

CASE STUDY

VISION ENDED WITH ZERO GAME OUTCOME IN AGRO-INDUSTRY SHARE COMPANY

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Company Background

Tumsa Gudina Agro-Industry Share Company was established in Nekemte Town to the western part of capital city Ethiopia (Finfine) as of 2008. It was established having the vision to be outstanding as Agro-Industry Share Company at country level creating job opportunities for large numbers of the community. The company was launched with an initial capital of ETB789,000.00 selling a total of 789 shares to its 89 members. Tumsa Gudina Agro-Industry Share Company was established by members having a relatively high level of education with various disciplines. It was launched by government employees and self-employed shareholders.

So as to achieve its vision, the company has started its operation in 2010 on dairy farming with the total capital investment of ETB648,650.00 at Digga woreda which is found at 12 km away from Nekemte town on 2.6 hectares of land. To run its business operations smoothly, the company had developed management structures as presented below:

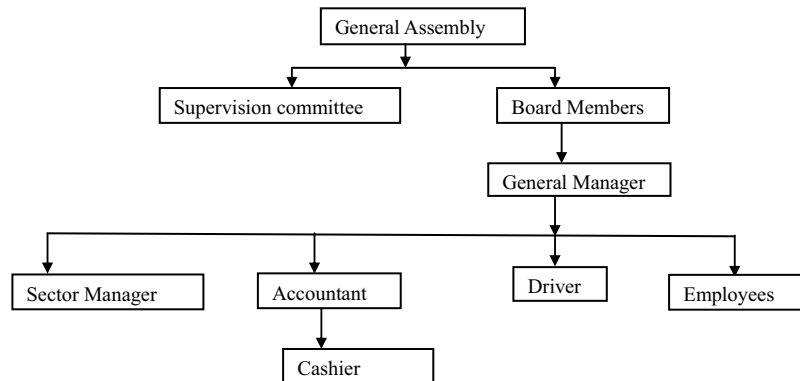


EXHIBIT1 : TUMSA GUDINA ORGANIZATIONAL CHART

Further, the company has hired one general manager, one sector manager, one accountant, one cashier, 2 feeders, one seller and one driver a total of 10 employees to run its operations. While the general assembly, board members and supervision committee were selected out of shareholder members and they were given additional responsibilities in addition to other responsibilities they had at their office. The general manager of the company somewhat has experience and he was managing the operation of the business has an office in Nekemte town which is found at 12km from business area. While sector manager of the dairy farming newly veterinary diploma graduate and he was given the responsibility of managing the business as well as caring health of cows and its calves. As per information, obtained from the general manager revealed, every employee was communicated about their respective duties and responsibilities they were expected to pay.

HIGHLIGHTS OF THE COMPANY'S OPERATION AND CHALLENGES ENCOUNTERED

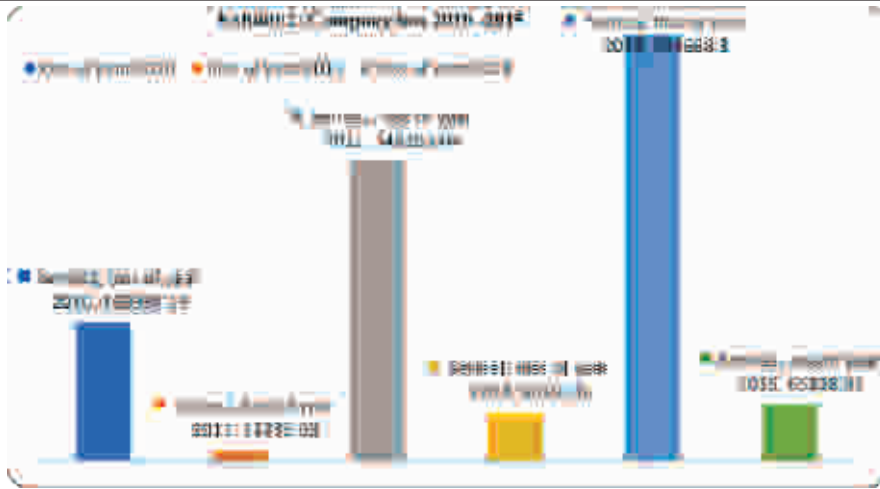
At the beginning of its 1st-year employees of the organization were committed enough in doing their respective job. As a result, starting from 2010 to 2011 Tumsa Gudina Share Company had been delivering milk to Nekemte community particularly to the area named board in Nekemte Town which enabled the company to generate revenue of ETB10, 464.50. However, the general manager of the company had got a better opportunity and resigned as of 2012. Besides, the sector Manager was fired by the company and accountant and cashier of the organization have resigned in 2013. In line with this, to avoid gaps in business operations Tumsa Gudina Agro-Industry Share Company has assigned manager and cashier from the shareholder members and the assigned members were government employees and they were running company's operations and their office responsibilities parallel.

As far as the company's operation concerned, the company was generating income from the sales of milk couldn't afford to feed cows and pay the salary of the employees. Moreover, the business was suffering due to continuous death cows and calf attacked by different animal diseases. Consequently, the general manager has called a general meeting in mid of 2011 to discuss business challenges and to decide about the future of the business or to design future strategy for the company. On the meeting held, it was reported that the company was encountering tremendous threats due to continuous death of animals bought for dairy. It was also reported the selected board members were not paying their duties and responsibilities as per requirements, due to their own government office responsibilities and their own business. On the report, it was mentioned that the company was facing difficulty to obtain land for agricultural, though the company had requested for several times.

A meeting of shareholders was held and during the discussion, they agreed to form new board members and decided to expand business operations to the fattening of bulls and sheep, investing in agriculture, opening shop. Based on the decision made by shareholders, the company had started bull and sheep fattening ETB32, 027.00 in 2012. In the same year, Tumsa Gudina Agro-Industry Share Company has opened a small shop with ETB8, 000.00. Furthermore, for several times the company had been requesting Oromia Investment Bureau to provide them land for agricultural investment. Despite these attempts made to revive the business operation; the company was continuously encountering annual losses of ETB106, 166.50 because of the continuous death of bulls and sheep bought for fattening and the shop opened was closed its operation in 2013.

In the year 2014, the manager had reported to the shareholders that the operation of the company was not going in line with its goal. In addition, the loss in the organization was increasing at an alarming rate due to both external and internal factors. Besides, the general manager of the company has indicated that the shareholder who was assigned as an accountant and cashier were not having experience. Due to this, they could not handle financial related manuals and the financial statements of the company were not closed timely. Moreover, the tax was not properly collected and paid the revenue authority, which resulted in a penalty of ETB22,269.65.

Because of the fore mentioned reasons the general manager of the company invited the owners to decide the future fate of the business. As a result, the stockholders decided to sell leftover bulls and sheep and to shift the business line to modern bee farming. However, the decision made by board members and shareholders at a different time could not bring remarkable changes to business operations. On the annual report made 2015, which was held on 19/10/2016 the manager has also the entire financial performance (2010 through 2015) as presented on below bar chart.



Analyzing the overall performance of the company, the shareholders of the company has decided to close down as of 19/10/2016.

Questions:

1. Identify the company's problems and discuss in detail the problems in different aspects.
2. What solutions do you recommend for the problems you identified?