Legal and Management Strategies: The Synergy for Survival and Growth of Companies in Nigeria

by

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DECLARATION

I, Isaac Ameh hereby declare that this LL.M. Thesis entitled "**Legal and Management Strategies: The Synergy for Survival and Growth of Companies in Nigeria"** was undertaken by me under the supervision of **Professor I.J. Goldface-Irokalibe** and **Dr. A.A. Akume**, both, of Department of Commercial Law, Faculty of Law, Ahmadu Bello University, Zaria and to the best of my knowledge has not been presented any where before, for an award of Master of Law.

All quotations and references are duly acknowledged and I remain solely responsible for all the views expressed and for deficiencies if found therein.

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CERTIFICATION

This thesis entitled: **Legal and Management Strategies: The Synergy for Survival and Growth of Companies in Nigeria** meets the regulations governing the award of Master of Laws of Ahmadu Bello University, Zaria and is approved for its contributions to knowledge and literary presentation.

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DEDICATION

This Thesis is dedicated to:

My sweet mummy who set the ball rolling but unfortunately left too soon, before the completion of this research.

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O Lord, I praise thee for thy wonderful works in my life.

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ABSTRACT

Economic circumstances like the recession and cut-throat competition in recent years have now forced companies to pay closer attention to their corporate policies and strategies for dealing with economic opportunities and for remaining one step ahead of competition. This is true for the highly industrialized economies as it is for less developed countries where multinational, transnational and local companies compete vigorously with one another for market share and for good corporate image, by identifying and in some cases helping to shape public policy for the greater good of the communities in which they operate. This thesis focused on **Legal and Management Strategies: The Synergy for Survival and Growth of Companies in Nigeria.** It is comprised of five chapters beginning with general introduction, objectives of the research, justification, scope, methodology, literature review, and organizational layout. The thesis explains the nexus between finance and investment by defining finance and investment, and, highlighting the objectives and significance of finance, investment scenario, investment fora, government policy and provisions investors, sources of finance, government banks and other financial institutions, general public and company employees. Also the thesis indicates determinants of company survival, for example, the quality of resources – human resources, material resources, financial resources, the quality of resource management, damage and waste control systems, the quality of time and opportunity management, contingency and emergency management, determinants of company growth, internalization of technology, in-house development of human resources: in-service training, incentives for skill enhancement and creation of credit worthiness. The thesis appraises survival and growth of three successful companies, such as Unilever Nigeria Plc, Neimeth International Pharmaceutical Plc and GlaxoSmithKline Consumer Nigeria Plc and recommends survival and growth strategies for companies in Nigeria.

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TABLE OF STATUTES

TABLE OF ABBREVIATIONS

AC	-	Appeal Cases
AIDS	-	Acquired Immune Deficiency Syndrome
All N.L.R.	-	All Nigeria Law Report
CAC	-	Corporate Affairs Commission
CAMA	-	Companies and Allied Matter Act
Ch.	-	Chancery Division
CNS	-	Central Nervous System
EFCC	-	Economic and Financial Crimes Commission
e-mail	-	Electronic mail
GSK	-	GlaxoSmithKline
HIV	-	Human Immunodeficiency Virus
ICPC	-	Independent Corrupt Practices Commission
IT	-	Information Technology
LFN	-	Laws of Federation of Nigeria
NGOs	-	Non-governmental Organization
NSE	-	Nigerian Stock Exchange
P.Z	-	Patterson Zochonis
R & D	-	Research and Development
SEC	-	Securities and Exchange Commission
UAC	-	United African Company
UTC	-	United Trading Company
WHO	-	World Health Organization
www	-	World Wide Website

CHAPTER ONE:

GENERAL INTRODUCTION

1.1 BACKGROUND OF THE STUDY

The Nigerian economy has passed through a series of phases in its history from the pre and post-colonial stages of boom, recession and depression at various times over the years to present day. At each of these stages, the various sectors of Nigerian economy have had to contend with whatever situation or stage, the over-all national economy might be at that given point in time.

During periods of boom, an economy experiences buoyancy, and citizens have high standard of living and an era of merriment while during recession or depression, the situation changes as most sectors of the economy experience a decline and, the populace, a lowering of the standard of living.

What this means, both, for the private and public business sectors of the economy, is adjustment and re-adjustment to match the situation. Business operation and strategies change according to the dictates and tempo of the economy. Both short and long term objectives of business are reappraised and re-designed in accordance with any given situation.

The word 'company' has been defined by various writers and judicial authorities. However, all make a references to group, economic or business interests.

Webster's Dictionary[1] describes a 'company' as:

> a number of people united in an industrial or commercial enterprise, for example a firm of partners.

According to **Collin's Dictionary**[2],

> a company is a group of people organized to buy or sell or provide service which has been legally incorporated and so is a legal entity from its individual members.

A 'company' according to **Osborn's Concise Law Dictionary**[3], means

> an association of persons formed for the purpose of some business or undertaking carried on in the name of the association, each member having the right of assigning his shares to any other person, subject to the regulation of the company. Companies are either incorporated or unincorporated. An incorporated company is an entity distinct from its members. Companies are incorporated either: (1) by Charter; (2) by Special Act of Parliament; or (3) by registration under one of the public general Acts relating to companies.

In the case of **Smith v. Anderson**[4], the learned Judge, Pace James L.J said that 'company' is the result of an arrangement by which parties intend to form a partnership which is constantly changing,… and with the intention that so far as the partners can by agreement between themselves bring about such a result, the new partners shall succeed to the assets and liabilities of the old partnership.

Davies[5] states, that, the term is used for people generally associated for economic purposes, even though not in all cases.

It is statutorily defined in section 567(1) of **Companies and Allied Matters Act 2004**[6] as 'company' or 'existing company' means "a company formed and registered under this Act or, as the case may be, formed and registered in Nigeria before and in existence on the commencement of this Act". A company is a legal entity formed for the purpose of conducting business that is separated from its owners, the shareholders. In **Salomon v. Salomon & Co. Ltd**[7], Lord McNaghten, held that the company is at law a different person from the subscribers.

Aniagolu JSC, in the case of **Trenco (Nig) Limited v. African Real Estate Limited**[8]**,** states *inter alia*, that, though a company is a legal entity and has an independent legal personality, it is of course, an artificial person or entity and as such all the operations and activities have to be carried on by its organs and agents.

Companies are engaged in several types of activities which include:

(i) Production Process (Extraction/Mining/Manufacturing/Assembly outfits/ Re-processing or Re-packaging points and so forth);

(ii) Service provision (Financial: Banks and Lending organizations, Stock brokers; Communication: Courier services, Advertising and Allied services; Tele-communication: Global System for Mobile (GSM) phone services; Protection: Security guards; Consultancy: management and accounting services and so forth) and

(iii) Trading (Retail, Wholesale, Domestic, Import and Export).

Corporate bodies in Nigeria, of recent have been facing uphill tasks and difficulties. They have been grappling with terminal problems of survival or extinction. Some firms have had to fold-up due to the hard times without an idea on what strategy to adopt to stay afloat. According to **Akume**[9], collapse of companies is mainly attributed to the shortcomings in the developing economy:

> owing to 'limited', indigenous technological and managerial talent, Nigerian production industry is still in its infancy and hence most prone to a premature death, particularly, due to poor management, obsolete technology or equipment, arrest of capital in non-productive and unproductive fixed assets, lack of contingency provisions, insolvency or bankruptcy, fraud, adverse government policies and capital eroding misdemeanors.

Also the Nigerian Daily, **The Guardian**[10] highlighted some reasons for companies collapse in Nigeria as:

> shortage or lack of raw material, deficiencies in infrastructure especially power and water supply, acute funding problems, policy inconsistency, import dependence, influx of sub-standard and cheap products, high cost of production, corruption, government policies, insecurity, for example, arising from religious and/or ethnic crisis and mismanagement.

Indeed, some companies flourished while others failed or reached the verge of collapse in Nigeria, due to some of the above reasons, for example, consumer goods – Ovaltine West Africa Plc, Standard Biscuit Company Limited, Colgate-Palmolive, Banks – National Bank of Nigeria Plc, Textile firms – Nortex Textile Ltd, International

Business Machines (IBM) and Vehicle assemblies, and so forth wound up. Some companies have succeeded despite all odds, for example, Lever Brothers (now Unilever Nigeria Plc), Pfizer Nigeria Plc (now Neimeth International Pharmaceutical Plc) and GlaxoSmithKline Nigeria Plc (now GlaxoSmithKline Consumer Nigeria Plc) have thriving ongoing operations.

Now, what is strategy?

Longman Dictionary[11] defines 'strategy' as:

> a particular plan for winning success in a particular activity, as in war, a game, a competition for personal advantage.

Glueck[12] defines strategy as:

> the set of decisions in an integrated plan used by a company to reach its goals or objectives in its environment.

Christensen, Andrews and Bower[13] argue that:

> corporate strategy is a pattern of decisions in a company that: (i) shapes and reveals its objectives, purposes or goals; (ii) produces the principal policies and plans for achieving these goals; (iii) defines the kind of business and the kind of economic and human organization it intends to be.

Schellenberger and Boseman[14] see strategy as:

> a hierarchical system of basic objectives, fulfilling objectives and policies as well as establishing the plans and allocating the resources to achieve these objectives.

Steiner and Miner[15] state that strategy is

> the forging of company missions, setting of objectives for the organization in the light of external and internal forces, formulating policies and strategies to achieve objectives and assuring their proper implementation so that the basic purpose and objective of the organization will be achieved.

Corporate strategy therefore includes delineation of the business sectors (in terms of product, industries, technologies, customers and so forth) that a firm chooses to operate in and decides what functional means will be used for development and growth in its business. The corporate manager thus recasts the goals of the firm to meet these objectives, spelling out hopefully the way the company will reach these goals.

1.2 Objectives of the Research

The continued existence of any organization beyond the life span of its individual members/owners is generally the paramount objective of its establishment. It is established with the inherent purpose of lasting forever. This may not be stated especially but its endeavours are targeted to achieve this. This study is focused on the survival and growth strategies of companies in Nigeria and the evaluation of the success of the strategies adopted by corporate bodies.

The objectives of this research therefore are divided into general and specific:

(a) The general objectives of the research are:

i) To identify and establish the various provisions for survival and growth of companies under Nigeria company law regime.

ii) To evaluate the adequacy or otherwise of the available provisions.

(b) Specifically the objectives are:

i) To evaluate the performance of companies.

ii) To review the strategies adopted by successful companies, and

iii) To profer remedies for companies' failure.

1.3 Justification of the Research

Nigeria has witnessed a large number of companies sprouting and even flowering, but, withering away in a short span of time leaving the country with no option but to continue importing products. In view of a large number of company failures in Nigeria, a closer look at the provisions available at law, for survival and growth becomes imperative. As long as organizations conduct business, some will be outstanding successes, while others will be dismal failures. Some companies will act with purpose and direction, and others will just drift; some are adept at seizing new opportunities while others watch passively or let them slip through. Some firms perform well because of good internal management, others barely survive, because of inefficiency and misdirected operations.

The justification for this research are derived from its endeavour:

(a) to help Nigerian organizations in strategy formulation relevant in the 21st century.

(b) to help financial institutions take a position that will lead to a superior performance.

(c) to enable existing companies in any industry to view new entrants not as a threat but as an opportunity to enhance the performance of the industry as a whole.

(d) to serve as a pointer to the regulatory authorities, how best to apply control mechanism in the supervision of the companies.

(e) Finally, provide a guide to source of information for other researchers.

The thesis is justified for highlighting gaps in the Nigerian company law and also providing plausible fill-ups.

1.4 Scope of the Research

By force of historical incidence, Nigerian company law and practice are firmly rooted in the various successive English Companies Acts. Thus references are made to those Acts where necessary. The study covers and encompasses Nigerian corporate bodies in general, since the present economic situation affects all sectors. The thesis is focused mainly on Nigerian companies with particular reference to: Unilever Nigeria Plc, Neimeth International Pharmaceutical Plc and GlaxoSmithKline Consumer Nigeria Plc, and examines the strategies adopted for their survival and growth. Except for the historical evolution of companies in Nigeria, the scope of this study is limited to legal analysis of survival and growth strategies of companies in Nigeria particularly the three successful ones namely: Unilever Nigeria Plc, Neimeth International Pharmaceutical Plc and GlaxoSmithKline Consumer Nigeria Plc because of the significant strategies adopted. Some of the factors are apparent and thus can be identified and acknowledged, others cannot easily be foreseen.

1.5 Methodology of Research

The method of this research is mainly doctrinal. Materials are sourced from documents constituting primary sources, namely Companies and Allied Matter Acts and case law. An appraisal of the current regime of laws and decided cases has been critically undertaken with a view of identifying the lacunae therein and making suggestion(s) for reforms as appropriate. A secondary method of data collection has also been employed and information harvested via company website and other relevant sites on the internet. The works of other authors have also been consulted such as standard law texts, journals, articles, seminar papers, magazines and newspapers as secondary sources. The presentation approach has been historical and analytical in nature.

1.6 Literature Review

In the course of sourcing for materials towards the accomplishment of this thesis, various published and unpublished works relevant to the field of this research thesis were consulted. The materials consulted include standard law texts, journals, seminar papers, magazines and newspapers.

Orojo[16] states that the structural changes may take the form of ‘arrangement and compromise’, mergers and take-overs. Under the ‘arrangement and compromise’, he states that a company may be reconstructed so as to alter the rights and relations not only of the members but also of creditors. He goes further to state that by a reduction of capital and variation of rights under the memorandum of articles, a company may be reorganized. This takes the form of arrangement on sale of company's property.

According to him, merger and takeovers make structural changes possible with growing phenomenon of modern company management. By that he means that a merger or amalgamation is a situation where the whole undertaking of the acquired company is merged in the acquiring company. In a takeover, the target company remains separate and distinct but as a subsidiary of the acquiring company.

The premises of Orojo is adopted by the present researcher. However, certain gaps like, for example, application of technological advancement, damage and waste control systems, emergency management, material and human resources, investment fora for growth and so forth, have not been addressed and, are therefore considered herein.

In Nigerian Company Law**, Emiola**[17] states that the exigencies of world business have sometimes forced companies to seek structural changes in their organization to enable them to cope with their immediate or long term problem. For instance, a company may want to prune down its organization with a view to achieving economy, or to reduce its areas of operation, to go into some new commercial venture. There are two broad approaches to structural adjustment of a company, namely, 'reconstruction' of the scheme of arrangement involving the people directly connected with the affairs of the company, or 'merger' (or amalgamation) of one or more companies. In this regard, the two or more companies are integrated either by a consolidation of their undertakings or by the acquisition of the controlling shares in the capital of one by the other. He also states that 'takeovers' is another mode of structural changes, that, acquisition by one company of sufficient shares in another company affords to give the acquiring company control over the company being acquired.

Like Orojo's, this researcher supports the present author, in that, merger, takeover and capital reduction are equally discussed herein as well. However, the author did not consider application of technological advancement, damage and waste control systems, emergency management, materials and human resources, investment fora for growth which this thesis has adequately addressed.

Esosa[18] classifies survival strategies into internal and external strategies. For the 'internal' strategy, he states that the company can survive by penetrating the market with low priced, better quality and more efficient products than the competitors, backed up by effective advertising campaigns. He further states that such survival can be achieved through new product development. This the firm does, by continuously developing new products and new product lines for its existing market or the firm penetrates new markets.

On the 'external strategies', he states that the strategies can include mergers. According to him, companies merge in order to enjoy the synergistic advantages accruing from pooling together of resources resulting in greater production efficiencies, greater market share or higher productivity. Acquisition is another external strategy identified by him, that is, an organization can externally acquire another existing company and having it as a subsidiary. Another survival method opined by him is diversification of enterprise which might be horizontal, lateral or vertical in order to deal with a low internal growth, or a potential in a highly saturated market.

Esosa has described additional strategies, to wit, penetrating market with low price, quality, advertisement and new product development apart from traditional mergers, acquisition and diversification. The present researcher agrees with these observations.

Ekong[19] states that, for a company to be healthy, that is, to survive and grow, government needs to (a) facilitate the conduct of trade, (b) provide a favourable climate for survival and expansion (c) protect the services on which trade depends (d) protect national welfare and maintain national defense and (e) enhance the effectiveness of the company. He asserts that on putting these into action, the company will flourish. Companies should refuse all direct influence detrimental to its existence, and, should encourage training and rewarding personnel.

The author has commented on government policies which this research also discusses but other growth strategies described herein have not been considered.

Davies et al[20] state that, any of these strategies may be applied for the survival of the company as the situation demands: reconstruction, that is, capital reduction, reorganization, schemes of arrangement and takeovers. The authors explain that the term 're-construction' is described as reduction, re-construction, re-organization, schemes of arrangement, amalgamations, mergers, de-mergers, buy-outs and so forth. That 'reconstruction', 'reorganization', or 'scheme of arrangement' are employed when only one company is involved. The last of these terms being more commonly used when the rights of creditors are varied as well as those of the shareholders. Under an 'amalgamation' or 'merger', two or more companies are merged either by the acquisition of their undertakings and assets by one of them or by a newly incorporated company shareholding in the others.

This work is similar to Orojo and Emiola supra and is equally supportive, though lacking in what the present research describes.

According to **Michael**[21], 'strategy' is the search for a favourable position in an industry. It aims at establishing a profitable and sustainable position against the forces that determine industry competition. He therefore came up with three generic strategies for improving performance in firms namely (a) Overall cost leadership, (b) Differentiation and (c) Focus. He states that overall cost leadership as a strategy requires aggressive construction of efficient-scale facilities, vigorous pursuit of cost reduction techniques learnt from experience, tight cost and overhead control, avoidance of marginal customer accounts, and cost minimization in areas like Research and Development, service, sales force, advertising and so on. ‘Differentiation’ relates to creating something that is perceived as being unique, for example, a design or a brand image. ‘Focus’ relates to concentrating attention on a particular buyer group, segment of the product line, or geographic market.

It is submitted that application of technological advancement, damage and waste control systems, emergency management, materials and human resources, investment fora are core elements of survival of companies and these have not been discussed by the learned author.

Glueck and Jauch[22] on the other hand, maintain that there are four major strategies that an organization may adopt in dealing with the problems of the business. According to them these strategies are, stability, expansion, retrenchment and combinations which may be adopted to suit the pace or level of efforts in the current business definition, or for changing the business definition.

On stability strategies, they state that, organization should endeavour to continue serving in the same product, market or functions areas as stated in its business definitions with the intention of incrementally improving its functional performance. Further, it is stated that expansion strategies are adopted when the organization wishes to introduce additional products/services or serve more markets. That means the organization’s business has been redefined. While retrenchment or cut back strategies are pursued when the market is shrinking, the economy is recessed, thus necessitating reduction in the organization product lines, functions and/or market served. Business redefinition is also necessary to accommodate divestment, reduction in research and developments efforts. Finally combination strategy is adopted by an organization when the other three are put together in various areas, like product lines, markets, functions and departmental units depending on the problems posed by them. This strategy is most effective in large multiple departments, multi-product and multi-market organizations during periods of transition in the product service life cycle.

Glueck and Jauch has contributed positively to this research, however application of technological advancement, damage and waste control systems, emergency management, materials and human resources, investment fora for growth do not form part of their premises.

The above mentioned works are found credibly instructive as they provide lucid explanations on the subject matter of this research. However, though the various works listed above give a good theoretical analysis, they do not provide ‘clinical’ remedies for company failures. The present thesis carries out indepth research into critical areas of qualitative application of human and material resources, time management, new technologies and damage control system. This makes the research unique in relation to several others in that area and consequently be the researcher’s humble contribution to the growth of law in this area.

1.7 Organizational layout

This thesis comprises five chapters. Chapter one provides an introductory account of the background of the thesis, the techniques employed in this research, its objectives, justification, extent of the work, method applied, literature review and the restraints faced.

The focus of chapter two is on the nexus between finance and investment, showing the objectives and significance of finance to companies, the investment fora, government policies and provisions, investors and sources of financing companies which are banks and other financial institutions, general public, company employees and government contribution.

Chapter three dwells on the survival and growth strategies as adopted by companies, which range from harvesting human, finance and material resources. It explores the advantages gained from quality of resource management, general management of the resources, the motivation, that is, in-service training and other incentives for skill enhancement, development of the emergency management and creation of credit worthiness by employing information technology.

Chapter four is dedicated to the appraisal of the survival and growth strategies with particular reference to Unilever Nigeria Plc, Neimeth International Pharmaceutical Plc and GlaxoSmithKline Consumer Nigeria Plc. These companies have experimented the strategies in question and thus become necessary for discussion at this point.

In chapter five, summary, findings, recommendations and remarks conclude the thesis.

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CHAPTER TWO:

THE NEXUS BETWEEN FINANCE AND INVESTMENT

2.1 Introduction

This chapter essentially examines the relative significance of various sources of finance and the investment thereof. Finance is the hallmark of any business and the success or otherwise of business largely depends on it. Finance serves as a lubricant to a business just like engine oil to a motor vehicle. Regardless of the nature and structure of an organization, it requires funds to get started, to operate and to grow. A firm's survival, success, its ability to maintain production at optimum level, it ability to invest in fixed assets and working capital as well as to breakeven to a considerable extent are determined by its financial resources and policies.

Investment comes in after fund is sourced and it requires careful planning encompassing the selection of efficient policies and management of capital funds, programmes and procedures to make sure that it is wisely used. Financial resources' planning is concerned with providing systematic answers to three important questions: How large should the enterprise be? In what form should the company hold its assets? What should be the composition of the company's liabilities? The total volume of finance that company secures is to a large extent influenced by the kind of investment opportunities available as well as the conditions affecting sources from which financing is sought or derived.

2.2 Finance and investment:

Finance is concerned with the magnitude of operations and activities of a business system, the acquisition and allocation of the financial resources of the system while investment is expenditure to acquire property or other assets in order to produce revenue, and the asset so acquired.

2.2.1 Definition of Investment

"Investment is defined as the sacrifice of current consumption possibilities in the hope of realizing increased consumption possibilities in the future"[1] It is a flow variable – the rate of addition to the stock of wealth, capital, which has been accumulated in the past with the hope of increasing future consumption possibilities. Investment according to Khoury[2] is "the commitment of funds with the expectation of a positive return commensurate with the level of risk assumed". Investment may be measured in two ways either net or gross terms. Gross investment is the sum of the additions to the capital stock. Net investment is the sums of these additions minus any reductions in the existing stock of capital. Khoury went further to state that investment is the placing of capital or laying out of money in a way intended to secure income or profit from its employment; to purchase securities of a more or less permanent nature, or to place money or property in business ventures or real estate, or otherwise lay it out, so that it may produce revenue or gain (or both) in the future[3].

"An investment is the current commitment of money or other resources in the expectation of reaping future benefits. That is, sacrificing something of value now, expecting to benefit from that sacrifice later"[4]. An investment is simply a vehicle into which funds can be placed with the expectation that they will generate positive income and/or that their value will be preserved or increased[5]. The rewards, or returns, from investment are received in either of two basic forms: current income or deferred increased value. For example, money invested in a bank savings account provides current income in the form of periodic interest payments. Similarly, buying a piece of raw land is an investment, because the land is expected to increase in value between the time it is purchased and the time it is sold. Investments are categorized into asset-classes, such as stocks, bonds, real estate, commodities.

Investment is affected by some factors such as: attitude to saving, the rate of interest, the level of income, the level of business taxes and business expectations. Attitude to saving relates to the adage: the less a society spends, the more it is able to save and therefore the more it is able to invest. Similarly, the rate of interest is a measure of the reward for saving. The higher the rate of interest the more inducement people will have to save and therefore the more money will be available for investment. The level of income determines the amount an individual can save which, in turn, depends on his income. The same is true of a country as is in respect of an individual. The higher the level of national income of a country, the more that country is able to save and therefore invest. Underdeveloped countries remain poor because there is little to save out of their low national income. The level of business taxes diminishes the inconvertible fund, since the government usually levies taxes on the profits of firms. These taxes are called business taxes or corporate taxes. If such taxes are high, they tend to discourage firms from investing either on new plants or for further expansion. Business expectations fluctuate with the political and business atmosphere prevailing in a country and are likely to influence the quantum of investment. If such expectations are good, then more investment will take place.

2.2.2 Definition of finance

"Finance is defined as the science of management of public money or funds"[6]. Management is an art of decision-making. This decision-making behaviour governs the allocation of available resources of a firm. Corporate finance, then, is concerned with the efficient and effective management of the finances of an organization in order to achieve the objectives of that organization. This involves planning and controlling the provisions of resources (where funds are raised from), the allocation of resources (where fund are deployed to) and finally the control of resources (whether funds are being used effectively or not). The fundamental objective that faces financial mangers is to achieve an optimal allocation of the stock of resources that are available to them - the crucial resource being money.

Corporate finance[7] is inherently forward looking and is based on cash flows and differentiates it from financial account, which is historic in nature and focuses on profit rather than cash. Corporate finance is concerned with raising funds and providing a return to investors, and this differentiates it from management account, which is primarily concerned with the provision of information for management to assist it in making decision within the company.

2.2.3 Objectives and significance of finance:

The main objective of corporate finance[8] is to make decisions that maximize the value of the company for its owners. As the owners of the company are its shareholders, the primary financial objective of corporate finance is usually stated to be the maximization of shareholders' wealth. Since the shareholders receive their wealth through dividends bonuses and capital gains, shareholders' wealth will be maximized by maximizing the value of dividends bonuses and capital gains that shareholders are likely to receive over time. Due to the rather vague and complicated nature of the concept of shareholder wealth maximization, other objectives are commonly thought of as possible substitutes or surrogates. Alternative objectives for a company to shareholder wealth maximization exist, due to the existence of a number of other interest groups with stakes in the company, such as, employees, the local community and creditors who may have differing views on what the company should achieve. It is important to point out that while companies do have to consider all stakeholders and may adopt one or several surrogate objectives over shorter periods, from a corporate finance perspective such objectives should only be pursued in support of the overriding long term objective of maximizing their shareholders' wealth. Some of the viable strategies that can be adopted towards achieving in the process of finance allocation objectives for a company are illustrated below:

i. Maximization of profits: The classical economic view of a firm, as put forward by Hayek[9]. is that it should be operated in a manner that maximizes profits. There are three fundamental factors affecting the profit maximization as an overall corporate goal in practice, firstly is the timescale (road-map) over which profit should be maximized. The road-map comes from the answer to the question whether profit be maximized in the short term or the long term? Short-term profit pursued at the expense of necessary investment may, at times, put long-term survival in jeopardy. The second factor for consideration is that there are many quantitative difficulties associated with profit. The use of maximization of profit as a financial objective requires that profit be defined and measured accurately and there is no doubt that this requirement can be met on a consistent basis. The third factor takes account of, or makes an allowance for risk. Profitability targets useful purpose in helping to achieve short term or operational objective within the overall strategic plan of a company.

ii. Maximization of sales: If a company were solely to pursue sales maximization as its overriding long term objective, it would probably result in the company overtrading and it might lead eventually to liquidation. Sales may not necessarily be at a profit, and sales targets could be disastrous if products are not priced correctly. Maximization of sales can be useful as a short-term objective, for example, a company entering a new market and trying to establish a market share could follow a policy of sustainable sales maximization.

iii. Survival: Survival cannot be accepted, as a satisfactory long term objective. Will investors want to invest in a company whose main objective is merely to survive? No.

In the long term, a company must attract capital investment by holding out the prospect of gains which are at least as great as those offered by comparable alternative investment opportunities. Survival is a key objective though, especially in times of economic recession, focus on growth ought not to be lost. If a company were to go into liquidation, by the time assets have been distributed to preferential shareholders higher up in the creditor hierarchy, there may be little if any money to distribute to ordinary shareholders. If liquidation were a possibility, short term survival as an objective would be consistent with shareholder wealth maximization.

iv. Social responsibility: Some organizations adopt an altruistic social purpose as a corporate strategy. They may be concerned with improving work conditions for their employees, providing a wholesome product for their customers, or avoiding anti-social actions such as environmental pollution or undesirable promotional practices. While it is important not to upset other interest groups such as employees and the local community, social responsibility should not be a company's overriding goal but rather it should play a supporting role within its overall objectives. On the other hand, while a company is not merely in existence to please its employees alone; the consequences of having a workforce that is demotivated and unhappy will be detrimental to the long-term prosperity of the company.

The foregoing gives the impression that no company exists for the purpose of just existing but set to achieve something more positive, whether in the short-term or long-term basis.

2.2.4 Investment scenario

Investors make two types of decisions in constructing their portfolios. The asset allocation decision is the choice of specific assets among broad asset classes, while the security selection decision is the choice regarding particular securities to hold within each asset class[10]. The material wealth of a company is ultimately determined by the productive capacity of its operations that is, the goods and services it creates. This capacity is a function of the real assets of the company, the land, buildings machines and knowledge that can be used to produce goods and services. In contrast to such real assets, are financial assets such as stocks and bonds. These are the means by which individuals and corporations hold their claims on real assets. Financial assets are claims to the income generated by real assets or claims on income from the factors outside the organization, including but not limited to Government. Investors find many different opportunities for investing their funds.

Financial assets such as stocks and bonds can be held by investors in both direct and indirect forms. Indirect investment in stocks and shares or in property means the purchase of an interest in a managed fund. Instead of making direct purchases of stocks and shares on the market, or through new issues, or buying land and buildings, the indirect investor will entrust his money to professional investment managers, who will themselves place the total amount entrusted to them in direct investments. Indirect investment differs from the employment of an institution to manage one's investments in one important respect: the indirect investor has no rights of ownership over the individual investment made by the investment managers, whereas a managed private portfolio belongs to its owners at all times[11].

Investment can be undertaken by individuals, firms, and also by Government. It may take many forms. Five classes of investments are identified herein, (i) investment in human potential, (ii) investment in intangible assets, (iii) investment in financial assets, (iv) investment in work in progress and (v) investment in fixed assets. Both individuals and the community as a whole invest in various forms of human potential, which although they are not always tangible and not easily quantifiable and measurable, are nevertheless of significant importance in an assessment of an individual's or community's current and expected future material welfare. A nation may invest in its human capital, both current and future. These are by the provisions of educational and medical services in its capacity as patron for economic growth facilitating development of technical knowledge. The investment also provides healthy, strong workforce as well as in its 'national heritage' by the fostering of a cultural, economic, social and legal environment conducive to human happiness and welfare.

The acquisition of intangible assets such as patents, copyrights and commercial 'goodwill' are considered as investments by the individuals or firms which obtain them, and their value is often estimated long term assets. However, national-income accounts do not attempt to measure, neither, the value of assets, nor the value of changes in the value of these assets. In so far as these assets represent the intangible advantages of particular firms in respect of their competitors within an economy, an investment in them by one firm may correspond to a loss of advantage by other firms, and hence their total net value for the economy as a whole may be relatively small.

The acquisition of financial assets, such as company shares or government bonds, is an act of investment by the purchaser. However, an important feature of financial assets is that which are always exactly balanced by corresponding liabilities elsewhere, but within the entirety of the economic system of a country. Thus a company's share is an asset to its holder, but a liability to the company which issued it; similarly a government bond is an asset to its holder but also constitutes part of a national debt.

A firm undertakes investment when it purchases something which is expected to yield a productive service for some length of time in the future. As all goods have some finite expected life span the classification of expenditures into current and capital is essentially arbitrary. The broad categories of goods which are classified as fixed capital assets are buildings, civil engineering works, machinery and vehicles (other than for private use). In the case of existing fixed assets, each purchase must be exactly matched by a corresponding sale. Investment in fixed assets is undertaken by both individuals and government as well as by firms. The purchase of a dwelling is considered to be an act of investment, and so the construction of new dwellings constitute a part of national investment in fixed assets. However, although consumer durables, such as private motor cars, televisions, and refrigerators, may have an expected lifetime of several years, they are not treated as fixed assets for the purposes of national income accounting. Government investment in fixed assets may take the form of the building of schools, roads and hospitals, the provision of new public housing, and the construction of new government offices. Public corporations (nationalized industries) also undertake investment in fixed assets, for example in electric power plant, reservoirs and airports.

2.4.1 Investment fora

A company is formed for the purposes of trade. It may or may not be with a view to making profit as provided by Companies and Allied Matters Act, 2004 that "a company limited by guarantee shall not be incorporated with the object of carrying on business for the purpose of making profit for distribution to its members"[12]. Almost invariably it is discovered that the profit motive is very strong in business or commercial undertakings. It is an axiom that in order to start trading enterprises, funds have to be procured without which the company cannot even take off. This does not mean that it does not intend to make profit, but such profit is not to be distributed to members immediately. There are various investment fora such as banks for fixed deposit and savings, government treasury bonds, preference shares, ordinary shares, debentures, building societies, superannuation and pension funds, insurance companies and the discount houses.

a) Banks: Fixed Deposit and Savings

Banks are business enterprises set up to do banking business. They deal in a special kind of business – the business of money. They accept deposits from the public and make profit by lending money to the public.

Fixed deposits are deposits made for specific period. Usually they are deposits made by individuals, firms, governments and institutions. It has fixed rate of interest. The customers may make withdrawals from the end of the agreed period.

Savings deposits are of individuals who want to save small amounts on a regular basis. The savings deposit account is operated with the use of passbooks. Banks usually set a limit to the number of times withdrawal can be made from the savings deposit accounts within a specified period of time, say, a month. Saving deposits attract interests but such interests are paid on the fluctuating balance in the account.

b) Government Treasury Bond or Bills:

Treasury Bills are promissory notes issued by a government treasury and payable in 90 days time. It is one of the main methods of short-term government finance. The need for this short-term finance arises because a gap always exists between government periodic and regular payments all through the year and its revenue, which are received at less frequent intervals.

The minimum tender in a Treasury Bill is for N1000 and multiples thereof. Since the bills themselves do not carry a rate of interest, the bidder in order to earn a rate of return, will tender for the bills at a discount, at say N980 for N1000 nominal value. The interest income is the difference between the purchase price and the face value of the bill at maturity.

Treasury Bills have very low interest rates. This is however compensated for by low default rates. They are predominantly taken up by banks because they count as part of the required liquidity asset and are eligible as rediscountable security at the Central Bank of Nigeria. Besides being employed as a means of raising temporary finance, they are used as instruments of monetary policy by the Central Bank of Nigeria to mop-up liquidity in the economy.

c) Equity finance: Ordinary share capital:

Capital markets are markets for trading in long-term financial instruments and securities. The most important ones for companies are ordinary shares (also called ordinary equity), preference shares and debt securities such as debentures, unsecured loan stock and convertible loan stock. Capital markets also exist for public sectors securities.

For companies, the capital markets have two main functions. First, they act as a means whereby long-term funds can be raised by companies from those with funds to invest, such as financial institutions and private investors. In fulfilling this function, they act as a *primary market* for new issues of equity or debt. Secondly, capital market provide a ready means for investors to sell their existing holdings of shares and bonds or to increase their portfolios by buying additional ones. Here, they act as a *secondary market* for dealing in existing securities. The secondary market plays an important role in corporate financial management, by facilitating the ready buying and selling of securities, increasing their liquidity and hence their value. Investors would pay less for a security that was difficult to dispose of. The secondary market is also a source of pricing information for the primary market, increasing the efficiency with which new funds are allocated.

Ordinary share capital is the foundation of any company's financial structure. Business requires that capital that is placed at risk and that the ultimate bearers of that risk are the ordinary shareholders. By law, shares must have a nominal value, for example, they are described as 50 kobo shares. This nominal value is often but not necessarily the price at which the shares were first issued but it may bear no relationship whatsoever to their current market value. Occasionally, a company will issue 'stock' rather than 'shares'. This is purely a difference in packaging. The capital is offered in bulk so that one subscribes for a quantity of it measured in terms of nominal value. A stockholder in a company would own say, N1000 of stock while a shareholder would own two thousand 50k shares.

d) Preference share capital:

Preference shares are distinguished from ordinary shares by being given preferential rights over profits and in the event of a winding up, over surplus assets. Technically they are part of the equity since like the ordinary shares, they are risk bearing. In practice, however it is necessary to make their preferential rights attractive in order to sell the shares and this is achieved by keeping the number issued low relative to that of ordinary shares. In consequence they become virtually risk free and for analysis purposes they are usually classified with loan capital. Preference shares are not nowadays a very popular source of finances owing to certain tax disadvantages which they have as compared with debt. As to income, the preference shareholder is entitled to a dividend of up to a stated maximum amount before any dividend is paid to the ordinary shareholders, for example, 8% preference shares may receive a dividend of 8% of nominal value, but not more, and must receive the full 8% if any ordinary dividend is to be paid. In the event of a winding up, any surplus assets after prior claims, for example, creditors and lenders have been met, must first be used to repay up to the full nominal value of the preference shares. Only after this may the ordinary shareholders be entitled. The rights of preference shareholders will not normally be varied after the shares have been issued. Thus an issue of bonus preference shares would not be made to preference shareholders unlike the ordinary shareholders.

e) Debentures

Banking and financial institutions naturally insist on collateral securities before they grant loans to their customers. In the case of a company, any part or all of its assets, including its uncalled capital, may secure a loan granted to it.

A debenture is statutorily defined by Companies and Allied Matters Act 2004[13] as "a written acknowledgement of conditions of indebtedness". It includes debenture stock, bonds and any other securities of a company but is different from shares or stock. Davies[14] state that debenture is "one loan fund….divisible among a class of lenders each of whom is given a debenture stock certificate evidencing the aliquot parts of the whole loan to which he is entitled". Similarly**,** Palmer[15] states that a debenture denotes:

> an instrument issued by the company, normally, but not necessary, called on the face of it a debenture and providing for the payment of, or acknowledging the indebtedness in, a specified sum….at a fixed date, with interest thereon. It usually – but not necessarily – gives a charge by way of security, and is often – though not invariably – expressed to be one of a series of like debentures.

Thus, debentures are instruments issued to lenders to show that they have lent money to the company, and each debenture evidences a distinct debt. It also includes debenture stock which is "borrowed money consolidated into one mass for the sake of convenience"[16]

There are various types of debentures namely: “registered debentures”, that is, payable to the registered holder. “Bearer debenture”, is that which is payable to bearer. They are negotiable instruments. By S.171 Companies and Allied Matter Act 2004, “Perpetual debenture” as meaning “irredeemable or redeemable only on the happening of a contingency, however remote or on the expiration of a period, however long”. According to S.172 of the Act, “Convertible debentures” are issued “upon the terms that in lieu of redemption or repayment, they may, at the option of the holder or the company, be converted into shares in the company upon such terms as are stated in the debenture. Under S.173 “Secured and Naked” debentures means one which is secured by a charge over the company’s property and it may be so secured by a fixed charge on certain of the company’s property or by a floating charge over the whole or a specified part of the company’s undertaking and assets, or by both fixed charge on certain property and a floating charge.

f) Building Societies:

These are also referred to as Mortgage banks. They do not sell shares, but they accept deposits on which interest is paid. They lend to acceptable borrowers to build houses of their own. The greater their deposit, the more they can lend, therefore they encourage saving by providing attractive methods of encouraging house ownership. In Nigeria, government provides funds for the Federal Mortgage Bank of Nigeria to enable it to give loans to would-be house owners. There are housing corporations in the states, which not only provide loans, but also build house for people to buy.

g) Superannuation and Pension Funds:

They collect contributions made by employers and employees so as to provide pension for the workers when they retire. Such funds are invested in safe securities, so adding to the country’ supplies of capital. In Nigeria, the National Pension Scheme is active, whereby deductions are made on workers' salaries and remitted to the pension administrators who invest for the beneficiaries. This system gives workers security if they are unemployed or become sick and provide money for government for long term investment.

h) Insurance companies:

Insurance companies have large sums of money to lend. As is known, they collect premiums on different types of insurance policies. But the money they collect on life insurance premiums are not paid out as claims until some time, therefore they can invest their money and earn income on it. This increases the supply of capital in the country. They invest on both short-term and long-term basis, and therefore they are part of both money and capital markets.

i) The Discount Houses:

The discount houses specialize in the provision of short term borrowing and lending. They specialize in discounting Treasury bills which belong to the government, bills of exchange and other securities. For example, if a firm wants funds (money) it can sell a bill it has, to a discount house, which would charge an appropriate discount rate. When the bill matures, the discount house will get the money. Their functions involve gathering funds that are temporarily surplus to the need of the large financial institutions. Therefore, they act as middlemen between those who want to borrow and those who want to lend out their surplus funds. However, most of the discount house funds come from the commercial banks; other sources include industrial and commercial firms.

2.4.2 Government policy and provisions

Under Nigerian company law, a non-public limited companies requires express authority in its Memorandum of Association to enable it to borrow money, while a trading company has an implied power to borrow money for the purposes of its objects unless prohibited by its Memorandum or Articles of Association or by statute. There are various restrictions imposed on the borrowing powers of companies namely:

S.166 Companies and Allied Matters Act, 2004 provides that "a company may borrow money for the purpose of its business or objects and may mortgage or charge its undertaking, property and uncalled capital, or any part thereof, and issue debentures, debenture stock and other securities for any debt, liability of obligation of the company or of any third party". A company can borrow money on any of the following securities: (i) a legal mortgage of some specific parts of the company's property such as land; (ii) an equitable mortgage, for example, by deposit of title deed to land or even shares in another company (iii) a mortgage of chattels; (iv) a bond; (v) promissory notes and bills of exchange made or accepted on behalf of the company by an authorized person; (vi) debentures (vii) debenture stock (viii) charge on uncalled capital, the Memorandum or Articles may expressly or impliedly allow the uncalled capital to b e charge.

The power to borrow may be regulated by the Articles of Association and where the directors' borrowing powers are limited, they must keep within those powers and also within the objects and powers of the company. The effect of unlawful borrowing depends on whether it is *ultra vires* the company or merely *ultra vires* the directors but *intra vires* the company. If the directors borrow money on debentures in excess of the power given in the Articles of Association, the debentures are void and the directors may be personally liable in damages for a warranty of authority to issue the debentures. In **Firbanks Executors v. Humphreys**[17], the respondent who was the contractor for the construction of the Charnwood Railways concluded an agreement with the Charnwood Railway Company by which he agreed to take debenture stock of the company in discharge of a balance due to him for work already done under the contract for construction. In pursuance of the agreement two certificates for debenture stock were issued to him. The agreement was duly executed at a meeting of all the directors of the company. The certificates were signed by two directors only, who had been previously appointed to sign debenture stock by a resolution of the Board. It subsequently appeared that before the issue to the respondent the borrowing powers of the company had been exhausted. In an action against the whole of the directors for breach of warranty and the authority of the directors themselves to issue, it was held affirming the judgment of Matthew J. that all the defendants were liable, the measure of damages being nominal value of the plaintiff's stock.

2.5 Investors: Sources of finance

A trading company or commercial enterprise is constantly in need of funds either to expand its business activities, meet its overhead costs or replenish its stock in trade. The problem of financial needs of a company does not end with the floatation of the company but flotation is the beginning of its financial requirements. Apart from the issuing of shares and the debentures, there are other alternative sources of raising money also open to companies.

The first alternative is the internally generated sources among members who take the shares and stock of the company. The initial task of finding the money to set a new company afloat is of course, that of the promoters. The bulk of the capital, quite naturally, must come from the proprietors or members who provide at least one quarter of the capital. This provision is found in S.27(2) Companies and Allied Matter Act, 2004 which states that the investors generally provide 25 percent of the authorized or nominal capital. This is the minimum amount of money or money's worth with which the promoters are authorized to float the company. This position was also upheld in the case of **Starcola (Nigeria) Limited & Anor v. Adeniji**[18] where it was held that a promoter of a company must at least hold a specific number of shares allotted to him.

Secondly, an appeal may be made to external sources for loans, be it long-term or short-term, for example banks loans, overdrafts and so on.

2.5.1 Bank loans

The first method of raising funds to either float a company or keep it going is by approaching a bank for a loan. In fact, the banks are the primary source of the equity of the company. Once the company is incorporated and where necessary, is granted certificate to commence its business activities, the normal practice is to apply to its bank for loan or an overdraft. An overdraft does not necessarily involve a formal agreement, but the power implicit in all trading and commercial undertaking is the power to enter into contracts Section 71(1) of the Companies and Allied Matters Act, 2004 provides for their benefits or for the furtherance of their objects. In the case of **Deucher v. Gas Light & Coke Co.**[19]**,** the House of Lords held that a trading company need not reserve the power to borrow money, it is ancillary to its power. This was the position in the Nigeria case of **Standard Bank of Nigeria Limited v. Bolokor Enterprises Limited & Ors**[20] S.166 of Companies and Allied Matters Act, 2004 expressly provides that "a company may borrow money for the purpose of its business or objects and may mortgage or charge its undertaking, property and uncalled capital or any part thereof".

Overdraft is often granted on a year-to-year basis and is a revolving kind of loan facility, though the facility cannot be maintained for longer than seven years. Where there is enough equity, there may be no need to resort to financial houses for aid. In S.13(1) of Banking and Other Financial Institutions Act 1991, the limits of lending by the banks are determined by Central Bank of Nigeria. This however does not affect the capacity of the borrowing company. The same section of the Act provides that no company carrying on banking business can lend or grant advances, loans or credit facilities in excess of the cumulative total of one third of its paid-up capital and statutory reserves without the approval of the Central Bank. The prohibition extends to advances, loans and credit facilities to the company's directors, firms or partnership or a company in which the lending bank itself has financial interest and the amount of loan involved exceeds N1000. Funds can also be obtained through loan syndicate, which are generally constituted by banks. Investors may be classified as either retail investors or institutional investors. Retail investors are individuals. Institutional investors include insurance companies, depository institutions (that is, banks, savings and loan associations) pension funds, investment companies, and endowment funds[21]. Investors can buy or sell stocks and bonds directly through financial markets, or indirectly by pooling their funds with other investors. Mutual funds are investment vehicles that pool the money of many small investors and invest it in shares of companies, bonds or other assets[22]

External finance is also classified according to whether the finance is short-term or long term, and according to whether it has been raised via financial markets or via financial institutions. As for long-term sources of finance, ordinary shares and preference shares, and corporate bonds find vogue.

If finance is not raised efficiently, the ability of a company to explore desirable projects will be affected and the profitability of its existing operations to may suffer. The aims of an efficient financing policy ought to be to raise the appropriate level of funds, at the time they are required, at the lowest possible cost. It is not difficult, then, to see a link between the financing decisions made by a company's managers and the wealth of the company's shareholders.

2.5.2 Equipment Leasing

"Equipment Leasing" is a means of financing the operations of a company through the lending of machinery and equipment for industrial operations. It is a system which is very common in developed and industrial economy but which is just beginning to grow in Nigeria. An equipment lease is described as the lease of an industrial, commercial or business equipment in which the leasee is put in possession whilst the lessor retains the ownership and title to the equipment, a system akin to hire purchase but which is fundamentally different from its because of the absence of the option to purchase. Where this system of business financing is in common use, the need to raise or invest large sums of money in the purchase of machinery and other equipment no longer poses serious problem. In the twentieth century, the concept of equipment leasing is an important means of long-term use of capital equipment for financing companies. The case of **Nigeria Merchant Bank Ltd v. Lee Fakino Nigeria Ltd**[23] illustrates vividly the nature of equipment leasing as a means of financing companies. The facts disclosed by the plaintiffs were that both parties in 1982 executed a 36-month agreement whereby the defendants leased various caterpillars from the plaintiffs for construction work. The equipment were worth over N2 million. The total rent payable was put at about N67,000 per month. The claims were for arrears of rent of more than N2,400,000 and an injunction restraining the defendants from disposing of, or otherwise dealing with all the twenty caterpillars under the plant and machinery lease agreement. The plaintiffs also sought an order of repossession of all the equipment. Ademola Johnson, C.J. ordered the defendants to assign to the plaintiffs the N1 million due to the defendants from one of their debtors and pay the remaining N1 million within six weeks from the date of judgment. The plaintiffs were also to rank in priority to any other claimants against the defendants.

Another source is the right of companies to sell their assets in order to be able to obtain the money needed. Also, companies may request their customers to pay specified deposits in anticipation of future supply of goods to them.

2.5.3 Government

Public finance is that aspect of economics which deals with the determination of government activities and expenditures, with the ways by which the funds to carry on these activities are raised (revenue) and with the effects of the expenditure and revenue measures on the economy. In western-type economies, decisions about what a to produce, for whom to produce and how to produce are made mainly by market forces (that is, by the forces of supply and demand). This contrasts very sharply with Soviet Union type economies (central planned economies) where such decisions are made by the government. The contribution of government in her economy is vital on the following grounds: there are some activities whose cost to the producers (firms) are greater than the cost to the society as a whole. This is the example of decreasing cost industry in which expansion of output by a firm leads to lower costs for all firms. In a situation like this output will be too small over the production of such goods. This scenario is often referred to as external economies, that is, the activities that give rise to a cost to the society which exceed the costs to the private sector. If production is left in private hands, the production can be excessive. The government can take over the provision in order to regulate not only the supply but the cost. The government provides money also in order to eliminate interferences with perfect competition because for attainment of maximum welfare, industries must be doing well. Government activities are also undertaken with a view to ensuring that the economy is stable. The economy if left on its own, cannot guarantee stable prices, full employment and so on. The benefits of some economic activities accrue to the society as a whole rather than to particular individuals, so that an individual or a group of individuals cannot be excluded from enjoying the benefits. Examples of such activities are in respect of national defence, prevention of crime, and clean air. In such situations, the government takes over and provides such services. In many instances, Government had undertaken various activities in order to ensure these objectives.

Government in olden days imposed taxes to raise enough revenue only to cover the cost of administration and defence. It was not unusual for some powerful kings and emperors to raise money from the public for their own personal use. Later on it was realised that some services like the maintenance of law and order, and defence against external attack could be adequately provided for by the state rather than by individual kings and emperors. Governments therefore began to raise money for these purposes.

2.5.4 Banks and other financial institutions:

Banks are business enterprises set up to do banking business. They deal in a special kind of business – the business of money. They accept deposits from the public and make profit by lending money to the applicant members of public. Banks provide important financial services to industry and commerce to enable it carry out its operation. The banks provide short or medium term funds either in the form of loans or as bank overdrafts to companies.

A bank (otherwise called Investment Bank) is a wholesale banker whose deposits are usually in large amounts. Such deposits are fixed for a particular period. With such large deposits, its loans are equally large. The banks give advice on mergers, acquisitions and capital structure of companies. They provide professional advice to companies wishing to raise new capital. They also help to place the shares before the public and underwrite unsold shares. They are also involved with government finance by floating government loan stocks. Banks provide short and long-term finance to companies and also arrange for companies wishing to hire equipment. Banks obtain funds, apart from share capital, from other banks and corporations unlike banks which accepts deposits from individuals and institutions.

Banks are institutions established for the purpose of providing finance for development. Banks provide medium and long term finance for the development of the economy. The need for this kind of finance has become necessary because banks provide only short-term finance and this is not adequate for development. They also conduct detailed study of the economy in order to identify projects that can be financed and to be able to identify obstacles to development, thereby providing healthy companies' survival and growth. Other financial institutions usually consist of money and capital markets. These markets are closely interwoven with a slim difference. The Money market provides short-term finance. These are loans of up to two years.

Capital market provides long-term loan, these are loans which are given for more than two years. The main difference therefore is that money market provides short-term loans while the capital market provides long-term loans.

2.5.5 Insurance companies

These are institutions established to spread the risks and losses of business. They cover all kinds of risk ranging from life to vehicle insurance. They assume responsibility for all kinds of risks which any single individual cannot afford. This way they minimize the impact of loss on individual and companies. They also spool financial resources from individuals and institutions throughout the country and make them available for development.

2.5.6 General public

Public companies may source their finance from the general public through share capital or equity finance. Ordinary share capital or equity finance is the foundation of the financial structure of a company and should be the source of most of its longer term finance. Equity finance is provided by the sale of ordinary shares to investors. This may be a sale of shares to new owners, perhaps the stock market on the part of company seeking a quotation, or it may be a sale of shares to existing shareholders, for example by means of a right issue (the issuing of new shares to existing shareholders). In addition, ordinary shares are bought and sold on a regular basis on Stock Exchanges all over the world[24]. The new issues market the regulations governing a new issue of equity onto the capital markets are laid down by government or by the Stock Exchange and are usually complex and subject to frequent revision and change. A company may raise finance through a new equity issue but need to hire the services of an issuing house. The issuing, house, usually a merchant bank, will try to make the new issue a successful one by advising on the steps to be taken as part of the issuing process, by determining an appropriate issue price for the new shares, and by marketing the issue to institution and other investors. The issuing house will arrange for advertisements, often taking the form of a prospectus, to appear in the national press, and if a Stock Exchange listing is being applied for, will arrange for the appointment of a sponsor.

2.5.7 Company employees

The savings of individuals are the most basic source of funds for investment in corporate securities. If individual spends all his income for current consumption, few corporate securities could be sold. Indeed, in many developing and undeveloped countries, the inability or unwillingness of the people to forego current consumption makes it extremely difficult for private industry to accumulate the capital necessary for large scale and expensive industrial development. In other countries like India, the problem of raising funds for private industrial development is further accentuated by a long-standing preference on the part of many of those who have been able to save and accumulate capital for investment in gold, precious jewels, real estate, or other material wealth rather than in intangible such as stocks and bonds of companies.

However where employees of companies turn over much of their savings to financial institutions, which in turn invest the fund entrusted to them, then companies capital increases. This is as a result of the financial institutions buying more of the new securities issued by companies. Since financial banks other than commercial banks do not create funds, they must be thought of rather as conduits or intermediaries in the flow of savings from the people into effective investment.

Financial savings of the people (employees) reaches the capital markets through the financial institutions. But by no means should all of the savings flow into institutions for investment by them. Company individual employees who buy shares and stock naturally contribute positively to the progress of the firm.

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CHAPTER THREE:
SURVIVAL AND GROWTH OF COMPANIES

3.1 Introduction

The present economic trend of globalization, technological advancement and deregulation, is fast turning the world into one large global village in which only the strongest will survive, especially, in the corporate sector. Strategic practices by which companies strive to stay alive and strong are enormous. The main aim is to improve competitiveness in the changing global market and stimulate corporate survival and growth. By pooling together expertise and capital as well as re-organizing infrastructure, companies are able to win greater market share, reduce the cost of developing new products and services and thereby invariably, increase their strength and viability.

There are various grand strategies that an organization can adopt in its desire to survive and grow, such as human, material, and financial resources control, research and development, time and opportunities management, internalization of technology, creation of credit worthiness and so forth, which are the focus of this chapter. An organization might decide to pursue slow and steady growth, or, rapid growth. Its growth might be geared towards internal or external strengths and boundaries. If it decides to grow rapidly it may experience growth pains – liquidity problems hamper finance for rapid growth in sales and/or assets - low profitability in an attempt to gain a greater share of the market and resource-strains as they get painfully stretched to their limits.

Rapid growth as a competitive strategy requires that the organization has resources at hand, and that, it chooses its investment opportunities carefully to yield a high return. Growth needs retention of a substantial portion of annual profits to finance internal growth. The company must also identify high yielding investments to convince its shareholders to retain profits rather than receive dividends and suffer stagnation. External growth as a strategy involves searching for other organizations, to acquire, or, to merge with, in order to diversify and stabilize the ‘fluctuating’ income, or, to obtain a bigger share of the market.

3.2 Definitions of Survival and Growth

“Survival”[1], means “staying alive, the fact of remaining alive or in existence especially after facing life threatening danger, or of continuing in a present position.” It is something from the past, a custom, an idea, or a belief that remains when other similar things have been lost or forgotten. It also means “a living or continuing longer than or beyond the existence of, another person, thing or event.”[2].

Growth[3] means “the process of becoming larger and more mature through natural development; the increase in size, power, intensity or expansion in value of securities or of a business”.   It is an investment style that looks for stocks with strong earnings and/or revenues.   A ‘growth’ focused company is a company whose earnings have increased and that company usually directs a high proportion of income back into the business[4].

3.3 Determinants of company survival

In the field of business management, people, at times, suffer from the temptation of deploying resources on a large scale without any clear notion of what their strategy is. And yet a company’s strategy is a vital ingredient in determining the future. A valid strategy will yield growth, profit or whatever other objectives the managers have established. An inappropriate strategy not only will fail to yield benefits but also may result in disaster.

The essential strategic attribute of resources is that they represent action potential. Taken together, a company's resources represent its capacity to respond to threats and opportunities that may be perceived in the environment. In other words, resources are the bundle of chips that the company has to play with in the serious game of business.

From an action-potential point of view, a resource may be critical in two senses[5]: as the factor limiting the achievement of corporate goals, and as that which the company will exploit as the basis for its strategy. Thus, critical resources are both what the company has most of and what it has least of. The three resources most frequently identified as critical are money, competence, and physical facilities.

Money is particularly valuable resource because it provides the greatest flexibility of response to events as they arise. It may be considered the "safest" resource, in that safety may be equated with the freedom to choose from among the widest variety of future alternatives. Companies that wish to reduce their short-run risk will therefore attempt to accumulate the greatest reservoir of funds they can. However, it is important to remember that although the accumulation of funds may offer short-run security, it may place the company at a serious competitive disadvantage with respect to other companies which are following a higher-risk course.

Organizations survive because they are good at doing those things which are necessary to keep them alive. However, the degree of competence of a given organization is by no means uniform across the broad range of skills necessary to strategy in business. Some companies are particularly good at marketing, others especially good at engineering, still others depend primarily on their financial sophistication which refers to that which a company is particularly good at as its "distinctive competence"[6].

In determining a strategy for survival, management must carefully appraise its own skill profile in order to determine where its strengths and weaknesses lie. It must then adopt a strategy which makes the greatest use of its strengths. An author has summed up the concept of distinctive competence in a colourful as follows:[7]

> we are a career company dedicated to coal, and we have some very definite ideas about growth and expansion within the industry. We‘re not thinking of buying a cotton mill and starting to make shirts.

That is to say, that for company to survive, the management must be focused, determined and abreast for the development.

Physical facilities are the resource whose strategic influence is, in all probability, most frequently misunderstood. Managers seem to be divided among those, usually technical men, who see physical facilities as the tangible symbol of the corporate entity, and those, usually financial men, who view physical facilities as an undesirable but necessary freezing part of the company’s funds. The latter group is dominant. For many companies, return on investment has emerged as virtually the sole criterion for deciding whether or not a particular facility should be acquired. Physical facilities have significance primarily in relationship to overall corporate strategy. It is, therefore, only in relationship to other aspects of corporate strategy that the acquisition or disposition of physical facilities can be determined. The total investment required and the projected return on it have a place in this determination – but only as an indication of the financial implications of a particular strategic decision and not as an exclusive criterion for its own sake.

Philip emphasizes the necessity for relating an evaluation of facilities to environmental changes, thus:

> Following the end of World War II, all domestic producers of typewriters in the United States invested heavily in plant facilities in this country. They hypothesized a rapid increase of sales throughout the world. This indeed took place, but it was short lived. The rise of vigorous overseas competitors, especially Olivetti and Olympia, went hand-in-hand with a booming overseas market. At home, IBM’s electric typewriters took more and more of the domestic market. Squeezed between these two pressures, the rest of the United States

> typewriter industry found itself with a great deal of excess capacity following the Korean conflict[8].

Excess capacity is today still a major problem in this field. The steady decline in the number of agricultural farms in the United States and the emergence of vigorous overseas competition have forced most domestic full-line manufacturers of farm equipment to sharply curtail total plant area. For example, in less than 4 years, International Harvester eliminated more than a third of its capacity (as measured in square feet of plant space) for the production of farm machinery.

3.3.1 The Quality of Resources

Resources are those things that a company has that help it achieve its corporate objectives. Once the goals and objectives of companies are established and the environment scanned, the organization now proceeds to evaluate the resources at its disposal for exploiting the opportunities and for containing the threat. Goals and objectives are a function of corporate resource capabilities. It is no use planning to achieve a particular objective without the necessary quality resources for pursuing it. If a company wishes to establish a N20 million subsidiary and all it can raise from its various sources of funds is N5 million, then its objective is not feasible. It must also have the skilled personnel and the time to pursue its objectives apart from the money and the physical assets.

Resources are used for capitalizing on the strengths of an organization and for minimizing its weaknesses. Many indigenous civil engineering construction companies in Nigeria abandon projects and contracts because they lack the resources to execute them. Even with the mobilization fee paid in advance by the client, they are still unable to perform because they lack the technical known-how and the asset capacity for executing such technically complex project, fraud notwithstanding. An organization needs to build up resources commensurate with its policy objectives to be successful. In the alternative, it should tailor its goals and objectives in line with its resource capacity and ability.

It is important to note here that time is an important resource that organizations often taken for granted and neglected. Many organizations get involved in several different projects at the same time and consequently are unable to complete anyone satisfactorily and on time, hence the frequent extension of project completion schedules. This is where a PERT (Programmes Evaluation Review Technique) or a Critical Path Chart becomes very important in planning. These charts or schedules give the earliest start and finish times for projects, latest start and finish times for assignments are the slack times management. Every organization has its strengths and weaknesses. A company, in the hands of a good management team uses its resources to strengthen its strengths and further deepen its weakness. To that extent, it must appraise what resources it has in order to operate successfully. It is the resources of the organization that to a large extent determine its operational plans and progarmmes.

Glueck[9] identifies major strategic advantage factors in the functional areas of business that an organization must strengthen to succeed. In the area of production, the organization should ensure lower total cost of operations in comparison with the competition, capacity to satisfy market demand, efficient and effective facilities, adequate availability of raw materials and other inputs, machinery, strategic location of facilities and offices, efficient and effective inventory control system, efficient and effective quality control and maintenance policies, effective vertical integration. In the area of corporate resources and personnel, it should have good corporate image and prestige, effective organization structure and climate, strategic management system, some influence with regulatory agencies and government, effective management information system, high quality and skilled employees, balanced functional experience, track record of top management, effective and cordial relations with unions, efficient and effective personnel relations with good policies-low turnover and low rate of absenteeism. In the functional area of marketing, the strategic advantage/strength factors include establishing a strong market presence in the total market or key sub-market, an efficient and effective market research system, quality product/services mix, complete product-service line, a strong new product/new service leadership, patent protection, positive consumer attitude to the organization's products and after sales service, efficient and effective product packaging, effective pricing strategy, efficient and effective sales force, effective advertising and promotion and efficient and effective channels of distribution

He[10] emphasizes the following strategic advantage factors in the area of finance and accounting: total financial resources and strength, low cost of capital within the industry and among competitors, efficient and effective/optimal capital structure, good relations with shareholders and creditors, advantageous tax status, efficient and effective financial planning, working capital and budgeting procedures. The efficient and effective accounting system, costs, budgets and profit planning brings about effective inventory valuation policies.

These strengths or strategic advantages, when capitalized upon, increase the flexibility of the organization and the number of its strategic options. On the other hand, weaknesses in areas identified above reduce the organization's strategic alternative and should therefore be improved upon or minimized.

3.3.2 Human Resources

According to **Weatherly**[11]**,** a company's human capital (resource) asset is the collective sum of the attributes, life experience, knowledge, inventiveness, energy, and enthusiasm that its people choose to invest in their work.

Nwagbo states that "those human beings who do things together to accomplish objectives constitute the human resource of the organization"[12]. According to him, they include the foundation owners, the entrepreneurs and the leaders of the enterprise, the directors, the managers, and supervisors who make up the management team employed by the foundation owners; and the rank and file workers employed by the management. All these categories of human resource have their individual goals and objectives to achieve in the organization. Creating systems and situations in which human beings in an organization can make their best contributions to achieve their individual goals and to develop the enterprise is what is today known as human resource management.

According to **Walton** human resource management stresses mutuality between employers and employees:[13]

> …mutual goals, mutual influence, mutual respect, mutual rewards, and mutual responsibility. The theory is that policies of mutuality will elicit commitment which in turn will yield both better economic performance and greater human development

Every organization exists on consumption and/or utilization of resources. The resourcefulness of any thing depends upon its usage and usefulness to an entity. There are two types of resources which are of utmost importance to enterprises. These are human and material resources. Human resources are the human beings that work in a particular organization. In the past, the importance of workers in the life of enterprises was not given much attention because the few employers that existed were rather exploitative and took undue advantage of their privileged positions as the only employers. However with the growth in size and complexity of organizations, coupled with changes in science and technology, the influence of these changes on organizations has caused increased emphasis on the need to recognize the importance of workers in the place. Workers play a major role in the successes of an enterprise. Their productivity is important in attaining set objectives of the organization. Increased productivity of workers derives from the development of workers who must have been acquired for maximum effectiveness and efficiency.

Therefore, human resources management is the process of effective acquisition, development, and utilization of an organization's work force for maximum efficiency. This is the broad perspective. Its sub-processes include employee planning and recruitment process, selection process, training and development, evaluation and compensation, promotions, discipline, transfers, and separation. The management of human resources hangs on two extremes with the workers at one extreme rendering their best services for the organization, and the organization at the other extreme satisfying the aspirations of the workers. Human resource management attempts to reconcile these two extreme ends into an amicable workable compromise acceptable to both the organization and the workers.

One of the greatest challenges posed to contemporary management is how to manage people effectively, given the ever increasing demand for productivity improvement. Declining productivity in organizations has been largely ascribed to prevalence of workers with non-marketable job skills, reduced spending on research and development, excessive government regulations, dishonesty and crime, and so on. A growing number of paper entrepreneurs and enterprise's inability to plan for the long-run are additional factors.

Increased productivity is often found to reflect the quality of work life of the workers. Treating the impact of improved productivity and quality of work life of the workers, the vast majority of firms expressed satisfaction with their productivity sharing plans and believed that the current benefits to the firm from their plans warranted their continuation – benefits originally anticipated were realized. For the most part, firms believed that their productivity plan gave them a competitive advantage in marketing their products or services. Thus increased productivity which results from effective management ensures continuation of a firm's existence as well as the satisfaction of the employees at work. Without effective management, increased productivity and improved quality of work life, all very vital for continued existence, attainment of organizational goals and individual workers goals, will elude an enterprise. Though instituting a productivity improvement or quality of work life programs may be encompassed with many pitfalls, the potential financial gains may well justify the effort[14]

Human resources management is centered on four critical policy issues areas of organizations. These are:

a) Employee influence: Employers formulate policies to guide on the level of workers participation in management – the level of delegation of authority and responsibility which in effect defines the scope and breadth of workers influence in managing the organization. These policy issues cover the critical areas of organizational goals, compensation, worker conditions, career advancement and job design.

b) Personnel flow policies: these cover the enterprise's long-term manpower requirement: the number and quality. Critical areas include selection, promotion, job security, career development and advancement, fair treatment, and termination.

c) Reward systems: The objective of reward systems is to attract, motivate, and retain all classes of employees. Critical areas here include pay incentive rewards, profit sharing and bonuses, the most effective motivation package, workers involvement in design and administration of pay systems and so on.

d) Work systems: The design of work systems, that is, definition and arrangement of tasks and technologies, and so forth is considered here. Policy issues affecting work systems include the types of manufacturing and office technologies to be implemented, and the way in which labour is to be divided.

These four critical areas are the focus of modern human resources management as they collectively describe the network of the interrelated human resource management activities[15].

Top management views the human resource management functions as a veritable tool to enhance competitiveness. To accomplish this objective the human resource management function must be used strategically. It's responsibility is the maximization of productivity, profits, and quality of work life through better management of people. To fulfill this responsibility the senior human resource executive reports directly to the chief executive of the organization. The human resource management function should focus on productivity related activities, and the human resources people should above all be business people, accountable, just as any other function, in terms of their overall contributions to enhancing productivity and controlled costs.

Contributions to improved productivity, quality of work life, and workers development and need satisfaction can come from more effective management of a number of areas. These include, but certainly are not limited to; improved work environment, goal setting and feedback, job redesign, rewards based suggestion systems, compensation policies and procedures, benefits administration, personnel tax management, recruiting, training and management development, affirmative action control, turnover, and outplacement.

i) Employee influence: Due to changing environmental influence on organizations the profession and job of personnel is rapidly changing. The internal environmental influences include organization's size and complexity, interdependence, synergies between subunits or functional areas – such as production, marketing, finance, and research and development. External environmental influence on modern organizations includes labour legislation, rising workers expectations, government legislations, unionization and foreign competition. Employee is faced with three general expectations which are: to help the organization to cope with environmental dynamism, given externally developed constraints and opportunities streaming from the government and labour unions; to cooperate with other line and staff functional areas adequately enough to create the desired synergistic effect capable of achieving the organizational goals. This it must do by securing the respect, trust, and confidence of the members of these various units in order to be effective in implementing its own job or programs and to respond to certain serious human resource management problems the organization may face, for example, union-management disputes. Due to complexities in human behaviours, laws, technologies, and interrelationships between groups, success in personnel administration requires substantial knowledge and skill in these areas and general administration and supervision, human motivation and performance. Due to the increasing importance and demands of personnel work, those in the field are accorded increased prestige, respect, and compensation, as well as a powerful central position in most organizations[16].

Human resource management functions – people who are engaged in the management of human resources develop and work, through an integrated human resource management system. Corporate human resource management consists of staffing in general, human resource development, compensation and benefits, safety and health, and employee and labour relations. These functional areas mirror the human resource certification examination format, which are discussed herein below.

ii) Staffing: It is the process through which an organization ensures that it always has the proper number of employees with the appropriate skills in the right jobs, at the right time, to achieve the organization's objectives. Staffing involves job analysis, human resource planning, recruitment, and selection. Job analysis is the systematic process of determining the skills, duties and knowledge required for performing particular jobs in an organization. It impacts virtually every aspect of human resource management including planning, recruitment, and selection. Human resource planning is the process of comparing human resource requirements with their availability and determining whether the firm has a shortage or excess of personnel. Recruitment is the process of attracting qualified individuals and encouraging them to apply for work with the organization. Selection is the process through which the organization chooses, from a group of applicants, those individuals best suited both for open position and for the company. Successful accomplishment of these three tasks is vital if the organization is to effectively accomplish its mission.

iii) Human resource development: It consists not only of training and development but also of individual career planning and development activities, organization development and performance appraisal, an activity that emphasizes training and development needs. Training is designed to provide learners with the knowledge and skills needed for their present jobs. Development involves learning that goes beyond today's job; it has a more long term focus. Organizational development is the planned process of improving an organization by developing its structures, systems, and processes to improve effectiveness and achieving desired goals. Career planning is an ongoing process whereby an individual is helped in his efforts set career goals and identify the means to achieve them. Performance appraisal is a formal system of review and evaluation of individual or team task performance. It affords employees the opportunity to capitalize on their strength and overcome identified deficiencies, thereby helping them to become more satisfied and satisfaction productive employees.

iv) Compensation and benefits: A well-thought-out compensation system provides employees with adequate and equitable rewards for their contributions. Here the ‘compensation’ comprises the total of all rewards provided to employees in return for their services, that is, financial as well as non-financial motivational rewards.

v) Safety and Health: This involves protecting employees from injuries, caused or likely to be caused, by work-related accidents. Health refers to the employees’ freedom from physical or emotional illness. These considerations are important because employees who work in a safe environment and enjoy good health are likely to be more productive and yield greater long-term benefits to the organization.

vi) Employee and labour relations: A business firm is required by law to recognize Employee Union or trade union or labour union and bargain with it in good faith whenever the firm’s employees consent the union to represent them. When a labour union represents a firm’s employees, the human resource activity is often referred to as Industrial Relations Management, which handles the task of collective bargaining as well.

vii) Human resource research: Although human resource research is not a distinct human resource management function, it pervades all functional areas, and the researcher’s laboratory is the entire work environment. For instance, a study related to recruitment may suggest the type of worker most likely to succeed in a particular workman. Research on job safety can identify the causes of work-related accidents. The reasons for problematic situations such as absenteeism or grumbling may not be readily apparent. However, when problems occur, human resource research can often bring to light, their causes and possible solutions. Human resource research is clearly an important key to developing the most productive and loyal workforce possible.

Many factors that affect the identified human resource management[17] process are interrelated. Factors outside its boundaries that affect a firm's human resources make up the external environment. The firm often has little, if any, control over hazards of the external environment. External factors include the labour force of neighbouring firms, legal considerations, society, unions, shareholders, competition, customers, technology, political climate and the over-all national economy.

3.3.3 Material Resources

Materials resource management is one of the basic functions of every business. Economic success of any manufacturing company has a direct relationship with the efficiency of the 'material' management. Materials management can be defined as a function, which aims for integrated approach towards the management of materials in an industrial undertaking[18]. Its main object is cost reduction and efficient handling of material at all stages and in all sections of the undertaking. Material management can also be defined as an organizational concept in which a single manager has authority and responsibility for all activities principally concerned with the flow of materials into an organization, which include purchasing, production, planning and scheduling, incoming traffic, inventory control, receiving and stores[19].

Materials management according to **Sivasubramaniam**[20] is:

> that aspect of management concerned with the policy, direction, control, procedure, planning and administration in respect of every thing used in or about an establishment, including raw materials, components, new plants, tools, spares and services.

Materials management has also been defined[21] as

> a total concept involving an organizational structure unifying into a single responsibility the systematic flow and control of material from identification of the need through customer delivery.

Materials management is a concept that integrates all the activities of planning, scheduling and controlling materials from the 'design' stage through production and including delivery to the customer. Thus it establishes full responsibility over the material flow system with full accountability for quality, delivery and cost. Its functions include purchasing, storage, inventory control, material handling, and standardization. It deals with material costs, material supply, utilization and its handling. It is concerned with the planning and programming of market research for purchase, procurement of materials (capital goods, raw materials, components and semi-finished items) storage and inventory control, transportation and handling of materials, salvage, and disposal of scrap as surplus[22].

For a balanced growth and efficient running of an enterprise it is necessary that materials cost, materials supply and utilization is controlled in such a way so as to result in maximization of production, reduction of cost of production and maximization of profit. In many industries – fabrication, petroleum refinery, construction projects, sugar, wool, cotton yarn, jute, automobile, earthmoving and machinery input – materials, including fuel, constitute over 60 per cent of the cost of the final product. Materials management affects the entire economic activity, and, it is commonly observed that a reduction of material cost by five per cent will lead to profit, approximately equivalent to that generated by increasing the sales by 30 to 40 percent. Since increasing the sales involves additional expenditure on production, decreasing the cost of material is preferred for increasing the profit.

Materials management aims at reducing materials cost through efficient control of inventories, which helps in conserving the working capital for productive purposes, ensure uniform flow of materials for production, ensure right quality at right price, establish and maintain good relations with supplier, exercise prudence in using the imported items and to find their local substitutes[23].

Efficient control of inventories:

Inventory control is a systematic location, storage and recording of goods in such a way that desired degree of service can be made to the operating shops at minimum ultimate cost. Inventory control functions comprise running the stores effectively in order to ensure timely availability of material and avoid undue build up of stock, to maintain specified raw materials, to protect the inventories and to strive for supplies at competitive prices.

Uniform flow of materials for production:

The reliability of the source of materials is crucial because, if the source is not reliable, it will not meet up with it promises. The amount of these materials available to a business organization is an indication of the size of the business. Each category of material resource has its function in the process of production. Raw materials are needed to start the production process while plant and machinery are required to convert the raw materials to finished goods. On their part, the stock of finished goods constitutes a buffer from which the demand of customers is met.

The success of large projects and programmes envisaged for the growth of the revenues depends largely on the capability of materials managers to rightly assess the quantities of materials, equipment and supplies required and to organize the purchase of the right quality and quantities of materials – their receipt, storage and preservation until they are delivered to where they are needed.

Materials management has four basic activities: anticipating materials requirements, sourcing and obtaining materials, introducing materials into the organization and monitoring the status of materials as a current asset[24].

Materials are important determinants of the total cost of production and absorb as high a percentage as 70 to 80 in some cases. In general the material figure something like 20 to 60 percent of the total cost. It is obvious therefore, that materials require serious attention. Materials do not mean stuffs in their crude state alone, but they include as well partly finished items manufactured by other enterprises. Manufacturing of radio sets, television sets, and motor car or typewriters often involve use of alterable parts made by other enterprises for making a complete product. Materials may be either direct or indirect ones. Direct materials enter into and form part of the end product, while indirect materials are utilized in manufacturing and marketing process for reaffirming, fuelling and packaging purposes. Production management calls for managing attention on this composite group of materials.

The wealth of a country is measured by its gross national product – the output of goods and services produced by the nation in a given time. Goods are physical objects, something we can touch, feel, or see. Services are the performance of some useful function such as banking, medical care, restaurants, clothing stores, or social services. The source of wealth is measured by the amount of goods and services produced by firms from the natural resources. Although we may have rich natural resources in our economy such as mineral deposits, farm land, and forests, these are only potential sources of wealth. A production function is needed to transform our resources into useful goods. Production takes place in all forms of transformation – extracting minerals from the earth, farming, lumbering, fishing and using these resources to manufacture value-added products.

There are many stages between the extraction of resources material and the final consumer product. At each stage, value is added, thus creating more wealth. If ore is extracted from the earth and sold as such, wealth is gained from our efforts, but those who continue to transform it into metal and metal artifacts will gain more and usually far greater wealth. Japan is a prime example of this. It has very few natural resources and buys most of the raw materials from other countries. However, the Japanese have developed one of the wealth economies in the world by transforming the raw materials they purchase and adding value to them through processing.

Manufacturing companies participate in the business of converting raw materials to a form that is of far more value and use to the consumer than the original raw materials. Logs converted into tables, chairs and other furniture, iron ore into steel, and steel into cars and refrigerators and so forth are all examples of value-adding exercises. This conversion process, called manufacturing or production, makes a society wealthier and creates a better standard of living.

To sum up, in order to get the most value out of the resources, we must design production processes that make products most efficiently. Once the processes exist, we need to manage their operation so they produce goods most economically. Managing the operation means planning for and controlling the resources used in the process, labour, capital and materials. The flow of materials controls the performance of the process. If the right materials in the right quantities are not available at the right time, the process cannot produce what is should have. Labour and machinery will be poorly utilized. The profitability and even the existence of the company will be threatened.

3.3.4 Financial Resources

In Nigeria, as in other parts of the world, finance is one of the most important issues in business management. In Nigeria, however, because of the generally low level of income, savings are low and consequently the available money witnesses a tug of war among its 'suitors'.

Every business needs funds. For each source of funds there is a cost involved. To determine the sources from which funds should be procured, a number of considerations are important. It is important to find out which of the sources of funds are available to the business, the risks entailed, and whether the money is likely to be recalled at short notice. Also the respective cost of borrowing from each source, government restrictions and institutional constraints are vital consideration. Sources of funds for short-term financing include overdrafts, loans, trade credits, hire purchase, factoring of debt, and leasing. Long term financing can be met through issue of equity shares, debentures and government aid. Undistributed profits can be used for both short-term and long-term financing. Details of the sources of company financing have earlier been provided in chapter II (supra).

Each type of business has peculiar avenue(s) of raising funds for its operations. Money is required not only to acquire and maintain physical assets, but also to pay the human resources for their contribution to the production or services process. Apart from contributions from owners of the business and loans from external sources funds are also generated from the operations of the business, for instance, when goods or services are sold, money accrues to the business out of which materials are acquired and both workers and creditors are paid.

Financial management[25] is concerned with the determination, anticipation, and planning of procurement of funds needed, allocation of funds to the best possible mix of uses, procurement of funds from the best possible mix of sources, and utilization of funds in a manner that maximizes the objectives of the firm.

In general one can classify numerous needs, for finance, under two heads: finance for fixed capital investments and finance for working capital requirements.

Finance for capital investments can be sought for a variety of reasons – fixed assets such as a plant, machinery, factory premises and facilities for expansion or diversification of existing business. A firm's expansion or diversification project may not, however, require the installation of new equipment or an increase in any of its fixed asset resources if there exists unused capacity. It may, however, require finance to increase its working capital resources.

Thus a firm embarking on an expansion programme needs working capital to increase its stocks of raw materials and finished goods to meet the proposed levels of sales. Similarly, if the ambition is to improve the competitive position of the firm in the area of credit facilities to customers, more working capital will be required to sustain an increase in debtors particularly so, if the length or the volume of credit is to be stretched. Working capital finance may also be required to bridge temporary gaps between the payments and receipts of money by a firm. Firms' experience, generally, an uneven flow of money into and out of their account and often temporary finance will be required for the period – hours, days or weeks – when their cash outflows exceed their cash inflows. Long term capital is required for fixed capital investments and medium and short-term finance for working capital. The acquisition of fixed assets such as plants, machinery and factory premises involves huge sums of money. The benefits of these resources, however, are spread over, usually, a number of years. Consequently, recovery of such expenditures is for practical reasons, spread over a number of years as well. It is because of this, that, long term finance, that is, borrowed moneys repayable after 5-20 years, will be sought to meet the requirements of fixed asset purchases.

On the other hand, working capital finance is either short-term or medium-term in nature. For example, money required for payment of taxation or wages may be needed only for a short period pending the receipt of moneys from the sale of the firm's products or services. In a situation in which stocks or debtors are increased either as a result of deliberate expansion of business or as a result of economic difficulties, short term funds are required to bridge the gap between the period of production and sales and the ultimate receipt of payments from debtors.

At any moment in time, a business firm can be viewed as a pool of funds fed by a variety of sources: investors in the company's equity stock, creditors who lend it money, accounts receivable by customers, and cash and marketable securities used for transactions and liquidity purposes and past earnings retained in the business. Funds provided from these sources are committed to a number of uses: fixed assets used in production of a good or service, inventories used to facilitate production and sales. At a given moment, the pool of funds of the firm may be static, but over time, it changes, and these changes are known as funds flows. In an ongoing business, funds flow continually throughout the enterprise.

3.3.4.1 Investment decision: Investment decision is one of the decisions that arises in financial management and refers to the choice among alternative projects or assets into which the firm should invest its funds. For each alternative, risk and cash flow are determined. A number of methods are employed in analyzing and comparing investment proposals namely: average rate of return, payback period method, internal rate of return and present value method. The average rate of returns method simply averages the annual profit after taxes and divided by the average investment. Although this method is simple and uses figures which can readily be obtained from accounting records, it fails to take into account the time value of money and is based on accounting income rather than cash flows. The payback period method measures the period of time that will elapse before an investment is able to pay its cost. This method ignores the revenues that accrue after the payback period. The internal rate of return of an investment proposal is that discount rate for which the algebraic sum of the present value of the expected cash inflow and the present value of the expected outflow of the proposal is zero.

In varying degrees, all business firms operate within the financial system. When a product or service is sold, the seller receives either cash or a financial asset in the form of an account receivable. In addition, the firm invests idle funds in marketable securities, and here it has direct contact with the financial markets. More importantly, most firms use financial markets to finance their investment in assets. In final analysis, the market prices of a company's securities are the test of whether it is a success or a failure. While business firms compete with each other in the product markets, they must continually interface with the financial markets. The financial system consists of a number of institutions and markets serving business firms, individual and governments.

Financial assets exist in an economy because the savings of various individuals, corporations, and governments during a period of time differ from their investment in real assets. Real assets mean things such as houses, buildings, equipment, inventories, and durable goods. If savings equaled investment in real assets for all economic units in an economy over all periods of time, there would be no external financing, no financial assets, and no money and capital markets. Each economic unit would be self-sufficient, current expenditures and investment in real assets would be paid for out of current income. A financial asset is created only when the investment of an economic unit in real assets exceeds its saving and it finances this excess by borrowing by issuing equity securities.

Financial management involves making accurate forecast of funds required in order to efficiently execute selected investments or projects; determining the appropriate time the funds should be made available; a thorough review of the types of finances available in the capital and money markets; analyzing the financial institutions through which the type of funds required can be obtained; ascertaining the type of finance suitable for the firm with reference to the existing capital structure or the financing mix of the firm; and appraising the selected investments or projects with more emphasis on their riskiness (the modern approach to investment management) rather than return[26].

The whole process of a prudent financial management requires three main decisions which can be classified as follows: The investment decision, the financial decision and the dividend decision[27]. Hence for a firm to be able to achieve prudent financial management, its management must strive to obtain an optimal combination of the three main decisions. That is, a decision to undertake a project will require an analysis of the risk and return so as to determine whether or not the return is within the pre-determined required rate of return and its riskiness, the best way of financing the project which is influenced by the dividend policy of the firm.

Financing decision is primarily concerned with ascertaining the type of finance suitable to the firm with reference to its financing mix or capital structure and the timing.

Dividend decision is concerned with the percentage of the company's profit to be paid out as dividend to shareholders and the amount of external finance required, if allowed, to finance profitable investment opportunities.

3.3.5 The Quality of Resource Management

At its simplest, an organization comes into existence when the efforts of two or more people are pooled to achieve an objective that one would be unable to complete alone. The achievement of this objective calls for the completion of a number of tasks. Depending upon their complexity, the availability of appropriate technology and the skills of the people involved, these tasks may be subdivided into a number of sub-tasks and other people employed to carry them out. This division of labour constitutes the lateral dimension of the structure of the organization.

Working on behalf of the organization's owners or shareholders and with the authority derived from them, managers draw upon a number of resources to enable them to complete their tasks: raw materials, finance, technology, appropriately skilled people, legitimacy, support and goodwill from the organization's environment. They manage the organization by ensuring that they work to the same ends and timetable, that they have the authority, information and other resources needed to complete their tasks, that their tasks dovetail and are performed to an acceptable standard and at the required pace.

After the product line has been determined through a market analysis, other quality resources management is required for production or service.

a) Raw material requirement:

Determination of the raw material requirements of product especially now that foreign exchange is very scarce and small industrialists cannot afford to import raw materials has to be done carefully. To help identify possible sources of raw materials at the right quality, a survey of all relevant natural sources available in the immediate environment of production need be carried out. A similar survey of the surrounding environment will also provide alternative sources in case of failure by immediate sources.

b) Machinery and equipment:

The next step is to investigate the technical/technological requirements of the product. It can be scanned in the environment, if not an arrangement be made for its importation. Qualitative machinery and equipment can be sourced from Trade Missions and Embassies, Magazines and Trade Journals, Trade Fairs and Inventor Exhibition and so on.

c) Financial resource:

Fund for financing the industries can be obtained from personal savings, family sources, commercial banks, merchant banks, investment houses. All these are reliable points for finance.

d) Organizational and personnel requirements:

The personnel requirements of an organization are to be determined by the functions of the organization – the type of product or service involved. When the level of skilled, semi-skilled and unskilled labour required for the manufacture of the product is ascertained the environment can be scanned for selecting the appropriate combination of skills required.

3.3.6 Damage and Waste Control Systems

Manufacturing companies are in the business of converting raw materials to a form that is of far more value and use to the consumer than the original raw materials. In the process of utilizing raw materials for manufacturing "damage" and "waste" are unavoidable but their extent can be controlled. For example, in the manufacture of tyres or tubes some may not conform to specifications. Also the manufacturing process yields some – clippings and droppings of rubber. The profitability and even the existence of the company will be threatened due to undue damage and wastage.

3.3.6.1 Damage

Damage is the result of defectiveness in a product which qualifies it to be "below standard". Goods and materials need to be moved internally as well as externally to consumers. In the process, damage may result during loading or off-loading or other outright accidents. To cope with the enormous variety of materials an extensive range of storage equipment has been developed such as racks, trucks, tractors, conveyors, lifts, heavy-duty lift truck, and cranes. These are necessary for ease of movement of materials and goods, in absence of which a situation can develop, capable of causing 'excessive' damage. The manufacturing companies must therefore take necessary precautions in respect of the tools, equipment and processing plants against 'damaging' characteristics[28].

Mechanical damage can arise through overloading, and injury damage from neighbouring materials with sharp projections. It can also arise through faulty or inadequate protective packaging. Protection is also needed against excessive heat and cold. Too high or too low a level of humidity also need to be avoided. Tarnished surfaces due to moisture or damaged contact areas caused by impact in the store are likely to prevent equipment functioning correctly.

Stores cannot be tidy where goods and materials fall from bins. More serious cost may arise through goods and materials becoming mixed with others, and incorrect issues resulting. Stock audit becomes more difficult and normal stock checking virtually impossible. There also remains the possibility that the goods which leave their bin or other containers will damage or contaminate those they mix with. The sides of the bin or other container may be such as to restrain the goods or materials from escaping but may still be of such a shape and size that goods can be stored in a tidy manner. Apart from modular dimensions, it can be said that too large a volume in relation to the individual sizes of items is the chief cause of damage. The solution to the problem is to compartmentalize the storage areas down into convenient smaller unit.

A design of bin or container to suit the materials stored and also the proper method of handling is essential. Attention to this not only saves costs in handling but also reduces damage to goods and stock. For example, the use of retractable bin shelves for heavy goods such as castings and machines minimize damage.

To get the best service from any machine, and to minimize damage to equipment, buildings and materials, the operators and their helpers concerned with the operation handling facilities must be both efficient and careful. Many industrial accidents occur due to goods falling. There should be adequate training and instructions to staff in their duties and in the safety precautions at all times.

3.3.6.2 Waste

"Waste" connotes anything other than the minimum amount of equipment, parts, space, material, and workers' time absolutely necessary to add value to the product[29]. Waste results from off-cuts, turnings, residues, production rejects and unusable materials. The long-term result of eliminating waste is a cost-efficient, quality-oriented, fast-response organization. Such an organization has a huge competitive advantage in the marketplace.

Anything in the product cycle that does not add value to the product is waste. "Waste" is caused in various ways such as, poor product specification and design, poor component standardization and by 'bad' manufacturing process. Waste making starts with the policies set by management in responding to the needs of the marketplace. Management is responsible for establishing policies for the market segments the company wishes to serve and for deciding how broad or specialized the product line is to be. These policies affect the costs of manufacturing. For example, if the range and variety of product are large, production runs will be short, and machines would need to be switched over frequently, leaving little opportunity for exercise of caution in the use of specialized machinery and fixtures. On the other hand, a company with a limited product range can produce goods on an assembly-line basis and take advantage of special-purpose machinery with due care. The greater the diversity of products, the more complex the manufacturing process becomes and the more difficult it is to plan and control.

Companies can specialize in the products they make and still offer customers wide range of options by standardizing the component parts used in the different models they make, and, supplying the customer with a variety of models and options possible from standard components. Component-parts standardization has many advantages. It creates larger quantities of specific components that allow longer production runs. This, in turn, makes it more economical to use more specialized machinery, fixtures, and assembly methods. Standardization reduces the planning and control effort needed, the number of items required, and the inventory that has to be carried.

An “ideal” product is one that meets, rather exceeds, customer expectations, makes the best use of material, and can be manufactured with a minimum of waste (that is, at least cost). The product should be so designed that it can be made by the most productive process with the smallest number of operations, motions, and parts and yet, includes all of the features that are important to the customer.

Waste occurs in ‘manufacturing’ in various ways on account of ‘process’, ‘methods’, ‘movement’, ‘product defects’, ‘waiting time’, ‘overproduction’ and ‘excessive inventory’. Waste is a cost that is added to the process if the wrong type or sizes of machines are used, if the process is not being operated correctly, or if the wrong tools and fixtures are used.

Activities that do not add value to the product should be eliminated. Spending time searching tools, walking, or unnecessary motions are all examples of waste.

Goods received are generally stored and then issued to ‘production’. This requires labour to put away, find, and deliver to production. Records must be kept, and a storage system maintained. Poorly planned layouts make it necessary to move products over long distances, thus increasing the movement cost and possibly storage and record-keeping costs.

‘Defects’ interrupt the smooth flow of work. If the defect is not timely identified, the next workstation receiving it will waste time trying to use the defective parts or waiting for good material. Sorting out for reworking defects is also ‘waste’. Schedules must be adjusted.

With respect to ‘time management’ there are two kinds of waiting time - that of the operator and that of material. If the operator has no productive work to do due to delay in getting material or instructions, there will be a waste of time. Ideally, material should pass from one work center to the next and is processed without waiting in queue.

Overproduction that is, producing products beyond those needed for immediate use results in locking raw materials and labour. Because of the extra inventory and work-in-process, overproduction adds confusion, tends to bury problems in inventory, and often leads to producing components that are not needed instead of those that are. ‘Full utilization’ of machines and operators should not be used as an argument to defend ‘overproduction’.

Just-in-time manufacturing approach is used for elimination of all waste and continuous improvement of productivity. Just-in-time is a philosophy that relates to the way a manufacturing company organizes and operates its supply lines.

Careful economic and engineering studies must be made to determine the system, facility, and equipments to use, considering the relevant restraints. A properly designed and implemented handling system reduces costs, waste and damage, increase productive capability, capacity, working conditions, and, distribution. Cost servicing are realized through lower inventory and production control cost, better space utilization, minimum handling, and shorter production cycle time. Waste is reduced by limiting damage.

3.3.7 The Quality of Time and Opportunity management

A significant part of every company strategy is the time horizon on which it is based. A viable strategy not only reveals what goals are to be accomplished but also says something about when the aims are to be achieved. Goals, like resources, have time-based utility. A new product developed, a plant put on stream, a degree of market penetration, become significant strategic objectives only if accomplished by a certain timeframe. Delay is likely to deprive them of all strategic significance.

In choosing an appropriate time horizon, the firm must pay careful attention to the goals being pursued and to the peculiarity of organization involved. Goals must be established far enough in advance to allow the workforce to adjust to them. Organizations, like ships, cannot be “run on a dime”. Consequently, the larger the organization/project, the further its strategic time horizon must extend, since its adjustment time is longer. It is a tested fact and no mere managerial whim, that, the major contributions to long-range planning have emerged from the larger organizations – especially those large organizations like Neimeth International Pharmaceutical Plc.

The uninitiated frequently argue that large corporations plan far ahead whereas small ones can get away without doing so. As a company gets bigger, it must not only evolve the way it operates but it must also steadily push ahead its time horizon – and this is a difficult thing to do. The manager who has built a successful enterprise by his skill at "putting out fires" or the wheeler-dealer whose firm has grown by a quick succession of financial coups is seldom able to make the transition to the long look ahead.

In many cases, even if the executive directors were induced to take a longer range view of events, the formal reward system seriously militates against doing so. In most companies the system of management rewards is closely related to currently reported profits. Executives may understandably be so preoccupied with reporting a profit year-by-year that they fail to spend as much time as they should in managing the company's long-term future. It is submitted that 'currently reported profits' are hardly a reasonable basis on which to compensate top executives.

The importance of an extended time horizon derives not only from the fact that an organization evolves gradually and needs time to work through basic modifications in its strategy but also from the fact that there is a considerable advantage in a certain continuity of strategy maintained over long periods of time. The great danger to companies which do not carefully formulate strategies well in advance is that they are prone to fling themselves toward chaos by drastic, abrupt changes in policy – and in personnel, at frequent intervals.

Time horizon is also important because of its impact on the selection of policies. The greater the time horizon, the greater the range in choice of tactics. If, the goals desired must be achieved in a relatively short time, steps like acquisition and merger may become virtually mandatory.

3.3.8 Contingency and Emergency management

Contingency is something that may happen just anytime: an event that might occur in the future, especially a bottleneck, an emergency, or an expense that might arise unexpectedly and therefore must be prepared for. It is something set aside for unforeseen emergency: provision made against unforeseen events. ‘Contingency than’ is a plan for backup procedures, emergency response, post-disaster recovery, that is, it is a plan for a specific alternative scenario. Contingency plans are plans devised by all, government and businesses for a specific situation when things could go wrong[30].

Emergency is a sudden crisis requiring action, an unexpected and sudden event that must be dealt with urgently - an unplanned event that can cause death or significant injures to employees or the facilities of the business. Natural disaster and attendant emergencies may happen any time. Even suddenly a burst pipe can spell disaster. Planning for disasters in advance and keeping those plans updated help ensure the survival of business. Emergencies take the form of accidents, such as oil spills, fires, floods, tornadoes, hurricanes, terrorism, earthquake, and virtually any other event that may injure people, the environment, or property. Companies should be prepared to apply resources even beyond the premises of the company to save the larger environment, community, facilities or property from destruction. Behaving corporate responsibility boosts market image.

Managing emergencies on behalf of company facility involves interaction with a multitude of government agencies. Some are there to help the company with a vast array of equipment, expertise, and funds. Others are there to enforce law and regulations. Regardless of their function and motivation companies must be prepared to work with them, local government, state and federal agencies.

3.4 Determinants of Company growth

A company can grow by penetrating the market with low priced, better quality and more elegant products than the competitors, backed up by effective advertising campaigns. Companies also grow through new product development.

Growth can also be achieved through new market development, in which case, the company through its research and development efforts and advertising campaigns re-positions its existing products to new uses and users or introduces new products to its existing customers in order to expand sales. To effectively pursue the growth objective, an organization must be able to categorize its products, services and strategic business units into those that have high growth potential, those with low growth potential but high cash generating capacity, those with low growth potential and low cash flow capability as well as those whose growth are directed at the most profitable and efficient areas and to prevent the dissipation of efforts and scarce funds among products, services and units without any objective basis which will eventually create inefficiencies and lead to ineffectiveness. The categorization of a company's products/services/strategic business units basically falls into the growth share matrix designed by the Boston Consulting Group depending on the attraction of the products/services/units' competitive position or market share and its growth rate in the business environment[31].

3.4.1 Internalization of Technology

The world has never before seen technological changes occur as rapidly as they are presently happening. Technological advances are being encountered in almost all sectors of economies at an ever-increasing pace.

'Technology' is refered to as the knowledge, science and art of producing and maintaining factors of production to achieve the desired goals and aspirations.

One way of subdividing technology in business is to categorize it by its use. Although the technology used in different parts of organizational life may be similar, we can nevertheless consider technologies as essentially separate according to where it is employed within the organization.

Information technology (IT) encompasses many new types of technology and pervades an even wider range of applications in business. It is defined as "technology that is dedicated to the generation, transmission, storage, organization or management of information"[32]. We might use a calculator, for example, to generate information and then use a computer to manage it. Also telecommunications network can be employed for transmitting the information. All of these technological vehicles are part of IT. IT is used for increasing speed of processing and transmission, accuracy and more 'user-friendly' forms of information, and miniaturization, that is, the components used in IT become smaller.

Information technology has a lot of applications in business and general administration which includes: office uses such as word-processing and graphic design, numerical analysis by the use of spreadsheets, accountancy uses such as computerized report generation and electronic ledger compilation, banking uses such as electronic funds transfers, salary and personnel administration. Communications are facilitated through television and radio communications, telephone and fax systems, electronic mail, satellite system and internet. IT is also used for information gathering such as library information systems, databases (computerized systems which contain alot of information in a readily accessible form), electronic point of sale systems which enable a business to rapidly accumulate information on its sales.

The mobile telephone came to the fore in the 1980s. Initially the domain of senior executives and traveling sales representatives, mobile telephones have become increasingly commonly used by members of the public for social and domestic purposes as well.

Electronic mail or e-mail, is telecommunication between computers or between local area networks. Network users have their own unique identifier ('address') whilst home users must usually subscribe to a service provider who allocates an identifier to each user. Email enables messages to be communicated at a fraction of the cost of speech-based telephony.

Internet is a world-wide network of computer users, individuals, universities and other organizations, including businesses. Until relatively recently, internet was mainly of interest to academics who used it to keep in touch with a view to keeping up to date with each other's research work. Internet users can now access sites all over the world to gain information from well over two million databases and many more news groups and general information sites. It also acts as a vehicle for the transmission of Email.

In the 1990s, the use of computer technology in operations came to be so widespread that Computer Aided Design (CAD) and Computer Aided Manufacturing (CAM) have become the norm rather than the exception. It is only a few businesses that may not have, even in a small way, automated parts of their operations. Operations department employs technology based on innovations in electrical, electronic and mechanical engineering which have combined to automate many of the tasks that were previously performed manually. For example, Ahmadu Bello University manages its student marks and awards on a database system – an innovation that means that at the touch of a button, all the information about student(s) can be accessed immediately and displayed on a computer monitor anywhere in the world.

Just-in-time (JIT) manufacturers use computer linkages with their suppliers to order directly the appropriate amount of required raw material. Systems also exist for scheduling jobs or batches through a production facility in the most optimum way. Production mangers usually have a computer terminal on their desks which enables them to find out up to the minute information, such as, the batch schedule, the levels of raw materials and finished goods stocks or what is currently happening on the 'shop floor'.

Manufacturing processes based on 'assembly', for example, cars, electrical goods, employ a system called manufacturing resource planning (MRP II).

The engineering innovations such as the use of appliances for example, washing machines, televisions, microwave ovens and dishwashers are testimony of easy and comfortable lives. In business, the automation and mechanization of procedures has engendered beneficial results. The complexity of factory automation varies widely. Some machines are designed to perform relatively simple, repetitive tasks, such as paint jets continually spraying paint at products passing on a single conveyor line with the helps of microprocessor technology in the form of programmable and embedded processors. Among the more complex automations are those used in industries like motor manufacture and the production of silicon chips and printed circuits.

Technology is not defined in terms of electronics and sophisticated machinery alone, but the term also relates to business covering wide range of chemical technologies and those associated with the understanding of the world and its materials. Those who work in research, development and design, such as scientists and specialist engineers, are confronted with an even more complex set of technologies with which they must often 'juggle' to benefit the products and processes of the organizations for which they work.

Chemical technology refers to the technology used by chemists in developing large scale production of new compounds, chemical products and chemical intermediates.

Materials technology includes such things as metallurgy (the study of metals), ceramics and how these can be used in manufacturing a product motors, brushes, shipping, aircraft, rocketry, surgery, clothes and so forth.

Biochemical, biomolecular and pharmaceutical technology relates to chemistry as it applies to life forms. Gene and genetic technology is one of those areas of research that is presently the leading edge of science. By understanding the genetic 'code' of animal and plant life, knowledge is gained in areas, such as, the causes of disease, deformity and the ways in which these can be corrected.

Process technology concerns the technology involved in industrial (particularly manufacturing) processes. It borrows heavily from other areas of technology, depending upon the industry and type of process in question.

Aerodynamic technology is important to organizations engaged in the design and manufacture of such products as motor cars, aircraft, missiles and bikes of various types. It concerns the flow of air through, past and over product shapes, with the objective of reducing fuel consumption and increasing efficiency. Even makers of comfortable foot-wear make use of aerodynamics.

The growth and expansion of technology has been one of the key characteristics of the twentieth century. Although the scientific heritage goes back many hundreds of years, the development and application of technology and its effects on social and business life have been enormous since the early years of this century. In the year 1900 the world was very different than it is today. It was a had not yet conceived of air-flight televisions, antibiotics, anesthetics or computers the telephone and the motor car were in their infancy.

Technology can help a business to reduce costs replace manual tasks with automation. Technology offers the business an opportunity to increase quality through the removal of human error, hazards, and, the introduction of more consistent procedures greater customer confidence and lower cost through reduced error corrections.

The employment of technology renders the business more efficient- machines can work longer hours with no fallacies suffered by humans they never, pretentiously 'ring in sick' or go to the bathroom. In short, more work output can be better than if the work was performed by humans manually. Technology facilitates the making of better and more accurate decisions. In business, the rapidity and accuracy of information transmission has enabled managers to have at hand the information they need to make informed decisions.

3.4.2 In-house Development of Human Resources

Training (as with motivation)[33] is a way of improving performance. The objective of training is to provide and upgrade skills. It is important for organizations to identify their present and future training programmes in order to resolve present, or avoid future performance criticisms. Training and development are necessary considering the dynamic nature of environment in which organizations exist, as well as changes occurring in its human resources. Both the organization and its members must develop new skills over time to remain viable.

The importance of training of resource persons, in the traditional class rooms on the job, job orientation or training school, revolves around its basic objective to teach and transmit information, to build skills and abilities, and to mould behaviour. One reason for the growing importance of training in organizations is rapid technological advancement which has rendered more jobs highly automated and specialized usage of sophisticated machines demanding specific knowledge and skills to operate them. Also, the growing complexity of organizations makes job more ‘technical’ at all levels of organizations. Training and development of human resources are vital due to the harmful consequences of age and obsolescence.

Even though employees account for as much as 80 per cent of the worth of a corporation, it is difficult to measure with precision, and understand how they contribute to the bottom line[34]. A company’s human capital asset is the collective sum of the attributes, life experience, knowledge, inventiveness, energy, and enthusiasm that its people ‘choose’ to invest in their work. Human capital management is the task of measuring the cause and effect relationship of various Human Resource Programs and policies on the bottom line of the firm.

Five functional areas are associated with effective human resource management: staffing, human resource development, compensation and benefits, safety and health, and employee and labour relations. These functional areas mirror the human resource certification examination format.

Human resource development is a major human resource management function that consists not only of training and development towards specific tasks, but also of overall career planning and development activities, organization development and performance appraisal.

Career planning is an ongoing process whereby an individual sets career goals and identifies the means to achieve them. This is a continuous, up-hill task because the average people graduating from college today face career changes (career, not employer) in his or her working life. Career development is a formal approach used by the organization to ensure that people with the proper qualifications and experiences are available when needed. Individual careers and organizational needs are not to be treated as separate and distinct. Organizations should assist employees in career planning so the needs of both can be satisfied.

Organizational development is the planned process of improving an organization by developing its structures, systems, and processes. Organizational development applies to an entire system, such as a company or a plant.

Performance appraisal is a formal system of review and evaluation of individual or team task performance with a view to identifying short falls and to organize follow up remedial. It affords employees the opportunity to capitalize on their strength and overcome identified deficiencies.

3.4.3 In-Service Training

Under favourable circumstances, manpower training and development produces the dual reward of effective personnel utilization and motivation. By improving employees' ability to perform the tasks required by the company, training allows better use to be made of human resources through job satisfaction and also a feeling of security of employment afforded by recognition from management. But these results may not be obtained when the employees sees no purpose in his training, when it is regarded as a punishment or a sign of displeasure, or when the training seems irrelevant to the trainee's needs. Every organization is therefore expected to put in place, well coordinated and sustained, 'friendly' manpower training and development programme.

Human beings, per se, do not constitute effective manpower for productive purposes unless to they possess knowledge and skills. Therefore, manpower policies and programmes should always be aimed at equipping the people with requisite knowledge and skills formal and non-formal education. Education, in the context of manpower policies and programmes, has two aspects: the consumption aspect and the capital aspect. The consumption aspect of education is education for its own sake. It sees education as a means of enriching individual with knowledge with a view to sharpening his personality. The capital aspect aims at preparing and equipping individuals for specific tasks and employment functions. 'Education' is an investment for generating a unique capital - "human capital". Nigeria's educational and manpower policies and programmes endeavour to encompass both the aspect of education through policy-makers, inadvertently, appear to be the 'capital' aspect more than the 'consumption' aspect.

Education, improves people's receptiveness to new ideas and skills. Since it involves some cost, it is regarded as an investment. There are direct costs, whether borne by the state or private sponsors of the individual or both. There is also an opportunity cost element which is borne by the individual himself. In a developing country like Nigeria, the direct costs, in relative terms are usually high, but the opportunity cost in a situation of high state of unemployment is not that high.

Accumulation of capital in the form of knowledge, productive arts and attributes embodied in individuals improves the quality of human labour. Organizations should work towards introducing reforms in the area of staff training and development.

3.4.4 Incentives for skill enhancement

According to Richard[35],

> …people will be more productive on their present jobs and be ready for advancement; because the success of the enterprise requires that every one performs at his optimum level which calls in part for determining and meeting the specific growth needs of each and which should be translated into training; because all good people, regardless of organizational level, can do a good job, and will do a good job if they are given a chance and this chance comes in part through the provision by the company of opportunities for a person to improve his knowledge, skill or attitude, and in doing this, the company increases productivity and the individual

advances in his career; and because time, money and effort can be wasted through training that is not based on valid present or emerging needs.

It can be observed that some of the reasons given by Richard not only motivate the employee but also create opportunities for increased productivity for management.

The training and development of personnel is today being considered as key to the development of nations and societies. In this context therefore, training and development can be conceived as an integral aspect of any organizational set up which encompasses the infusion of managerial skills and other types of purposeful learning aimed and designed, to enlarge personnel resources and productivity[36]. Both government and private organizations are today involved in training and development and the degree of involvement is determined by many endogenous and exogenous factors. Furthermore, with the establishment of several formal organizations, an established institutional framework for training at various levels in direct reference to strategies like in-service training, on the job training, off the job training, and so on can be said to have been sufficiently developed.

Training and development is "an investment" thus making an inference to the beneficial nature of training and development of personnel within all organizations. Within the paradigm of commerce, training and development offers to modern businesses many benefits.

> It also referred to training and development as a major component of human resources development…and one of the strategic interventions to achieve synergy[37].

Salary levels and career prospects are vital in attracting new employees to an organization, but the issue of a sound training and development programme is also attractive to new employees. A sound and cordial forum for exchange of views among fellow employees within and outside the organization could be attainable through the interactive opportunities provided by training in groups. In a single organizational setting, this "exchange force" helps to promote a common identity in an organization and social interaction and can generate new solutions to problems.

Companies can provide incentives such as free lunch and free entertainment for her employees which provide strength and joy at the end of the day. Music, theatre games, sports and so forth are some of the incentives that attract and provide relieve for the workers for relaxation.

3.4.5 Creation of Credit worthiness

Credit arises when a person or a business organization makes a purchase of goods or services and is allowed to pay in future time, that is, days, weeks, months or years after the delivery[38]. A company that sells on credit enjoys a number of benefits such as: increased sales volume, improvement of competitive position, use of excess (that is, unused capacity of production facilities and lower unit cost from large volume of sales and therefore more profits. Companies that grant credit incure costs for it such as clerical expenses on reminders, expenses on debt collection trips, cost of tied-in-capital, bad debt (that is, uncollectible debt) losses, factoring and pledging expenses.

In all circumstances, credit limits have to be established after analysis of the capacities of the credit applicants and capabilities of own firm. Length of credit is usually 30 days, and discount is normally offered for earlier payment. This is often expressed as for example 1/20, net 30. That is, the buyer is offered 1% discount if he pays within 20 days. If he does not pay within 20 days he must pay the full amount on the invoice within 30 days.

The proposal to grant or extend credit raises the need for an assessment of credit-worthiness of a debtor by a creditor. The various sources of information for the assessment are: managerial skills, technical skills, availability of plants and equipment, viability of the project, past credit performance, past history of the success of the project, comparative success of other companies in the similar project for which loan is been asked for, labour relations and an analysis of the financial statement of the client. Of all these, however, the most commonly used is the analysis and criticism of the financial statements of a client. This analysis called 'financial or accounting ratios' takes the form of the relation of balance sheet and profit and loss account items one to another.

The criteria for granting credits are normally centered around four C's of credit, namely character, capacity, collateral, and condition[39].

Character refers to the reputation of the credit applicant. It includes the quality and attitude of the management team of the applicant.

Capacity refers to ability and capability to run business profitably and service trade credit capacity evaluation includes an analysis of the financial ratios, 'age' of payables ratio that help to indicate how early the company can pay its credit purchases.

Collateral is anything provided as a pledge or security for collecting a credit facility. Banks normally ask for collateral before they grant credit. But collateral is irrelevant and meaningless if the credit applicant lacks character or capacity.

Condition refers to prevailing circumstances, economic conditions, and policies of credit granting firm, applicant firm, and government. Governmental policy might demand credit priority in the particular line of business, or, might merely be a custom to offer credit in that line of business. The policy of the applicant firm might be such that the granting of trade credit to the firm will be of mutual benefit to both firms. Economic exigencies might 'warrant' the granting of credit.

3.5. Financial ratios: A credit-worthiness measures

Financial ratios are useful for credit-worthiness appraisals, comparisons of companies' activities from year to year and competitiveness of company among others of similar size in the industry. These ratios enable management to know whether their business is improving in performance or deteriorating.

The financial ratios are classified into three groups: Balance Sheet Ratios, Profit and Loss Account Ratios and Combined Balance Sheet and Profit Ratios[40].

Under Balance Sheet Ratios, there are: liquidity ratio, current ratio, asset ratio, liability ratio, debtors/creditors ratio and debt ratio (gearing ratio).

Profit and Loss Account ratios comprise - Gross Profit/Sales ratio, Net profit/sales ratios and expenditure/sales ratio.

Combined Balance Sheet and Profit and Loss Account ratios consist of Net Profit/Equity Ratio, Net profit/Assets ratio, Debtors/Sales ratio, Creditors/Purchases ratio, Stock/sales ratio, cost of sales/stock ratio and earnings per share ratio.

a) Liquidity ratio: The liquidity ratio, also called quick asset or acid test ratio is a measure of the liquidity of business. The ratio indicates current assets minus stock items versus current liabilities. Liquidity ratio is obtained by dividing liquid assets by current liabilities. For a company to be considered liquid enough, the ratio should be at least 1, that is, liquid, assets should be enough to fully cover its current liabilities.

b) Current ratio: Like liquidity ratio, is a measure of the ability of a firm to meet its current obligations as represented by current liabilities. The quick asset ratio by excluding stock assumes that in the event of the firm ceasing trading, stocks will not be able, quickly, to yield funds to meet liabilities. Current ratio assumes that a company does not normally halt trading suddenly and therefore, that stock should be taken into account in assessing the ability of a firm to meet its current liabilities' obligations. It is calculated thus: Current Assets divided by Current Liabilities.

c) Liability Ratio: The purpose of this ratio is to find out to what extent the different groups of liability holders are financing the operations of the firm. Before extending credit to a firm, this ratio ought to be considered to see how much outsiders' interests in the business exist already. Where outsiders' commitments have continued to increase from year to year, for instance, caution should be exercised in additional credit as this will further worsen the already unsatisfactory situation.

d) Debt Ratio: This ratio also known as 'Gearing Ratio' relates to capital fund, to long-term debts. It is used to determine the relationship between commitments of the owners of the business and outsiders. The long-term creditors invariably have first claim over the fixed and sometimes the floating assets of a debtor-firm. With a high debt equity ratio, therefore, the position of new creditors is invariably shaky, moreso, that the long-term creditors are usually given power under the long-term loan agreement to cause the firm to wind up if, for instance, interest on their loans is unpaid.

e) Gross Profit/Sales Ratio: This ratio compares gross profit to sales between one year and another for a firm. If firm A makes a gross profit of N5,000 from sales worth 50,000 and firm B makes a gross profit of N3,000 for same then it can tentatively be concluded that company A's management is more efficient than that of B. However, there must be a common basis for relating one company's ratio to another.

f) Net profit/Sales ratio highlights changes in the expenditure patterns of the firm. If expenditures are increasing or decreasing, the changes are better appreciated when related to sales.

g) Equity ratio: This is the ratio that is of utmost importance to the owners of the business. Net profit of the business shows the amount due as returns to the owners of the business from the financial year's operation. Equity does not always describe fully the amount of resources available to a company. To know how profitable a company is, therefore, it is useful to relate the net profit of a period to the assets. This ratio is used to form year to year internal comparison of profitability or inter-company comparisons between firms in the same industry.

Many factors are taken into consideration in credit administration and control. This forms the basis for grant or refuse of credit, to increase or reduce credit.

Firstly, a potential creditor should consider the credit practices of the community in which the business is operating. For example, what is the average length of credit granted in the economy and/or in the particular industry of the firm?

Comparisons of the amount of credit received (that is, the total of creditors) with the credit granted (that is, the total of debtors).

Credit term, which includes: the size or limit of individual credits, the repayment period, initial payment and the interest thereof.

A credit sanction for profitable preposition is worth considering. The margin of profit on each credit granted is, therefore, an important factor in credit decision-making.

Cost of credit administration is an important factor too, namely, the cost of capital invested in debtors, personnel costs, servicing costs, space and equipment costs, cost of defaulted credit chase, and cost of bad debts.

Goodwill and good intentions are vital consideration of credit worthiness. It goes a long way in determining the capacity of the client, prior to extension of credit.

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CHAPTER FOUR:

APPRAISAL OF SURVIVAL AND GROWTH OF SOME SUCCESSFUL COMPANIES

4.1 Introduction:

The indigenous, traditional occupations of Nigerians are agriculture, hunting, cattle rearing, weaving, carving, blacksmith, fishing, dyeing and trading which started from exchange of goods for goods (barter system), to use of manillas, cowry shells, brass, copper rods and wires which were legal tender in southern Nigeria and other parts of British West Africa[1]. Before the colonization, business was restricted mainly to internal trade in a rural, peasant economy. After the abolition of slave trade, European traders shifted their gaze to raw materials for their home countries. The patterns of 'trade development' in Nigeria during the colonial era were similar to those in other West African countries, Ghana, Liberia, Sierra Leone and so forth. The promoters of the new trade, of raw materials, were the various European firms that established trading posts at different times at various locations in southern Nigeria especially along the coastal areas.

In the southern parts of Nigeria, the earliest of these trading companies were L.G. Gaiser, Lago Stores, and, Mclver and Company. The primary interest of these companies was more the exploitation of the forest products than commerce per se. L.G. Gaiser, however, owned a general mercantile store[2].

In the northern districts, the trading body was British Cotton Growing Association which concentrated on both the production and purchase of cotton. Many more companies came in 1920s and 1930s which effectively linked Lagos to other parts of the country by road and railway. Some of them are United African Company (UAC) which owned a store for the purchase of cocoa and palm produce and mercantile shop for the sale of imported materials. This was followed by John Holt which also started operating a shop in Ilaro and Aiyetoro in 1929. Rowsntree Fry Cadbury (RFC) Limited, the largest buyer of cocoa in Ilaro followed. Patterson Zochonis (PZ), Phoenix and United Trading Company (UTC) too, joined business.

The companies under study namely, Unilever Nigeria Plc, Neimeth International Pharmaceutical Plc and GlaxoSmithKline Consumer Nigeria Plc are all multinational corporations, that is, business registered and operating in more than one country usually with its headquarters in their mother country. These corporations originated early in the 20th century and proliferated world wide after World War II. Typically, a multinational corporation develops new products in its native country and manufactures them abroad, often in third world nations, gaining trade advantages and economies of labour and materials. Almost all the large multinational firms are American, English, French, German, Japanese, or of other West European origin. Such corporations have worldwide influence – over other business entities and even over governments, many of which endure imposed controls on them[3]. It should be noted that all companies operating in Nigeria are incorporated as Nigerian Companies[4]. Thus companies under study are Nigerian companies.

4.2 Case study of Unilever Nigeria Plc

'Lever Brothers' was originally founded by William Lever and his brother Daray Lever in 1885 when they started soap production in Warrington. In their search for markets and raw materials they explored the whole of British West Africa. The present day Unilever Nigeria Plc, was incorporated as Lever Brothers (West Africa) Limited on 11th April, 1923 by Lord Leverhulme, but the company's antecedents trace back to his earlier existing trading interests in Nigeria and West Africa generally, and to the fact that he had since the 19th century, been greatly involved in the soap business in Britain.

Unilever Nigeria Plc started as a soap manufacturing company, and is today one of the oldest surviving manufacturing organizations in Nigeria. Its name was changed to "West African Soap Company Limited" on 3rd April, 1924. The name was later changed to Lever Brothers (Nigeria) Limited after the merger of West African Soap Company Limited and Van Lear Perg Limited on 15th December, 1955[5]. After series of mergers/acquisitions, the company diversified into manufacturing and marketing of foods, non-soapy detergents and personal care products. These mergers/acquisitions brought in Lipton Nigeria Limited in 1985, Cheesebrough Ponds Industries Limited in 1988. The company changed its name to Unilever Nigeria Plc in 2001.

Initially the share capital of the company was N40,000 wholly owned and managed by Unilever (Commonwealth Holdings) Limited[6]. In compliance with Nigerian Enterprises Promotion Decree of 1972, the company became a public company on 12th September, 1973 and its shares were listed on the Nigerian Stock Exchange, following an offer for sale to the public of 40 percent of its equity capital by Unilever (Commonwealth Holdings) Limited[7].

The mission statement of the company[8] is:

> our corporate mission, which is to add vitality to life, is the very heart of Unilever. We seek to ensure that when people choose our brands, they are choosing vitality. The journey to achieve this began back in the 19th century.

Unilever Nigeria Plc, one of the largest manufacturing and marketing companies has become a household name in Nigeria and is one of the most diversified industrial groups in the country. The company's product include detergents, edible oils and fats, toiletries, fruits squashes, personal care product, foods and drinks. These are marketed under well known brand names such as, Blue Band, Close-Up, Key-Soap, Knorr, Lux, Omo, Pears, Royco, Vasline and Lipton.

In order to ensure that the products of Unilever Nigeria Plc are available 'whenever and wherever' they are needed, an efficient distribution network consisting of several depots spread, nationally, as well as distributors appointed to assist in marketing the company product are maintained. It actively advertises its products nationally to create awareness and reinforce brand loyalty. The company believes that a business exists not only for the benefit of those that are connected with it, but also for the benefit of the community in which it operates. Deriving from this philosophy, Unilever Nigeria Plc engage in a lot of social responsibility such as scholarship award for children, academic seminars and so forth.

The company was initially established to serve as the sole distributor of Unilever soap in the West African subregion. While performing this role, the management soon identified a large, untapped market with a high growth potential that could support a local plant of economic size. Other attractions, which made the company's entry into direct manufacturing worth while for the company, were the availability of cheap inputs such as labour and local oil.

In the chemical by-product industry, Unilever Nigeria Plc has consistently performed as a "blue chip" on the Nigerian Stock Exchange. The company's popular brands such as detergent – Omo and Surf, laundry soaps - Key and Sunlight, toilet soaps - Lux, Rexona, Astral, Asepso, scourers - Vim, toilet preparations - Pepsodent, Close-Up, Astral Cream, edible oil and fats Blue Band margarine, Planta, Cooken and Covo oil, drinks - Tree Top have won the loyalty of a significant proportion of urban markets, on the shop floor in the supermarkets and departmental stores, the shelves of smaller stores, and even on the trays of hawkers on the streets.

The company also produced industrial products such as Nobla liquid detergent, Penetrax title detergent, Solo and Biskin Stoking, Palmin vegetable fat, Holsum bakery fat. The company's product find a 'pride of plan' on the shop floor in the supermarkets and departmental stores, the shelves of smaller stores, and even on the trays of hawkers on the streets. For quite long, the urban segment of the chemical by-products market has provided great opportunities for growth. Over time the income distribution between the urban and rural dwellers has been skewed in favour of the urbanites. It is to this segment of the market that Unilever Nigeria Plc now concentrates almost all its marketing efforts. However, the post civil war period coupled with the oil boom has led to gradual rise in the purchasing power of the rural dwellers too. By 1980, Unilever Nigeria Plc research showed that the Northern rural market offers greater growth potential for the industry's market than the urban market.

There were some potential threats to Unilever Nigeria Plc such as the increased competitive tempo posed particularly by such giants as Patterson Zochonis (P.Z) and A.J. Seward. P.Z's elephant brand of detergent was directed at the volume-conscious illiterate rural consumers and it clearly dominated the rural market. Its Premier soap is fast becoming the most acceptable toiletry in the rural areas.

Another danger posed to Unilever Nigeria Plc products came from the mushroom of home grown manufacturers, particularly in the eastern area of the country, adopting brand names which are similar to the former's brand names. The most common of such was "surlight" which also carries designs package-similar to Sunlight soap. There was also the potential threat posed by smugglers and the entry of a United States of America's giant, Procter and Gamble.

The options to the company under the existing circumstances are to re-stage its products to meet the psychology of the largely illiterate rural consumers which offer greater growth potential for the future; to aim at a highly improved quality of their products making use of local inputs, but adopting foreign names to win the hearts of both the consumers and the government well.

4.3 Survival and Growth Strategies adopted by Unilever Nigeria Plc

4.3.1 Diversification

Internal survival and growth strategies adopted by Unilever Nigeria Plc rested on diversification – By the early fifties, it had become apparent that the opportunities for growth in the soap market had started to diminish. In addition there were identifiable yawning, opportunities awaiting exploitation in other sectors and a rapidly rising per capita income with a more than proportionate increase in disposable income. All these spurred the company into diversifying its products. Thus in 1954, margarine production started following the rapid growth of bread market in Nigeria. In 1963, toothpaste and toilet preparations were added to the multi brands product line. Production of non-soapy detergent powders started in 1964 and by 1971 successful production of squash drinks had started[9].

The long-term successes of this business stems from the strong relationship with the consumers based on the deep roots in the local cultures and markets, creating products that help them to 'feel good, look good and get more out of life' and the total commitment to exceptional standards of performance and productivity. In order to sustain this success, the company endeavours to maintain the highest standards of corporate behaviour towards employees, consumers, customers, communities and operating environment.

Over the years, the company has been a socially responsible and responsive organization that takes strategic actions for the improvement of the communities and environments in which it operates. It has made provision for assistance in fields of health, education/children welfare and potable water/hygiene as part of it social responsibility programme in the Nigeria communities. Unilever Nigeria Plc training and retraining of their staff especially for better job efficiency in Nigeria is a contribution to educational development. Other example is the company's assistance in area of health, by fortifying blue band margarine with vitamins, niacin and folic acid, thereby playing a key role in contributing to disease prevention, encouraging healthy eating habits and enabling good health for children.

4.3.2 Restructuring

Unilever Nigeria Plc as a company has embarked on a programme of restructuring in a bid to re-energize itself. Code-named the 'journey to Greatness', the vision is 're-inventing' for better services to the consumers, customers and investors. In addition, the company has sharpened its image by introducing the vitality mission, which stands to ensure that in all they do, vitality is added to life for everyone[10].

4.3.3 Mergers between Unilever Nigeria Plc and Lipton Nigeria Limited

The merger between Unilever Nigeria Plc and Lipton Nigeria Limited was the most celebrated case in Nigeria. Unilever Nigeria Plc, a public (quoted) company was the stronger company while Lipton Nigeria Limited, a private company (not quoted) on the Nigeria Stock Exchange was the target company. Lipton was a product company in nature producing tea and coffee in the food and drink industry. Unilever Nigeria Plc on the other hand, a multi-product company, has some line of products in the Food and Drink Industry such as Tree Top fruit drink, margarine and so on. Both companies had certain predominant shareholders in common.

Lipton Nigeria Limited had developed a strong brand loyalty for its tea and coffee selling under the name Lipton. However, in 1980, it became clear to the company that its available production warehouse and other facilities at its disposal were inadequate to meet the expected future growth of the company's single product base. A proposal for an investment for the establishment of a new factory at Agbara Industrial Estate was floated but, the company was not in position to accommodate this proposed capital infusion. Also the company's published accounts were not strong enough to back a borrowing of the magnitude required to finance the project. Apart from the fact that the company could not provide adequate security of the third party financing, the debt/equity gearing rate proved too high, and rendered the company vulnerable. Moreso, it was a private company not (quoted) on the stock exchange, which could have projected a good valuation of its shares only on the basis of net assets or earnings. The financial constraints, notwithstanding, the company felt that it could not cope with the management requirement of the projected expansion.

On other hand, Unilever Nigeria Plc was at the same time facing emerging competition in its core business area and poor economic returns. Therefore in order to ensure long-term profitability, the company needed to strengthen its position against competition, to diversity fast and to achieve cost saving. Unilever Nigeria Plc had the ideal structure, skills and funds to gain from the merger.

Following preliminary consultations, management cadres in the two companies felt that a merger between two companies could provide the necessary solution to the financial, management and profitability bottle-necks. The overall benefits from the merger lie in the character and strategy of both companies. Both the companies were already producing and marketing fast moving consumer products. Unilever Nigeria Plc needed the management specialization and strong brand name of Lipton to enlarge its food and drinks activities effectively. Lipton Nigeria Limited needed Unilever Nigeria Plc for a meaningful expansion of its profits in tea and coffee business, along with diversification into new areas needs.

The merger was finally approved in December, 1984[11].

approving a share exchange ratio whereby 150 ordinary shares, of 50k each, of Lever Brothers were exchanged for 100 ordinary shares of Lipton of Nigeria Limited, of 50k each.

4.4 Case Study of Neimeth International Pharmaceutical Plc

Pfizer (now Neimeth International Pharmaceutical Plc) is one of the world's leading pharmaceutical companies with a long and interesting history that dates back to the year 1849 when Charles Pfizer and Company commenced a fine-chemicals business[12]. A modest redbrick building in the Williamsburg section of Brooklyn, New York, served as office, laboratory, factory and warehouse. The company's first product was Santonin-a palatable anti-parasitic which was an immediate success.

In 1862, the company launched its first domestic production of tartaric acid and cream of tartar, products vital to food and chemical industries. The expansion propelled by civil war, in United States of America, and doubled Neimeth International Pharmaceutical Plc's revenues. The company at that time had a substantially increased product line and had acquired 150 new employees. To accommodate this growth, the company bought and renovated a post-revolutionary-era building at 81 Maiden Lane in Manhattan and moved its headquarters there. The company carried the Pfizer name for nearly a century. In 1880, it began manufacturing citric acid using imported concentrate of lemon and lime which became the company's main product and the launching pad of its growth in the decade that followed. Spurred by United States of America within westward expansion and its growing number of clients west of Mississippi, Neimeth International Pharmaceutical Plc opened offices and warehouses in Chicago, Illinois, its first location outside of New York, in 1882.

On December 27, 1891, co-founder Charles Erhart died leaving a partnership worth $250,000 to his son William. However, the agreement stipulated that Charles

Pfizer could buy William Erhart's share at half its inventory value, an option Charles Pfizer quickly exercised, consolidating ownership of the company in his hands. In 1899, Neimeth International Pharmaceutical Plc, leader in the American chemical business, marked its 50th anniversary. Its portfolio included a wide array of industrial and pharmaceutical products, anchored by citric acid, camphor, cream of tartar, borax, and iodine[13].

The company had offices in New York and Chicago, and its contacts in the import-export business crisscrossed the world. In 1900, it filed an official certificate of incorporation in the State of New Jersey, with an authorized capital of $2 million divided into 20, 000 shares of $100 each. Neimeth International Pharmaceutical Plc remained a privately held company until June 22, 1942, when 240,000 shares of new common stock were offered to the public. Charles Pfizer & Co. turned 75 years old in 1924. A celebration at Brooklyn plant, which had 306 employees, marked the milestone. In a major international expansion, the company operations were established in Belgium, Brazil, Canada, Cuba, England, Mexico, Panama and Puerto Rico in 1951. it established an agricultural division dedicated to offering cutting-edge solutions to animal health problems in 1952. Neimeth International Pharmaceutical Plc acquired J.B. Roerig and company, specialists in nutritional supplements and it became a division of Neimeth International Pharmaceutical Plc Roerig remained an integral part of Neimeth International Pharmaceutical Plc's Outstanding Marketing Division in 1953. The company also partnered with Japan's Taito to manufacture and distribute antibiotics the same year. The company acquired full ownership of Taito in 1960. The company signaled its increasing commitment to research by consolidating its medical research laboratory operations in Groton, Connecticut[14]. It began a decade of substantial growth and established new world headquarters Midtown Mahattan in 1961.

Neimeth International Pharmaceutical Plc acquired Mack Illertissen, a prosperous manufacturer of pharmaceutical, chemical and consumer products oriented to the needs of the German marketplace in 1971, the Central Research Division was established, combining pharmaceutical, agricultural, and chemical Research and Development worldwide. It eventually grew to include research centers on three continents. Charles established a microbiology laboratory for soil screening in Nagano, Japan. The site was expanded in 1985 into a major discovery laboratory complex where researchers were part of worldwide teams seeking novel ways to circumvent the inflammatory process in diseases like arthritis and asthma, and new non-addictive analgesics to manage pain.

As United States of America celebrated its 200th birthday in 1976, Neimeth International Pharmaceutical Plc celebrated over 125 years of explosive growth. In 1993, the company launched ‘sharing the care’, the industry’s premier drug-donation program. The Animal Health Division purchased Smith Kline Beecham’s Animal Health Business in 1995, making Neimeth International Pharmaceutical Plc a world leader in the development and production of pharmaceuticals for livestock and companion animals. It increased its presence in the Far East by building a pharmaceutical plant in Dilian, China and expanding throughout growing markets in the Pacific. In 1997, Fortune® magazine named Pfizer the world’s most admired pharmaceutical company and the company consolidated its reign as ‘most admired’ in 1998.

In 1998, the company invested more than $3.3 billion in Research and Development. Neimeth International Pharmaceutical Plc and the Edna Mc Connell Clerk Foundation partnered to establish the International Trachoma Initiative (I.T.I) to help eliminate blinding trachoma. In 1999, Pfizer celebrated its 150th anniversary as one of the world's premier pharmaceutical companies. Recognized for its success in discovering and developing innovative drugs for human ailments, Forbes® magazine named Pfizer 'company of the year'. It brought the drug discovery process to a new level of efficiency with the opening of the Discovery Technology Center in Cambridge, Massachusetts. Utilizing the emerging knowledge of gene families, the center's mission is to evolve new, more efficient models for discovering drug candidates[15].

At the dawn of 21st century, the company remains outstanding with zeal to maintain its first class standard among others. The Best Get Better-Pfizer and Warner-Lambert merged to form the new Neimeth International Pharmaceutical Plc in 2000, creating world's fastest-growing major pharmaceutical company. History of Warner-Lambert dates back to the mid-1800s, the opportune days of a growing America. In 1856, William R. Warner launched his own drug store in Philadelphia, Pennsylvania. An innovator at heart, he invented a tablet-coating process to encased harsh-tasting medicine in sugar shells. This innovation earned Warner a place in Smithsonian Institution.

Warner gave up his retail shop in 1886. He then focused solely on drug manufacturing under the name William R. Warner & Co. Meanwhile, in the United States of America Midwest, Jordan Wheat Lambert launched Lambert pharmaceutical company at St. Louis. Lambert's main product was Listerine® antiseptic, and it was marketed only to medical professionals. In 1914, he began to mass market Listerine through an advertising campaign that is still a case model in business schools. Pfeiffer chemical, a St. Louis-based company bought William R. Warner in 1908, retained the 'Warner' name, and expanded the company through acquisition[16].

The paths of Warner's company and Lambert's firm intersected in 1955, with the creation of the Warner-Lambert Pharmaceutical Company. Warner-Lambert acquired an American Chicle Company, a New York City-based company that was among the world's largest producers of gum and mints. In 1965, Warner-Lambert purchased a small cough tablet company in the United Kingdom and expanded the brand known as Halls® Mentholyptus to global stature. In 1970, Warner-Lambert acquired the Schick® wet-shave product line from Eversharp. The company was founded in 1929 by Jacob Schick, whose magazine-loading razor was inspired by the repeating rifle. In the same year it acquired Parke-Davis. In 1993, Warner-Lambert acquired Wilkinson Sword, combining it with Schick® to create the world's second largest wet-shave business.

However, a far greater expansion of the company came in 1996, when Warner-Lambert entered into a co-marketing agreement with Pfizer on Lipitor® (Atorvastatin calcium), a new entry into the statin class of lipid lowering agents. In 1999, Warner-Lambert acquired Agouron, based in LaJolla, Califonia. Agouron has been leader in protein-based drug design and marketer of the protease inhibitor, Viracept® (nelfinavir mesylate) used in the treatment of HIV-1 infected patients with advanced or progressive immunodeficiency in combination with antiretroviral nucleoside analogues.

Neimeth International Pharmaceutical Plc and Warner-Lambert announced their intention to join together, a transaction completed in June 2000, creating the world's most valuable and fastest-growing pharmaceutical company. Neimeth International Pharmaceutical Plc and the Ministry of Health of South Africa signed a memorandum of understanding in the year 2000 to establish the Diflucan® partnership program a product for which Neimeth International Pharmaceutical Plc was the world leader in marketing. The company owns the largest building in the world dedicated to the discovery of new medicines for human and animal health on its Groton, Connecticut research campus.

In 2001, it announced a commitment to fund the building of regional treatment and training center on the campus of Makerere University in Kampala, Uganda as part of the Academic Alliance for the AIDS Care and Protection. It launched Geodon® (ziprasidone hydrochloride) a new antipsychotic for the treatment of schizophrenia. In 2002, the company introduced the 'Pfizer For Living™ Share Card Program', which provide entitled low in-come Medicare beneficiaries to access, up to a 30 days supply of any prescription medicine for a flat rate of $15 per prescription. The company thus became the first United States of America pharmaceutical company and the first top-ten companies on the New York stock exchange to join the United Nation Global compact, an international network that promotes the good corporate citizenship by fostering partnerships between companies, United Nation's Agencies, non-governmental organizations (NGOs), trade unions and academic institutions.

The company has invested $5.1 billion in research and development and launched two new medicines: Bextra® (valdecoxib) and Vfend® (voriconazole). Bextra provides powerful 24-hours symptom relief for Osteoarthritis and Rheumatoid Arthritis in one convenient daily dose. Vfend, an orally and intravenously administered antifungal, is indicated for treatment of serious fungal infections.

The Neimeth International Pharmaceutical Plc Foundation has announced the launch of a three years initiative to provide 'grants' to support training and capacity building for HIV/AIDS in developing countries. Twelve organizations received grants through the international HIV/AIDS Health Literacy Grants Program. In 2003, Pfizer invested more than $7.1 billion in Research and Development. The company also launched Relpax® (Eletriptan HBr), a medication developed specially for the treatment of migraines[17]..

On April 16, 2003 Neimeth International Pharmaceutical Plc and Pharmacia Corporation combined operations, bringing together two of the world's fastest-growing and most innovative companies. With a Research and Development budget of $7.1 billion in 2003, the new Neimeth International Pharmaceutical Plc is now the world's leading research based pharmaceutical company. In 2004, Neimeth International Pharmaceutical Plc was selected by Dow Jones and Co. to be included in the Dow Jones Industrial Average, which is the best-known stock market barometer in the world.

On June 16, 2005, Neimeth International Pharmaceutical Plc and Vicuron Pharmaceutical Inc. announced that they have entered into a definitive merger agreement whereby Neimeth International Pharmaceutical Plc will acquire Vicuron, a biopharmaceutical company focused on the development of novel anti-infectives, for both hospital-based and community-acquired infections. Under the merger agreement, the company will acquire all outstanding shares in cash, for an aggregate equity purchasing price of appropriately $1.9 billion. Acquisition of Vicuron was completed in September 14, 2005.

4.5 Survival Strategies Adopted by Neimeth International Pharmaceutical Plc

The continuous existence of Neimeth International Pharmaceutical Plc without ceasing in operation can be attributed to good plan actions designed to ensure that its corporate objectives were achieved. Several strategies of the company were successfully and carefully implemented through good management. It is one thing to design strategies but another to properly implement them so as to arrive at successful set-objectives. Some of the strategies adopted by Neimeth International Pharmaceutical Plc that have sustained its continuous growth are as follows:

4.5.1 Merger activities of Neimeth International Pharmaceutical Plc

This involves joining together two or more companies under an agreement to operate as a single entity or corporate body. Neimeth International Pharmaceutical Plc has been employing this technique often. Neimeth International Pharmaceutical Plc was internally a one man company under the directive of Charles Pfizer from the beginning of its operations before he ventured into a partnership agreement with Japan's Taito to manufacture and distribute antibiotics. The company also entered into partnership with Edna McConnell Clerk Foundation in 1998 to establish the internal trachoma initiative (ITI) to help eliminate blinding trachoma. In 2000, Pfizer merged with Warner-Lambert, another big pharmaceutical company to form Neimeth International Pharmaceutical Plc creating the world's fastest-growing major pharmaceutical company.

Also on April 16, 2003, Neimeth International Pharmaceutical Plc and Pharmacia Corporation began operating as a unified company forging one of the World's fasted-growing and most valuable companies with a research and development (R & D) budget of $7.1 billion in 2003. The company is now the world's leading Research-based Pharmaceutical Company.[18].

4.5.2 Acquisition activities of Neimeth International Pharmaceutical Plc

Acquisition involves the gaining or possessing a company through purchase. The company employed this technique also to assume its present status that is, a world leading pharmaceutical company. It started acquisition as far back as 1953 when it acquired J.B. Roerig and Company, a company specializing in nutritional supplements which became a division of Neimeth International Pharmaceutical Plc.

In 1971, Neimeth International Pharmaceutical Plc acquired Mack Illertissen, another prosperous manufacturer of pharmaceutical, chemical and consumer products oriented to the needs of the German Market place. Pfizer acquired Japan's Taito after their partnership to manufacture and distribute antibiotics. Also Animal Health Division of Smith Kline Beecham was acquired in 1995 making Neimeth International Pharmaceutical Plc a world Leader in the development and production of pharmaceuticals for livestock and companion animals. The acquisition of Vicuron was completed in September 14, 2005 by Neimeth International Pharmaceutical Plc[19].

4.5.3 Research and Development

Neimeth International Pharmaceutical Plc in its zeal to become and stay as a world leading pharmaceutical company invested much of its resources in Research and Development through which new drugs continued to be introduced into the market and the older ones modified to achieve the desired effective therapeutic benefit and also keep leading the market of such drug products. Neimeth International Pharmaceutical Plc's investment in Research and Development covers not only human pharmaceuticals but also livestock as well. In 1952, the company established an Agricultural Division dedicated to offering cutting-edge solutions to Animal Health problems.

The division opened a 700-acre farm and research facility in Terre Haute, Indiana. In 1955, a fermentation plant was started in England, laying the foundation for Neimeth International Pharmaceutical Plc's Research and Development operations in Great Britain. In 1971, the company established Groton, Central Research division, based in Connecticut, combining Neimeth International Pharmaceutical Plc's global research organizations under one umbrella; the center combing pharmaceuticals, Agricultural and Chemical Research and Development world wide, has eventually grown to include research center on three continents[20].

In 1972, a microbiology laboratory for soil screening was established in Nagono, Japan. The site was expanded in 1985 to a major discovery laboratory complex where researchers are part of worldwide teams seeking novel ways to circumvent the inflammation process in diseases like arthritis and asthma, and new non-addictive analgesics to manage pain.

In 1988, the company invested more than $3.3 billion in Research and Development in partnership with Edna McConnell Foundation to establish the International Trachoma Initiative (ITI) to help eliminate blinding trachoma. In 1999, the company took the drug discovery process to a new level of efficiency with the opening of the Discovery Technology Center in Cambridge, Massachusetts, utilizing the emerging knowledge of gene families. The center's mission was to evolve new, more efficient models for discovering drug candidates.

These candidates have an increased potential to survive the rigors of drug development. The investment in Research and Development now exceeds $4 billion for the first time. As part of its strong commitment to fund the building of a regional treatment and training center on the campus of Makerere University in Kampala, Uganda as part of the Academic Alliance for AIDS Care and Protection. Through Research and Development, the company has come up with several new drug products of which it maintain their production and marketing world wide.

These successes are based not only on heavy dollar investment, but also on creative research strategies, such as the shift of emphasis from fermentation research to synthetic organic chemicals as potential sources of new medicines. In addition, the use of multidisciplinary teams has encouraged cross-fertilization of ideas, making the company's research operations even more productive.

4.6 Other Health Programs of Neimeth International Pharmaceutical Plc

Neimeth International Pharmaceutical Plc does not relent its effort in striving to lead, as the company keeps on initiating various health programs to attract customers and patients to their products. Such programs include;

- Pfizer “sharing the care” program in 1993.
- International Trachoma Initiative (ITI) in 1998
- Diflucan Partnership program in 2000, which was globally expanded in 2004.
- International HIV/AIDS Health Literacy Grant program in 2002
- The “Pfizer for Living Share Card Program” in 2002.

4.7 Case Study of GlaxoSmithKline Consumer Nigeria Plc

GlaxoSmithKline Consumer Nigeria Plc is a company with a very long and interesting history that dates back to the year 1830 when John K. Smith opened his first drug store in Philadelphia in the United States of America and was joined by his younger brother George in 1841 to form John K. Smith and Co. Earlier in the year 1815, Plough Court Pharmacy, the forerunner of Allen and Hanburys Limited, was established in London by Silvanus Bevan.

In 1842, Thomas Beecham launched the Beecham pills laxative business in England. This laxative became widely successful and he was able to pioneer the world’s first factory built solely for producing medicines at St. Helen’s in England in the year 1859 (subsequently to be merged in 1889, resulting in SmithKline Beecham Plc).

A few years later in 1865, Mahlon Kline joined John K. Smith and Co. in the United States of America as a bookkeeper. In 1875, he took an additional responsibility as a salesman and added many new and large accounts. He was rewarded when the company was renamed Smith, Kline and Co.

Shortly, after this, in 1880, Burroughs Wellcome and company was established in London, England by American Pharmacists Henry Wellcome and Silas Burroughs. In 1891, Smith Kline and Co. acquired French, Richards and Co., forming SmithKline and French, thereby providing a grater portfolio of consumer brands.

Meanwhile, Joseph Nathan who started dried milk production in New Zealand and exporting it to London in 1906 under the trademark 'Glaxo' opened the 'Glaxo' department of his company Nathan and Co in London, England, in 1908 culminating into Glaxo laboratories in the year 1935.

In 1938, Beecham acquired MacLean's Limited and Eno's Proprietaries Limited. MacLean's toothpaste and lucozade energy – replacement drink were added to Beecham's products line at this point. Many years later in 1943, Beecham research laboratories were established with a mission to focus exclusively on basic pharmaceutical research. In 1947, Glaxo laboratories limited absorbed the parent, Joseph Nathan company and the new company, Glaxo, was listed on the London Stock Exchange.

In 1959, the Wellcome Foundation acquired Cooper, McDougall and Robertson Limited, an animal health company founded in 1843, while Smith Kline and French acquired Rechereche et Industrie Therapeutiques (RIT) a vaccine business[21].

In 1978, through the acquisition of Meyer Laboratories Inc, Glaxo's business in the United States of America was started and later became Glaxo incorporated in 1980. In 1989, SmithKline, and the Beecham Group Plc merged to form SmithKline Beecham Plc and a few years later in 1995, Glaxo Company Limited and Wellcome merged to form Glaxo Wellcome and in the year 2000, GlaxoSmithKline was formed through the merger of Glaxo Wellcome and SmithKline Beecham[22].

Today GlaxoSmithKline Consumer Nigeria Plc is a world leading research – based pharmaceutical company with a powerful combination of skills and resources that provides a platform for achieving a significant growth in today's rapidly changing health care environment and forging ahead with a mission to improve the quality of human life enabling people to do more, feel better and live longer.

GlaxoSmithKline Consumer Nigeria Plc with head-office in the United Kingdom and operations based in the United States of America, is one of the industry leaders, with an estimated 7% of the world's pharmaceutical market. GSK retains leadership in four major therapeutic areas – anti-infectives, central nervous system (CNS), respiratory and gasto-intestinal/metabolic.

In addition, the company is a leader in the vital area of vaccines and has a growing portfolio of oncology products. The company also has a consumer health care portfolio comprising over - the-counter (OTC) medicines, oral care products and nutritional healthcare drinks, all of which are among market leaders. Many of the consumer brands are household names: ribena, horlicks, lucozade, aquafresh, Sensodyne, panadol, turms, zovirax[23].

Based on 2003 annual results, GSK had sales totalling 21.4 billion pounds ($35.2 billion) and profit before tax of 6.7 billion pounds ($11 billion). Total pharmaceutical turnover of the company grew 5% to just over 18 billion pounds ($29 billion)[24]. The company has over 100,000 employees worldwide of these, over 40,000 are in sales and marketing, forming the largest sales force in the industry. Around 35,000 employees work at 85 manufacturing sites in 37 countries and over 16,000 are engaged in research and development (R&D) based at 24 sites in seven countries.

In 1999 the 30th anniversary marked the launching of ventolin (albuterol) for respiratory treatment thereby making Glaxo Wellcome the largest therapeutic area.

Sharpening its focus on pharmaceuticals and consumer healthcare, SmithKline Beecham diverts SmithKline Beecham Clinical Laboratories and Diversified Pharmaceutical Services. SmithKline Beecham Avandia (rosiglitazone maleate), for the treatment of type 2 diabetes, is launched in the United States[25].

The company committed to tackling the three "priority" diseases identified by the World Health Organization: HIV/AIDS, tuberculosis and malaria. Similarly, in year 2007 marked the 15th year of Positive Action Programme that helps communities living with HIV/AIDS[26].

The mission of the company is the "quality of human life by enabling people to do more, feel better and live longer".

4.8 Survival and Growth Strategies Adopted By GlaxoSmithKline Consumer Nigeria Plc

The dynamic economic environment propelled by the globalization of the world economy, intense competition, rapid technological change and increased consumer choice, amongst other factors, have placed considerable pressure on corporate management to deliver superior performance and value for their shareholders. Consequently, companies are increasingly pursuing growth strategies by way of mergers and acquisitions, in order to remain competitive in their respective markets[27].

GlaxoSmithKline Consumer Nigeria Plc being quite aware of these complexities and the fact that the technologies leading to drug discovery and development are approaching the limit of human knowledge adopted a number of strategies aimed at ensuring that the company stays abreast of developments in the industry.

Some of the adopted strategies are merger between GlaxoWellcome and SmithKline Beecham in August 2000 to form GlaxoSmithKline, acquisition of Fraxiparine, Fradoxi and Arixtra and associated manufacturing plant from Sanofi-Aventis on the 1st September, 2004. Restructuring of the drug research and development (R&D) division of the company with emphasis on Genomics/Genetics as well as creation of centres of excellence for drug discovery (CEDD), maintaining sales and marketing force of over 40,000, the largest in the industry, specialization in basic areas such as anti-infectives, central nervous system, respiratory and gastrointestinal,

4.8.1 Merger activities of GlaxoSmithKline Consumer Nigeria Plc

Competition in the pharmaceutical industry has become even more intense over recent years and companies are making significant resources available for marketing their products and in-licensing compounds from other organizations.

Merger and acquisition have become an important phenomenon in the corporate world. To the individual companies and the economy at large, they are vital for growth and survival. Generally, a merger is the combination of two companies where one is completely absorbed by the other, or one of the companies loses its identity and is made part of the other company while the other company assumes all the rights, privileges and liabilities of the former company[28].

There was merger between Glaxo Wellcome and SmithKline Beecham on the 21st of August, 2000 which resulted in GlaxoSmithKline Consumer Nigeria Plc. Glaxo Wellcome and SmithKline Beecham agreed to merge and form GlaxoSmithKline Consumer Nigeria Plc because they believed that GlaxoSmithKline Consumer Nigeria Plc will be strongly placed to benefit from the exciting opportunities emerging from the changes in the pharmaceutical industry. GlaxoSmithKline Consumer Nigeria Plc now has the financial strength to capitalize on these opportunities and has, also delivered a number of merger benefits which will enhance growth and shareholder value in the short, medium and longer term[29].

4.8.2 Benefits of the merger

a) Combined cost savings: The company has benefited from annual pre-tax merger savings totaling ₤1.0 billion ($1.6 billion) in 2003. Together with the ₤570 million ($920 million) of annual pre-tax savings from manufacturing restructuring commenced before the merger, this represents total combined annual pre-tax costs savings of at least ₤1.57 billion ($s.26 billion) in 2003. ₤250 million ($400 million) of the annual merger - related savings were re-invested in research and development.

b) Enhanced marketing power: The company has one of the largest sales and marketing operation in the global pharmaceutical industry, with approximately 43,000 sales and marketing personnel world wide since the merger. In the United States of

America alone, with approximately 8,000 sales representatives, GlaxoSmithKline has considerably larger sales force than most competitors. In addition, both Glaxo Wellcome and SmithKline Beecham were ranked among the top five of United States pharmaceutical companies for sales force quality in the 1999, Scott-Levin survey of United States physicians. The size, quality, uptake and acceptance of GlaxoSmithKline products, in particular the following recently launched products: Avandia (Peroxisome proliferators, activator, receptor, gamma agonist for type 2 diabetes), Seretide/advair ($Beta_2$ agonist/inhaled corticosteroid for Asthma), and Lotronex ($5HT_3$ antagonist for irritable bowel syndrome) are all very significant products.

c) Leadership position in key therapeutic areas: The company holds leadership positions in four major therapeutic areas and also in the area of vaccines market - Anti-infectives (excluding vaccines), Central nervous System, Respiratory, Gastrointestinal/Metabolic[30].

No other company in the pharmaceutical industry has such a strong leadership position across such a wide range of major therapeutic areas. This leadership creates a significant advantage for GlaxoSmithKline. In particular, GlaxoSmithKline is well placed in medical advances capable of attracting new product licensing.

d) Enhanced Consumer marketing skills: Patients are becoming increasingly involved in health care decisions and are, now much better informed about the pharmaceutical products they use or want to use. This trend is leading to significant opportunities for pharmaceutical companies that have consumer oriented marketing skills. SmithKline Beecham had a strong consumer health care and over the counter medicine business with significant expertise in consumer marketing, while Glaxo Wellcome had significant experience in direct-to-consumer advertising in the United States of America. Hence, the company has utilized this enlarged range of consumer marketing skills across a larger pharmaceutical arena, which benefits its sales of prescriptive pharmaceuticals.

e) A world leader in research: The rapid evolution in knowledge of the human genome is leading to a significant increase in the number of potential disease targets, which is expected to lead to the development of many new drugs for common diseases.

The company is strongly placed in the pharmaceutical industry to benefit from the opportunities emerging in this area. SmithKline Beecham was an industry leader in discovery genomics and bioinformatics, with access to a large range of new drug targets originating from the human genome while, Glaxo Wellcome was an industry leader in discovery genetics, combinational chemistry and associated drug optimization technologies. Its work in studying population with disease had led to the identification of chromosomal regions associated with migraine and diabetes. The complementary skills of the two groups has created a significant competitive advantage for GlaxoSmithKline in the identification and validation of new drug targets that are relevant to disease, in the creation of "best in class" drug molecule and in the development of these molecules into medicines.

4.8.3 Research and Development

The mission of the company is to improve the quality of human life by enabling people to do more, feel better and live longer. To achieve this mission GlaxoSmithKline (GSK) has intensified its research and development engaging over 15,000 people working in the research team to discover new medicines.

It has been involved in research into diseases of the developing world for many years. The objective is to discover, develop and make available new drugs and vaccines for treatment or prevention of diseases of the developing world, primarily the World Health Organization (WHO) three priority diseases: malaria, HIV/AIDS and tuberculosis. GlaxoSmithKline is believed to be the only pharmaceutical company researching both medicines and vaccines for the WHO's top priority diseases.

Companies provide the partnership technology in which they have invested for decades and their discovery, development and distribution expertise. The public sector partners help fund the development costs while also ensuring that the medicines and vaccines get to the people who need them. This has the double benefit of encouraging research and development and accelerating the product's use in the developing world.

GlaxoSmithKline has a drug discovery unit in Tres Cantos, Spain which leads drug discovery initiatives in malaria and tuberculosis. The dedication of an entire research unit to these diseases allows concentration of resource and activity in the area and maximizes the efficiency in making available new medicines and vaccines. The unit at Tres Cantos has 50 dedicated full-time scientific staff, whose skills include chemistry, biology, biochemistry, toxicology, cytotoxicology, assay development, and in vivo and in vitro screening – basically all the skill sets needed to assess disease targets and find drugs for further development.

The Metabolic and Viral Disease Centre of Excellence in Drug Discovery based in Research Triangle Park, North Carolina, leads the effort in discovering new HIV/AIDS therapies. The biological (vaccines) facility in Rixensart, Belgium is involved in the discovery and development of vaccines including a malaria vaccine, a TB vaccine and an HIV vaccine.

The use of wider network for clinical development capitalizes upon the advantages of scale offered by the research and development organization and gives access to vital clinical expertise, external collaborations and networks. For example many clinical trials are conducted in developing countries, because that is where the patients and local healthcare professional with relevant clinical expertise reside[31].

4.8.4 Restructuring

The company succeeded in restructuring her research and development division with emphasis on genomics/genetics, as well as creation of a seventh centre of excellence for drug discovery (CEDD). These CEDDs focus on speed and quality – CEDDs act as mall, entrepreneurial units within the company to spark initiative, scientific innovation and agile decision - making, CEDDs also work with discovery research to identify leads and drive the process to the demonstration of clinical proof of concept.

The CEDD is the company's new model for pharmaceutical research and development. Six of these CEDDs manage the progression of compounds in the 'middle' of the pipeline. While drawing from the broader resources of the organization, the CEDDs bridge the conventional gap between discovery and development. They bring together scientists and physicians who concentrate on specific disease groupings, such as Cardiovascular and urogential diseases, metabolic and viral diseases, microbial, musculoskeletal and proliferative diseases (cancer), neurological and gastrointestinal diseases, psychiatric diseases, and respiratory and inflammatory diseases.

The seventh CEDD concentrates on biopharmaceuticals, a field where GlaxoSmithKline processing a growing number of assets in its early stage pipeline. This Biopharmaceutical CEDD is expected to make GlaxoSmithKline an industry leader in providing physicians and the patients with novel biopharmaceutical therapies.

Large pharmaceutical companies traditionally specialize in medicines that are small molecules, administered orally. Biopharmaceuticals, by contrast, are large molecules typically administered by injection or infusion, though research continues in other delivery technologies. Examples of biopharmaceuticals are therapeutic vaccines, and recombinant therapeutic proteins.

The idea of this CEDD is comparable with the organization of the modern day military, where it is divided into the Airforce, Navy and the Army, each arm further sub-divided into more discrete units, like the infantry, artillery, and, so forth. This subdivision ensure effective running of the military, since every arm of the force is specialized in its own duties so also these CEDDs, enable specialization in the company and also make for an effective running of the company, putting it in a very good position for growth.

4.8.5 Use of Information Technology

As we move into the 21st century, corporate entities all over the world realize that only those that overhaul the whole of their operations and service delivery systems are likely to survive and grow in the new millennium. This is due to the pressure of globalization, consolidation, deregulation and rapidly changing technology. In order to properly place themselves in favourable position for competition and be one of the corporations to be reckoned with in the new century, companies are making use of information technology.

Technological advantage is a major component of the competitive edge, and it has often been demonstrated that new technology can determine the survival of the corporate enterprise. The survival of governments will also depends on their ability to keep up or keep ahead whether in military terms or in the promotion of human health and welfare.

The rapid discovery of knowledge of the human genome is leading to an improved understanding of the genetic causes of disease and to a significant increase in the number of potential targets, for therapeutic intervention. This is expected to lead to the development of many new drugs for common diseases using computer automation and other drug discovery technologies.

GlaxoSmithKline Consumer Nigeria Plc is making maximum use of the opportunities presented by the internet having realized that the internet is leading to a greater understanding of the needs of consumers and patients, and how products and services may meet those needs. The company make use of gene and genetic technology for research that is presently the leading edge of science. The understanding of this genetic ‘code’ of animal and plant life brings about knowledge in areas, such as, the causes of disease, deformity and the ways forward.

4.8.6 Specialization

The company focused more attention on the four major therapeutic areas where it holds leadership position. These are anti-infectives, central nervous system, respiratory and gastrointestinal (GI/metabolic). Consumer products such as Ribena, Horlicks, Lucozade, Aquafresh, Sensodyne, Panadol, Tums, Zoviras are also produced by GSK[1].

4.8.7 Acquisition

GlaxoSmithKline acquired Fraxiparine, Fradoxi and Arixtra and associated manufacturing plant from Sanofi-Aventis on the 1st September, 2004. Fraxiparine, Fradoxi and Arixtra are injectable antithrombotic agents. Fraxiparine (nadroparine calcium) is a low molecular weight Heparin and Arixtra (fondaparinux sodium) is a selective factor Xa inhibitor. The manufacturing facility located in Notre – Dame de Bondevile, France is engaged mainly in the manufacture of Fraxiparine and Arixtra injectable products. GSK now assumes responsibility for ongoing Arixtra clinical trials[2].

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CHAPTER FIVE:

CONCLUSION

5.1 Summary

This work focused on survival and growth strategies of companies in Nigeria. Like any given economy, Nigerian economy had contended with several situations – boom, recession and depression at various stages of development through various phases in its history, from pre-colonial to post-colonial times. Some companies failed while others succeeded. The spectra of business activities change according to the dictates and tempo of the economy as well as adaptability of companies. Companies therefore need to continue reappraising and redesigning to match the given situation.

Every company, indeed, every organization desires to survive to make progress, and to grow. Accomplishments depend on many factors, such as fine tuning of finance and investment strategies, articulation of human resources and optimum utilization of articulated human resources, development of newer technologies and enhancement of operations through adequate absorption of technological advancement.

Finance is the hallmark of every business. The success or failure of any given business largely depends on it. All organizations require funds to get started, to operate and to grow. A firm's survival, its success, its ability to maintain production at optimum level, its ability to invest in fixed assets and working capital as well as to breakeven to a considerable extent, is determined by its financial resources and resource management policies.

Among the investment outlets the most important are banks, which accept deposits and savings from the individual, firms, governments and other institutions and invest the collections in different ways. Government treasury bonds are promissory notes issued by the treasury and payable, usually, in 90 days time. However, these days the lock-in period of government bonds extends beyond 90 days. Preference shares and debt securities such as debentures, unsecured loan stock and convertible loan stock are some other alternative routes for investment. Preference shares are given preferential rights over profits and in case of winding up of a company, over net assets. Ordinary equity share capital continues to enjoy a special place in any company's financial structure. Building societies, also referred to as Mortgage banks, provide loans to would-be house owners. Superannuation and pension funds provide pension for the workers when they retire. Insurance companies also lend money as they collect premiums on different types of policies. Discount houses are specialized in the provision of short term borrowing and lending services.

Organizational standards require the availability of appropriate technology, and, the skills of the people involved, in operation, are subdivided into a number of sub-tasks. This division of labour constitutes the lateral dimension of the structure of the organization.

Working on behalf of the organization's owners, with the authority derived from them, managers draw upon a number of resources to enable them to complete their tasks: raw materials, finance, technology, appropriately skilled people, legitimacy, support and goodwill from the organization's environment. They manage the organization by ensuring that everyone works to the same ends and timetable, that they have the authority, information and resources needed to complete their tasks, that their tasks dovetail and are performed to an acceptable standard and at the required pace.

The next step is to investigate the technical/technological requirements of the product. If domestic sources are not satisfactory, an arrangement for its importation should be considered. Qualitative machinery and equipment can be sourced from Trade Missions and Embassies, Trade Fairs and Inventor Exhibitions and so on. Supplies can be identified and located through commercial advertisements appearing in Magazines and Trade Journals.

The qualities of human and material resources are critical to the survival and growth strategies of companies. Human capital – human resource – is the most important of all the resources because it does the reasoning, that is, planning, budgeting, controlling, and execution while materials for the production are procured for the business to start, operate and grow. Human resource management is vital and thus effective acquisition, development, and utilization of an organization's work force for maximum efficiency depend on it. The purpose of any company is increased productivity and improved quality of work. It is important that humans engaged, are trained and retrained for efficiency.

Materials management aims at reducing materials cost through efficient control of inventories, which helps in conserving the working capital for productive purposes, ensure uniform flow of materials for production, ensure right quality at right price, establish and maintain good relations with suppliers, exercise prudence in using the imported items and to find their local substitutes. The reliability of the source of materials is crucial because, if the source is not reliable, it will not meet up with its promises. The amount of these materials available to a business organization is an indication of the size of the business. Each category of material resource has its function in the process of production. Raw materials are needed to start the production process while plant and machinery are required to convert the raw materials to finished goods.

Materials management's functions include purchasing, storage, inventory control, materials handling, and standardization. It deals with materials costs, materials supply, utilization and handling. It is concerned with the planning and programming of market research for purchase, procurement (capital goods, raw materials, components and semi-finished items), storage and inventory control, transportation and handling of materials, salvage and disposal of scrap as surplus.

Manufacturing companies are in the business of converting raw materials to a form that is of far more value and use to the consumer than the original raw materials. In the process of utilizing raw materials for manufacturing "damage" and "waste" are unavoidable but their extent can be controlled. For example, in the manufacture of tyres or tubes some may not conform to specifications. Also the manufacturing process yields some – clippings and droppings of rubber. The profitability and even the existence of the company can be threatened due to undue damage and wastage.

Goods and materials need to be moved internally as well as externally, to consumers. In the process, damage may result during loading or off-loading or other outright accidents. To cope with the enormous variety of materials an extensive range of storage and other equipments has been developed such as racks, trucks, tractors, conveyors, lifts, heavy-duty lift trucks, and cranes. These are necessary for ease and safety of movement of materials and goods, in absence of which a situation can develop, capable of causing 'excessive' damage. The manufacturing companies must therefore take necessary precautions in respect of the tools, equipment and processing plants against 'damaging' characteristics.

Waste occurs in 'manufacturing' in various ways on account of 'process', 'methods', 'movement', 'product defects', 'waiting time', 'overproduction' and 'excessive inventory'. Waste is a cost that is added to the process if the wrong type or sizes of machines are used, if the process is not being operated correctly, or if the wrong tools and fixtures are used.

Technological advances are being encountered in almost all sectors of economies at an ever-increasing pace. Information technology has a lot of applications in business and general administration which include: office uses, such as word-processing and graphic design, numerical analysis by the use of spreadsheets, accountancy uses such as computerized report generation and electronic ledger compilation, banking uses such as electronic funds transfers, salary and personnel administration. Communications are facilitated through television and radio communications, telephone and fax systems, electronic mail, satellite system and internet. Information Technology is also used for information gathering such as library information systems, databases (computerized systems which contain alot of information in a readily accessible form), electronic point of sale systems which enable a business to rapidly accumulate useful information on its sales.

Organizational development is the planned process of improving an organization by developing its structures, systems, and processes. Organizational development applies to an entire system, such as a company or a plant.

The criteria for granting credits are normally centered around four C’s of credit, namely character, capacity, collateral, and condition.

The companies under reference, namely: Unilever Nigeria Plc, Neimeth International Pharmaceutical Plc and GlaxoSmithKline Consumer Nigeria Plc are all multinational corporations, that is, operating in more than one country usually with headquarters in their mother country. These corporations originated early in the 20th century and proliferated world wide after World War II. Typically, a multinational corporation develops new products in its native country and manufactures them abroad, often in third world nations, gaining trade advantages and economies of labour and materials. Almost all the large multinational firms are American, English, French, German, Japanese, or of other West European origin. It should be noted that these multinational companies by virtue of Nigerian law are incorporated locally as Nigerian Companies.

The survival and growth strategies of all the three companies follow a similar pattern such as, acquisitions, product diversification, control and minimization of staff turnover, research and development and social responsibility. The three companies are financially robust and enjoy products-loyalty from the Nigerian populace. As such these companies are ‘role-models’ for Nigerian entrepreneurs venturing into establishing their own companies.

5.2 Findings

In the course of this thesis, it has been found that the causes of companies' failure in Nigeria lie in the over-play of, both, internal and external factors. Among the internal factors, are scant indigenous technological and managerial talent, weak management, boardroom crisis, obsolete technology and equipment, locking of capital in non-productive and unproductive fixed assets, inadequacy of contingency provisions, insolvency or bankruptcy, fraud, over dependence on importation of raw materials, acute funding problems, company policy inconsistency, influx of sub-standard, and cheap products, dumped into Nigerian markets by some overseas trade partners, all of which constitute potential risk factors for collapse.

The external factors of company failure stem from domestic as well as international forces such as social and political insecurity, stiffling government policies, electric power failures, inadequate legal provisions for protection and support, in general, not-so-conducive infrastructure base.

Insolvency or bankruptcy is a situation where a company is unable to pay its debts or meet its financial obligations. This occurs as a result of low returns, that is, the company's investment fails to yield enough profits to sustain the company's expenses for production and services. Where this is temporal it means that the net assets of the company are over and or above its total liabilities, but locked in, and it is referred as technical insolvency, that is, it is curable. However, where it is perennial then the company cannot breakeven, that is total assets are less than liabilities. Where corrective measures are not taken the company will collapse and face 'wind-up'.

Fraud is a deceit, or dishonest dealing, which results in loss to another person or corporation – siphoning the funds that belong to organization or individual. When considering the company killer, fraud easily comes to mind especially in Nigeria where 'corruption' has eaten deep into the fabric of society. Even though there is on-going fight being waged against it by the Economic and Financial Crimes Commission as well as the Independent Corrupt Practices Commission (ICPC) its increase is unabated. Due to prevalent poverty, fraud looks a condonable social vice.

Poor management results in corporate failures largely because it brings about financial distress. Management failure may arise out of boardroom crises where there is rift among the board members. Rift breeds deadlock which makes it impossible for the business of the company to go on smoothly. Lack of skill and competence to take prompt action when danger is still pending, revise strategies or diversify investment in response to any harsh situation is likely to affect the company adversely. An example worth citing is the case of Cadbury Nigeria Plc that was importing machinery for local production of their beverages in contrast to Ovaltine Plc who were forced to import their beverage for local packaging. When the Structural Adjustment Programme of 1986 was introduced, foreign exchange became scarce and Ovaltine Plc that could not diversify collapsed.

The degree of poverty in Nigeria is very high, therefore, there is inadequate 'capital' for commercial investment. The saving power of the populace has fallen very low. Today, the demand to cater for production is much more than the amount of funds at hand, to keep afloat a company, and continued borrowing from the financial institutions sometimes threatens the very existence.

In developing countries, Nigeria included, government is expected to play an important role in economic development. This affects both the citizens and business organizations alike in the country. Successive military regimes introduced stringent economic measures such as banning importation of goods and raw materials for local production, for example wheat, which made bread makers to quit production. During General Ibrahim Babangida's administration the naira was uncoupled from the earlier fixed exchange rate regime and this introduced a measure of volatility and uncertainty which led to a crushing devaluation of the naira on a relative basis. Some trading companies such as Kingsway Stores, Chellarams and Chanrai could not survive talkless of growth because the entire economic environment became too harsh for them.

Obsolete technology and worn-out equipment resulting from prolonged use of the same equipment without replacement, brings about company decline because such technology or equipment results in more waste and damage during production. The world is fast advancing in technological changes, yet some Nigerian companies remain static thus inviting eventual death.

Procurement of inferior production materials by fraudulent personnel in the companies is yet another crucial factor discovered by this work. Materials are the lifeblood of industries. Thus if too much is held in the stock that means tying down the capital and if too little is held in stock that shows there will be loss of sales as a result of disappointment of customers. Therefore, materials and services are to be purchased in the right quality, right quantity, at the right price, from the right source at the right time.

Lack of consideration for ‘value’ of time is another factor. Where the customer fails to get what he expects, within stipulated time, such disappointment is capable of inducing him to look elsewhere, thus, grinding the company to a stand still. In business there must be time frame for all operations and utilization of opportunities.

Contingency and emergency systems have not been viewed with the seriousness they deserve. The emergency action demanded by certain situations, for example, fire disaster, oil spills, natural disasters like wind storm, erosion and so forth need extremely dedicated attention and capability to withstand the situation.

It was found that the merging of the food and drinks business of companies, Unilever Nigeria Plc and Lipton Nigeria, as an integrated operation under one management strengthened the business and led to better exploitation of the huge potential of the profitable food and drinks market in Nigeria. The merger yielded considerable cost savings and stronger management base in Nigeria. The survival and growth strategies adopted by Unilever Nigeria Plc rest on diversification. By the early nineteen fifties, it had become apparent to the company that the opportunities for growth in the soap market had started to diminish. In addition there were identifiable yawning opportunities awaiting exploitation in other sectors and a rapidly rising per capita income with a more than proportionate increase in disposable income. The dynamic economic environment propelled by the globalization of the world economy, rapid technological change and increased consumer choice, amongst other factors, have placed considerable pressure on corporate management to deliver superior performance and value for their shareholders. It was further found that both manufacturing and research oriented efforts ensured initiative to the company to invest in more profitable research and development projects and also enabled it to launch several new products into the market of which the company remains major marketer in domestic products today.

The present thesis has evaluated the effectiveness of the strategies adopted by GlaxoSmithKline Consumer Nigeria Plc using two main parameters. Firstly, net assets of the company from the date of the merger (August 2000) to the present day. Secondly the interactive share price graph of the company between the same periods. This has been compared with that of Neimeth International Pharmaceutical Plc so as to eliminate the effects of factors like global politics. The merger perfected by the company in August 2000 was effected so as to create a stronger market muscle, to consolidate for cost reduction and to broaden geographic coverage and pipeline. It was found that, though this merger brought instantly a large size, increased assets and enhanced research and development capacity, it was not fully successful. It is submitted that the failure was due to inadequate administrative structure, too high a premium paid – comprehensive integration never occurred. A higher return on investment can only be realized by enhancing the performance of the combined company – reducing cost and capital and/or increasing sales and revenue. Traditionally mergers have been seen to go through three phase to realize these benefits – rationalization, integration, and transformation. The first two phases sometimes take between 24 to 42 months and by the time the all important transformation phase is ready to start, it has been found that the company may no longer have the energy to see it through. For example, fatal depletion of working capital and evaporation of hope of raising new funds strangulates the company.

The continuous existence of Neimeth International Pharmaceutical Plc Incorporated without ceasing in operation can be attributed to good plan actions designed to ensure that its corporate objectives were achieved. Several strategies of the company were successfully implemented through good management. It is one thing to design strategies but another to properly implement them so as to arrive at successful set-objectives. Some of the strategies adopted by Neimeth International Pharmaceutical Plc that have sustained its continuous growth are merger, restructuring, specialization, research and development. The history of the company revealed that, it was initially a one man business under the umbrella of Charles Pfizer. Standing alone, he knew, would not lead him to a greater height. He therefore decided to merge with other stronger and big pharmaceutical companies like Warner Lambert. This work found that the acquisition of more companies allied with both manufacturing and research oriented efforts ensured initiative to invest in more profitable research and development projects. This also enabled it to launch several new drug products into the market of which the company remains major marketer today. This development enhances their operations in Nigeria.

The effects of a merger can be positive or negative. This is because merger or acquisition is a gamble towards achieving a synergy which may or may not work out well in practice. The resultant effects of mergers and acquisitions can be visualized from economic perspective and legal perspective.

a) Economic perspective

One of the most important economic effects of mergers and acquisitions is that it helps to achieve economies of scale. This brings about cost and production efficiency, the fact that a 'combined' company can reduce redundancy by avoiding duplicate departments and operations, thereby lowering its costs relative to generated revenue, thus increasing profits.

The strategy also opens doors for wider market reach and improves a company's visibility through widening of its marketing and distribution networks. There is thus created an avenue for increased diversification which is likely to lead to growth via reduced risk to a minimal level.

A successful combination can create a stronger, more viable company with increased competitive strength. New and superior technology, knowledge and management skills which are likely to be acquired increase earning per share of shareholders and raise the value of the company's shares - visible determinants of success. The retained earnings (liquid assets) of a subsidiary company can also be deployed to another subsidiary, or operation, at minimal cost to the company. Well executed and successful mergers and acquisitions produce what is known as synergy or synergic effect.

b) Legal perspective

From the legal perspective, both merger and acquisition may lead to alteration of Articles and Memorandum of Association of the company, for example, where a vertical or conglomerate combination occurs the "acquirer" shall have to alter its object clause to include the business being undertaken by the target company and any other business it intends to enter. This alteration must be done according to provisions of the **ss.** 45-48 CAMA, 2004. Transferring rights, assets, liabilities and interest in property from the transferor to the transferee are governed by statutory provisions **ss.**151-157 CAMA.

Further, business combination may lead to a change of directors. This must also be done according to provisions in the Articles of Association or as proposed in the scheme document.

Alteration of share capital of the acquirer/transferee and the possible cancellation of shares of the target occurs. In practice, especially in mergers, the shares of both the transferee and transferor are delisted from the Nigerian Stock Exchange (NSE) and the shares of the transferee or the new company re-enlisted after the new shares have been issued. Ultimately the register of shareholders is altered to reflect such change in shareholding.

Mergers and acquisitions eventually lead to the emergence of a new legal entity hence the need for re-incorporation with the Corporate Affairs Commission (CAC).

Where a merger or acquisition leads to increase in the number of members, for example in private company (as defined by s.22 of CAMA 2004), where the number of members exceeds fifty (50), the company must convert and re-register as a public company and increase its share capital. This invariably leads to alteration of the share capital clause in the Memorandum of Association.

A merger or an acquisition may lead to a change of name which must be done pursuant to S.31(3) of CAMA 2004 with the approval of the SEC. Where a company changes its name, a new certificate of incorporation reflecting the change shall be issued by the SEC and the new name registered (S.50 CAMA 2004). The change shall not in anyway affect any rights or obligations of the company or render any ongoing legal proceeding defective, S.31(6) CAMA 2004.

Where merger or acquisition leads to an alteration of name, directors or business address, all letterheads, circulars, receipts and so froth bearing any of these altered details must be recalled and new ones printed and re-issued to reflect the alteration.

Finally, a merger leads to the dissolution without winding-up of the transferor company by court order S.31(6) CAMA 2004. S.100(3)(d) ISA.

Inadequate legal sanctions for survival and growth of companies in Nigeria, for example, mergers and acquisitions are quickly considered to be alternative for survival of companies by some corporate mangers just to build empires, earn more prestige and high salaries, which sometimes lead to monopolies in the long run.

One of the defects of the legislation found is that the import of s.100(2) ISA 1999 which is a replication of s.539(2) of CAMA 2004 that at a court-ordered meeting, where 1,000 shareholders holding an aggregate of 1,000,000 shares are present in person or by proxy, 1 (one) shareholder, holding 750,000 shares, holds the ace while the votes of the remaining 999 shareholders are completely irrelevant. Similarly, if at the same meeting, a single shareholder holding 260,000 shares votes against the motion while the other 999 shareholders vote in favour, the resolution cannot sail through. The position still remains the same even if the paid-up share capital of the company is 100,000,000 shares. This is a departure from s.197(2) of the repealed Companies Decree 1968 which provided that a majority in number representing three fourths (3/4) in value of members present and voting would be necessary to pass the resolution approving the scheme.

On the downside, mergers and acquisitions may lead to monopoly of market by the larger companies at the expense of the small scale enterprises and budding companies. It also leads to downsizing of personnel in the merging companies bringing about a rise in unemployment which is a setback for economic growth.

There is also problem of integration of corporate culture or identity. The corporate culture of a company refers to its common set of values, traditions and beliefs that influence behaviour in the company. These cultural issues may range from dress code to compensation. Basically, corporate cultures may differ from company to company based on the size and maturity of the company, industry, geographic locations and so forth. Business combinations may lead to over-centralization which may in turn lead to lack of control and cohesion of management.

As mentioned earlier, the external factors responsible for company failure include both domestic as well as international forces, for example, insecurity, adverse government policies, power failures, inadequate legal provisions and so forth.

Insecurity is the absence of peace in the environment such as when there occurs ethnic crisis, religious crisis, inter and intra ethnic conflicts, national insurrection or insurgency and international wars. Sudden attack on corporate installation due to breach of peace is capable of causing company failure. Similarly, global insecurity fears are pointers towards company failure because the company personnel will be insecure for corporate activities. For example, the attack on the World Trade Centre in New York on 11th September, 2001, where companies and businesses there collapsed in a single attack.

Political instability in any nation suggests that companies are at risk to survive not to talk of growth, for example, during the 1993 (June 12) political instability in the country, many companies bled on account of their property looted or destroyed.

Unstable electric power supply brings about the failure of many companies because production companies depend largely on power supply. The companies then resort to buying generators and fueling them which heavily reduce their profit margin. This eventually leads to failure since they cannot afford the expenses without corresponding profit.

5.3 Recommendations

The focal point of this section is to proffer solutions for the threat to the survival and growth of companies in Nigeria having identified certain weaknesses in the course of the research. Accordingly, the following recommendations are set forth:

5.3.1 Survival of companies

In determining strategy for survival, it is recommended that companies' management should carefully appraise its own quality of resources and skill profile, and, pay close attention to human resource development. A company should source its materials locally to the extent possible rather than much dependence on importation. Company financial management should be in the hands of prudent staff to reduce fraud and wastage. Profits of the company should be ploughed back to reduce borrowing from financial institutions. The quality of resource management should be carefully examined by the company to enable it compete well with others in the market. It should possess modern equipments to control damage and waste in the process of production. Company operators should consider the value of time and utilize opportunities for survival. Companies should have responsive provisions for contingencies and emergencies to enable them stand even at difficult times.

5.3.2 Growth of companies

Companies should apply both internal and external factors in its quest for growth – internally, by replacing obsolete and unproductive equipment with modern ones for better out-put and higher degree of efficiency. The issue of human resources development through training and retraining to face the challenges of technological advancement for higher productivity ought to be strongly stressed. A company should critically appraise the financial ratios from balance sheet, profit and loss account, and, combined balance sheet and other factors such as character, capacity, collateral and condition before granting credit for its product(s).

Regarding the external effects, merger and acquisition may be applied at minimum level with a mechanism in place to control monopolistic tendencies that may arise, such as establishing a National Competition Agency to deal with anti-trust competition and consumer protection. Governments at all levels should take conscious measures to contain political, ethic and religious instability. Furthermore, government should provide uninterrupted electric power by prioritizing industrial zones pending success at enlarging power generation efforts through various strategies that may include private sector participation in the energy sector.

5.4 Concluding Remarks

Evaluation of financial performance of a company aids in identifying the strength/weakness of that company. The strength relates to the ability of the company to design a good plan and implement it appropriately. The survival of any company depends on the strategies adopted and successfully carried out under a good and competent management. The struggle by Unilever Nigeria Plc, Neimeth International Pharmaceutical Plc and GlaxoSmithKline Consumer Nigeria Plc to keep their existence against all odds has been traced to their good plan action and the personnel management, competent and diligent implementation of plans, utilizing opportunities to maximize profit. This has brought about a financial status to them that represent the bench mark of every successful company.

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