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# Gambia Seafood Company

BANJUL, THE GAMBIA

## Synopsis of the Case

This is a simple case that contrasts the management styles typical of developing countries with those of industrialized countries. The owner is directly involved in all areas of the company. Although he solicits ideas from each manager, he makes the final decision on all matters, including the hiring and firing of each person in the organization. The owner's influence and his lack of training in seafood processing is evident from the incident in which he told the production staff to process more shrimp as whole, virtually ignoring quality control procedures.

The Factory Manager in the case has been asked by the owner of GSC to reduce operating costs, since the company faces cash flow difficulties. The Factory Manager understands that he has little control over processing costs for the products. He cannot make any pricing decisions unilaterally and he must influence the owner to modify processing costs. He believes that two of the three recommendations he has made to the owner may reduce costs.

## Teaching Objectives

The main objectives of this case are as follows:

1. Demonstrate the total control that owners in developing countries maintain over all aspects of operations.
2. Show the influence that "corruption" has in the way that business is done in different cultures. Can

it be judged by American standards as "corrupt" or is it simply the cost of doing business in The Gambia?

Mr. Selosah is typical of many business owners in developing countries. He does not have any formal education or background in seafood processing or financial management. However, he does have well-established connections in the government, which have allowed him to become a wealthy man. He hired qualified people to manage various functional areas, but provided them with no decision-making authority. He will ask their opinion on an issue before making his decision, but will typically make a decision based on his instincts.

## Assignment Questions

**I. Based on the information in the case, what recommendation would you make to the owner of GSC?**

*Alternative 1* (purchase of a shrimp grading machine and reduce staffing levels) is not feasible, since it would require a large capital outlay that the company does not have at the present time. The high cost of fuel and electricity compared to the relatively low labor rate makes it more profitable to grade the shrimp by hand. De-heading and peeling the shrimp would still require a large amount of labor.

*Alternative 2* (pay for shrimp based on freshness as well as size) has a high probability of being successful, since raw materials constitute 90% of the total processing cost. GSC would be able to match the value of their

input to the value of the final product received from it. It appears that the contractors are circumventing their exclusivity arrangement with GSC and selling the higher-valued shrimp to the fish hawkers. A differentiated raw material purchasing strategy would not only reflect these market conditions, but provide fishermen with the incentive to take better care of the shrimp once it is caught.

*Alternative 3* (produce more sole and less shrimp) has a fair chance of being successful. Fish is less prone to spoilage than shrimp and offers a stable profit margin. There is excess demand for sole filets in Europe, but fishing more intensively for sole may not result in larger catches than current fishing yields.

## **2. What other recommendations can be made to help with GSC's current cash flow problems?**

The company owns six fishing boats that all operate inefficiently. It is more cost effective for them to buy fish from other trawlers than to trawl for fish themselves. Some of the boats can be sold to help generate some cash. It is important to point out that, if all of the fishing vessels were sold, the company would no longer receive duty-free diesel fuel. Now that the electricity has been shut off by the utility company, GSC

uses its generator to power the factory, and diesel fuel is needed to keep it operational.

## **3. Why would the buyer in Belgium continue to work with a company with obvious quality control problems?**

The Gambian variety of shrimp has a distinctive flavor that appeals to most Europeans. The buyer could become a source of emergency funds, treating the funds provided as an advance towards the next shipment.

## **Conclusion**

It is worth mentioning the ethics surrounding GSC operations. As the owner of a processing facility, GSC's owner has been granted many licenses, which he has sold to many foreign vessels fishing in Gambian waters. Technically, the money generated from these activities is to be used as a source of funds for the processing facility. However, these funds are used instead by the owner to maintain an opulent lifestyle, including full sponsorship of a local soccer club. In order to maintain this income, the owner needs to insure that GSC is still a going concern, which means that he will likely put some cash into the business to prevent it from closing. In actuality, GSC is considered a hobby by the owner and is not intended to be very profitable.