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 **MURANG'A FARMERS  
CO-OPERATIVE UNION LTD.**

**Diagnostic Report**  
**Helping you grow**

**MURANG'A COUNTY ASSEMBLY  
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March 2015

Murang'a Farmers Cooperative Union Ltd

Current Operating Model

Deloitte & Touche - Private and confidential

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- Executive Summary

# Executive Summary

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3 March 2015  
Board of Directors  
Murang'a Farmers Cooperative Union  
P.O. Box 14 - 10200  
Murang'a, Kenya

Dear Sir,

## About this Document

In a bid to remain competitive in the dynamic financial service environment, Murang'a Farmers Co-operative Union (MFCU) sought to review its strategy, develop a target operating model and review the Human Resource, ICT, Internal Audit, Marketing and Sales, Finance, Stores, Farm and Credit function. This document has been prepared as an As Is Assessment of the current target operating model of MFCU which is the first deliverable of the assignment. The following is a summary of what you as a reader you will find in the main chapters:

**Chapter 1 – Introduction and Background:** The chapter provides an introduction of the report with background information of MFCU and description of the assignment. The section also describes the objectives, key activities and benefits of the assignment.

**Chapter 2 – Purpose of this Report:** In this chapter, we have provided additional information on how we conducted and documented the current state of MFCU by:

1. Reviewing and assessing the Strategic Plan.
2. Conducted interviews with Murata senior management and staff.
3. Review of documentation.
4. Field assessment of all the branches.
5. Conducted a customer survey.

**Chapter 3 – Review of the 2011-2016 Strategic Plan:** In this chapter you will find the details of our findings in terms of how far the organisation has achieved the strategic objectives. The gaps that have been identified in the strategic plan document, review of the set objectives and our recommendations.

# Executive Summary

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**Chapter 4 – Structural Overview of the Departments, Branches and the Current Organization Structure:** In this chapter you will find the current structural overview of the Finance, Marketing, ICT Department, Human Resource, Internal Audit, the current overall organization structure and the branch/field assessment.

**Chapter 5 – Roles and Responsibilities:** In this chapter you will find our overview of the current roles and responsibilities of the existing positions in MFCU both in the HQ and in the branches

**Chapter 6 – Process and Procedures of the Departments and Branches:** In this chapter we have provided information of the current/existing processes and procedures in the union, this section will highlight how they relate with each other within the organisation.

**Chapter 7 – Gap Analysis:** Here you will find the gaps identified during our diagnostic assessment of the current operating model. The section has been divided into six sub-topics such as:

1. Application and Infrastructure
2. Customer Segments
3. People
4. Processes
5. Products/Services
6. Information

**Chapter 8- Conclusion:** This is the final chapter that will contain the next steps after submission of this report mentioning the priority areas that we recommend to begin with in the design so as to provide quick wins and value addition.

Please do not hesitate to contact the undersigned on Tel: 020-020-4230000 or email: [kiarie@deloitte.co.ke](mailto:kiarie@deloitte.co.ke) if you need further clarification on this report.

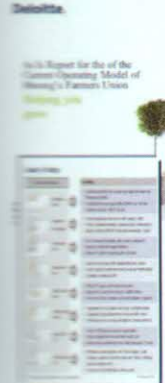




Yours faithfully,  
For: **Deloitte Consulting Limited**



**John Kiarie**  
Director

# Where are we now?

The development of a TOM is a process that involves evaluation of options available to MFCU's internal and external operating environments. Below is a summary of our journey...

	Review of current operating model	Validate current position	Agree Design Principles	Select preferred hypothesis and develop detail	Determine implementation requirements
<b>Activities</b>	<ul style="list-style-type: none"> <li>Analyse info on current operating model</li> <li>Review existing strategies and propositions for current business units</li> <li>Interview key stakeholders</li> <li>Provide examples of design principles and the implied design decisions they will drive</li> </ul>	<ul style="list-style-type: none"> <li>Facilitate interviews with key decision makers to confirm understanding of current operating model</li> <li>Document key outputs of the working sessions.</li> </ul>	<ul style="list-style-type: none"> <li>Workshops with key stakeholders to come up with draft design principles and validate agreed set (which would drive design)</li> <li>Review draft design principles, rationale and consequences</li> <li>Develop agreed design principles for MFCU.</li> </ul>	<ul style="list-style-type: none"> <li>Develop schematic for how the proposed model could work in practice (leveraging internal experience and external input)</li> <li>Define each level of the TOM</li> <li>Review and sign-off sessions</li> </ul>	<ul style="list-style-type: none"> <li>Develop high-level route map to implementation</li> <li>Agree transition states</li> <li>Identify quick wins as appropriate</li> </ul>
<b>Outputs</b>	<ul style="list-style-type: none"> <li>Report on findings of as-is assessment</li> </ul> 	<ul style="list-style-type: none"> <li>Final report on as-is assessment with client feedback</li> </ul> 	<ul style="list-style-type: none"> <li>Agreed design principles, rationale and consequences</li> </ul> 	<ul style="list-style-type: none"> <li>High level schematic for the TOM</li> </ul> 	<ul style="list-style-type: none"> <li>Implementation roadmap</li> </ul> 

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- **Introduction and Background**

# Introduction and Background

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## Path of An Entrepreneur:

“Building the right relationship between an organisation and its advisors is the key to its success. A successful working relationship is built on a solid foundation of mutual trust and compatibility. This kind of relationship thrives in an environment of high quality service, provided by dynamic professionals who are able to provide innovative solutions and pragmatic responses to issues.”

Murang'a Farmers Co-operative Union Ltd (MFCU) started operations in 1960 and currently has 34 coffee societies affiliated to it

## MFCU Income Generating Projects :

MFCU has 5 main income generating streams as illustrated below;

1. **Stores and Merchandise Activities** – Stores and Merchandise were the first activities of the union started in 1960. The stores and merchandise are aimed at ensuring that members/customers are provided with reasonably priced and high quality products. Currently the union has 12 store distributed throughout the county.
2. **Coffee Farming** – Ikundu farm is the union's flagship business. It was established in 1960 and is estimated to be 60 acres. Ikundu farm is 9 Kms from Murang'a town. Some of the activities that are carried out in the farm include Coffee farming, Dairy, Coffee seedlings, tree nursery, fodder planting and bananas growing.
3. **Union Banking Section** – The Union Banking Service (UBS) was started in November 2000 to provide basic financial services to the union members. UBS provide loans to coffee and tea farmers which is recovered from consecutive payment.
4. **Rental and Franchise** – MFCU owns several real estate which houses union offices and offers rental space for commercial purposes to tenants. In addition the union receives income for franchise after leasing out its petrol station to National Oil located in Murang'a town.
5. **Coffee Milling** - MFCU has a coffee milling plant at Maragua, started in July 2013. Although the management of this mill is the Eastern Aberdares Cooperative Coffee Mills (Eco Mills), MFCU is the majority shareholder of the mill. This mill provides milling services to individual farmers and co-operatives in Murang'a County.
6. **Eco Housing Project** – this project is aimed at complementing the government initiative in the provision of sustainable housing by use of eco materials i.e. materials and technologies that are environmentally friendly, locally available, affordable, and structurally sound.



# Introduction and Background

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The union is now a grower-marketer having been awarded a coffee marketing license in 2006. This new capacity enables it to warehouse clean coffee, undertake certification, participate in direct sales of coffee to international buyers and in conjunction with coffee auctioneers prepare a sales catalogue for use in bidding at the Nairobi Coffee Exchange. In addition it has a milling license covering more levels in the coffee value chain

## **Our Objectives of the assignment are:**

1. Streamline the processes and procedures.
2. Improve on efficiency and effectiveness.
3. Improve the general performance of the Union.
4. Stable and consistent business growth.
5. Embrace best business practices.
6. Change Image.

## **Key Activities are:**

1. Diagnostic and Option Identification
2. Detailed Development of the Operating Model
3. Validation and Mobilisation

## **Benefits of the Assignment are:**

1. Streamlined and standardised processes and procedures across all branches and departments.
2. Operational and integrated software system.
3. Improved organisational image both internally and externally.
4. Customers and staff satisfaction within the Union.
5. Business growth through adoption of innovative business ideas.



# Purpose of This Report

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This report presents the documentation of the current target operating model of Murang'a Farmers Cooperative Union (MFCU). From our review and assessment we established the current state of:

MFCU's Strategic plan, the current position of the Finance, Human Resource, ICT, Internal Audit, Marketing & Sales, Procurement, Bookkeeping functions the 10 Banking Service Units, 12 Stores, the Ikundu Farm and Eastern Aberdare Coffee Milling plant in Maragua.

This report highlights the following activities:

- Field visits to confirm findings of data and information gathering exercise.
- Deloitte's understanding of MFCU's current operating model
- Working session is critical to develop accurate source data for design of Target Operating Model

## Approach and Methodology

- Review of documentation available;
- Conduct interviews with MFCU senior management and staff;
- Process walkthroughs of the departments
- Field assessment of the 12 branches;
- Conduct customer survey

The findings from these activities were then utilized to develop the current operating model as they currently operate within the organisation.

## Documents Reviewed

The following documents were made available and reviewed:

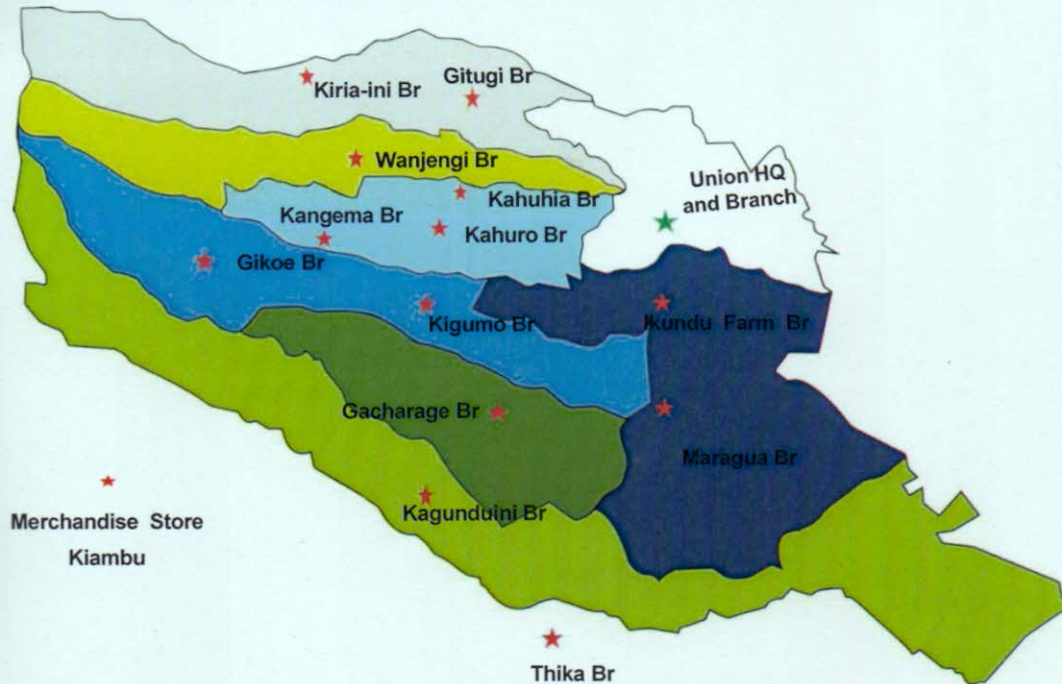
- Strategic Plan 2013-2017
- Co-operative Act
- Terms and Condition of service 1999/2000
- Debt Waiver of Kshs. 4 Bn
- Quantum Training of MFCU stairways to growth business plan 2007 to 2013
- MFCU restructuring and revival strategy of August 2010
- MFCU project proposal for youth involvement in Ago Enterprise Development in larger Murang'a District for July 2010
- Co-operative Bank Consultancy services restructuring report 2003
- Five finance credit risk assessment methodology of 2010
- Murang'a county coffee and Sacco blueprint 2013
- Computer hardware Inventory
- Schedule of Union Board Members, age, and service
- Schedule of all existing union staff, ages, position qualification and job description and
- Personal Staff files

# Stakeholder Interviews

Internal consultation meetings have taken place with the key stakeholders for gathering and confirming the 'As Is' assessment and existing gaps in MFCU. Details of the meetings held include:

Office	Date	Time	Designation
Head Office	1 <sup>st</sup> July 2014	08:00 – 10:00	MD
Head Office	1 <sup>st</sup> July 2014	10:00 – 12:00	Senior Accountant Management
Head Office	1 <sup>st</sup> July 2014	12:00 – 13:30	Internal Auditor
Head Office	2 <sup>nd</sup> July 2014	14:00 – 16:00	ICT
Head Office	2 <sup>nd</sup> July 2014	16:00 – 17:00	Senior Book Keeper
Head Office	2 <sup>nd</sup> July 2014	08:00 – 10:00	Book Keeper
Head Office	3 <sup>rd</sup> July 2014	12:00 – 13:30	Procurement
Head Office	3 <sup>rd</sup> July 2014	08:00 – 10:00	Payroll
Head Office	4 <sup>th</sup> July 2014	08:00 – 10:00	Cashier
Head Office	2 <sup>nd</sup> July 2014	08:00 – 10:00	Senior Accountant Finance
Head Office	2 <sup>nd</sup> July 2014	08:00 – 10:00	Cashier
Head Office	2 <sup>nd</sup> July 2014	08:00 – 10:00	Marketing
<b>Date</b>			
11 <sup>th</sup> July 2014		Kahuhia Branch	Gikoe Branch
		Kangema Branch	Murang'a Branch
12 <sup>th</sup> July 2014		Ikundu Farm	Maragua Coffee Mill
		Maragua Branch	Gacharage
		Kigumo Branch	Thika Branch
14 <sup>th</sup> July 2014		Kiriaini Branch	Kahuro Branch
		Wanjengi Branch	Gitugi Branch
		Kagunduini Branch	
<b>For each branch we interviewed:</b>			
<ul style="list-style-type: none"> <li>➤ The Branch Manager/ In charge</li> <li>➤ Staff Members (Store Attendants and General Clerks)</li> </ul>			

# MFCU Branch Presence



Murang'a Farmers Co-operative union has presence in most part of Murang'a county as illustrated on the figure above. The union has the following branches:

1. Murang'a – Head Office, Agro vet Store, Credit Section, Petro station
2. Thika – Credit Section
3. Kiriaini – Agro Vet Store and Credit Section
4. Kangema - Agro Vet Store and Credit Section
5. Kahuhia - Agro Vet Store and Credit Section
6. Kigumo - Agro Vet Store and Credit Section
7. Maragua - Agro Vet Store and Credit Section
8. Kahuro - Agro Vet Store and Credit Section
9. Gikoe - Agro Vet Store and Credit Section
10. Gacharage -Agro Vet Store and Credit Section
11. Kagunduini - Agro Vet Store
12. Gitugi - Agro Vet Store
13. Wanjengi - Agro Vet Store
14. Kundu – Farm
15. Merchandise located in Murang'a and Kiambu
16. Rental Houses in Murang'a, Maragua and Thika



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- **Current Assessment**

# 3 Current Assessment

## Review of the Strategic Plan

We conducted a detailed review of your current strategic plan. Where we provided a summary of our key findings and recommendations.

We adopted a participatory approach in the review of your strategic plan through:

- Desktop review of your current documentation including:
  - ✓ Strategic Plan (2013 – 2017);
  - ✓ Organisation structure.
- One-to-one discussions with management staff;
- High level discussion with lower level management staff at branch level;
- Comparison between current service offerings and product portfolio vis a vis the strategic plan.

Need to communicate the strategy across the organization and to ensure buy-in from all the stakeholders. Currently, MFCU lacks a common strategy that's shared across the organization. There is also need to cascade strategic goals, objectives and targets to each division/department, branch and individual using a more holistic and comprehensive Balanced Scorecard (BSC) approach which is not skewed toward financial measures only

Need to re-design the current operating model to ensure better alignment to the strategy and core processes which will ensure effective operationalisation of your key strategic objectives. Key gaps were identified in the current operating models in regards to structure, people, processes and technology

### Our Findings



To be the Leading Co-operative organisation providing quality and cost effective services to its affiliates, members and other clients in the region.

To provide quality and competitive services within the cooperative principles to our shareholders and customers in an efficiently and sustainable manner.

- ✓ To have a well motivated, disciplined, highly skilled and informed workforce
- ✓ To create awareness and increase the number of customers/farmers.
- ✓ To Increase members by 100%.
- ✓ To increase the returns on loans.
- ✓ To enhance the operations by 200%.
- ✓ To increase income generated from investment by 50%.
- ✓ To ensure that the insurance business starts operation by the 1<sup>st</sup> half of 2012.
- ✓ To introduce bulk procurement.

# 3 Current Assessment



## Gaps identified in our Strategic Plan

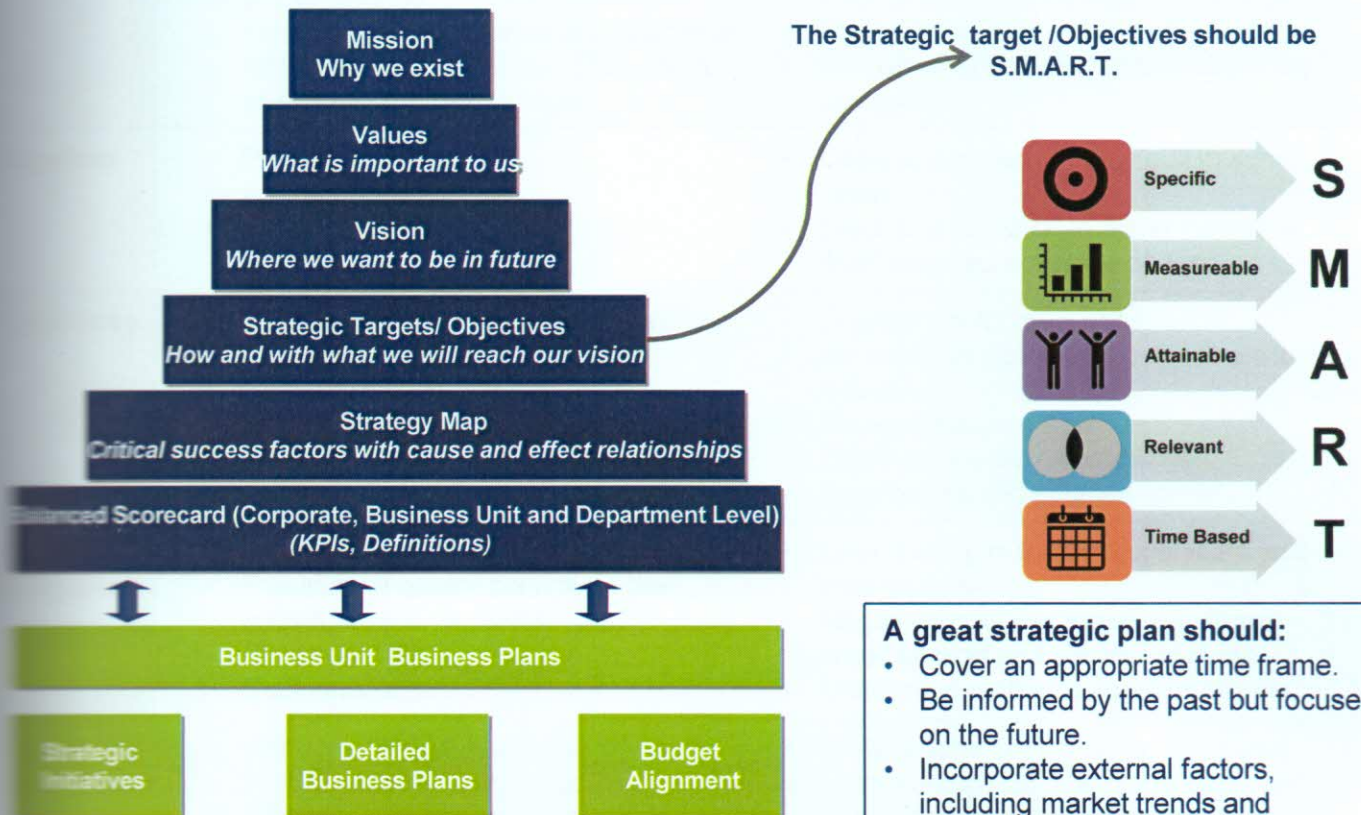
MFCU has documented a strategic plan (2011-2016). This plan was however neither completed nor communicated to all staff. Only 3 members of the senior management staff acknowledged their awareness of the strategy. Key gaps identified in regards, to MFCU strategy include:

- The final strategic plan was not signed by the board to show commitment to achieving the plan;
- The organisation background is very short and does not exhaustively articulate the products and services provided by the union.
- The core values have not been communicated nor agreed by the staff of the union. In addition, Some of these core values have not been defined
- The SWOT analysis is generic and does not properly capture all the SWOTs of the organisation.
- Financial analysis/ Business performance is blank/missing.
- MFCU has conducted a SWOT analysis for the strategy but there has been no action plans to address the challenges identified.
- MFCU has not put in place a robust monitoring and evaluation framework to ensure that the documented strategic plan is implemented. The responsibility of developing an M&E framework has been left to an **M&E committee**. This should be part of strategic plan development.
- The summary of the key recommendations has various gaps i.e. Page referencing, Cost of the initiatives and summary of the key initiatives.

Legend	Strategic Objectives	Status	GAPS
On Target	To have a well motivated, disciplined, highly skilled and informed workforce	●	<ul style="list-style-type: none"> <li>• No identification of persons responsible to cascade and monitor the objectives in the strategic plan.</li> <li>• Timelines and reporting measures have not been indicated which makes it difficult to determine the progress/status.</li> <li>• MFCU's strategic objectives are not S.M.A.R.T i.e. Specific, Measurable, Attainable, Relevant and Timely</li> <li>• There are gaps – The objectives are not complete.</li> <li>• There are no specific activities to achieve the objectives.</li> </ul>
●	To create awareness and increase the number of customers from the current__	●	
On Target	To Increase members by 100%	●	
●	To increase the returns on loans to ____	●	
In Progress	To enhance the operations by 200%	●	
●	To increase income generated from investment by 50%	●	
Upcoming Events	To ensure that the insurance business starts operation by the 1 <sup>st</sup> half of 2012.	●	
●	To introduce bulk procurement	●	

## Our recommendation on MFCU Strategic Plan

Due to the factors articulated we propose development of a new Murang'a Farmers Co-operative Union Strategic plan. A robust strategic plan should be a powerful management tool that guides an organization's resource allocation and helps define where attention should be focused. The following process **SHOULD** be followed in the development of a good strategic plan



- A great strategic plan should:**
- Cover an appropriate time frame.
  - Be informed by the past but focused on the future.
  - Incorporate external factors, including market trends and competitive landscape.
  - Consider multiple scenarios to evaluate alternatives.
  - Commit to a single target growth plan by key products, markets or segments.
  - Articulate what you won't do.
  - Maintain consistent altitude.
  - Be executable by defining tangible next steps.
  - Establish how progress will be measured and who is accountable.
  - Be revisited multiple times over the planning horizon.

- A good strategic plan can provide enormous benefits. It can:
- Bring clarity and agreement on mission and vision;
  - Help organizations prepare for the future;
  - Help organizations anticipate and manage change;
  - Improve the decision-making processes;
  - Promote effective stewardship;
  - Align the board and staff;
  - Provide an opportunity to recommit to the cause;
  - Educate participants about institutional history;
  - Identify existing strengths in the organization;
  - Provide an opportunity to analyze the organization's systems and processes; and
  - Reinforce the need to commit to continuous improvement.



### 3 Current Assessment: Stakeholder Analysis

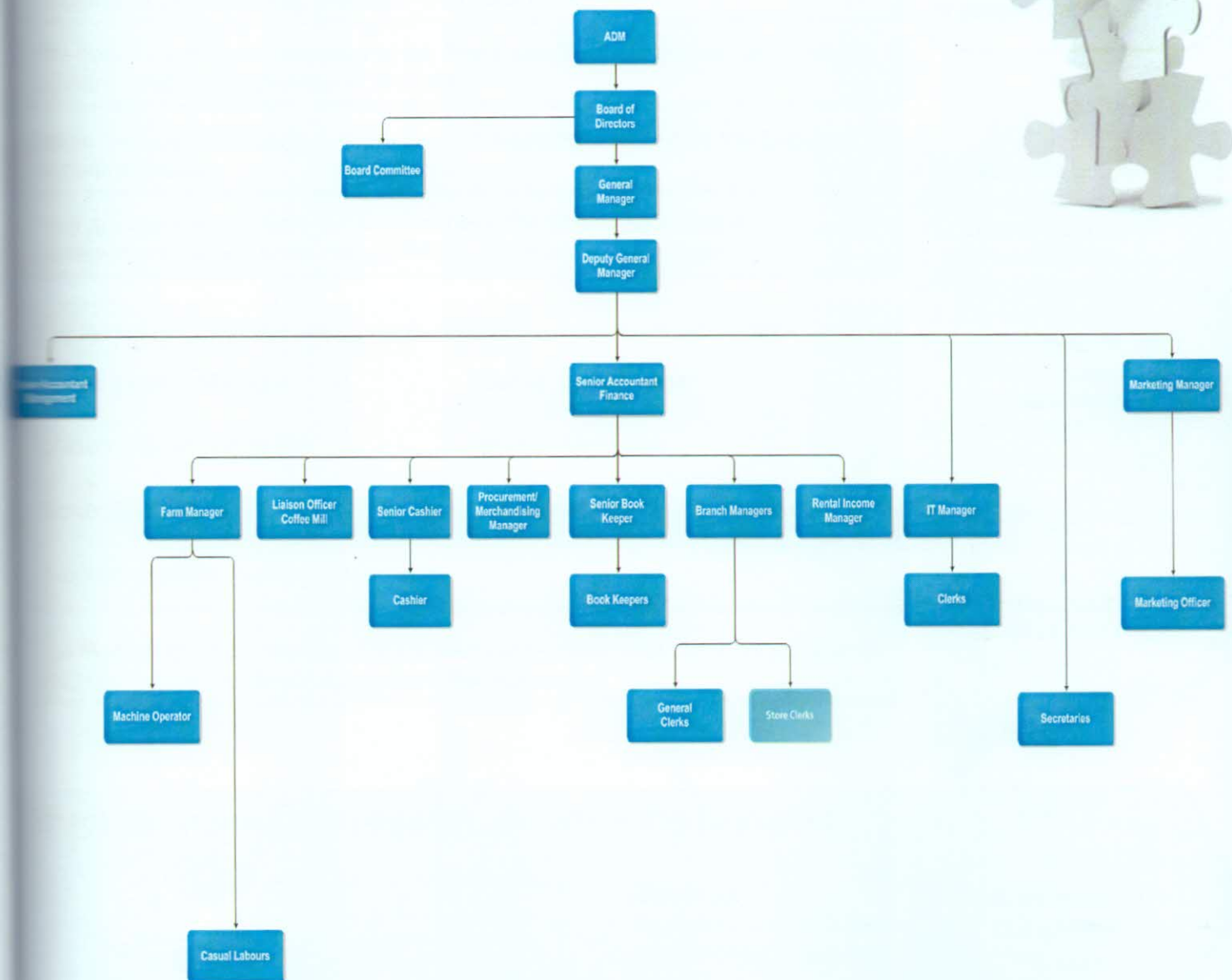
Stakeholders	Interests/Motivation	Issues/Concerns
<b>Customers</b>	<ul style="list-style-type: none"> <li>Competitive prices.</li> <li>Prompt delivery of required products/Service.</li> <li>Availability of the Product and Service at any given time.</li> <li>Proper customer service and education.</li> <li>Repair and maintenance of the union assets i.e. improved image.</li> </ul>	<ul style="list-style-type: none"> <li>Unavailability of commodities and services when needed.</li> <li>Price in some instances is not competitive.</li> <li>Lack of customer service and education.</li> <li>The infrastructure are in poor condition.</li> <li>No customer delivery done even to key customers.</li> </ul>
<b>Suppliers</b>	<ul style="list-style-type: none"> <li>Prompt payment.</li> <li>Appropriate lead time.</li> <li>Variety of products.</li> </ul>	<ul style="list-style-type: none"> <li>Delayed payment and default in some cases.</li> <li>Lead time too short in some instances.</li> <li>Avail required materials on time.</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>Good reward and recognition policies.</li> <li>Proper org structures.</li> <li>Clear Roles and JDs.</li> <li>Availability of working capital.</li> </ul>	<ul style="list-style-type: none"> <li>Unclear hierarchy of roles.</li> <li>No available policy and procedures to follow.</li> <li>No organisation structure.</li> <li>There are no job descriptions.</li> <li>Poor wages and salaries.</li> </ul>
<b>Members/ Delegates</b>	<ul style="list-style-type: none"> <li>Profitability of the union.</li> <li>Provision of quality service to the customers (i.e. farmers).</li> <li>Growth of MFCU.</li> <li>Staff satisfaction.</li> </ul>	<ul style="list-style-type: none"> <li>Loss making in the previous years and poor liquidity.</li> <li>Negative growth of the stores, farms, credit section and assets value etc.</li> <li>Unsatisfied staff with very low morale.</li> </ul>
<b>County Government</b>	<ul style="list-style-type: none"> <li>Welfare of the Murang'a Constituents.</li> <li>Proper accountability of funds.</li> <li>Transparency in operations.</li> </ul>	<ul style="list-style-type: none"> <li>Unclear structures and reporting lines.</li> <li>Loss making in the previous years and lack of payment to suppliers and farmers.</li> <li>Loss of previous financial years has created a negative image to the constituents.</li> </ul>
<b>Foreign Investors and Donors</b>	<ul style="list-style-type: none"> <li>Proper accountability of funds.</li> <li>Impact to the farmers and other beneficiaries.</li> </ul>	<ul style="list-style-type: none"> <li>Unaccountability of funds.</li> <li>No impact assessment on the projects has been carried out.</li> </ul>
<b>Murang'a Residents/Community</b>	<ul style="list-style-type: none"> <li>Provision of quality products and services at an affordable price.</li> <li>Job creation.</li> <li>Corporate Social Responsibility (CSR).</li> <li>Brand recognition both nationally and internationally.</li> </ul>	<ul style="list-style-type: none"> <li>Delayed payment of the funds from tea and coffee.</li> <li>Retrenchment of staff that was carried out hence the court cases.</li> <li>Lack of CSR.</li> <li>No noticeably growth of the Union.</li> </ul>

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- **Union Structural Overview**

# 4 Union Structure Overview

The organization structure is not an end in itself; it is simply a vehicle for accomplishing the strategic tasks of the business. A well-designed structure helps everyone in the business do his or her job effectively. A poorly-designed structure (or Union by default) creates barriers and frustrations for people both inside and outside the organization. Below is the current organisation structure of the Union...



# 4 Structural Overview

## Findings and Observations in the Organisation Structure

The top tier of the organisation structure for the Union is the Annual Delegates Meeting.

The Board of Directors consist of nine members including the Chairman and Vice Chairman who are elected during the Annual Delegates Meeting.

Currently the Board of Directors are responsible for policy formulation and guidance of the day to day management of the Union.

The board committee comprises of the finance/staff subcommittee, farm building subcommittee and supervision committee.

Below the Board of Directors is the General Manager followed by the Deputy General Manager.

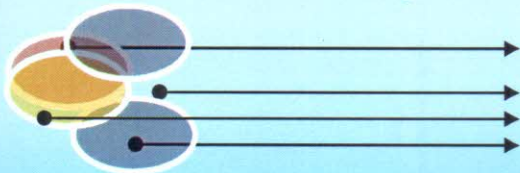
They are assisted by three senior managers; the Senior Accountant Management, Senior Accountant Finance and Marketing Manager.

The following individuals are currently reporting to the Senior Accountant:

Rental Income Manager	Senior Book Keeper
Liaison Officer Coffee Mill	Branch Managers
Senior Cashier	Farm Manager
Procurement/Merchandising Manager	

The Marketing Officer reports to the Marketing Manager and currently there is no one reporting to the Senior Accountant Management.

### Effective Organization design considers the following:



- Strategy
- Processes and Systems
- People and Practices
- Culture

Best Practice Organisation Structure



Best practice dictates that the strategy drives structure, processes are based on structure; structures and processes define the implementation of people practices

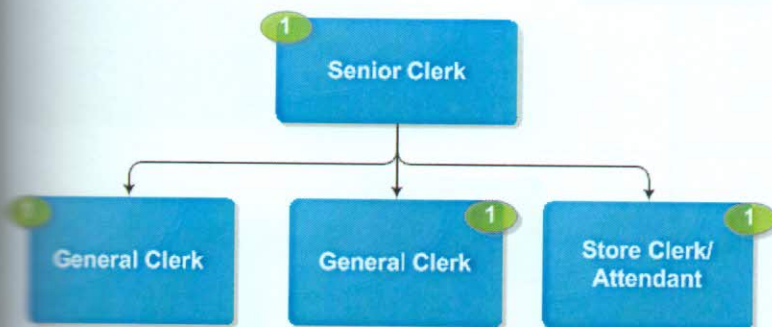
#### Weaknesses noted:

1. Overwhelming responsibility is provided to the Senior Accountant-Finance
2. The board are responsible for the development of policy manuals and participate in the day to day management of the Union.
3. The Senior Accountant-Management is lacking a team.
4. The organisation structure has unclear reporting lines

# 4 Credit and Store Structure

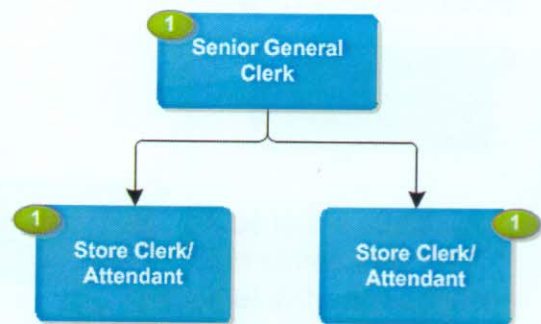
## As Is Credit and Store Section Structure

### Kahuhia



Kahuhia is the only branch that has an ideal organisation structure

### Murang'a, Gacharage and Kigumo\*



\*Kigumo branch has a similar structure although there is an Assistant Banking Secretary instead of a senior general clerk.



### Challenges Observed:

1. Brand image is poor.
2. Manual processes and procedures.
3. High amount of workload and few staff members.
4. Low salary impacting on the staff morale.
5. Major issue with cashflow hence unable to provide loans to farmers.
6. Reporting and accountability is unclear.
7. Minimum stock to satisfy customers due to delay in ordering and delivery.
8. Some of the branches have had no power for the past 3 years due to arrears of the electric bill (Gacharage Store and Credit Section).
9. No assistance from management especially in supplying stock and provision of cashflow in the credit section.
10. No trade union for the members of staff.

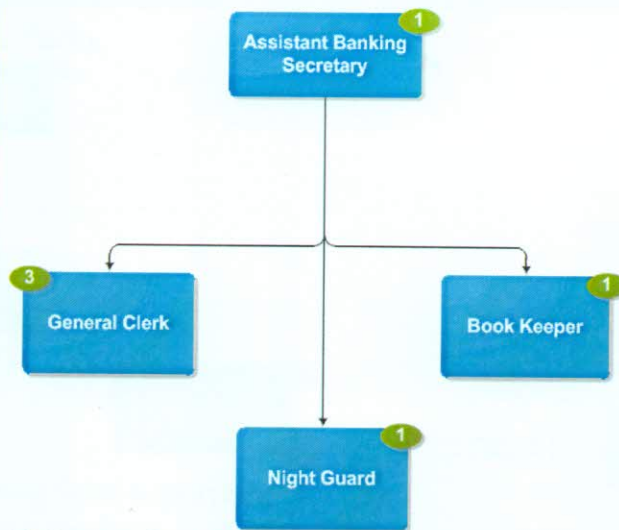
# 4 Credit and Store Structure

## As Is Credit and Store Section Structure

### Gikoe, Kangema and Kahuro



There are only two staff members in each of the branches.



Thika credit section has a unique structure with 3 general clerks, a book keeper and night guard.

### Kiriaini\*, Wanjengi, Gitugi and Kagunduini



Due to the small size of the stores they are mainly handled by one member of staff. Kiriaini branch has an Acting FOSA Manager who does the same function as the store clerk/attendant.



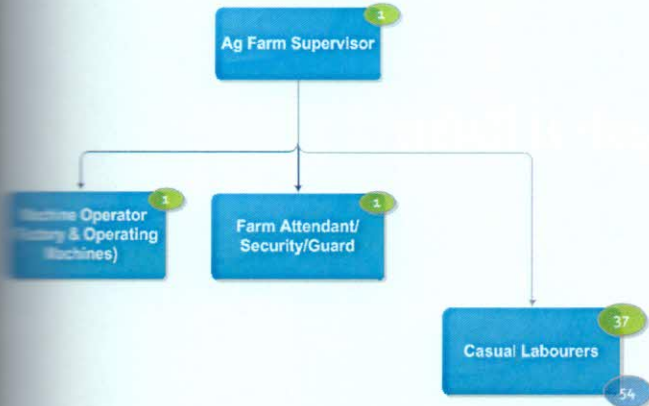
### Challenges Observed:

1. Numerous Agro Vet competitors in some of the Credit and Store section.
2. Credit section is lacking cashflow hence losing business in providing loans to farmers.
3. Low variety of stock negatively affecting sales and customer loyalty.
4. Aggressive marketing is not been done
5. Purchasing of stock is done using a third party increasing the buying price which affects the selling price and marginal profit.
6. Subsidized loans are not provided to members.

# 4 Farm and Coffee Mill Structure

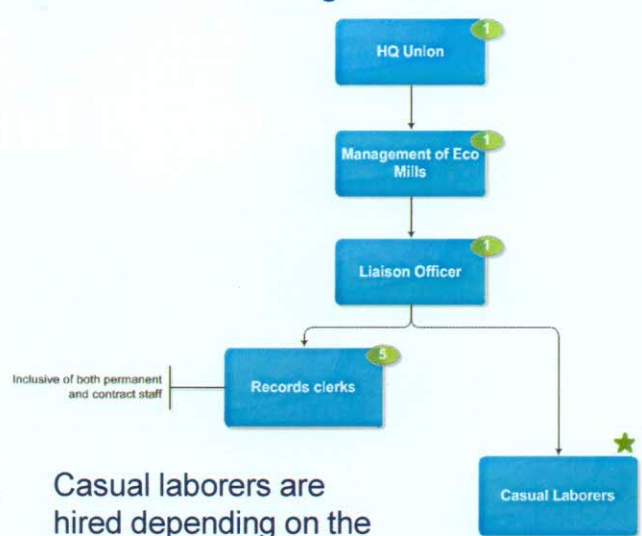
## Farm and Coffee Mill Structure

### Ikundu Farm

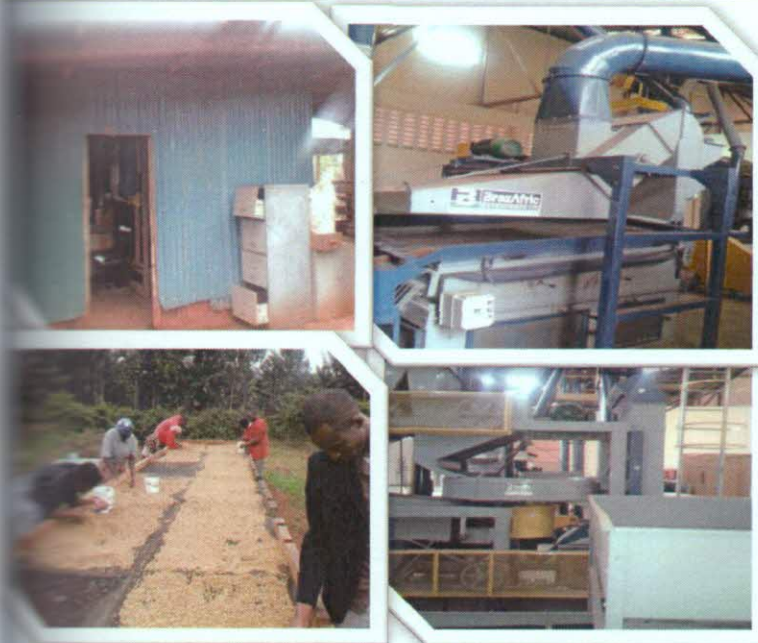


Currently there is an acting farm supervisor who is currently managing the farm. Casual laborers are hired depending on the workload. For off peak seasons they are 37 and during peak seasons they are 54.

### Maragua Coffee Mill



Casual laborers are hired depending on the activity of the factory.



### Challenges Observed:

1. Interference from other staff from the Union (No Clear chain of command).
2. Security is a serious issue, since there are no CCTV cameras and Electric Fence.
3. Factory equipment require maintenance and improvement.
4. Farm inputs are below the expected capacity (Fertilizer, Manure, Chemicals and Folier Feeds).
5. The farm in charge is overwhelmed with duties.
6. The farm is under utilised and not achieving its true potential.

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- **Functions and People**



# 5 Functions and People

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Murang'a Farmers Co-operative Union does not have a clear organisation and reporting structure. The staff in the Union are not aware of their titles and who to report to. Below are the current roles and responsibilities of the staff of MFCU.

## Senior Management

Currently the senior management comprise of the General manager, Deputy General Manager, Senior Accountant Finance and the Senior Accountant Management. The following are the roles and responsibilities of the senior management.

### General Manager



General Manager joined the Union in 1989 as a recorder and was permanently confirmed in 1994. He was appointed as the Ag General Manager in December 2005 and later confirmed in October 2006.

The main role of the general manager is to oversee the day to day running of the union. Specific roles and responsibilities include:

1. Development of the Union's strategic plan.
2. Marketing the Union both in the domestic market and international market.
3. Increases management's effectiveness by recruiting, selecting, orienting, training, coaching, counseling and disciplining managers;
4. Attend the board meetings and submit issues for approval by the board;
5. Approval of payment;
6. Communicating values, strategies, and objectives; assigning accountabilities; planning, monitoring, and appraising job results; developing incentives; developing a climate for offering information and opinions; providing educational opportunities.
7. Review of the performance of the staff.
8. Maintains quality service by establishing and enforcing organization standards.

### Previous GM's of MFCU include:

1. Stanley Muchiri – 20 years
2. Simon Kigo – 8 years
3. Geoffrey Mwangi – 18 months

The main reason for most the previous GMs leaving is retirement and resignation to greener pastures.

Currently the organisation structure of MFCU is not well defined. Therefore, very many employees report directly to the GM as opposed to the specific section heads.

The General Manager is responsible for higher level planning than a manager. He is often responsible for the overall strategic planning and direction of the company or organization and leaves the day-to-day management of the various functions to the managers.

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# 5 Functions and People

## Deputy General Manager



The Deputy General Manager (DGM) is responsible for supporting the General Manager in the management of the entire Union's operations. The DGM of the Union is also the Human Resource personnel responsible for recruitment, selection, appraisal, contracting, development and training of all staff in the union.

The DGM is also the secretary to the board of directors.

The current DGM joined the organisation in July 2012 and was a credit officer before joining the organisation. He reports directly to the General manager.

Currently the specific roles and responsibilities of the DGM include:

1. Supervising the head of departments and other subordinate staff;
2. Maintaining the personnel files;
3. Handling discipline matters;
4. Supervising procurement of goods and services for the Union;
5. Providing Administration service for the Union;
6. Responding to internal and external correspondence on behalf of the GM;
7. Asset management; and
8. Any other task as assigned by the General Manager.

In an ideal situation the Deputy General Manager is in charge of operations such as negotiating contracts with vendors or prospective employees, assigning tasks, leading meetings and implementing initiatives handed down by the general manager.

The DGM is responsible for analyzing and implementing policies and procedures, oversee short and long-term plans and initiatives. He should interact more often with the Union staff than the general manager will and resolve internal and external grievances.



# 5 Functions and People

## Senior Accountant Finance (S.A. Finance)



The S.A. Finance is in charge of the finance department. He reports to the General Manager. Currently almost all departments reports to the S.A. Finance :

1. Cashiers
2. Bookkeepers
3. Procurement
4. Branch Managers
5. Farm Managers and
6. Coffee Mill (Liaison Officer)

The current S.A Finance is approaching retirement and a proper succession plan should be a priority of the Union. Some of the function of this position should be delegated to other personnel. He is also and alternate signatory to all the bank accounts

### **The ideal job description for a Senior Accountant Finance should be:**

1. Administering and interpreting policies and procedures of the following departments:
  - a) Accounting Department
  - b) Cashier Department
2. The head of finance and accounting oversees all finance and accounting procedures of the Union should be done to ensure smooth operations of the Union.
3. The section head supervises and monitors the daily cash controls and investigating the cases of cash deficit or surplus.
4. Ensures that all accounting books are regularly and correctly filled.
5. Ensures that all balance checks done by the accountant and cashiers are accurate at the Union head office and branches.
6. Makes sure that the accounts numbering is adequate and accounts register is regularly filled and up to date.
7. Supervises and checks monthly, quarterly and annual financial statements prepared by the accountant and signoff before forwarding to the General Manager.
8. Oversees the transport of money to and from branches and banks.
9. Supervises at least quarterly inventories of the Unions balance sheet and income statement items.
10. Prepare, monitor and implement action plans and budget of Union.
11. Submits the monthly report on the performance of the Union and performance of internal controls on monthly basis to the General Manager.
12. Submits on time the monthly, quarterly and annual financial returns of the Union.
13. The head of finance and accounting responsible and liable of all internal control weaknesses of the union including non-adherence to these internal control guidelines, fraud and embezzlement that may occur in the union, non-compliance with laws and regulations, misleading information in the financial reports, all malpractices done by staff under his/her control caused by his/her carelessness etc.
14. Any other duties that may be assigned by the General Manager from time to time.

# 5 Functions and People

## Senior Accountant Management



The Senior Accountant Management generates various reports for management purposes. He is the cost accountant of the organisation and reports to the General Manager. He interacts mostly with the S.A. Finance in development of the reports. The specific roles and responsibility of the S.A. Management include:

1. Develop Economic reports on a quarterly basis.
2. Develop other daily, bi-weekly, and monthly reports.
3. Develop the annual budget for the union.
4. Organisation Planning.

Currently the S.A. Management does not have a job description and he is not clear of his expectation.

**Most of his roles and responsibilities have been delegated to other members of staff.**

**The ideal job description for a Senior Accountant Management should be:**

- Analysing information and using it to make business decisions.
- Formulating business strategy to create wealth and shareholder value.
- Determining what information is needed by management and explaining numbers to non-financial managers.
- Advising managers about the financial implications of projects.
- Explaining the financial consequences of business decisions applying accounting techniques to plan and budget.
- Monitoring spending and financial control.
- Identifying and managing risk.
- Conducting internal business audits.



# 5 Functions and People

## Internal Auditor



Internal auditors provide an independent and objective assessment of the effectiveness and efficiency of a company's operations, specifically its internal control structure. The internal audit function helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Currently there is no Internal auditor. The Internal Audit of MFCU is carried out by 2 senior bookkeepers who report to the General Manager. There are no job description for the Internal Auditors. Current the roles and responsibilities of the Internal Auditor include:

1. Site visit on request of the S.A .finance.
2. Developing internal audit report addressed to the GM. (This is not a best practice approach since all internal audit reports should be sent to the Supervisory Committee/BoD then communicated to the GM)
3. Assessment of the document from the Procurement before dispatch to the supplier.
4. Assessment of the document from the Cashiers office before banking or withdrawing cash.

In an idea situation, The scope of internal auditing is broad and may involve the efficiency of operations, IT controls, the reliability of financial reporting, deterring and detecting fraud and compliance with laws and regulations. Internal Auditors may also conduct compliance and operational audits, offering solutions for weaknesses in internal controls and verifying that all laws and regulations are upheld.

### The ideal job description for the Internal Auditors should be:

1. Monitor and document all operations of the Union including the operations of staff and providing the report to the Supervisory Committee and the BoD.
2. Follow up the implementation of all recommendations provided in his/her reports.
3. Responsible for reviewing and reporting on the adequacy of the internal audit system and the financial matters of MFCU.
4. To be a fully qualified accountant under accountants act of Kenya.
5. Responsible for ensuring that internal controls are established and effectively maintained to achieve Union's financial reporting objectives.
6. Responsible for supervising internal controls including the scope of the internal audit program, the internal audit findings, and recommend action to be taken by management.
7. Preparing internal audit reports and their overall effectiveness, the scope and depth of audit coverage, reports on internal control and any recommendations.
8. Responsible for confirming that accounting records and financial reports are prepared to accurately reflect operations and results.
9. Preparing the MFCU's internal audit plan, with specific reference to the procedures for identifying regulatory risks and recommendations for controlling their impacts
10. Develop and monitor the ethical conduct and standards of the union and considering requirements for handling and reporting complaints.
11. To ensure that policies and control procedures are sufficient to safeguard against error, carelessness, conflict of interest, self-dealing and fraud.

# 5 Functions and People

## Procurement Officer



A procurement officer, also known as a purchasing manager, is a very important person in any organization. He ensures that the company makes wise purchases of commodities for the stores, farm and the head office.

Currently, the procurement department is managed by a store keeper. There is no Procurement manager, nor procurement officer. The procurement department reports to the S.A finance, the DGM and the GM. This department had been abolished in 2005 and was re introduced in 2011.

The current Roles and responsibilities of the procurement officer include:

1. Review of the requisition forms from the stores and farms.
2. Analyse the proposed suppliers and select the preferred supplier.
3. Issuing an L.P.O to the Suppliers
4. Reviews the invoices, good received note, L.P.O and recommends for payment.

The Procurement officer does not have a job description. More training and capacity building needs to be done to empower the procurement officers. In addition, there is no procurement committee formed by senior management nor procurement policy to guide the process. Procurement in the union should be done as per the procurement act.

### **The ideal job description for the Procurement Officer should be:**

1. Process purchase requisitions / orders within the Union.
2. Invite, assess and award/recommend supplier tenders, bids, quotations and proposals.
3. Establish and negotiate contract terms and conditions, and maintain supplier relationships.
4. Prepare and maintain purchasing records, reports and price lists.
5. Work with internal and external stakeholders to determine procurement needs, quality and delivery requirements.
6. Assist in the development of specifications for equipment, materials and services to be purchased.
7. Administer contract performance, including delivery, receipt, warranty, damages and insurance.
8. Reconcile or resolve value discrepancies.
9. Comply with and maintain knowledge of applicable rules, legislation, regulations, standards and best practices.
10. Develop and maintain constructive and cooperative working relationships with colleagues and management.

# 5 Functions and People

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## IT Administrator



The IT Department's mission is to provide the information technology required for the fulfillment of the Union's mission in an efficient and effective manner. Currently the IT department is lead by one IT administrator who reports to the GM

The current Roles and responsibilities of the IT administrator include:

1. Advising the management on IT related matters.
2. Ensuring the hardware and software within the Union are efficient.
3. Represent the institution in IT related forums.
4. Represent the organisation on funding related issues (project funding and management).
5. Typesetting.

The IT administrator does not have a well defined job description and some of the activities done by the administrator, should be done by the marketing department and General Managers office.

### **The ideal job description for the IT Administrator should be:**

1. Install new / rebuild existing servers, configure and upgrade hardware, peripherals, services, settings, directories, storage, etc. in accordance with standards and project/operational requirements.
2. Install, configure systems and update such as point of sale systems or asset management applications etc.
3. Develop and maintain installation and configuration procedures.
4. Research and recommend innovative and where possible automated approaches for system administration tasks. Identify approaches that leverage our resources and provide economies of scale.
5. Perform daily system monitoring, verifying the integrity and availability of all hardware, server resources, systems and key processes, reviewing system and application logs, and verifying completion of scheduled jobs such as backups.
6. Perform regular security monitoring to identify any possible intrusions.
7. Perform daily backup operations, ensuring all required file systems and system data are successfully backed up to the appropriate media, recovery tapes or disks are created, media is recycled and sent off site as necessary.
8. Create, change, delete user accounts per request, investigate and troubleshoot issues.
9. Apply OS patches and upgrades on a regular basis, and upgrade administrative tools and utilities. Configure / add new services as necessary.
10. Perform ongoing performance tuning, hardware upgrades, and resource optimization as required. Configure CPU, memory, and disk partitions as required.
11. Maintain data center environmental and monitoring equipment.

As the IT industry changes so rapidly, training will be key for the IT administrator. The Union should ensure that the administrator is kept up to date with the latest developments which may involve courses or encourage self-tuition through manuals and information supplied by IT or software companies.

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# 5 Functions and People

## Bookkeepers



The bookkeepers are in the finance department. The Bookkeepers have been subdivided into senior bookkeepers and Bookkeepers but they all report to the S.A. finance. In some instances, the bookkeepers report directly to the GM leading to confusion in the reporting.

The roles and responsibilities of the senior and junior bookkeepers are similar and they include:

1. Posting the vouchers from the cash journal to the relevant ledger accounts.
2. Analysis the data to generate the trail balance for each revenue centers.
3. Assist the S.A Finance to generate the final accounts i.e. Balance sheet, the P&L and the Trail Balance for the external auditor.

The Union currently has 4 bookkeepers each in charge of various revenue centers. As illustrated below:

<b>Bookkeeper 1</b> <ul style="list-style-type: none"><li>• In charge of all the 12 stores and the Coffee Mill in Maragua</li></ul>	<b>Bookkeeper 2</b> <ul style="list-style-type: none"><li>• In charge of the following credit sections:<ul style="list-style-type: none"><li>➢ Kihuro</li><li>➢ Kahuhia</li><li>➢ Gikoe</li><li>➢ Maragua</li></ul></li></ul>	<b>Bookkeeper 3</b> <ul style="list-style-type: none"><li>• In charge of the following credit sections:<ul style="list-style-type: none"><li>➢ Thika</li><li>➢ Kiriaini</li><li>➢ Kangema</li><li>➢ Kigumo</li><li>➢ Gacharage</li></ul></li></ul>	<b>Bookkeeper 4</b> <ul style="list-style-type: none"><li>• In charge of:<ul style="list-style-type: none"><li>➢ Union/ Staff Matters</li><li>➢ Asset and Liabilities</li><li>➢ Ikundu Farm</li></ul></li></ul>
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- These bookkeepers don't have job descriptions. One of the bookkeepers is on leave and his duties have not been delegated to other colleagues. Therefore his activities are pending his return. He is also in the process of retirement but there is no succession plan in place leading to confusion in the department.
- The reports from the branches are received on a weekly basis but for less busy branches, reports are sent after 2 weeks.
- All the processes are done manually, but with a proper system all the activities could be done by two accountants.





# 5 Functions and People

## Cashiers



The Cashiers Office is under the finance department. Ideally the department is headed by a senior cashiers supported by junior cashiers. In MFCU, this office is run by two general clerks with three years experience in the office. They report to the S.A. finance and work together with the other bookkeepers.

Currently their roles and responsibilities include:

1. Posting cash journals
  2. Receiving sales from stores
  3. Handling cash
  4. Banking and withdrawing from the Union bank accounts
- The cashiers office is located on a different floor from the Union head office posing a risk of attack or theft of Union funds due to minimal monitoring.
  - The cashiers don't have the necessary skills in nor qualification for this job.



**The ideal job description for the Cashiers should be:**

1. Handling all the cash transaction of an organization.
2. Receive payment by cash, cheques, credit card etc.
3. Banking and withdrawing from the union bank accounts.
4. Checking daily cash accounts.
5. Reconciliation of the cash account and bank accounts.
6. Guiding and solving queries.
7. Providing training and assistance to new joined cashier.
8. Maintaining monthly, weekly and daily report of transactions.



# 5 Functions and People

## Farm In Charge



Murang'a Farmers Co-operative Union (MFCU) has a farm at Ikundu farm. The farm is managed by a Farm in charge personnel in the absence of the Farm manager. The farm in charge does not have a job description and acts as the farm manager. He reports to the S.A finance and GM creating uncertainty in reporting. The current roles and responsibility are:

1. Allocating duties to the casual workers
2. Supervision of the casuals
3. Recommendation for payment
4. Supervision of the farm employees (Fulltime and contracted) and the guard.

The roles and responsibilities above are not sufficient for the farm manager. In addition the farm manager needs to have an annual target production which has not been implemented.

Our proposed job description of the farm manager is as follows:

### The ideal job description for the Farm Incharge/Manager should be:

1. Forward planning.
2. Making policy decisions.
3. Budgeting and maintaining accurate financial records.
4. Organising sales and purchases of livestock, farm equipment, crops and agricultural products.
5. Handling paperwork and keeping administrative records.
6. Recruiting, training/instructing and supervising farm workers.
7. Making sure that work progresses satisfactorily.
8. Ensuring compliance with government regulations, health and safety standards.
9. Keeping an up-to-date knowledge of pests and diseases.
10. Ensuring that the farm is profitable and meets projected financial targets.
11. Organising maintenance/repair of farm property, equipment and machinery.
12. Advertising and marketing farm products.

With proper management of the farm the union can cover all its expenses and still have some surplus. Farm management should be a priority for MFCU.



# 5 Functions and People

## Branches



MFCU has branches distributed throughout Murang'a County. Most branches have both store and credit section but in some regions the branches have either credit section only or an agro vet store. An ideal branch structure should consist of a branch manager, credit clerk and a store attendant.

### Current roles and responsibilities of the Branch manager:

1. Overseeing the operations of the branch and staff.
2. Verifying the sales report from the store attendant.
3. Verifying the loans advance to the farmers.
4. Marketing the Union products.
5. Attending various meetings.

### Current roles and responsibilities of the Credit Clerk:

1. Opening accounts.
2. Collection of deposit and withdraw savings.
3. Provision of credit to the accountholders.
4. Recovery of the loans advanced.

### Current roles and responsibilities of the Store Attendant include:

1. Selling the Agro vet commodities to customers on cash or credit.
2. Provision of sales receipt at the close of business.
3. Conducting quarterly stock take.
4. Preparation of requisitions.



## 5 Functions and People

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### The ideal job description for the Branch manager should be:

1. Have direct responsibility in increasing revenues and profitability.
2. Make decisions based on their market and community when developing plans to increase their customer/farmers base.
3. Invest in self professional leadership development.
4. Maintain contact and friendly relationships with customers/farmers and suppliers in order to build a favorable company image.
5. Successfully resolve customers/farmers issues timely and professionally.
6. Review daily reports, taking appropriate action as needed.
7. Maintain branch security, opening and closing of branch.
8. Oversee cash deposit activity.
9. Attend periodic branch manager's meetings.
10. Complete and submit in a timely manner all necessary paperwork regarding personnel, accounting, accounts payable, etc.
11. Manages workflow to assist staff in balancing priorities, providing backup support if needed and otherwise ensuring that all work is accomplished with an appropriate sense of urgency.
12. Reconcile inventory discrepancies and adjustments.
13. Ensures facility is maintained in a neat and professional manner.
14. Solicit feedback from subordinates, peers and other team members with the goal of personal or operational improvement.
15. Responsible for the cost effective requisition supplies of needed equipment, supplies and outsourced services with acceptable suppliers.
16. Develop sales and expense budget for the branch operations.
17. Analyze and evaluation of activities, costs, operations, budgets and forecast data to determine branch progress towards stated goals and objectives. (or to maintain a competitive edge in the marketplace)
18. Direct accounts receivable activities for branch. Ensure collection calls are made and outstanding debt is collected. Check credit, open new accounts. Work with Credit Manager as needed.
19. Assign and directs all work performed in the branch and supervises all areas of operation in accordance with established company policies/procedures, objectives and applicable laws.
20. Periodically evaluate the performance of branch personnel, develop goals and objectives. Provide both formal and informal feedback on a regular basis.
21. Anticipates staffing requirements to meet operational needs.
22. Participate in the recruiting and interviewing process of new employees in the branch.
23. Oversee training as well as identify and foster development opportunities for all branch personnel as required or needed.

# 5 Functions and People

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**The ideal job description for the Store attendant should be:**

1. Maintain the store and displays to be clean and tidy all times.
2. Use courteous language when interacting with customers/farmers and offering information about the Union products.
3. Make orders for customers and receive deliveries.
4. Make inventory and store goods.
5. Check all products to see if there are not damaged.
6. Handle financial transactions.
7. Carry out periodic stock take.
8. Receive and solve complaints about the services or products in the store section.
9. Offer technical support to customers if required.
10. Provide support to the Store Manager in implementing programs and execute operational and organizational objectives.
11. Understand and anticipate customer/farmer's needs.
12. General office duties such as answer telephone, take orders, send emails, ensure maintenance at the working place.
13. Assist the Store Manager when filing in forms, reports and control documents according to agreed control procedures.
14. Participate at regular meetings and report any unusual events or problems to the branch manager.



# Functions and People

## Marketing Department



Marketing involves a range of processes concerned with finding out what consumers want and then providing it for them. In MFCU the marketing department is headed by the Marketing Manager who is supported by a marketing officer. The marketing manager reports to the GM. There was neither letter of appointment nor a job description given to the two marketing personnel.

The specific roles and responsibilities of the marketing department include:

1. Represent the Union in public forums.
2. Represent the Union to the affiliates and members.
3. Acquiring feedback on the services and products provided by the Union.
4. Preparation of the Union's budget.
5. Carry out market survey.
6. Development of marketing strategy.

The current staff in this department don't have the education background in marketing or experience in the field. The marketing manager was formerly in the accounts department and has previously worked in the store centers. The marketing department is also restricted to domestic marketing since the international marketing is solely done by the GM

### The ideal job description for the Marketing Personnel should be:

1. Researching and evaluating new Union product opportunities, demand for potential products, customer needs and insights.
2. Overall marketing strategy and execution of plans for the existing Union products.
3. Working with product development teams to manage new product development.
4. Managing launch campaigns for new Union products.
5. Managing distribution channels for Union products.
6. Ensuring effective, branded marketing communications including the company website, print communication and advertising.
7. Managing media, marketing Union products and interact with external PR agencies to create awareness of the Union inside and outside of Murang'a county.
8. Analysis of the effectiveness of all marketing efforts.



# 5 Functions and People

## Coffee Mill Manager



The Eastern Aberdare Coffee Mills is currently managed by a Liaison manager who oversees four clerks and the casual workers. The Liaison officer reports to the GM, the S.A finance and the management of Eastern Aberdare Coffee Mills.

His current Roles and responsibilities include:

1. Overseeing the operations of the Mill
2. Monitors the parchment and pulping
3. Supervises packaging and reporting of production
4. Ensure distribution of coffee after milling

In the absence of mill manager, the liaison officer acts at the manager of the plant. His current roles and responsibilities are not focused on the profitability of the mill nor its efficiency, but to ensure that the mill is just operational.

### The ideal job description for the Coffee Mill Manager should be:

1. Lead plant production and maintenance personnel in day to day activities to ensure the safe and efficient maintenance of equipment and facilities.
2. Ensure the efficient processing of incoming coffee while maintaining end product quality standards.
3. Ensure preventative maintenance and repairs of all material handling systems and equipment to minimize downtime.
4. Works with Plant Supervisor in planning, budgeting, organizing resources, executing work plans, monitors production and quality, co-ordinates priorities, resolves issues and participates in special projects and work schedules.
5. Hire, direct, coach and mentor staff to ensure performance targets are being met.
6. Ensures that all staff subordinates are suitably trained/qualified/licensed for the various tasks and jobs they must complete.
7. Plans, organizes, implements and monitors work schedules/external suppliers consistent with the normal needs of the plant and special projects.
8. Assume P&L responsibility including the development and achievement of budgetary and cash flow goals to ensure the long-term viability of the plant.
9. Ensure site compliance to all labour, safety and environmental regulations.
10. Prepare management reporting as required.
11. Ensure that Health and Safety requirements are being met by supporting and participating in regular Health & Safety meetings.
12. Perform other duties as assigned by his immediate supervisor.



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- **Process and Procedures**



# 6 Process and Procedures

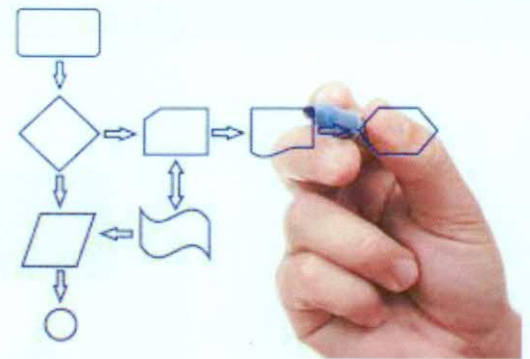
Currently the organisation has polices and procedures that were developed in 1986 making them outdated and irrelevant in the current industry.

The core processes of the MFCU are:

1. Accounting and cash transaction.
2. Providing credit facilities to farmers.
3. Sale, stocktaking and requisition of agro vet products.
4. Payroll.

Departmental and branch processes have been observed to be:

- a) **Generic**- majority of the departments and branches lack end to end process flows with process owners, input and output documents in the activities.
- b) **Unstandardized** input and output documents especially in the credit and store sections/branches.
- c) **Key Performance Indicators and Service Level Agreements** have not been documented because there are no processes and procedures in the Union.

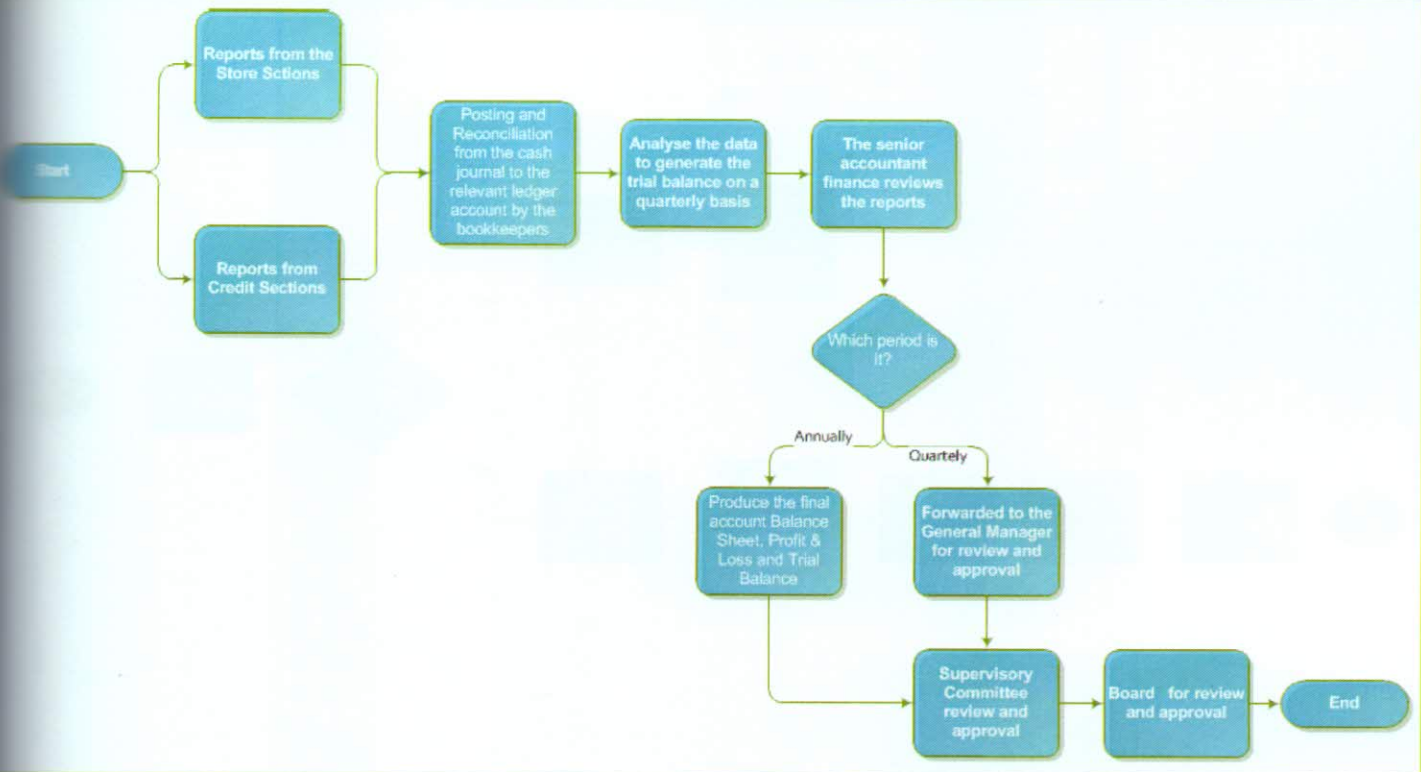


Processes and Procedure mapping is being used increasingly in fast growing organisations. It is key that where process maps are shared they follow consistent conventions and principles such as:



# 6 Process and Procedures

## As Is Accounting Processes and Procedures



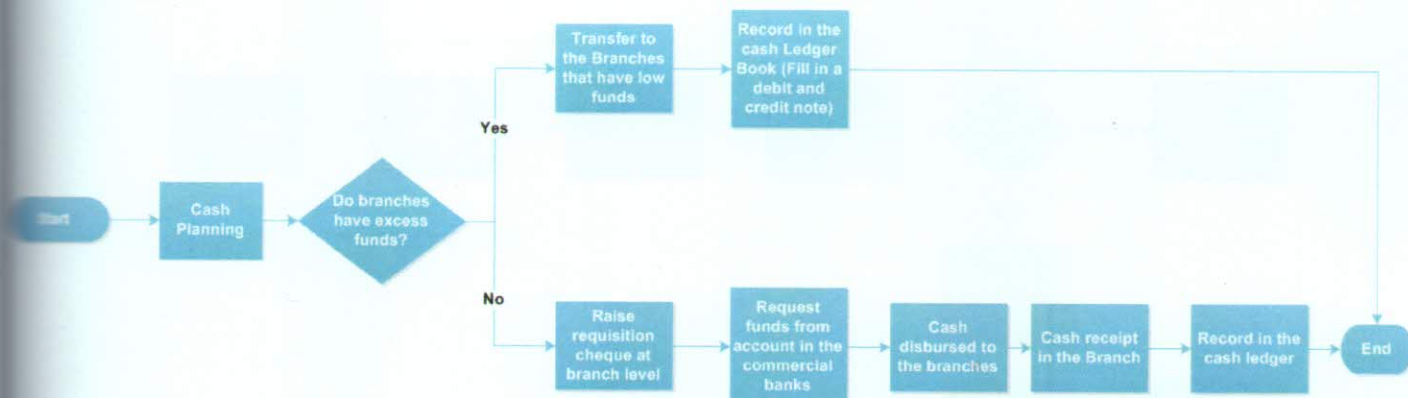
### Activities:

- Reports are received from the store and credit section.
- Posting and reconciliation from the cash journal to the relevant ledger account by the bookkeeper.
- Analyse the data to generate the trial balance on a quarterly basis.
- The senior accountant finance reviews the accounting reports.

- **Decision:** Which period is it?
- **Annually:** Produce final account balance sheet, profit & loss and trial balance.
- **Quarterly:** Forwarded the accounting reports to the general manager for review and approval.
- Supervisory committee review and approve.
- Board of Directors for review and approve.

# 6 Process and Procedures

## As Is Cash Transaction Processes and Procedures



### Activities:

- Conduct cash planning

- **Decision:** Do branches have excess funds?

- **Yes:**

- I. Transfer to the branches that have low funds.
- II. Record in the cash ledger book (Fill in a debit and credit note).

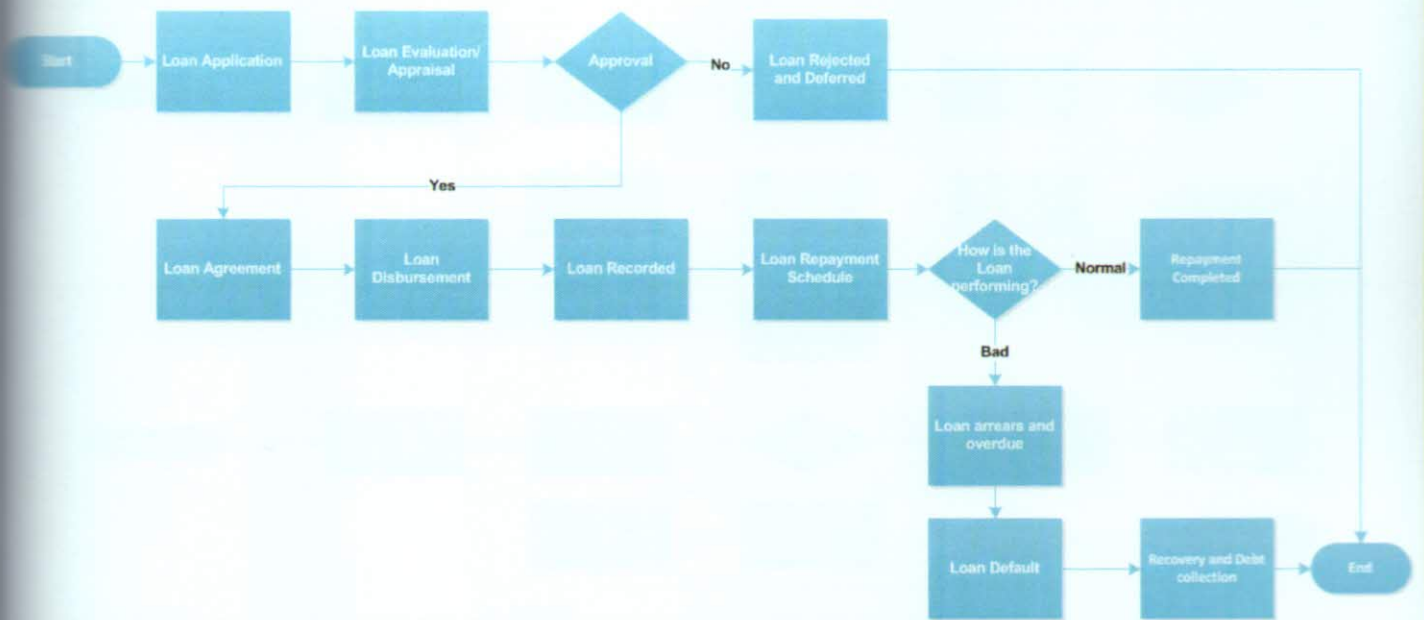
• **No:**

- I. Raise requisition cheque at branch level.
- II. Request funds from account in the commercial banks.
- III. Cash disbursed to the branches.
- IV. Cash receipt in the branch.
- V. Record in the cash ledger.

# 6

## Process and Procedures

### As Is Provision of Credit Facilities to Farmers Processes and Procedures



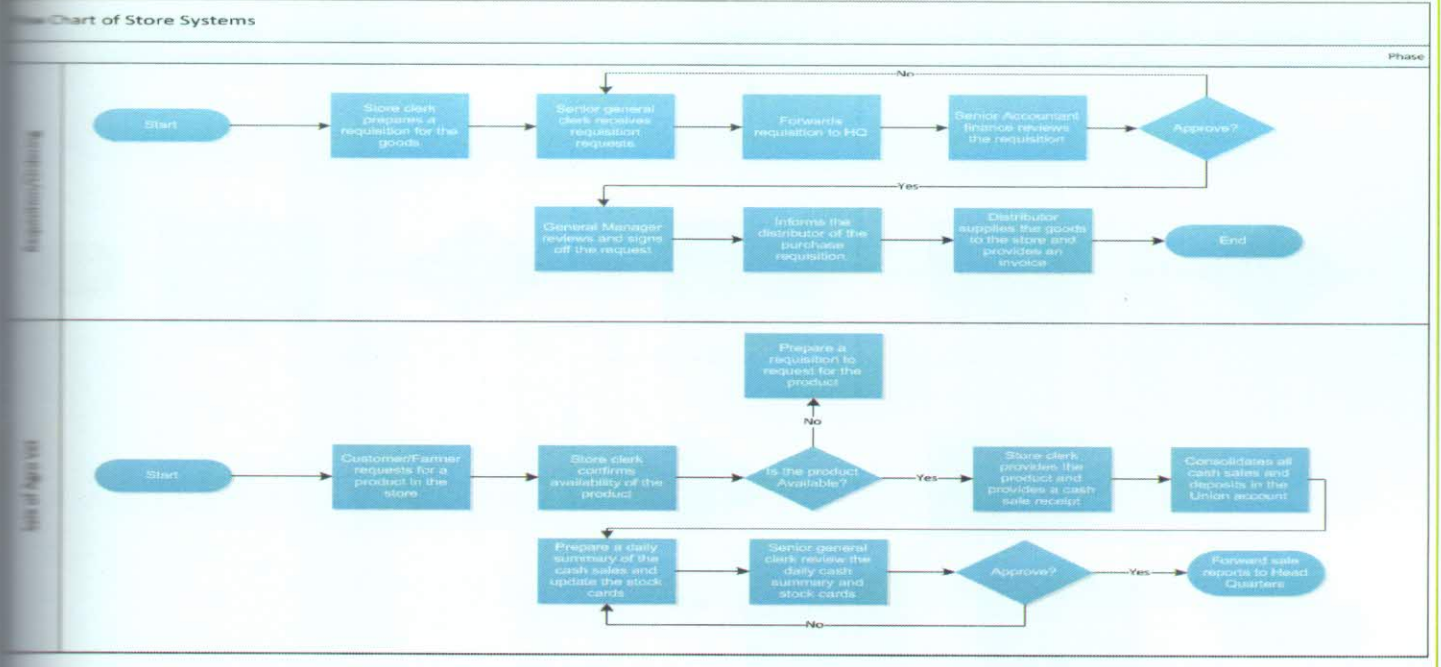
**Activities:**

- A Union member applies for the loan.
- The loan is evaluated and appraised
- **Decision:** Approve the loan?
- **No:** The loan is rejected and deferred.
- **Yes:** Provide a loan agreement.
- The loan is disbursed and recorded.

- A loan repayment schedule is provided.
- **Decision:** How is the loan performing?
- **Normal:** Repayment is completed.
- **Bad:** Identify the loan arrears and overdue payment dates.
- The loan is categorised as a default.
- The loan is moved to recoveries and debt collection.

# 6 Process and Procedures

## As Is Requisition and Sale of Agro Vet Products Processes and Procedures



### Requisition/Ordering

- Store clerk prepares a requisition for the goods.
- Senior general clerk receives requisition requests.
- Forwards requisition to HQ.
- Senior Accountant finance reviews the requisition.
- **Decision:** Approve?
- **No:** Forward back to the senior general clerk for rework.
- **Yes:** General Manager reviews and signs off the request.
- Informs the distributor of the purchase requisition.
- Distributor supplies the goods to the store and provides an invoice.

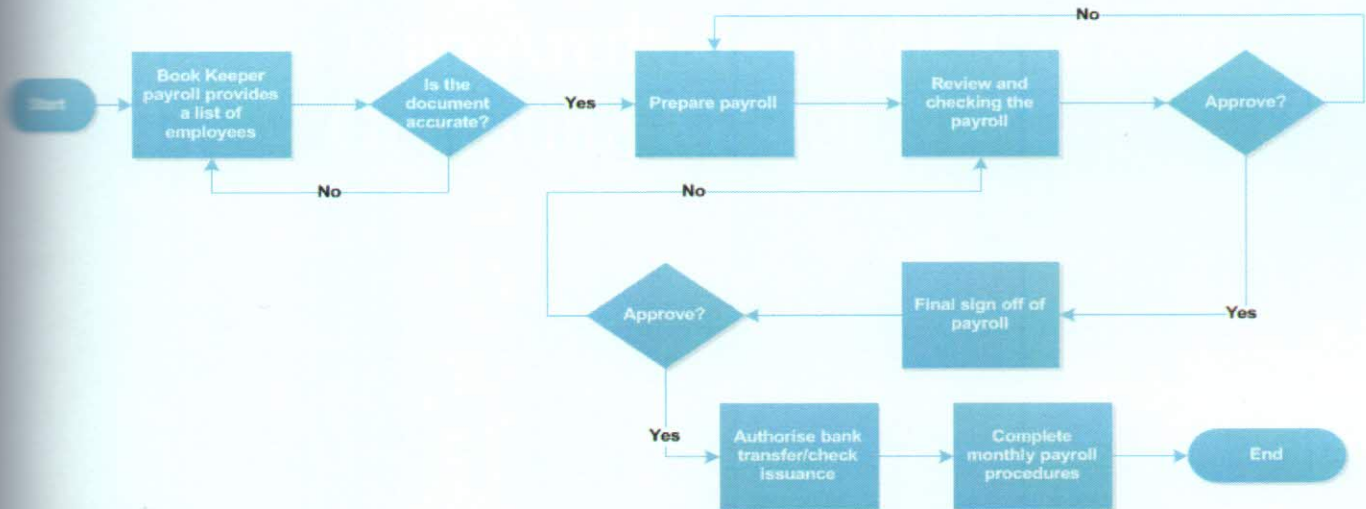
### Sale of Agro Vet Products

- Customer/Farmer requests for a product in the store.
- Store clerk confirms availability of the product.
- **Decision:** Is the product available?
- **No:** Prepare a requisition to request for the product.
- **Yes:** Store clerk provides the product and prepares a cash sale receipt.
- Consolidates all cash sales and deposits in the Union account.
- Prepare a daily summary of the cash sales and update the stock cards.
- Senior general clerk reviews the daily cash summary and stock cards.
- **Decision:** Approve?
- **No:** Forwarded back to the store clerk for rework.
- **Yes:** Forward sale reports to the Head Quarters

# 6

# Process and Procedures

## As Is Payroll Processes and Procedures



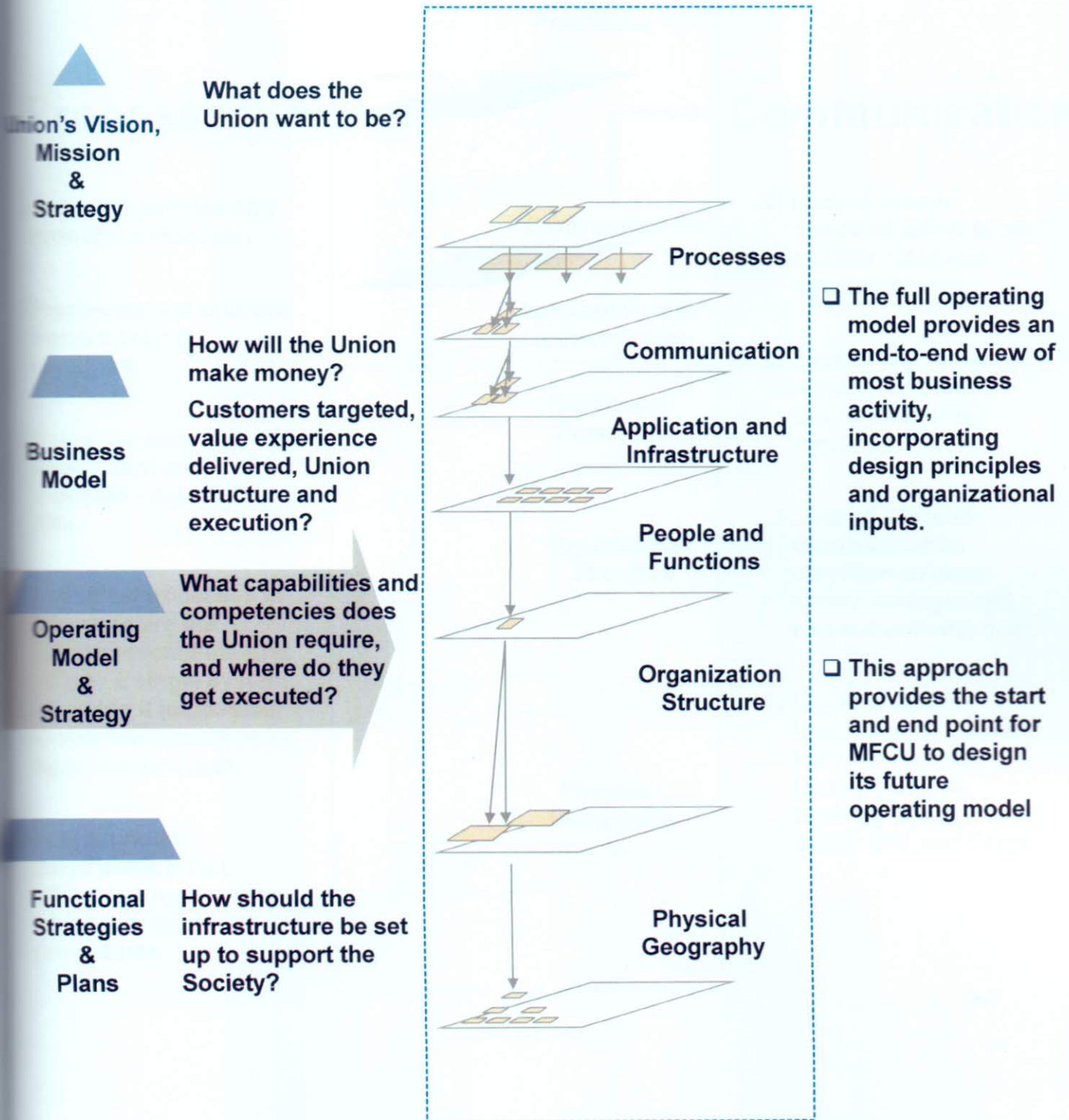
### Activities:

- Book keeper Payroll provides a list of employees.
- **Decision:** Is the document accurate?
- **No:** Forward back to payroll book keeper for rework.
- **Yes:** Senior Accountant Finance prepares the payroll.
- Deputy General Manager reviews and checks the payroll.
- **Decision:** Approve?
- **No:** Forward back to Senior Accountant finance for rework.

- **Yes:** Final Sign Off of the Payroll by the General Manager.
- **Decision:** Approve?
- **No:** Forward back to Senior Accountant Finance for rework.
- **Yes:** Authorised bank transfer/check issuance.
- Complete monthly payroll procedures.

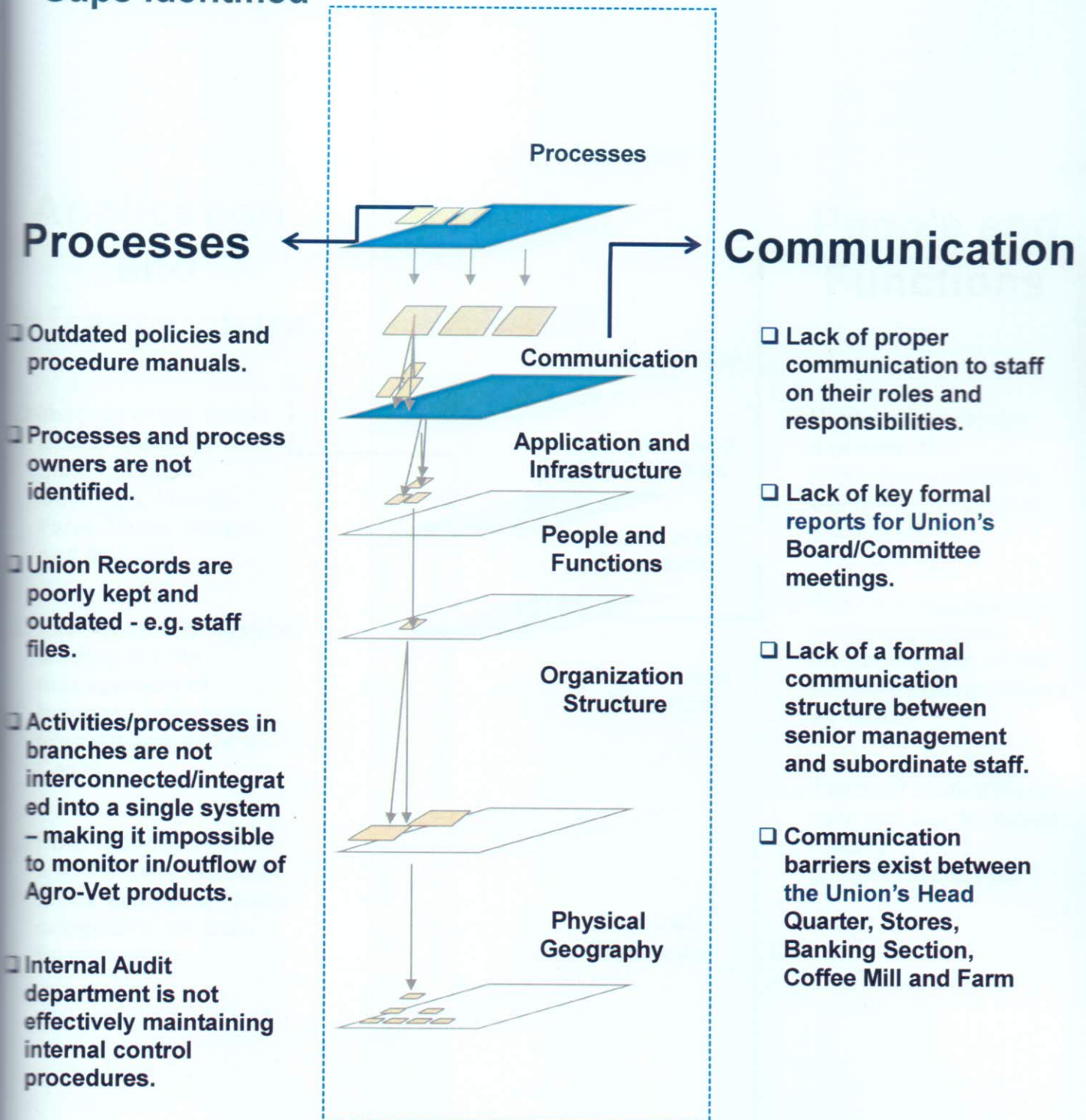
- 
- **Gap Analysis of the Current Operating Model**

A Target Operating Model is defined by the combination of a number of components, or layers that support an organisation in achieving its Mission, Vision and Strategic objectives.





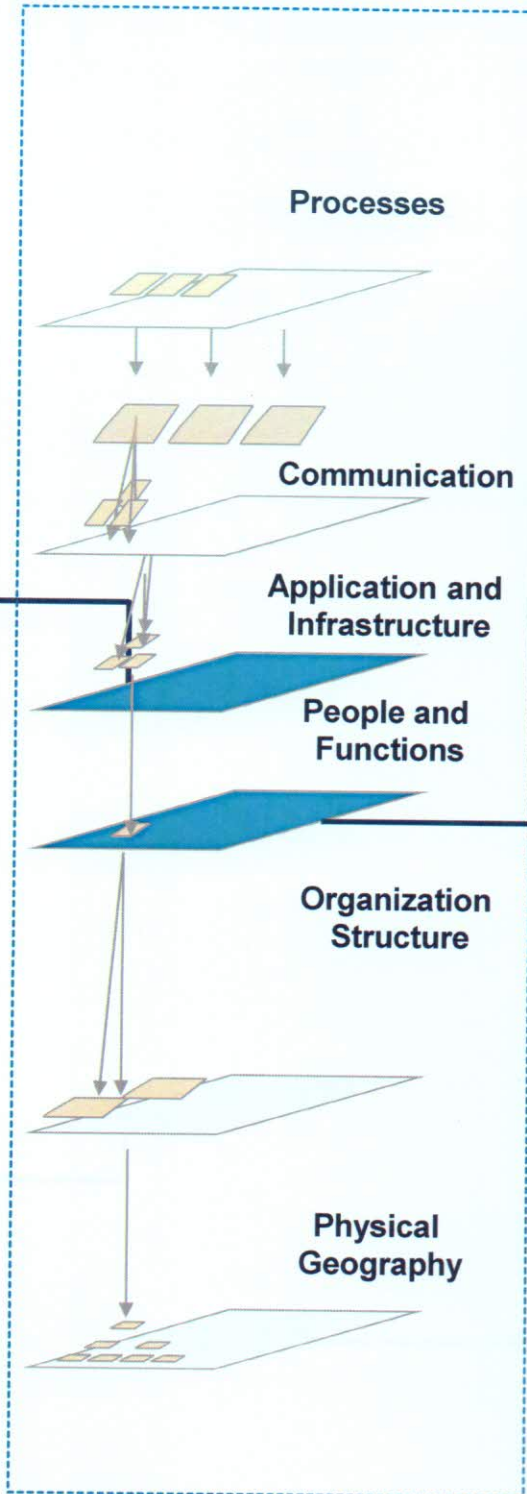
## Gaps Identified



## Gaps Identified

### Application and Infrastructure

- ❑ Majority of the Union assets are under utilised. (Union Buildings, Ikundu Farm, Petrol Station and Ecomill)
- ❑ Lack of an ERP system leading to poor management of business resources (People, Assets and Cash)
- ❑ Poor IT Infrastructure e.g. the Switch/Router is not functional, some computers are non-functional etc.



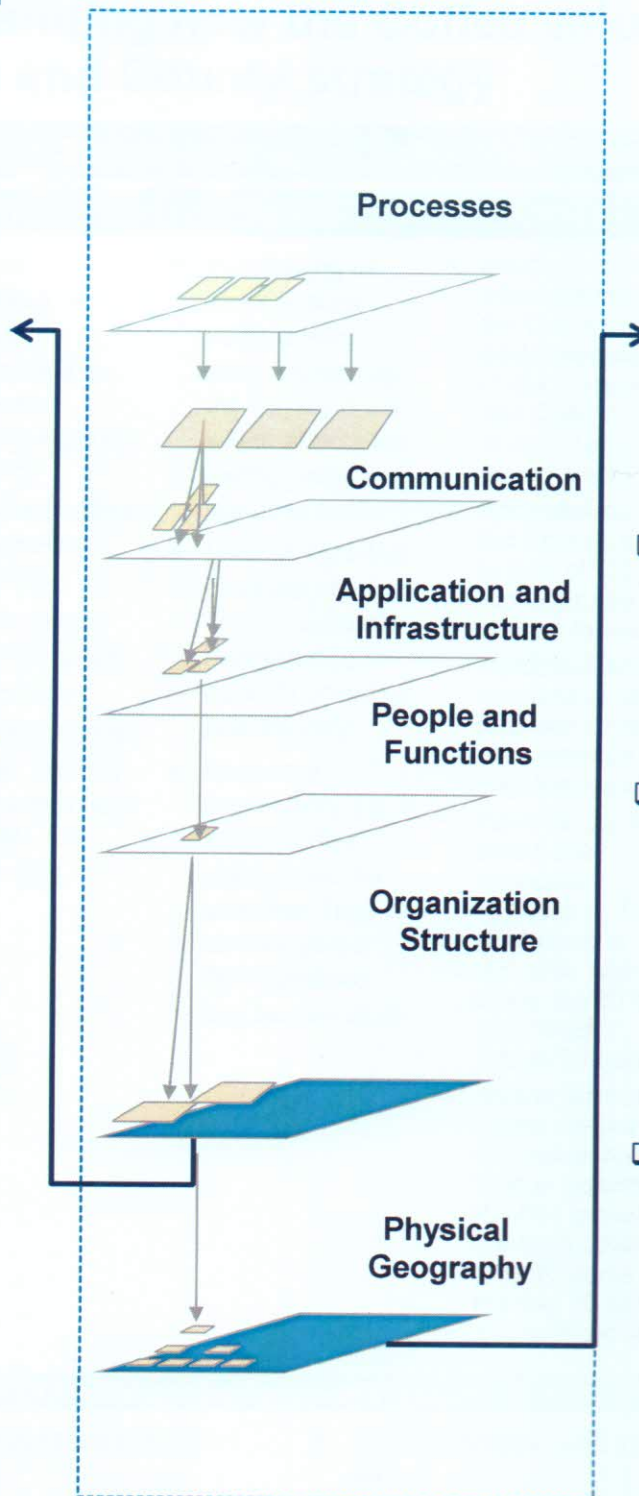
### People and Functions

- ❑ Unclear recruitment and selection procedures affecting the quality of work in the Union.
- ❑ Poor mix between the youth and elderly. Where majority of the staff are elderly (Above 45 Years)
- ❑ The staff motivation is very low due to lack of reward system/incentives.

## Gaps Identified

### Organization Structure

- ❑ Wide span of control for most of the positions.
- ❑ Unclear reporting lines from MFCU HQ office to Stores, Banking Section, Coffee Mill and Farm.
- ❑ The board participates in development of policy manuals and the day to day management of the Union.



### Physical Geography

- ❑ Office is poorly maintained leading to misplacement/damage of sensitive documents i.e. (Lease agreements).
- ❑ Office layout is disorganized for instance the Union's Cashier department is neighboring the marketing department of Murata SACCO offices.
- ❑ Lack of security guards to watch the head office nor are there surveillance cameras in branches, Ikundu Farm and Eco Mill.

## Identifying and prioritizing improvement opportunities requires understanding how the Coffee value chain aligns to MFCU's and County strategy

### Current Challenges along the Coffee Value Chain

Develop	Plan	Source	Make	Deliver
<ul style="list-style-type: none"> <li>▪ Low quality of coffee due to poor farming methods.</li> <li>▪ Lack of product variety in Union retail stores.</li> <li>▪ Value addition of MFCU Coffee is not done leading loss of identify of Murang'a County Coffee brands.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Lack of structures or plans to determine the Customer demand visibility of MFCU products (Coffee and Agro-Vet Products)</li> <li>▪ Price in some instances is not competitive</li> <li>▪ Lack of customer service training on how to collect data for forecasting.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Purchasing of stock is done using a third party increasing the buying price which affects the selling price and marginal profit.</li> <li>▪ Lack of Agro-Vet products stock to satisfy customer demand due to delay in ordering and delivery.</li> <li>▪ Poor crop productivity e.g. a single coffee plant produces less than 2kgs of berries, some don't produce any berries at all.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Interference from other staff from the Union on the daily operations of the Ecomill (No Clear chain of command and governance)</li> <li>▪ Poor security in the Ecomill due to lack of CCTV cameras and electric fence.</li> <li>▪ Outdated factory equipment which requires constant maintenance and improvement.</li> <li>▪ Farm inputs are below the expected capacity (1 Truck of Manure is currently used to cover the 20 acre plot. Ideal; 1truck/10 Acre)</li> <li>▪ Ikundu farm is under utilised and not achieving its true potential. (Coffee grown in the farm covers only 40 acres leaving 20 acres of unutilized land)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Lack of a route to market strategy for Murang'a coffee.</li> <li>▪ The coffee Value Chain distribution network is unclear and there are no structures in place</li> <li>▪ The Union does not advertise, promote Murang'a products or interact with PR agencies to create awareness of the Union inside and outside of Murang'a county</li> <li>▪ Poor Product awareness in the market.</li> <li>▪ Delivery of Agro-Vet products to key farmers is not done/</li> </ul>

### MFCU-wide cross-functional issues / criteria

- Alignment & integration of processes to support top-tier performance.
- Design of a Coffee supply chain organization to best support the Society.
- Introduce performance metrics for the Coffee value chain.
- Conduct process and system improvement for the society
- Overall improvement of the MFCU's asset, financial and operations structures.

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- **Recommendation and Future Design**

# Recommendations and Future Design

To address the identified challenges in the current operating model, a target design has been developed that recommends changes to improve the behaviours and interaction across key business areas, reduce cost through increasing process efficiency, enhance core capabilities and improve strategic relationships.

## Current

- The current operating model of MFCU requires improvement across its business architecture functional layers. Key challenges noted include:
  - Working Capital Constraints
  - Misapplication of member funds
  - Improper banking & lending practices
  - Outdated Information Systems
  - Internal Control weaknesses
  - Long outstanding creditors
  - Lack of skilled and qualified staff.
  - Professionalism and customer care is lacking.
  - Marketing is not been aggressively done.

## Recommendations

For MFCU to achieve its future operating model. The organisation should consider the following priority areas:

### Management and Structural Redesign and Realignment

- Governance systems
- Human Resource Plan
- Internal Control Systems

### Asset, Financial and Operations Restructuring

- Management of Information System
- Asset Management and Investment Plan
- Improve performance in credit and store sections by providing cashflow and stock injections.

### Resolution of Disputes and Debts

- Priority should be given in the resolution of all disputes between the Union and suppliers/vendors due to payment.
- Aggressively debt collection should be strengthened to enhance revenue collection and follow up on overdue accounts.

### Focus of Union Expansion/diversification and Value addition in:

- The Eco Mill
- Ikundu Farm
- Go Down in Murang'a

### Capacity Building:

- Education and Training Programmes amongst the staff
- Strengthening Affiliated Societies of MFCU

## Future Target Design



A **customer proposition** that focuses on exchanging maximum value with Platform's most profitable customers through increased customisation of products and high touch relationship management (based on work within CVP).



The potential for multiple **product** ranges. Exclusives will have the potential to vary on price and criteria (credit) features – currently, there is only one product range supported by exclusives that vary on the rate available.



A target **functional model**, that should enable an increase in the effectiveness of functions and their ability to respond to market opportunities.



A draft **organisation design** that improves spans of control with a recommendation for a future exercise to map roles to the value of activities.



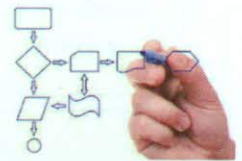
New and improved **technology** that will support straight through processing, contribute to process efficiencies and reduce technology risk.

# Recommendations and Future Design

## Component 1: Processes

To-Be

- ✓ Simplified and standardised Union processes and procedures that will ensure accountability and efficiency in delivering value to coffee farmers.
- ✓ Standardized policy documents and internal control procedures will enable consistent interpretation by the members of staff. Improving professionalism and transparency in the workplace.
- ✓ Increase awareness of standard operating procedures and key performance indicators among the Union staff to streamline operations in the headquarters, stores, Ikundu farm and Ecomill.
- ✓ Automate order to receipt process for Agro-Vet products using an ERP system to reduce the need for human interventions, errors and delays.



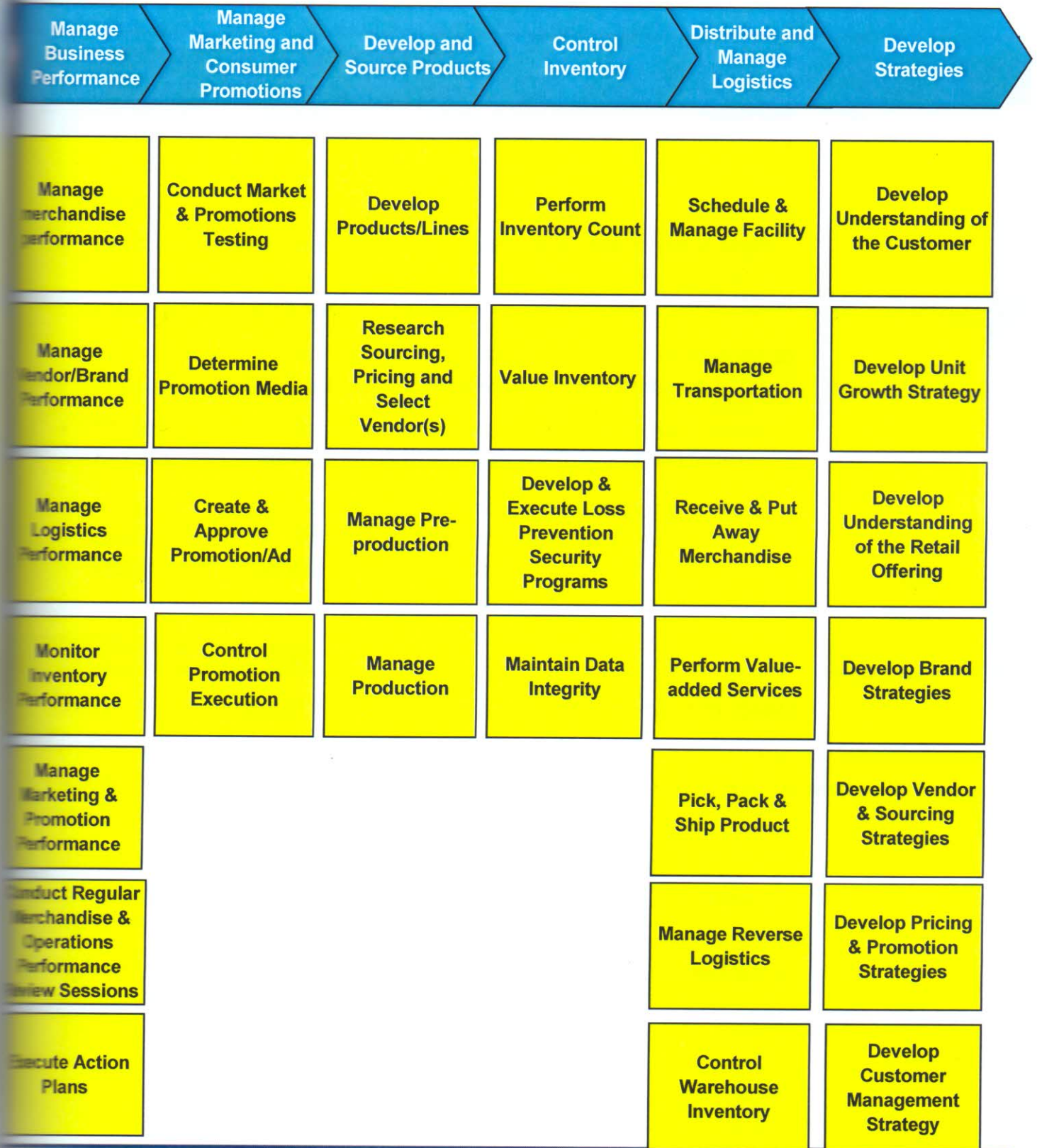
## Component 2: Communication

To-Be

- ✓ Introduce a formal communication plan and structure for Murang'a Farmer's stakeholders.
- ✓ Develop and implement MFCU board and senior management reports to assist in monitoring and tracking progress of growth.
- ✓ Introduce a communication process of handling complaints, disciplinary measures, reward alignment, retirement plans and handover.
- ✓ Clearly communicate the cascaded performance metrics to all members of staff. (Preferably at the beginning of a financial year).



# Deal Coffee Value Chain processes for the Union





# Recommendations and Future Design

## Component 3: Application and Infrastructure

To-Be

- ✓ Introduce an ERP system that will centralize operations in one location therefore making informed decisions based on real time data.
- ✓ Introduce a data management system that will monitor staff utilization of printing materials, email correspondence, file management and safe guarding of sensitive data.
- ✓ Introduce and adopt a culture of using electronic messages to improve response time, accessibility and convenience.
- ✓ Streamline and integrate the organisation and departmental functions with an identified ICT infrastructure in the Union.
- ✓ Improve and standardise the physical infrastructure of MFCU's buildings, stores, Ecomill and Ikundu farm which will lead to increase in good will and asset value.



## Component 4: People

To-Be

- ✓ Conduct staff evaluation and training needs assessment to identify knowledge gaps
- ✓ Develop comprehensive training programme specific to the technical staff in the Union's farm, ecomill, stores and head quarters.
- ✓ Introduce and document a competitive recruitment process and procedure both externally and internally. With clear appointment, induction, probation and confirmation processes and procedures.
- ✓ Implement a rewards structure that integrates individual performance and incentive metrics to improve staff moral.



# Recommendations and Future Design

## Component 5: Organisation Structure

To-Be

- ✓ Design an organisation structure where every department of the Union has a role to play in the achievement of MFCU strategic goals and objectives.
- ✓ Introduce job descriptions and roles that are based on the Union activities and not tailored to the qualifications of the individual.
- ✓ Develop a clear and transparent governance structure that outlines approval and decision making procedures.
- ✓ Training of Union's board of directors, management and members of staff on their roles.
- ✓ Develop a code of ethics.



## Component 6: Physical Geography

To-Be

- ✓ Conduct valuation of MFCU assets to determine current value and opportunities of generating revenue through sale, lease agreements or business development.
- ✓ Improve and standardise (Face lift) the image of stores, Ikundu farm and head quarters leading to stakeholder confidence in associating with the Union.
- ✓ Engage in debt collection activities for all accruing arrears/overdue accounts to build liquidity in the Union.
- ✓ Establish a clean policy culture in the Union (Head quarters, Agro-Vet stores, Ikundu Farm and Ecomill) with the intention of becoming a standard of excellence in Kenya's Coffee Cooperative Movement.



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- **Conclusion**

## Conclusion

In summary from our diagnostic assessment of the organisation we have a firm belief that MFCU has a capability of becoming a strong Union. Once we have tackled the gaps identified above, this is due to the following strengths:

- The union has a very strong asset base with real-estate in prime areas of the major towns.
- Very high demand of coffee both in the domestic and international market.
- Ready Market of their products in Murang'a County.
- Has long experience in the business, large loyal membership and closely linked to grass root organisations.
- The Union has dedicated and loyal employees who have been with the organization for a very long period
- Good customer relations in Murang'a especially with the Farmers
- A strong foundation and goodwill derived from the members and other stakeholders of Murang'a County
- Wide Branch network that has created a presence in the large Murang'a County and part of Thika
- Good working relationship with the County Government, the Co-operative Bank, Murata Sacco and other stakeholders of Murang'a County.

In this regard we believe that the above gaps can be filled with effective and efficient recommendations which we shall provide in detail in the next phase of design for an ideal target operating model.



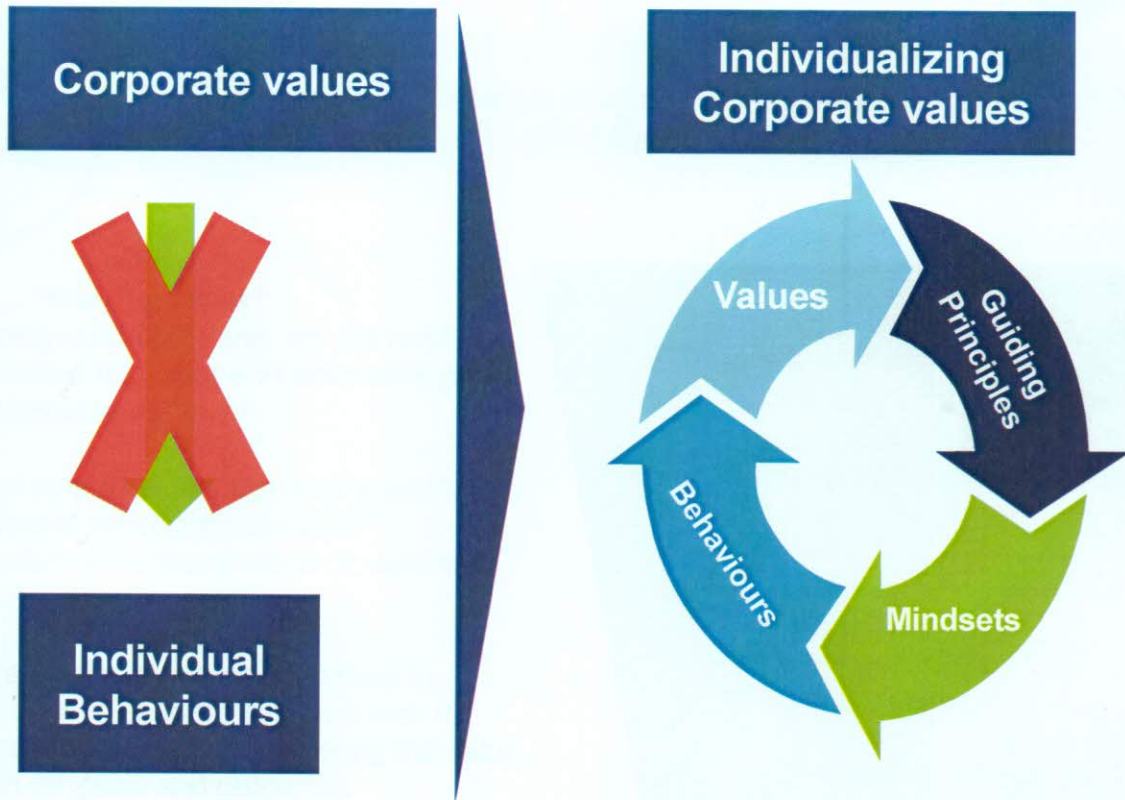
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- Appendices

## The Future State of The Union



Fostering a disciplined and results driven culture begins with transforming corporate values into individual values

“We are looking for ways to bring our mission, vision and values to life”



The guiding principles define the roles and responsibilities of both assets and functions, as well as how the two groups work together to create value for Murang’a Farmers Co-operative Union:

The guiding principles pertaining to:

1. Strategy
2. Process, Policies and Procedures
3. Culture
4. Communication, Infrastructure and Technology
5. Organisation Structure and Governance
6. People & Skills

# Strategy and Objectives



## Strategy and Objectives

### The Organization's Strategic Planning Framework for Prioritizing Objectives and Aligning Behaviour

#### From ... "Many Priorities"

- Strategy and objectives are not readily translated into clear and actionable goals and behaviours

*"Overall corporate strategy and what that means is not clearly identified"*

*"No systematic documentation to achieve strategy"*

- In translating strategic objectives to individual roles there can be a lack of alignment between teams along the value chain on goals and outcomes

*"Functions have competing objectives – some cost, some quality, others schedule"*

#### Implications

- Individuals may find it difficult to focus on the right priorities
- Individuals may not be able to translate priorities on a day-to-day basis
- Compounding implication: Role accountability and responsibility may be unclear resulting in too many / not enough key stakeholders working towards common goals.

#### To ... "Focused and Prioritized" Guiding Principles

- The 2013-2017 strategy is articulated in a way that provides absolute clarity on prioritization criteria and focus areas for the Union.
- Strategic objectives and goals are defined to provide alignment at all leadership levels.
- Objectives are defined in a way that support both vertical and horizontal value chain alignment.
- Organizational performance KPIs and targets inform any trade-off decisions that may need to be made at different organizational levels.

#### Mindsets:

*I understand the strategy, I know what I need to do to support our strategic goals, and I am committed to delivering it*

#### Behaviours

- Individuals perform regular assessments of progress and work towards the strategy; evaluation of trade-offs is focused on strategy and short-term goals.

# Goals and Values



## Goals and Values

*The Union ambitions, beliefs and rules that influence behaviour*

### From ... "Loosely Aligned"

- A relatively new organizational structure and existence of distinct sub-cultures is unintentionally fuelling an independence mindset.

*"Subcultures exist based on employees personal affiliations (relatives and friends)"*

- A strong relationship-based culture, however, this may render formal structures and rules ineffective

*"Some of MFCU employees are viewed as authorities even when authority has not been assigned"*

- Differing mindsets between functions has led to a lack of balance in the relationship  
*"There is a lack of shared mindset"*

### Implications

- An independence mindset will undermine efforts to collaborate end-to-end
- Career progress may be viewed as being relationship-based rather than performance-based hence challenge the perceived transparency and effectiveness of the performance management system
- A "master and servant" mindset, in the absence of aligned KPIs, may undermine efforts to remove complexity and drive operational improvement

### To ... "Tightly Aligned"

#### Guiding Principles

- A compelling, efficient and measured value /culture definition is in place to help influence greater end-to-end collaboration
- A clear partnership model exists between assets and functions with a deliberate focus on structured knowledge and information sharing to help neutralize independence mindsets
- Aligned organizational KPIs that support end-to-end excellence and continuous improvement (from the customer going back) are in place
- A merit based culture that openly recognizes and praises high performers (as defined by aligned KPI scorecards)

#### Mindsets

*I am recognized for what I do and how I perform rather than who I know; I believe in a true partnership model with my counterparts from other organizational areas*

#### Behaviours

- Top performers are aligned with the most important initiatives and play the most critical roles in the organization.
- Corporate forums and meetings have equal representation from across the value chain.



# Policies, Processes and Procedures



## Policies, Processes and Procedures

The formal management and operational processes and controls frameworks

### From ... "Many Owners, Many Users"

- Inconsistent processes and operations across functions; and lack of linked and aligned business planning processes between the Union Head quarters, its branches, Farm and Eco Mill.  
*"Very few documented corporate processes or procedures"*  
*"There are processes in place that do not work for everyone and impact the department's ability to meet business goals"*
- Inconsistent processes have worsened the Unions operational performance because there is no technology to support and monitor accountability.  
*"I will do what is right for me and not for the Union mentality"*
- Policies and controls may be interpreted differently across functional/branch reporting lines.  
*"No controls and standardization will make life difficult in the workplace"*

### Implications

- Operating with such complexity to drive less complexity will, in itself, make it challenging to obtain alignment on the 'right' solutions and outcomes for the Union.
- Specific processes, operations and technology could drive a silo mentality between functions and inhibit collaboration and knowledge sharing

### To ... "One Owner, Many Users"

#### Guiding Principles

- Simplified and standardized processes and operations across the organization will help create consistency, for both assets and functions and ultimately in value delivery.
- Shared IT platform and infrastructure will ensure that all assets and functions will operate under common technologies and within a single source of data to drive consistency, accuracy, transparency and efficiency.
- Standardized and documented policies, processes and controls will enable consistent interpretations within and across assets and functional areas

#### Mindsets

*I believe greater consistency in process, technology and data can make my job easier*

#### Behaviours

- Shared processes are jointly developed, documented and endorsed between assets and functions
- Technology and data requirements are accommodated and trade-offs discussed between teams

# Structure and Governance



## Structure and Governance

*Formal management structures and governance processes and how they are perceived by the people in the organization*

### From ... "Siloed and Inefficient"

- Lack of clarity around roles, ownership, accountability and decision rights  
*"Uncertainty around who are the gatekeepers and who are the service providers within the Union"*  
*"No single person deciding what the best way to manage the asset"*
- Multiple people involved in the decision making process; with most decisions ultimately made at the GM level  
*"Formal org structure is not representative of how decisions are made"*  
*"Issues always escalated to the GM"*
- Siloed functional structure that leads to lack of collaboration  
*"Organizational structure has been built on empires"*

### Implications

- Lack of accountability might lead to diffusion of responsibility and increase the likelihood for lack of follow through.
- Siloed functional structure could be perceived as the formal, executive or strategic view of how groups should interact and collaborate with one another.

### To ... "Trust and Clarity"

#### Guiding Principles

- A RACI (Responsible, Accountable, Consulted and Informed) model is always used to establish clear accountability around roles, responsibilities and decision rights.
- A clear and transparent matrix and governance structure that outlines approval and decision making procedures to streamline the process and ensure involvement of only the key and relevant individuals exists.
- Formal and informal engagement mechanisms, (e.g. forum, knowledge networks) will support collaboration and sharing between assets and functions.

#### Mindsets

*I clearly understand my role and key decisions that I need to make; and am equally clear about decisions that others can make without me*

#### Behaviours

- People attend meetings only when they are the key decision makers or can contribute critical information. They will be expected to assume responsibility and accountability with follow-up actions
- People will frequently refer to formal decision rights and governance matrix to ensure that they are making contributions to the agreed processes and decisions and minimize involvement of others

# Knowledge



## Knowledge

The awareness and understanding that people have (formal and informal)

### From ... "Knowing Self"

- General consensus that managers do not have a clear understanding of how other functions of the Union work; clarity of their roles relative to the accountabilities of peers in other divisions; full end-to-end value chain knowledge.

*"Have to pull out an organizational chart to figure out who does what"*

*"People and departments do not understand what they do and how it relates to their customers"*

### Implications

- Individual functional area's objectives might be in conflict with one another thus undermining the effectiveness of the Union.
- Lack of mutual understanding and alignment between functions could create a perceived lack of collaborative intent, thus further reinforcing silo and operating independence.

### To ... "Knowing Community"

#### Guiding Principles

- Forum and knowledge sharing mechanisms, (e.g. virtual platform, communities of practice, etc.), will help build understanding of how the overall Union works.
- Individual's roles and responsibilities, and how they fit into the end-to-end process (also making it easier to identify continuous improvement opportunities and tapping into discretionary effort).
- Embed opportunity, risk tracking and reporting mechanisms to help identify common issues across assets and functional areas.
- A clear organizational structure and design that has a moderate to high degree of standardization and alignment across MFCU assets and functions will make it easier for people to connect with counterparts.

#### Mindsets

*I understand how the business works and the different parts that I, my team, and others play in it*

#### Behaviours

- Individuals openly share and discuss their objectives, performance and role expectations, as well as their expectations of what and how other assets or functional areas will help them in delivering their goals.

# Skills



## Skills

*The abilities and experiences that people have to operate effectively*

### From ... "Technical"

- An absence of transformational skills has resulted in the inability to translate high level strategies into priorities on a day-to-day basis.

*"No systematic documentation to achieve strategy"*

*"I don't know how to structure my department around short-term objectives"*

#### Implications

- Inadequate planning of required skills and capabilities to support the business could undermine change efforts, momentum and outcomes.
- Lack of transformation experience may lead to long-term business risk.

### To ... "Technical, Behavioural and Transformational"

#### Guiding Principles

- Skill gaps and training needs analysis will be performed to help identify the core technical, behavioural and transformational capabilities required to drive the new operating model.
- Embed targeted and 'just-in-time' development of key transformational and leadership skills into the organization (e.g. support 'change leaders' in their role with timely and tightly contextualised capability development from the Union leadership development programme).

#### Mindsets:

*I am, and seen to be, an effective and inspirational transformational leader*

#### Behaviours:

- Managers use their own and/or team specific language to help individuals understand and interpret the overall strategy and change impacts.
- Strong shift in focus from technical to behavioural and transformational skills – individuals prioritize training and feedback needs around these areas.

# Learning



## Learning

*The act, process or experience of gaining new knowledge or skills*

### From ... "Passive Learning"

- There is no formal learning or training plan/curriculum in the Union.
- Organizational knowledge (corporate memory) is an important influencer of behaviour, yet it exists inconsistently in the Union.

### Implications

- Learning and knowledge content that is not aligned to 2013 – 2017 Strategy. Making it weaken and slow cultural change.
- Compartments of organizational knowledge are not centrally leveraged to drive behaviour results in the risk of building an independence mindset. This has led to undermining collaborative behaviours.
- Capabilities of employees may not be at required level to deliver 2013 – 2017 objectives.

### To ... "Collaborative Development"

#### Guiding Principles

- A central repository (e.g. Centre of Excellence to capture corporate knowledge in Union), to enable build up of best practices to be shared and enhanced across the organization, and then embedded into the Culture of the Union, will be developed.
- Embed continuous improvement, learning, innovation and transformation into all parts of the Union, enabling the on-going transformation process to become business-as-usual.
- Develop a mechanism to make it easy for people to find, engage, participate, and facilitate communities of practice (informal learning).

#### Mindsets

*I see the value of learning from past mistakes and capturing our best practices to avoid "re-inventing the wheel" every time*

#### Behaviours

- Individuals, assets and functions actively search, consult and leverage the central repository for knowledge and standards.
- Individuals, assets and functions actively share and contribute learnings and best practices to the central repository.
- Individuals are actively involved in communities of practice / interest to share ideas and expertise.

# Recruitment and Induction



## Recruitment and Induction

*The identification of new people to join the organization, and their assimilation into it*

### From ... "Ad Hoc"

- Leaders voice concern that they have been hindered by the lack of talent available, a people plan and restrictive hiring process.

*"Departments do not have a good grasp on their people needs when staffing decisions are made"*

- Concern over whether Union is hiring the right talent for the job are prevalent.

*"Concern that Union is hiring people that don't have the required experience for the job"*

### Implications

- Low standardization on hiring processes can result in the organization not acquiring the necessary skills and capabilities needed for achievement of the 2013-2017 Strategic Plan.
- A relationship based culture could be perceived as bureaucratic, political and inefficient.
- Appropriate employee value proposition required in order to attract the right talent to enable the organization to achieve 2013-2017 Strategic Objectives.

### To ... "Championed Assimilation"

#### Guiding Principles

- Union's value proposition to potential candidates will be updated to reflect the 2013 – 2017 values.
- Targeted recruiting of individuals who possess strong facilitation, communication, relationship building and integration skills.
- A standardized and centralized hiring process will be embedded into the HR function to ensure that hiring decisions are made in a proactive and impartial fashion.
- A formal mentoring system for new leaders so they can quickly understand the "Union career culture", including advice on "how things get done" and key informal networks (consider cross-divisional mentorships).

#### Mindsets

*I have visibility and clarity around the capabilities my department will require and I have a plan in place to acquire them*

#### Behaviours

- Leaders actively develop, manage and review a people strategy for their function/asset, identifying capabilities and the associated people plan required for execution of long-term strategic objectives.
- Leaders actively look for coaching and mentoring opportunities; and individuals actively seek out leaders and respected peers for on-going coaching and mentoring advices.

# Personal Accountability



## Personal Accountability

Clear role design and the willingness of people to accept accountability for their own actions

### From ... "Assigned Responsibility"

- Inward focus in many functions creates silo based decision making and contributes to:

*"Uncertainty around who are the gatekeepers and who are the service providers"*

### Implications

- Reluctance to take personal responsibility in delivering facts could lead to inaccurate reporting, over-confidence and lack of trust.
- Risk of no accountability for results, impacting the organizations ability to deliver on 2013-2017 Strategic Plan Objectives.
- Lack of personal accountability can result in a greater need for consensus and relationship-based decision making which can lack transparency and may result in outcomes that are not in the organization's best interests.

### To ... "Personal Accountability" Reinforcing Mechanisms

- Provide clear accountability for assets and functions so that the right stakeholders are involved and decision making is clear.
- Clear recognition and praise for "above and beyond" performance and to those who "go the extra mile", as well as for "telling it like it is".
- Provide coaching to individuals who miss the opportunities to step up, as well as apply transparent consequences to those who fail to follow through on their accountabilities, including the delivery of unpopular but necessary feedback.

### Mindsets

*I feel personally accountable for delivering performance outcomes, regardless of what is expected of me*

### Behaviours

- Individuals are willing to devote their extraordinary effort when needed and assume full personal accountability for performance outcomes.
- Individuals hold others accountable for assuming personal accountabilities, thus creating a strong merit based culture.

# Performance Management



## Performance Management

*The measurement and assessment of people's contribution to organizational goals*

### From ... "Subjective and Lagging"

- There are no integrated KPIs across functions to drive consistent priorities  
*"I don't know how departments/branches integrate across Union and to overall corporate strategy."*  
*"Uncertain on how my own department goals and metrics integrate with other functions."*
- KPIs are not cascaded down through all levels of the organization resulting in misaligned priorities, objectives and goals  
*"No way to measure our annual objectives."*

#### Implications

- Lack of shared and consistently designed KPIs across functions could raise concerns around transparency and perceived fairness of assessment.
- Lack of vertical and horizontal KPIs within a function could lead to misaligned priorities.
- Lack of alignment between performance and incentives could inhibit a performance-driven and merit based culture.

### To ... "Enabling Performance and Success"

#### Guiding Principles

- Review and standardize the design of KPIs such that alignment horizontally across assets and functional areas, and vertically (aligned to strategy) down levels of the organization exists.
- Select and prioritize a targeted number of KPIs to ensure focus and measurability.
- Realign performance and incentives based on the organization's KPIs and reward employees based on their contribution to the achievement of the organization's KPIs.

#### Mindsets

*I have full clarity of my KPIs and can see how they align within my team and across those of other assets and functions*

#### Behaviours

- Leaders use KPIs to guide performance as well as a catalyst for cross-functional collaboration and alignment of priorities across and within business areas.



# Rewards and Incentives



## Rewards and Incentives

Instruments and actions to encourage appropriate behaviour or efforts, such as fear of consequence or expectation of reward

### From ... "Variable Performance-Reward Link"

- Rewards and recognition programs are non-existent and not aligned by functional area or end-to-end. These leads to reinforcing an independence mindset and potentially 'tribal' behaviour.  
*"I go to bat for all my people when it comes to bonus time"*

### Implications

- Misaligned performance incentives could lead to lack of performance focus as well as perceived non-transparency of the incentive process.
- Siloed rewards and incentives approach could undermine a strong performance and merit based culture.
- Subjective performance measures lead to potential execution issues, resulting in 2013 – 2017 Strategic Objectives not being achieved.

### To ... "High-Performance Drives Reward"

#### Guiding Principles

- Implementation of a rewards structure that integrates key performance and incentives metrics.
- Rewards and incentives are aligned, standardized and 'benchmarked' across assets/functional areas to drive consistency and transparency.
- Rewards and incentives criteria will be measurable.

#### Mindsets

*I can clearly see the link between high performance and rewards*

#### Behaviours

- Individuals actively review their performance targets and goals to ensure that their focus is aligned with key business objectives.
- Individuals actively use KPIs and incentives in performance discussion, including goal setting, performance feedback and development actions.

# Teamwork



## Teamwork

*The willingness of people to support and challenge others, collaborate and work towards a defined goal or outcome*

### From ... "Fragmented"

- A strong relationship-based culture which can manifest poor confidence to challenge without hierarchical authority.

*"We need to find a way to make everyone feel safe"*

- Not all stakeholders are included in critical meetings and discussions.

*"Not all the right people are included in meetings when required"*

### Implications

- Lack of an appropriate challenge culture could lead to 'group think' and a lack of 'stress testing' of decisions, as well as views/decisions biased towards hierarchy and/or more dominant individuals.
- Tendency to not resolve issues in meetings, but over-reliance on informal one-on-one catch-ups could lead to perceived undisciplined, non-transparent and sub-optimal decision making.
- Non-resolution of issues leads to escalations and delays in decision making.
- Lack of challenge could reinforce a silo culture where collaborative discussion is not practiced and insights/learnings not shared.

### To ... "Collaborative"

#### Guiding Principles

- Individuals are publicly praised and recognized for providing constructive feedback (positive and negative).
- Strong protocols, in which issues are resolved and decisions are made and agreed with the right participants, are in place.
- Individuals are given training and mentored to provide solution-based feedback and challenges.

#### Mindsets

*I feel that it is my responsibility to support and constructively challenge others, as well as be supported and challenged by others, in order to arrive at the best outcomes*

#### Behaviours

- Individuals are willing to apply an "obligation to dissent" mindset in discussions to drive the best outcomes and solutions.
- Individuals actively engage in solution-based and outcome-based discussions and refrain from dwelling on faults and issues.

# Management



## Management

*The ability of leaders to identify and drive necessary changes within the organization*

### From ... "Managing Change"

- A tendency exists to manage issues in a reactive fashion; obtaining buy in from employees is difficult given the emergent nature of change efforts.

*"We are in firefighting mode"*

- Lack of an effective forum that drives change and improvement efforts
- Structural changes have not been supplemented with corresponding development of informal management and engagement mechanisms

*"Some departments have frequent contact, while others have none"*  
*"Mechanisms to link departments and branches are not in place"*

### Implications

- Inefficiencies exist as people are not always focused on the right priorities.
- People do not adopt change efforts as they have not bought into the change process.
- Lack of an effective forum could lead to inefficient discussions and decision making, (e.g. too many people with unclear agenda focus and actionable outcomes).
- Weak forum could be perceived as an ineffective engagement mechanism thus discourages people from wanting to participate and collaborate.

### To ... "Driving Change"

#### Guiding Principles

- Leaders are effective change agents within the organization and are able to identify and manage change in a proactive fashion.
- Strong protocol around forum structure that includes the right (and necessary) representation and participation, clear agenda and purpose, targeted and solution-based dialogue and follow-up actions with clearly assigned accountabilities.
- Applying a mix of 'hard' (e.g. forum) and 'soft' (e.g. behavioural norms) engagement mechanisms to drive sustainable change and collaboration between assets and functions.

#### Mindsets

*I feel that our management is an effective role model for driving change and promoting collaboration across the organization*

#### Behaviours

- Individuals understand the need for change and adopt the necessary behaviours to support and propel change efforts.
- Individuals do not feel the need to attend all meetings, they are comfortable that they will be included when they are a key decision maker, have an important contribution, or can drive action items etc.

# Leadership



## Leadership

*The behaviours exhibited by leaders in the organization*

### From ... "Talk The Talk"

- Lack of clarity on the appropriate and targeted support required from executives/ senior leaders on change.

*"Departments and Branches will have to compromise if the Union is to meet its business objectives"*

- Lack of clarity on how to best "walk the talk".

*"There has been growing intent and ambition across the leadership team towards 'getting it right'"*

### Implications

- Perceived lack of senior leader support could undermine the conviction to any change efforts.
- Perceived lack of role modelling from senior leaders, which a key change enabler, could affect the organization's ability to change.
- Perceived lack of executive sponsorship could be seen as a signal of what is/is not a priority in the organization.

### To ... "Walk The Talk"

#### Guiding Principles

- Leaders clearly understand and are aligned on the appropriate and targeted support they need to provide, (e.g. create capacity by bringing the best and right people together to drive change and improvement).
- Leaders provide active sponsorship and role model desired behaviours through visibly recognizing those who display the desired behaviours, and expressing the desire and commitment to change through the language that they use, etc.
- Leaders present a "Union First" mindset when communicating, even if personal concerns with decisions/direction exist.

#### Mindsets

*I feel that leadership is committed to supporting us by providing the necessary clarity and assistance to deliver change and improvement*

#### Behaviours

- Individuals willingly refer to leaders' behaviours and language to manage competing priorities, establish trade-offs and guide complex decision making.

# Communication and Technology



## Communication

Formal and informal communications and dialogues (top-down and across levels)

### From ... "Show and Tell"

- Communication is more than just the what and how – it needs to be contextualized. *"Internal communication does nothing to foster a sense of closeness and trust among employees"*
- Top-down messages that are channelled from individual functional leaders may reinforce a siloed and divisional independence mindset.

### Implications

- Communication without context could be perceived as not being personally relevant to individuals thus affecting buy-in.
- Unclear messages, coupled with different communication approaches and delivery methods could lead to inconsistent messages being communicated across the departments and branches areas.
- Buy-in from employees can be hindered if communication is perceived as only going/coming one way.

### To ... "Engage and Contextualise" Guiding Principles

- Clear and contextualized communication will help people understand how the changes apply and impact them personally on a day-to-day basis.
- A tailored communication approach will help drive targeted communication and address specific needs and concerns of different stakeholder groups.

### Mindsets

*I feel that I am engaged around communication and understand what and how changes impact me personally*

### Behaviours

- Individuals are willing, and feel comfortable, to seek clarity and provide feedback on communication messages.
- Individuals are able to interpret and articulate communication messages in their own words and how changes would affect them on a day-to-day basis.

# Infrastructure and Technology



## Infrastructure and Technology

*Formal and informal communications and dialogues (top-down and across levels)*

### From ... "Analogue"

- Mainly using manual processes in filling, transfer of information, stock taking, consolidation and preparation of reports.  
*"The Union lacks a website and social media platforms."*
- The IT department has one staff member making him be overwhelmed with workload.
- The existing IT Infrastructure is out of date and maintenance is rarely done

### Implications

- Control measures especially on cashflow management become a challenge when using manual methods than technology.
- Manual processes are time consuming and costly for instance when sending information via notices will take time in delivering and increase stationery cost in the Union.

### To ... "Digital"

#### Guiding Principles

- Development of applications that are interconnected and used across the Union HQ, branches farm and Eco Mill.
- The technical architecture should enable and promote the reuse of standard business functionality across the Union through development of a customized cooperative union IT architecture;

#### Mindsets

*I feel that with the right technology the Union can transform to a organized and efficient society*

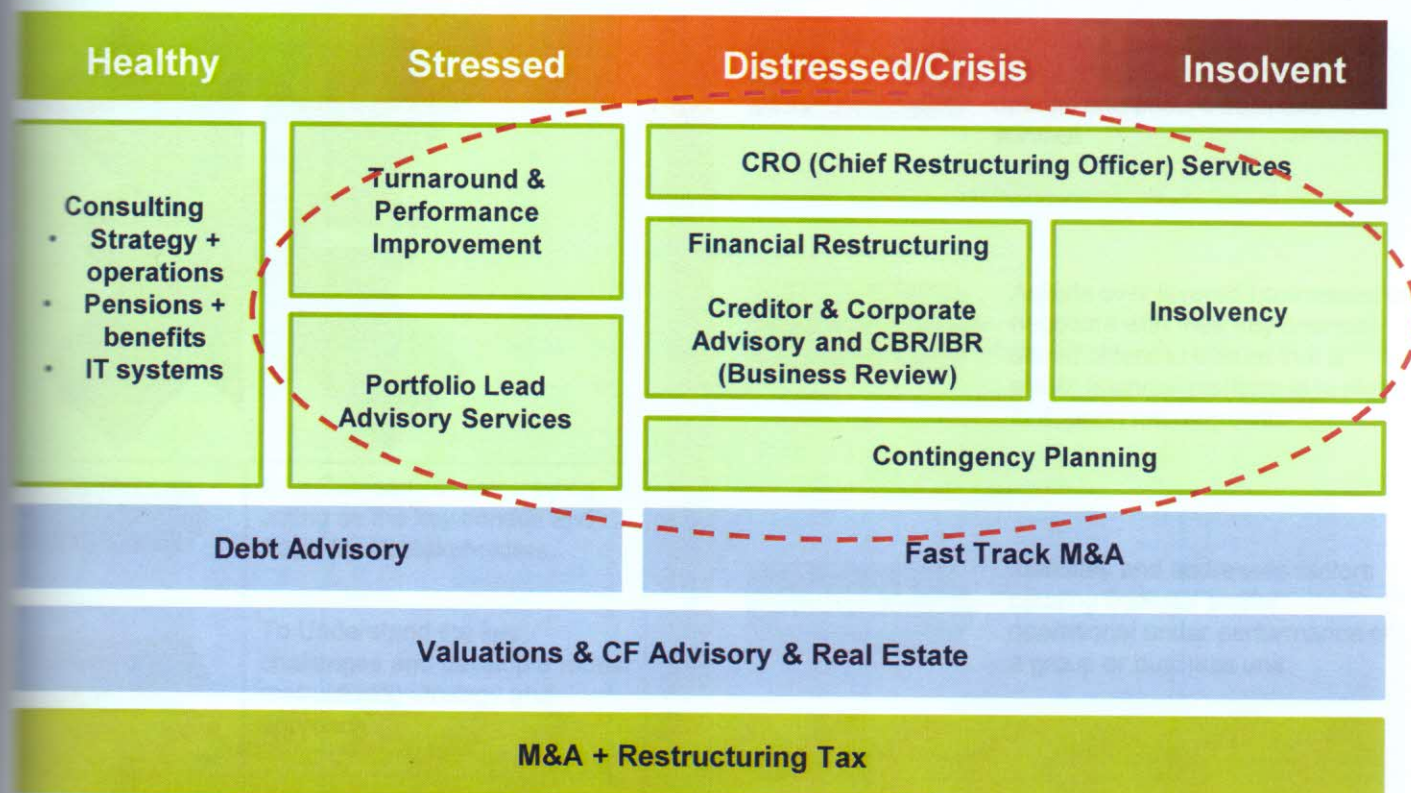
#### Behaviours

- Individuals are willing, and feel comfortable to use technology when doing there work.
- There is convenience and transparency in the office due to the presence of a shared service.
- Work load is of quality and technology is assisting in ensuring accuracy is maintained.

- 
- Chief Restructuring Officer (CRO)

## CRO works with 'Stressed' to 'Insolvent' businesses

Restructuring Services are delivered by partners with specialist "situational" skills and experience, working closely with our Consulting, Corporate Finance and Tax teams, to advise and support Corporates directly, or their Creditors, or Investors



We work with businesses who are underperforming by implementing a business turnaround programme to improve performance



We provide a lens on business performance, provide financial insight and prepare robust analysis to support management decision making



We deploy senior professionals who are situational experts and who have worked as CFOs or in Finance teams.



We deliver real tangible improvements in profitability and cash management

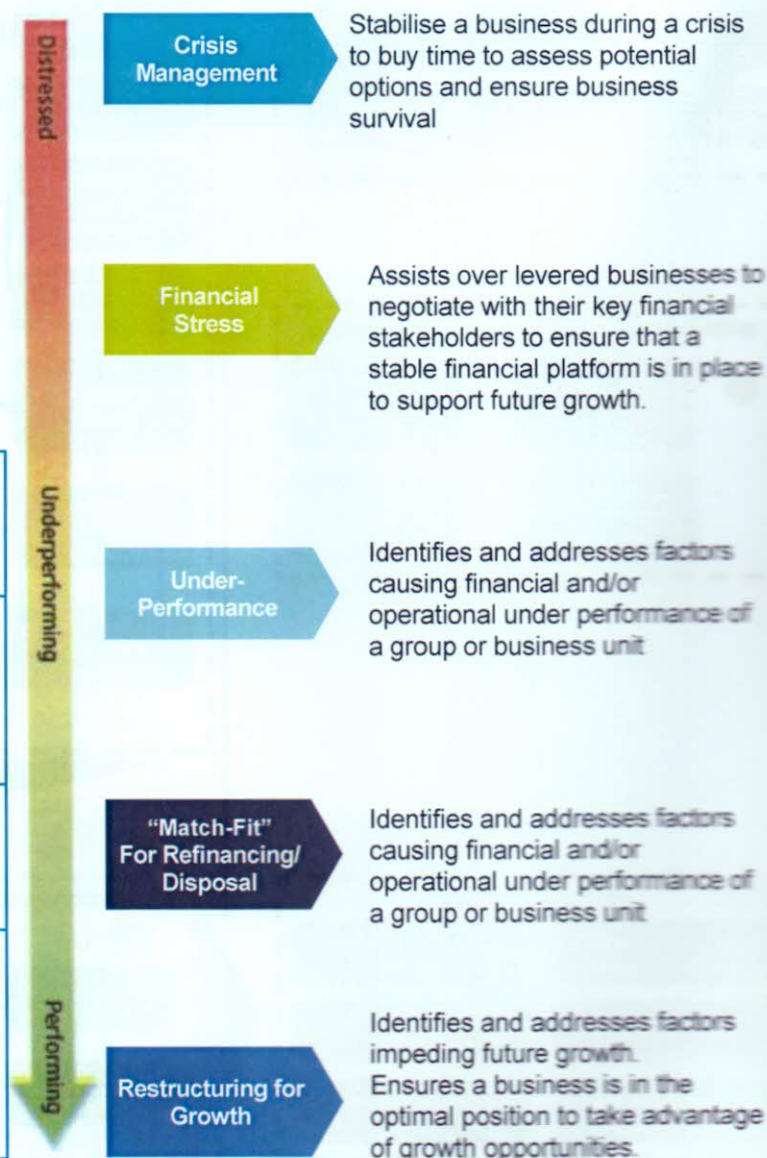


## CRO works with 'Stressed' to 'Insolvent' businesses

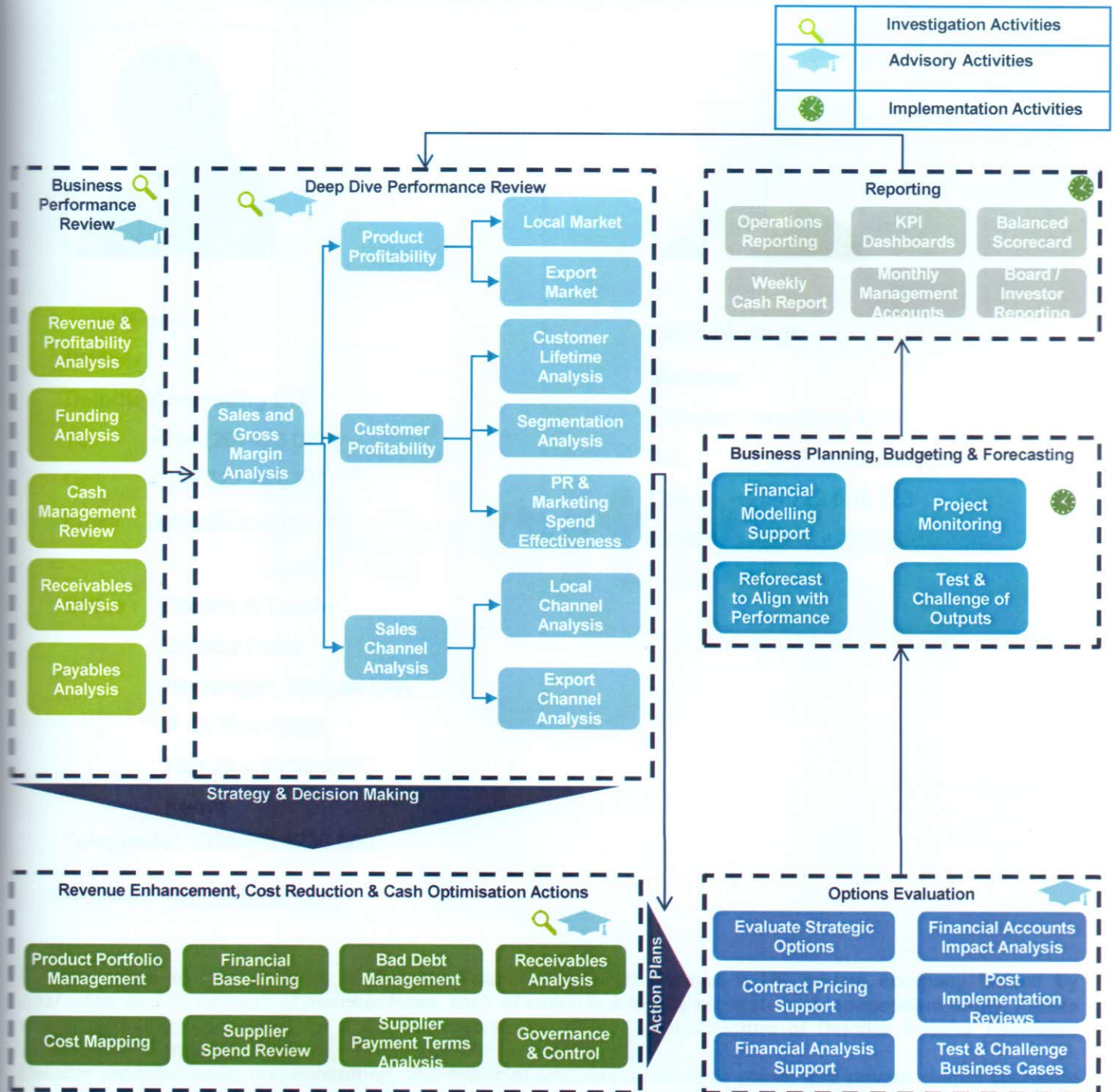
- Deloitte's CRO approach has underpinned a number of successful restructurings in recent years giving confidence and transparency to all stakeholders



<b>Leader</b>	Of a Company's restructuring, acting as the key conduit and Focal for all stakeholders
<b>Strategist</b>	To Understand the key challenges and develop a robust restructuring strategy and approach
<b>Negotiator</b>	To evaluate the debt and capital restructuring options and support negotiations
<b>Operator</b>	To identify and address the root cause for underperformance working seamlessly with executive management



# Chief Restructuring Officer's Activities Map - Illustrative



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