



UNITED STATES INTERNATIONAL UNIVERSITY

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WAMU EXPORT INVESTMENTS LTD: ONE PROPRIETOR TOO MANY MANAGERS

Introduction

one bright morning in (month), 1988, as she sat in her office as a senior nurse at the University of Nairobi, Kenya Peris Muriuki felt that the job she was doing was not challenging enough. “I need to do more”, she thought. “I need to do something more challenging, nursing is not. It has become more routine, she continued”. Around her, was the community that was struggling with their produce to get some small income out of farming, she thought that farming was the right direction for her. “is this what she really wanted? Would it work for me?” these and many more questions ran through her mind. She pondered over the options that were available to her. Should she leave the formal employment at the University of Nairobi, a job which had given her a steady income though inadequate for her family expenses, she thought. Should she continue with her subsistence farming and pay close attention to expanding the business into a big one, but also pump a lot of funds to realize adequate income?. Should she enter into export business which was lucrative and profitable at that moment, but dominated by African and Asian men and pay close attention to finding a sustainable market? Thinking through these questions, Peris realized that the export business was the way to go. It was going to be difficult at the beginning, but she was convinced that with her leadership abilities, she would make a successful export business.

Wamu Exports Investments Limited

Peris had a small farm undertaking subsistence farming for the local market, growing cowpeas, some vegetables and some fruits. Together with her husband, and their three children, embraced second level business values and ethics (what happens to us happens to me). They discussed and agreed that she had to leave her job. By this time she had a passion for horticulture (Fruits and vegetables), and had started engaging in agribusiness farming. Not sure which way the business would go, Peris decided to give the export business a try. While keeping her job as a nurse, she registered Wamu Exports Investments Limited as a sole proprietorship. She started her business by delivering her produce to the local markets. She wanted to get involved in export business, which by this time was dominated by men in Africa and Asia continents.

Dr. Caren Ouma and Prof. Damary Sikalieh, both Professors at the Chandaria School of Business, USIU, prepared this case with the assistance of Professor Leif M. Sjöblom of IMD business school, Switzerland, as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation. United States International University (USIU) acknowledges the support of Global Business School Network (GBSN and financial support from Bill & Melinda Gates Foundation) in the preparation of this case study.

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High energy was one of Peris's characteristics. Taking into account the traffic congestion on the roads, and the fact that she was still in fulltime employment, Peris would rise as early as 4a.m to rush to the airport to check on what the importers needed before reporting to the office to attend to her nursing duties. This went on until 1989 when she finally quit her job so as to concentrate

on her passion, the family horticultural export company. However, she knew that she had to move fast and learn about the export market.

Perez had a mentor who was a friend. The mentor who had ventured into the same horticultural business two years earlier had a lot of experience in export business. They travelled with the mentor to many countries such as Europe on study trips. The information about who, how and when to supply, were the major objectives of her trips. She also gathered some information from the Horticulture and Crop Development Authority (HCDA) managing director.

Sourcing for produce

One reality was that Peris's farm was too small to meet the export market demand. She also knew that she had to quickly generate income for the family needs from this business. Her option was thus, to source for horticultural produce from other farmers. Being determined and visionary Peris knew that the success of her business would rely on fulfilling the expectations of her customers. Quantity and quality of the produce was one of the aspects that the importers would look into and this could not be compromised. She had to think about value addition to the produce to improve on quality. At this time, nobody in her family could give her physical support except the financial support from the husband. Peris knew that she had to make appropriate decisions.

With no let up, Peris went to the neighboring farmers in Thika Town, Kenya. Farmers from Kabati area in Thika were supplying other companies with the produce she was looking for. She approached and struck a business deal with some of them. Using her Husband's pick-up vehicle to collect the produce from the field, she started off her export business with an average of 450 kilograms of fruits alone. When she reached the Jomo Kenyatta International airport, the kilograms looked so small that the airport attendants did not see her as a serious exporter. She found a lady at the airport who assisted her to do appropriate packaging. Because of this perception of her, Peris was energized more than ever. To prove the airport attendants wrong, she was later to expand her suppliers to 800 farmers to the rest of Central, Eastern and Rift Valley provinces, (namely; Kinangop, Nairutia, Karatina, Mwea, Masinga, Mbooni, Narok, and Ngoliba) thereby increasing her export quantity as well as contributing to improved family living standards because the business was able to employ more people directly and indirectly.

Perez knew very well that she had to aggressively compete with those well established businesses that had a good reputation with the importers. She also knew that she had not made as many contacts as her business counterparts. Growing the business was the major aspiration in this endeavor. Being a persuasive lady, she had to go to the airport and talk to the people who had championed the export business. "I must persuade them to take my produce", she concluded. The success of Perez's business was dependant on her dominance characteristic, wanting to be at the top of everything in all the activity she was engaging in. This saw Peris not only learn and

master the export business, but also learn the required business skills such as documentation, filing procedures and some financial accounting activities, such as, book-keeping for the business.

Profile of Export business in Kenya

Kenya exports were worth 46.3 Billion KES in August of 2011. Agricultural products were central to Kenya's export industry with horticultural products and tea being the most important. Other export items included textiles, coffee, tobacco, iron and steel products, petroleum products, and cement. Kenya's main exports partners were UK, Netherlands, Uganda, Tanzania, United States and Pakistan. **(Exhibit1).**

The horticulture sub-sector of agriculture had grown in the last decade to become a major foreign exchange earner, employer and contributor to food needs in the country. Horticulture became the fastest growing agricultural subsector in the country and was subsequently ranked third in terms of foreign exchange earnings from exports, after tourism and tea. Kenya had a long history of growing horticultural crops for both domestic and export. This sector had received a great deal of attention over the past decade due to the rapid and sustained growth of its exports to Europe. This impressive growth had undoubtedly contributed to increased rural incomes and reduced rural poverty in Kenya. Yet despite this growth, exports remained a small fraction of Kenya's overall horticultural sector. For the past decade, over 90% of all fruit and vegetable production was consumed domestically, and the domestic market accounted for over 90% of the total growth in quantity of fruit and vegetable production. While over 90% of smallholder farmers in all but the arid regions of Kenya produced horticultural products, fewer than 2% did so directly for export.

This overwhelming dominance of the domestic market, combined with slower growth experienced in the export sector over the past decade, the challenges that smallholders faced to continue participating in the export sector, and the possibility of more rapid growth in domestic demand, all argued for a more active focus on the potentials and constraints of domestic horticulture in Kenya. Such a focus implied also the need to assess the competitiveness of local production and marketing against that of neighboring countries such as Tanzania and Uganda.

Growing and Managing Wamu Exports Investment Ltd

With the knowledge and skills acquired about export business, coupled with the demand for her produce in foreign markets, Peris was poised to grow the business. She knew that the family's livelihood depended on Wamu Export Investments Limited. She knew that while steering the business, she could not go it alone. "Many hands make work light", she said. With this as her focus, she set out to hire the right people for the right jobs, culminating in a big team of qualified personnel both in management and production. In October 2011, the permanent staff stood at 40, with an additional slightly over 200 temporary employees-168 female and 32 male. With the growing number of employees, Peris knew that she had to put an organizational structure in place. The structure would not only provide for accountability but also a clear description of responsibilities, hence the much needed effectiveness **(Exhibit 2).**

With the right people in place, Wamu Investments continued to expand its markets. The company enjoyed markets in different European countries, for example; United Kingdom where the business had been trading for 17 years, Norway for 6 years, Sweden for 6 years, Italy for 7 years, Belgium for 5 years and France for 20 years, not to mention the Middle East countries. This expansion necessitated a strategy that would enable Wamu Investments to maintain these markets. Peris adopted a strategy of getting feedback from the customers. This saw her engage in surveys to establish the level of satisfaction and any emerging needs among her customers.

The expansion in markets saw Wamu investment transformed into a big wholesale exporter. In this regard and for the continuity of the business, Peris ensured that her family got involved in the business. With a Bachelor of commerce degree from the University of Nairobi, one of her sons became the Finance and Administration manager, while her husband a civil engineer, always gave advice on the maintenance of vehicles and construction works. Her other son, at an earlier stage worked for the business while he was still a student at the United States international University and got his pocket money out of the business

The Challenges

The success of Wamu Investments was not without challenges. These were many and varied, ranging from suppliers of farm produce, hiring the right people to acquiring markets. Produce was sourced from contracted farmers. This became a challenge in ensuring quality. The consequences of poor quality produce led to rejection by the importers. For this reason many competitive exporters continually increased their quality standards. Wamu had to strive to achieve the required standards in the farms and the pack house (*Exhibit 3a & 3b*).

Acquiring and retaining markets was another of the challenges. For instance, the export of horticultural produce was seasonal. The business would go off season for four Months in the European countries. For two years, there was no market in the European countries. With her business acumen, Peris decided to venture into Asian vegetables, because she could not now supply to the European markets because of the off seasons interruptions. “This was the most difficult times for me,” said Peris. “Changing the market was not easy as now I had to supply a market whose culture I did not know”, she went on. For Peris, the biggest challenge that came with this new market was the freight charges, because, by this time she did not have enough money to pay for such charges. In addition, she was an African woman getting into a business mainly dominated by the Asian community and the Whites.

Other challenges were occasioned by her credit period. Most of the customers paid after 30 to 40 days, and she did not have enough savings for the operating expenses. This caused very low and slow stock turnover for her business. As a result, expansions for the business become very difficult. However, her supportive husband had sometimes to borrow funds from friends to finance the business operations.

The location of her business along one of the smallest roads in Nairobi-River, Road-Sheikh Karume road was a thorn she had to contend with. This was not only perceived to be insecure, but also that her small office did not give the image of a serious export business person. This saw her arrange to hold meetings with her clients/customers in big hotels. This increased her

operating expenses. In addition, even after arranging to meet the customers in expensive hotels in Nairobi, the customers could sometimes change their contacts and telephone numbers, and this made it difficult for her to maintain the customers.

One time, Perez arranged one of her meetings in Norfolk Hotel, one of the best and most expensive hotels in Nairobi, Kenya. During the meeting, the potential buyer asked, “Do you know the kind of business you are getting into? Export business is very tough”. Peris understood this very well and saying yes in reply to the question, she went on to explain that she had wanted to engage in something which was challenging, and that was the export business. The aspects of documentations and dealing with multiple exchange rates were a big challenge in the export business.

The Future

Despite the ups and downs for Wamu Investment in the path of growth and expansion in 5 years the company had demonstrated tremendous growth. The company realized sales ranging from sixty million to over two hundred million in 2010 (**Exhibit 4**). Wamu has a total of 6 trucks out of which the first truck was bought with loan from Housing Finance Corporation institution in Kenya.

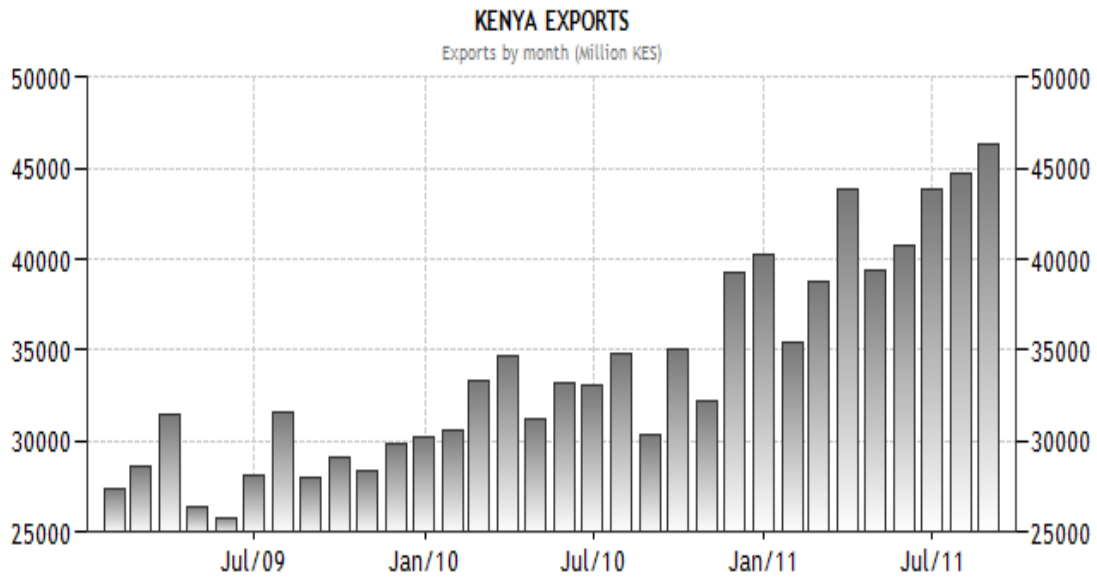
The strengths of Wamu Investment included professional staff, established markets, teamwork, favorable location in regard to near access to social amenities and Jomo Kenyatta International Airport, and the upward trend in the cash inflows. Untapped opportunities consisted of the additional markets and the active new farmers and farmer groups. Wamu could easily exploit these opportunities to increase its turnover. But on the other hand, threats were also emerging. These included technological advancement required to dry up the fresh produce for long life before the expiry period, Government regulation requirements for the export and import sector that were proving very tough to fulfill as well as the standards required in handling the consumable produce.

Self-belief through knowing who she was, and also based on her life experiences, motivation status, and action orientation Peris had propelled the business to success. These attributes had been the driving force for Wamu investment. This had been coupled with selflessness and/or her devotion to the welfare of others. There had been a lot of sacrifice devoting time and money to the investment even forgoing the social life to ensure that the business succeeded. However, Peris now knew that some decisions had to be made. How was she to tackle the threats to the business? How would she cope with technological advancements? How about the tough government regulations?

Exhibits

Exhibit 1:

January ▼ 2009 ▼ to October ▼ 2011 ▼ [EXPORT HISTORICAL DATA](#) [COMPARE INDICATORS](#) [RANK COUNTRIES](#)



source: TradingEconomics.com; The Central Bank of Kenya

Exhibit 2: Wamu Investments Ltd
Organization Structure, 2011

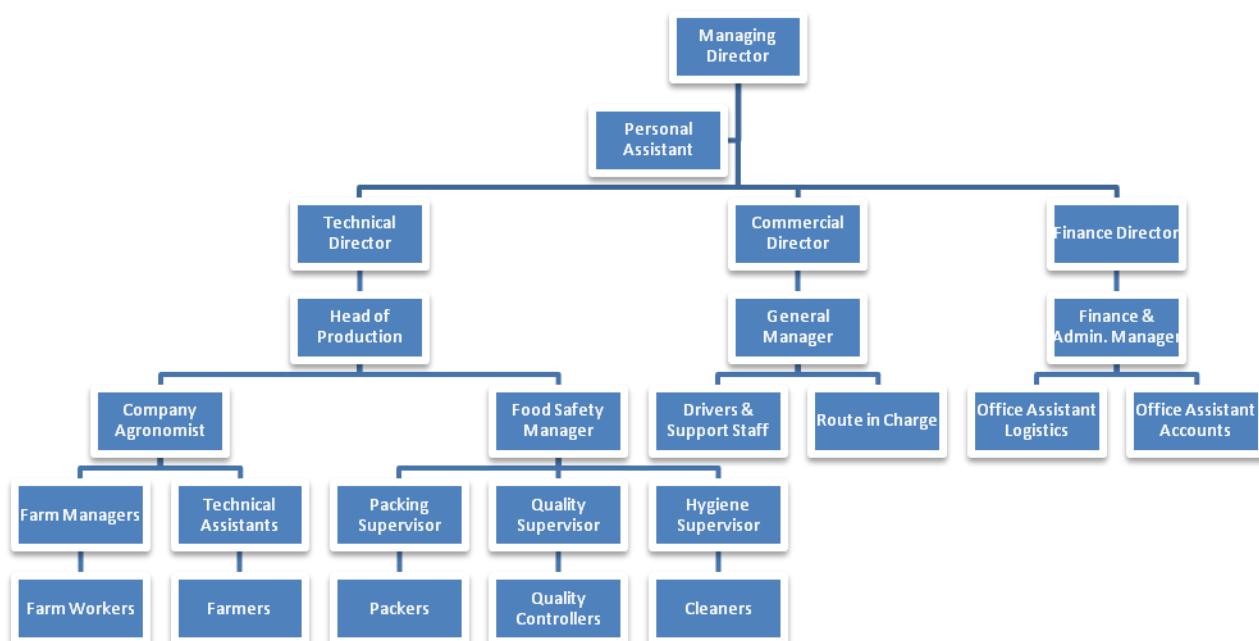


Exhibit 3a: WAMU INVESTMENTS ISO 22000 & BRC
FLOW CHART DESCRIPTION –PACKING PROCESS

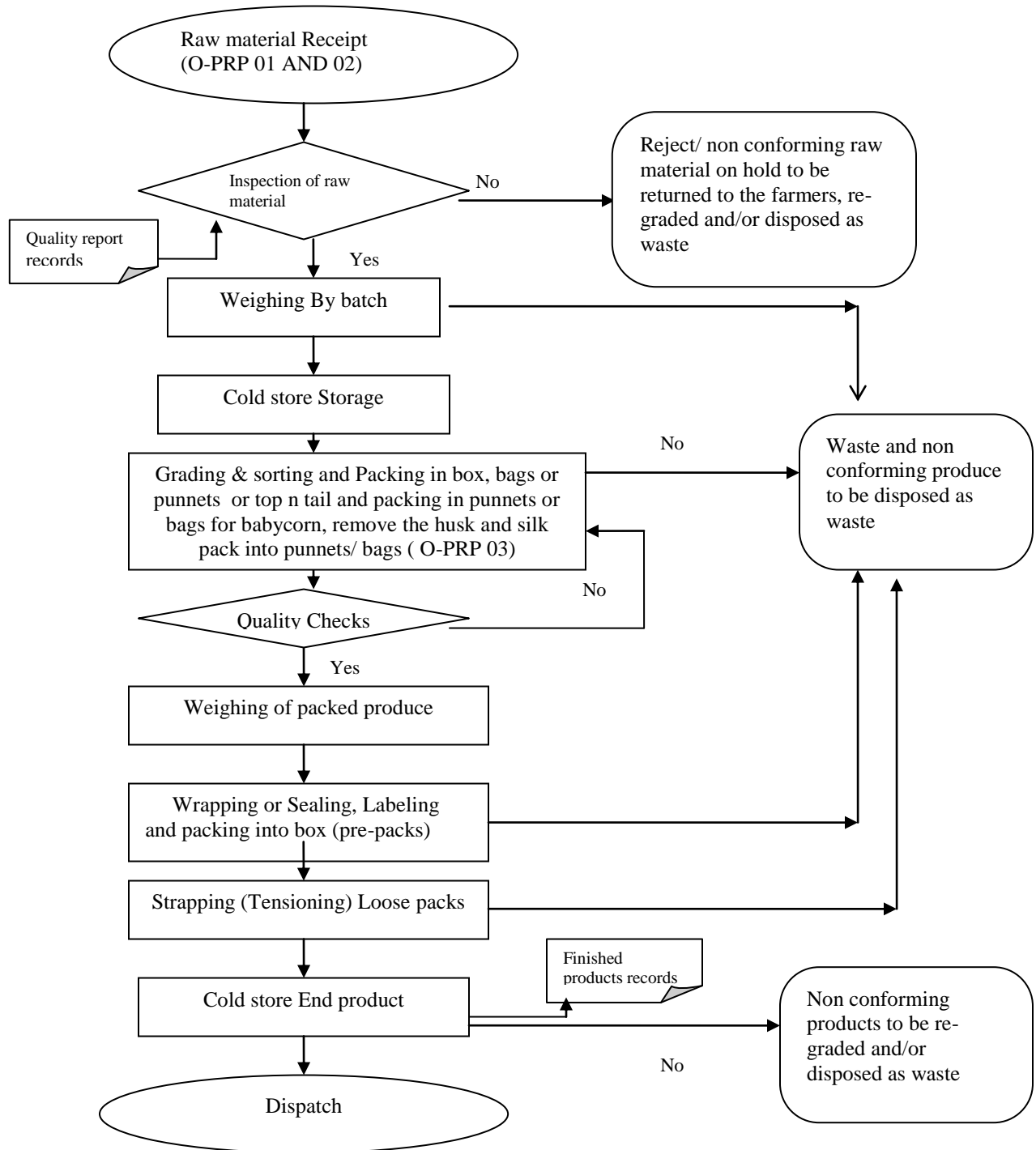
STEP	WHO	PROCEDURE	REF & Record
Raw material receiving and inspecting 1 &2 O-PRP 01 – Visible pesticides residue O-PRP 02 – ecoli and salmonella - Hygiene	Intake QC Raw material	Upon arrival from field quickly offload raw material, place the crates with produce on top of black empty crate (spacer crates). Each crate with produce must bear a sticker with this detail; Farmer's Name, Code and block No., Harvesting Date and grader Number. Arrange them by batch (per farmer). Collect samples in quantity of 1000g from each batch for inspection. Put the samples in the sample containers and label them. Grade the sample as follows: spread the samples by batch on the clean table; carefully sort out defective pods (Rust, thrips, rots, over and under size, dehydration insect damage moulds and other defects). Weigh the defects respectively and record the weight in the Quality report form. Calculate the percentage Quality Defects (out of spec.) = Sum of Quality Defects / 1000*100. For % above 30 isolate, the produce awaiting decision by the Food Safety Manager/ Supervisor Depending on the level of non-conformance the	Quality report List of approved suppliers

		<p>produce is rejected and taken back to the farmer or more people are involved in the re-grading and doing quality check during processing also refer to (correction and corrective action procedure)</p> <p>For the visible pesticide residue isolate & Quarantine the produce immediately (correction and corrective action procedure) food safety manager in consultation with marketing Director shall dispose as waste all non compliant raw material</p>	
<p>Raw material weighing and cold room storage</p> <p>3&4</p>	<p>QC in charge of Raw material</p>	<p>Place a maximum of 12 crates with produce on the weighing scale. All stickers must face one side Record the reading, remove the produce from the weighing scale place them on top of black crate or pallet then taken them to the cold room. In the cold room, place the produce on the pallet and arrange them by batch all stickers facing one direction (Pallets are arranged to allow movement and reading of the stickers). Stacking shall be maximum of 7 crates in the and cold room (this is to avoid injuries as well as breaking glass) raw material cold room temperature 4-8oC</p>	<p>Coldroom monitoring records</p>
<p>Grading & sorting, Trimming and packing into punnets or bags or boxes</p> <p>5 & 6</p> <p>O-PRP 03 Ecoli and Salmonella</p>	<p>Graders/ Packers</p> <p>Overseen by packing supervisors and table heads</p>	<p>Remove produce by batch via trolley and distribute them to the processing floor (tables.)</p> <p>Grade and sort to remove any defect, for beans; loose pack neatly arrange them into boxes for top and tailing Pick a handful of graded beans and arrange them such that all the heads face same direction. Trim off the heads in a single straight cut using a sharp clean knife and a chopping board ensuring that this is done as close as possible to the point where the pods start tapering. Trim the tail as well. Dip knife into sanitizer after very cut. Visually check the trimmed beans and removed poorly trimmed pods. Neatly arrange the trimmed pods in bags or punnets-</p> <p>For peas, remove top and tail either using hands or knives</p> <p>For chilies, neatly arrange them into boxes or Bags</p> <p>For baby corn de husk remove the silk then nearly arrange them into boxes, bags or punnets</p> <p>Isolate and discard the trimmed rejects, defects and other produce waste into a purple basin then to the reject bin</p> <p>Randomly check the Quality by visually examining the product to ensure the product meet the customer specifications</p> <p>Incase of any product not meeting the expected quality standard, re grade again or remove the defects. Quality check is however a continuous process throughout the processing.</p>	<p>Knives control records</p>
<p>Weighing of packed products</p> <p>7</p>	<p>Weighing personnel</p>	<p>Weigh the box, bag or punnets full of produce by customer gross weight specification (The weight chart for all clients is given for easier reference). For punnets and bags Place the weighed product in a clean packhouse crate. A traceability sticker accompanies this. For boxes put the top, traceability stickers place the box on pullets</p>	

Wrapping or sealing , labeling and packing in to boxes 8 & 9	Wrapping and sealing personnel	For punnets and bags Neatly seal the weighed products immediately Place the correct label on the top center of the bag place second label (thoroughly wash and cook before consumption) the punnet or bag Box the labeled bags in the correct box as per the pack size. Place the traceability on the Bottom left of the carton. Cover the carton with the correct Top cover (That reflects the client). For loose packs Stripe the covered cartons. traceability shall be maintained	End products records	
End products cold room storage 11	QC	Transfer the strapped product to the cold room. In the cold room place the produce on the pallet The target cold room temperature is 4- 8°C	Cold room temperature monitoring Products temperature	
12	QC	depending on the flight details, dispatch the compliant products A visual assessment of cleanliness of the truck is done prior to loading.	Vehicle cleaning records	
Authorized by	Document Number	Version Number	Issue Date	Reason for change
G.M (Food Safety Manager)	HCP-OTH 18	1	April 2011	New document

Exhibit 3b: Wamu Investments ISO 22000 & BRC

Flow chart diagram for Beans, Peas, Peppers and Babycorn



**Exhibit 4: STATEMENT ON COMPARATIVE INCOME AND FINANCIAL POSITION-WAMU
INVESTMENTS**

WAMU INVESTMENTS LIMITED						
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 31ST DECEMBER, 2008/2009/2010						
		NOTE	2010	2009	2008	
			KSHS.	KSHS.	KSHS.	
INCOME	11		205,998,026	218,165,594	220,809,591	
COST OF GOODS SOLD	12		168,053,603	186,680,443	182,550,221	
GROSS PROFIT			37,944,423	31,485,151	38,259,370	
ADMINISTRATIVE COSTS	13		15,069,141	12,572,016	11,789,711	
OPERATING EXPENSES	14		11,548,998	10,214,113	10,919,140	
NET PROFIT BEFORE FINANCE COSTS			11,326,284	8,699,022	15,550,519	
FINANCE COSTS	15		1,139,908	461,914	607,122	
NET PROFIT BEFORE TAX			10,186,381	8,237,108	14,943,397	
Provision for Tax	5		3,060,929	2,478,686	4,494,956	
NET PROFIT AFTER TAX			7,125,451	5,758,422	10,448,441	
Retained Profit b/f			33,722,871	27,964,449	17,516,008	
Retained Profit c/d			40,848,322	33,722,871	27,964,449	

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29/11/2011

WAMU INVESTMENTS LIMITED						
STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER, 2010/2009/2008						
				2010	2009	2008
				KSHS.	KSHS.	KSHS.
NON-CURRENT ASSETS	NOTES					
Property, Plant & Equipment	2			29,044,189	24,031,862	14,926,968
Investments				5,040,681	1,500,000	-
CURRENT ASSETS						
Cash and Bank Balances	3			1,177,695	2,408,067	5,380,023
Debtors & Prepayments	4			19,737,167	19,079,652	34,630,668
Stock	6			6,358,741	5,865,846	4,381,986
				27,273,603	27,353,565	44,392,677
CURRENT LIABILITIES						
Creditors & Accruals	7			10,384,224	7,295,532	19,929,961
Bank Overdraft	8			1,427,895	3,479,419	2,891,920
Taxation	5			440,104	(94,755)	6,354,059
				12,252,223	10,680,196	29,175,940
WORKING CAPITAL				15,021,379	16,673,369	15,216,737
NET ASSETS				49,106,250	42,205,231	30,143,705
FINANCED BY:						
SHARE CAPITAL						
10,000 Ordinary Shares of Kshs. 100 each						
Issued & fully paid	9			1,000,000	50,000	50,000
Shareholders' Funds	9			482,358	1,432,358	1,432,358
Profit & Loss Account	9			40,848,824	33,722,873	27,964,451
Loans	10			6,775,568	7,000,000	696,896
				49,106,250	42,205,231	30,143,705

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2011/2010

Exhibit 5: Some major horticultural products

TREE FRUITS: Orange, lemon, lime, mandarin, grapefruit, apple, mango, banana, guava, soursop, lichee, peach, apricot, pear, plum, rambutan, fig, quince, persimmon, durian, chichu, pawpaw, pomegranate, mangosteen, loquat, carambola, cherimoya, cherry, date, mulberry.
VINE FRUITS: Grape, passion fruit, kiwi fruit (or Chinese gooseberry).
OTHER FRUITS: Strawberry, pineapple, Cape gooseberry, watermelon, sweet melon, raspberry, blackberry, blackcurrant, gooseberry, cranberry, blueberry, rhubarb, loganberry.
TREE NUTS: Cashew, walnut, hazelnut, macadamia, pistachio, pecan, coconut, almond, Brazil.
FRUIT THAT ARE NORMALLY CONSIDERED AS VEGETABLES: Breadfruit, avocado, tomato, egg plant (brinjal or aubergines) hot pepper, sweet pepper, karella (or bitter gourd), squash, marrow, gourd, cucumber, luffa, pumpkin, plantain, christophine or choyote.
VEGETABLES DERIVED FROM SEEDS AND FLOWERS: Broccoli, cauliflower, artichoke, pea, bean, lentil, chickpea, broad bean, okra, mangetout pea, asparagus pea, yardlong bean, sweetcorn.
LEAF AND STEM VEGETABLES: Lettuce, cabbage, spinach, chard, brussels sprout, endive, watercress, celery, asparagus, celeriac, green onion, leek, amaranthus, bean sprout, bok choy, Chinese cabbage, Chinese celery, spinach, chicory, kohlrabi, fennel.
ROOT VEGETABLES: Arrowhead, onion, potato, sweet potato, cassava, yam, taro, garlic, radish, carrot, turnip, parsnip, beetroot, Jerusalem artichoke, dasheen, eddoe.
HERBS: Parsley, mint, coriander, dill, basil, rosemary, thyme, sage
SPICES: Black pepper, chili pepper, cardamon, ginger, clove, cinnamon, bay leaf, turmeric.
CUT FLOWERS: Rose, chrysanthemum, carnation, gladiolus, tulip, narcissus, orchid.
Cut foliage: Asparagus fern, leather leaf fern, soft ruscus
TROPICAL PLANTS FOR HOUSE AND GARDEN: Dieffenbachia, coleus, yucca, cordyline, dracaena, monstera, fatshedera, ficus, maranta
TEMPERATE PLANTS FOR GARDEN: Roses, ornamental shrubs, herbaceous flowers, bedding plants, conifers, flowering bulbs.

Exhibit 6: WAMU INVESTMENTS STAFF PHOTO



Wamu Investments staff photo sorting out vegetables

