UREMBO

In 1993, a paint company based in Kenya and owned by four businessmen decided to expand into the Tanzania market. The initial strategy called for starting a company *de novo*, which would be a clone, or near clone of a similar company they owned in Kenya. To lead the venture, by studying the market, preparing a business plan and all other things necessary for starting a company, the investors identified an overseas-based manager, aged thirty-five, to become project leader. He was born and worked in Kenya's paint industry before doing his first degree in chemical engineering overseas. On finishing his studies he stayed there where he worked in the laboratory side of the paint industry. He had no formal or experiential training in management or accounting. Whilst collecting data for purposes of writing up start up plans for the new company, he stumbled on a decrepit small bank owned paint company, which had not made any profits in the previous four years as the impact of deregulation of the import regime in Tanzania, which had been initiated by a structural adjustment programme in 1986, had began to bite. He was able to convince the investors to change strategy and acquire this operating company.

The Kenyan associated company, headed by one of the owners who by training was an accountant and had, by then, more than thirty years in the paint industry, had been licensed by a European paint multinational to produce its brand products in Kenya. It sought to do this in Tanzania and was later to expand to Uganda. Its objective was to create manufacturing capacity to meet the needs of the Tanzanian market, which they argued was different from Kenya, whose economy was more developed then. It did not have a tradition of socialism or the limitations of human resources with limited education. Further, they argued, products could not easily be supplied from Kenya given the repercussions of the ending of the East African community. These short-term business strategic considerations logically led to a long-term strategy. Creating a Tanzania company would facilitate expansion into the Central and Southern Africa markets for Tanzania was a member of the Southern Africa Development Community. The Kenyan company was later to expand into the Uganda market for pretty much the same business strategy reasons.

In 1994, it was estimated that the annual paint production in Tanzania was 4.4 million litres. It was further estimated that there was a demand shortfall of 600,000 litres filled by imports from Kenya, Oman and Cyprus mainly. The decrepit company's annual production was estimated as 600,000 litres. Three other Tanzania companies had higher annual production capacities than the company. There were another five smaller companies in the paint business each with very limited and localised production and sales.

The investors bought the decrepit paint company, which had been in existence for about twenty years. Half of the finances for purchasing the business were

commercial loan. Commercial banks were charging clients 40% interest at the time. For the balance of the decade commercial credit was pegged around this figure.

The new acquisition had not been affiliated to an international paint company and thus did not trade under an internationally known label unlike the three bigger companies. The factory essentially produced water based paints and had not made a name even nationally. There were no systematic management structures or processes. The production line was haphazard and had dated equipment and machinery. There was no internal or external training other than experiential knowledge picked on the job. The staff in the production, marketing, stores and accounting "departments" were of low education. The most educated of the "owners" had eight years of education. Permanent staff was hired on the basis of inheriting jobs of aging relatives who had worked for the owner families in years past a legacy of colonial labour practices. Casuals, the bulk of the labour force, were walk ins.

The investors decided to keep the existing work force. To do otherwise would have led to major labour problems in the context of Tanzanian ujamaa labour practices. It is estimated that of the forty-eight general staff, thirty were casuals. The formal management ranks were a general manager, a chief accountant, a production manager and a national sales manager. None were to survive in the new company for more than a year.

On buying the decrepit company, the new investors transformed the project leader to a managing director as well as an AMSCO seconded manger. He was to be paid by AMSCO, at international rates and benefits, over the next four years. His brief from the Board was simple. He was first to create a modern paint company, make profit and expand from revenue rather than borrowing. He fired the chief accountant for incompetence and acted as chief accountant for more than a year. He also recruited the largest paint company's sales manager. He is still with the company as sales director. He is the only Tanzanian director. The other directors are expatriates. By formal training, he is an accountant but has worked in paint sales for more than thirty years. Within six months, a qualified chief accountant was the next key hire. These three executives have remained the core management of the company up to 2002.

The initial production line "manager" was one of the ordinary workers in the previous company. Since there was no systematic production line, production continued for the first year without changes in production line management. On appointing a production manager, at the end of the first year of operations, again with limited training and experience, he was taken to the parent company in Kenya for in–house training. It should, however, be noted that because the low quality paint produced in the company matched the other paints in the Tanzanian market, the company's market share expanded in spite of the low quality of the paint, staff and management. In the first complete year of

operation, 1994, the turnover was substantially more than the purchase price. Three years later it doubled and six years later, it again doubled. Within the same years, regular staff increases were substantial. Casuals were similarly reduced as a percentage of total labour.

In the initial memo to the Board, the chief executive had argued strenuously for a training programme. He argued that the general staff was not only practically illiterate but also old. Most of them were in their late forties or early fifties and had little formal education. Further, the Ujamaa period had led to poor general educational achievement of those coming out of primary and secondary schools- the usual production staff in most African countries. Its educational policies had emphasized Swahili at the expense of English and general subjects at the expense of technical subjects and science. Thus the young casuals in the company also needed to be trained. Further, there were very few people getting technical training outside the public school systems for such schools were, and still are, few in the country to date. Historically, in keeping with colonial racist practices, technical education was the preserve of the Asian immigrant communities. Management was for Europeans-preferably from the mother country and Labour was African.

These are not the only human resources issues, which concerned him. He was of the opinion that most of the employees in the company were protected by the Ujamaa tradition, which insisted that those employed could not be fired easily. They were unionised. The union leaders were also part and parcel of the single political party leadership. One has to remember that the Tanzanian state had nationalized the large businesses belonging to the immigrant communities in the sixties. For thirty years, the unions had been accumulating tremendous power to challenge, if not at times veto, company decisions, for they constantly got backing from the political arena. This thirty-year tradition of emphasizing equality in firms and denigrating capitalists, their practices and rules, had yet to be challenged by the values implicit in the IMF/World Bank driven privatisation afoot since the 1986 structural adjustment programme.

The argument on the import of training was not just based on structural issues in the wider society. Structural and process issues within the company had to be addressed by training. Thirty years of Ujamaa had led to workers believing that when there were profits made in the company, they should be equitably distributed to all who worked in the company. The chief executive tells with relish the story of a union leader who argued that the accountant was not a producer and thus his salary should not be above the salaries of the old production line and security staff. This issue, which threatened to cause a strike, was not resolved until the union leader was allowed to sit in the chief accountants office and asked to produce the weekly account summaries. Of course he could not. From that time on, the issues of contribution to production by managers and other none production line personnel was discussed extensively within the union leadership and in turn with all other staff. Although

the particular strike was averted, clearly the attitudes, which led to the threat, were still operating years later. As late as 2002, the union was still agitating that its old staff, now past sixty-five, could not be retired even though the company was giving generous retirement benefits. They should also not be “supervised” by youngsters, the union argued.

Process issues also needed to be addressed by training in the opinion of the chief executive. Most of the production line staff was not only practically illiterate but refused the production line harness with its time specific routines. They waited sitting around to be given specific activity instructions by their “supervisors”. This was driven partly by their experience under the previous management and their non-industrial organisation traditions. It is argued by some managers that workers assumed that if they were not specifically instructed to do something there was no work. They waited until they were told exactly what to do. Many had experiences of their initiatives being de-rewarded in the previous company. The politicisation of Ujamaa by some labour leaders had also historically reinforced worker apathy.

The chief executive did not have an easy time arguing for training resources at the board level given the economic environment and the financial status of the company. The issue was always how much money the young company would allocate to training. Where would training money be sourced? If one survived this first hurdle, there still was the issue of what manner of training. The Board asked: How do you train a practically illiterate work force? How do you build a team given the extreme staff diversity on age, education and originating communities? What technical training is relevant for production line managers and supervisors? These questions needed to be negotiated and solutions found within the context of a company struggling to improve production and sales. Part of the solution came through the AMSCO programme providing funds for training initially for two years. Later other training funds were availed. Training with these funds continued to 2002.

The chief executive knew from the beginning that the factory building was not in keeping with the internationally accepted standards of paint factories. There was no air evacuation system. Dangerous chemicals were stored at times uncovered. Flammable materials were stored haphazardly. There was no systematic use of safety equipment. Stacking of products was haphazard. There was no fire warning installations. Old technology manual fire extinguishers were not serviced. These problems, save the last two, have remained to date.

The old company used to open paint making ingredients and stir mix them in a drum. This is why some of the old men working there were called cooks! The process of mixing was not dissimilar to cooking *ugali,* the main diet of East Africa. All products had to be weighed on one scale. Consequently, there were people always queuing at the scale. Each new batch order needed to be weighed severally. Materials constantly ran short for there was no forward planning of

the purchasing system. Quality control was by a practically illiterate casual worker. It is not until 2001 that a first-degree chemical engineer is hired for quality control.

Production improvement is not just a matter of places, staff and plans. If the first year was problematic, with regard to it, power rationing in 1995 nearly wrecked the new company's plans. Planned improvements were cast aside and funds diverted into purchasing a massive generator. It was not only power which was problematic. Water also was not available for the Structural Adjustment Drought, named so by Tanzanian wags, not only limited power generation but also water supply! During the first part of the year, water was bought from private traders but it became clear that this was not a satisfactory solution given it's cost and quality problems. Funds had to be re-allocated from the planned improvements into drilling of a borehole. There was urgent need to buy high-speed mixers, attritors, weigh scales, fork lifts etc. The same year, inflation was biting hard at 39% and was to stay around that level the rest of the decade. Salaries were increased across board by 20%!

Paint technical production managers and other essential production personnel are not abundant in Tanzania. The country's history of nationalization, under Ujamaa, did not sit well with younger immigrant community technical personnel, educated in limited private or public schools locally or overseas, who sought to make waves in their careers. The grass was greener overseas, particularly after structural adjustment arrived. Even though the national university produced about a thousand engineers annually, since the decade of the eighties, none of them would be available for employment in the initial immigrant family businesses or the paint company struggling to grow, until recently. This first Tanzanian engineer was employed in the quality control section for he can run the procedures, only in 2001. Clearly he will need many more years to qualify as a production manager. Similarly a Tanzanian computer whiz was not employed until the same year.

The people attracted to the key production manager level were members of the immigrant communities in the old and new companies. When the buyout took place, the first hire person did not have the qualifications for this post but it was hoped that he would be "trained" in the parent company in Kenya. This was done but he was out of the place within a year for his academic background, communication skills and ability to forward plan and manage personnel were found wanting. It took four years (!) to identify a person who on paper seemed to be qualified to not only manage the unsatisfactory line but also to modernize it mechanical aspects as well as its personnel. The company hired an expatriate British manager who had more than forty years experience in paint production in Kenya. It is generally agreed that this gentleman did not serve the company well. He was an extremely pleasant person to his workers and management. However, he was hardly found outside his office. Neither was he to be found coaching his staff in his office or elsewhere. His Swahili was minimal and

therefore he could not communicate effectively especially with the old staff members. Since there were a few young casuals on the production line, who were able to communicate in some kind of English, he tended to speak to them more. By so doing he further alienated the old fathers who in turn made life hell for the young casual upstarts. He was to be fired for not contributing to the modernization of the production line central to the survival of the company.

The IMF/World bank driven privatisation programmes started in Tanzania in the middle of the nineties. Telecommunications, banking, mining and energy, vehicle assembly and export and import were privatised in a short order. But, perhaps most important for the interests of this company, the state opened urban real estate for private development. The Tanzania state had nationalized most of the key buildings in the urban centres during the Ujamaa heyday. It owned all the major office and hotel complexes. Since it did not issue title deeds to land investors were weary of their buildings being nationalized. There effectively was no addition to national housing stock for about two decades. Housing construction had also stagnated in the rural areas. Ujamaa had sought to relocate rural populations to villages ostensibly to facilitate the state to deliver services more effectively. People resisted this relocation. Where they moved, temporary structures were made. Temporary structures need no paint!

The privatisation driven changes, in the structure of ownership of buildings, led to indigenous people moving into new economic activities which in turn had a bearing not only on the structure of paint demand but also its marketing structures and processes. The old marketing system based on dominant immigrant family businesses, which dominated an area either in rural or urban settings, was being eroded.

Privatisation programmes do not only open new internal production opportunities for locals. Perhaps their most important provision is the deregulation of imports. The paint industry was deregulated and a lot of imports were brought into the country. As long as this was allowed, the specialized industries argued for importing specialized paints needed in their specific industries. The most important in this regard was the mining and energy. Small indigenous traders began to import ordinary cheap paint through the porous boundaries for there were good profits to be made.

By 1998, faced with the macro and micro problems, the company decided to undertake major strategic decisions. On products, it decided to expand the production of ordinary paint levels whilst simultaneously expanding into specialized paints and adhesives. This called for several organizational changes. Recall that a local production manager had been put in place two years after purchase perhaps because production needs were seen as more primary than training needs. He moved on after a while and a European expatriate production manager was a brought in. This old and retiring man was ineffectual in modernizing the production line or training the production line staff. He was

fired. Towards streamlining production: first, an expatriate Kenyan production manager, with a flair for standards, team management and coaching was hired to replace the old expatriate British manager. He was fluent in Kiswahili. He had worked for the Kenyan associated company for a long time and had been trained in production. His inception report had pointed out that it was not satisfactory that significant numbers of production staff were still casuals. Neither was it acceptable that production staff behaviour was mainly to wait for instructions from somebody before undertaking work. He was to introduce individual tasking for which nobody needed to be prompted. Of course he was available as he walked about and discussed problems as they arose. Formally a Tanzanian supervisor assists him, the only Tanzanian production employees who joined the company in its formative years with a technical secondary school qualifications. Given that he is a product of the Ujamaa years, is communication skills in English are seen as wanting thereby limiting his upward movement. Observation shows that the young university graduate, in charge of quality control, is really the deputy in spite of being in place for less than a year!

Improvements in production line organization followed after the current production manager was in place according to the other managers as well as workers. Modern machinery for automatic measuring, mixing and filling was installed, and is still being put on stream, in modules. It was bought with a view to creating an automated line in the long term. Significantly, it was the director in-charge who travelled to Europe and Asia to do the acquisitions. It was felt that given the current production line staff, it would not be a good idea to set up a completely new automated production line. Further, there were many types of paint batches demanded at the counter and the partially fragmented line would address this more efficaciously. This was more so as the company sought to meet demand for very specialized batches for automotive, mining and energy sector among others. Typically the production line equipment bought was not the latest models but rather good used equipment. It is argued that there is rapid filling of batch orders with orders taking less than an hour to fill for most specialized paints needed in little quantities

The production line improvements are not just on machinery. An automatic fire alarm and fire fighting system is being installed. There are regular production staff meetings. There are systematic attempts to get safety equipment used.

To enable much tighter management control of all processes, the company decided to buy Indian computerized software with capacity to integrate production, sales, stores, accounting and MIS. The need for this type of software had been identified as early as 1994 but the associated company had vetoed the acquisition then for it was not only struggling with its own system but had diverted resources to solving the Tanzania company’s energy and water problems. The associated company had bought South African developed computer software, which was problematic. A consultant was hired to evaluate it. He politely pointed out that it would be useful to get out of this software. The

veto on installation of an integrated computer software by the associated company stayed until 2001. It meant that the Tanzanian company would not install useful software until 2001. That year, all sections, other than stores, were on put online. Information could therefore be exchanged rapidly across all departments with the new software. Production, sales, accounting and general managers argue that it is only after integrating the use of this software into their daily management that they are able to control their sections better. The sales director and his counter sales executive are rapturous about the system for they are now able to serve customers calling in less than ten minutes. The production manger is able to track his materials better and thus reduce the amount of materials held in store.

On marketing, the company decided, during the first three years, to create four marketing hubs manned by its staff for the various regions of the country, including the capital city, where the factory is located. These depots would stock large supplies so that the regional dealers and traders would not be forced to come to the capital city to order paint from the factory. The depots are manned by salespeople who act as local managers but there are other staff to run the operation especially if the chiefs go selling. The sales director visits these each month. He spends twenty working days on the road every month. This is particularly important for the regional sales form 50% of the total sales. Of the capital's sales, factory counter sales formed about half. Four sales representatives are employed to deal with the specialized demand of the capital city save those who come to the factory.

The company hired a British expatriate sales director in 1999. He also doubled as a trainer manager. It took the chief executive four years to get approval and money for training and the training manager. Again, as in the case of the chief executive, the money for his salary and for training was provided by AMSCO and the company on fifty /fifty basis. Part of his experience had been as a trainer for AMSCO in Kenya where historically he had experience both in the paint and the motor industry. This gentleman happened to be a very good trainer. By every account he was a continuous gadfly on matters of production and training across the company. He nosed into all operations and suggested improvements. The trainer was in the company from the beginning of 1999 and up to the end of 2000. He was in mid career and thus not caught in the retirement syndrome. His Swahili language was more than adequate. Perhaps most important was his style with the ordinary company staff. Many say he was their buddy and this allowed him to gadfly on all manner of issues and problems. All levels trusted him.

During 2001, at the end of his AMSCO manager contract, the company, through his contacts, changed the donor financing the training. It got bilateral donor funds from DANIDA that pay for 90% of all training cost while the company pays only 10%- which usually is accounted for by release time and supervision. This financing mechanism enabled the company to institute release time formal

qualification training whereby any employee can get released to undertake a formal course with the company paying 50% of the costs. If the person passes with distinction, the company reimburses the trainees' 50% contribution. Over the past two years, two junior people in accounts have taken advantage of this programme. One took advanced accounting. One took a certificate and a diploma in systems engineering. The chief executive is set to go to an international business school. A few people in other sections are planning to take formal courses.

What are some of the benchmarks in the short history of this paint company? Data prepared for many end users on capacity utilization, sales volumes, sales revenues and net profit before and after taxes is problematic given different assumptions, inflation, currency devaluation etc. The fact that basic data was not systematically computerized means that it is not available to be systematized for further analysis. However, management argues that the company's turnover grew by 38%, 25%, 40%, 22%, 23%, 18%, and 25% between 1994 and 2001. They also argue that market share has grown by 12.4%, 20%, 20%, 23%, 26%, 26%, 27%, and 28% between 1994 to 2001.

It is important to sum up the company from the view of the expatriate chief executive. First he argues that the company he "created" is Tanzanian for currently there are only two expatriates, himself and production manager. The highest level Tanzanians is the sales director, his number two in the company hierarchy. In the regional history, it is important that the Tanzanians manage the company for fear of domination by the more educated, and perhaps with more industrial experience, Kenyans and Ugandans. This fear is part and parcel of the Tanzanian national psyche. He argues that the company he created is based on teamwork and is set to make waves in production and marketing not only in Tanzania but also in the wider central African region. It is set to modernize production to compete even with the associated company in Kenya. To achieve this, he has integrated into the immigrant community structures for he is a leader in various community institutions. These extra company concerns are of great value, according to him, for it is networks, which facilitate effectiveness in the national business and political arenas, the wider operating theatre of any business. He also is happy that there are young educated Tanzanians who are now joining the company. Among them is the new quality controller, the accounts clerk who rose to become the MIS *de facto* manager, the long term casual, now fully employed, who is the metallic paint chef! However, the chief executive still has to put up with the antediluvian union leaders, particularly concerned about ageing staff that must be laid off as they reach the retirement age. One should note that he has hired a timid ex high school teacher to become the human resources manager!

What of the future? In the past two years, the company has used the donor training funds to hire a Danish consulting firm to prepare its long-term strategic plan, which concludes that by 2010, the company should be the leader in

specialized quality paints, adhesives and inks. It should have a national market share of about 50%! Its production line staff should be formally trained in technical fields. It should be selling in Malawi, Zambia, Mozambique and Congo. All senior managers should have formal management training over and above the technical training needed in their departments. Finally, the company should have put into place safety and environmental structures and processes to protect its staff as well as the environment in general.

TRAINING COURSES

YEAR	TYPE	BY
1994	Biweekly Sales men coaching	Sales Manager
	Production Manager	Sadolin EA Kenya
1995	Quality Assurance	Sadolin EA Kenya
	Factory Management Procedures	Sadolin EA Kenya
	Finance for non-financial managers	Managing Director
	Motivation	AMSCO Consultant
	Effective Management	Ditto
	Leadership	Ditto
	Communication	Ditto
	Interpersonal Skills	Ditto
1996	Senior Accountant-ACCA	Commercial Tanzania
	Selling Skills	AMSCO Consultant
	Product Marketing	Ditto
	Sales and Distribution	Ditto
	Basic Company Operations	Ditto
	Factory Management	Ditto
	Quality Control	Ditto
	Costing and Pricing For Technical Staff	Ditto
	Sales Training	Ditto
1997	Maintenance	Ditto
	Product Training –Non-technical Staff	Ditto
	Problem Solving	Ditto
	Company Organization and Structure	Ditto
	Time Management	Ditto
1998	Marketing and Selling Skills	Ditto -
1999	Technical Training - Non-Technical Personnel	Ditto
2000	Laboratory Quality Control	Sadolin Denmark
	Batch Tinting of Paints	Ditto
	Impact Encore -Integrated Data Base	Computech Kenya
	Time Management and Delegation	T. Dev. Finance Tanzania
2001	Coatings Technical Training	Sadolin Denmark
	Impact Encore System Use	Laxman &Co. India
	Industrial Fire Fighting	Crestor Tanzania
	Production Training	Sadolin Denmark
	Protective Coating Training	Plascon Paints S. Africa
	Management Information System	CATS Tanzania
	Computer Networking	Aptech Tanzania
	Protective Coats Inspection	N. A. of Corrosive Engin. USA
	Occupational Health and Safety	Sadolin Denmark
	Quality Control	Sadolin Denmark
	Colour Technology	Sadolin Denmark
	Personnel Administration	Kenya Orchards Kenya
	Batch Tinting of Paints	Sadolin Kenya
	Metallic Paints	De Beers Netherlands
	Technical Training	Sadolin Denmark
	Technical Training	Sadolin Oman
	Technical Training	Sadolin Cyprus
	Field Sales Staff /Counter Sales Staff Training	In –house
	Management Training	Sadolin Denmark
	Powder and Protective Coating	Akzo Nobel South Africa

QUESTIONS

1. Comment on the management structure of the company discussed in this case study.

2. With the information given, do a SWOT analysis of the company.

3. How important was the AMSCO contribution to this company?

4. What personnel policy did this company have? Was it effective? Was there an alternative?

5. What are your comments on the training carried out as relates to the future of the company?

6. What is the import of immigrant communities in management and entrepreneurship?