'6" wide fitted with raising backrest, easy to reassemble	80,000=
6.	Bedside Locker	65,000=
7.	Drip Stand (Transfusion Pole)	45,000=
8.	Over-Bed Trolley fitted with famaica top	60,000=
9.	Over-Chair Trolley fitted with famaica top	60,000=
10.	Patient Stretcher with detachable trolley	120,000=
11.	Baby Cot fixed on the bed	34,000=
12.	Hanging Baby Cot	35,000=
13.	Medicine Trolley with two trays	90,000=
14.	Surgeons and Anaesthetists Stools	60,000=
15.	Steps	28,000=
16.	Dangerous drugs cupboards	100,000=
17.	Dust Bin for Clinic use	38,000=
18.	Linen Trolley	45,000=
19.	Ward Screen for 3 pannels	66,000=
20.	Ward Screen for 2 pannels	44,000=
21.	Ward Screen for 5 pannels	110,000=
22.	Minor Operation Table	540,000=
23.	Balkan Beam Assembly and Sets of Weights	189,000=
24.	Instrument Trolley with two trays	120,000=

APPENDIX 3 CONTD..

<u>Item</u>	<u>Office Furniture</u>	<u>U.Shs</u>
25.	Office Arm Chairs	70,000=
26.	Pedestal Desks	250,000=
27.	Steel Cupboard with adjustable shelves sizes 36" x 18" x 36"	170,000=
28.	Steel Cupboard with adjustable shelves size 36" x 18" x 72" (W x D x H)	370,000=
29.	Filing Cabinet (4 drawers)	280,000=
30.	Filing Cabinet (3 drawers)	232,000=

Domestic Equipment

31.	Double Decker Bed 2½' x 6"	111,140=
32.	Double Decker Bed 3' x 6'	121,980=
33.	Single Bed 3' x 6'	57,780=
34.	Tripple Decker Bed 2½' x 6'	127,750=
35.	Tripple Decker Bed 3' x 6'	160,000=
36.	Plastic Chair	30,000=
37.	Square Verandah Table	72,000=

Imported Equipments(Ask for a specific Quotation)

38.	Major Operation Table
39.	Sterilizers - all sizes
40.	Disposabe Infusion Set - Universal type
41.	Surgical Instruments and Dental Instruments
42.	Laboratory Instruments
43.	Mackintosh
44.	Gloves
45.	Diagnostic Set
46.	Examination Touches
47.	Stethoscope
48.	B.P. Apparatus (Mercurial Type)
49.	Thermometer for Clinic use (Electronic)
50.	Thermometer for Clinic use (Ordinary)
51.	Laboratory Chemicals
52.	Disposable Syringes 1 - 5ml
53.	Elastoplasters
54.	Sterile Ribbon Gauze

APPENDIX 3 CONTD..

STEELEX PRODUCTS UGANDA LIMITED

<u>Item</u>	<u>Hospital Equipment</u>	<u>U.Shs</u>
1.	Examination Bed	92,580=
2.	Patient Bed Size 3' x 6' x 2"	89,240=
3.	Patient Bed Size 2' x 6" x 6'	81,540=
4.	Bedside Locker	68,170=
5.	Patient Stretcher With Trolley Detachable With Castors Filled With Brakes	125,450=
6.	Medicine Trolley With Aluminum Tray	89,170=
7.	Baby Cot With Sides 4½' x 2½'	80,740=
8.	Bed Credle	44,940=
9.	Drip Stand	48,140=
10.	Steps	32,740=
11.	Ordinary Stretcher	35,690=
12.	Hanging Baby Cot	34,200=
13.	Balkan Beam Complete With Pully And Weights	109,140=
14.	Steelex Gyn/Labour Bed Fitted With Lithotomy Poles And Tedlelenburg Tilt Mounted On Swivel Castors	462,240=
15.	Dangerous Drugs Cupboard	112,800=
16.	Overbed Trolley With Famaica Top	63,820=
17.	Ward Screen 2 Pannels	41,740=
18.	Ward Screen 3 Pannels	62,590=
19.	Ward Screen 5 Pannels	104,320=
	<u>Domestic Equipment</u>	
20.	Double Decker Bed 2½' x 6"	111,140=
21.	Double Decker Bed 3' x 6'	121,980=
22.	Single Bed 3' x 6'	57,780=
23.	Tripple Decker Bed 3' x 6'	160,000=
24.	Tripple Decker Bed 2½' x 6'	127,750=
25.	Plastic Chair	30,000=
26.	Square Verandah Table	72,000=
	<u>Office Equipment</u>	
27.	Office Arm Chair	70,000=
28.	Office Chair	64,450=
29.	Filing Cabinet (4 Drawers)	283,200=
30.	Filing Cabinet (3 Drawers)	232,800=
31.	Double Pedestal Desk	326,400=
32.	Single Pedestal Desk	256,800=
33.	Steel Cupboard 36" x 36" x 18"	192,000=
34.	Steel Cupboard 72" x 36" x 18"	370,800=

	<u>Product</u>	<u>Unit Price</u>
1.	Double Decker 2½' x 6'	92,900=
2.	Double Decker 3' x 6'	98,800=
3.	Tripple Decker 2½' x 6'	124,600=
4.	Tripple 3' x 6'	131,600=
5.	Folding Bed 2½ x 6'	43,300=
6.	Folding Bed 3' x 6'	48,200=
7.	Spring Bed 301 Without Stands 3' x 6'	44,400=
8.	Spring Bed 301 Without Stands 3½' x 6'	45,850=
9.	Spring Bed 301 Without Stands 4' x 6'	47,250=
10.	Spring Bed 301 Without Stands 4½' x 6'	49,950=
11.	Spring Bed 301 Without Stands 5' x 6'	52,500=
12.	Spring Bed 301 Without Standa 6' x 6'	57,950=
13.	Safari Beds 2½' x 6'	36,300=
14.	Safari Beds 3' x 6'	38,500=
15.	Spring Mattress 3' x 6'	42,300=
16.	Spring Mattress 3½' x 6'	48,250=
17.	Spring Mattress 4' x 6'	54,200=
18.	Spring Mattress 4½ x 6'	61,200=
19.	Spring Mattress 5' x 6'	67,700=
20.	Spring Mattress 6' x 6'	80,100=
21.	Baby Cot 2½' x 4½' (single)	75,500=
22.	Double Baby Cot 2½' x 4½'	127,920=
23.	Patient Bed 2½' x 6'	61,300=
24.	Patient Bed 3' x 6'	65,500=
25.	Patient Trolley With Detachable Strachers Without Brakes	118,900=
26.	Ward Screen 4 Pannel	79,600=
27.	Ward Screen 5 Pannel	98,800=
28.	Ward Screen 6 Pannel	116,700=
29.	Drip Stands	47,300=
30.	Labour Bed	175,500=
31.	Metallic Sofa Settee Frame With Wooden Armrests	163,700=
32.	Verandah Table	66,300=
33.	Drop Sides	12,900=
34.	Bar/Lab Stool Without Cushion	22,300=
35.	Bar/Lab Stool With Cushion	25,200=
36.	Stackable Chairs With Wooden Strip With Armrest	34,100=
37.	Stackable Chairs With Wooden Strip Without Armrest	27,500=
38.	Stackable Chairs With Metal Tops Without Armrest	35,200=
39.	Stackable Chairs With Metal Tops With Wooden Armrest	39,400=
40.	Wooden Beds 3' x 6' (Mvule)	48,400=
41.	Wooden Beds 3½' x 6' (Mvule)	57,600=
42.	Cheveron Reflectors 2' x 1'	30,700=
43.	Cheveron Reflectors 1' x 1'	15,350=
44.	Medicine/Domestic Trolley	65,800=
45.	Bedside Lockers	51,000=

TUMPECO LIMITED

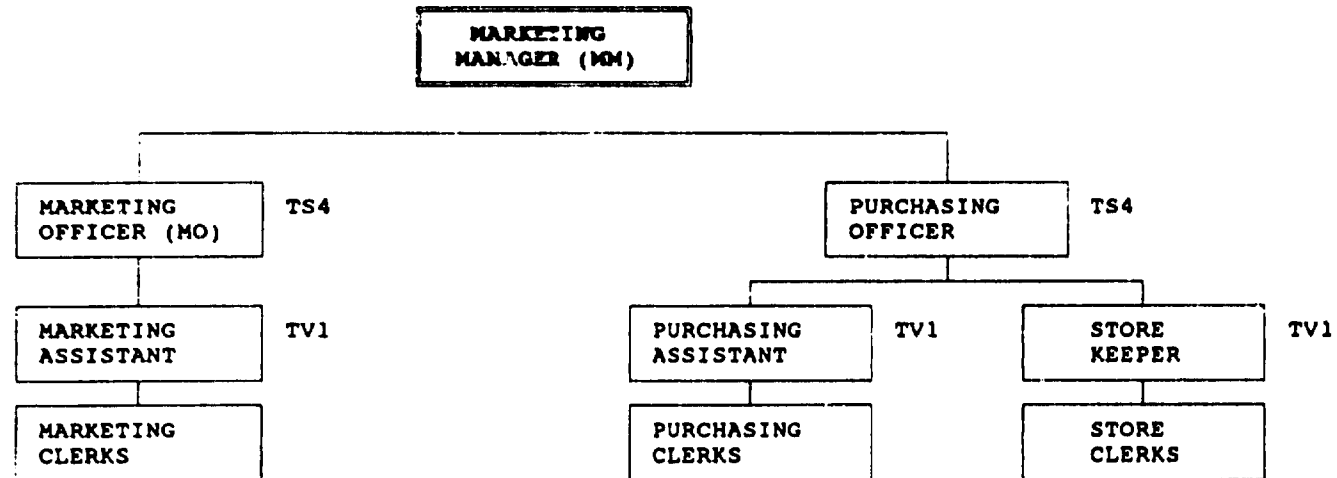
**PRICE LEVELS AND PERCENTAGE PRICE CHANGES
IN 1990 1992**

PRODUCT	PRICE LEVELS (SHILLINGS)			% INCREASES		
	13.3.90	14.5.90	CURRENT	3/90-5/90	'90-'92	3.90
1. Double Decker 2½ x 6	42,800	65,400	92,900	53%	42	117
2. Double Decker 3 x 6	45,400	68,800	98,800	52	44	118
3. Tripple Decker 2½ x 6	63,100	95,400	124,600	51	31	97
4. Tripple Decker 3 x 6	68,400	101,400	131,600	48	30	92
5. Folding Bed 2½ x 6	23,800	36,600	43,300	54	18	82
6. Folding Bed 3 x 6	26,700	38,200	48,200	43	26	81
7. Safari Bed 2½ x 6	14,800	28,000	36,300	89	30	145
8. Safari Bed 3 x 6	15,200	29,200	38,500	92	32	153
9. Baby Cot 2½ x 4½ (Single)	36,400	55,600	75,500	53	36	107
10. Baby Cot 2½ x 4½	62,800	100,300	127,920	60	28	104
11. Spring Bed 3 x 6 301 with stands	27,300	32,800	44,400	20	35	63
12. " 3½ x 6 " " "	31,000	34,300	45,850	14	34	50
13. " 4 x 6 " " "	34,000	35,700	47,250	5	32	40
14. " 5 x 6 " " "	37,500	38,100	52,500	2	38	40
15. " 6 x 6 " " "	41,000		57,950			
16. Patient Bed 2½ x 6	31,000	43,000	63,300	39	47	104
17. Patient Bed 3 x 6	32,000	44,800	65,500	40	46	105
18. Patient Trolley	77,200	83,800	118,900	9	42	54
19. Ward Screen 4 Pannel	39,500	42,800	79,600	8	86	102
20. " 5 Pannel	49,500	53,600	98,800	8	84	100
21. " 6 Pannel	58,700	63,600	116,700	9	83	100
22. Drip Stand	23,200	25,100	47,300	8	88	104
23. Labour Bed	88,900	111,300	175,500	25	58	97
24. Bed Side Locker	28,800	32,700	51,000	14	56	77
25. Medicine Trolley	48,300	49,900	55,800	3	37	36
26. Metallic Sofa Settee Frame	77,400	85,000	163,700	10	93	111
27. Verandah Table	31,900	44,800	66,300	40	48	108
28. Bar/Lab Stool without Cushion	17,200	15,000	22,300	-	49	30
29. " with Cushion	18,200	16,000	25,200	-	58	38
30. Stackable Chairs with wooden stand with Armrest	13,400	18,700	34,100	40	82	154
31. " " " without "	17,000	22,400	27,500	32	23	62
32. " " " metal top without Armrest	22,200	25,700	35,200	16	37	59
33. " " " with wooden "	17,800	23,700	39,400	33	66	121

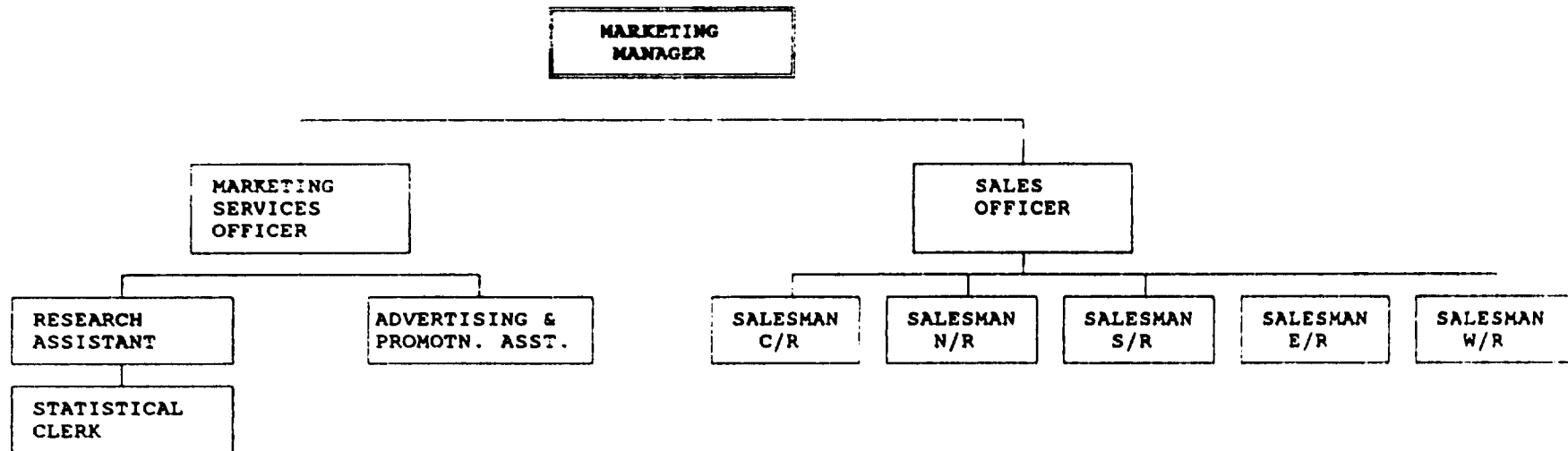
APPENDIX 4 CONTD...

PRODUCT	PRICE LEVELS (SHILLINGS)			% INCREASES		
	13.3.90	14.5.90	CURRENT	3/90-5/90	'90-'92	3.90
34. Spring Mattresses 3 x 6	22,800	35,700	42,300	57	18	86
35. " " 3½ x 6	25,200	40,500	48,250	61	19	91
36. " " 4 x 6	28,800	44,200	54,200	53	23	88
37. " " 4½ x 6	33,600	51,900	61,200	54	18	82
38. " " 5 x 6	39,600	57,800	67,700	46	17	71
39. " " 6 x 6	42,000	68,800	80,100	64	16	91
40. Signs	8,000	12,000	30,700	50	156	284
41. Chevron 2 x 1	4,000	8,000	15,350	100	92	284
42. Chevron 1 x 1	12,000	12,000	25,000	-	108	108
43. Motor Vehicle Number Plates	3,000	6,000	12,000	100	100	300
44. Motor Cycle Number Plates						

TUMPECO LIMITED
PRESENT ORGANIZATION CHART OF
MARKETING DEPARTMENT



TUMPECO LIMITED
PROPOSED ORGANIZATION CHART OF
MARKETING DEPARTMENT



TUMPECO LIMITED
STEPS IN DETERMINING CONTRIBUTION TO SALES
AND OPTIMUM MIX

- A) Finding products with highest contribution:
- i. Know the selling price/unit
 - ii. Know the variable cost/unit
 - iii. Subtract (ii) from (i) = contribution per unit
 - iv. Contribution Margin Ratio = $\frac{\text{Contribution/Unit}}{\text{Selling Price}} \times 100$
- B) Finding how much of each to produce to break even:
- i. Divide Total Fixed Cost (TFC) at the centre by the contribution/unit.
- C) Find Total Fixed Cost (TFC): Add up the TFC of each centre.
- D) Finding the contributions the various centres are making to TFC.
- i. Subtract Total Variable Cost of each centre from the centres Total Revenue
 - ii. Add them up to get the contributions all the centres are making towards TFC.
- E) Find the total units produced = Add up the units produced by each centre.
- F) Find average contribution per unit (average price) =
- $$\frac{D}{E} = \frac{\text{Total Fixed Cost of the centres producing}}{\text{Units Produced}}$$
- G) Finding how much to be produced by the centres producing
- $$= \frac{C}{F} = \frac{\text{TFC}}{\text{Average ContribT/Unit}}$$

APPENDIX 7 CONTD..

H) Multiply each centre's contribution by its contribution margin ratio; add them up to get TFC

$$\text{i.e. } 0.45 \times T + 0.135 + 0.48V = \text{TFC}$$

where T = Tools
S = Signs
V = Vono

I) i. Find their equivalents, ie. establish the other centres as a function of the product with the highest contribution

$$\text{i.e. } T = \frac{2}{3} V, \quad S = \frac{V}{15}$$

ii. Substitute the values obtained in H)

$$\text{ie. } 0.45 (2/3V) + 0.13 (V/15) + 0.48V = \text{TFC}$$

J) Solve for V, T and S.

TUMPECO LIMITED

FAST MOVING ITEMS: MARKETING DEPARTMENT'S VIEWEnamelling Department

1. Soup Plates 22cm
2. Rice Plates 22cm
3. Naps 9cm
4. Round Trays 35cm
5. Round Trays 40cm
6. Finger Bowls 16cm
7. Footed Bowls 16cm

Tool Room

1. Plastic Hilly Chairs
2. Verandah Tables
3. Safari Beds 2½ x 6'
4. Safari Beds 3' x 6'
5. Double Decks 2½ x 6' (Seasonal twice)
6. Fencing Poles

Vono Department

1. Double Decks 2½ x 6' (Seasonal twice)
2. 311 Spring Beds 3½ x 6'

Carpentry Department

1. Door Shuttles with Frames
2. Coffee Sets

Mattress

1. Foam Mattresses 3' x 6' x 4"
2. " " 3' x 6' x 6"
3. " " 3½ x 6' x 4"
4. " " 3½ x 6' x 6"

Signs

1. Civilian Vehicle Number Plates
2. Government Vehicle Number Plates

TUMPECO LIMITED

INTERVIEWS WITH SOME MEMBERS OF MANAGEMENT

A) Chief Accountant:

I would want to give my views on the following:-

- Signs [Number Plates
 Other Sign Posts
- Tool Room [Beds
 Vono
- Enamelware

Signs

We have a big problem in this because of our monopoly. Average revenue was 24 million shillings per month but there has been a ban by the Government on importation of motor vehicles above 5 years. The economy is poor. Turnover has been reduced from 24 million to about 10 million shillings per month.

- ie. April - 2 million shillings
- May - not more than 2 million.

Raw materials (aluminium sheets) are available for the production of signs.

Again the price of the U.S. Dollar is gone up. It is now one dollar to 1200/-. It was 700/- not long ago.

We fixed our prices for the plates when the dollar was 700/- but we cannot give the prices of number plates without negotiating with the Government.

For the sign posts we face a very big competition. The most notable is Pelican - a company based in Kenya. There is therefore a need for marketing survey and research to overcome this competition.

APPENDIX 9 CONTD..

Beds

The market for beds is seasonal especially double deckers because they are demanded by schools. Materials for beds were obtained on EADB loans. We are to pay back. Because of the change in dollar value we are underpricing the beds. But the customer cannot afford our revised prices. There is still stiff competition in the beds market. The firms producing them are many. Again, I am not satisfied with the quality of our beds. Marketing and production have to go to institutions to do repairs on beds at affordable charges.

Mattresses

The type we produce here (spring mattresses) are supposed to go with spring beds. But this fashion is outmoded. The customer is looking for the new type which is a foam mattress. We therefore make them on order. There is very little revenue from this department.

Carpentry

The personnel is not skilled in this area. All the materials are obtained locally so why is our product not selling? They need training to improve their skills. Carpentry in this country is very competitive. Again, there are so many firms in the industry producing all types of products.

Enamelling Department

When it was in production, it was giving us more revenue than signs department. But for lack of working capital it was closed down. To reactivate it calls for a huge sum of money. Customers are still asking for these products. It will be reactivated if we have money. The market for these products are the rural areas.

APPENDIX 9 CONTD..

B. Production Manager:

We have some unique products - reflectors, enamelware (there is no competitor in the country), and signs.

We have a chance to monopolize the markets in these areas. We have not done this and increasingly we are losing this monopoly. Our difficulties are in financing and shortages - not enough orders are coming in, and we also have a problem with debt collection.

One of our major strengths is that our equipments are not so bad.

Q : Why are orders not coming in. Is it because they are not there or because we are not looking for them?

Ans: (a) There are competitors.
(b) We are not doing enough; we could do more than we are doing now.
(c) The main consumer is government, and the government has cut down its budget by 70%. This affects us in both direct and indirect ways. Direct because government orders are not coming. Indirect because it is the biggest employer so these customers are not spending.

Q : Why do you say you could do more than you are doing now in terms of getting orders. What precisely could be done?

Ans: We have to stay in touch with the regular and potential customers. We have to maintain good public relations. We have to know our competitors. We have to give a commission of 25% to anyone who can bring a sizable order; and give discounts up to 5%

Q : There is a risk dealing with the government in signs. If we are to shift emphasis which area would you tackle first?

Ans: Enamelling to be reinstated immediately.
Reasons are: Taxes (sales tax and import duty) have been reduced from 50/30 to 10/10. This gives us an urge in pricing.

APPENDIX 9 CONTD..

There are people who insist on using enamelware. They do not like plastics, so the market exists. It has a potential for export. This will be at a later stage after we have started production. However, its production calls for

- (a) high capital injection
- (b) power consumption.

In the areas of Toolroom and furniture, a lot of competitors have made inroads into our markets. We need research before we can increase their production. On carpentry, I cannot say much but raise quality - our finishing is not good.

For spring mattresses, we could do something to improve quality but I do not think there is a market for it. The taste of customers have changed. People now prefer the foam.

Reflectors: There is a good potential there in road signs and reflectors. I suggest we pay "Cola" to get the business.

Q : We hear of customers returning items and complaining about finishing.

Ans: Inadequate supervision and attention will solve this. Also, there is inadequate support from quality control. The equipments that give a good finishing are not operating properly or they are not there. We have a problem to control pilferage of the finishing tools.

C) **Marketing Manager:**

Distribution
Suggestion

The Company should acquire trucks to assist in delivering products to the customers. Two trucks would be enough. They would serve the customers who buy economical quantities of 50 beds onwards.

We should open our own stores and also use agents. The agents are to be used for upcountry and stores for Kampala. It is economical to supervise our own stores in Kampala than upcountry. It is good to run our own stores but due to the costs involved, it is better to use agents upcountry.

APPENDIX 9 CONTD..

Q : What are your criteria for selecting agents?

Ans: Should have warehouses or storage facilities; good financial reputation; must deal in furniture or related products; they must have at least 5 years experience in running stores.

Q : How many agents?

Ans: At least one in each major town i.e. about 10 for now, (for Jinja, Tororo, Mbale, Sorote, Guru, Arura) to cover East and North. For the West: Masaka, Mbarara, Kabale, Fort Porto.

Q : How do you want agents to operate?

Ans: In order not to put the Company at risk they should pay cash for the items but we have to give them a good profit margin. They should pay at least 10% below the present cost of items.

Markets

Q : How do the schools and colleges buy?

Ans: Pay for items and take care of our transport.

Q : What have been their complaints so far?

Ans: They complain about our prices. They have been doing this since 15th March 1992. About 6 school have been here and left for other places.

The number of boarding schools in Uganda is 142 at present. The total new intake is 15,180 (boarders). Assuming they have 20 beds it means 7,590 are needed this year. Schools started in January. The number of double deckers bought so far is 200. Most of the schools are now using metallic beds bought from welders by the road side. Such beds sell between 25,000/- and 50,000/-.

Other Markets

The people in the urban areas buy the double deckers for their children.

Q : What is your market for number plates?

Ans: - Ministry of Finance
- Ministry of Works for government motor vehicle (including the police)
- Ministry of Defence.

Q : At what price?

Ans: 25,000/- a plate for motor vehicle
9,800/- a plate for motor cycles.

APPENDIX 9 CONTD..

Sales Promotion and Advertisement

Our past record has not been good in this area.

Q : If the Company has 1 million shillings for you for the above how will you spend it?

Ans: Although this cannot be enough, I will use for the following:-

(a) We will want to take part in the trade show at Lugogo in Kampala. 5 million shillings is needed for this. This is in October, 1992 during the independent anniversary.

(b) Adverts on Television, need 500,000/-

Message: The product we have

- Steel furniture, sign posts, spring mattresses.

Q : What is special about steel furniture?

Ans: It is our main line for schools and colleges.

Q : What is special about sign posts?

Ans: Because we use reflective material so it can be seen both day and night. They last longer - colours do not peel off.

Q : What is special about spring mattresses?

Ans: They are more comfortable because diplomats come here for it.

Q : How about Radio messages? To whom?

Ans: For rural areas and heads of institutions.

Q : What discounts do you want to give to your customers?

Ans: At least 5% if purchase is over 1 million. 5% because it will not affect our profit margin much.

Q : Why did you go to EEC and what did you tell them in 1991?

Ans: I went to EEC because I knew they were financing the programme of preventing forest destruction and siting villages anywhere in the forest. I know they would need sign posts to warn people about areas to avoid. Their purchases for 1991 was roughly 10 million shillings.

Q : Any other programme you can take advantage of this time?

Ans: No.

APPENDIX 9 CONTD..

Competitors

Q : What percentage of the market is for TUMPECO?
Ans: I am not sure.

Q : What are the strengths of your competitors?
Ans: Quality, price,

Organization

Marketing of all Company's products - This must be clear to the position because at present price is given by Financial Accountant.
- Job descriptions must be documented and given to the person occupying the position.

Q : Do you have enough personnel in your area?
Ans: No.

Q : Who else is needed?
Ans: There were 3 MO's before the end of 1991 but 2 resigned at the beginning of 1992 and have not been replaced.

Q : What problems has their resignation created for you?
Ans: Only one Marketing Officer left to do all the work and especially going out to solicit orders.

Q : Can you quantify the loss?
Ans: No.

Q : Do you mind the sex of a Marketing Officer?
Ans: A male, preferably because of the several trips upcountry. Women do absent themselves too often.

Q : Do you have any changes to make in MO duties or job descriptions?
Ans: No.

Q : Do you like the new arrangements (purchasing falling under the Marketing Manager)?
Ans: Yes.

Q : Any reasons?
Ans: It will put me in the picture to know the lost of raw materials which I think is on the high side.

Q : How will you handle the technicalities involved?
Ans: We will have the technical people to assist.

APPENDIX 9 CONTD..

Interview with Marketing Officer

Q : You are to go to the field to collect orders, how do you do it?

Ans: Different ways: Because business stopped sometime ago, our regular customers are not aware we are producing. So I have to go and inform them.

Q : Since when?

Ans: Around August last year.

Q : How far have you gone?

Ans: I have already informed the prominent ones. But there are still those starting.

I am trying to find from television adverts about new ones to get in touch with them.

Q : Will it not be quicker to check for these from the Ministry of Education?

Ans: Primary, secondary and technical. But the primary and secondary are self accounting.

Following from television adverts.

Talk to friends to help locate charitable organizations.

Follow up on those who make inquiries.

Q : How often do you do this?

Ans: It is not scheduled. It depends upon the need.

Q : What is the need?

Ans: Where there have been inquiries, I go about 3 or 4 times a week (for those within Kampala).

Q : Outside Kampala, how often?

Ans: Once a week if they are many but I do not normally go out.

Q : How do you go?

Ans: I am given money for transport.

Q : Who provides the money?

Ans: Previously, I was writing to the Chief Accountant or the Internal Auditor or the Financial Accountant. But of late, I fill a requisition form to be given to the Head of Department of Marketing. It goes through Internal Auditor, Chief Accountant to the General Manager. The General Manager is the one to approve it.

APPENDIX 9 CONTD..

Q : Why is it that you are the one doing this?

Ans: The Marketing Manager was the one supposed to do this. But when our new General Manager came she realised there is need to go to the field and so asked me to do that. I therefore report to her on that.

Q : Do you like doing it?

Ans: Yes. It is interesting but at times frustrating and very cumbersome.

Q : Do you need more people to help in this?

Ans: Yes.

Q : How many?

Ans: I need somebody to go upcountry and another one to stay at the station. I suggest 2 people to do this.

Q : Do you think if the Marketing Manager were to do this he will need any help?

Ans: Not really because the problem is transport. There are places I can only access by bicycles.

Q : Are you paid extra for doing this?

Ans: Only Safari allowance. It is 5,000/-/day when out of Kampala. Within Kampala, nothing. Within Kampala, I have to come back to the Company to take lunch.

Q : How much transport do you receive for within Kampala?

Ans: I have to state where and they calculate the taxi rate. Where no taxis, I have to walk.

Q : Do you think a man will do this better than a woman?

Ans: If we were using motor cycles, yes. But to go by taxi as I do there is no difference.

Q : You are still the only person to keep the sales books?

Ans: I do this after I return from the field. That explains why I am not able to do it daily.

Q : How do you introduce yourself to a customer or company?

Ans: Our company has visiting cards.

APPENDIX 9 CONTD..

Q : What are some of your problems in the field?

Ans: It is not on appointment. So the customer may not be around. Convincing them that we are producing is a problem because some of them think it is a lie. Some express immediate interest but the price scares them.

Q : Apart from price what do they complain about?

Ans: Quality. About 3 year ago, we were using substandard materials.

NB: We must direct our adverts to tackle such a problem.

Q : What about finishing?

Ans: To me the finishing is not good but the customers do not complain about it. If the customers complain about finishing in the shop, we rectify it for them.

Example: General purpose trolley was once making noise. Customer complained and we had it rectified. Note the others had already bought from the same stock.

Q : What advice do you have for the Company?

Ans: To have a Quality Controller.

Before setting prices we should at least check with our competitors so that ours are not so different from theirs.

We should increase prices gradually not all at once. ie. double decker moved from 65,400 to 92,900/- . This they feel is too much.

Q : Why?

Ans: I know we have been using the same materials for the two prices but purchasing says the price for the materials is gone up.

The one doing this must be motivated.

Q : What motivation and why?

Ans: If the transport money is enough, people will be motivated to go to several places. Even if they have to walk. But there is no allowance for this job (especially within Kampala). The Kampala one for instance, should remain at 5,000/- too. With regards to upcountry, it must not remain at 5,000 but should be adjusted with respect to the distance - at least from a radius of 20 miles outside Kampala 40 kilometres.

APPENDIX 9 CONTD..

Q : How about places where you have to sleep?

Ans: I do avoid to go to places like that because I know 5000 is not enough for spending the night. If you have to spend a night you get 10,000 in addition to the 5000. But it is difficult to find boarding and lodging with that amount.

Q : How much have you earned for the company since you started doing this (in August 1991)?

Ans: At least a third of the Company's sales (excluding number plates value). I know this because when they call they let me know.

Problems in the Marketing Department

Q : What are some of your problems here?

Ans: The biggest is marketing because we rely on selling instead.

Q : Why on selling?

Ans: Because we sit and wait. There are other things we can do instead of sitting and waiting.



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