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# Keita S.A.

## BAMAKO, MALI

This case can be used to teach strategic management with an emphasis on international issues. Students will learn how a different business environment, culture, and politics influence the ways business is run. They are presented with the challenge of thinking out how the concepts and methods of professional management might apply to a dynamic, entrepreneurial, autocratic businessman from a trading society.

Keita S.A. is a diversified manufacturing company. Its owner was taking advantage of government connections and lack of competition to remain a monopolist. With a new government, he is now facing competition from other, more developed countries of the region, as smuggled goods now enter across all seven borders. In response, he is trying an old trick, one that has been the key to his growth in the past—starting new production lines. The process must be a little bit different this time around, however, since he anticipates a significant disruption in the currency markets. The cotton gin project will use local raw material, and that should help if there is a devaluation of the F.CFA. Another project, a new soap line, faces a lot of competition, but the market is huge. The third new project is to double the production capacity of the bleach factory.

In these lines, Keita has the most expertise, and he knows he has no competition yet in Burkina Faso. If Keita can get loans for all these projects before devaluation, it would be to his advantage.

Mr. Keita runs his business with a strong hand. He believes that in Africa, the only marketing tool is price.

Availability, quality, and other modern marketing ideas do not much interest him. He does not believe anybody but himself. Yet, with the company employing up to 500 workers at one point, he is not able to control all aspects of the business. People who work for him are frustrated because they lack decision-making power, and there are no monetary incentives to motivate better performance.

Students reading this case should evaluate all three of Keita's projects first on the basis of the numerical data supplied in the case, and then from the point of view each of the following questions:

### **I. What is the F.CFA, and what might be the effects of its devaluation? What can be done to protect one's business from devaluation?**

This case can be a good base to discuss how a pegged currency influences an overall economy and the individual businesses within it. Devaluation did not in fact occur throughout 1993. Borrowing money before devaluation certainly makes more sense than doing it afterwards. Unfortunately, Keita borrowed a lot, and spent it on too many projects. Consequently he ran out of money and was *unable to start any of the proposed production lines*. Furthermore, some of his old production lines were not utilized because of lack of funds for raw materials, spare parts, and marketing.

The cotton gin project looks quite good anticipating a devaluation. Using local raw materials would free Keita from the need for hard currency when the time comes to face devaluation.

**2. What should Keita do to remain competitive in the face of so much new competition?**

All three of Keita's projects looked good on paper, but there was no overall company strategy. Cash flows from each of the projects looked good, but there was no cash flow projection for the whole company. The banks finally decided to limit their loans to Keita. Moreover, in all three projects assumptions were made about market size and Keita's likely market share. In such a diversified company, the flow of cash between different businesses—be they cash cows or products at different levels of maturity—should be carefully planned. Before investing money in these projects, Keita should maximize profits on his existing lines. Some plastic products should be phased out, some of the equipment should be repaired, and some equipment should be sold.

Keita should create an overall strategy for his business. What is his corporate mission? Constantly looking for new production lines to avoid competition worked in the past. But now Keita is facing more competition in all aspects of his business. Keita needs to put more emphasis on downstream activities—marketing and sales. Furthermore, he should manage his businesses better. This could be achieved by establishing more structure and a control system. Keita has to give these responsibilities to middle management, and concentrate on strategic planning.

**3. How should Keita motivate people?**

Keita could introduce monetary incentives. To do that, however, he has to better describe his goals for each production line, such as target production levels. Another big issue is power: who has it, and how do they use it. If production line managers have more say

in how they organize their departments, it will benefit their morale and efficiency at the same time. They are talented and as ambitious as any U.S. manager. All they need is opportunity.

**4. If it is so difficult for Malians to get loans, should Americans take advantage and invest now?**

Yes, there are opportunities for American business in West Africa. Americans can supply cash and technology, and local countries offer big, hungry markets and a skilled workforce. Joint ventures should be considered by American business people, since having a local partner with the right connections and a knowledge of the culture is crucial.

**5. How would you market Keita's products?**

Keita could start delivering his products to his customers. Salespeople should travel around the country selling goods, finding out what the competition does, and what the customer wants. Keita makes good quality products, and Malians need to know that. At the same time, West Africa is very price sensitive, and Keita has to do whatever is possible to cut his production costs.

**6. Discuss Mr. Keita's management style.**

Keita has an autocratic style, and that worked when the company was small. But now Keita has to give up some of his power if he wants to survive. Big cultural issues arise—there will be family pressure to keep all the important positions in its grip. At present, all key positions are held by Keita's sons. These requirements means much managerial talent gets overlooked and is wasted.