

CLIFF BEACHAM

Chartered Accountant (S.A.), C.P.A. (CA) #96043,
M.B.A., M.C.D.B.A., M.C.P. #301745

Furncoz (Furniture Corporation of Zambia)

He then accepted the position as Purchasing and Inventory Manager at Furncoz, a furniture manufacturing company employing some 3000 people in three different factories. His responsibility included shipping raw materials from various sources throughout the world.

The opening scenario:

- a. Approximately 30% of the factory was closed due to lack of Raw Materials.
- b. The previous Managing Director (CEO) had been fired because of lack of profits.
- c. Records of past purchases were inadequate and there were no records of consumption of Raw Materials.

What Cliff did:

1. Number one priority was to get the factory to full capacity. This involved getting the goods from where they were (stuck in the ports of Dar-es-Salaam, Lobito Bay and Beira) to the factory ASAP. This was done making superhuman efforts, without let-up. Within 2 weeks the factory was starting to hum once more.

Cliff worked 16 hour days until the emergency situation was under control. Raw Materials arrived, more were ordered and, without stressing the cash-flow, the company was returned to a fully productive state in only four months. During his term of office he cured and controlled the previously crippling shortages of materials and, despite long lead times (approx. 10 months), there were no stock-outs of any important raw materials while, at the same time, investment in inventory was minimized.

2. The second priority was the profitability of the company. Cliff investigated and proved that the Inventory of timber was hugely understated. This was due to inaccurate methods of estimating and counting inventory. Rather than tackle the auditors head-on he worked with them to prove- to their satisfaction that the timber in inventory had been understated in the financial statements.

He implemented an ABC system and introduced innovative methods of counting timber and other materials in order to perform a rotating stock counting system. The timber stock (200,000 cu. ft.) was restacked to include fire lanes, utilize air-curing techniques and use a layered estimating system for storing random-width and random-length raw timber. The system achieved quantity control accuracy within 5%.

3. While it was not a priority, Cliff improved the systems of planning and control with many innovative methods for storing materials so as to minimize storage space needed, decrease the quantity held and standardize materials throughout the product ranges which included all types of furniture for the entire country. The company succeeded in out pacing its competitors and took over two other factories to become the only furniture manufacturer in Zambia with a monopoly on the market.

4. When Cliff took over the management of the timber yard it was know as the place where, if a worker proved inadequate in another assigned job, they were "sent to the yard." This resulted in a demoralized work force. Cliff noticed that one of the workers was a sport boxer and helped set up a small gym and encouraged the workers to develop their physical skills. He stopped the practice of punitive assignment to the department and promoted a pride in belonging to the physical elite group of workers. This resulted in higher productivity due to the higher morale in the department.

Lessons learned

Some of the lessons Cliff learned from this mission/job were:

- What not to do (the previous situation) – lack of a formal system, bad organization and a lack of established policies and procedures
- Analyze the workflow, plan revisions and implement improved methods
- Leverage manual efforts by using mechanical methods
- Use pre-printed material as a structured method of controlling progress and seeing at-a-glance control
- How to handle International financial transactions involving many different currencies
- Inventory financing methods
- Costing – a systematic approach
- Efficient methods are more effective and use less resources
- The inventory control system will make-or-break the operation

Results achieved included:

- Reduced staff from approx. 40 to 12
- Reduced investment in inventory at a service level of 99.4%
- More efficient and effective operations
- Greater control of inventory (reduced inventory count from 20 days to 1 1/2 days) this lowered external audit fees
- More time available for seeking lower prices
- Establishment of self-financing projects (resulting in establishing project-related cost of capital)
- Standardization of consumables resulted in lower investment and less risk of stock-outs

Cliff found this to be an extremely satisfying job which appealed to his hands-on style of management and his wish to play an integral part in achieving the company's mission. When he held this position Cliff was 25 years old.