

20.5/7

More and more Uganda Africans are taking part in business and commercial enterprises yet the question persists: "Why do African businesses fail?" The assumption being that the rate of failure for businesses owned or managed by Africans is greater than the rate of failure among those owned and managed by other racial groups. Yet it has still to be shown that this is true or the assumption is at least warranted.

For the purpose of this paper I make no assumptions. Nor do I necessarily subscribe to any of the arguments adduced to explain, to support or to discount this presumably sorry state of affairs. The purpose of this paper is simple. It is an attempt to show from an analysis of the documents why a particular company succeeded where it did succeed and failed where it did fail. It came into existence, survived for five years and finally collapsed. Here was a group of people who went into a certain type of business for which they needed some form of organization within the economic and legal framework.

I have therefore analysed the documents in such a way as to show (a) the members, (b) the business, (c) the financial arrangements and (d) the relations with the Government. One omission that seems obvious must be explained here. In the correspondence and other books of the Company there is very little reference to other business firms or individuals. This is not to say there were no dealings with other concerns but that they were ephemeral and insignificant.

1. The Members

One peculiar feature of the company was that the membership was limited to the people resident in the Sesse Islands or claiming descent therefrom. This was not left without comment particularly from individuals engaged in fishing and allied trades. It was generally argued that it was iniquitous to distinguish the people of one county from those of the other counties of Buganda. The people of Sesse,

although fifty years ago they were distinct especially by their dialect, are no longer distinguishable from the other inhabitants of Buganda. When the scourge of sleeping sickness swept across the Islands and the shores of Lake Victoria in the first years of this century all the people were transferred to the mainland. When they were allowed to re-open the Islands not all of them went back. Some of them remained in the other counties. The distribution of 228 members by county, was therefore as follows:- Sesse Islands 123; Busiro 49; Kyadondo 35; Kyagwe 13 and other counties 8. However, there was no difficulty of selecting the applicants on this criterion.

It is evident, therefore, that more than half the members were resident in the Islands and the majority of the rest were in the counties bordering on the Lake Victoria. It would also be true to say that the majority of them had some interest in the fishing trade either as fishermen or as traders. The main occupations of the members were roughly as follows:- Primarily fishermen 113; Other self-employed, mainly agriculture and trade 89; Government and other employment 26.

But while the majority of the fishermen were in the Islands, this did not apply to all of them, for as will be described below, an extensive fishing industry is carried on the mainland shores of the Lake.

The members must have been drawn from that section of the community with some capital to spare. The shares were 100/- each, although even this represented about a quarter of the average profits of a fisherman in any one year. What is particularly significant is the fact that more than a half of the capital was contributed by the members paying one share only. There were among the members neither the wealthy nor the poor. Table I shows the distribution of the members by the number of shares paid.

TABLE I:	Number of members paying:	
	10 shares	4
	3 shares	8

2 shares	35
1 share	171
less than 1 share	<u>10</u>
	228

Most probably the company was not looked upon as a form of profitable or secure investment. As was shown by the amount raised in loans to the company by the shareholders some of them had some more money to spare. There were other reasons that induced some of the poorer shareholders to part with their precious cash. This will be explained by the type of business in which the organization was engaged.

2. The Fishing Industry

The Sesse Islands is one of the groups of islands on the Northern fringes of the Lake Victoria of which about ten islands are inhabited. The distance from the islands to the mainland varies from about 20 to 40 miles.

The Basese have from time immemorial been fishermen drying by smoking the surplus of their catches and selling it to the mainland. The traditional methods were to catch the fish with wickerwork traps or on lines and hooks of local manufacture. (This later method is still used for deep water fishing). For transport once or twice a year the villagers organized trading expeditions of two or three canoes taking to the mainland fish for which they exchanged hoes, hooks, pottery and bark-cloth.

Great changes came in the late 20's when gill nets made of flax or cotton were introduced and the steamer tug replaced the old sailing ship. With increased production and regular transport, trade started first with a few individuals who had connections with the fishermen or were fishermen themselves. By 1953 when the Association was started there were several regular fish traders and a few followers. The minimum requirements for the trader were very simple. Anyone with the stamina to stand bad weather for two days and nights while the

tag went its weekly round and two or three hundred shillings in ready money could enter the trade. But the more established traders dealt in fishing nets also. At that time one could get them easily from Indian retailers on credit but at inflated prices, to issue them to fishermen at a profit and to receive back their value in fish. Some Indian traders in Entebbe dealt directly with established fishermen guarding against loss by charging exorbitant prices. As for transport to the mainland ports, this was covered by the Uganda Railway cheap rates of about a cent a pound.

Naturally the association primarily aimed at the control of this part of the industry. The traders being middlemen could easily be branded exploiters. From the beginning the appeal was couched in these terms. 'We are being exploited by the traders who buy our fish cheap and sell it dear and who buy the nets cheap and sell them to us dear. Let us collect money to make an organization that will sell our fish and will get us nets.'

There was another reason also. The previous year, another association had been formed by fishermen on Lake Edward. It was rumoured that they were trying to get a monopoly of the fishing industry especially its marketing. It was therefore represented that the formation of a Sesse organization was particularly urgent.

3. Organization

This was the beginning. Two brothers, one a government professional employee and the other educated but at the time unemployed, took the lead. The second brother went round the Islands explaining the purpose and the aims of the association.

The first record for which the minutes exist was held in Sesse in March 1943. The discussions were limited mainly to the choosing of the collectors and fixing member's contributions to 50/- a share. It appointed one man to

organize the collection and selling of fish. It was his job to travel round the islands as the other traders did but at each point he would be joined by one member at a time to go with him and help sell the fish. For the work of selling the Association was to receive 2/- per bundle of fish.

Nothing is said about the remuneration of the organiser or the collectors as each had to take a turn at it, this was unnecessary.

A point of interest is that the Association was to work on very little capital which was to be used for the purchase of nets only. But after three months, the organization was found not to work so smoothly. First the fishermen complained of the delay in receiving the proceeds of the sales. Secondly they complained of the prices received partly due to the inexperience of the sellers they were lower, and partly because they fluctuated widely.

At a meeting held in July the same year they changed the form of organization. They appointed one or more directors in each of the centres. All together there were 14 directors in 8 centres - 4 in Sesse and 4 on the mainland. Each director had responsibility not only for receiving the member's shares but also for the selling and buying of nets and the supervision of the purchase of fish. The consignment on the accounts of the fishermen was abandoned in favour of direct buying and for this purpose the shares were raised to 100/- each. Further, buyers were appointed in each island to buy dry fish under the supervision of the directors. Each director was to be remunerated by a percentage of the profits. It was not stated which type profits were to be distributed but the percentage were graded from 16% to 2% to make a total of 50% of the profits allocated in this form.

One feature of this form of organization was that, although a Managing Director was appointed, his duties did not include either the supervision or the control of the activities

of the other directors. Each director was in control of his area and his centre and was independent. He was only answerable to the general meeting of the members. There was no central control of finance and no business direction. In the meantime each director could do what he wanted with the money under his charge. For example if there was no fish in his area he might or might not send the surplus funds to another area where fish were available. It was alleged that some of the directors persistently and consistently refused to make available funds in their possession for the purposes for which the funds were collected.

After six months it became to be generally agreed that the association was not working properly or making progress. At a general meeting held in December 1943 it was suggested and agreed that a centrally organized association would best serve the purpose of the members. It was also agreed to have the association registered as a corporate body.

At the time there were two alternative forms of registration: either as a business name or as a limited liability company. (The first of the Co-operative Societies Ordinance was enacted in 1946). It was decided, on consultation with legal advisers to register as a private limited liability company.

Of some interest in this connection is the fact that several types of organization were tried before the members finally took the step of proper registration. Indeed the operations of the law are strange and remote from the ordinary African.

The first problem they were faced with was the inclusion of the two hundred odd members each paying 100/- or so into the number required by the law for a private limited liability company which is 50 persons. The solution was typical in this country where the keeping of two sets of books is almost an accepted business practice. Two sets of registers were kept: a private register with each individual showing his actual

amount paid by him and an official company register showing 28 shareholders each owning 10 to 20 shares. The precaution taken was to leave the share certificates unissued until the person named in the register had paid for all his 10 or 20 shares. Only four or five certificates were issued in the five years of the company's existence.

4. Management

For the examination of the management of the company let us consider first, the composition of the Board of Directors. The number of fourteen was reduced to five with a quorum of three. Particulars of the first directors are interesting. Three were traders and the other two were government employees. The two who were employees were literate in English but the other three were not. Two lived in the Sesse Islands and three in Kampala. None of them were fishermen. None of them had had any experience of running a company or any other form of business enterprise except on the very small scale of private trading or a small shop.

But they set on their work with a certain amount of real zeal. None of them were paid for their services as directors. In the five years there were altogether 12 board meetings: that is an average of three boards a year. Reading through the minutes one is struck by the small range of the subjects discussed but repeated at one meeting or another. A few examples will illustrate the most regular subjects and the number of times they were discussed: Shares 5, debts 5, organization of branches 4, wages 3, advances, loans, balance sheets 2 each.

Perhaps more interesting is the way the Directors set to organize the business from the very start. The following extracts from the minutes of the first board meeting show the nature of the business and the methods planned to run it.

"Min. 4 (a) Selling of nets - Agents

- (i) each agent shall be paid twenty-five cents for each net sold;
 - (ii) all nets shall be sold for cash;
 - (iii) but the agent shall be free to give credit provided he himself pays for the nets to the Company in cash.
- (b) Any buyer whether a member of the company or not shall be free to sell his fish to whomsoever he chooses.
- (c) Only a director of the company can issue nets on credit; and to reliable members only up to Shs.1000/-. An interest of fifty cents will be added to the price of each net and the advance should be paid in three months. In this case the buyer will have to sell his fish to the company. He may leave a deposit.

Min. 5 Fishing

- (a) Fishing will be carried on by the members as hitherto until another form of organization is thought out.
- (b) Each member is bound to fish or to sell fish to the company or through the company.
- (c) Anyone who does nothing for the company will not receive his full share of the profits.

A subject that remained of recurrent interest was that of loans and debts. When the company was centrally organized and registered it was found that not all of the 14 area directors were able to account for all the monies handled. After long and protracted negotiations and repeated calculations whatever each of the said directors was unable to account for was written against him as a debt of the company. When the company was registered these debts consisted of about one-third of the total sum collected in shares.

In the second place, as an accepted part of the business was the issue of nets on credit. It was for this reason that the rules we have quoted above were made. It was to be expected that each year a certain amount of money would remain unpaid but the extent of the defaction could not be gauged. In the 7th Board the following resolutions were passed:

"Min. 6 Loans - Arising from the auditor's report

the following resolutions were made:-

- (a) No shareholder who has not paid his shares in full can lend money at interest to the company.
- (b) Any long loans in the future will be at the rate of 10% per annum. But short loans for less than 3 months can be raised at a higher rate of 20% per annum.

Min. 7 Advances

- (a) No advance will be made to a shareholder exceeding two-thirds of his or her shares.
- (b) The terms of the loan must be made clear to the debtors.
- (c) No advance will be made for more than 3 months.
- (d) Interest on advances at 10% a quarter will be charged.

The question of loans which appears in the above minutes needs further comment. The subject is perhaps best described in the words of the Managing Director in his first report to the General Meeting held in June 1945.

Finance. In this our first year we have found great difficulty to get sufficient money for all our operations. When I took over the company on January the 10th, 1944 I received Shs. 2,000/66 in cash. There were debts of 741/36 to be paid. By the end of January, I had received Shs. 2,533/25 at this time we opened a buying post at Kagera. Therefore, I borrowed Shs. 3,000/- to run that business. By March I had received Shs. 5,160/40 from the past directors and I had received a further Shs. 3,395/- from the members making a total of Shs. 8,555/40. Then we decided to buy for cash a lorry costing over Shs. 11,000/-. I therefore had to borrow another Shs. 4,800/- on which interest had to be paid and Shs. 1236/50 on which no interest was paid. All these loans cost us money in interest. You will see this in the balance sheet.

5. Finance.

The summary of the balance sheet tells its own story even without comment. The balance sheets were made as at 31st March each year for 1945 to 1948.

(a) <u>Liabilities</u>	<u>1945</u>	<u>1946</u>	<u>1947</u>	<u>1948</u>
Share Capital and	Shs.	Shs.	Shs.	Shs.
Deposits	31,810	33,760	34,060	32,680
Loans	5,248	3,842	----	----
Creditors	<u>3,238</u>	<u>5,474</u>	<u>3,684</u>	<u>1,322</u>
Totals	40,296	43,076	37,744	34,002

(b) <u>Assets</u>	<u>1945</u>	<u>1946</u>	<u>1947</u>	<u>1948</u>
	Shs.	Shs.	Shs.	Shs.
Cash	1,279	3,967	2,748	1,142
Debtors	19,825	9,305	3,764	5,429
Stocks	1,076	2,000	1,373	610
Lorry	9,184	6,886	5,215	---
Other Assets	5,261	8,057	5,790	5,256
Losses	<u>3,661</u>	<u>12,861</u>	<u>18,844</u>	<u>21,525</u>
Total	40,269	43,076	37,744	34,002

It is impossible to deduce from the balance sheet alone whether the financial resources available to the company were adequate for the business activities in which it was engaged. The size and the extent of the business can best be shown by a study of the trading accounts for the years when the company was operating to its full capacity. These accounts at least show that in each year the volume of the business was about ten times the liquid assets of the company.

Trading Accounts

	1945		1946		1947	
	<u>Payments</u>	<u>Receipts</u>	<u>Payments</u>	<u>Receipts</u>	<u>Payments</u>	<u>Receipts</u>
	Shs.	Shs.	Shs.	Shs.	Shs.	Shs.
Dry Fish	138,547	138,459	19,274	16,611	---	---
Fresh "	26,410	31,087	23,111	26,805	9,787	20,916
Nets	52,721	56,487	26,125	27,767	14,479	16,904
Other	2,424	3,545	2,908	3,016	8,806	11,355
Lorry	<u>9,775</u>	<u>15,664</u>	<u>9,355</u>	<u>11,839</u>	<u>10,635</u>	<u>8,815</u>
Total	229,877	245,202	80,773	86,038	43,707	47,990

The most significant aspect of these accounts is the very small excess of the receipts over payments. On this very point the auditors made in their report for the year 1944/45 the comment: "The accounts show a loss of Shs.3,661/- of which the interest charge is 25%. The loss on Dry Fish Trade of Shs.88/- where the sales are 60% of the total trade is disappointing. An increase of only 5% in the selling price (or a reduction of the same in the purchase cost) would have turned the present lo

into a profit. Whereas a change of 7% would have yielded a profit of about Shs. 5,000/-."

But the circumstances were such that neither an increase in the price nor a reduction in the purchase cost could be effected: the first because the prices were legally controlled and the second because the competition for the trade was extremely keen. After two more years of increasing losses the Company was driven out of business. The Managing Director, in explanation, had this to report to a General Meeting in 1948:

"The main difficulty of making a profit lies in the fact that the fishermen - both members and non-members - find, owing to the existence of an extensive black market that they can dispose of their fish at better prices than the company can offer to, or obtain for, them."

It is obvious however, that no amount of economy in the running of the business could have saved the company from a loss. The surpluses are compared with operating expenses for three years. *

	<u>1945</u>	<u>1946</u>	<u>1947</u>
	Shs.	Shs.	Shs.
Wages	12,666	7,413	4,785
Other Expenses	2,585	3,037	3,847
Lorry (Depreciation)	2,522	3,239	2,034
Interest on Loans	<u>1,213</u>	<u>776</u>	<u>---</u>
Total	18,986	14,465	10,266

6. Relations with the Government

It is often said by African traders that the Government is to blame for many of the failures among African businesses. It is interesting, therefore, to trace the relations between this particular Company and the Government.

As soon as it was formed the organization came in for the over watchful eyes of the Government officials. One of them wrote a letter to the Saza Chief copy of which was found on the files of the Company. It said, inter alia:

"I would like to know your views on the Association of Fishermen. I understand that there are four partners who have formed this association. I would like to know any particulars you have on these people and any

	1945	1946	1947
	Shs.	Shs.	Shs.
Surplus	15,325	5,265	4,283
Operating Expenses	<u>18,986</u>	<u>14,465</u>	<u>10,283</u>
Net Losses	3,661	9,200	5,266

A summary of the expenses is the best commentary not only on the types of expenses incurred but also on the efficiency of the management:

particulars you have on these people any any other members. Is the association good in its intentions? Do the fishermen receive better prices from the Company than they would normally receive from the traders? Does the Company compel in any way the fishermen to sell to it? I understnad that the Company has bought as many nets as it can so as to force the fishermen to sell fish to it. Does the association co-operate with the fishermen or do they have shares in it"?

The Saza Chief replied as follows:-

"I have found out that the association has more than one hundred members and that most of them are fishermen in Sesse, or residents in Sesse. And that the association has helped the fishermen to receive fair prices from their fish, much better prices than they used to receive before the association was formed. That the association does not compel anyone to sell to it. And that the association co-operates with the fishermen, and many of them have shares in it."

With this evidence on the files it was therefore surprising that the same office did not choose to make a reply when approached a year later on the question of nets. The proposals made by the Company appear to be fairly reasonable:

"We have been informed that a certain quantity of three inch and two and half inch mesh fishing nets arriving at Messrs. Kelles-Roy & Tyson (Mbs) Ltd., Kampala will be allotted to the fishermen in the Sesse Islands.

We have received the further information that when the first allotment arrived a few individuals succeeded in collecting most of the nets available before other fishermen had time to arrive for their personal use and for re-sale.

We feel therefore that it is our duty to offer our services to ensure a fair and equitable distribution of any nets allotted to the fishermen in the Sesse Islands. We beg to offer our services on the following conditions (or any conditions acceptable to you and to us):

- (a) that we receive a commission of fifty cents per net distributed on this account;
- (b) that we distribute these nets in co-operation with the Saza Chief;
- (c) that we make and forward a documented return of these sales to you or to the Saza Chief."

At this point I may explain that the recognised retailers were in Kampala, Entebbe and Masaka (all Indians). The profit allowed were one to two shilling per net depending on the size. Obviously neither they nor the price Controller's office would have recognised a Sesse fisherman if he presented himself. In spite of this the quantities allocated to the

Sesse fishermen were issued to them.

Another question that came up regularly was the question of prices. As stated above the Company was formed in the war time. Prices of all essential commodities were controlled. Therefore, on several occasions representation on prices were made. Here is a quotation from one made in 1945:

"As proof of increased costs of production here are a few examples of the various rates of increases. Nets 100%. Canoes 150%. Labour 70%. On top of this the daily catch per net has dropped from a reported 3 fish per net per day in 1939 to about $1\frac{1}{2}$ fish per net per day in 1944 as recorded in our canoes.

The prices paid for fish therefore are far from fair.

We would like to call your attention to two obvious discrepancies. First, Ngege (fresh) is sixty cents but Ngege (smoked) is twenty cents. Secondly, the maximum fixed price for Semutundu is actually lower than the possible prewar price; also the price is $1/75$ in Masaka but a bare $-/55$ in Kampala.

These two differences testify to the fact that the Price Controller is ill-informed as to production costs of native produce. The prices of native produce are fixed arbitrarily without regard to these costs whereas the prices of imported goods are fixed on the basis of cost plus profit. You cannot hold that the two prices have the same validity.

There is another aspect of the industry that the consumer should understand. Fish, fresh or smoked, is a very perishable commodity. That is whatever the day's market the fisherman has to sell. When fish is plentiful we have to sell very well below the fixed prices. When fish is scarce we are in desperate need of selling a little higher than the fixed prices to save ourselves from inevitable loss. As such times reputable firms like our own are forced to run out of business, temporarily, to save ourselves from loss or from black-market practices which are in themselves very expensive."

No reply was given to this letter. However a year later one type of fish was raised in price from $-/60$ cents to $-/75$ cent

There was yet another fight with the Transport Control Board on the question of a lorry owned by the Company.

Apparently the lorry was acquired in 1944 for the following expressed purposes:

- "(a) transport fresh fish daily from Bukakata to Masaka;
- (b) supply fresh fish to Kampala market and to travel between Masaka and Kampala;
- (c) supply fish to Lugazi;
- (d) transport fish from Kagera Fisheries to Masaka."

Anyone who knows the distances involved would have

guessed that the scheduled journeys for one lorry were clearly impossible. The distance between Masaka and Kampala for example is 86 miles. When in 1945 another application was made to buy a smaller car for the supply of fresh fish to Kampala, the application was turned down on the grounds that this part of the business was covered by the prior application. In the words of the responsible officer:

"It would appear that the lorry which you own is more than sufficient to carry out all the fish transport in which you are engaged and the necessity for purchasing a boxbody car therefore does not arise."

Consequently for a short time the Company had to transport about 1,000 lb. of fresh fish daily on a three-ton lorry. This was later abandoned, as one would expect, because it was not profitable. What is surprising is that anyone ever imagined that that business under those conditions would be profitable.

7. Why did it fail?

With diminishing assets and contracting business the Company began to decline pretty rapidly after 1946. First, the business in dry fish was closed. The lorry began to lose money and the business in fresh fish was too small and too irregular to support this organization. The Company was not liquidated. Its activities were suspended as is explained in the Directors' Report to a General Meeting sitting in 1949:

"The shareholders will be asked at this General Meeting whether the company shall be liquidated or whether its existence should be continued.

But it appears to us that it would be wiser not to place the Company formally in liquidation but to suspend activities for the time being; and in due course when conditions offer better opportunities to resume operations. In this way the experience so far gained, the cost of the formation of the Company, and the association of the shareholders in the Company will not be lost."

We may at this point, and in conclusion, try to analyse the reasons for the failure of the company. Some of them are:

(a) Contradictory Aims.

As soon as the Company entered direct buying it began

to be in a position of opposition to the majority of the members. As individual fishermen, the members were bound to require the highest prices obtainable. In fact the first effect of the Company's entry into the business was to raise the prices through keen competition with the other traders. But within the existing price structure this very fact was bound to bring the Company into loss because of the higher overhead costs.

In the second place, the problem of extending credit to peasant producers has never found a proper solution. Without strict and rather close control, it is impossible to ensure proper and regular payment; but any form of control would be expensive. In the case of this company, supervision would be expensive without being effective because it would have to have been carried out by agents whose sympathies should be with the producers. One form of off-setting the losses arising from this system of trading is to raise the prices of the goods sold or not lower the prices of the goods bought sufficiently so that the profit cover the losses caused by the defaulters. This course the Company could not have taken partly because its share of the business in fishing nets was so meagre but also because it was the very system it had declared to be iniquitous. The Company's stated aim was to make fishing nets cheap and credit easy. The truth is that this is impracticable.

Therefore, in the second year, these contradictory aims began to show up. The following extract from the Managing Directors' Report to the General Meeting in 1946 discusses the distrust that had arisen in the minds of the members and also the type of the complaints expressed:

"In the past year many members have complained in private against the activities of the Company. This is a very serious matter for the existence of the company. For myself I call it the poison that will ultimately destroy our company. I will talk in detail about this problem because it touches the Directors and other members of the company. For example:

(i) When Government officials come to Sesse some of you

say openly that the Company does not help you. Whereas it would be your first duty as members of the company to bring your difficulties before the Directors of the Company. For I know the Directors were appointed by you and are therefore appointed to serve your interests. You can change them if you find that they are not doing their work properly.

(ii) I fail to understand where the company works against your interests. I would think the members work against the interests of the company. For example when we started to buy dry fish here in Sesse you caused great losses to the company by selling bad fish to it and all the good fish to the other traders. When the Company sold nets on credit to you, you promised to pay; you have not paid in full. And some of you misused the monies entrusted to you by the company. I therefore implore you this time that you discuss everything openly and carefully for if you are ashamed of saying the correct things in this meeting your interests will suffer in consequence."

(b) Government and Controls

Every trading organization comes into conflict with the Government at one point or other. The only question is whether those points are vital or not to the organization's existence. Under the conditions ruling in Uganda during the war a business organization had to be either very small or very big. If it was very small it was not likely to come to the attention of the Government immediately or frequently.

If on the other hand, the organization was very big, it could, through representation or contacts, influence the policies in its favour.

The Company under review was in the unfortunate position of falling between these two positions. Take the example of price controls. Hundreds of petty traders were able to dispose regularly of quantities of fish on the black market. No one was particularly watching for these transactions. A Company with a lorry load of a hundred bundles at a time could not find it very easy to dispose of them without detection. On the other hand the company was not big enough to have its representation considered important enough to influence government decisions. Moreover the company was formed during the war, and therefore the mystic appellation - 'past performance' - could not apply to it. For example, the

Company was particularly suited and equipped for the distribution of the fishing nets in the Sesse Islands but no allocation was every made in spite of the efforts made in this direction.

The question of the prices of fish was another. As reported above, the Price Controller did not consider it possible to raise the prices in response to rising costs of production or in relation to rises in prices of other goods.

(c) . Type of Organization

No doubt the type of organization finally adopted was not extremely suitable for this type of business.

One problem was how to exercise control over a staff not only so widely distributed but also loosely attached to the Company (most of the staff were shareholders who worked for the Company on a part time basis and who received either a small monthly salary or a commission). The distances between the buying centres and the selling centres were such that supervision by the Managing Director was precluded or at best slight. The alternative would have been the provision of local control which should in turn have to be warranted by the size of the business. However, it is difficult to say now whether the Company would have succeeded better under a different form of organization, for example, as a Co-operative Society.



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