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## Case Study: Sweet Meal Commodities

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### **Abstract:**

*The purpose of this case study is to establish the phases that small businesses go through as they evolve from start up to maturity stages. The case also reveals the challenges which small business enterprises experience along the different stages of business cycle. Entrepreneurial characteristics that successful entrepreneurs display have also been demonstrated. Some of the characteristics that have been revealed in the case study include but are not limited to; resilience, tenacity, visionary, focus, discipline, consistency, hard work etc. The main research instrument used was interview guide; the protagonist and senior business managers were interviewed. The case introduces a dilemma which makes it difficult for the case protagonist to decide the best way to go in the next phase of business growth. The dilemma for in the case study is making the choice between expanding the current business and diversifying into real estate business. The rationale of the dilemma is to demonstrate the difficulty that entrepreneurs experience when making business decisions. The case study reveals that entrepreneurs experiences different challenges at different stages of business life cycle.*

**Keywords:** Challenges, competition, dilemma, growth, start up

### **1. Background**

Having graduated with a bachelor of commerce degree (marketing option) from the University of Nairobi was a sure proof that Mrs. Kimani was set for a professional career in the corporate world. She was armed with the professional accounting courses and had obtained a driving license which was a plus in her supposed marketing career. She obtained a passport immediately she finished the university in readiness for any international job.

She was in high spirits after successfully attending a series of interviews with one of the leading banks in Kenya. She was posted to a station outside Nairobi and any efforts to get posting in Nairobi where her young family was residing did not bear any fruits. She had mixed feelings about how the husband was going to receive the *good news* since he had always insisted that being one own boss is always more rewarding. Her bet was right. The husband did not approve of it. She was faced with difficult choices; going for the job meant risking losing her young family which she most cherished, losing the job meant trying her hand in business an idea that the husband had always nurtured, however, there was no promise of stable income as opposed to what banking would offer. She seldom decided to move into business, after all, the husband was in business and he was doing quite well.

The battle was far from over! The decision to drop the offer for a banking job was not received kindly by her family. The family insisted that she should take the job and drop the business idea. The mother (a medical practitioner by profession) could not comprehend the deep sense of loss that was going to befall her. The close relatives were career people having served as senior education officers, teachers and distinguished university professors. They prevailed upon her to quit the posho mill business and pursue her dream career. They were wondering how her education will be useful if she could turn down such an offer which was going to be very promising. "Building a career in banking promises a bright future which can never compare with joining business world which never promises any stable income" the mother consistently reminded her. "You did not need to have a degree to do a posho meal business; any form four leaver could comfortably sieve maize and count the number of bags in stock!" one of her friends ridiculed her. A majority of her college mates sympathized with her. They could not understand how one of their own could lose such a sense of direction in life!

### **2. The Start Up**

The business of posho mill started with a capital of Ksh.100, 000. This was very limited resource considering that she had to buy a posho mill and pay cumulative deposit for the business premises. The business started with two employees; Mrs. Kimani and a casual laborer. She could only afford a second hand posho mill which was slow and produced poor quality flour. The business could hardly breakeven but she stuck with it.

### **3. Growth – Take Off**

She consistently followed her business; reporting very early and always leaving very late. She focused all her energies in milling business and blocked her mind from doing any other business. Though she didn't produce quality flour at the initial stages, she still managed fairly well since the target was the low-end market which did not mind the low quality. Some of the market segments that she targeted included *Kibera* and *Kiambu*. The major challenge of producing

quality flour then was related to the kind of milling machine that she was using; low cost machine gives low quality flour not to mention the slow pace in the production.

She seldom realized that the Kenyan market was not only seeking for low prices but also quality. This made her think about how she was going to invest in quality. There was no other way of getting quality other than investing in good milling machines. They were however, expensive to acquire. The idea of borrowing money from the bank to finance the purchase of the Posho mill hit her and she pursued it. Her loan application was successful; she acquired a new machine which greatly increased the quality of the flour. The demand for the shifted flour started to grow rapidly. The distribution network expanded and the retailers started placing orders with the company in a big way. She doubled the number of employees and recruited a team of sales people.

The brand *sweet meal* was born and penetrated well in the market. It started gaining currency in the market place especially among the mini supermarkets in the residential estates in Nairobi County. The packaging of the flour into different weights was a major stride in the business. This was done in the scale of 90kgs, 45kgs, 10kgs, and 5kgs. They also started doing the bails of 1kg and 2kgs. Besides shifted flour products, they were also selling maize that had the husk removed popularly referred to as *Muthokoi*. A majority of institutions like schools preferred this since it saves the cost on energy. They sold the byproducts to the organizations that do animal feeds.

The space was becoming a major challenge given the level of demand for sweet meal. However, she was reluctant to acquire more rented premises. The need for more space for expansion was the only way that she could manage the growing demand for sweet meal. She acquired a one-acre land in Juja at a cost of Ksh. 1,500,000/- from her savings in the hope of relocating the business there. However, the logistics of operating from Juja was difficult. The only option was to acquire a facility in Kariobangi light industries where her business was located.

Mr. Kimani was aware that in the neighborhood of her business there was a building which was on sale and she certainly knew that this would be a good idea for her business but raising more than KSh.10 M was an uphill task. She however, thought of seeking a loan facility from the bank. She successfully applied for KSh. 8,000,000/-. "this was a do or die situation, I had realized over time that many opportunities can pass when one becomes so analytical, I had also learnt my lessons of taking calculated risks" retorted Mrs. Kimani. She was amazed at how the bank was willing to advance more than she had even asked for. The bank had walked with her from a small beginning and had built a rapport, her books of accounts were good and she had faithfully honored the repayment of the previous loans that she had taken with the same bank.

With KSh. 8M from the bank and the personal savings, she acquired the building and did renovations and redesigning for both factory and warehouse use. The construction took roughly one year and in the last quarter of the year 2012 she moved into the new premises.

She purchased high speed milling machines from China. The level of production increased to greater heights. The machines had a capacity of doing 300 bags of 90kg per day. With the returns she's making, she is able to comfortably service loan, making a monthly repayment of about Ksh.300, 000/-. Pointing at one of the old machines in the factory which does some product Mrs. Kimani softly notes that "From the proceeds of this, we can be able to meet all the salary expenses."

The company has 18 employees. There is a manager who manages the operations and a team leader. The manager reports directly to the director. He understands the business so well so that he makes so much decisions. "I can't remember the last time when he made a decision that I did not approve, he's so committed and has won so much respect for me and other employees as well" the director retorted.

The director observed that with the improved network it's now possible to run a factory outside Nairobi. She reckons that the government of Kenya has in the recent past offered so much initiative to the investors; this has spurred so much business growth in all the parts of the country. With the road networks it's possible to run a factory in far away from the town centre. With expansive land outside Nairobi one did not need to move upwards in the construction. Cheap labor can also be obtained from the rural people. Local materials can also be utilized for construction and thus reduce the cost of setting up the business.

#### 4. Competition

The manager Mr. Kividio Musa observed that competition in the industry is very tight with a majority doing grade one shifted maize flour. The big companies can manage to supply to large supermarkets since they can afford to offer long credit periods. With the size of her company she can only manage to offer credit for a limited period of time otherwise the working capital can be seriously affected. The other senior brands like Jogoo, Pembe and Hostess have dominated the market and therefore it has been a major challenge and penetrating some segments of the market has proved an uphill task.

"The industry has had operators who are not duly registered; they come up when there is much supply of maize in the market place; at marginal profit they are willing to sell the products and they can really spoil for you!" Mr. Mwangi the sales executive lamented.

#### 5. The Challenges

Operating a business is not an easy task. It calls for full time commitment and undivided attention if one will have to survive. It's the persistence, patience and predetermined resolve that keeps you there. "I got into business with hope that it was to start paying returns speedily but over the years I have realized that business is a journey and you don't just grow up overnight!" Every industry has got its rules that guide the operations and sometimes you learn about this late in the day!

The suppliers many times are not consistent, and they may place very high prices that leave us with very little margins. When there is scarcity of supplies we end up paying so much for raw materials. We have always made an attempt to buy directly from the farmers as opposed to buying from suppliers. However, the farmers rely on rainfall fed agriculture and therefore we only buy directly from them when the seasons are good.

"To have consistent employees is many times a challenge, the work requires physical strength, to carry 90kg bag from one unit to the other or from the stores to loading is not an easy task. We have had people who report to work only once and they fail to report for work the following day. If we had conveyors that move the load from one place to the other, it would make work very easy" Mr. Musa Kividio remarked. This would also increase efficiency and reduce on the cost of hiring more employees.

Working in the factory where machines run continually has had its own share of challenges. Mrs. Kimani had continually observed that the factory operator was using his bare hands to fasten the belt any time when it had rerouted from the railing and he would do this without switching off the power. She was aware that she needed to do something about this ignorance otherwise it was a time bomb. That fateful Friday morning confirmed all the fears that she had always had; the operator got his fingers chopped off. It was unbelievable for Mrs. Kimani when she was served with a warrant of arrest for failing to provide the necessary safety measures for her workers. She watched in disbelief as the employee accused her of negligence and unacceptable working conditions in terms of job safety even after paying for all the medical bills incurred after the accident. She wondered loudly "which way do I go? Going to Court or settling outside court?" It was very disturbing to watch the supervisors engaging so many employees in their departments without paying attention to the details of managing the costs. The supervisors were always hiring more employees even before they had determined the level of the output that would be needed at different times. "Can't you remember the simple arithmetic's, if it takes three days for five men to work on a task how many men would you need to work for the same task working in three days?" Mrs. Kimani lamented.

## 6. The Future

"We will compete head on with the leaders in the industry. We are looking at getting our products stocked by the major supermarkets, we will do it, and the future looks bright." Mrs. Kimani said with beaming confidence. She continued to say that she has a strategic plan which guides the enterprise operation. I have intentions to diversify into real estate business a few years from now; this is so clear in the strategic plan. "The banks have confidence in us and the next time we knock their doors for loaning facility, it's not going to be for anything less than KSh.25M which I'm sure to get". Our dilemma however, is to decide whether we will invest in real estate or expand the flour milling business which is already doing very well. "If I got the facility tomorrow, which way should I go?" Mrs. Kimani exclaimed.

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