

KARANDAAZ PAKISTAN

Case Study on

Pie in the Sky: Scaling with Strategic Risk Management and Financial Oversight



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The views expressed in this document are those of the authors and do not necessarily reflect the views and policies of Karandaaz Pakistan or the donors who have funded the study.

1. COMPANY BACKGROUND AND HISTORY

1.1 Pie in the Sky – The start of a journey

In 1984, Naila Naqvi, after completing her A-levels, embarks on a life-changing internship at the renowned Avari Hotel in Karachi. From an early age, Naila observed her mother's skilled baking and dedication to hospitality. They never once considered buying birthday cakes from a bakery; instead, Naila's mother's extraordinary baking skills ensured that every birthday was celebrated with a homemade cake, crafted with love and care. Growing up with these experiences ignited a profound passion within her for baking.

The six-month sojourn at Avari, originally intended as a brief post-exam break, would kindle an unwavering passion within her, forever shaping her career trajectory. The bustling kitchens, the meticulous housekeeping routines, and the dynamic energy of the front office – Naila found herself captivated by the intricacies of hospitality operations. This initial introduction to the industry sparked a lifelong commitment and fervour in Naila.

Even after the internship ended Naila, was still hungry for more knowledge and exposure – she had just got started. Fortunately for her, Naila's dedication and natural aptitude did not go unnoticed. She earned a coveted spot in the pioneering management training program at the newly opened Avari Towers. This rigorous two-year program was an immersive experience, offering her invaluable hands-on training in every department of the hotel. From the precise art of preparing gourmet meals in the bustling kitchens to the meticulous attention to detail required in housekeeping, Naila absorbed every lesson with a sponge-like enthusiasm.

Following this comprehensive training, Naila began her professional journey at the Avari Hotel. While working there, she actively sought opportunities to grow her skillset. Her journey took a significant turn when she was awarded a prestigious scholarship to pursue further studies in Singapore, where she enrolled in a renowned hotel management program affiliated with the esteemed École Hôtelière de Lausanne. After her time in Singapore, she also attained a Food and Management certification from Switzerland. This international exposure further broadened her horizons and honed her skills in the hospitality industry.

Her international training completed, Naila came back to re-join Avari and worked there for 9 years. While working at Avari Naila also took on some private catering gigs, and the aroma of freshly baked desserts wafting from her home kitchen soon attracted the attention of local restaurants. As she began supplying them with her delectable creations, her reputation for exquisite flavors and meticulous presentation grew steadily. However, the demanding life of hotel management and the ever-present pull of family life began to create an internal conflict for Naila. Balancing both became increasingly challenging. In the meanwhile, she also noticed a gap in the market for artisanal bakeries, with only one competitor, "Kitchen Cuisine," in existence in Karachi at that time. Cognizant of the opportunity, Naila decided to pursue her true passion for baking. It was in 2001, with the unwavering

support of her husband, that Naila decided to take a leap of faith and pursue her true culinary calling. To acquire practical skills, she enrolled in a pivotal six-week program at the International School of Baking in the United States, where she mastered the art of bakery management. It was during this period that Naila began to indulge her newfound love for baking on a personal level. Pie in the Sky (PITS), a haven for artisanal delights, was born in 2001.

1.2 PITS Growth Journey

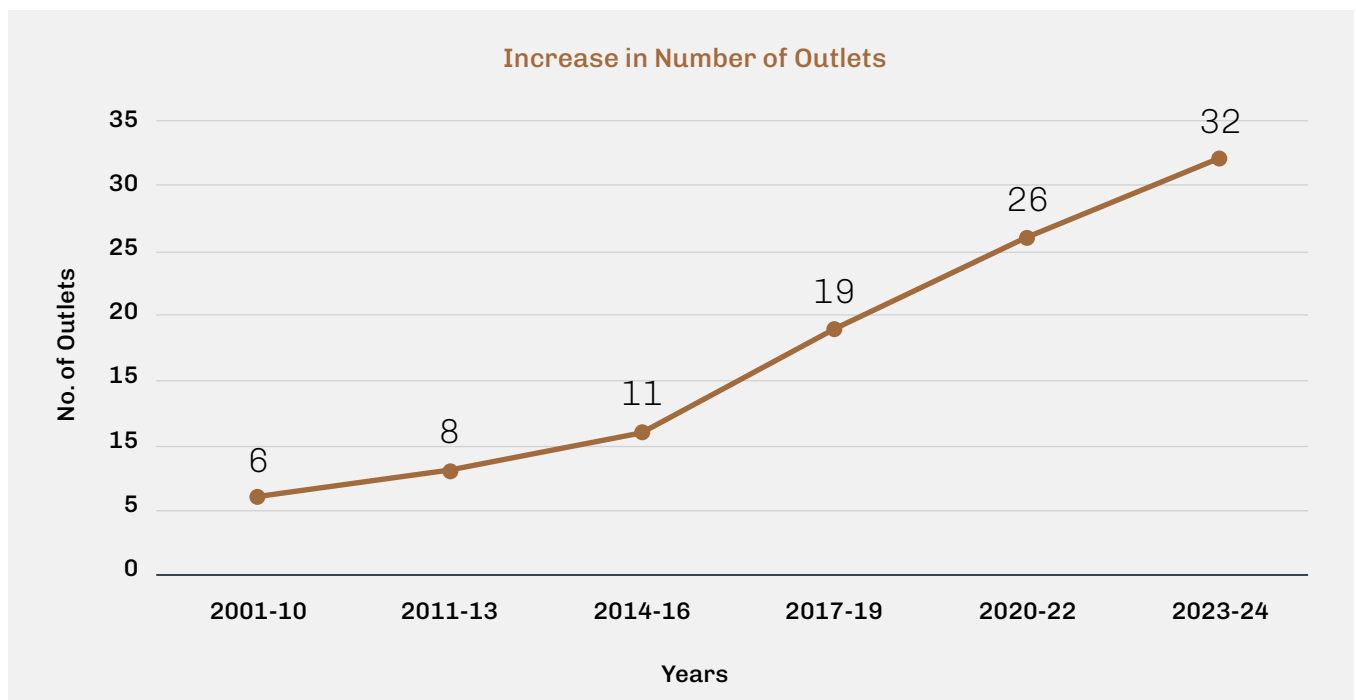
Fuelled by an initial investment from close family and Naila's boundless enthusiasm, Pie in the Sky opened its doors in the heart of Karachi's charming Zamzama neighbourhood. The bakery's initial offerings were a delightful medley – an array of cakes, brownies, pastries, and even savory delights.



Naila herself became the heart and soul of the bakery, overseeing every aspect – from the meticulous process of baking to managing daily operations. Embracing a customer-centric ethos, PITS personally engaged with patrons, ensuring their experience was nothing short of exceptional. Feedback from customers was not just welcomed but actively sought, driving a continuous cycle of improvement. Naila's dedication extended beyond the front lines; she personally trained and mentored her staff, instilling the values of quality and service excellence that Pie in the Sky became renowned for. Despite the lack of social media presence, Pie in the Sky flourished organically, solely through word of mouth—a testament to the unparalleled quality of its food and service.

This dedication and commitment to quality soon bore fruit. Over the next two decades, Pie in the Sky embarked on a remarkable journey, transforming from a local favourite into a national phenomenon. The bakery's vision extends beyond provincial borders. After opening 23 branches in Karachi, 2 in Hyderabad from 2001 to 2021, and diversifying into the restaurant business - Cafe Chatterbox - in 2014, a flagship branch was inaugurated in Lahore in December 2022, marking a bold stride towards national expansion. Today, the bakery boasts a flourishing presence with 32 branches spread across Karachi, Hyderabad, and Lahore. Each branch stands as a testament to Pie in the Sky's unwavering commitment to quality ingredients, innovative recipes, and exceptional customer service. In addition, Pie in the Sky also invests in product innovation, on an on-going basis (as mentioned in more detail in the next sections).

Embracing a forward-thinking strategy, Pie in the Sky was poised for a new chapter of growth and collaboration as it transitioned towards a franchise model. The granting of the first franchise agreement in 2023 signified the start of an exciting new era for this beloved Pakistani bakery. The growth in retail outlets since 2001 can be seen in the graph below:



After consolidating the business in the first 5 to 6 years, the notable acceleration in outlet growth from 2017 onwards demonstrates the strength of the brand that Naila built up from scratch and the sustained consumer demand for products.



Naila, as the owner and CEO of Pie in the Sky, has crafted a holistic strategy to align with her vision. This approach covers various facets, embracing creativity, quality, and customer satisfaction at its core:



The diagram below summarises some of the key growth and corporate governance milestones in the PITS journey:



2. ADOPTION OF CORPORATE GOVERNANCE PRACTICES TO OVERCOME BUSINESS CHALLENGES

Evolving in the Face of Challenges

While in a singular location and managing the whole supply chain, from baking to sales under a single roof, Pie in The Sky operated initially using excel sheets with the total manpower of 7 people, including Naila. As Pie in the Sky expanded beyond Karachi, first in 2017 to Hyderabad and in 2022 transcending provincial limits, to Lahore, the challenges were numerous. This expansion happened at a time when the retail artisan bakery industry in Pakistan was still in its infancy, without any established guidelines or playbook for best practices:

- **Manual Operations and Inventory Records**

In the initial stages, PITS faced challenges with inventory errors primarily due to the absence of an ERP system to record purchases and consumption quantities. Moreover, salespersons at the stores manually took orders from customers (in the case of advance bookings) and relayed them to the production facility in an informal manner. However, this occasionally led to orders being missed due to communication lapses.

- **Risk Management**

As the business expanded, it experienced some incidents of sales fraud, including manipulation of sales returns and mishandling of cash. This was due to a lack of proper internal controls and monitoring / reconciliation mechanisms over cash sales at the time, as well as the maintenance of manual inventory records.

- **People Management**

Finding the right talent proved challenging for the company, as individuals were increasingly offered other opportunities (locally and abroad, once they received the training that experience at PITS brought with it. Despite efforts to attract and retain skilled professionals, securing the ideal candidates remains an ever-present hindrance.

- **Quality Assurance**

In the earlier years, maintaining quality standards posed a challenge for the business due to inconsistent raw material quality from vendors. Vendors who were initially reliable, reduced the quality of supplied materials over time, or were inconsistent with their quality, causing difficulties in uniformity of quality standards and meeting customer expectations.

- **Establishing a loyal customer base in new markets**

PITS encountered hurdles when expanding to Hyderabad. Establishing a customer base proved challenging due to the simultaneous entrance of multiple competitors into a smaller market and the unique market dynamics of the area.

Management had focused on evolving Pie in the Sky through a hands-on approach in tackling challenges. With her active role in day-to-day operations, and oversight, in early days of the business it was much easier to manage the 360 degree of business affairs. As Pie in the Sky opened new branches across Karachi, and expanded its production capacity, a renewed focus was required on establishing leading practices and the evolution of governance mechanisms. To overcome these challenges, management implemented strategic initiatives aimed at enhancing operational efficiency and bringing stabilising and sustainability to the growing business:



2.1 Board Composition

While Naila headed Pie in the Sky from the beginning, an early governance decision was made to create a Board of Directors of primarily composed of capital investors. The Board plays a crucial role in providing strategic oversight, is mostly made up of family members, including Naila herself and her two brothers-in-law who are also businessmen. One of the board members, Abid Naqvi, has been particularly active in overseeing financial matters, instilling a prudent financial stewardship ethos within the organization. Naila found Abid Naqvi's expertise in this area invaluable for steering the company's growth. The board is kept informed of the company's financial performance and future plans through quarterly financial reporting. The CFO and General Manager report the financial performance to the board in these meetings, providing insight where required and seeking their guidance and input in the decision-making process for critical matters. E.g. one of the key recommendations of the BOD was the acquisition of a larger production facility in Korangi - as the network of branches expanded, capacity constraints were encountered at the production facility in Gizri. Anticipating this challenge, the board decided to establish a centralized kitchen at Korangi Industrial Area in 2010.



This strategic decision significantly boosted the production capacity of the business and facilitated seamless operations across multiple bakery branches, highlighting the board's proactive approach to scalability and operational excellence. The production facility was much larger than was required by PITS at the time, given the number of existing outlets. But the bold and far-sighted decision taken by the Board members to invest in it, anyway, was timely and was aligned with the company's log-term vision to achieve market growth.

Beyond financial oversight, the board has enhanced the overall corporate structure of the business by providing guidance on financial, HR, and administrative controls. Leveraging their collective expertise and strategic vision, the board has guided Pie in the Sky towards operational efficiency and best practices, ensuring a solid foundation for sustainable growth.

Additionally, the CEO's vision has played a key role in operational and business development matters, offering strategic insights and direction to capitalize on emerging opportunities and navigate potential challenges. The franchising model was one such opportunity, which once it is fully implemented, can now provide PITS with the platform to expand on a much larger scale altogether.

2.2 Customer Centricity Approach prioritising Customer Satisfaction

From its inception, Pie in the Sky had prioritized a customer-centric ethos, with the owner personally focusing on the needs of consumers and ensuring customer satisfaction in a convenient way. Founding it as a key governance strategy from day 1, as the business grew across the city, the commitment to customer centricity was cascaded across by focusing on:

- delivery of best value product to the customer through unwavering focus on quality,
- constant evolution of product line in line with changing customer needs
- diversifying their product range; and
- superior customer service

Pie in the Sky focused on an agile approach to product development involving regular analysis of customer needs to update its product portfolio. The team prioritizes continuous improvement to meet customer demand. New products are launched not just based on ideas and experimentation, but also based on ongoing market research, not only in the local market but also internationally. They conduct a thorough evaluation of the product range regularly to gauge demand and adjust offerings to effectively meet customer preferences. In addition to their commitment to continuous improvement, the owner's personal background as a baker fuels the constant generation of new ideas to tempt the customers' palette.

As Pie in the Sky expanded its presence across Karachi in 2007, the bakery responded to customer demand and feedback by incorporating traditional cakes like Black Forest and Pineapple into its menu. Similarly, as Pie in the Sky expanded out of Karachi to Hyderabad, they faced stiff competition from the domestic Hyderabad market with its homegrown Black and Brown bakers. Initially, the management perceived market penetration as challenging. However, the superior quality of products, packaging, and overall brand positioning enabled them to establish a customer base within a year.

Further, to align with the evolving dynamics of the consumer market, the company relaunched its official website in 2021 with online ordering facility for customers. This digital platform empowers customers to effortlessly place orders from the comfort of their homes. They are also present on social media platforms like Instagram and Facebook to keep their customers posted about the latest offerings and discounts, reflecting the company's dedication to accommodating the changing needs and preferences of today's consumer. With the addition of marketing department, company enhanced its digital presence and increased brand positioning through better usage of social media platforms.



2.3 Quality Assurance

The customer centric approach relies heavily on ensuring that the quality of the product is as per the expectation of the customer every single time. Realizing the importance of this, as Pie in the Sky expanded beyond the Zamazama branch and opened the new central production facility in Korangi industrial areas, Naila and team established a dedicated team and defined processes for quality assurance through a comprehensive strategy:

- **In-House Laboratory Testing**

PITS's in-house laboratory was established in 2022 which serves as a hub for meticulous product testing, enabling the management to enforce stringent controls by conducting random assessments of various products. Factors such as sugar levels, moisture content, surface testing, materials testing, finished goods testing, are scrutinized to ensure the quality and safety of all offerings.

- **Dedicated Quality Control Departments**

Pie in the Sky established a dedicated department for their Karachi facility to conduct quality assurance procedures. This department played a pivotal role in not only monitoring production quality but also rigorously evaluating vendor supplies. By meticulously vetting materials and ingredients, these quality control teams ensure that only bakery approved quality inputs are used in the production process. Different regulations from food safety departments and certification bodies are assured through QA department. This stringent oversight guarantees a consistent standard of excellence across all products, reinforcing PITS's reputation for quality and reliability in the market. To ensure quality, stringent quality checks are conducted:

1. **Raw material QA on receipt:** Raw materials undergo meticulous inspection; those that do not meet the bakery's standards are promptly returned to the supplier.
2. **Raw material QA on issuance for production:** Before production, a thorough quality check is conducted; items not meeting standards may be further processed to meet criteria or discarded.
3. **Finished goods QA at production:** Finished goods are rigorously assessed; those not meeting standards may undergo reworking to rectify defects. Each cake is stamped with the manufacturing date underneath, enabling traceability, and ensuring freshness and quality for customers. Finished goods are checked before being dispatched to outlets. Further, there is also an online complaint submission and response system in place between outlets and QA team to ensure the best quality products are displayed.
4. **Finished goods QA at the bakery:** Before packaging and handed over to the customer, finished goods are inspected; items not meeting the quality standard are discarded.

PITS' commitment to rigorous quality assurance, from raw material sourcing to finished product delivery, cultivates a reputation for reliability and excellence in the market. This comprehensive approach ensures consistent product quality, fostering trust and loyalty among customers. Additionally, the implementation of traceability measures and swift complaint resolution mechanisms further enhances customer satisfaction, driving business growth through positive word-of-mouth and repeat business.

As Pie in the Sky expanded into Lahore, they fortified their commitment to quality by establishing a separate production facility equipped with necessary machinery. This initiative, built upon the success of their existing facility in Karachi, ensured that stringent quality standards were met consistently. Over the years PITS has prioritized quality assurance as a cornerstone of its operational ethos, implementing robust measures to uphold the highest standards of product quality, safety, and consistency.



2.4 New Product Development

Naila consistently reinvents herself, placing great emphasis on continuous innovation in her products. New products and recipes developed in response to evolving tastes of customers, undergo rigorous testing by the CEO herself before being introduced to customers, ensuring no compromise is made on product quality or flavour. E.g., In 2004 healthier options in breads such as four grain and country style breads were introduced followed by Multigrain Bread in 2006. Their current highest-selling product Chocolate Malt Cake was launched during 2008. Notably, they also introduced innovative offerings like banana chips in various flavors, decadent truffles, biscuit jars, and the indulgent Lava cake, catering to diverse preferences.

In 2024, despite its impressive 32-branch network, Pie in the Sky remains focused on continual improvement and expansion in response to customer needs, with a regular review of customer responses to products. The management recognized that while operational matters are important, building sustainable success requires a long-term perspective and continuous improvement. To further fuel innovation, the company recently onboarded a dedicated R&D specialist. This strategic move aims to evaluate and execute new ideas generated not only by Naila herself, drawing from her expertise as a baker, but also from the management and CEO's keen awareness of ongoing trends in the local and international market.

“ *Businesses should not consider themselves successful - because when you consider your business a success, you become complacent. I believe there's always room for improvement.* ”

Naila Naqvi, CEO

2.5 Investing in Technology

With the expanding footprint, the scale of production grew manifold creating challenges in terms of inventory operations - managing inventory records for purchases and additions to the inventory, issuance requests for production, and the remaining inventory left to be utilised.

Pie in the Sky has leveraged technology to revamp its inventory management processes, fostering efficiency, accuracy, and transparency in its operations as they grew. The journey of system deployment began in 2005 with the introduction of the Restaurant POS management system Microse 2000 at the first retail outlet in Zamzama. From there, the company gradually expanded its technological capabilities, introducing a basic off-the-shelf inventory and accounting system in 2007. Subsequently, between 2008 and 2013, the company implemented a local system called Syber-Edge for accounts, HR, and inventory management, marking a significant step towards streamlining operations. This progression culminated in the adoption of a more advanced ERP system in 2014, Technosys, representing a substantial advancement in the company's technological infrastructure. Since then, the company has continued to enhance its systems, deploying a separate HR system, Flow-HCM, in 2021, and currently transitioning to Odoo as its ERP system across all operations since January 2023. The implementation of automated systems helped streamline various aspects of operations:

- **ERP System Integration**

The adoption of an ERP system marked a turning point in PITS's inventory management strategy, streamlining processes and enhancing control over inventory levels. By digitizing inventory tracking and management, the bakery minimized the likelihood of inventory discrepancies and unauthorized access, safeguarding its assets and ensuring accurate stock records. Inventory management system helped company to enhance inventory planning from materials, packaging to finished goods forecasting and procurement of materials.



- **Enhanced Order Processing**

In the early days of the business, manual order-taking processes posed challenges, sometimes leading to missed orders and communication lapses between retail outlets and the production facility. With the ERP system implementation, a paradigm shift occurred in order processing. Salespersons now input all customized orders directly into the system, enabling real-time communication and confirmation with dispatch and the production team.

This seamless integration has bolstered traceability, improved order accuracy, and ensured timely fulfilment of customer orders, enhancing overall operational efficiency and customer satisfaction.

2.6 Internal Controls & Reporting Mechanism

Pie in the Sky's growth journey, while remarkable, could not have been sustainable without an evolution in the internal controls system and overall monitoring mechanism within the organisation. Rapid expansion necessitated a shift towards a more formalized system of checks and balances. Multiple branches across geographically distinct locations introduce complexities in areas like inventory management, recipe consistency, quality control, financial oversight, and uniform customer service. Expansion also broadened the risk landscape and introduced issues like theft, inventory shrinkage across multiple locations, or even accidental lapses in food safety protocols. With a growing number of employees and a geographically dispersed operation, maintaining transparency and accountability also became more challenging. With a 32-branch network and over 500 employees as of 2024, Pie in the Sky had felt the need of having strong control systems to ensure operational excellence and financial integrity. Over the years the management has meticulously crafted a comprehensive system of internal controls and reporting mechanisms to fortify its business operations.

Additionally, by focusing on clear and effective communication, the management conducts regular meetings on a monthly, quarterly, and half-yearly basis to review the financial landscape and strategic planning of the business. These meetings serve as a forum for in-depth discussions, fostering informed decision-making and aligning the company's financial goals with its operational strategies.

In 2010, a formal financial reporting structure was embedded within the organization, enabling the development and review of annual Business plans by the management in collaboration with insights from the sales and marketing team. This systematic reporting approach facilitated a holistic view of the business's financial position and sales forecasting, guiding the bakery towards sustainable growth and strategic alignment.

The company also developed an independent internal audit function in 2012 which evolved over the years comprising of dedicated teams conducting routine visits to all outlets. These internal audits encompassed cash audits, inventory checks, and meticulous scrutiny of operational standards and quality control measures. Retail staff are held accountable for sales and inventory management along with the rest of the employees, ensuring transparency and accuracy in financial records. The findings of internal audit reports are carefully reviewed by the board, providing valuable insights into the effectiveness of inventory control measures, and informing the strategic decision-making processes. By safeguarding against financial discrepancies and enhancing operational efficiency, the internal audit team played a crucial role in preserving the financial integrity of Pie in the Sky.

While emphasizing the importance of the Internal Audit team, Naila said:

“ The amount that we spend on our internal audit team, they probably save us multiples of that. ”

Naila Naqvi, CEO



To further enhance independent feedback on service quality, Mystery shopping was conducted in which PITS staff acted as regular customers to evaluate the quality of service, adherence to company standards, and overall customer experience. This was done during 2021/ 2022 as a test initiative, for front -line retail sales team performance and management guided the front-line retail sales team for necessary actions where needed.

2.7 External Advisory for SOP Development

In response to the growing needs of a burgeoning business, the PITS board recognized the importance of standardising and optimising its business processes through the development of Standard Operating Procedures (SOPs). This pivotal decision marked a significant milestone in the bakery's evolution, signifying a commitment to operational efficiency and consistency in its operations.

In 2012 they proactively engaged a reputable consultancy firm to spearhead the development of SOPs tailored to streamline its HR and Operational policies. This was followed by another major SOP development for asset management policies in 2016. This covered assets like baking equipment, outlet display units, IT hardware, furniture, vehicles, ACs, Freezers, cold storages, etc.

Over time, a robust framework comprising over 50 meticulously formulated SOPs has evolved. These SOPs and policies serve as a blueprint for operational excellence and standardized practices across various departments. These SOPs encapsulate industry leading practices, regulatory compliance requirements, and tailored operational guidelines to ensure consistency and quality in every aspect of the bakery's operations.

In a decentralized approach to SOP management, the company entrusts departmental managers with the critical responsibility of updating, maintaining, and owning the SOPs within their respective domains. This decentralized model has helped to foster accountability and ownership at the managerial level while ensuring that SOPs remain dynamic, responsive to evolving business needs, and reflective of the latest industry standards. SOPs in operational areas are discussed in cross functional meetings when there is need to evolve in the practices to meet the needs of customers and remaining assured of smooth services.

2.8 Investing in People

PITS's approach on hiring centres on identifying candidates who not only possess the necessary skills but also demonstrate the right attitude and the enthusiasm to learn. For PITS, finding individuals who possess a genuine enthusiasm for learning is crucial. In short, they align with the values of the organisation, and herself. Naila's philosophy revolves around having a team that shares her vision. By fostering an environment where individuals share her passion and commitment, they collectively strive towards turning ideas into impactful outcomes.

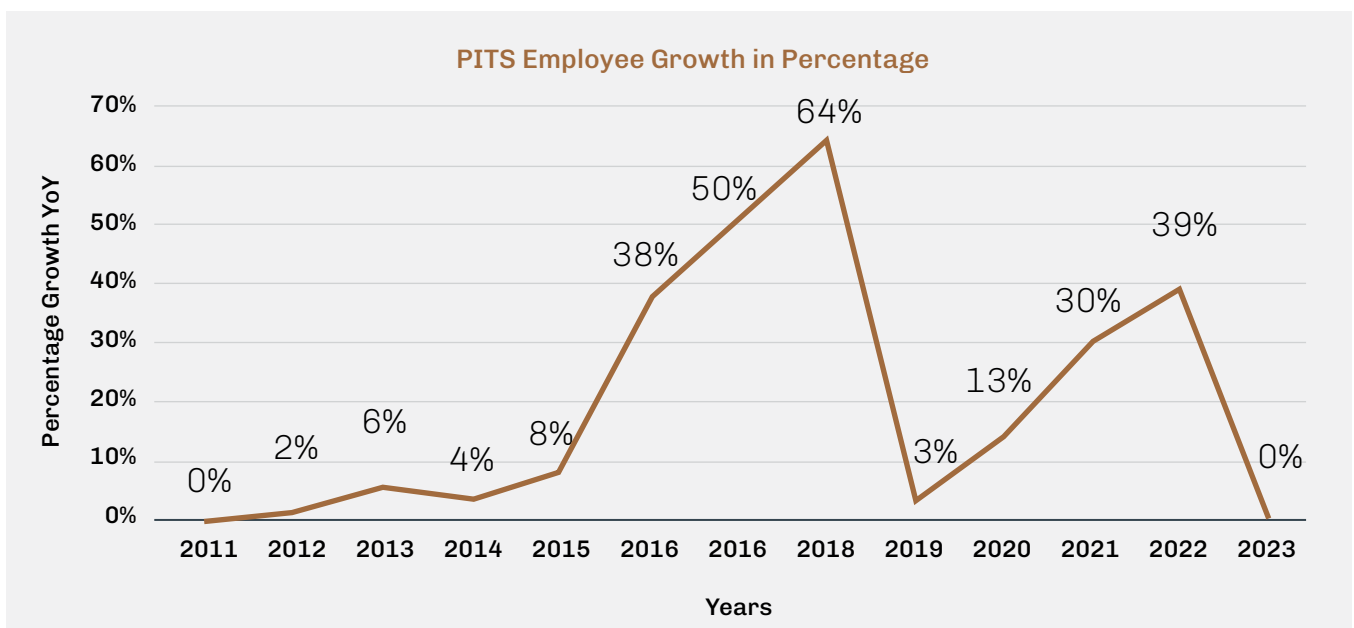


“ I surround myself with the people who can understand my vision, so they can then translate my vision into reality. ”

Naila Naqvi, CEO

This in turn, aligns with Pie in the Sky's emphasis on teamwork and cultivating a fair workplace culture, a vision actively championed by the CEO and management. The management, from the company's inception, recognised the shortfall in supply of trained talent in the bakery business and committed to offering market-competitive salaries and fringe benefits. For talent retention and welfare, Pie in the Sky focused on introduction of progressive policies, such as staff's family health insurance and educational support, bonuses, transportation to female employees, continuous skill development and upgradation through multiple trainings. While the training approach lean towards informality, the organization ensures training for retail staff through assistant managers and area supervisors, blending classroom sessions with on-the-job learning. Regular employee briefings further enhance staff competency in customer service and product knowledge, bolstering the overall customer experience.

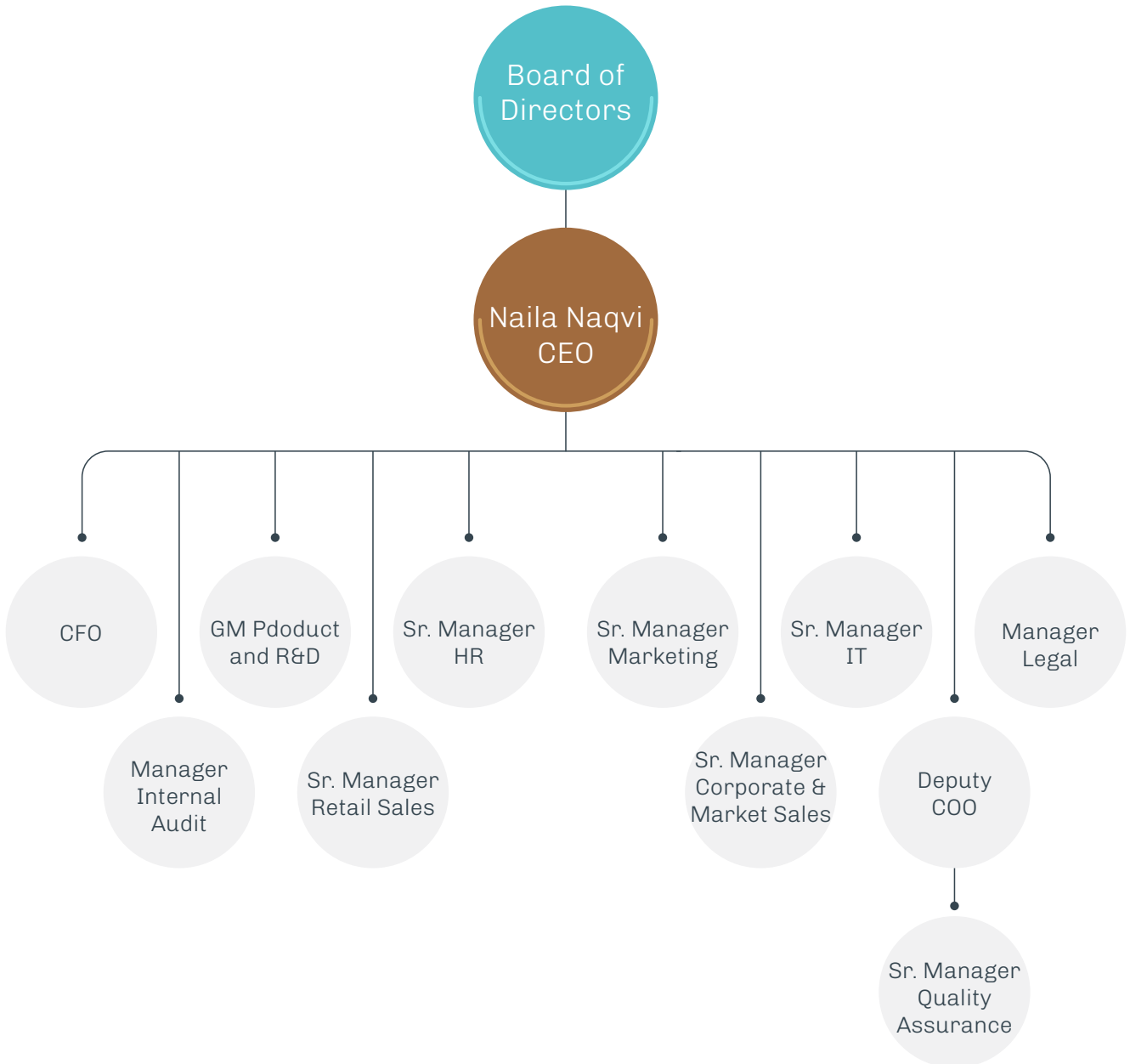
Naila, throughout the growth journey of the business has emphasized the importance of Talent Management - recruiting and retaining the right individuals to drive organizational success. To address this, the organization while maintaining an up-to-date HR manual, reflecting evolving practices and ensuring consistency and compliance across all HR functions, prioritizes internal promotion of employees as a means to boost their motivation. This commitment to nurturing talent is evident as there are more than ten individuals within the organization who have been with PITS since the very beginning and have accumulated extensive experience over years of dedicated service, each bringing a wealth of knowledge and expertise to contribute to the company's success. The business also ensures clarity and accountability among its employees through well-defined job descriptions (JDs) and key performance indicators (KPIs). Each employee is provided with a comprehensive JD outlining their roles, responsibilities, and expectations within the organization. Additionally, specific KPIs are established to measure their performance and progress towards organizational goals. This structured approach not only enhances employee understanding of their roles but also facilitates effective performance management, ensuring alignment with the company's objectives.



*Note: 2011 has been taken as base year



For streamlined decision making and efficient management, Pie in the Sky established a hierarchical structure, with retail supervisors overseeing individual outlets under the guidance of area managers. Regional managers provide strategic oversight within their respective regions, ensuring operational cohesion and performance alignment. This helped Naila in effectively translating her vision for the business into actionable strategies, fostering innovation and growth.



2.9 Risk Mitigation

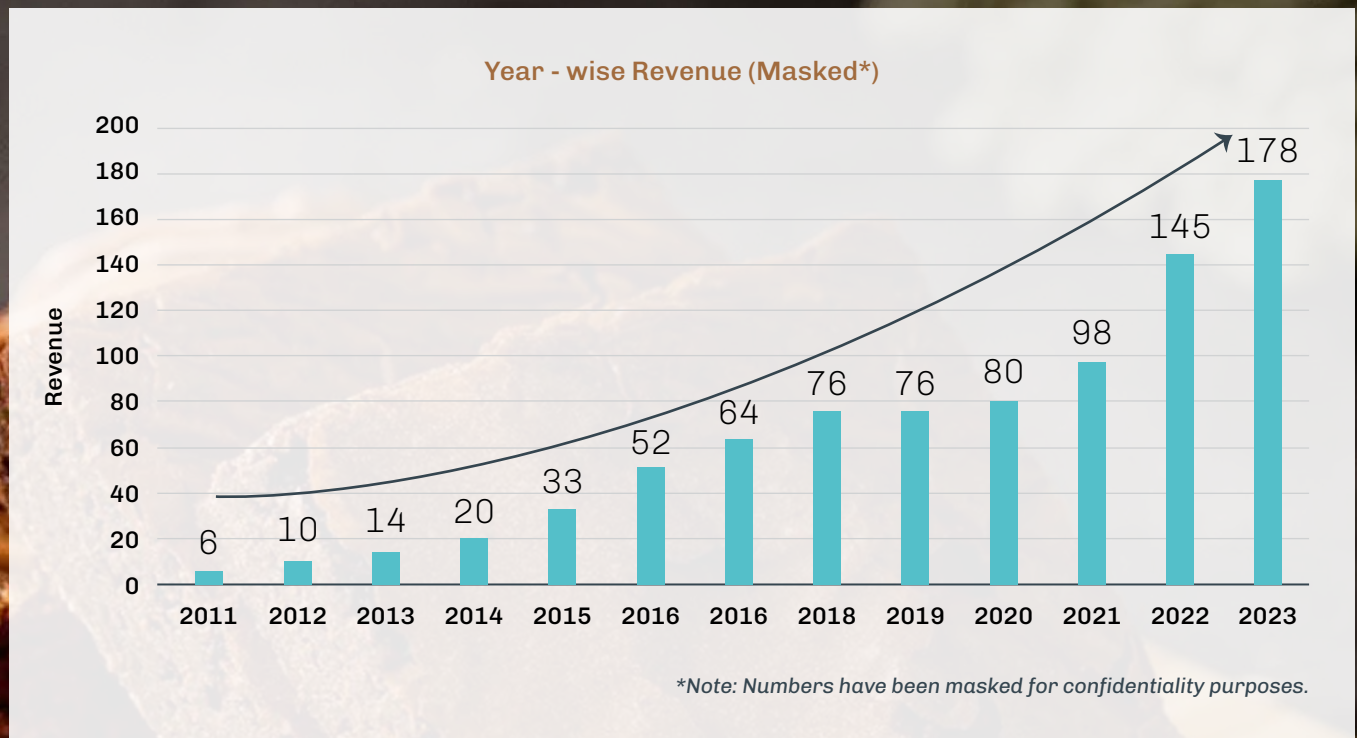
As discussed earlier in this case study, the potential risks to the business include operational challenges such as inventory management issues, finished goods inventory discrepancies, fraudulent activities, and the threat of cash theft. Additionally, financial reporting risks, including inaccuracies in financial statements, could undermine transparency and trust among stakeholders. However, Pie in the Sky has implemented proactive measures to mitigate these risks and safeguard its financial assets through a robust risk management framework. By conducting regular cash and inventory audits, the internal audit department plays an essential role in identifying potential risks, discrepancies, and fraudulent activities, thereby fortifying the bakery's financial integrity and operational resilience.

Market research is fundamental to Pie in the Sky's decision-making process, particularly regarding location-related strategies. Understanding the significance of choosing optimal locations, the bakery now conducts extensive market analyses before finalizing any decisions particularly regarding new outlets. Utilizing tools like SWOT analysis, the company evaluates the strengths, weaknesses, opportunities, and threats associated with potential locations. This rigorous scrutiny allows Pie in the Sky to identify viable locations and develop well-informed strategies for expansion and growth, thereby minimizing the risk of selecting inappropriate locations.



3. IMPACT ON BUSINESS GROWTH

The gradual adoption of the corporate governance practices over its journey, helped PITS put in place a formidable team with a clear vision, and resilient operations with, robust systems, fostering transparency and stability. This allowed Pie in the Sky to spread its wings and aim for scales of growth and diversification that would never have been envisioned at the beginning of its story as a one-shop enterprise. Corporate Governance practices have been instrumental in guiding PITS through challenges and driving sustained business expansion through the years. This is evident by PITS' significant uptrend in revenue numbers that can be seen in the below graph:



4. THE ROAD AHEAD FOR PIE IN THE SKY

Pie in the Sky after 23 years in the business and evolving through multiple challenges with the help of robust governance structures is now strategically positioning itself for future growth and expansion through innovative initiatives aimed at exploring new markets, diversifying product offerings, and leveraging intellectual capital to propel the bakery towards its next phase of development. As the management delves into the future ahead, focus is on sustainable expansion and further streamlining the operations and governance, to ensure Pie in the Sky continues to be a brand beyond excellence::

- **International Expansion and Product Diversification**

In pursuit of continuous growth and market expansion, Pie in the Sky is actively considering opportunities to venture into international markets. By exploring new territories, the bakery aims to introduce its renowned products to a global market, tapping into new consumer demographics and expanding its brand presence on a global scale. The team also visited the Dubai Food Festival as part of their strategic initiative to explore opportunities overseas. This move reflects their proactive approach to expanding into international markets, aiming to capitalize on emerging opportunities and broaden the scope of their business.

- **Leveraging Specialised Expertise for Diversification**

Pie in the Sky is keen on diversifying its product portfolio to cater to evolving consumer preferences and market demands, ensuring a wide and appealing range of offerings for its customers. Expansion of product range will also enable PITS to expand its customer base as well its reach. E.g., one of the company's plans of venturing into frozen goods, jams jellies and other packaged foods will help PITS move beyond the bakery and confectionary landscape, explore a greater market, and eventually earn a larger space on the shelves of major grocery stores. Through a forward-thinking approach to expansion, diversification, and strategic leadership, PITS is focused on onboarding seasoned expert resources who will provide invaluable guidance and insight to help navigate different pastures and capitalise on opportunities.

- **Franchise Model**

Having seen its first franchise branch run successfully for almost a year to date, PITS is looking to further spread its reach by leveraging the franchise model, which would enable more rapid expansion without requiring the amount of capital investment that retail outlets usually require.

To keep the company on track and resilient through its future growth journey, it is critical for PITS to build further on its existing corporate governance practices like standard operating procedures, internal controls and risk management, quality control, internal audit etc. Although PITS is already moving towards maturity in its Corporate Governance practices, continued growth in this direction will be a key enabler on PITS's route to achieving its future goals.



5. ANNEXURE A - MAPPING OF KEY CORPORATE GOVERNANCE PRACTICES ADOPTED BY PITS WITH THE LEADING CORPORATE GOVERNANCE FRAMEWORKS

The table below presents key corporate governance practices adopted by PITS mapped with the principles from leading corporate governance frameworks along with the outcomes of implementing each principle:

Corporate Governance Principles	Key initiatives	How it helped PITS
Pillar: Culture and Commitment to good Corporate Governance		
Principle: Vision, mission, and core values of the company are developed and communicated to all stakeholders and updated from time to time.	PITS has a vision statement articulated. The entity's vision statement is "To provide the best possible product at the best possible price".	<ul style="list-style-type: none"> The vision has acted as a compass to guide their strategy towards consistently delivering high-quality products that meet customer expectations while maintaining competitive pricing.
Principle: A well-defined organizational structure is in place with clear reporting lines.	PITS has a formal organizational structure in place and has a flat hierarchy promoting open communication and encouraging idea- sharing.	<ul style="list-style-type: none"> A formal organizational structure clearly defined the reporting lines ensuring operational cohesion and performance alignment.
Principle: Key policy and procedures are in place and formally documented.	PITS Board proactively engaged a reputable consultancy firm to spearhead the development of SOPs tailored to streamline its HR and Operational policies.	<ul style="list-style-type: none"> These SOPs and policies served as a blueprint for operational excellence and standardized practices across various departments.
Principle: Responsibilities and authorities for key management positions are documented in the form of clear job descriptions.	PITS ensures clarity and accountability among its employees through well-defined job descriptions (JDs).	<ul style="list-style-type: none"> Helped in setting performance expectations, ensuring alignment with the company's objectives.
Principle: Training and education is provided to employees about internal control policies and procedures.	In order to ensure excellent customer service, PITS ensures training for retail staff through assistant managers and area supervisors, blending classroom sessions with on-the-job learning.	<ul style="list-style-type: none"> Training and education of staff helped the entity to enhance skillset and knowledge of its staff, improving their customer handling skills, resulting in exceptional customer service.
Pillar: Decision Making and Strategic Oversight		
Principle: The company's strategy, results and long-term goals are reviewed on an annual basis.	A formal financial reporting structure was embedded within the organization, enabling the development and review of annual Business plans by the management in collaboration with insights from the sales and marketing team.	<ul style="list-style-type: none"> Facilitated a holistic view of the business's financial position and sales forecasting, guiding the bakery towards sustainable growth and strategic alignment.



Corporate Governance Principles	Key initiatives	How it helped PITS
<p>Principle: Key performance indicators are used as an effective performance evaluation and motivation tool for key management and technical staff.</p>	<p>PITS has devised specific KPIs to measure the performance and progress of the employees</p>	<ul style="list-style-type: none"> Facilitated effective performance management to achieve overall objective of the organization.
Pillar: Risk Governance and Control		
<p>Principle: An appropriate internal controls system is in place to identify and manage risks to the company's operational, reporting and compliance objectives e.g., authorization controls, segregation of duties, physical controls, monitoring reports etc.</p>	<p>The management conducts regular meetings on a monthly, quarterly, and half-yearly basis to review the financial landscape and strategic planning of the business.</p> <p>The company also developed an independent internal audit function which evolved over the years comprising of dedicated teams conducting routine visits to all outlets. These internal audits encompassed cash audits, inventory checks, and meticulous scrutiny of operational standards and quality control measures.</p> <p>PITS adopted ERP system to avoid risks of inventory discrepancies and missed or inaccurate order processing.</p>	<ul style="list-style-type: none"> Meetings served as a forum for in-depth discussions, fostering informed decision-making and aligning the company's financial goals with its operational strategies. The internal audit team played a crucial role in preserving the financial integrity of Pie in the Sky Inventory management system helped company to enhance inventory planning from materials, packaging to finished goods forecasting and procurement of materials. Improved customer experience due to faster and accurate order processing.





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About Karandaaz

Karandaaz Pakistan is a not-for-profit public company limited by guarantee set up under Section 42 of the Companies Act, 2017. Karandaaz was established in 2014 with seed funding from UK Government's Foreign Commonwealth and Development Office and the Bill & Melinda Gates Foundation. Karandaaz Pakistan is an impact investment platform that drives sustainable economic growth and strengthens financial and social protection systems for inclusion. Its main area of focus is to address challenges faced by SMEs and unbanked individuals¹ in Pakistan with respect to access to finance to foster economic growth and prosperity for Pakistan.



Karandaaz Capital

This vertical provides wholesale structured credit and equity-linked direct growth capital investments in micro, small and mid-size enterprises that have the potential to contribute to sustainable growth, and employment generation in Pakistan.



Karandaaz Digital

This vertical focuses on expanding the access to digital financial services in Pakistan by working across the ecosystem with all stakeholders in the following work areas: digital public infrastructure, payment systems, policy and regulation, seeding innovation, experimentation and solutions development, and scale and outreach.



Karandaaz Innovation

This vertical provides risk capital and technical assistance to support innovative solutions aimed at financial inclusion and entrepreneurship especially in marginalized sectors. A key component of the work includes providing business development support and growth capital to women led businesses and green ventures to facilitate their expansion and scale up.



Karandaaz Research & Insights


This vertical supports the company's core financial inclusion goal by developing and disseminating evidence-based insights and solutions to influence markets and the financial ecosystem.

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