ASSESSMENT OF PERFORMANCE MEASUREMENT IN BUSINESS STRATEGY IMPLEMENTATION AMONG COMPANIES IN KADUNA TOWN

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ABSTRACT

This research work entitled ***Assessment of Performance Measurement in Business Strategy Implementation Among Companies in Kaduna Town***; reports the impact of effectiveness, efficiency, client and employee satisfaction, research and development, and a firm's corporate social responsibility on a firm's performance. The relationship of these variables to the success of business strategies is also reported in this work. The research looked at problems that are usually faced in the various approaches used in assessing a firm's performance. It also carried out a comparative analysis of both quantitative and qualitative performance of firms. Samples from 15 private limited liability companies and 15 public limited liability companies were selected using the random sampling technique for analysis. The Regression and Chi-Square techniques were used to verify that there is no significant relationship between financial ratios and business strategy. The techniques were also used to prove that there is no significant relationship between a firm's production effectiveness and its business strategy amongst other hypotheses. The research work however revealed that most staff members at the lower level of the firms are not involved in the development of various strategies, thus making it difficult for them to the implementation. The researcher recommends interactive process of thought, participation and experimentation should be combined in developing effective and successful strategies.

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CHAPTER 1

1.1 BACKGROUND TO THE PROBLEM

Measuring performance has been part and parcel of any successful business entity. It is strategic because the long run survival of any organization depends on its performance. Managements use performance measurement to evaluate the overall health of organization.

However, in measuring performance, there is no doubt that companies still face the following problems of; what variables to be considered? What methodology to be used to evaluate the stability of these variables? How to generate values for these variables? and many more.

Many performance rating agencies in attempts to provide answers to the above problems have adopted various approaches and strategies. Business Week (2002), in measuring performance of "500 Best Companies" globally considered variables like total return (1yr), total return (3yrs), sales growth (1yr), sales growth (3yrs), net margin and return on equity.

Fortune Magazine (2000) in its attempt to measure performance of "50 Best Companies" Globally considered variables like innovativeness, quality of management, employee talent, financial soundness, use of corporate assets, long-term investment value and quality of product(s).
Nigerian stock Exchange (2003), in an attempt to measure performance of "Best 20 Quoted Companies" in Nigeria focused attention on the financial ratios/performance of performance.

Notwithstanding all these attempts, there is still need to investigate firms' performance vis-à-vis business strategy for better understanding of the relationship.

1.2 STATEMENT OF THE PROBLEM

There is no doubt that there is a link between firm performance and business strategy. But the problem of identifying the right variables to establish this relationship still exists. Previous attempts to measure firm performance have ignored the extent of the impact of some very important variables like production effectiveness, efficiency, client and employee satisfaction, research and development and corporate social responsibility.

The problems associated with the approaches used by previous researchers are that they ignored distortions and manipulations that go with the companies' financial statements. These distortions and manipulations are clearly manifested in the financial scandal of Enron, WorldCom and Parmalat.

Lawrence and Glueck (1987) observed that distortion could affect the financial variables performance. They also noted that more recently the earning per share has come under unfavorable scrutiny because earning can be manipulated (by cutting out research and development, selling off assets and liquidating inventory). Unfortunately, these manipulations that have long-term impact on firms and their strategies are ignored.

Today, companies like Sears, Rockbuck, Dow Channel and Dayton Hudson have adopted performance measurement of their business unit based on total operation and awarding incentive pay based on performance of competitors. Recently, more and more corporate boardrooms are looking for other measures to reflect growth in shareholders expectations and encourage strategic decision instead of short term planning.

The need for the search for more variables especially qualitative variables that impact on business strategy and performance has informed this study. The study therefore used some selected companies in KADUNA, Nigeria for this investigation. Also, the assessment of these variables in measuring performance will assist business strategist in making sure that safe and sound strategy is based on adequate understanding of these variables.

1.3 OBJECTIVES OF THE STUDY

The objectives of this study will include:

1. To elucidate greater understanding on the measurement of firms' performance in business strategy implementation control
2. To identify the key performance indicators and assess their suitability in business strategy planning and implementation
3. To evaluate the relative impact of each of these indicators identified on the long run strategy of companies.
4. To carry out a comparative analysis of both quantitative and qualitative performance.

5. To ascertain the extent of the relationship between performance indicators and business strategy.

1.4 RESEARCH QUESTIONS

1. Are there relationships between firms' performance and business strategy?
2. Do financial ratios have any impact on business strategy?
3. Are there any problems in measuring firm performance?
4. Why do some firms consider only quantitative variables in measuring performance?
5. Why do some firms consider only qualitative variables in measuring performance?
6. Will combining both quantitative variables and qualitative variables produce better result in measuring performance?

1.5 RESEARCH HYPOTHESES

The following hypotheses will guide this study.

1. Ho: There is no significant relationship between financial ratios and business strategy.

   H1: There is significant relationship between financial ratios and business strategy.
2. H0: There is no significant relationship between firm production effectiveness and business strategy.

   H1: There is significant relationship between firm production effectiveness and business strategy.

3. H0: There is no significant relationship between client/employee satisfactions and business and business strategy.

   H1: There is no significant relationship between Client/employee satisfactions and business strategy.
4. H0: There is no significant relationship between research and business strategy.

   H1: There is significant relationship between research and business strategy.
5. H0: There is no significant relationship between corporate social responsibility and business strategy.

   H1: There is significant relationship between corporate social responsibility and business strategy.

1.6 SIGNIFICANCE OF THE STUDY

As at now, there is no known study of firm performance vis-à-vis business strategy in Kaduna. This study attempted to provide more information in this area.

1. It will elicit better understanding of performance measurement in business strategy implementation control
2. It will serve as a guide to business strategy planning
3. It will draw the attention of managements to the need to consider some qualitative variable in measuring firm performance
4. It will also serve as a reference material to business policy makers and future researchers in this area.

1.7 LIMITATION OF THE STUDY

The major limitations of the study are fund, data and time. Because of these limitations the study was not able to cover all the firms in KADUNA and its environs. Despite these limitations, due care was taken not to sacrifice quality and in-depth of this study on the altar of time, data and money.

1.8 DELIMITATION OF STUDY

This study as we have shown has attempted to measure firm performance vis-a -vis business strategy in selected firms in KADUNA.

1.9 DEFINITION OF TERMS

Competitive advantage: The ability of an organization to add value for it customers than its rivals, and thus attain a position of relative advantage.

Core competency: Distinctive skill, normally related to a product, service or technology, which can be used to create advantage.

Corporate strategy: The overall strategy for a diversified or multi-product service organization.

Effectiveness: The ability of an organization to meet the demands and expectation of its various stakeholders, those individuals or groups with influence over the business.

Efficiency: The sound management of resources to maximize the returns from them.

Visionary strategies: Strategies created by strong, visionary strategist.

E-V-R confluence: The effective matching of an organization's resources (R) with the demands of its environment (E). A successful and sustained match has to be managed and frequently requires change; successfully achieving this depends on the organization culture and value (V)

Financial control: the term used to describe the form of control normally found in a holding company structure.

Focus strategy: Concentration of one or a limited number of market segments or niches.

Functional Strategies: The strategies for the various function carried out by an organization, including marketing production, financial management information management, research and development, human resource management.

Stakeholder: Any individual or group capable of affecting the actions and performance of an organization.
Strategy: The means by which organization achieve their objectives and purpose. There can be strategy for each product and/or service and for the organization as a whole.

Strategic business unit: A discrete grouping within an organization with delegated responsibility for strategically managing a product, a service, or a particular group of products or services.

Strategic capability: process skills used to add value and create competitive advantage.

Strategic change: Charges which take place over time in the strategies and objectives of the organization. Change can be gradual, emergent and evolutionary or discontinuous, dramatic and revolutionary.

Strategic control: A style of corporate control whereby the organization attempts to enjoy the benefits of delegation and decentralization with a portfolio of activities which, while diverse, is interdependent and capable of yielding synergies from co-operation.

Strategic Issues: current and forth coming developments inside and outside the organization which will impact upon the ability of the organization to pursue its mission and achieve its objectives

Strategic Leader: Generic term used to describe those managers who are responsible for changes in the cooperate strategy

Strategic Life Cycle: The notion that strategies have finite lives, after some period of time they will need improvement, change or replacement.

Strategic Management: The process by which an organization establishes its objectives, formulates actions (Strategies) designed to meet

these objectives in the desired time scale implements the action and assesses progress and results.

Strategic Planning: The systematic and formal creation of strategies capable of making a very significant contribution in large, multi activity organizations.

Stretching Resources: The creative use of resources, to add value for customers, through innovation and improved productivity.

SWOT Analysis: An analysis of an organization's strengths and weakness as along side the opportunities and threats present in the external environment.

Synergy: The term used for the added value of additional benefits which ideally accrue from the linkage or fusion of two businesses, or from increased co-operation between either different parts of the same organization or between a company and its suppliers, distributors and customers. Internal co-operation may represent linkages between either different division or functions.

Tactics: This is the strategy that determines what major plans are to be undertaken and allocates resources to them.

CHAPTER TWO

LITERATURE REVIEW

2.0 DEFINING MANAGEMENT AND STRATEGIC MANAGEMENT

Management according to Koontz Harold and O'Donnell Cyril (1972) stated that since people began forming groups to accomplish goals, they could not achieve as individuals, managing has been essential to insure the coordination of individual efforts. Management have assumed greater importance as societies and organized groups have increasingly rely on group effort to achieve results and as many organized groups has risen in importance. Stoner et al (1995) defined management as the process of planning, organizing, leading and controlling the work of organization members and of using all available organizational resources to reach stated organizational goals. From their definition, it can be seen that in defining management emphasis is laid on planning, organizing, leading and controlling of a company's work force.

Sisk Henry (1973) in his view stated that the study or definition of management as a process should be based on three parts: first, the coordination of resources; second, the performance of managerial functions as a means of achieving coordination and third, establishing the purpose of the management process. They clarified this process as:

1. Definition of management as coordination. The question therefore becomes: how does the manager of an enterprise coordinate the

resources of the organization; namely men, material, money etc. In business enterprise most organized groups, a prime requirement is money. There is seldom an organization without some measure of capital, a requisite for fraternal, social and religious groups as well as for business organizations. Material includes the physical properties of a business such as production equipment. The people who are members of the organization are the third element. These three elements form a convenient mnemonic device, the three m's of management, money, materials and men. Although, an over simplification, this device is an aid in remembering the coordinative aspect of management.

2. The coordination of the resources of an organization is achieved by means of the management functions of planning, organizing, directing and controlling.

3. A definition of management as the coordination of resources through the utilization of the functions of the management process is not complete. Management is a process; it is directed toward the attainment of stated goals or objectives. Without an objective, there is no goal to reach or no path to follow. The concept of goal as an objective provides the purposive characteristics of management.

Based on the above explanation, Sisk (1973) therefore, defined management as the coordination of all resources through the process of planning, organizing, directing and controlling in order to attain stated objectives.

2.1 STRATEGIC MANAGEMENT DEFINED

Chandler (1962) made a comprehensive analysis of interrelationship among environment, strategy, and organizational structure. He analyzed the history of organizational change in 79 manufacturing firms in the US. While doing so, Chandler defined strategy as: "The determination of the basic long-term goals and objectives of an enterprise and the adoption of the courses of action and the allocation of resources necessary for carrying out these goals". Chandler refers to three aspects:

- Determination of basic long term goals and objectives,
- Adoption of course of action to achieve these objectives, and
- Allocation of resources necessary for adopting the course of action.

Andrews (1965) defines strategy as: "The pattern of objective, purpose, goals and the major policies and plans for achieving these goals stated in such a way so as to define what business the company is in or is to be and the kind of company it is or is to be: This definition refers to the 'business definition', which is a way of stating the current and desired future position of company, and the objectives, purpose, goals, major policies and plans required to take the company from where it is to where it wants to be.

Ansoff (1965) explains the concept of strategic management as: "the common thread among organization's activities and product-market that

defines the essential nature of business that the organization was or planned to be in future".

Ansoff (1965) stressed the commonality of approach that exists in diverse organizational activities including the products and markets that defines the current and planned nature of business.

Glueck (1980), defined strategy precisely as: "A unified, comprehensive and integrated plan designed to assure that the basic objective of the enterprise are achieved". The three adjectives that Glueck used to define a plan made the definition quite adequate. 'Unified' means that the plan joins all the parts of an enterprise together; 'comprehensive' means it covers all the major aspects of the enterprise, and 'integrated' means that all parts of the plan are compatible with each other.

Mintzberg (1987) defines strategy as "a pattern in a stream of decision and actions" Mintzberg distinguishes between intended strategies and emergent strategies. An intended strategy refers to the plans that managers develop, while emergent strategies are the actions that actually take place over a period of time. In this manner, an organization may start with a deliberate design of strategy and end up with another form of strategy that is actually realized.

Porter (1980) made invaluable contribution to the development of the concept of strategy. His ideas on competitive advantages, the five-force model, generic strategies, and value chain are quite popular. He opines

that the core of general management is strategy, which he elaborates as: "...developing and communicating the company's unique position, making trade-offs, and forging fit among activities.

2.2 STRATEGIC MAMANGEMENT SCHOOLS

The subject of strategic management is in the modest of an evolutionary process. In the course of its development, several strands of thinking are emerging which gradually lead to convergence of views. Selznick (1975), Andrew (1965) and Kazmi (2002) explain these schools of thoughts as follow:

1. **THE DESIGN SCHOOL**: This school which perceives strategy formation as a process of conceptions developed mainly in the late 1950's and 60's. Under this school, strategy is seen as something unique, which is in the form of a planned perspective. The Chief Executive Officer as the main architect guides the process of strategy formation. The process of strategy formation is simple and informal and based on judgment and thinking.

2. **THE PLANNING SCHOOL**: This school which developed in the 1960s sees strategy formation as a formal process. Under this school, strategy is seen as a plan divided into sub-strategies and programmes. The planners play the lead role in strategy formation. The process of strategy formation is formal and deliberated. Another major contributor to this school is Ansoft (1965).

3. **THE POSITIONING SCHOOL**: This school perceives strategy formation as an analytical process, and developed mainly in the 1970's and 80's. Under this school, strategy is seen as a set of planned genuine positions chosen by a firm on the basis of an analysis of the competition and the industry in which they operate. The analysts play the lead role in strategy formation. The process of strategy formation is analytical, systematic and deliberate. The major contributors to the positioning school are Hatten (1970s), and Porter (1980s).

4. **THE ENTREPRENEURIAL SCHOOL**: This school sees strategy formation as a visionary process developed mainly in the 1950s. Under this school, strategy is seen as the outcome of a personal and unique perspective often aimed at the creation of a niche. The lead role in strategy formation is played by the entrepreneur/leader. The process of strategy formation is intuitive, visionary and largely deliberate. The major contributors to this school are Schumpeter (1950s), Cole (1959) and several others, most of whom are economists.

5. **THE COGNITIVE SCHOOL:** Cognitive school which perceives strategy formation as a mental process, developed mainly in the 1940s and 50s. Under this school, strategy is seen as an individual concept that is the outcome of a mental perspective. The process of strategy formation is mental and emergent. The major

contributors to the cognitive school are Simon (1947 and 1957) and Tharda and Simon (1958).

6. **THE LEARNING SCHOOL:** This school perceives strategy formation as an emergent process has had a legacy from the 1950s through the 1970s. Under this school, strategy is seen as a pattern that is unique. The learner within the organization whoever that it might be plays the lead role. The process of strategy formation is emergent, informal and messy. The lead contributors to the school are Lindblom (1959, 1960), Cyert and March (1963).

7. **THE POWER SCHOOL**: Power school of thought which sees strategy formation as a negotiation process, developed mainly during the 1970s and 80s. Under this school, strategy is seen as a political and cooperative process or pattern. The lead role in strategy formation is played by any person in power (at the micro level) and the whole organization (at the macro level). The process of strategy formation is messy, consisting of conflict, aggression and cooperation. At the micro level, the process of strategy formation is emergent while at the macro level, it is deliberate. Major contributors to the school are Allison (1971) and Ashley (1984)

8. **THE CULTURAL SCHOOL**: Cultural school, which developed in the 1960s, sees strategy formation as a collective process

developed mainly in the 1960s. Under this school, strategy is seen as a unique and collective perspective. The lead role in strategy formation is played by the collectivity displayed within the organization. The process of strategy formation is ideological constrained, collective and deliberate. The major contributors to the cultural school are Rhenman and Norman (late 1960s).

9. **THE ENVIRONMENT SCHOOL**: This school perceives strategy formation as a reactive process, developed mainly in the late 1960s and 70s. Under this school, strategies occupy a specific position or niche in relation to the environment as an entity. The lead is passive and imposed and hence, emergent.

   The major contributors to the school are Hannan and Freeman (1977) and contingency theorists like Pugh et al (late 1970s).

10. **THE CONFIGURATION SCHOOL**: This school of thought which perceives strategy formation as a transformation process developed during the 1960s and 1970s. Under this school, strategy is viewed in relation to a specific context and thus could be in a form that corresponds to any process visualized under any of the other nine schools. The process of strategy formation is integrative, episodic and sequential. In addition, the process could incorporate the elements pointed out under the other nine schools of thought. The major contributors to the configuration school are Chandler (1962), Mintzberg and Miller (late 1970).

2.3 STRATEGY MANAGEMENT DYNAMICS:

Chandan (2002) stated that there are three types of circumstances in which the strategic tensions are to be made. These are:

a. Strategy under certainty

b. Strategy under risk

c. Strategy under uncertainty

a. **STRATEGY UNDER CERTAINTY:** This is the simplest form of decision-making. The condition of certainty exists when there is no doubt about the factual basis of a particular decision, and its outcome can be predicted accurately. There is just one state of nature for each alternative course of action and there is complete and accurate knowledge about the outcome of each strategic alternative.

b. **STRATEGIC DECISION UNDER RISK:** A condition of risk exists when a strategic decision must be made on the basis of incomplete but reliable information. Here, there is no longer just one outcome for each strategy but a number of possible outcomes where the probability of each outcome is known, calculated or assigned and an expected value for each alternative or strategy is obtained. The strategy that yields the best expected value is selected as a decision.

The decision problem is put in the form of a matrix. A matrix is simply a two-dimensional arrays of figures arranged in rows and columns. The rows represent the variable to the decision maker (one row for each strategy) and the columns represent the states of

nature (one column for each state of nature). The matrix could be in form of a pay-off matrix or in the form of an opportunity cost matrix. In the case of the pay-off of each row and column represents the pay-off or profit for a given strategy and its corresponding state of nature. Each state of nature is assigned a probability, which identifies the odds that such a state of nature would prevail. Typically, in many organizational problems, the probabilities of various states of nature are known by virtue of determining how frequently they occurred in the past.

c. **STRATEGIC DECISION MAKING UNDER UNCERTAINTY**

The conditions of uncertainty make the decision making process much more complicated. The decision maker or strategist has no idea or knowledge about the probabilities of various states of nature and hence the expected values of various alternatives cannot be calculated. Such problems arise wherever there is no basis in the past experience for estimating such probabilities. For example, in the case of marketing a new product, it is difficult to make judgments as to how much this product will sell in different geographical areas or about probabilities of these predetermined quantities in these areas in order to make profit.

In such situations, there is no single best criterion for selecting a strategy. However, there are a number of criteria, each justified by rationale and is a function primarily of the organization strategist. The selection of a strategy would depend upon the criteria to be used. These criteria are:

a. **PESSIMISM CRITERION:** This criterion according to Chandan (2002) was suggested by Abraham Wald, it is also known as Wald Criterion or maximize the minimum pay-off. This is a conservative approach to an intrinsically difficult situation, and the strategist assumes that whatever alternative is chosen, the worst will happen. For each pay-off of each course of action, under each state of nature (the probabilities of states of nature are not known), the strategist picks the worst pay-off, so that there will be a value of the worst pay-off for each course of action and the decision maker will pick the highest value among these.

b. **CRITERION OF OPTIMISM**: This criterion is based upon maxi-max principle, which maximizes the maximum pay-off for each strategic alternative. The strategist assumes that for each course of action, the best state of nature will prevail, giving him the best of each strategy so that he can choose the best of these best.

However, a rational strategist cannot always be totally optimist under all situations. To overcome this difficulty, Hurwiez ( ) introduced the idea of degree of optimism or coefficient of optimism, the value of which is determined by the attitude of the strategist. He called this coefficient an Alpha (&), and it is measured on 0 to 1 scale. Its value is 1 for a complete optimist and 0 for a complete pessimist. For a strategist who is neither a pessimist nor a optimist, the value of & will be between 0 and 1, depending upon the degree of optimism.

c. **CRITERION OF REGRET**: This is also known as savage criterion and it minimizes the maximum regret of not making the right strategy and uses the opportunity cost matrix to make the decision. For each course of action, there are costs involved in choosing the opportunity of having a different course of action after states of nature have been known. These costs are really regrets of not choosing the best course of action. Out of the maximum regret for each course of action, we choose the minimum regret and the corresponding course of action.

d. **LAPLACE STRATEGY**: The Laplace strategy assumes that all states of nature are equally likely to occur. This means that the strategist does not have anyone outcome that is more likely to occur than others. Hence, both are the case of pay-off matrix as well as opportunity cost matrix, all states of nature have the same probability of occurrence.

e. **DECISION UNDER CONFLICT**: These decisions under conflict forms basis of games theory. The games with complete conflict of interest are known as zero sum games, in which the gain of the decision maker equals the loss of the opponent for example, if the Marketing Manager of a company wants to increase the market share of his product, it will be at the expense of the market share of his competitors.

2.4 COMPETITIVE STRATEGIES

Competitive strategy is the means by which organizations seek to achieve and sustain competitive advantage.

Porter (1980) in analyzing competitive strategy introduced three broad frameworks. These are competitive strategy in fragmented industries,

competitive strategy in emerging industries and competitive strategy in declining industries.

Competitive strategy in fragmented industries: According to Porter, this is a situation where no firm in this industry has a significant market share and can strongly influence the market outcome. Usually fragmented industries are populated by a large number of small-medium – sized companies many of whom are privately owned. In Kaduna, we have a lot fragmented firms. Thus, in our study, gathering data from these firms proved very difficult. However, there is no single praise quantitative definition of fragmented industries, and such a definition is probably unnecessary for purposed of discussing the strategic issues in this important environment. The essential notion that makes these industries a unique environment in which to compete is the absence of market leaders with the power to shape industry event. Porter (1980) went further to say that fragmented industries are found in many areas of any economy, whether in United States or some other countries, and they are common in areas such as the following.

- ✓ Services
- ✓ Retailing
- ✓ Distribution
- ✓ Agricultural products
- ✓ "Creative" businesses

Some fragmented industries, such as bread making in Kaduna and television program syndication, are characterized by products or services

that are differentiated, whereas others, such as oil tanker shipping, electronic component distribution, fabricated aluminum products, involve essentially indifference products. Fragmented industries also vary greatly in their technological sophistication, ranging from high technology business to garbage collection and higher retailing.

Porter (1980) explained the followings as the reasons for industry fragmentation:

(i) Nearly all fragmented industries have low overall entry barrier.

(ii) Most fragmented industries are characterized by the absence of significant economies of scale or learning curves in any major aspect of the business, be it manufacturing, marketing, distribution, or research. Many fragmented industries have manufacturing processes characterized by few. If any economies of scale or experience cost declines, because the process is a simple fabrication or assembly operation, straight forward warehousing operation, and an inherently high labour content.

iii. High haulage costs: This is another reason why industries are fragmented. High transportation costs limit the size of an efficient plant or production location despite the presence of economic of scale. Transportation costs balanced against economies of scale, determine the radius a plant can economically service. Transportation costs are high in some companies like iron and steel. They are effectively high in many service industries because the service is "produced" at the customer's premises or the customer must come to where the service is produced.

Iv. Diseconomies of scale: In a situation where frequent new product introductions and style changes are essential to competition, allowing only short lead times, a large firm may be less efficient than a smaller one which seems to be true in women's wear in which style plays a major role in competition.

v. Exit barriers: Fragmented industries exist where there are exit barriers. Many firms, especially marginal firms, will tend to stay in the industry and thereby hold back consolidation. Aside from economic exit barriers, managerial exit barriers appear to be common in fragmented industries. There may be competitors with goals that are not necessarily profit oriented. Certain businesses may have a romantic appeal that attracts competitors who wants to be in the industry despite low or even non-existent profitability. These factors seem to be common in such industries as farming and dress making in Kaduna.

Diverse market needs**:** In some industries, buyer's tastes are fragmented, with different buyers each desiring special varieties of a product and willing to pay a premium for it, rather than accept a more standardized version. Thus the demand for any particular product variety is small, and adequate volume is not present to support productions distributions, marketing strategies, that would yield advantages to a large firm. Sometimes fragmented buyers taste stem from regional and local differences in market needs. Every local fire department wants its own customized fire, engine with many expensive bells etc.

High product differentiation: If product differentiation is very high and based on image, it can place limits on a firm's size and provide and umbrella that allows inefficient firm to survive, large size may be inconsistent with an image of exclusivity or with the buyer's desire to have brand of all his or her own. Closely related to this situation is one in which key suppliers to the industry value exclusivity or a particular image in the channel for their products or services.

Local laws: Local laws and tax system in Kaduna have forced some firms to comply with standards that are unique to the local political scene, leading to major source of fragmentation in some industry, even where the other conditions do not hold. Local legislations have probably been a contributing factor to fragmentation in industries.

2.5 WAYS TO OVERCOME FRAGMENTATION

Overcoming fragmentation is predicted on changes that unlock, the fundamental economic factors leading to the fragmented structures. These approaches include:

1. **Creating Economies of Scale:**

Economies of scale are a means of overcoming industries fragmentation. Technological changes leads to economics of scale, thus resulting to industry consolidation. Economies of scale created in one part of the business can sometimes outweigh diseconomies in another. Innovation that creates economies of scale in marketing can also lead to industry consolidation.

A Split of Factor: Sometimes, the causes of industry fragmentation are centered in one or two areas, such as diseconomies of scale in production or fragmented buyer taste. One strategy for overcoming fragmentation is to somehow separate those aspects from the rest of the business. According to Porter (1980) when the causes of fragmentation center on the production or service delivery process, overcoming fragmentation requires decoupling production from the rest of the business. If buyer segments are numerous or where products differentiation leads to preferences for exclusivity, it may be possible through the use of multiple, scrupulously disassociated brand names, styles, and packaging to overcome the constraints placed on market share. However, the basic approach to overcoming fragmentation recognizes that the root cause of the fragmentation cannot be solved. Rather, the strategy is to neutralize the parts of the business subject to fragmentation to allow advantages to share in other aspects to come into play.

- Early Recognition of Industry Trend: Early recognition of industry trend can be used to solve the problem of fragmentation. Something industries consolidate naturally as they mature, particularly if the primary source of fragmentation was the newness of the industry or outside industry trends. Industry trends can lead to consolidation by altering the causes of fragmentation.

In some industry, the threat of substitute products triggered consolidation by shifting buyer's needs, and thereby stimulating changes in services that are increasingly subject to economies of scale. In other industries, changes in buyer's taste, changes in the structure of distributions channels, and innumerable industry trends may operate, directly or indirectly, on the causes of fragmentation.

Government or regulatory changes: This can force consolidation by raising standards in the products manufacturing process beyond the reach of small firms through the creation of economies of scale. Recognizing the ultimate effects of such trends, and positioning the company to take advantage of them, can be an important way of overcoming fragmentation.

Porter (1980) further stated that industry can be fragmented not only because of fundamental economic reasons, but because they are "stuck' in a fragmented state. According to Porter industries become stuck due to the following reasons:

Existing Firms Lack Resources: Sometimes the steps required to overcome fragmentation are evident, but existing firms lack the resources to make the necessary strategic investments. For example, there may be potential economies of scale in production, but firms lack the capital or expertise to construct large-scale facilities or to make required investments in vertical integration. Firm may also lack the resources or skills to develop in house distribution channels, in house

service organization, specialized logistical facilities, or consumer brand franchise that would promote industry consolidation.

Existing Firms Are Far Sighted: Even though firms have the resources to promote industry consolidation, they may be emotionally tied to traditional industry practices that support the fragmented structure or unable to perceive opportunities for change. This fact possibly combined with the lack of resources, may partly explain the historical fragmentation in many countries, and industries. In many countries/industries producers had long been productions oriented and had made apparently little effort to develop national distributions or consumer brand recognition.

Lack of Attention by Outside Firms: this could lead to industry fragmentation. If outsiders do not perceive the opportunity to infuse resources and a fresh fund into the industry to promote consolidation, it can lead to fragmentation. Some industries that escape attention tend to be those of the beaten track or those lacking glamour. They may also be too new or too small to be of interest to major established firms, which have the resources to overcome fragmentation. If a firm can spot an industry in which the fragmented structure does not reflect the underlying economics of competition, it can provide a most significant strategic opportunity. A company can enter such an industry cheaply because of its initial structure

Government Policy: In Nigeria, government policy of increasing shareholders' fund has lead to "forced consolidation" of Nigeria banking

industry. This forced government policy has resulted to reduction in industry fragmentation

2.6 STRATEGY FORMULATION IN FRAGMENTED INDUSTRIES

Porter (1980) proposed five steps in formulating strategy in fragmented industries. He stated that:

Step one is to conduct a full industry and competitor analysis to identify the source of the competitive forces in the industry, the structure within the industry, and the positions of the significant competitors.
Step two is to identify the causes of fragmentation in the industry. It is essential that the list of causes be complete and that their relationship to the economic of the industry be established.

Step three is to examine the causes of industry fragmentation one by one in the context of the industry and competitor analysis in step one. Can any of these sources of fragmentation be overcome through innovation or strategic change? Will any of the sources of fragmentation be altered directly or indirectly by industry trends?

Step four depends on a positive answer to one f the preceding questions. If fragmentation can be overcome, the firm must assess attractive returns. To answer this question the firm must predict the new structural equilibrium in the industry once consolidation occurs and must then reapply structural analysis. If the consolidated industry does promise attractive returns, the final question is, What is the best,

defendable position for the firm to adopt to take advantage of industry consolidation?

Step five. This involves the selection of the best alternative for coping with the fragmented structure. This step will involve a consideration of the broad alternatives as well as others that may be appropriate to the particular industry, in light of the particular resources and skills of the firm. Besides providing a series of analytical processes to go through periodically, these steps also direct attention to the key pieces of data in analyzing fragmented industries and in competing in them. The causes of fragmentation, predictions about the effects of innovation on these causes, and identification of industry trends that might alter the causes of fragmentation become essential requirements for environmental scanning and technological forecasting.

2.7 COMPETITIVE STRATEGY IN DECLINING INDUSTRIES

Porter (1980) stated that for purposes of strategic analysis, declining industries are treated as industries that have experienced an absolute decline in unit sales over a sustained period. Decline cannot be ascribed to the business cycle or to other short-term discontinuities, such as strikes or material shortages, but represents a true situation in which end-game strategies must be developed. There have always been industries in decline, but the prevalence of this difficult structural environment has probably increased with slower world economic growth, product substitution resulting from rapid cost inflation, and continued technological changes. The decline phase in the business life-cycle model is characterized by shrinking margins, pruning product lines,

falling R & D and advertising, and a dividing number of competitors. The accepted strategic prescription for decline is a "harvest strategy", that is, eliminating investment and generating maximum cash flow from the business, followed by eventual divestment.

In-depth study of a wide spectrum of declining industries, suggests that the nature of competition during decline as well as the strategic alternatives available to firms for coping with decline are a great deal more complex. Industries differ markedly in the decline, some industries age gracefully, whereas others are characterized by better warfare, prolonged excess capacity, and heavy operating costs. Successful strategies vary just as widely some firms have reaped high returns from strategies actually involving heavy reinvestment in a declining industry that make subsequently borne by their competitors by existing before the decline was generally recognized, and not harvesting at all.

Determinants of Industry Decline

Porter (1980) explains various causes of industry decline. They include:

a. Technological substitution: One source of decline is substitute products created through technological innovation or made prominent by shifts in relative costs. This source can be threatening to industry profits because profits, and also leads to fall in sales volume. This negative effect on profits can be mitigated if there are pockets of demand in the industry that are resistant to the substitute and have favourable characteristics.

b. Demographics: Another source of decline is shrinkage in the size of the customer group that purchases the product. In industrial business, demographics cause decline by reducing demand in downstream industries. The competitive pressure of a substitute product does not accompany demography as a source of decline. That is if capacity can leave the industry affected by demographics in an orderly way, surviving firms may have profits prospects comparable to those before destabilizing competition in decline.

c. Shifts in Needs: Demand can fall because of sociological or other reasons which change buyer needs. Like demographics, shifts in needs do not necessarily lead to increased pressure of substitutes for remaining sales. However, shifts in needs can also be subject to great uncertainties, which have led many firms to continue to forecast a resurgence of demand. This situation is very threatening to profitability in decline. The cause of decline gives clues about the probable degree of uncertainty firms perceive about future demand as well as some indications about the profitability of serving the remaining segments e.g. Industries like the textile in Nigeria.

Exit Barriers

Crucial to competition in declining industries is the manner in which capacity leaves the market. When there exist barriers in exit, the less hospitable the industry will be to the firms that remain during decline.

Causes of exit barriers

If the assets of a business, either fixed or working capital or both, are lightly specialized to the particular business, company or location in which they are being used, this creates exit barriers by diminishing the liquidation value of the firms' investment in the business. For example, Nigeria textile industry due to high level of competition from cheap textile materials from China cannot change business because of large quantity of fixed assets, thus making it very difficult to be sold. Secondly, the number, of buyers wishing to use the assets in the same business is usually few, because the same reasons that make the firm want to sell its assets in a declining market will probably discourage potential buyers.

Also, if the liquidation value of the assets of a business is low, it is economically optimal for the firm to remain in the business even if the expected discounted future cash flows are low. If the assets are durable, the book value may greatly exceed the liquidation value. Thus it is possible for firms like the textile industry in Nigeria to earn a book loss but it will be economically appropriate to remain in the business because the discounted cash flows exceeded the opportunity cost of capital on the investment that could be realized if the business were divested.

Fixed cost of exit

Often substantial fixed costs of exiting elevate exit barriers by reducing the effective liquidation value of a business. A firm often must face the

substantial costs of labour settlements; this factor has a huge impact on Nigeria government efforts to privatize some of the ailing industries. Similarly, Nigerian Labour congress (NLC), the umbrella organization for Nigerian workers often hit against laying-off of staff without adequate compensation. Management may need to be resettled and/or retrained. Breaking long-term contracts to purchase inputs or sell products may involve substantial cancellation penalties, if they can be abrogated at all. In many cases the firm must pay the cost of having another firm fulfill such contracts.

There are often also hidden costs of exit. Once the decision to divest becomes known; employee productivity declines and financial results loose deteriorate. Customers quickly pull out their business, and suppliers lose interest in meeting promises.

Porter (1980) continued by saying that sometimes exit can allow the firm to avoid fixed investments it would otherwise have had to make for example, requirements to invest in order to comply with environmental regulation may be avoided, as may other requirement to reinvest capital just to stay in the industry. Requirements to make such investment promote exit, unless making them yields an equivalent or greater increase in the discounted liquidation value of the firm, because they raise investment in the business without raising profits.

Strategic Exit Barriers

Porter (1980) stated that even if a diversified firm faces no exit barriers from economic consideration relating solely to the particular business, it may still face barriers because the business is important to the company from an overall strategic point of view. He thus explained this situation as:

a. Interrelatedness: The business may be part of a total strategy involving a group of businesses, and leaving it would diminish the impact of the strategy. The business may be central to the corporation's identity.

Exiting may hurt the company's relationships with key distribution channels or may lower overall clout in purchasing. For example in Nigeria, if Nigerian Brewery should stop producing star larger beer, for poor performance of the product in the market, it is going to affect the overall image of the company. Exit may render shared facilities or other assets idle, depending on whether or not they have alternative uses by firm or can be rented in the open market. A firm terminating a sole supply relationship with a customer may not only fore close sales of other products to that customer but also hurt its chances in other businesses on which it relied to supply key raw materials.

b. Access to financial markets: Exiting may reduce the confidence of the capital markets in the firm or worsen the firm's ability to attract acquisition candidates (or buyers). If the diverted business is large

relative to the total, its divestment may strongly reduce the financial credibility of the firm. Even though a write-off is justified economically from the point of view of the business itself, it may negatively affect earnings growth or otherwise act to raise the cost of capital. Small losses over a period of years through operating the business may be preferable to a single large loss from this standpoint. The size of write-offs will obviously depend on how depreciated the assets in the business are relative to their liquidation value, as well as the ability of the firm to divest the business incrementally as opposed to having to make a once and for all decision.

The more related a business is to others in the company, particularly in terms of sharing assets or having a buyer-seller relationship, the more difficult it can be to develop clear information about the true performance of the business. Businesses performing poorly consequently fail even to consider economically justified exit decisions.

2.8 STRATEGIC OPTIONS IN DECLINING INDUSTRY

Porter (1980) strategy during decline usually revolves around disinvestments or harvest, however, there is but a range of strategic alternatives – although not all are necessarily feasible in any particular industry. The range of strategies can be conveniently expressed in terms of four basic approaches to competing in decline, which the firm can pursue individually. These alternative declining strategies are.

1. Leadership: The leadership strategy is directed at taking advantage of a declining industry whose structure is such that the remaining firms are above – average profitability and leadership is feasible vis – a – vis competitors. The firm aims at being firms remaining in the industry. Once this position is attained the firm switches to a holding position or controlled harvest strategy, depending on the subsequent pattern of industry sales. The premise underlying this strategy is that by achieving leadership the firm is in a superior position to hold position or harvest than it would be otherwise.

Tactical steps that can contribute to executing the leadership strategy are the following:

a. Investing in aggressive competitive actions in pricing, marketing or other areas designed to build market share and ensure rapid retirement of capacity from the purchasing market share by acquiring competitors or competitors product lines at prices above their opportunities for sale; this has the effect of reducing competitors exit.

b. Purchasing and retiring competitors capacity, which again lowers exit barriers for competitors and insures that their capacity is not sold within the industry; a leading firm in the mechanical sensor industry repeatedly offers to buy the assets of its weakest competitors for this reason.

2. Niche: The reason of this strategy is to identify a segment (or demand pocket) of the declining industry that will not only maintain stable demand or decay slowly but also has structural characteristics allowing high returns. The firm then invests in building its position in

this segment. It may find it desirable to take some of the actions listed under the leadership strategy in order to reduce competitors' exit barriers or reduce uncertainty concerning this segment. Ultimately the firm may either switch to a harvest or divest strategy.

3. Harvest: In the harvest strategy, the firm seeks to optimize cash flow from the business. It does this by eliminating or severely curtailing new investment, cutting maintenance of facilities, and taking advantage of whatever residual strengths the business has in order to raise prices or reap benefits of past goodwill in continued sales, even though advertising and research have been curtailed. Other common harvest tactics include the following:

* Reducing the number of models.
* shrinking the number of channels employed;
* Eliminating small customers;
* Eroding service in terms of delivery time (inventory), speed of repair, or sale assistance.

The harvest strategy presupposes some genuine past strengths on which the firm can live, as well as an industry environment in the decline phase that does not degenerate into bitter warfare. Without some strengths, the firm's price increases, reduction in quality, cessation of advertising, or other tactics, will be met with severely reduced sales. If the industry structure leads to great volatility during the decline phase, competitors will seize on the firm's lack of investment to grab market share or bid down prices, thereby eliminating the advantages to the firm of lowering expenses through harvesting. Also, some

businesses are hard to harvest because there are few options for incremental expense reduction; an extreme example is one in which the plant will quickly fail to operate if not maintained.

4. Quick divestment: This strategy rests on the premise that the firm can maximize its net investment recovery from the business by selling it early in decline, rather than by harvesting and selling it later or by following one of the other strategies. Selling the business early usually maximizes the value the firm can realize from the sale of the business, because the earlier the business is sold, the greater is the uncertainty about whether demand will indeed subsequently decline and the more likely other markets for the assets, like foreign countries, are not glutted.

In some situations it may be desirable to divest the business before decline, or in the maturity phase. Once decline is clear, buyers for the assets inside and outside the industry will be in a stronger bargaining position. On the other hand, selling early also entails the risk that the firm's forecast of the future will prove incorrect.

Divesting quickly may force the firm to confront exit barriers like image and interrelationships, although being early usually mitigates these factors to some extent. The firm can use a private label strategy or sell product lines to competitors to help ease some of these problems.

2.9 COMPETITION IN GLOBAL INDUSTRIES

Porter (1980) described global industry as one – in which the strategic positions of competitor in major geographic or national markets are fundamentally affected by their overall global positions. To analyze competition in global industries, it is necessary to examine industry economics and competitors in the various geographic or national markets jointly rather than individually.

Global industries require a firm to compete on a work divide, and coordinated basis or face strategic disadvantages. Some industries that are international in the sense of being populated by multinational companies do not have the essential characteristics of a global industry. Except to a limited extent in product development, however, subsidiaries are autonomous and the competitive balance is strictly on a country-by-country basis. A firm need not compete internationally to be successful

Industries with multinational competitors are not necessarily global industries. It must be recognized, though, that "globalness" is inevitably a matter of degree, since the extent of the strategic advantages that accrue to firms that compete internationally can very a great deal from industry to industry.

An increasing number of industries have become or are becoming global industries since 1970s, and this important structural setting is likely to become even more prevalent. By any measure, trade and foreign investment have risen significantly, and the shifts in strategic position

that have accompanied industry evolution to global status are both dramatic and rapid. Televisions, motorcycles, sewing machines, and automobiles are some particularly visible, though not typical examples of global products. Managers in nearly every industry must consider global competition a possibility if not a reality.

There are many differences in competing internationally versus nationally, and these are usually emphasized in developing international competitive strategy.

- Factor cost differences among countries.
- Differing circumstances in foreign market
- Different roles of foreign governments,
- Differences in goals, resources, and ability to monitor foreign competitors.

However, the structural factors and market forces operating in global industries are the same as those in more domestic industries. Industries must encompass foreign competitors, a wider pool of potential entrants, a broader scope of possible substitutes, and increased possibilities that firms' goals and personalities will differ as well as their perceptions of what is strategically important. Most successful global strategies have been based on recognition of these market forces, in somewhat different (and more complex) context.

2.10 IMPEDIMENTS TO GLOBAL COMPETITION:

Firms can participate in international activities through three basic mechanisms: licensing, export, and foreign direct investment. Usually a

firm's first foray overseas involves export or licensing, and only after it has gained some international experience will it consider foreign direct investment. Export or foreign direct investment will be present in industries where competition is truly global. Major flows of exports among many countries are a reliable sign of global competition, but major direct foreign investment in an industry may not be. Their investments can consists of essentially independent subsidiaries in foreign countries, with each subsidiary's competitive position depending essentially on its assets and particular circumstances in its host country.

Fundamentally, an industry becomes a global industry because there are economic and other advantages accruing to a firm competing, in a coordinated way, in many national markets. There are a number of distinct sources of such global strategic advantage, as well as impediments to achieving them.

2.11 SOURCES OF GLOBAL COMPETITIVE ADVANTAGE

The sources of global advantage stem broadly from four sources: conventional comparative advantage, economic of scale or learning curves extending beyond the scale or cumulative volume achievable in individual national markets, advantages from product differentiation, and the public good character or market information and technology. The existence of comparative advantage is a classic determinant of global competition. When a country or countries have significant advantages in factor cost or factor quality used in producing a product, these countries will be the sites of production and exports will flow to

other parts of the world. To the global firms in those countries possessing a comparative advantage is crucial to its world position.

Production economies of scale: If there are economies of scale in production (or providing service) that extend beyond the size of major national markets the firm can potentially achieve a cost advantage through centralized production and global competition. Advantages of vertical integration are the key to achieving global production economic because the efficient scale of the vertically integrated system is greater than the size of national markets. Achieving production economies necessarily implies movement of exports among countries.

Global experience in technologies subject to significant cost declines due to proprietary experience. The ability to sell similar product varieties in many national markets can bring benefits. Cumulative volume per model is greater if the model is sold in many national markets, leading to a cost advantage for the global competitor. Global competition can allow faster learning, even if the learning curve flattens at cumulative volumes achievable eventually by competing in an individual geographic market. Since a company can potentially gain experience by sharing improvements among plants. A cost advantage from global competition potentially can be gained even if production is not centralized but takes place in each national market.

Logistical Economies of scales: If an international logistics system inherently involves fixed costs that can be spread by supplying many

national markets, the global competitor has a potential cost advantage. Global competition may also allow the achievement of economic of scale in logistics that stem from the ability to use more specialized systems, such as specialized cargo ships.

Economies of scale in purchasing: When there are opportunities to achieve economies of scale in purchasing as a result of bargaining power or lower suppliers cost in long runs production, which go beyond what is needed to compete in individual national markets the global firm will have a potential cost advantage of product differentiation. In some business, particularly technologically progressive ones, global competition can give the firm an edge in reputation and credibility. In the high-fashion cosmetics industry, for example, a firm significantly benefits from a presence in Germany, Ghana and South Africa in order to have the image to compete successfully in Japan.

Proprietary product technology: Global economies can result from the ability to apply proprietary technology in several national markets. This ability is particularly important when economies of scale in research are large relative to the sales in individual national markets. Computers, semi-conduction, aircraft, and turbines are industries in which ecological advantages of global scale firms appear to be particularly great. Some advances in technology are so costly as to virtually require global sales to recoup them. Global competition can also give the firm a series of taps into technological developments world divide which can improve its technological competitiveness.

Mobility of production: An important special case of economies due to scale and sharing of proprietary technology arise where the production of a product or service is mobile. For example in heavy construction the firm moves its crew from country to country t build projects; oil tankers can carry oil anywhere in the world; seismic crews, oil rigs and consultants are also mobile in such industries, fixed costs of creating and maintaining an organization and developing proprietary technology can be readily spread over operations in many national markets.

In addition, a firm can invest in skilled people or mobile equipment whose employment would not be justified by the demand for the product in any one national market hence another example of economics of scale exceeding single market size. Often the sources of global advantage occur in combination, and there can be interaction among them. For example, production economics can provide the basis for invasion of foreign markets, which then leads to logistical economics or those from purchasing.

The significances of each source of global advantage clearly depend on one of two things. First, how significant to total cost is the aspect of business subject to global economies? Second, how significant to competition is the aspect of the business in which the global competitor has an edge? An advantage in an area that represents a fairly low percentage of total cost (eg. Sales force) can still be extremely important to competitive success or failure in some industries. In this

case, even a small improvement in cost or effectiveness brought about by global competition can be significant. It is also important to note that all the sources of advantage also imply the presence of mobility barriers for global firms.

2.12 STRATEGIC ALTERNATIVES IN GLOBAL INDUSTRIES:

There are a number of basic strategy alternatives in a global industry. The most fundamental choice a firm must make is whether it must compete globally or whether it can find niches where it can build a defensible strategy for competing in one or a few national markets.

Broad line global competition: This strategy is directed at competing globally in the full product line of the industry, taking advantage of the sources of global competitive advantage to achieve differentiation or an over all low cost position. Implementing this strategy requires substantial resources and a long time horizon. To maximize competitive advantage the emphasis in the firm's relationships with governments is to reduce impediments to competing globally.

Global focus: This strategy targets a particular segment of the industry in which the firm competes on a worldwide basis. A segment is chosen where the impediments to global competition are low and the firms position in the segment can be defended from incursion by broad line global competitions. The strategy yields either low costs or differentiation in its segment.

National focus: This strategy takes advantages of national market differences to create a focused approach to a particular national market that allows the firms to out compete global firms. This variation of the focus strategy aims at either differentiation or low cost in serving the particular needs of a national market, or its segments subjects to economic impediments to global competition.

Protected Niche: This strategy identifies countries where governmental restraints exclude global competitors by requiring a high proportion of local content in the product, high tariffs, and so on. The firm builds its strategy to deal effectively with the particular national markets with such restrictions, and places extreme attention on the host government in order to insure that protection remains in force.

In some global industries, strategies of national focus or seeking a protected niche are unavailable because there are no impediments to global competition, while in other industries strategies are defendable against global competitors. An increasingly prevalent approach to implementing the more ambitions strategies in global industries is transnational coalitions, or cooperative agreements between firms in the industry of different home countries. Coalitions allow competitors to team up to surmount the difficulties of implementing a global strategy in areas like technology, market access, and the like.

Trends of Global Competition

There are certain trends that hold great importance for competition in existing global industries and for the creation of new ones. These trends include the following:

1. Reduction in differences among countries. A number of observers have pointed out that the economic differences among developed and newly developed countries may be narrowing in areas like income, factor costs, energy costs, marketing practices, and distribution channels. Part of this reduction may be due to the aggressiveness of multinational companies in spreading techniques around the world. Whatever the cause, it works towards reducing impediments to world's competition.

2. More Aggressive industrial policy. Industrial polices of many countries are in flux. From passive or protective postures, governments like Nigeria, Ghana, South Africa, and West Germany are taking aggressive postures to stimulate industry in carefully selected sectors. They are also facilitating the abandonment of sectors deemed, less desirable. This new industrial policy is giving firms in such countries the support to make bold moves that will transform industries to global status, like the construction of massive plants and large up-front investments in breaking into new markets. Thus, although firms in sectors not favoured by their governments may drop out, those firms that remain in global industries may well behave differently. As the latter are

increasingly backed by government's aggressive stance, the resources available for competition and the stakes involved have increased. Non-economic objective made central by government involvement come increasingly into play. There is the possibility that international rivalry will escalate as a result of these factors and that barriers to exit will also increase, which further increases rivalry.

3. National recognition and protection of distinctive assets governments seen to be increasingly cognizant of which of their resources are distinctive from the point of view of economic competition, and they are increasingly prone to capture the economic benefits from the possession of these assets. National resources (e.g. oil copper, tin, rubber) are obvious example of assets that have been controlled either directly by government ownership or indirectly through joint ventures of governments and producers.

The presence of abundant low-waged semi-skilled and unskilled labor (Nigeria, South Africa, Ghana and Germany) is another asset explicitly recognized in some countries. The proactive exploitation of such distinctive assets by government is a reflection of changing philosophy toward industrial policy, as preciously discussed.

4. Gradual emergence of new large-scale markets: The global market where the United States, has long been the strategic market for global competition because of its unique size, China, Russia, and

possibly India may ultimately emerge as huge markets in the future. This possibility has a number of implications. First, if china and Russia control access to their markets, their firms may become major global powers. Second, gaining access to one or both of these markets may well become a crucial strategic variable in the future because of the scale it will provide to the successful firm Strategy innovations, stimulating globalizations.

In the absence of environmental triggers, a firm's strategic innovation can begin the process of globalization.

5. Product redefinition: if required product differences among countries lessen, other potential advantages from global competition may be reaped. Sometimes national product differences erode nationally as the industry matures and products become standardized; however, firms can redesign products to make them acceptable in many markets, as Peugeot automobile company and other firms are doing with the "world car". In other cases, a marketing innovation which redefines the image or concept of the product is sometime instrumental in unlocking possibilities for global competition.

6. Identification of market segment: Even if there are required product differences among countries, there may be segments of the market that are common to many countries and that are being poorly served in many of them. These segments required distinct technology, facilities, and/or marketing approaches, which are

subject to global economies and unmatchable by domestic firms. There may also be segments of the market less subject to impediments to global competition.

Reduced costs of Adaptations: The implements to global competition posed by national product differences is eased if firms can create ways of lowering the cost of altering basic products to meet these local needs.

7. Design Changes: Design changes leading to more standardized components that are subject to global purchasing economies, or those requiring new components subject to such economies, can trigger shifts towards global competition.

8. Disintegration of production: In some industries government constraints requiring local production can be circumvented by assembling locally while producing some or all components centrally. If economies of scale stem largely form one or more key components their central production can strongly stimulate globalization of competition. New entrants may also be able to start fresh with new strategies unencumbered by having competed in the industry in its pre-global era.

2.13 COMPETITIVE STRATEGY IN EMERGING INDUSTRIES:

Porter, (1980) described emerging industries as newly formed or re-formed industries that have been created by technological innovations,

shifts in relative cost relationships, emergence of new consumer needs or other socio-economic changes that elevate a new product or service to the level of a potentially viable business opportunity. Emerging industries are being created all the time; for instance, in Nigeria, the emergence of private communication network has changed the face of telecommunication in Nigeria. Before the emergence of private telecommunication network, Nigeria had less one million-telephone line. Today, Nigeria can boast of over 35 million telephone lines.

From a strategic standpoint, the problems of an emerging industry arise when old business experiences a fundamental change in its competitive rules coupled with growth in scale by orders of magnitude.

2.14 COMMON STRUTURAL FEATURES OF EMERGING INDUSTRIES

Technological Uncertainty: There is usually a great deal of uncertainty about the technology in an emerging industry what production configuration will ultimately prove to be the most efficient?. These factors have been the worries of the players in Nigeria communication industry. Today, it is new fiber optic, tomorrow is network problem and so on.

i. Strategic Uncertainty:

Related to the technological uncertainty but broader in cause, are a wide variety of strategic approaches being tried by industry participants. No "right" strategy has been clearly identified, and different companies (MTN, Globalcom, Celtel) are groping with different approaches to

product, market positioning, marketing, services and so on, as well as betting on different product configuration or production technologies. Closely related to this problem is that firms often have poor information about competitors, characteristics of customers, and industries conditions in the emerging phase.

ii. High Initial Cost:

Small production volume and newness usually combine to produce high costs in the emerging industry relative to what industry can potentially achieve. Even for technologies which the learning curve will soon level off there is usually a very steep learning curve in that the initial high costs are declining at very high proportionate rate. This is what happened when mobile phone (GSM) was introduced in Nigeria, five years ago. If the gains dues to learning are combined with increasing opportunities to reap economics of scale as the industry grows, the cost declines will be even more rapid.

iii. Spin-offs Companies.

According to Porter (1980), the emerging phase of the industry is usually accompanied by the presence of the greatest proportion of newly formed companies that the industry will ever experience. The phenomenon of spin-offs is related to a number of factors. First, in an environment of rapid growth and perceived opportunity, the rewards of equity participation may seem attractive when compared to a salary at an established company. Second, because of a fluidity of technology and strategy in the emerging phase, employees of established firms are

often in a good position to think up new and better ideas, taking advantage of their proximity to the industry.

iv. Short term Horizon:

In many emerging industries the pressure to develop customers or produce products to meet demand is so great that bottlenecks and problems are dealt with expediently rather than as a result of an analysis of future conditions. At the same time, industry conventions are often borne out of pure chance. Confronted with the need to set a pricing schedule, a firm might adopt a two-tiered price that the marketing manager used in his previous firm and the other firms in the industry initiate for lack of a ready alternative.

v. First-time Buyer:

Buyers of the emerging industry's product or service are inherently first-time buyers. The marketing task is thus one of inducing substitution or getting the buyer to purchase the new product or service instead of something else. The buyer must be informed about the basic nature and functions of the new product. Right now, ethanol producers world over are struggling to persuade motorist about the advantages of using ethanol as substitute.

Problems Constraining Industry Development

Some factors affect development of emerging industry. These include the following:

i. Inability to obtain raw material and component:

The development of an emerging industry requires that new suppliers be established or existing suppliers expand output and/or modify raw material and components to meet the industry's needs. In the process, severe shortages of raw materials and components are very common in emerging industries. For example, shortage of timber that is a strategic factor in furniture industry will adversely affect the sector.

ii. **Absence of infrastructure:**

Emerging industries are often faced with difficulties like those of material supply caused by the lack of appropriate infrastructure: distribution channels, service facilities and other complementary products.

iii. **Erratic Product Quality:**

This is another factor that affects emerging industries. With many newly established firms, product quality is often erratic due to lack of standards and technological uncertainty. This erratic quality, even though caused by only a few firms, can negatively affect the image and credibility of the entire industry. For instance, when mobile telecommunications was introduced in Nigeria, there was very serious problem of network and call failure.

iv. Likelihood of Obsolescence:

An emerging industry's growth will be impeded if buyers perceive that second or third generations technologies will significantly make obsolete

currently available products. Buyers will wait instead for the pace of technological progress and cost reduction to slow down.

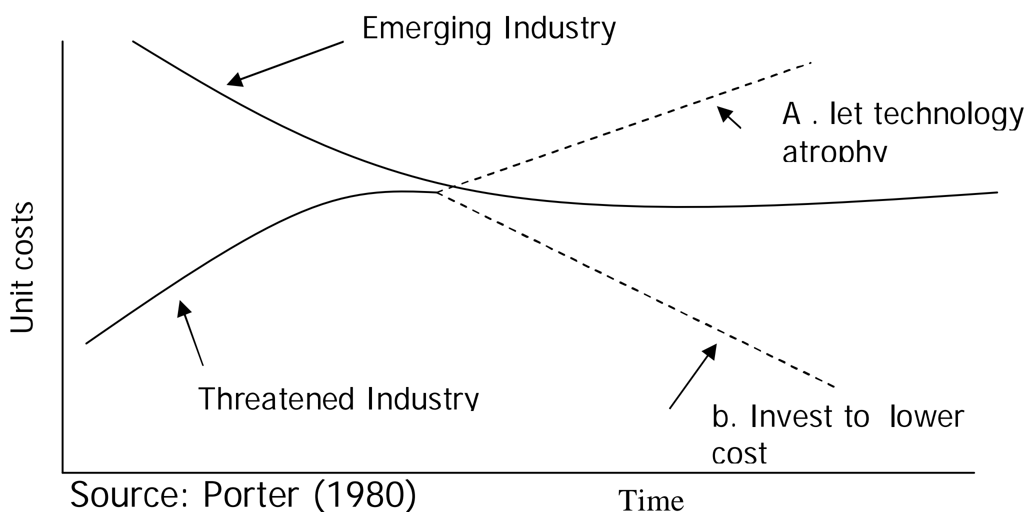
v. Customers Confusion:

Emerging industries are often beset by customer's confusion, which results from the presence of a multiplicity of products approaches, technological variations and conflicting claims and counter claims by competitors. All these are symptomatic of technological uncertainty and the resulting lack of standardization and general technical agreement by industry participants. Such confusion can limit industry size by raising the new buyer's perceived risk of purchase. This customer's confusion is what is happening presently in the Nigerian telecommunication industry.

vi. Regulatory Approval:

Emerging industries often face delays and red tape in gaining recognition and approval by regulatory agencies if they offer new approaches to needs currently served by other means, and subject to regulation. For instance, the privatization policy of Nigeria government and bureaucracy has a lot of impact on emerging industries.

Response of threatened industry to substitution



Source: Porter (1980)

Porter (1980) used the above diagram to illustrate response of threatened Entities. He stated that some entities are almost always threatened by the advent of an emerging industry. It may be the industry producing a substitute product and preferring the certainty of dealing with it and so on. The threatened entity can fight the emerging industry in a number of ways. One is in the regulatory or political area; another is at the collective bargaining table. In the case of an industry threatened by substitution, its response can take the form of foregoing profits by lowering prices or making R & D investments aimed at making the threatened product or service more competitive. The diagram shows that the threatened industries invest to enhance quality and lower costs. It is clear that the target at which learning and scale – related cost reductions in the must shoot is a moving one.

The propensity of the threatened industry to for go profits in pricing or aggressively investing in cost reduction to hold volume will be direct function of the exit barriers in the threatened industry. If they are high because of specialized assets, high preceded strategic importance, emotional ties, or other causes, then the emerging industry may well face determined and desperate efforts by the threatened industry to stern its growth.

2.15 STRATEGIC CHOICES IN EMERGING INDUSTRY

Formulation of strategy in emerging industries must cope with the uncertainty and risk of this period of an industry's development. The rules of the competitive game are largely undefined, the structure of the

industry unsettled and probably changing, and competitors hard to diagnose. Yet all these factors have another side-the emerging phase of an industry's development is probably the period when the strategic degrees of freedom are the greatest and when the leverage from good strategic choices is the highest in determining performance.

i. Shaping Industry structure

The overriding strategy issue in emerging industries is the ability of the firms to shape industry structure. Through its choices, the firm can try to set the rules of the game in areas like product policy, marketing approach, and pricing strategy. Within the constraints set by the underlying economics of the industry and its resources, the firm should seek to define the rules in the industry in a manner that will yield it the strongest position in the long run.

ii. Changing Role of suppliers and channels

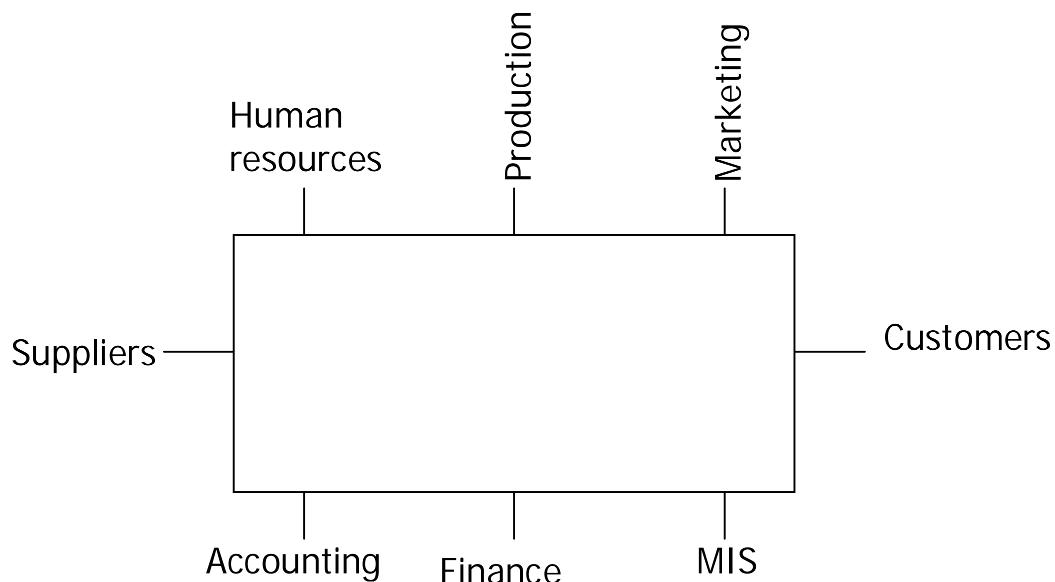
Strategically, the firm in an emerging industry must be prepared for a possible shift in the orientation of its suppliers and distribution channels as the industry grows in size and proves itself. Suppliers may become increasingly willing (or can be forced) to respond to the industry's special needs in terms of varieties, service, and delivery. Similarly, distribution channels may become more receptive to investing in facilities, advertising, and so forth in partnership with the firms. Early exploitation of these changes in orientation can give the firm strategic leverage,

STRATEGY FOR MAINTAINING STRATEGY ADVANTAGE:

Hannagan (2002) in defining competitive strategy stated that it arises when an organization has an advantage in competing with its rivals, which enables it to earn returns on investment, which are higher than the average for the sector. This means that a company, which has a competitive advantage, is able to compete successfully with other companies in its market. The objective of strategic management is to create a situation where the company has a sustainable competitive advantage. In order to maintain a competitive advantage, a strategic manager must have a clear view of an organization's resources and how these can be used in the best possible way to achieve its corporate objectives. The resources of an organization include the skills of its human resource, its physical resources in terms of property, plant, and financial resources including cash and credit. The management process is concerned, one way or another, with organizing there resources so that there is a productive outcome. The outcome is the production and development of products and services which provide benefits to consumers and are offered in such a way that the organization is able to succeed. Products and services offered must be that which customers want, are prepared to and able to buy, while the organization has to make a profit or to receive sufficient revenue in one way or another to survive and flourish.

Hannagan (2002) described operations management as the process of transforming organizations resources from one state, such as raw

materials to another, such as finished products. This transformation process takes place in one way or another in all areas of the economy.



Source: Hannagan (2002)

In attempting to achieve a competitive advantage, resources are foundation for an organizational strategy. One strategic option is to select a strategy that best exploits the organization's resources and capabilities relative to external opportunities. This requires an analysis of the organizations resources and capabilities and their relative strengths and weaknesses compared to competitors, and then the identification of opportunities as well as the gaps in the resources or the capabilities of the organization so that investment can be directed at filling these gaps and replenishing and up grading resources and capabilities.

One aspect of competitive advantage is a strategy aimed at positioning an organization in its market, but fundamental to this process are the resources of the organization and their availability. For example, the ability to establish a cost advantage requires an efficient size of operating plant, whether it is a product writ such as a factory or an office – based operation; the excellent use, of resources; and access to relatively low cost inputs such as raw materials or labour. Low cost labour has effectively been utilized by many companies in obtaining their goods from courtiers that pay low wages.

Competitive advantage can also be obtained through differentiation of the organization's products and services. This can be achieved as a result of image and reputation, product design and development, and through marketing and distribution capabilities. Meeting customers' needs requires knowing what these are, having the night product and making it available in the best way. Strategic marketing is an essential aspect of organizational success. Products and services need to provide customer benefits and they need to be at price and in a location where customers will know about them and make the decision to buy.

FACTORS NEEDED FOR MAINTAINING STRATEGIC ADVANTAGE

1) **Return on investment:** Achieving competitive advantage has to be viewed from the point of view of returns on investment, because it arises when an organization is in a position to earn returns on investment which are higher than the average for the sector (Hannagan, 2001). This is another way of describing an organization that can

compete successfully with its rivals in its market. All organizations have to start with some capital invested in them, whether they are restaurants or bookshop. A sole trader may approach a bank manager to lend N500,000 to add to his own investment, or a major company raising funds from the Nigerian capital market. The common feature of these financial arrangements is that the people involved in making the investment will expect a return. The key business ratio is the return on capital employed' which compares the profit earned to the amount of long-term capital invested in the business.

The capital employed includes the capital of the company owners plus any long-term liabilities. Investor will be looking for a consistent as well as high return, while a low return on capital employed will indicate to them that there are weaknesses in either the profitability or the productivity of the business.

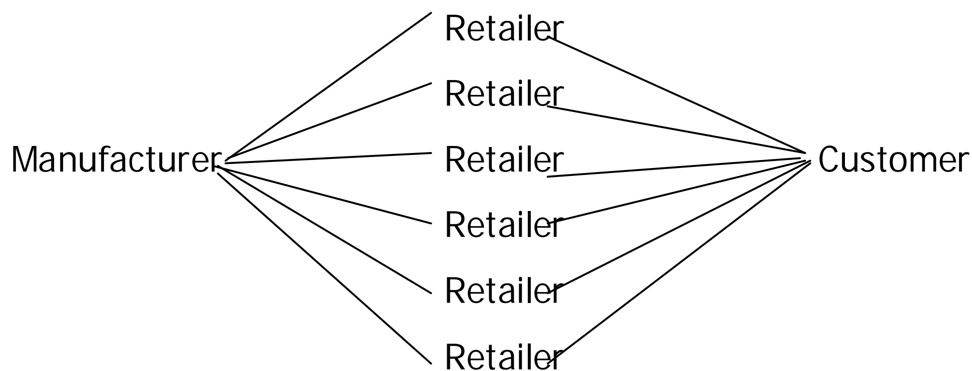
1. The location and distribution of products and services Hannagan (2001) described 'place' in marketing terms as a place where the final exchange occurs between the seller and the purchaser. Managers have to make decisions about where this exchange takes place and how. place may be a physical location, such as a shop, or it may be a system of communication such as the internet or with order. These services have altered the idea of place and location in that the services are now available in people's home, and information on a wide range of goods and services can be accessed on a worldwide basis. Managers also have to decide about channels of distribution. A

distribution channel is the process that brings together an organization and its customers at a particular place and time for the purpose of exchange. The channel of distribution is designed to overcome the main gaps of time and place that separate goods and services from those who want to use them. This can be called "logistic management" which is about having the correct product o services in the right place at the right time. The length of a channel of distribution reflects the number of levels of interposed between the production of a commodity or service and its final exchange with consumers. The breadth of a channel of distribution is related to the total number of different channels to be used at each level. Selling goods through only one company of retail shops may reduce channel breadth. On the other hand, selling though a wider variety of shops may increase it.

Channel length:

Manufacturer -→ wholesaler -→ retailer -→customer

Channel Breadth:



Source: Hannagan (2002 : 128)

The advantage to a customer of a direct channel of distribution, that is when it deals directly with its customers, is that the company can retain control of channel activities.

Pricing strategy: Another factor that results to competitive advantage is pricing strategy. In order to achieve the objectives of the company, managers have to sell their products or services, and this means not only distributing the products in the best possible way to reach consumers but also having them at a price which will attract actual purchases. Price must be consistent with the total marketing strategy for a product, although at the same time it will depend very heavily on the supply and demand for the product. If a product is available in large quantities and demand is relatively low, the price is likely to be low as well because customers can make a wide choice and choose or bargain for a lower priced item. If in these circumstances a company originally sets price at a high level, it will soon fall in order to reach a point where demand is more equal to the supply.

Strategic managers are usually trying to create a less than perfect market place where they have a competitive advantage. Their marketing strategy is designed to differentiate the products of their companies so that instead of having a large number of the same product available to customers; there are a number of differentiated products. It can be argued that a company's marketing attempts is to create a monopoly for its products so that the company can control prices by controlling the supply of the product. Hannagan (2002)

Promotional strategy: Promotion can be seen as a whole collection of methods by which the task of providing information on, and creating a positive image of, organizations and their products and services may be carried out. According to Hannagan (2002), promotion requires communication with customers. It is obvious that people must have heard of a product/service before they can make use of it or buy it. The process of promotion will be objective if it induces consumers to a point where they "demand" a product and "make a decision to buy".

Hannagan (2002) outlined this process as follows:

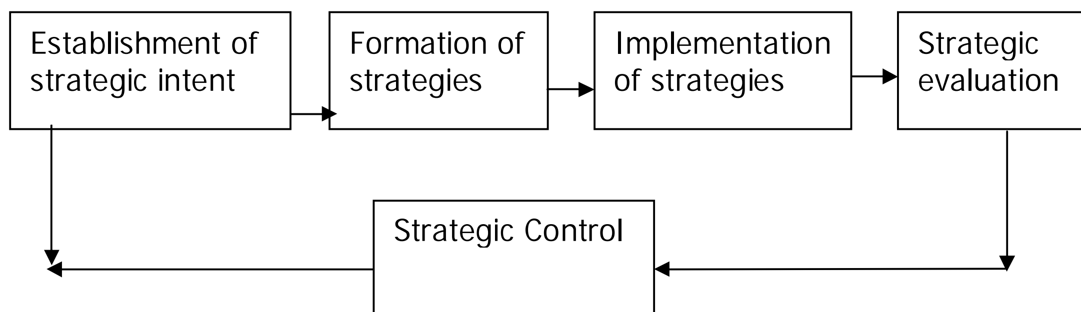
1. Awareness: Potential consumers must be aware of the fact that they have a need that must be satisfied and that there are various ways to satisfying it.
2. Knowledge: after the consumers have realized the existence of needs, they develop an interest in learning more about the products.
3. Understanding: consumers need to understand various alternative courses of action, the benefits available and the cost involved.

4. Attitude: Consumers are able to compare alternative courses of action, including the option of doing nothing, and form opinions and attitudes based on their knowledge or of these alternatives.
5. Action: the 'closing of the sale may require the active involvement of a sales person to remove any remaining doubts and to convert the commitment of the consumer into action.

2.16 STRATEGY DEVELOPMENT PROCESS

Authors like Kazim (2002), Jauch and Glueck (1998), Wooten Simon and Henrne (1997), have outlined various strategic management processes:

Kazim (2002) diagrammatically stated the process thus:



According to him each phase of the strategic management process consists of a number of elements, which are discrete, and identifiable activities performed in logical and sequential steps.

These steps are broken down thus;

(1) **Establishing the hierarchy of strategic intent.**

a Creating and communicating a vision.

b Designing a vision statement.

c Defining the business.

d Setting objectives.

(2) **Formulation of strategies**

a Performing environmental appraisal.

b Doing organizational appraisal.

c. Considering corporate – level strategies.

d Considering business-level strategies.

e Undertaking strategic analysis.

f. Exercising strategic choice.

g Formulating strategies.

h Preparing a strategic plan.

(3) **Implementation of strategies**

Under this we have:

a Activating strategies.

b Designing structures and system.

c Managing behavioral implementation.

d Managing functional Implementation.

e Operationalising strategies.

(4) **Performing strategies evaluation and control**

a Performing strategic evaluation.

b Exercising strategies control.

c Reformulating strategies.

Kazim (2002) went further to explain a bird-eye view of the different element of the process.

These include:

(1) The hierarchy of strategic intent lays the foundation for the strategic management of any organization. In this hierarchy, the vision, mission, business definition and objectives are established. The strategic intent makes clear what an organization stands for. The element of vision in the hierarchy of strategic intent serves the purpose of stating what an organization wishes to achieve in the long run. The business definition explains the businesses of an organization in terms of customer needs, customer groups, and alternative technologies. The objectives of an organization state what is to be achieved in a given time period. These objectives then serve as yardstick and benchmarks for measuring organizational performance.

(2) Environmental and organizational appraisal helps to identify the opportunities and threats operating in the environment and strength and weaknesses of an organization in order to create a match between them. In such a manner, opportunities could be availed of, and the impact of threats neutralized, in order to capitalize on the organizational strength and minimize the weakness

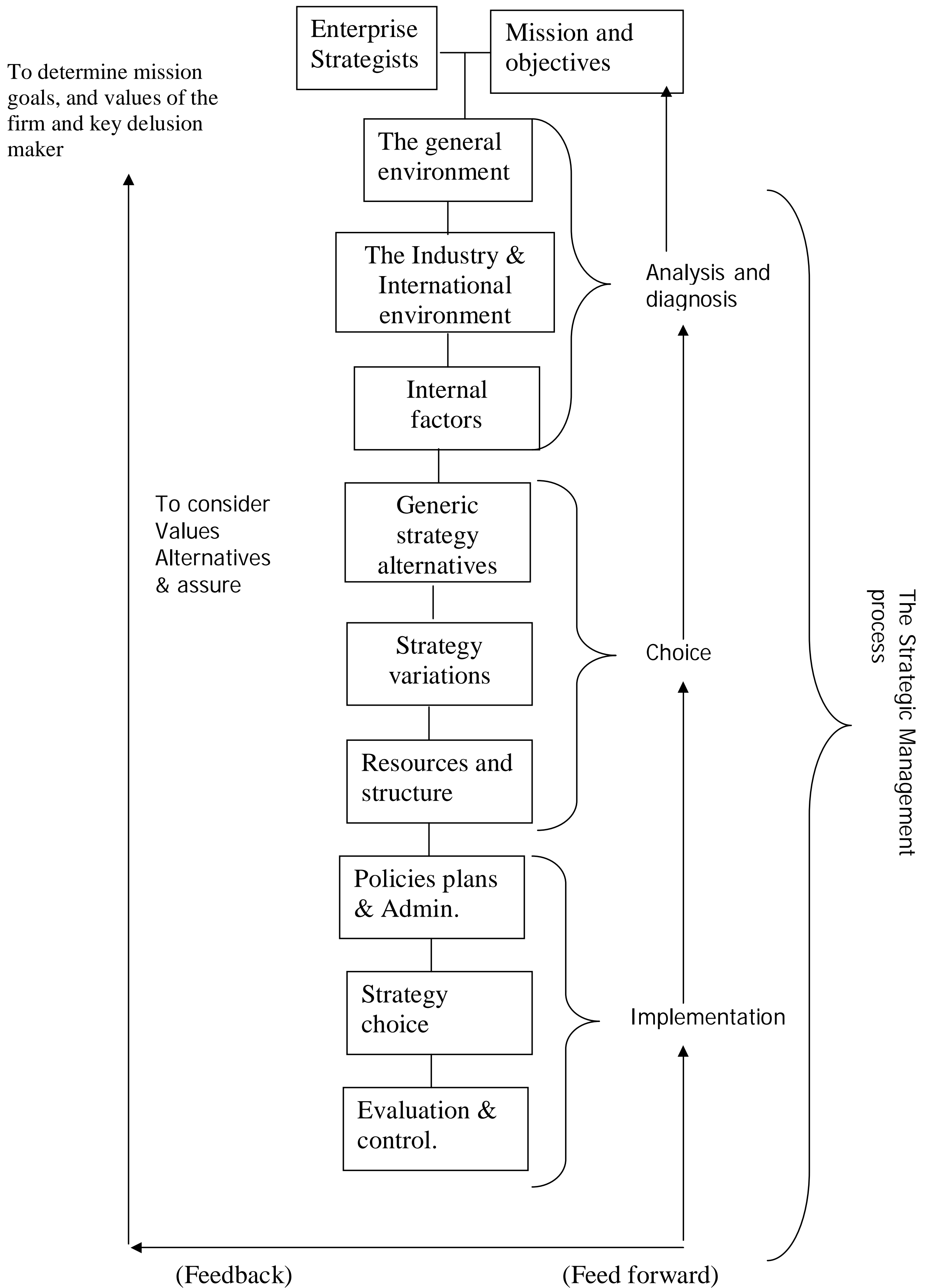
(3) Strategic alternatives and choices are required for evolving alternative strategies out of the many possible options, and choosing the most appropriate strategic or strategies in the light of environmental opportunities and threats and corporate strengths and weaknesses. Strategies are chosen at the corporate

level and the business–level. The process used for choosing strategies involves strategic analysis and choice. The end result of this set of elements is a strategic plan that can be implemented.

(4) For the implementation of a strategy, the strategic plan is put into action through six sub-processes: project implementation, procedural implementation, resource allocation, structural implementation, behavioral implementation and functional and operational implementation. Project implementation deals with setting up the organization procedural implementation deals different aspect of the regulatory, framework within which organizations have to operate, resource allocation relates to the procurement and commitment of resources for implementation. The structural aspects of implementation deal with designing appropriate organizational structures and systems, and reorganizing to match the structure to the needs of the strategy. The behavioural aspects consider the leadership styles for implementation strategies and other issues like corporate culture, corporate politics and we of power, personal values and business ethics, and social responsibility. The functional aspects relate to the polcies to be formulated in different functional areas. The operational implementation deals with the productivity, processes, people, and pace of implementing the strategies. The emphasis in the implementation phase of strategic management is on action.

5. The last phase of strategic evaluation appraises the implementation of strategies and measures organizational

performance. The feedback from strategic evaluation is meant to exercise strategic control over the strategic management process. Strategies may be reformulated, if necessary.



Source:Jauch & Glueck (1988)

In a little departure from Kazim (2002), Jauch and Glueck (1998) explained that the strategic management process for a business which has organized itself with only a single SBU is given in Fig 3 above. strategic management elements, and decisions in the strategic management are classified into eleven levels.

These elements in model are explained broadly as:

(1) The general managers who are involved in the process of determining strategy to accomplish objectives are under mission, business definition, and objectives of the enterprise.

(2) Analysis and Diagnosis: Determine environmental problems and opportunities and internal strengths and weaknesses. This involves reorganizing problems and/or opportunities and assessing information needs to solve the problems and heuristics for evaluating the information.

(3) The next level explains the factors in this general environment, such as economical, technological and political conditions, which create threats and opportunities for the firm. This stage involves the analysis of the industry and international environments, and provision of the tool to help the diagnoses of the environment e.g. ETOP, SAP

The analysis of internal conditions that provide the strengths the strategist can use and weaknesses that strategist must current requires:

Going down the strategic choices. This involves generating alternative solutions to the problem, assessing them and choosing

the best ones. These choices include generic strategy alternatives of expansion, stability or retrenchment, and combination.

The next that is very important is implementation. This involves making strategy work by building the structure to support the strategy and developing appropriate plans and policies. By this also, it means good resource allocation, organization structure, and planning processes. These administrative processes must be integrated with the strategy to close gaps in order to attain desired objectives.

Finally, the process involves the evaluation and control. These review the results and future possibilities, determining whether the strategy is working and taking steps to make it work.

Also as part of the important aspect of implementation is the evaluation, feedback, and control of the strategy under way is important. But evaluation also includes feed forward to serve as an input to determine whether the strategy and plans as decided will work before proceeding with the choice.

As fig 3 suggests, these phases are integrated. While it is convenient according to Authors to discuss them as if they were a sequential step – by – step series of activities, in reality each phase affect all the other phases. As strategists carefully scan to environment; the implementation of past strategies and choice phase for new strategic directions requires a consideration of the ability to implement.

At the end of it all, strategic management is a continuous process. To say that it is a process rather than a series of steps is not just a shift

of words. The various parts of the process interact. Analytically, we can separate them, in reality we can't. As cases and businesses are analyzed, the integrated whole requires comprehensive explorations. This process then is a guide to improving strategic thinking.

According to Hill and Gareth (1998), the process of strategic management can be broken into five components. These components include:

i) selection of the corporate mission and major corporate goals;
ii) analysis of the organization, and its external competitive environment to identify opportunities and threats;
iii) analysis of the organization is internal operating environment to identify the organization's strengths and weaknesses;
iv) the selection of strategies that build on the organization's strength and corrects its weaknesses in order to take advantage of external opportunities and counter external threats; and
v) Strategy implementation. The task of analysing the organization's external and internal environment and then selecting an appropriate strategy is normally called strategy formulation. In contrast, strategy implementation typically involves designing appropriate organizational structures and control systems to put the strategy chosen into action.

2.17 LEVELS OF STRATEGY

Hannagan (2002), Stoner et al (1995) described 3 levels of strategy as:

Corporate level strategy: Corporate–level strategy is formulated by top management to oversee the interests and operations of organizations made up of more than one line of business. The major questions at this level are: What kinds of business should the company engaged in? What are the goals and expectations for each business? How should resources be allocated to reach these goals?

Top managers at Nigerian breweries have been remarkably successful in putting together a number of small, diverse businesses that share the strengths and vision of the total organization, especially the strong emphasis on innovation. For instance, six different units exist under the Nigeria breweries product unit, which is one of three life sciences units. Infusing the activities of so many business units with a company – wide sense of direction is what corporate level strategists must do.

With a corporate strategy, managers take a claim for their organization's place in the future. Your can think of a corporate strategy as an idea about how people at an organization will interact with people at other organizations over time. So it is very important to understand what a corporate strategy entails.

It is something of substance that guides people in their day to day work over an extended period of time.

Quality as part of corporate strategy: Quality has become a unifying theme for many organizations, from Nigerian breweries to Nigeria bottling company. Important to the success of total quality management, however, is linking the quality program to a few clear strategic goals. As financial standards point out, "Obselling about quality is no replacement for a well thought out corporate strategy".

At the Nigeria breweries, the quality program was redesigned with three targets in mind: boosting customer satisfaction, cutting costs, and reducing product introduction time.

The quality programme has two tongues defect prevention (with a goal of two defects per billion by the year 2000) and cycle time reduction – decreasing the length of time required to compete a job. This quality goal does not just apply to manufacturing, but to departments such as finance as well.

For instance, in 1988, it took coca-cola eleven days to close its book each month, but by 1993 it took two days. This time difference translates to a considerable cost savings.

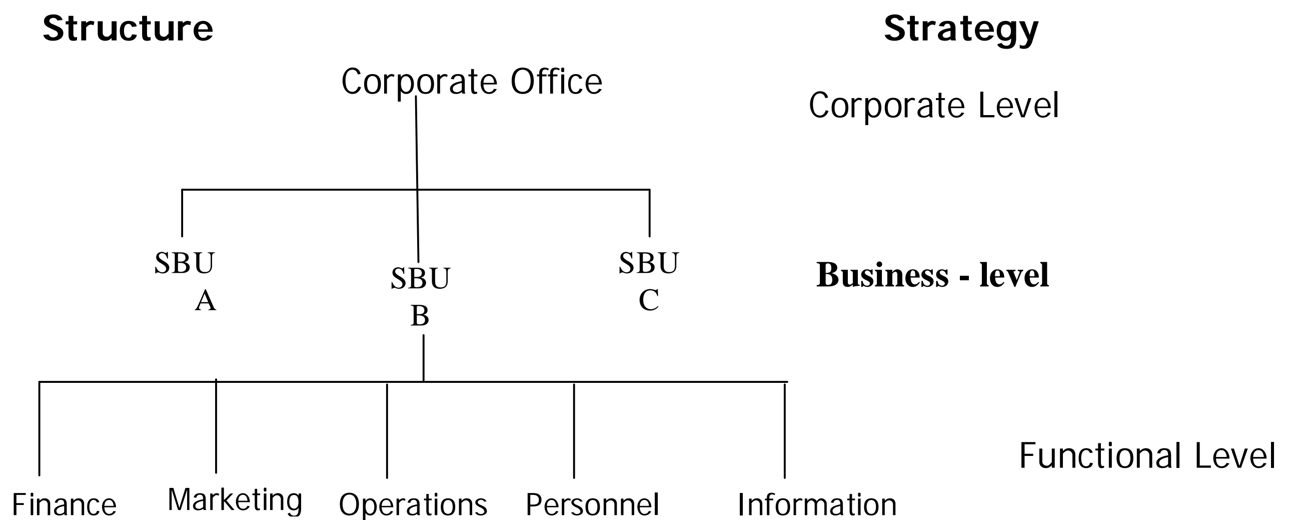
Business unit strategy: Business unit strategy (also called line of business strategy) is concerned with managing the interests and operations of a particular line of business. It deals with questions such as: how will the business compete within its market? What

products/services should it offer? Which customers does it seek to serve? How will resources be distributed within the business? Business unit strategy attempts to determine what approach to its market the business should take, and how it should conduct itself, given its resource and the conditions of the market.

Many corporations have extrusive interests in different businesses, and top managers have difficulty in organizing these corporations' complex and varied activities. One approach to dealing with this problem is to create strategic business units (SBUs). In this system of organization, various business activities that produce a particular type of product or service are grouped and treated as a single business unit. The corporate level provides a set of guidelines for the SBUs, which develop their own strategies on the business unit level. The corporate level then reviews the SBU plans and negotiates changes if necessary.

FUNCTIONAL – Level strategy: functional level strategies create a frame work for managers in each function – such as marketing or production to carry out business unit strategies and corporate strategies functional–level strategies complete the hierarchy of strategies.

Different levels of strategy:



Kazmi: (2002) in agreement with Stoner (2000) explained that the SBUs are involved in a single line of business. A complementary concept to the SBU, is the Strategic Business Area (SBA), which is defined as "a distinctive sediment of the environment in which the firm does (or may want to do) business"

A number of SBUs form a cluster of units under a corporate umbrella. Each one of the SBUs has its own functional department, and or a few major ones grouped under the corporate level. These different levels are illustrated in the diagram above. Two types of levels are depicted in this diagram.

One relates to the organizational levels and the other to the strategic levels. The organizational levels are those of the corporate, SBU and functional levels. The strategic levels are those of the corporate, SBU and functional level strategies. Corporate level strategy is an

overarching plan of action covering the various functions performed by different SBUS. The plan deals with the objects of the company, allocation of resources and coordination of the SBUs for optional performance.

SBU level core business) strategy is a comprehensive plan providing objectives for SBUs, allocation of resources among functional areas, and coordination between than for making an optimal contribution to the achievement of corporate level objectives.

Functional strategy deals with a relatively restricted plan providing objectives for a specific function, allocation of resources among different operations within that functional area, and coordination between them for optimal contribution to the achievement of SBU and corporate-level objectives.

Apart from the three levels at which strategic plans are made, occasionally companies plans at a level higher than the corporate level these are called the societal strategy which is a generalized view of how the corporation relates itself to society in terms of a particular need or a set of needs that it strives to fulfill. Corporate–level strategies could then be based on the societal strategy. Suppose a corporation decides to provide alternative sources of energy for society at an optimum price and based on the latest available technology. On the basis of its societal strategy, the corporation has a number of alternatives with regard to the businesses it can take up. It can either be a maker of equipments

used for tapping solar energy, or a builder of windmills, among other alternatives. The choice is wide; however being in one of these diverse fields would still keep the corporation within the limits set by its societal strategy. Corporate and business level strategies derive their rational from the societal strategy.

2.18 STRATEGIC GAP ANALYSES

Jauch and Glueck (1998) proposed three strategic gap conditions. These conditions are: -

(1) The gap must be perceived to be significant. Some theories refer to this as minimum threshold perception. The idea is that if you expect to be close to where you want to be, no change is required. If you want a 10 percent share and expect to get 9½, you may not change anything.

(2) The decision maker must be motivated to reduce the gap. Given multiple outcomes, the gap, even if significant, must pertain to an important objective. The trade off required to reduce a gap in one objective at the expense of a larger gap in a more important objective may reduce the motivation to make any alterations.

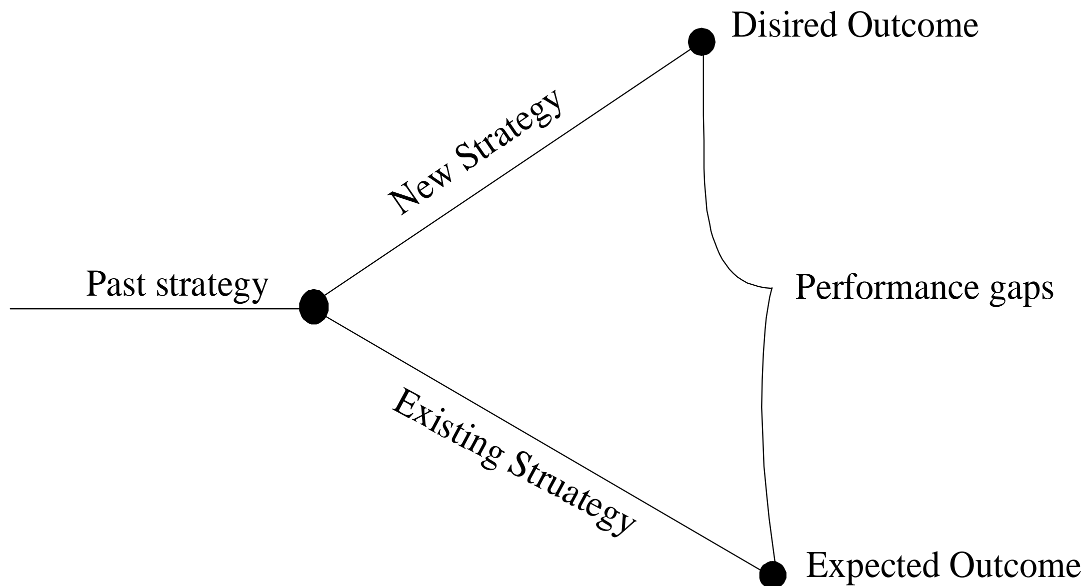
(3) The decision maker must believe that the gap can be reduced. the organization is seen as incapable of reducing the gap, the gap may be ignored. If the gap is a sales decline in corn and the decline is expected to be due to inadequate rainfall, the choice may be to try to grow corn. They concluded that if any of the three conditions is not present, it is wise that no change will be made or that the desired outcomes will be changed to be consistent with expected outcomes. If a change is made

and the overall process is effective, the desired outcome will be reached; then the process will start all over with new and probably higher desired outcome. As a change is implemented, if the desired outcomes prove to be unrealistically high, or if unforeseen changes in the environment occur, or if the implementation is ineffective, the desired outcomes might have to be lowered incrementally, or a contingency plan might have to be put into effect to deal with the new circumstances.

In all these instances, note that the various phases shown in fig 4 are linked together. In effect, this gap analysis can occur at any stage in the overall process. For instance, an internal analysis might reveal that the firm is not currently capable of reaching the desired outcomes with its current resources. It could try to build additional resources to reduce the gap if management believes it can reduce the gap this way; if not, this resource constraint could be a reason for resolving the gap differential by altering desired outcomes. Thus strategic choice and evaluation are ongoing in all parts of the model outlined in fig 4 and can lead to strategic change, goal alterations, or changes in implementation.

According to Jauch and Glueck (1988), looking carefully at the three conditions which must prevail before the gap will trigger action; you will note that perception, motivation, and belief are involved.

gap Analysis



Source: Jauch and Glueck (1998)

2.19 STRATEGIC ANALYSIS

Kazim (2002) broadly classified strategic analysis into two parts. These are corporate level strategic analysis and Business level strategic analysis. Under corporate level strategic analysis we have:

a. CORPORATE PORTFOLIO ANALYSIS

Corporate portfolio analysis is a set of techniques that evolved during the mid- 1960s and soon became a management fad. During the 1970s, a tendency to discredit these techniques arose when it was realized that the assumption did not always hold good. However, currently it is accepted that these techniques are useful, not as purely prescriptive but as an important and decisive part of a set criteria, normative as well as descriptive that assist strategists in exercising a strategic choice.

Kazim (2002) therefore defined corporate portfolio analysis as a set of techniques that help strategists in taking strategic decision with regard to individual products in a firm's portfolio.

It is primarily used for competitive analysis and corporate strategic planning in multi product and multi business firms. They may also be used in less diversified firms, if they consist of a main business and other minor complementary interests. The main advantage in adopting a portfolio approach in a multi product, multi business firm is that resources could be channeled at the corporate level to those business that possess the greatest potential.

b. **BCG MATRIX**

(The Boston Consulting matrix is the most popular technique considered under corporate portfolio analysis.

Kazim (2002), Jauch and Glueck (1998), Cherunilan (2004)

Hill and Jones (1988) all agreed that the BCG Matrix is a very important technique in corporate portfolio analysis. The main objective of the Boston Consulting Group (BCG) technique is to help senior managers identify the cash flow requirement of the different businesses in their portfolio. The BCG approach involves three main steps

(1) Dividing a company into strategic business units (SBUs) and assessing the long term prospect of each;

(2) Comparing SBUs against each other by means of a matrix that indicates the relative prospects of each; and

(3) Developing strategic objectives with respect to each SBU.

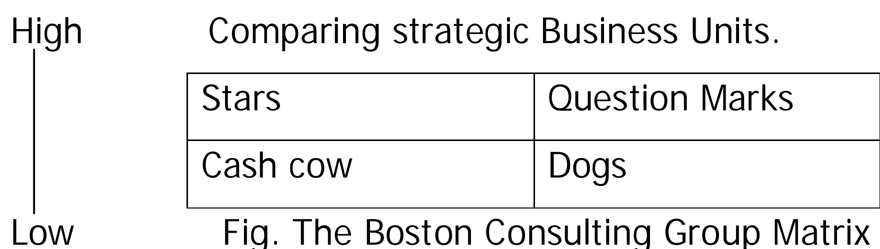
According to the BCG, a company must create an SBU for each economically distinct business area that it competes. When top managers identify SBUs, their objective is to divide a company into strategic entities that are relevant for planning purposes. Normally, a company defines its SBU in terms of the product markets they are competing in. Having defined SBUs, top managers then assess each according to two criteria:

i. The SBU's relative market share and

ii. The growth rate of the SBU's industry.

The objective of identifying an SBU's relative market share is to establish whether that SBU's market position can be classified as a strength or a weakness. Relative market share is defined as the ratio of an SBU'S market share to the market share held by the largest rival company in its industry. According to the Boston Consulting Group, market share gives a company cost advantages from economics of scale and learning effects.

Comparing strategic Business Units.



Stars	Question Marks
Cash cow	Dogs

Fig. The Boston Consulting Group Matrix

The Matrix is divided into four cells. SBU in cell I are defined as Stars, in cell 2 as Question marks, in cell 3 as cash cows, and in cell 4 as dogs. BCG argues that these different types of SBUS have different long-term prospects and different implication for cash accounts.

Their competitive strength comes from being farthest down the experience curve. They are the cost leaders in their industries. BCG argues that this position enables such SBU'S to remain very profitable. However, low growth implies a lack of opportunities for future expansion. As a consequence, BCG argues that the capital investment requirements of cash cows are not substantial, and thus they are depicted as generating a strong positive cash flow.

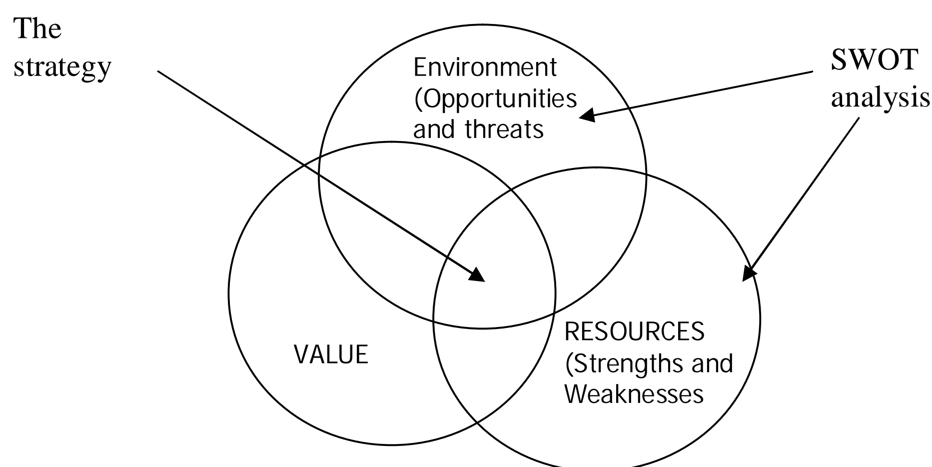
Dog: SBUs that are in low growth industries but have a low market share are dogs. They have a weak competitive position in unattractive industries and thus are viewed as offering few benefits to a company. BCG suggests that such SBUs are unlikely to generate much in the way of a positive cash flow and indeed may becomes ash hogs. Though offering flow prospects for future growth in return, dogs may require substantial capital investments just to maintain their low market share.

c. **ENVIRONMENT – VALUES – RESOURCES (EVR):**

Thompson John (1995) stated that David Marshall used E-V-R Congruence framework to demonstrate the underlying concept of strategic management. The theory (EVR) stated that strategies are being managed effectively when the organisation's resources are deployed in such a way that business meets the demands and expectations of its stakeholders, and responds and adapts to changes in the environment. Simply expressed, an organization has strengths when it can capitalize on opportunities and deal with potential threats in a climate of change pressures.

EVR Congruence is a refined version of SWOT (Strength, weakness, opportunity and threat) analysis. SWOT analysis is used to clarify the current strategic situation, while EVR Congruence serves as a more clarifying technique to understanding strategic situation.

E.V.R. Congruence three pillars can be clarified thus;



E-V-R CONGRUENCE

Source John L. Thompson (1995)

Under this theory we have:

(a) Environment in which the following questions are asked;

i) What do customer and other stakeholders demand?

ii) Which competitors' strengths have to be bettered?

(b) Resources: that are critically important, as to why, and how must they be deployed to satisfy (changing) market needs.

(c) Values:

i) What will it feel like to work in the company?

ii) Which value(s) are to be adapted or changed?

Strategic management is effective when resources match stakeholders' needs and expectation. The external environment consists of suppliers, distributors and customer as well as bankers and other financial institutions and shareholders.

E-V-R basically focuses on two basic questions:

(1) What will our major stakeholders expect from us in the future, and how are we going to satisfy their changing needs?

(2) What are the most valuable skills and capabilities, as well as new opportunities to exploit using these capabilities?

This type of analysis, however it might be carried out, should allow the organization to make decisions concerning future targets and actions which will be required to achieve them.

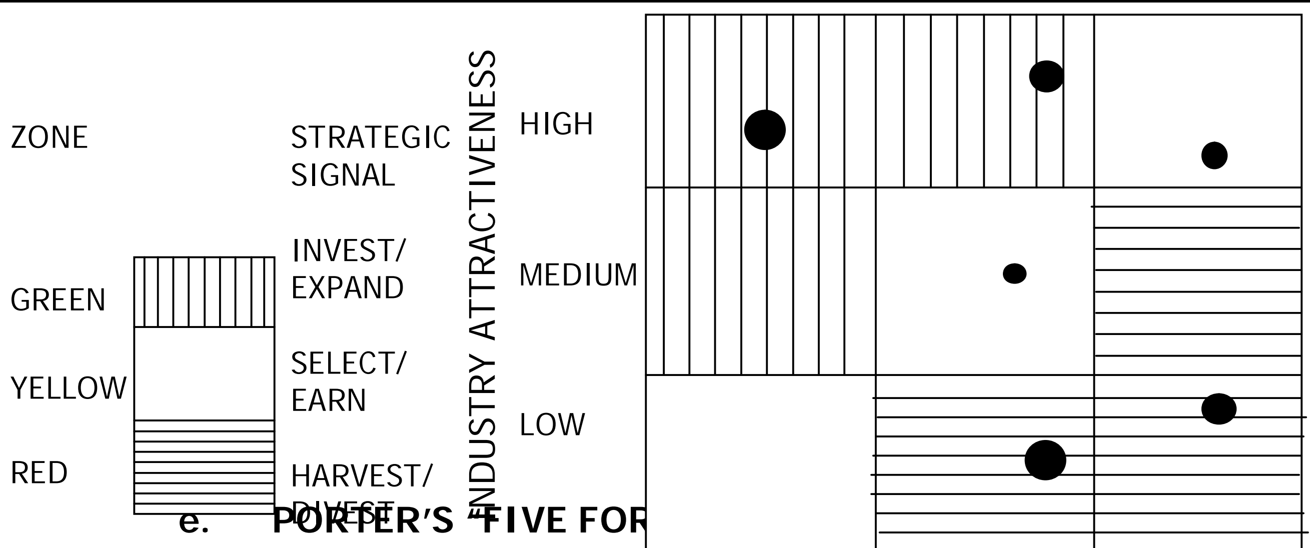
d. **GE NINE-CELL MATRIX**

Another corporate portfolio analysis technique is based on the pioneering efforts of the General Electric (GE) Company of the United States supported by the consulting firm of McKinsey and Company. The diagram below shows a typical GE nine-cell matrix. The vertical axis represents industry attractiveness, which is a weighted composite rating based on eight different factors. These factors are: market size and growth rate; industry profit margin; competitive intensity; seasonality; economies of scale; technology; and social, environmental, legal and human impacts. The horizontal axis represents business strength competitive position, which is again a weighted composite rating based on seven factors. These factors are: relative market share, profit margins, ability to compete on price and quality, knowledge of customer and market, competitive strengths and weaknesses, technological

capability, and the caliber of management. As can be seen from the list of the factors, good use can be made of the industry, competitor, and SWOT analyses information for determining the weight age and rating to assign to each factor. The two composite values for industry attractiveness and business strength/competitive position are plotted for each business in a company's portfolio. The pie charts (or circles) denote the proportional size of the industry and the dark segments represent the company's market share.

The nine cells of the GE matrix are grouped on the basis of low to high industry attractiveness, and weak to strong business strength.

General Electric Nine – cell Matrix



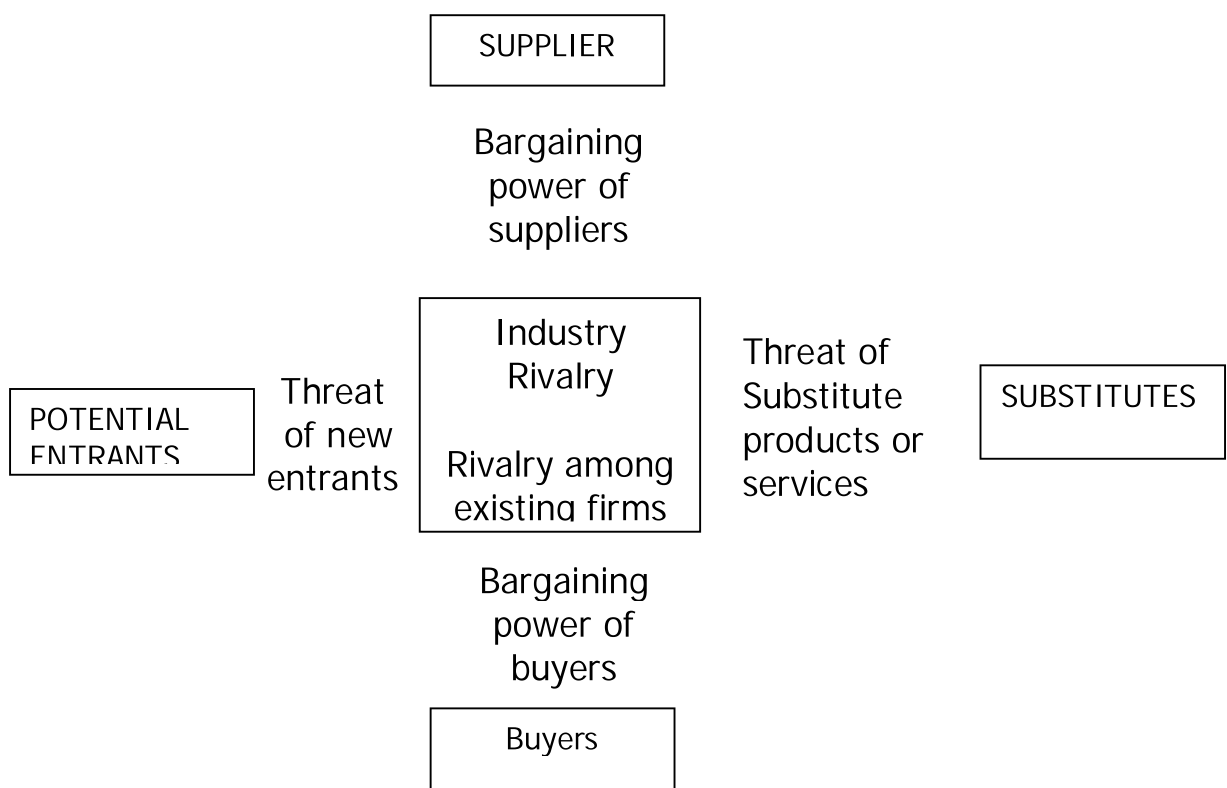
e. PORTER'S "FIVE FOR

5.

Source: Azhar Kazmi (2002)

Michael Porter (1980) of Harvard Business School developed a widely used framework that classifies the various forces of competition under five headings for each industry as shown in the diagram below. Direct competition is from rival companies in the same industry, industry profitability is also affected by the competitive pressure or threat

exerted by four forces external to the industry; suppliers of substitute products; potential new entrants; suppliers to the industry; and buyers. In analyzing strategic and investment priorities, managers must identify opportunities in industries such as weak competitive forces–few rivals, no close substitutes, high barriers to entry, suppliers and buyers with weak bargaining power.



Source: Michael Porter (1980)

f. THE EXPERIENCE CURVE

Must strategy analysis, including porter's "five forces" and especially the "Boston boxes", encourage companies to seek a dominant market position, eflected in a high relative market share.

Support for this idea comes from the Strategic Planning Institute's influential PIMS (profit impact of market strategy) studies in the 1970s,

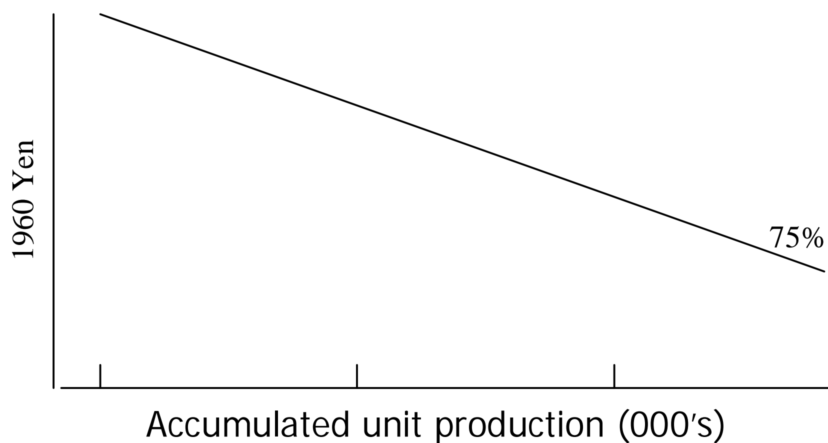
which found a positive correlation between business profitability and market share. This correlation is lower than many people suppose but, other things being equal, a high market share is associated with an increase return on investment through higher prices (based on product ranged /quality and bargaining power), lower cost and higher asset turnover.

The cost advantage of a company that dominates its market goes beyond static economies of scale (i.e. with a given technology large operation tends to have lower unit costs). The dominant company also has more scope to reduce cost over time by learning from experience.

This idea was studied, developed and disseminated by BCG from the late-1960s, summarized in the law of Experience – "The unit cost of value added to a standard product declines by a constant percentage (typically between 20 per cent and 30 per cent) each time cumulative output doubles". The Figure below shows a classic industry experience curve from this time.

Experience curve can also be found for individual companies over time and (less reliably) cross-sectionally between companies. Their importance is in focusing on the rate and sources of experience-based cost reduction.

THE EXPERIENCE CURVE



Accumulated unit production (000's)

Sources: DTI, A Review of Monopolies and mergers Policy, HMSO 1978

THE IMPORTANCE OF THE LINK BETWEEN STRATEGIC MANAGEMENT AND ORGANIZATIONAL CULTURE.

Hannagan (2002) explained the link between strategic management and organizational culture. He stated that strategy is a focus for an organization and the people within it, to understand the purpose of the organization, where it is going, how it is going to reach that goal, and the role of individuals in the life of the organization. Strategy can also provide individuals with long term objectives with which they are able to identify and value, and can also provide a link between company, policies and a context for company actions. This means that strategy can be more than a means of matching internal resources to meet external opportunities and to deal with external threats.

Strategic management and strategic plans are influenced by the needs of customers, competitive forces and other environmental forces. They are also affected by the culture of the organization and help to reinforce this culture. In order for an organization to be successful it must have

more than a strong and appropriate culture, it must also be able to continuously adapt to its environment. An adaptive culture is likely to be one in which people will take risks against a background of trust, teamwork and confidence in their own abilities and those of their colleagues and have enthusiasm for their jobs. Adaptability enables an organization to be effective by:

- ✓ Recognizing and responding to internal constituencies so that different teams and department interact positively with each other.
- ✓ Responding to either internal or external influences with the ability to restructure and re-institutionalise behaviours and processes as appropriate.

  At the same time, if any organization takes too many risks it may find itself in difficulties and change can lead to instability and a loss of direction. Ideally, the culture of an organization should be one which values and supports all the stakeholders in an organization, such as customers, shareholders and employee and in the case of the public sector, government agencies and the public as well. The culture can provide employees with non-economic reasons for investing their effort in supporting the success of the organization.

Organizational culture influences strategy formulation in a number of ways:

- ✓ It acts as a filter for people's view of their environment.
- ✓ It establishes moral and ethical standards.
- ✓ It provides rules and norms for behaviour.
- ✓ It influences power and authority and how decision are made

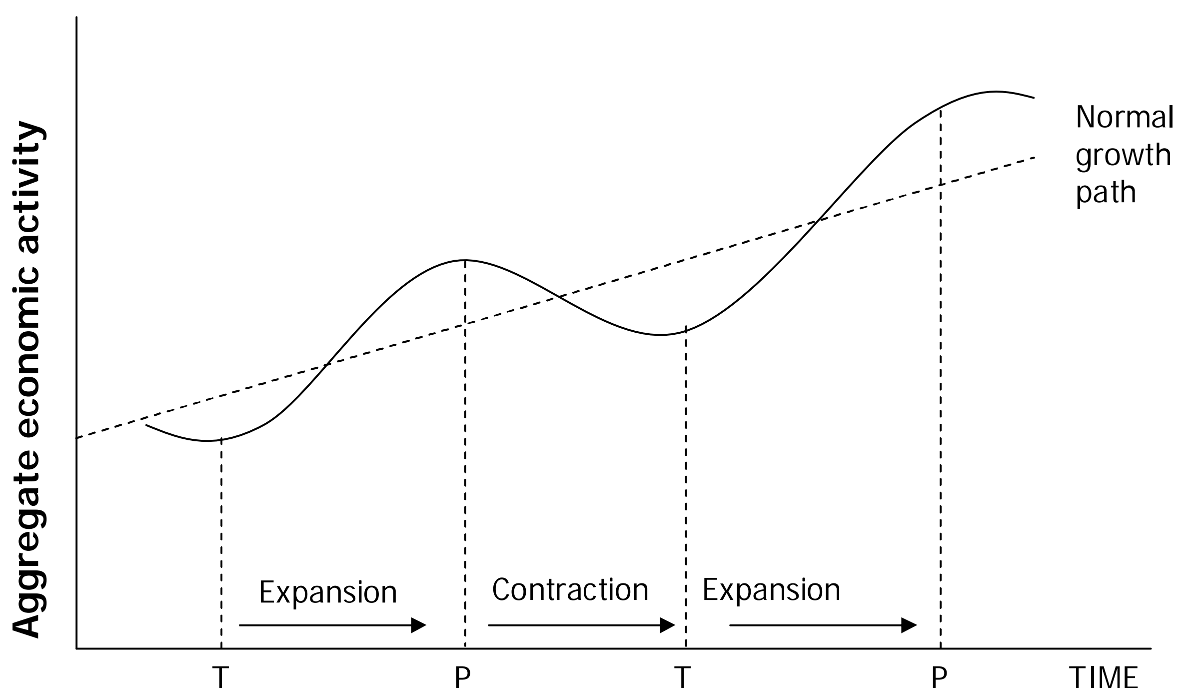
An organization's culture influences how its strategy is implemented. The more closely the strategy is in tune with the prevailing culture, the more effectively the strategy will be put into practice. It can be argued that the most effective cultures are those which actively involve large numbers of individuals in consultative and decision-making bodies. Also some cultures allow an organization to exploit an environment more effectively than others and are therefore more strategically appropriate. Organizational strategies and structures and their implementation are shaped by the assumptions and beliefs, which can be defined as culture. Culture can constrain or support the ability of an organization to succeed.

2.20 STRATEGY IN TOUCH WITH THE MACRO-ECONOMY

Business cycle and strategy; Abel and Barnanke (1998) defined business cycle as fluctuation found in the aggregate economic activity of nations that organize their work mainly in business enterprises. A cycle consists of expansions occurring at about the same time in many economic activates, followed by similarly general recession, contractions, and revivals which merge into the expansion phase of the next cycle, this sequence of changes is recurrent but not periodic. In duration, business cycles vary from more than one year to ten or twelve year.

Success or failure of business strategy can be attributed to business cycle. The business cycle is a central concern in macroeconomics because its cycle flirtatious the ups and downs in overall economic activity are felt throughout the economy. The effect is that must

companies operating within the economy resort to contraction strategy. When the economy is growing strongly, prosperity is shared by most of the nation's industries and their workers and owners of capital. When the economy weakens, many sector of the economy experience declining sales and production, and the number of unemployed workers increases. Because the effects of business cycle are so widespread, and because economic down turns can cause great hardship, economists, business strategists have attempted to find the causes of these episodes and to determine what, if anything can be done to counteract them.



Source: Abel and Benanke (1998) business cycle

The diagram above is a typical business cycle which helps to explain what burns and Mitchell meant by expansion and contractions. The dashed line shows the average, or normal, growth path of aggregate

economic activity, and the bold line shows the rises and falls of actual economic activity. The period of time during which aggregate economic activity is falling is a contraction or recession. If the recession is particularly severe, it becomes a depression. After reaching the low point of the contraction, the trough (T), aggregate economic activity begins to increase. The period of time during which aggregate economic activity grows is an expansion or a boom. After reaching the high point of the expansion, the peak (P), aggregate economic activity begins to decline again. The entire sequence of decline – followed by recovery, measured from peak to peak or trough to trough, is a business cycle. The diagram above, suggests that business cycle are purely temporary deviation from the economy in long–run growth path. However, part of the output losses and gains that occur during a business cycle may become permanent.

Peaks and trough in the business cycle are known collectively as turning points. One goal of business cycle research is to identify when turning points occur and how it affects business.

Dess and Miller (1993), also explained that the overall state of the economy greatly influences the strategies and performance of various industries and competitors within each industry. Some of the more prominent indicators by which the health of an economy can be pledged are growth in GNP, interest rate, inflation rates, saving rates, and budget deficits/surprises. According to Dass and Miller, these indicators are highly interrelated. The GNP represents the dollar measure of the

value of all goods and services produced within an economy. As such, an increase in the GNP is generally associated with higher levels of consumer and industrial demand for products and services.

Demand for many goods and services such as automobiles and entertainment, rises and falls according to fluctuations in interest rates; the higher the interest rate, the lower the demand. The cost of capital also goes up during periods of higher interest rates, thus depressing capital investment; because interest rate are such an important factor in decisions involving major expenditures for plant and equipment. Similarly, inflation or price movement is an important variable that business strategist should monitor for sound and feasible strategy

2.21 STRATEGIC MANAGEMENT ISSUES.

According to Jauch and Glueck(1998) internal analysis is the process by which the strategist examine the firm's marketing and distribution research and development, production, corporate resources and personnel, and finance and accounting factors, to determine where the firm was significant, strengths and weaknesses. Internal diagnosis is the process by which strategists determine how to exploit the opportunities and meet the threats the environment is presenting by using strengths and repairing weaknesses in order to build sustainable competitive advantages.

Every firm has strengths and weaknesses. The largest firms have financial strengths, in comparison with smaller firms, but they tend to

move more slowly and may be less able to serve small market segments effectively. No firm is equally strong in al its functions. For instance, Nigerian Brewery may have superb marketing, events for its outstanding production and product design, MTN Nigeria known for its outstanding service and personnel policies, yet each of these firms is not strong "across the board" within a company, each division has varying strength and weaknesses. Oceanic Bank Nigeria may be strong in customer service and weak in computers. A firm must determine what its distinctive competencies are, and how to use these abilities now and in the future. And it must determine whether weaknesses will limit strategic options or identify weaknesses which can be overcome. Unless the executives are fully aware of their competitive advantages, they may not know the opportunity that is likely to lead to the greatest successes. Thus, managers/executives conduct regularly environmental analysis so that decisions can be made about how to use or add strengths and minimize weaknesses for competitive advantage.

Jauch and Glueck (1998) outlined the internal factors for strategic analysis. These factors are:

(a) Marketing and distribution factors: Marketing and distribution means moving goods or services from the producer to the customer. It starts with finding out what customers want or need and whether the product and/or service can be sold at a profit. This requires conducting market research, identifying the market, developing product, testing customer reaction, working out production and cost, determining distribution and

service requirements, and deciding on advertising and promotion approaches.

Vast economic and social changes have made marketing strengths more important for most firms. The recession in the early 1980s in Nigeria and demographic and life style shifts created problems for those who pursued mass marketing and brand loyalty as the keys to marketing success. Likewise, intense international competition, rapid technological change, and deregulation have created new weaknesses in typical marketing approaches. The changing nature of competition requires a close look at marketing strengths and weaknesses in order to build competitive advantage in increasingly fragmented markets. The strategist is looking to see if the firm is substantially stronger in marketing and distribution than its competitors.

The operational marketing questions of segmentation, positioning, and mix (product, price, promotion, and distribution) are quite important to the firms' ability to compete effectively. Of course, firms compete on any and all of these factors. Some firms prefer approaches involving low prices, lower quality, more promotion, and wide distribution; others prefer orientations toward higher prices, higher quality and custom design.

Assessments of the weaknesses in relation to market potential also suggest areas where improvement can be made. For instance, if there appear to be a gap in the product line, new product development or

acquisition is called for to out the existing line or create new ones. A gap in distribution might lead to efforts to build intensity, exposure or coverage. If usage gaps exist, price or promotion can lead to increased frequency of purchase, or new uses or users (customers) can be found for product.

Just as important as these questions are other areas focus on how the marketing organization functions. For instance, the organization may have the ability to accumulated better knowledge about its market than the competitors, if properly used, this can be a major advantage with respect to assessing the need for changes and determining their timing similarly, if the marketing organization maintains good relationship with production the translation of market place needs into timely creation of goods and services can lead to a competitive edge.

Finally, the importance of marketing to overall success of the company needs evaluation. In some firms, such as those which supply to a few customers who specify their precise needs, defense contractors, the marketing function need not be particularly strong. In other industries, the greatest share of internal resource allocation may go to marketing department. As competitive needs are assessed, the relative strength of marketing and the way it is managed in relation to major competitors may lead to indications of strength or weaknesses.

(b) R & D (Research and Development): The research and development and engineering function can be a competitive advantage for two prime reasons. (1) It can lead to new or improved products for marketing and (2) it can lead to the development of improved manufacturing or material processes to gain cost advantages through efficiency.

Positive technology involves record for the purpose of upgrading existing technologies and improving products. Research on negative technology is done on processes, materials, or technology, which could present a threat to existing technology. While this entails time, cost, and risk, it enhances the possibility of accumulation of new technology and keeps a firm abreast of potential substitutions. Nonexistent technology research focuses on developments which could provide threat or opportunity in the future. Without this, delays in research of negative technology would cease to be developed.

As with marketing, the importance of R & D to success in business is much higher for some than for others, for instance, computer firms generally have mush larger R & D Budget (5-6 percent of sales) than do many other industries. Yet, some firms choose to innovate with new products while others develop new applications or minor improvements. Of equal importance, R. & D is seen as a way to improve productivity in manufacturing. Statistics show that Japanese companies spend more on R & D than American companies.

Production and operation management: This is another strategic management issue that strategist look at business strategy. Operation is one of the most strategic areas in business management. High cost of operation can mar any business. The United States used to be cited as the leader in this area. Now it seems that Japanese, Taiwanese Korean, or European firms are the leader, "The development of careful production planning and control systems, productivity improvements, supplier relation, and plant capacity and location decisions can lead to important competitive advantages for a firm. If a firm can produce at a lower cost, has the capacity to handle business when others can't, or can get raw materials at favorable prices it has a competitive advantage. According to Jauch and Glueck (1998) in an era where mass marketing gives way to a focus on needs of fragmented population groups which seen to change rapidly, and flexibility in operation can very will become a competitive strength firms can increase process flexibility

As well as add flexibility to the production infrastructure (personal training, inventory, quality, control and planning and scheduling. This creates aggregate manufacturing flexibility.

2.22 CORPORATE RESOURCES AND PERSONAL FACTOR

Presley (1997) defined human resources management as the practice and policies concerning the "people" or human resources of an organization which including recruitment, screening, training, rewarding and appraising.

Human resources management is a strategic issue in business management today. Jeweh (1998) listed corporate resources and personnel factors, which can provide competitive advantages for a firm as:

1. Corporate image and prestige.
2. Effective organization structure, climate, and culture.
3. Company size in relation to the industry (barrier to entry).
4. Strategic management process.
5. Enterprise's record for reaching objectives.
6. Influence with regulatory and governmental bodies.
7. Effective corporate staffs support system.
8. High – quality employees.
    a. Balanced functional experience and track record of top management. Are replacements trained and ready to take over? Do the top managers work too well together as a team?
9. Efficient and effective personnel relation policies, staff appraisal and promotion, training and development, and compensation and benefits.
10. Effective relations with trade union.
11. Lower cost of labour as measured by compensation, turnover and absenteeism.
12. Effective management information and computer systems.

Many of these factors become particularly important when managers try to determine whether a strategy can be implemented. Weaknesses in these areas could lead to a decision of not attempting a given strategy because of the inability to carry it out effectively. For example, an acquisition candidate whose organization structure is incompatible with the structure of your firm could be a poor choice. Or a strategy to close plant could be affected by union contracts.

2.23 FINANCE AND ACCOUNTING FACTOR:

Analysis of the comparative financial conditions of the firm's is primarily done to determine whether the firm is capable of undertaking a particular strategy, or if it is advisable to do so. For instance, many entrepreneurs fail to account for their financial weaknesses in their start-up phase. Their firms go "belly-up because of the cash flow weakness if they have not planned for it. And many firm have costly plant expansions only to find that they are financially incapable of paying for them. Another purpose of financial analysis is to help pinpoint strengths or weaknesses in other functional areas, from operational and strategic perspectives. Accounting policies for inventory validation can have strategic value when changed in response to inflation and other external changes.

However, two important ideas to keep in mind as the financial position of the firm is analyzed. First, financial value of a firm must be carefully considered in terms of the basis upon which the valuation is made. Stock market prices may reflect short term judgments of analyst:

Liftman et al (1994) stated that poor financial control is often a cause of falling profitability. This can result from poor budgetary control, and inadequate costing system or inability to monitor and control cash. They continued by saying finance as a corporate function has many aspects which are concerned with strategy, these are:

- The acquisition of funds
- The use of such funds, including project appraisal;
- The provision of information to outsiders, including the preparation of final accounts.
- The provisions of intend information – the management accounting function.
- The provision of information from outside the company.

Corporate Marketing:

Guiltinan and Paul, (1991) defined corporate marketing planning as the process by which on organization sets its long – term priorities regarding products and market in order to enhance the value of the overall company. Two kinds of top management decision are involved in corporate marketing planning – cooperate strategy and product mix strategy. According to Guiltinan and Paul, in corporate strategy, management identifies the businesses in which the company will be involved in the future by specifying:

✓ The range of market to be served

✓ The kinds of products to be offered.

In making corporate strategy decision, the critical question to be answered is "in what markets will our particular resources be most effective in implementing the marketing concept"

Once a corporate strategy has been chosen, management must develop a product mix strategy to identify the role each product is expected to play in building the value of the business. The strategy will specify

- ✓ The relative share of the firms resources to be devoted to each product or product line.
- ✓ The kind of contribution that each product or product line is expected to make toward building the company's value.

From the middle manager's view, the product mix strategy provides guidance concerning top management's expectations. Knowing the role the product is expected to play is very important in the overall corporate picture to the development of marketing strategies and programs.

Corporate strategy and marketing corporate strategies are long-range plans designed to select the various businesses a company should be in, identify the market to be served (defining then in terms of needs or customers or both) and the product lines and services to be produced on the basis of an assessment of the company's environment, resources and objectives.

2.24 FACTORS AFFECTING CORPORATE MARKETING STRATEGY

Guiltinan and Paul (1991) outline three basic factor affection corporate marketing strategy. These are:

1. **Environmental problems and Opportunities:** All organizations operate in a dynamic environment which can create a variety of problems or opportunities in the firm's existing or potential markets
   The environmental problems include:

a. Demographic features: such as the age distribution of the population, the birth rate, population growth, regional population shifts, and the percentage of two worker households.
b. Social ad cultural values, such as attitudes toward health and intuition, the need for self-expression, materialism, ecological concerns, product safety.
c. Economic factors, including inflation and unemployment rates, economic growth, raw material, energy cost, interest rates, import duties, and excise taxes.
d. Technology, particularly developing and anticipating changes that have on impact on the kinds of products available in a market and the kinds of processes used to produce these products.
e. Legal and regulatory actions, which include regulations regarding the type of advertising available to a product, product labeling and testing requirements, limitations regarding product contents, pollution control, restrictions or incentives with respect to import and exports.
f. Competition, which to a large extent is a function of the other environmental forces. Specifically, both the identity of competitors and the type of focus (for example, price oriented versus technology-oriented) of competition may change because of:

- ✓ The entry of new firms (especially
- ✓ The acquisition of a small competitors by a large, well – financed organization
- ✓ Deregulation, changing economic condition or new production processes which faster increased price competition.
- ✓ Changing social and cultural values or new technology, which causes buyers to purchase faster, increased price competition.
- ✓ Changing social and cultural values or new technology which causes buyers to purchase products or services previously considered non-competitive.

2.25 GROWTH STRATEGY FOR CURRENT MARKETS

Guiltinan and Paul (1991:29) outlined various growth strategies for current markets and new markets. These are:

- ✓ **Market penetration:** market penetration refers to a strategy in which a firm expands its marketing effort to increase sales of existing products in its current markets. Typically, market penetration is achieved by increasing the level of marketing effort either by advertising and distribution) or by lowering prices. The sales potential of many products goes unrealized because the company is too small to initiate such efforts. As a result, large firms often acquire such products and then engage in the proper market – penetration efforts. Because market penetration requires no change in either a firm's products or markets, it is essentially a status quo strategy. As long as current performance is sound, and

the environment remains supportive of growth and profit opportunities, a firm may want to stick with its basic business. But even in growing or highly profitable markets, some adjustments to the product offering will usually become necessary because of environmental changes.

2. **Product Development:** Product development strategies involve the development of new product for existing markets in order to:
   (i) meet changing customer needs and wants;
   (ii) match new competitive offerings; and
   (iii) meet the needs of specific market segments.

This strategy involves replacing existing products or expanding the product line. Usually, product development is appropriate when changing needs and taste result in the emergence of new segments o when competitive and technological changes motivate firms to modify their product lines.

To enhance a firm's effectiveness or efficiency in serving existing markets, vertical integration strategies are selected. Such integration is often accomplished when a firm becomes its own supplier. As a general rule these strategies will be most appropriate when the ultimate markets are projected as having high growth potential, because the resources required to implement these strategies are usually extensive.

Although vertical integration seems to be a fairly low-risk strategy, in practice it is not nearly as simple as other current market strategies.

For example, the managerial and marketing skills required for forward integration into retailing of clothing are far different from those involved in the manufacturing of clothing. Similarly backward integration may back fire if a firm cannot produce its own supplies efficiently.

3. **GROWTH STRATEGIES FOR NEW MARKETS**

Gultinan and Paul (1991) adopted four kind of corporate strategies in entering new markets. These are.

1. **Market development**: the market development strategy represents an effort to bring current products to new markets. Typically, management will employ this strategy when existing markets are stagnant, and when market share increases are difficult to achieve because market shares are already very high or because competitors are very powerful. This strategy can be implemented by identifying new uses or new users.
2. **Market Expansion:** A market expansion strategy involves moving into a new geographic market area. Many firms originates as regional competitors

Today however market expansion is more likely to be international in scope, and frequently through the growth strategy it is most likely to achieve rapid growth in sales volume. International market expansion strategy can be pursued at one of three levels: regional, multinational, or global level.

A regional strategy implies that a company will totally concentrates its resources and efforts in one or two areas. A multinational strategy involves a commitment to a broad range of national market. A global strategy is employed when an organization operates in a broad set of markets but with a common set of strategic principles.

3. **Diversification**: This is a strategy which involves both new products and new market. This strategy is likely to be chosen when one or more of the following conditions exist.
   - ✓ No other growth opportunities can be established with existing products or markets
   - ✓ The firm has unstable sales or profits because it operates in markets that are characterized by unstable environments.
   - ✓ The firm wishes to capitalize on its competence.

4. **Strategic Alliances**: Often a firm can only be successful in moving into a new market if it can acquire new resources or competencies. In such cases, the firm's strategy may be to form a strategic alliance with another firm. It is important to note that a strategic alliance is more than a joint venture. In case of a joint venture two firms essentially create a third entity which develops on its own. In a true strategic alliance two firms collaborate in a far more complete way by exchanging some key resources to enable both parties to enhance their performance. Typically, alliances involve exchanges of one or more of the resources like;

   (a) access to sales and distribution networks;

(b) transfers of new product technology; and

(c) production technology.

5. **Consolidation** strategies: Basically, there are three types of consolidation strategies in marketing, namely:

- ✓ Retrenchment
- ✓ Pruning
- ✓ Divestment

- ✓ **Retrenchment Strategy:** Is essentially the opposite of market development. A firm reduces its commitment to its existing products by withdrawing from weaker markets. Generally, this strategy is pursued whom a firm has experienced uneven performance in different markets.
- ✓ Pruning Occurs when a firm reduces number of products offered in a market. In effect, pruning is the opposite of product development and occurs when a firm decides that some market segments are too small or too costly to continue to serve.
- ✓ Divestment: Divestment occurs when a firm sells off a part of its business to another organization. Because this usually means that a firm is taking itself out of a product line and out of a particular market, divestment is essentially the opposite of diversification.

b) **PRODUCT MIX MARKETING STRATEGY**

A product mix strategy is a plan that specifies:

i. How various products or businesses will be prioritized for the purpose of allocating scarce resources?

ii. What objective will be established for each product or business to ensure that the total corporate objectives are met?

Concepts of Product Life Cycle

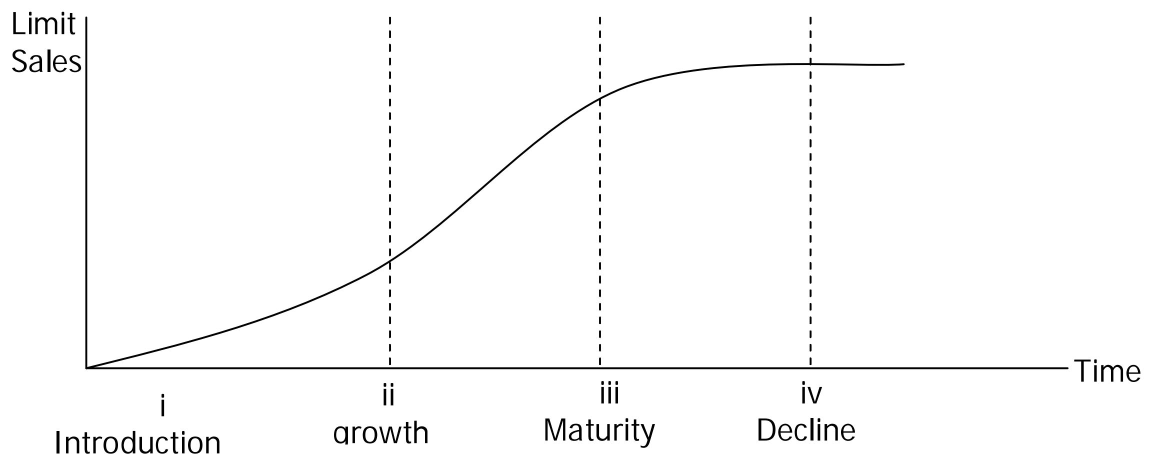
The product life cycle concept plays an important part in the development of a product mix strategy.

It helps managers to identify the significance of sales trends and to asses the changing nature of competition, costs, and market opportunities over time.

2.26 STAGES OF PRODUCT LIFE CYCLE:

1. **Introduction**: The product is new to the market, and since there are no direct competitors buyers must be educated about what the product does, how it is used, who it is for and where to buy it.
2. **Growth**: The product is now more widely known and sales grow rapidly because new buyers enter the market and perhaps because buyers find more ways to use the product. Sales growth stimulates many competitors to enter the market, and the major marketing task becomes to build market share.
3. **Maturity**: Sales growth levels off as nearly all potential buyers have entered the market, consumer are now knowledgeable about the alternatives repeat purchasers dominate sales, and product innovation are restricted to minor improvements. As a result, only the strongest competitors survive. It is very difficult for the weaker firms to obtain distribution and to increase market shares.

4. **Decline**: Sales slowly decline because of changing buyer needs or because of the introduction of new products, which are sufficiently different to have their own life cycles.



2.27 DYNAMIC ASPECTS OF MARKETING STRATEGY.

A firm must usually change its strategy over time because the situation it faces will usually change. The product life cycle provides manager with guidance as to how the situation changes over time. These changes will impact both on the choice of the type of strategy and the selection of marketing programme for implementing the strategy. The most obvious impact of the product life cycle is the shift from a primary to a selective demand strategy as the life cycle shifts from introductory stage to the growth and maturity stages.

As buyers become more knowledgeable about the product category and as the primary – demand gap declines the need for and pay off from primary demand strategies declines.

2.28 **STRATEGY CHOICES**

Jauch and Glueck (1998) broadly classified strategy choice under:

(I) Stability strategies.

(II) Expansion strategies.

(III) Retrenchment strategies.

(IV) Combination strategies.

According to these scholars, a stability strategy is a strategy that a firm pursuer when:

1. It continues to serve the public in the same product or service, market, and production sectors as defined in its business definition, or in very similar sectors
2. Its main strategic decision focus on incremental improvement of functional performance.

Stability strategies are implemented by "steady as it goes" approaches to decision. Few major functional changes are made in the product or service line, markets or function. In an effective stability strategy, a company will concentrate its resources where it presently has or can rapidly develop a meaningful competitive advantage in the narrowest possible product – market – function scope consistent with its resources and market requirements.

A stability strategy may lead to defensive moves such as taking legal action or obtaining a patent to reduce competition. Stability usually involves keeping track of new developments to make sure the strategy continues to make sense. Stability approach is not a "do nothing"

approach, nor does it mean that goals such as profit growth are abandoned. The stability strategy can be designed to increase profit through such approach as improving efficiencies in current operations. This strategy is typical for firms in a mature stage of development, or mature product – market evolution. Frequently, firms will segment markets or pursuer product differentiation and seek to use assets efficiently.

Kazmi (2002) in agreeing with Jauch and Glueck (1988) described stability strategies under;

(I) No – change strategy
(II) Profit strategy
(III) Pause / proceed with – caution strategy

2.29 EXPANSION STRATEGY:

An expansion strategy is a strategy that a firm pursues when:

1. It serves the public an additional product or service or add markets or functions to its definition.
2. It focuses its strategic decisions on major increases in the pace of activity within its present business definition.

A firm implements this strategy by redefining the business either by adding to the scope of activity or substantially increasing the efforts of the current business. Even without a change in mission, many firms seek pace expansions. The most common approach is as effort to

increase market share substantially, often accompanied by plant expansion. This is often referred to as an "entrepreneurial" strategy where firms develop and introduce new products and market or penetrate markets to build share. Small firms are often in the emergence stage of the life cycle or in introduction and growth stages of product market evolution. High investment is applied, often with aggressive risk taking to finance new resources. Expansion is usually thought of as "the way" to improve performance.

Kazmi (2002) stated that as economy is growing, burgeoning markets, grow rapidly customers seeking new ways of need satisfaction, and emerging technologies offer ample opportunities for company's to seek expansion strategies under:

i. Expansion through concentration
ii. Expansion through integration
iii. Expansion through diversification
iv. Expansion through cooperation
v. Expansion through internationalization

2.30 RETRENCHMENT STRATEGY

Jauch and Glueck (1988) described retrenchment strategy as when a firm:

i. Sees the desirability of or necessary for reducing its product or service lies, market or functions; and
ii. Focuses its strategic decisions on functional improvement through the reduction of activities in units with negative cash flows.

A firm can redefine its business by divesting itself of a major product line or an SBU, or by abandoning some market territories. A firm could also reduce its functions. Retrenchment alone is probably the least frequently used generic strategy. Yet the mid1980s witnessed huge write offs because of over capacity, obsolescence, failed strategies, and long term structural change in some basic industries. Retrenchment is frequently used during the decline stage of a business when it is considered possible to restore profitability. Kazim (2002) stated that retrenchment strategy is followed when an organization aims at contracting its activities through substantial reduction or the elimination of the scope of one or more of its business, in terms of their respective or alternative technologies either singly or jointly in order to improve its overall performance. he went further to say that retrenchment involves a total or partial withdrawal from either a customer group, customer function or the use of an alternative technology in one or more of a firms businesses.

2.31 COMBINATION STRATEGY

A combination strategy is a strategy that a firm pursues when

1. Its main strategic decisions focus on the conscious use of several grand strategies (stability, expansion, retrenchment) at the same in several SBUs of the economy.

2. It plans to use several grand strategies at different future time. With combination strategies, the decision makers consciously apply several grand strategies to different parts of the firm or to

different future periods. The logical possibilities for a simultaneous approach are stability in some areas, expansion in others. Stability in some areas retrenchment in others; retrenchment in some areas, expansion in others, and all three strategies in different areas of the company. In a nutshell, combination strategy is followed when an organization adopts a mixture of stability, expansion, and retrenchment either at the same time at its different businesses, or at different times in the same business with the aim of improving its performance.

If the number of alternative is relatively small, then the outcomes can be compared with each other, either all at once and then picking the best or two of a time, comparing the two and discarding the inferior alternative and the better one of the two is compared with the next one and the inferior alternative discarded and so on until all outcomes have been compared and the best one identified.

However, if the number of alternatives is large, then some mathematical tools such as linear programming and deterministic inventory are available to identify the best alternative.

Luftman et al (1992) in their contribution stated that many strategies can be adopted during a company's recovery period. These strategies include:

- Organizational changes
- Finance and financial strategies

- Cost – reduction strategies
- Revenue –generating strategies

ORGANISATIONAL CHANGES:

In many turnaround situations, a key feature of the recovery is the appointment of a new Chief Executive or other changes in the senior managements of the company. In some case the new CEO may be a company's director who is a person with skills that can affect a return to profitability. As well as making appropriate strategic decisions, such new appointment needs to change the working environment within the company. These can be achieved by focusing on the ability and innovation of senior staff. Early decisions should be made on which staff, if any need to be replaced and incentives need to be introduced in order to achieve given objectives. Also, a new chief executive may need to change the morale of the work force. If the business has been in decline for some time and if this has now reached crises level, morale is likely to be low. The new CEO needs to convince both managements and work force that, with appropriate new strategies, the crises can be overcome.

ORGANIZATIONAL CHANGE

Theory suggests that it may be necessary to institute some changes with respects to different business units (such as grouping of several units into one division). Many Nigerian companies especially banks have an "overseas" division, which is basically product or technology based and in which the overseas companies render the same services as the Nigerian counterpart.

COST-REDUCTION STRATEGIES:

Luftman et al (1992) argues that in severe situations, cost reduction strategies are often implemented at an early stage, as that may have almost immediate effect. The managements need to examine the key areas and attend to those areas in the first instance. In many companies the key cost element is labour; that is; wages and salaries. An immediate effect can be achieved by banning overtime and stopping new recruitment. In the longer term, it may be necessary to reduce the size of the labour force. This can be achieved through natural wastage, early retirement, voluntary redundancy or, if necessary, compulsory redundancy.

The severity of the crises will determine speed with which the shedding of labour will need to be effected. In some businesses the materials used in production can constitute a major cost factor. This is evident where the a high- cost raw material is used, for instance gold, or where a very large volume of a raw is used such as in the generation of electricity. A reduction in this cost may be achieved through seeking new sources of supply or by a redesign of the products which would seek to reduce the volume of material. It might also be possible to use an alternative material.

Cost reduction may be achieved in divisions and departments. Regular targets are those activities which do not have much impact on turnover

in the short term. Depending on the nature of the business, these would include market research and developments.

ASSET REDUCTION STRATEGIES:

The impact of asset-reduction strategies is not often apparent in the short term. The policy that is likely to have the biggest impact in this category is the divestment of a division or complete operating unit to another company as an operating business. In many crises situations loss making subsidiaries are sold and these has the immediate effect of stemming the outflow of funds and of raising revenue. However, the disadvantages are that the subsidiaries are unlikely to be sold at anything more than asset value and, considering the cost, perhaps at considerably less than asset value. Selling a successful division has the merit of securing the higher price and thus increasing the current cash flow, but in the long-run, the associated profits will be lost and the sold company might have provided a basis for long term recovery.

Revenue generating strategies: According to Luftman (1992) revenue generating strategies are usually those which take the longest time to have a significant impact on profitability, because most frequently this is the part of the business which is the crux of the problem and will be most difficult to turnaround and also because expenditure is often required before extra income can be generated. Some immediate effects may result from a sharp impetus to the selling function, which would be achieved through increasing incentives to salesmen and small alterations to the product. However, a long-term

marketing, as a process requires time for information gathering, decision making, manufacturing a new or modified products, and the preparation and implementation of a sales campaign.

2.32 STRATEGY AND GAMES THEORY:

John Von Neuman and Oskar Morgenstern ( ) develop this theory; game theory is used to determine the optimum strategy in a competitive situation. It involves situations in which there is a conflict of interest. That is where the goals of an individual or of an organization are in conflict with the goals of other individuals and organizations. The competitive situation may involve introduction of a new product, possible effects of a price increase, and possible responses of a new advertising campaign. In all these situations, the manager's job is to choose the best strategy available taking into account the possible actions and reactions of the competitors.

Games Theory deals with decisions under conflict, and the objective is to determine the rules of rational behavior of players in which each player is trying to outsmart his opponent in a logical and optimum manner. It is based upon the premise that the player in the game is a rational and logical being who seeks to maximize his gain and minimize his loss, realizing that his opponent will be similarly motivated.

Basically, there are two kinds of games, first is known as zero-sum game in which whatever one player wins, another or others must lose. A typical example is the game of poker; most common is the two-person

zero-sum game. The second type is the non zero-sum game, in which all pay-offs may not add up to zero. Additionally, zero-sum games automatically become a non-zero sum game if the gains and losses are measured in utility rather than quantified units. By and large most games that have established application in terms of game theory model are two person zero-sum games.

Basic assumptions of two-person zero-sum games are:

1. Each player is a rational and logical player
2. Each player's objective function is to maximize his gains and minimize his losses
3. There are a finite number of possible strategies available to each player.
4. The outcomes of all courses of action are fixed and known in advance
5. There is no direct communication between the players.
6. All information relevant to the competitive situation is known to both players

The games theory provides some useful insights into competitive situation, even though there have been very few successful applications. The difficulty of application is compounded because the competitive situations and relationship are dynamic and constantly fluctuating. Most often, a change in one variable jets off a chain reaction of changes in other variables. For instance, a price cut in a product by one

organization may triggers a bigger price cut by the competitor, thus affecting many other variables that are relevant to the product.

Accordingly, it is imperative that the management be able to predict with reasonable degree of accuracy, how the competitors would respond but also what would be the competitors' initial action and strategy. The military planners in training and decision-making have used Game Theory extensively. But it is not widely used in business problem due to many fast changing variables and difficulty in accurately assessing the competitor's response.

2.33 STRATEGY IMPLEMENTATION AND CONTROL

Various authors have described implementation theories in different perspectives. According to Kazmi (2002), structural implementation deals with a major aspect of implementation, that is, the organization structure. A whole branch of knowledge which spans several disciplines is related to the study of organizations. Structural implementation explains the ethical inter-relationship that exists between strategy and structure.

An organization structure is the way in which the task and sub-tasks required to implement a strategy are arranged. The diagrammatical representation of structure could be an organization chart but a chart shows only the 'skeleton'. The 'flesh' and 'blood' that bring to life an organization are the several mechanisms that support the structure. All these cannot be depicted on a chart. But a strategist has to grapple with

complexities of creating the structure, making it work, redesigning when required, and implementing changes that will keep the structure relevant to the needs of the strategies that have to be implemented.

Kazmi (2002) in an attempt to explain structural mechanism stated that implementation of strategies would require the performance of tasks. Some of those tasks activating strategies are related to the formulation and implementation of programmes and projects. Having laid the foundations of an organization, the strategist would have to devote their attention to the tasks that would have to be performed on a continuing basis for the implementations of strategies. It would be practically impossible to list such tasks; thus, the strategists would attempt to enumerate the major tasks.

These major tasks would have to be grouped on the basis of commonality of the skills required to perform them. Having grouped the major tasks, each category of such tasks will have to be again broken down on the basis of the ability of an individual to perform a unit of tasks. This is the process by which organizational units such as: departments are created and hierarchies defined. The total responsibility to implement strategies has to be subdivided and distributed to different organizational units. The authority to discharge the responsibilities will also have to be delegated if the tasks have to be performed. To endure that different organizational units do not work at cross-purpose, coordination will have to be ensured through communication. The performance must to be appraised and controlled so that the tasks are

performed in a sequence and according to a schedule. Desirable behavior to perform these tasks will have to be encouraged and undesirable behavior curbs. For this, rewards and penalties will have to be used since the performance of task cannot be left to chance; the creation of motivation must to be facilitated so that organizational effort is directed towards a common purpose. Individuals must also to be trained so that objective-achieving capability is created and sustained. The new organization that has been adopted will come into being and start functioning as structured. To derive the above mechanisms, he adopted the following steps. These are:

1. Defining the major tasks required to implement a strategy.
2. Grouping tasks on the basis of common skills requirements.
3. Subdivision of responsibilities and delegation of authority to perform tasks.
4. Coordination of divided responsibilities.
5. Design and administration of the information system.
6. Design and administration of the control system.
7. Design and administration of the appraising system.
8. Design and administration of the motivation system.
9. Design and administration of the development system.
10. Design and administration of the planning system.

The first four of these mechanisms will lead to the creation of the structure. The other six mechanisms are designed to hold and sustain the structure. Collectively, we would refer to the six mechanisms as

organizational systems. The structural mechanism alone will not fulfill the requirements of strategy implementation. Structure is the hardware while the other aspects constitute the 'software' of structural implementation. The other major aspects of implementation relate to the leadership style, corporate culture and other related issues

2.34 STRATEGY IMPLEMENTATION FRAMEWORK

Implementation involves a number of interrelated choices and activities. The resources of the enterprise must be allocated to reinforce choice, and the organization of the SBUs and in key leadership positions to see that the strategy will work. The functional strategies and short and medium range policies must be developed such that they are consistent with the strategic choice. And some systems are needed to link strategies with plans for implementation; otherwise, the strategy that has been chosen will never see the light of the day. Success in business strategy is a function of sound implementation framework.

Loewen J. (1997), Hill and Jones (1988) Jauch and Glueck (1998) believe that implementation is necessary to spell out more precisely how the strategic choice will come to be. Structural administrative mechanisms which are compatible and workable need to be established to reinforce the strategic direction chosen and provide guides for action. A good strategy without effective implementation is not likely to succeed. Closing the gap between ideal and expected outcomes requires more than making a strategic choice. Mckinsey seven- s frame work includes the following:

1. Strategy: A coherent set of action aimed at gaining a sustainable advantage over competition, improving position vis-à-vis customers, or allocating resources.
2. Structure: The organizational chart and accompanying baggage that show who reports to whom and how tasks are both divided up and integrated.
3. Systems: The processes and flows that show how an organization gets things done. Information systems, capital budgeting systems, and performance measurement systems all would be good examples.
4. Style: Tangible evidence of what management considers important by the way it collectively spends time and attention and uses symbolic behavior .It is not what management says that is important; it is the way management behaves.

5. Staff: The people in an organization. Here it is very useful to think not about individual personalities but about corporate demographics.
6. Shared Values (or super-ordinate goals). The values that go beyond, but might well include simple goal statement in determining corporate destiny. To fit the concept, these values must be shared by most people in an organization.
7. Skills: A derivative of the rest. Skills are those capabilities that are possessed by an organization as a whole as opposed to the people in it

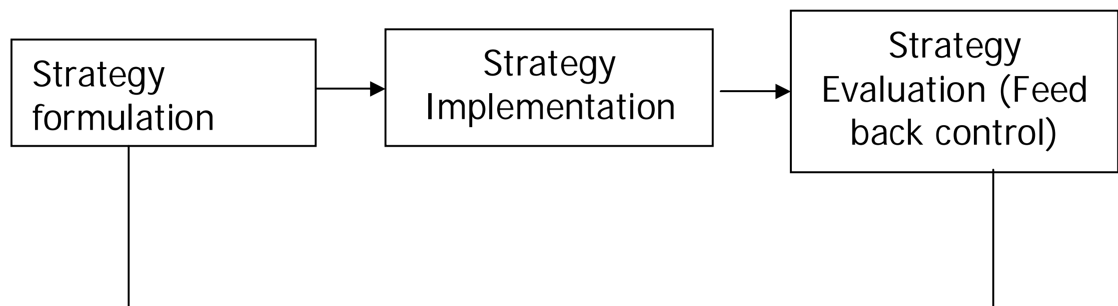
2.35 STRATEGIC CONTROL AND EVALUATION

Dress and Miller (1993) stated that effectiveness in strategy formulation does not necessarily lead to high organizational performance. The failure to achieve objectives may be the result of implementation problems. Such problems often reflect shortcomings in a firm's control system. The traditional approach to strategic control relies primarily on feed back control. A more contemporary approach stresses the importance of feed forward control.

THE TRADITIONAL APPROACH TO STRATEGIC CONTROL

Traditional approaches to control stress review and feed back of performance to determine if plans and objectives are being achieved. This information is used to solve problems or take corrective actions. The approach sees strategic management as a sequential process of

strategy formulation, strategy implementation, strategy evaluation, with little interaction among the major phases.



Source: Dress(1980)

The feedback approach to control may be appropriate for operational, day to day activities or for firms competing in highly stable industries. However, when managers must control and evaluate long-term strategies, the limitation of relying primarily on feedback control become quite evident. Feedback control requires waiting for a strategy to be implemented before obtaining information on how well it is performing. Long term strategies typically require the commitment of substantial human and financial resources and have long-term time horizons. This delays the possibility of corrective action and changing strategic direction for as much as several years. During this time, a firm may experience the loss of a key customer, competitor may introduce a new product that targets the same customer group, or key executives and technical personnel may leave the firm.

Clearly, organizations must remain flexible and adapt to important changes both inside the firm and in its external environment. Increasing, overly sophisticated formalized planning processes may become dysfunctional.

2.36 CONTEMPORARY APPROACH TO STRATEGIC CONTROL.

This involves a proactive approach to strategic control that is more future-oriented, utilizes state of the art technology and executive information systems, and overcomes inherent barrier to control in traditions/control systems through use of a feed forward approach. This future – oriented approach helps anticipate important changes and trends. There are three forms of feed forward control: premise control, strategic surveillance, and implementation control.

Premise control:

In the strategy formulation process, the development of premises (assumptions) is an important early step that provides a basis for developing strategies. Premises may include any number of factors that are deemed important in both the industry environment and the general environment. Premise control requires systematic and continuous monitoring of important environmental factors to determine if previously agreed upon planning premises remain vital. Major charges in premise may call for a change in strategy. Premise control is conducted by specialist within the organization or by outside consultants, and must avoid accumulation of excessive amounts of data which would lead to a case of information overload and sabotage the value of the process. Effort must be directed at key success premises. Premise control is a focused and highly selective type of control.

STRATEGIC SURVEILLANCE

Strategic Surveillance is less focused and more flexible than premise control. Instead of continually monitoring a few key predetermined indicators as in premise control, strategic surveillance is much broader. Its goal is to identify previously undetected critical events before they become either missed opportunities or serious threats.

Strategic surveillance is designed to monitor internal and external events that not only may threaten the course of a firms strategy but also may provide opportunities. An approach that may be useful for systematically assessing internal factors is the use of strengths and weaknesses

analysis. To conduct strategic surveillance, a team of managers from various functional areas within the firm might be charged with the task of determining briefs lists of key strengths upon which the company should base its future, and weaknesses that must be avoided. Such lists should be continually assessed, not only to determine how a firm measures on the key factors but also determine if the list needs to be modified on to suit changes in competitive condition.

A representative list of trends that could have an important effect on critical success factors of a firm would include.

Positive:

- ✓ Development of process engineering techniques leading to significant reductions in unit variable costs.
- ✓ Unanticipated success in hiring key research and development personnel
- ✓ Defect per unit of output below anticipated levels
- ✓ Application of a technological innovation across multiple divisions within the company.

Negative Effects

- ✓ Turnover/resignation of key executive or technical personnel,
- ✓ Decline in morals/morale,
- ✓ Unanticipated delays in major plant completion,
- ✓ Decline in customer perceptions of product quality.

The strategic surveillance of external factors can be accomplished through environmental scanning. This type of surveillance is analogous to radar screen which continually scan the environment for new images. As with the process of premise control, the environment may be broken down into segments of both the general environment and the industry environment. Selected environmental sectors are further subdivided into Cluster's of variables which represent various aspects of that particular dimension Economic segment of the general environment may include interest rates, inflation rates, business cycles, income Events, employment trends, money supply.

Important external environmental events that may need to be scanned in the course of strategic surveillance are:

1. Growth of the government as a customer,
2. Growth of the service sector.

Implementation control:

Two important components of implementation control are operation control and strategic implementation control.

Operations Control:

Operations control is concerned with whether or not a firm's strategy is being implemented as planned. It addresses such questions as:

√ Are short-term profit, growth and efficiency objective being attained?

✓ Are resources being allocated properly?

✓ Is the firm within budget and on schedule?

Data for operation control such as productivity, cash flow, budget variances, and so on, are generally derived from typical accounting and financial exports.

Strategic Implementation Control

Strategic implementation control is concerned with a much broader question. Should the firm's overall strategy be changed in light of unfolding events and trends? If deviations from plans are observed, it does not automatically signal a crises or failure. Implementation control involves more than the determination of whether or not short term objectives are attained – It looks at results within the broader context of ongoing events and trends in both the internal and external environment. The evaluation and assessment may reveal that a strategy continues to be successful.

Some of the more important issues involved in effective implementation control are:

1. Reviewing the suitability of strategies and objectives, given important changes in the external environment.
2. Ensuring that efforts to attain targeted levels of performance do not lead to dysfunctional managerial behaviour.
3. Monitoring the achievement of desired levels of performance in financial terms.
4. Preparing action plans to deal with deviations of actual performance from targeted levels.

5. Installing and maintaining appropriate reward and information systems that best support strategy implementation.

Effective implementation control requires that appropriate mechanisms are in place to ensure compliance with the company's ethical standards.

Effective Implementation: The importance of Budget systems: A firm's budget is often viewed as a road map against which a company's actual revenues and expenditures are assessed. The map allows a firm a certain degree of control by focusing attention on areas of concern so that necessary corrective actions can be undertaken. There are compelling reasons for predicting future levels of income, expenses, and cash flows, when used effectively, budgets should reduce unnecessary spending and lead to profits.

A firm's budget is an important tool in implementing its strategy. Managers must develop their budgets in a manner that is consistent with the company's overall strategy.

Budgets provide managers with the coordination and control necessary to attain their goals. Additionally, the budget provides a benchmark against which a company's performance can be evaluated when variation between actual performance arise. Managers may remedy the situation by addressing the issue responsible for the lower-than expected performance, or in some cases, by changing the budget itself to reflect unanticipated changes in the internal or external environment.

Special alert control:

Kazim (2002), stated that special alert control is based on a trigger mechanism for rapid response and immediate reassessment of strategy in the light of sudden and unexpected events. Special alert control can be exercised through the formulation of contingency strategies and assigning the responsibility of handling unforeseen events to crises management teams. Examples of such events can be sudden fall of a government at the central or state level; instant change in a competitors posture, an unfortunate industrial disaster, or a natural catastrophe.

Crises are critical situations that occur unexpectedly and threaten the course of a strategy. Organizations that hope for the best and prepare for the worst are in a vantage position to handle any crises. Crises management follows certain steps, such as, signal detection, preparation/prevention, containment/damage limitation, and recovery leading to organizational learning. The first step of signal detection can be performed by special of alert control systems.

The basic theme of strategic control is to continually asses the changing environment to uncover events that may significantly affect the course of an organization's strategy.

Barrier to Strategic Control

According to Dress and Miller (1993) there are three basic barriers to strategic control. These are systematic Barriers, Behavioral Barriers and political Barriers.

a) **Systemic Barriers:** Systemic Barrier originates from limitations in the design of the control system or a firms inability to manage the system once it is implemented. One major systemic barrier is the difficulty of comparing performance results across businesses. It is difficult to isolate a standard against which to control performance. For example, against what standard can the ROI (Return on investment) achieved in a particular business be judged? How can firms know if a specific ROI is good or bad? Such problems may be lessened if top management has a fundamental knowledge of each of the firm's business. However as a firm's product market scope becomes diverse, the corporate office may become too for removed from the individual businesses to exercise effective control.

Another systemic barrier is excessive amounts of paper work that may actually slowdown the firm's ability to react quickly to important environmental changes. In this situation, the information provided to operating executives and cooperate office may lose relevance and lead to unreliable forecasts, and excessive amounts of information misinterpretation.

A final systemic problem is the conflict between strategic objectives passed down from the corporate office and short term objectives at the business level. For example, when an oil company shut down, one of its Nigerian refineries. However, this was inconsistent with the corporate office's goal of reducing manpower for both.

Such inconsistencies may reflect insufficient coordination among the multiple hierarchical levels within firm; thus, more formal mechanisms may be necessary to review objectives and goals to ensure needed integration. This problem may be exacerbated within highly diversified firms where the corporate office is far removed from the individual businesses.

Political Barriers: A primary goal of the strategic management process is to generate a sufficiently broad agreement on the organization's overall strategy. The strategy must be politically acceptable to the various power groups and conditions within the organization. Conflicts may arise when there are changes in the relative power among the coalitions or groups within an organization. This can lead to a reluctance to share information or collaborate in a constructive manner. For example, if a planning unit's influence or power within an organization increases, the controller's office may feel that some of the planning units gain has come at its expense. This feeling is accentuated when the planning units is relatively new. Planners often focus on making sure that accountants resent the power of the new planning group. Furthermore, controllers may be poor quantitative analysts. On the other hand, planners may complain that the controllers are too quantitatively oriented and therefore, fail to take a longer-term strategic perspective.

A clear delineation of responsibilities may help reduce conflicts. The roles and responsibilities of the planning and control units must be defined on the basis of how they relate to the long-term success of the firm. This often involves a good deal of negotiation and discussion. A common

approach is to have both the planning and control functions report to the same senior staff executive.

Another key political barrier to effective strategic control systems is the unwillingness of lower – level managers to pass information up the hierarchy to top management. Trust throughout an organization, is an indispensable feature of effective control system; job insecurity, scapegoating, or the categorization of line executives as "winners" or "loser" are all factors that can undermine control systems.

c) **Behavioural Barriers:** Behavioural Barriers often have their underlying cause in a managers' tendency to address issues from a limited or biased perspective because of differences in their background, education and training. For example, executives may have invested a great deal of time in a particular product and are therefore unable to examine critically it life cycle position. For example, executives who have managed a cash cow for 10 years might still prefer to think of it as a growth business. This attitude is sometimes seen in managers who want to revive a business that should gradually die. Such vested interests may restrict a clear, objective perspective and adversely affect the usefulness of strategic control.

An executive who has sponsored a particular strategy or project may screen out negative performance information, unintentionally sabotaging the control system.

Such executives are usually not deliberately trying to recast the date, rather, they simply cannot see the information signals objectively. Such entrapment makes it difficult for the executives to respond, or even comprehend, the information signals that the strategic control system is providing.

Difficulties associated with abandoning familiar thought patterns and acquired behaviors are another important behavioral barrier. In some industry, the external environment is critical and difficult to assess. There is frequently a strong tendency to gain confidence by studying past successes instead of looking forward. The future may appear to be too uncertain. Although such familiar patterns of thought may be quite reassuring they serve to restrict one's ability to critically reassess current events and new trends.

One of the steps to reduce behavioural barriers is instilling a greater avarices of such, problem. Another one is making the overall strategic control process more explicit. Dress and Miller (1993) numerated the following as the issues to be addressed:

- ✓ What environmental variables need to be monitored?
- ✓ Who is to monitor what and how often?
- ✓ What are our critical assumptions?
- ✓ How can line staff personnel effectively interact in a timely manner?

Strategy Evaluation

Thompson (1995) categorized strategy evaluation criteria into appropriateness, feasibility and desirability.

1. **Appropriateness**:

- ✓ Does the proposal fit – and strengthen – the existing portfolio of activities.
- ✓ Is it compatible with the mission of the organization?
- ✓ Does it address any targeted opportunities, or help redress any critical weaknesses?
- ✓ What impact would the change have on E-V-R congruence?
- ✓ Is this an opportunity for stretching our resources and exploiting our core competencies.
- ✓ Does it imply diversification?

2. **Feasibility**: Can we implement the strategic change successfully, and without any detrimental impart upon our existing products, services and markets?

- ✓ Do we have the required skills and competencies, or must we develop new ones? And is this feasible in the timescale available to us?
- ✓ Is there an opportunity for us to create completive advantage?

3) **Desirability**:

- ✓ Does the option truly help to close the planning gap?
- ✓ Are we comfortable with the risks?
- ✓ Is this a justifiable use of any spare resources

- ✓ Is there any potential synergy we can exploit?
- ✓ Which stakeholder needs will be addressed and satisfied?

These tests can be applied to any change opportunities either formally and objectively, or informally. The ideas are also useful for considering the suitability and value of existing business, products and services.

2.37 KEY STRATEGIC MANAGEMENT VARIABLES

A lot of variables influence strategic management. These include:

CORPORATE GOVERNANCE:

The correlation between corporate governance and strategic management cannot be over emphasized; Cherunilan (2004) stated that corporate governance is concerned with the values, vision and visibility. It is about the value orientation of the organization, ethical norms for its performance, the direction of development and social accomplishment of the organization and the visibility of its performance and practices. Corporate management is concerned with the efficiency of the resource use, value addition and wealth creation within the broad parameters of the corporate philosophy established by corporate governance. In other words, the concept of good corporate governance connotes that ethics is as important as economics, fair play as crucial as financial success, morals as vital as market share.

Corporate governance can also mean that long term strategic objectives and plan are established and that the proper management structure (organization, system and people) is in place to achieve those

objectives, while at the same time making sure that the structure functions to maintain the corporation's integrity, reputation and responsibility to its various constituents.

2.38 CORPORATE GOVERNANCE FAILURES

In the UK, USA and Nigeria, deficiencies in the accounting standards became more evident after many companies, in their eagerness to increase earnings and accelerate growth, exploited the weaknesses in the accounting standards to show inflated profits and understate liabilities. While companies grow phenomenally, accounting standards went haywire. The tendency to combine the roles of Chairman and Chief Executive in one person and Board Structures that was not conducive make matters very undesirable. In UK, the resultant failure of several companies raised serious concerns regarding corporate governance and this eventually led to appointment of the Sir Adrain Cadbury committees on corporate governance by the London Stock Exchange and the Financial Reporting Council in Britain in 1991. Several other notable report and codes on the subject were also published internationally, like the report of the Greenbury committee, the combined code of the London Stock Exchange, the OECD code on corporate governance and the Blue Ribbon Committee on corporate governance in the USA.

Cherunilan (2004) stated further that there is an increasing concern about standards of financial reporting and accountability, especially after losses suffered by investors and lenders, which could have been avoided with better and more transparent reporting practices. Investors suffer

on account of unscrupulous management of the companies, which have raised capital from the market of high valuations of securities and have performed much worse than the past reported figures, let alone the future projections.

There were also many companies which are not paying adequate attention to the basic procedures for shareholders' service; for example many of these companies do not pay adequate attention to redress investors' grievances such as delay in the transfer of shares, delay in dispatch of share certificates and dividend warrants. Companies also do not pay sufficient attention to timely dissemination of information to investors, and also to the quality of such information. Corporate governance is therefore considered as important instrument for investors' protection and strategy

2.39 IMPORTANCE OF CORPORATE GOVERNANCE

Silva committee report highlighted the significance and the need for good corporate governance. The concept of corporate governance is no longer confined to the halls of academic and is increasingly gaining acceptance for its relevance and underlying importance in the industry. Capital markets focus on corporate governance and related issues is an inevitable outcome of a process, which leads firms to increasingly shift to financial crises. In emerging markets this has led to renewed discussions and inevitably focused them on the lack of corporate severance as well as governmental oversight. The same applies to

recent high profile financial reporting failures even among firms in the developed economies.

Strong corporate governance is thus indispensable to a resilient and vibrant business strategy. It is the blood that fills the veins of transparent corporate disclosure and high quality accounting practices. It is also the muscle that moves a viable and accessible financial reporting structure. Theory suggest that without financial reporting premised on sound, honest numbers business strategy will collapse

Good corporate governance is prerequisite for sound strategic management. Without sound corporate governance, analysis of companies for good strategy will be based on false premise.

2.40 CORPORATE SOCIAL RESPONSIBILITY

William et al (2002) described corporate social responsibility as the concern businesses have for the welfare of society. The social performance of company has several dimensions. Corporate philanthropy includes charitable donations to non-profit groups of all kinds. Strategic philanthropy involves companies making long-term commitments to one cause. Corporate responsibility includes everything from hiring minority workers to making safe products, minimizing pollution, using energy wisely, and providing a safe work environment. Corporate policy refers to the position a firm takes on social and political issues.

Nickel (2002) broadly classified social responsibility as:

(I). **Responsibility to customers**

By this it means firms have responsibility to satisfy customers by offering them goods and services of real value. This responsibility is not easy to meet, as it seems. Theory suggests that three out of five new businesses fail, perhaps because their owners failed to please their customers. One of the surest ways of failing to please customers is not being totally honest with them. The payoff of socially conscious behavior could result in new business as customers switch from rival companies simply because they admire the company's social effort – a powerful competitive edge. Customer behavior shows that, all things being equal, a socially conscious company is likely to be viewed more favorably than less socially responsible companies. The important point to remember is that customers prefer to do business with companies they trust, and even more importantly, do not want to do business with companies they don't trust.

(II) Responsibility to investors

According to Milton Friedman ( ) corporate social responsibility means making money for stockholders. Ethical behaviors are good for shareholders wealth. Those cheated by financial wrongdoings are the shareholders themselves.

Some people believe that before you can do good you must do well, others believe that by doing good, you can also do well.

Many people believe that it makes financial as well as moral sense to invest in companies that are planning ahead to create a better environment. By choosing to put their money into companies whose

goods and services benefit the community and the environment, investors can improve their own financial health while improving society's health.

(III) Responsibility to employee

Businesses have several responsibilities to employees. First they have a responsibility to create jobs. Once a company creates jobs, it has an obligation to see to it that hardwork and talent are fairly rewarded. Employees need realistic hope of a better future, which covers only though, a chance for upward mobility. People need to see that integrity, hard work, good will, ingenuity, and talent pay off. Studies have shown that the factor that most influence a company's effectiveness and financial performance is human resource management. If a company treats employee with respect, they will respect the company as well. When employees feel they have been treated unfairly, they strike back. Not many disgruntled workers are desperate enough to resort to the violence in the workplace, but a great number do relieve their frustrations in a subtle ways, such as blaming mistakes on others, manipulating budgets and expenses, doing the minimum needed to get by, and making result look better than they are. The loss of employee commitment, confidence and trust in the company and its management can be very costly indeed.

(IV) Responsibility to society

One of business's major responsibilities is to create new wealth. Record shows that a third of working Americans receive. Their salaries from non-profit organizations that in-turn receive their funding from others, who in turn receive their money from business. Foundations, universities

and other nonprofit organization own billions of shares in publicly hated companies. As those stock prices increase, more funds are available to benefit society.

Many companies believe that business has a role in building a community that goes beyond giving back. To them, charity is not enough. Their social contributions include clearing up the environment, building community toilets, providing computer lessons and supporting the elderly and children from low income families.

2.41 LEADERSHIP

Cole (2000) defined leadership as a dynamic process at work in group whereby one individual, over a particular organization context, influences the other group members to commit themselves freely to achievement of group task or goals.

Stoner (2000) defined leadership as the process of directing and influencing the task-related activities of group members. Koontz and O. Donnell (1976) in their contribution defined leadership as the ability of the manager to induce subordinate (followers) to work with confidence and zeal.

In a nutshell, Hooper and Potter (2000) stated that leadership is all about:

1. Establishing direction, developing a vision of the future, often the distant future, and strategies for producing the changes to achieve that vision.

2. Aligning people-communicating the direction by words and deeds to all those whose co-operation may be needed so as to influence the creation of teams and coalition that understand the vision and strategies and accept their validity.
3. Motivating, inspiring, and energizing people to overcome major political, bureaucratic and resource barriers to change by satisfying very basic, but unfilled, Human needs.
4. Producing changes, often to a dramatic degree, and having the potential of producing extremely useful change (e.g. new products want, new approaches to staff relations that help the organization to develop).

2.42 FINANCIAL VARIABLES:

Lawrence Hamil (1998) stated that one of the most important tools for assessing the strength of an organization within its industry is financial analysis. Managers, investors and strategist all employ some form of this analysis as a beginning point for their strategic decision-making. Investors, strategists use financial analysis in making decision about whether to engage in certain business decision. They provide managers with a measurement of how the company is doing (performing) in comparison with its performance in past years and with the performance of competitors in the industry.

Although, financial analysis is useful for decision-making, there are some weaknesses that should be noted. Any picture that it provides of the company is based on past data. Although trends may be

noteworthy, this picture should not automatically be assumed to be applicable to the future. In addition, the analysis is only as good as the accounting procedures that generated the information. When making comparisons between companies; one should keep in mind the variability of accounting procedures from firm to firm.

There are four basic groups of financial ratio: Liquidity, Leverage, activity and Profitability. Liquidity and leverage ratios represent an assessment of the risk of the firm. Activity and Profitability ratios are measures of the returns generated by the firm.

a. **LIQUIDITY RATIOS:**

Liquidity ratios are used as indicators of a firm's ability to meet its short-term obligations. These obligations include current liabilities, including currently maturing long-term debt. Current assets move through a normal/cash cycle of inventories in sales-accounts receivable-cash. The firm then uses cash to pay off or reduce its current liabilities. The best known liquidity ratio is the current ratio: current asset divided by current liabilities. Most analysts suggest a current ration of 2 to 1. A large current ratio is not necessary a good sign, it may mean that an organization is not making the most efficient use of assets. The optimum current ratio will vary from industry to industry with the more volatile industries requiring higher ratios.

Since slow moving inventories could over state a firm's ability to meet short-term demands, the quick ratio is sometimes preferred to assess a

firm's liquidity. The quick ratio is current assets minus inventories divided by current liabilities. A quick ratio approximately I would be typical for American industries; although, there is less variability in the quick ratio than in the current ratio, stable industries would be able to safely operate with a heavier ratio.

b. **LEVERAGE RATIO:**

Leverage ratios identify the source of a firm's capital owner or outside creditors. The term leverage refers to the fact that using capital with a fixed interest charge will 'amplify' either profits or losses in relation to capital. The most commonly used leverage ratio is total debt divided by total assets. Total debt includes current liabilities and long term liabilities. The ratio is a measure of the percentage of total funds provided by debt. A total debt to total assets ratio higher than 0.5, is usually considered safe, only for firms in stable industries.

The ratio of long-term debt to equity is a measure of the extent to which sources of long term financing are provided by creditors. It is computed by dividing long term debt by the shareholders equity.

c. **ACTIVITY RATIO:**

Activity ratios indicate how effectively a firm is using its resources by comparing revenue with the resources used to generate them. Using activity ratios it is possible to establish efficiency of operation. The total asset turnover is calculated by dividing sales by total assets, industry figures for asset turnover will vary with capital, and those industries

requiring large inventories will have much smaller ratios. Another activity ratio is Inventory Turnover, estimated by dividing sales by average inventory. The norm for American industries is 9 times, but whether the ratio for a particular firm is higher or lower normally depends upon the product sold.

Since inventories are normally carried at cost, it would be more accurate to use the cost of goods sold in place of sales as the numerator of this ratio.

d. **PROFITABILITY RATIOS:**

Profitability ratios provide insight into the net result of a large number of policies and decisions chosen by an organization. Profitability ratios indicate how effectively the total firm is being managed. The profit margin for a firm is calculated by dividing net earnings by sales. There is no variation among industries, but the average for American firm is approximately 5 percent.

A second useful ratio for evaluating profitability is the Return On Investment or ROI, this is determined by dividing net earnings by total assets. The ratio of net earnings to net worth is a measure of the rate of return or profitability of stakeholders' investment. It is calculated by dividing net earnings by net worth, the common stock equity and retained earning account.

Financial analysts stated that it is often difficult to determine causes for lack of profitability. The profit system of financial analysis provides management with clues to the lack of success of a firm. This financial tool brings together activity, profitability and leverage measures and shows how these ratios interact to determine the overall profitability of the firm.

CHAPTER 3

3.0 METHODOLOGY

In a study of this nature different types of statistical techniques can be used. Some of the popular techniques found in literature include.

3.3 CANONICAL CORRELATION TECHNIQUES

Canonical correlation analysis is a multiple regression technique with "K" independent variables and "M" dependent variables. The basic idea of canonical correlation is that, through least squares analysis two linear composites are formed, one for the independent variable X_k and one for the dependent variable Y_m.

The correlation between these two composites is the canonical correlation $R_{c.}$ The square of the canonical correlation R^2 is an estimate of the variance shared by the two composites.

Fraser et al (1974) and Arshedi and Lawrence (1987) employed canonical correlation analysis for the study of firm's performance. One advantage of this method of analysis is that it takes into account the fact that firm's performance is multidimensional, including both quantitative and qualitative aspects. It can be measured not by any one variable in isolation but by examination of the joint interaction of several variables. Although canonical seeks to explain the linear function of dependent variable by a linear combination of independent variables, it precludes the explicit calculation of the coefficient (or marginal impacts) of each of the independent variables.

This limitation of canonical correlation techniques constitutes a significant disadvantage that makes it inferior to other techniques in this type of study.

3.4 MULTIVARIATE DISCRIMINANT ANALYSIS (MDA):

In general, discriminant analysis is a procedure for studying two or more distinct groups of observation (korobow and Stur, 1975). It involves the estimation of the parameters of an equation that simultaneously takes into account the effects of variables considered important in distinguishing between the groups. Once the equation is estimated, it can be used to classify individual observation in a group by multiplying the values of the variables in the equation by their respective coefficients to obtain a "discriminant scores" for the particular observation. The discriminant score determines the group into which the observation is classified.

Altman (1968) first applied MDA in the study of firm's performance; later Adekanye (1993) employed the technique in developing early warning models for banks failures. However, compared with other techniques like Logit, the coefficients of a discriminant function cannot be interpreted as the marginal impacts of the independent variables. They however, serve as weights whose magnitude only signifies the relative importance of the associated variable to the discrimination of the groups concerned.

3.3 THE PROBIT TECHNIQUE:

Whereas discriminant analysis seeks to classify numbers of the sample into two or more groups; the probit model seeks to estimate the probabilities of membership of a group for a particular reference to the analysis of business performance. The probit model is able to estimate the probability that a non sample firm belongs to the performing or non-performing category.

Like MDA, the probit starts by relating a set of predetermined variables to dichotomous dependent variables which take on values of 1 if a company is distressed and 0 otherwise. However, the distributional assumptions made for the error term distinguishes probit model from MDA. For a probit model, the cumulative normal distribution is assumed and the model is specified as

$$Pi = f(Si) = \frac{1}{\sqrt{2\Pi}} \int_{\infty}^{Si} e^{-\left(\frac{S}{2}\right)^2} ds \quad \ldots\ldots\ldots\ldots\ldots\ldots\ldots \quad (1)$$

Where p_i is the probability that a company belongs to the non-performing category and s_i is theoretical index determined by a set of explanatory variables.

3.4 THE LOGIT TECHNIQUE:

The difference between Probit and Logit Techniques is in the distributional assumption about the error term. While the probit technique assumes cumulative normal distribution, logit technique

favours the cumulative l distribution with this assumption. The logit model is specified as follows.

$$Pi = F(si) = \frac{1}{(1 - e^{si})} \quad \ldots\ldots\ldots\ldots\ldots\ldots \quad (2)$$

Where Pi and Si are as defined in Probit models. Probit and logit analysis are alike because the normal and logistic distribution are similarly shaped. Indeed, since the two distributions differ primarily in their extreme tails, clear choice between the two specifications would be difficult to make. In fact, the choice between probit and logit techniques has no practical consequences with respect to the analyses or results. The choice is more of a mathematical convenience.

3.5 LINEAR PROGRAMMING (LP) TECHNIQUE:

Chandan (2002) stated that linear programming is a technique for specifying how to use limited resources or capacities of a business to obtain particular objective such as least cost, highest margin or least time when those resources have alternative uses. It is a technique that systematizes, on certain conditions, the process of selecting the most desirable course of action/strategy from a number of available courses of action, thereby giving management the information for making a more effective decision about resources under control.

3.5.1 **BASIC REQUIREMENTS FOR LP:**

a. The system under consideration can be described in terms of series of activities and outcomes. These activities (variables) must be competing with other variables for limited resources and the relationship among these variables should be linear and these variables must be quantifiable.

b. The outcomes of all activities are known with certainty

c. A well-defined objective function exists, which can be used to evaluate different outcomes. The objective function should be expressed as a linear function of decision variables. The purpose is to optimize the objective function. This may be maximization of profits or minimization of costs.

e. There must not be a single course of action but a number of feasible courses of action open to a decision maker, one of which would give the best results.

f. All variables must assume non-negative values and are assumed to be continuous so that fractional values of these variables are permissible for the purpose of obtaining an optimal solution.

Linear programming as an analytical technique is a highly useful tool for solving certain types of problems. However, some of the specific limitations of linear programming are.

i. The assumption of linearity among variables is generally not valid. In actual practice, concerning business strategy and industrial problems, the relationship of the linearity does not exist. This

negates or dilutes the effectiveness of the linear programming technique.

ii. The linear programming model does not take into consideration the effect of time and uncertainly. Most problems are not so clear-cut with constant and definitive values of variables or with known outcomes.

iii. The assumptions of decision variables being continuous are not valid. These variables have discreet values and the fractional answers are not correct answers. Rounding up the fractions to the nearest integer would not yield the optimal solution.

iv. It deals only with single objective and it may not be able to handle more than one set of conditions at a time. Most problems that are encountered are multi-objective problems, which the linear programming (LP) model cannot handle in analyzing data.

3.6 REGRESSION TECHNIQUES.

Studenmund A. H (1997) defined regression analysis as a statistical technique that attempts to "explain" movements in one variable, the dependent variable, as a function of movements in a set of other variables, called the independent or explanatory variables, through the quantification of a single equation.

$C = F(P, P_s, Y_d)$ ....(1.1)

C is the dependent variable and P, Ps, and Y_d are the independent variables. Regression analysis is a natural tool for researchers because most research propositions can be stated in such single equation functional forms. Much of economics and business is concerned with

cause and effect proposition. For instance, if the price of a good increases by one unit, then the quantity demanded deceased on average by a certain amount, depending on the price elasticity of demand. Similarly if the quantity of capital employed increases by one unit, then output increases by a certain amount, called the marginal productivity of capital. Propositions such as these, pose an if – then or causal relationship that logically postulates that a dependent variable's movements are causally determined by movements in a number of specified independent variables.

Many business/economic relationships are caused by their very nature, and regression result no matter how statistically significant, cannot prove causality. All regression analysis can do is test whether a significant quantitative relationship exists. Judgments as to causality must also include a healthy dose of business strategy theory and common sense.

Single – equation linear models: the simplest single equation linear regression model is.

$Y = B_o \times B_1 X$... (1.3)

Equation 1.3 states that Y, the dependent variable, is a single equation linear function of X, the independent variable. The model is a single equation model because no equation for X as a function of Y (or any other variable) has been specified. The model is linear because if you were to plot equation 1.3 on graph paper, it would be a straight line rather than a curve.

The Bs are the coefficient (or parameters) that determine and coordinated the straight line at any point B_o is the constant or intercept term; it indicates the value of Y when X equals zero. B_1 is the slope coefficient, and it indicates the amount that Y will change when X increases by one unit. The solid line in fig. 1.1 illustrates the relationship between the coefficients and the graphical meaning of the regression equation.

The slope coefficient, B_1, shows the response of Y to a change in X since being able to explain and predict changes in the dependent variable is the essential reason for quantifying behavioral relationships. Much of the emphasis in regression analysis is on slope coefficients such as B_1. For linear (i.e., strength line) regression models, the response in the predicted value of Y due to a change in X is constant and equal to the slope coefficient B_1.

$$\frac{(Y_2 - Y_1)}{(Y_2 - Y_1)} = \frac{DY}{DX} = B_1$$

Where D is used to denote a change in the variables for a linear model, the slope is constant over the entire function. We must distinguish between an equation that is linear in the variables and one that is linear in the coefficients (or parameters). This distinction is important because if linear regression techniques are going to be applied to an equation, that equation must be linear in the coefficients.

An equation is linear in the variables X and Y if it generates a straight line for example, equation 1.3.

$Y = B_o \times B_1 x$ ---- (1.3)

Is linear in the variables, but equation (1.4)

$Y = B_o \times B_1 X_2$ ------ (1.4)

Is not linear in the variable if you are to plot equation 1.4 it would be a quadratic, not a straight line. An equation is linear in the coefficient (if B_s) appear in their simplest form – they are not raised to any power (other than one), are not multiplied or divided by other coefficients, and do not themselves include some sort of function (like logs or exponents); for example, equation 1.3 linear in the coefficient, but not in equation 1.5.

$Y = B_0 \times X^{B1}$ ----- (1.5)

is not linear in the coefficient B_o and B_1. In essence, any sort of configuration of the Xs and Ys can be used and the equation will continue to be linear and the Bs will cause the equation to become nonlinear in the coefficients. While linear regressions need to be linear in the coefficients, they do not necessarily need to be linear in the variables. Linear regression analysis can be applied to an equation that is nonlinear in the variables if the equation can be formulated in a way that is linear in the coefficients, indeed, when researchers use the phrase “linear regression”, they usually mean “regression that is linear in the coefficients”

The stochastic error term: Besides the variation in the dependent variable (y) that is caused by the independent variable (x), there is almost variation that comes from other sources as well. This additional variation comes in part from omitted explanatory variables (e.g., X_2 and X_3). However, even if these extra variables are added to the equation, there is still going to be some variation in Y that simply cannot be explained by the model. This variation probably comes from sources such as omitted influences, measurement error in correct functional form, or purely random and totally unpredictable occurrences. By random we mean something that is determined entirely by chance.

Researchers admit the existence of such inherent unexplained variation ("error") by explicitly including a stochastic (or random) error term in their regression models. A stochastic error term is a term that is added to a regression equation to introduce all of the variation in Y, that cannot be explained by the included Xs. It is, in effect, a symbol of the researchers' ignorance or inability to model all the movements of the dependent variables. Error term (sometimes called a disturbance term) is usually referred to with the symbol epsilon (E), although other symbols (like u or v) are sometimes used.

The addition of a stochastic error term (E) to equation 1.3 results in a typical regression equation/model:

$Y = Bo \times B1\ x + e$ ----- (1.6)

Equation 1.7 can be thought of as having two components, the deterministic component. The expression $B_0 + B_1\ x$ is called the deterministic component of the regression value of Y that is determined

by a given value of X, which is assured to be non stochastic. This deterministic component can also be thought of as the expected value of Y given X, the main value of the Y_S associated with a particular value of X. The deterministic part of the equation may be written as:

$E (Y I X) = B_O + B_I X$

Which states that the expected value of a given X, denoted as

E (Y I X) is a linear function of the independent variable (or variables if there are more than one) Unfortunately, the value of Y observed in the real world is unlikely to be exactly equal to the deterministic expected value E(Y I X). As a result, the stochastic element (E) must be added to the equation .

$$Y = E (Y I X) + E = B_O + B_I X + E \quad \text{................................(1.7)}$$

The stochastic error term must be present in the regression equation because there are at least four sources of variation in Y other than the variation in the included X_S

i. Many minor influences on Y are omitted from the equation (for example, because data are unavailable)
ii. It is virtually impossible to avoid some sort of measurement error in at least one of the equations variables.
iii. The underlying theoretical equation might have a different functional form (or shape) than the one chosen for the regression. For example, the underlying equation might be a linear in the variables for a linear regression
iv. All attempts to generalize human behavior must contain at least some amount of unpredictable or purely random variation.

To get a better feeling for these components of the stochastic error term, let assume a consumption function (aggregate consumption as a function of aggregate disposable income). First, consumption in a particular year may have been less than it would have been because of uncertainty over the future course of the economy, causing consumers to save more and consume less than they would if the uncertainty had not existed. Since this uncertainty is hard to measure there might be no variable measuring consumer uncertainty in the equation. In such a case, the impact of the omitted variable (consumer uncertainty) would likely end up in the stochastic error term. Second, the observed amount of consumption may have been different from the cultural level of consumption in a particular year due to an error (such as a sampling error) in the measurement of consumption in the national income accounts. Third, the underlying consumption function may be non linear, but a linear consumption function might be estimated. Forth, the consumption function attempts to portray the behavior of people, and there is always an element of unpredictability in human behavior. At any given time, some random event might increase or decrease aggregate consumption in a way that might never be repeated and couldn't be anticipated.

Any or all of these possibilities may explain the existence of a difference between the observed values of Y and the values expected from the deterministic component of the equation.

3.7 JUSTIFICATION OF REGRESSION TECHNIQUES

For this study, we adopted two methodological techniques: These are regression and chi –square techniques

Regression Analysis as observed has the following advantages

i. It is mathematically convenient to engage relationships between firm performance and business strategy.

ii. It captures predictive ability of business strategy models.

iii. The results generated by regression are easy to understand and interpreted.

iv. It has some desirable statistical properties that will enable us engage in statistical inferences and hypotheses testing.

3.8 CHI SQUARE TECHNIQUE:

Another statistical method adopted in analysing our data to complement regression technique is chi square approach; chi-square is a non – parametric test of statistical significance for bivariate tabular analysis. Any appropriately performed test of statistical significance lets you know the degree of confidence you have in accepting or rejecting a hypothesis.

3.9 CHI SQUARE BASIC ASSUMPTIONS

1. The sample must be randomly drawn from the population.
2. Data must be reported in raw frequencies (not percentages)
3. Measured variables must be independent
4. Values/categories on independent and dependent variables must be mutually exclusive and exhaustive;

5. Observed frequencies cannot be too small.

3.10 COMPUTING CHI SQUARE

Connor-linten Jeff (2006), systemically outlined the standard steps in computing chi square:

Step I: To determine our threshold of this means, what adds are we willing to accept that we are wrong in generalising from our results? Are we willing to take a claim on a 30%, 10% chance and so on, that we are wrong? The answer depends largely on our research question and the consequences of being wrong. The most important thing is to explicitly motivate our threshold before you perform any test of statistical significance, to minimize any temptation for post hoe compromise of scientific standards.

Step 2: To total all rows and columns. Remember that chi square operates by comparing the actual, or observed, frequencies in each cell in the table to the frequencies of expected data to determine if there is no relationship at all between the two variables in the populations from which the sample is drawn. In other words, chi square compares what actually happened to what hypothetically would have happened if all things were equal. If our actual results are sufficiently different from the predicted hypothesis results, we can reject the null hypothesis and claim that a statistically significant relationship exists between our variables logically, we need to measure the size of the difference between the paired observed and expected frequencies in each cell

more specifically, we calculate the difference between the each cell. Square their difference and they divide that product by the difference itself. The formula therefore becomes.

$X^2 = (O - E)^2 / E)$

Squaring the difference ensures positive number, so that we end up with an absolute value of differences. If we didn't work with absolute values the positive and negative difference across the entire table would always add up to O.

3.11 INTERPRETING THE CHI SQUARE VALUE.

How do we know if our chi square value is significant or not? What we need to know is the probability of getting a chi square value of a minimum given size, even if our variables are not related at all in the larger population from which our sample was drawn. That means, we need to know how much larger than O (the absolute chi square value of the null hypothesis) our tables chi square value must be before we can confidently reject the null hypothesis. The probability we seek depends in part on the degree of freedom of the table from which our chi square value is derived

3.12 TEST OF HYPOTHESES

Our testing of hypotheses will involve:

1. The use of Chi Squares.

$$X2 = \frac{\sum(0 - E)2}{E}$$

2. The Pearson Product Moment Correlation Coefficient will assist us to capture the strength of the relationship between variables.

$$r = \frac{N\sum XY - \sum X\sum Y}{\sqrt{N\sum X2 - (\sum X)2} \ x \ \sqrt{N\sum Y2 - (\sum Y)2}}$$

In addition, this study used two tailed test and measures of central tendency to establish tendencies among the population sample.

3.13 INSTRUMENT USED:

To get a robust data for this research, the researcher employed the use of both primary and secondary data; the primary data are collected directly from the field in their original state using the research questionnaires. This set of data is collected strictly on variables directly relevant to our research objectives. They are very reliable.

Secondary data on the other hand, were collected from the Nigerian Stock Exchange (NSE) Kaduna and NSE Fact book.
Both primary and secondary data were acquired through the following methods.

a. **Reconnaissance:** This is a preliminary survey in the study area, accompanied by observation for familiarization with the nature and general characteristics of the study, and the ease with which to collect the required data.

b. **Pilot study**: This is a survey involving a pre-test of the survey instrument, including its validation, and subsequent attempt at analysis of the characteristics of a sample collected.

c. **Field survey**: This is the actual and full data collection. This approach involved the distribution of questionnaires among selected firms in Kaduna.

3.14 RESEARCH POPULATION AND SAMPLE SIZE

Though it was very difficult to generate primary data from our selected companies, we made sure we capture up to fifteen (15) private limited companies. The companies used for our primary data include:

1. Circular trust limited.
2. Kaduna Furniture and Carpet Co Ltd.
3. IBBI Nigeria Ltd, Kaduna.
4. Power seal Nigeria Ltd.
5. Lennap Services Ltd.
6. Chanchangi Airlines Kaduna.
7. SEEPC Nigeria Ltd.
8. Avery Nigeria Ltd.
9. Crittal – Hope Nigeria Ltd.
10. Feedex (Nig) Ltd.
11. Queens way Aluminum Co Ltd.
12. Tower Galvanized Product (Nig) Ltd.
13. Peugeot Assembly Ltd.
14. Nigerian Engineering work Kaduna.
15. Datum Construction NIG Ltd.

For our secondary data, the following companies were used:

1. Presco Plc.
2. UTC Plc.
3. Zenith Bank Plc.
4. First Bank of Nigeria Plc.
5. Neimeth International Plc.
6. Northern Nigeria Flour Mills, Plc.
7. IBTC Plc.
8. Access Bank Plc.
9. Afriprint Plc.
10. Diamon Bank Plc.
11. GTB Plc.
12. University Press Plc.
13. Leventis Plc.
14. Adswitch Plc.
15. Cement Company Plc.

Using the above data, have generated a robust data for our analysis. It also aids comparative analysis of our study.

3.15 JUSTIFICATION OF THE SAMPLE SELECTION

Because we used both clustered and simple random sampling techniques, we were able to overcome sample selection bias.

All the private limited companies selected have a relatively stable management. Though access to their financial data was not easy to get, hence we resorted to getting data from fifteen (15) quoted companies.

This gave us a total number of thirty (30) companies used for this study.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1 INTRODUCTION

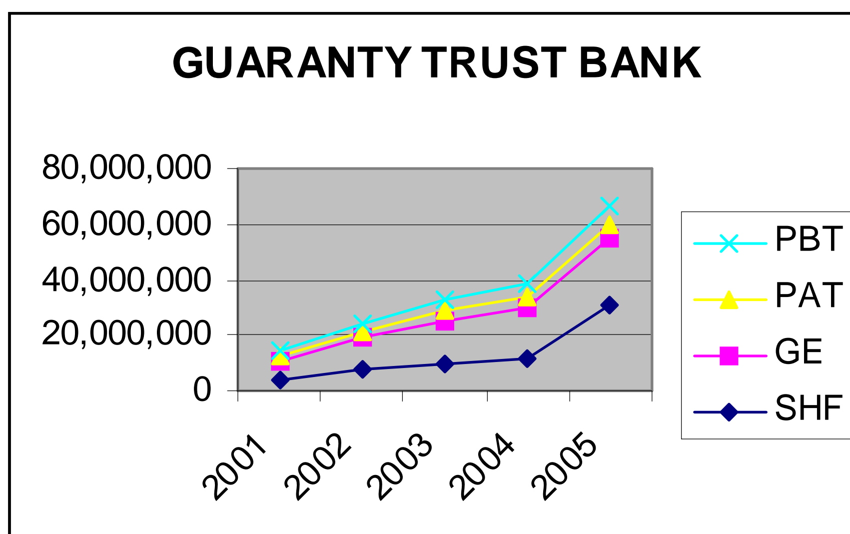
In this chapter, the researcher made use of both primary and secondary data for the analysis. Due to the problem faced in generating secondary data from private limited companies in Kaduna, I resorted to generating the data from public limited companies based/branch in Kaduna. From this secondary data, I picked the key financial performance indicators. These indicators are companies' Shareholders' Fund, Gross Earning/Turnover, Profit After Tax and Profit Before Tax. This financial data was collected over a Five-year period. I therefore, used this secondary data to run the trend analysis of the companies' financial performance using Excel software.

I also derived from the secondary data the cross-sectional data over a Five-year period for the regression analysis. From this, I computed the multiple regression analysis. The result of this multiple regression gave me the least square model of the study.

4.1 TRENDS ANALYSIS OF SELECTED COMPANIES' FINANCIAL PERFORMANCE

Table 4.1: Guaranty Trust Bank

YEAR	SHF	GE	PAT	PBT
2001	4,026,177	6,840,527	1,503,694	2,050,323
2002	7,949,982	10,898,091	2,140,355	3,107,315
2003	9,238,755	16,050,075	3,211,439	4,144,919
2004	11,617,978	18,053,377	4,056,577	4,833,256
2005	30,894,969	23,833,711	5,330,796	6,527,537



The table above shows that in 2001 shareholders' fund of the company was N4, 026,177b. In 2002, it increased to N7, 949,982b that was an increase of 97.45%. In 2003, the company's shareholders' fund increased to N9, 238,755b that produced an increase of 16.21% as against the previous year. In 2004, the shareholders' fund of the

company was N11, 617,978b, given a growth rate of 25.75% as against last year. In 2005, the company experience grows in its shareholders' fund to N30, 894,964b producing a growth rate of 165.92%. The growth rate of shareholders' funds for 2005 was a phenomenal one because it grew by more than 150%.

From our data, the gross earning of the company was N6, 840,527b in 2001. In 2002, it increased to N10, 898,091b given an increase of 59.32%. In 2003, the gross earning of the company increased to N16, 050,075b, producing a growth rate of 55.06%. In the year 2004, the gross earning of the company increased to N18, 053,377b producing a growth rate of 19.93%. In 2005, the gross earning of the company increased again to N23, 833,771b producing a growth rate of 32.02%.

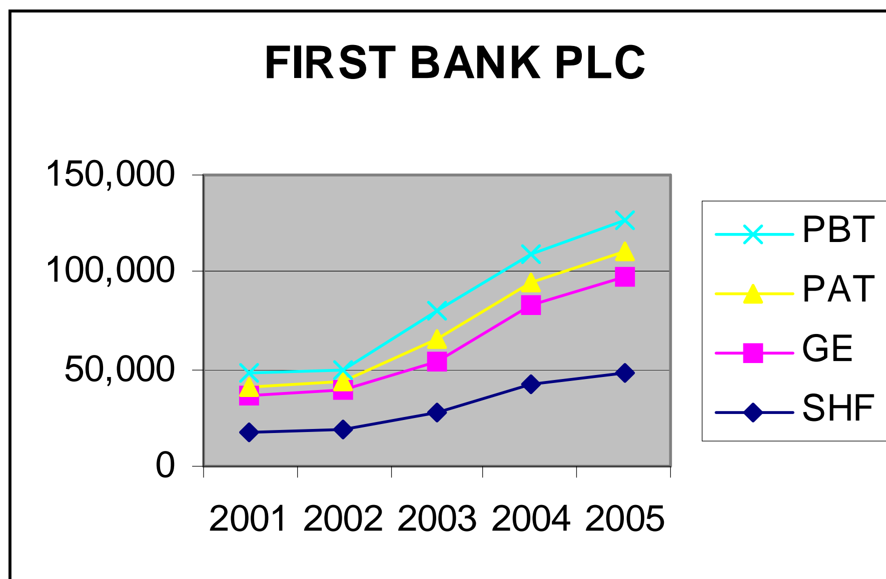
The profit after tax as one of the major indicators of the firm's performance was N1, 503,694b in 2001. In 2002, it increased to N2, 140,355b given a growth rate of 42.34%. In 2003,the company's profit after tax(PAT) became N3, 211,439b representing a percentage growth of 50.04% .In 2004, PAT of the company increased to N4,056,557b given a growth rate of 26.32%.In the year 2005, PAT of the company became N5, 330, 796 given a growth rate of 31.41%.

The Profit Before Tax (PBT) of the company was N2, 050,323b in 2001. In 2002, it increased to N3, 107,315 given a growth rate of 51.55%. In 2003, PBT of the company increased to N4, 144,919 given a percentage growth of 33.39%. In 2004, the PBT of the company became N4,

833,256 producing a growth rate of 16.61%. In 2005, PBT of the company became N6, 527,537b given a growth rate of 35.05%.

Table 4.2: First Bank Plc

YEAR	SHF	GE	PAT	PBT
2001	18,170	18,170	5,066	6,715
2002	19,406	19,406	4,776	6,172
2003	27,006	27,006	11,010	14,420
2004	41,605	41,605	11,483	14,853
2005	48,726	48,726	13,234	16,608



In the table above, the Shareholders' Fund (SHF) of First Bank was N18,170b in 2001. In 2002, it increased to N19, 406b given a growth rate of 6.8%. In 2003, the Shareholders' Fund of the company grew to N27, 006b producing a percentage growth of 39.16%. In 2004, the company SHF became N41, 605b producing a growth rate of 54.06%. In

2005, SHF of the company increased to N48, 726b representing a growth rate of 17.53%.

Another indicator of the financial strength or performance of the company measured was its Gross Earning. In 2001, the Gross Earning (GE) of the company was N18, 170b. In 2002, it increased to N19, 406b given a percentage increase of 6.8%. In 2003, the company GE increased to N27, 006b producing a growth rate of 42.10%.

In 2004 the GE of the company became N41, 605b given a growth rate of 54.06%. In 2005, GE of the company increased to N48,726b producing a growth rate of 17.12%.

Another indicator measured was the company's PAT (Profit After Tax). In 2001, the PAT of the company was N5, 066b. In 2002, it increased to N4, 776b producing a decrease of 5.7%. In 2003, PAT of the company increased to N11, 010b, producing a growth rate of 130.52%.

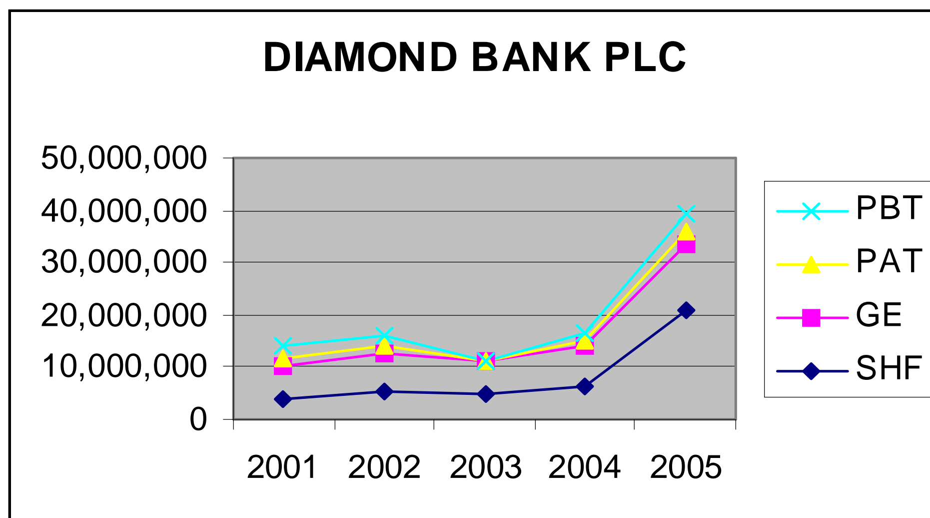
In 2004, PAT of the company became N11,483b producing a growth rate of 4% against 2003. In 2005, PAT of the company became N13,234b producing a growth rate of 15%.

We also used Profit Before Tax to measure the performance of the company. In 2001, PBT of the company was N6, 715b. In 2002, it decreased to N6, 172b producing an decreasing rate of 8%. In 2003,

PBT of the company had a dramatic increase to N14,420b producing a growth rate of 134%. In 2004, PBT of the company became N14,853b given a percentage growth of 3%. In 2005, PBT of the company became N16,608b given a growth of 11.82%.

Table 4.3: Diamond Bank Plc

YEAR	SHF	GE	PAT	PBT
2001	4,086,080	6,087,907	1,689,618	2,225,160
2002	5,185,704	7,553,145	1,478,175	1,945,994
2003	4,832,213	6,279,645	134,960	47,233
2004	6,472,698	7,790,163	903,411	1,264,502
2005	20,689,318	12,735,805	2,509,810	3,514,319



In 2001, the shareholders' fund of the company was N4, 086,080b. In 2002, it increased to N5, 185,704b producing a growth rate of 26.81%. In 2003, the company Shareholders Fund dropped to N4, 832,213b producing a decreasing rate of 6.8%. In 2004, SHF of the company

became N6, 472,698b given a growth rate of 33.95%. In 2005, SHF again increased to N20, 689,318b producing a growth of 219.64%. This was a very phenomenal growth, may be due Central Bank of Nigeria directives that banks should increase their Shareholders' Fund to N25b at the end of 2005.

The Gross Earning (GE) of the company was N6, 087,907b in 2001. In 2002,the company's GE increased to N7, 533,145b producing a growth 23.74%.In 2003, gross earning of the company decreased to N6,297,645b producing a decreasing rate of 16.64%. In 2004, the company had a gross earning of N7, 790,163b given a growth rate of 24.05%. In 2005, the Gross Earning became N12, 735,805b given a growth rate of 63.48%.

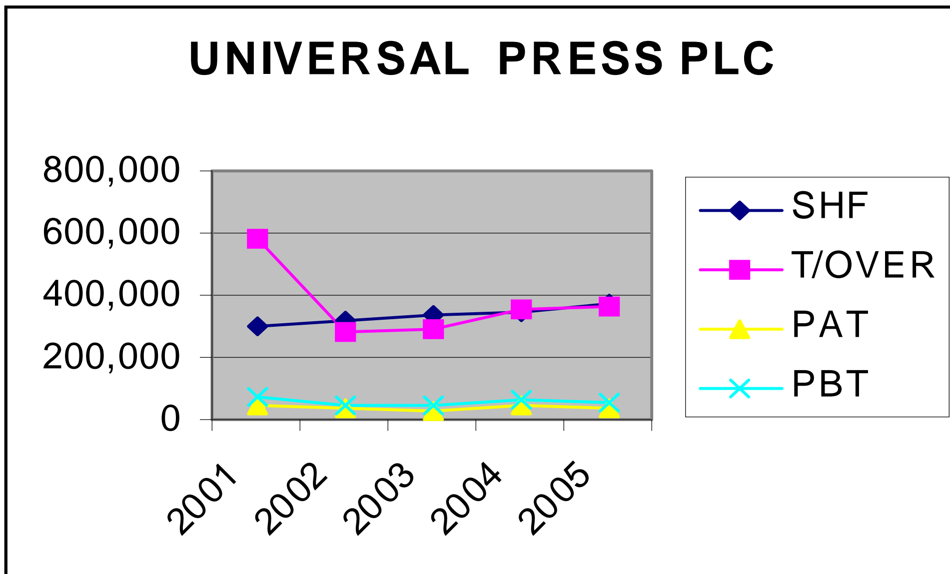
Profit After Tax (PAT): In 2001, PAT of the company was N1, 689,618b. In 2002, it decreased to N1, 478,175b given a drop rate 12.51%. In 2003, PAT of the company became N134, 960m given a big drop of 90.85%. In 2004, the PAT rose to N903, 441m producing an increase of 569.39%. In 2005, PAT of the company became N2, 509,810b representing 177.81% growth.

In 2001, the PBT of the company was N2, 225,160b. In 2002, it dropped to N1, 945,994b given a drop rate of 12.54%. In 2003, PBT of the company became N47, 233m producing a drop of 97.52%. In 2004, the company declared PBT of N1, 204,502b given a great increase of 2577.15%

In 2005, the PBT of the company rose again to N3, 514,319 given a growth rate 177.92%

Table 4.4: Universal Press Plc.

YEAR	SHF	T/OVER	PAT	PBT
2001	303,534	578,321	46,678	70,610
2002	319,993	278,609	32,120	49,101
2003	332,162	292,580	30,889	48,094
2004	349,049	355,614	41,847	60,687
2005	370,972	365,829	34,403	52,904



In 2001, SHF of the company was N303,534m. In 2002, it increased to N319,993 given a growth rate of 5.42%. In 2003, SHF of the company became N332,162m given a growth rate of 3.8%.In 2004, the company reported an SHF of N349,049m given a growth rate of 5.08%. In 2005,

the SHF of the company rose to N370, 972m producing a growth rate of 6.2%.

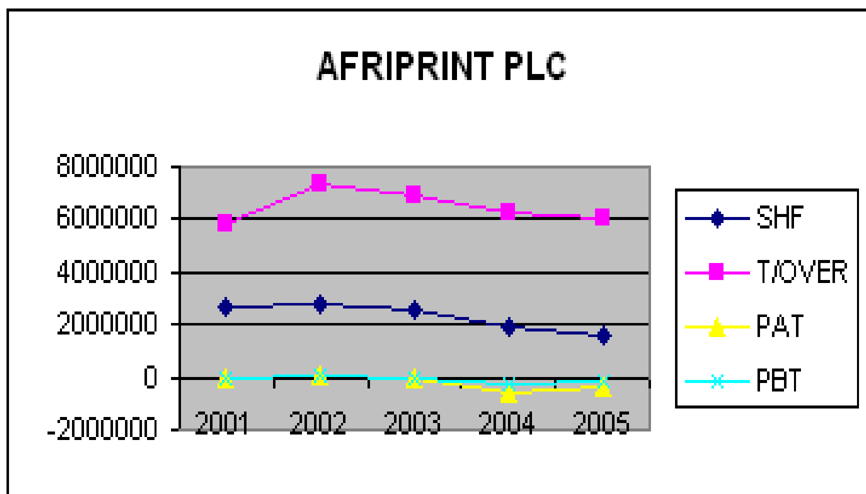
Profit After Tax (PAT) as one the company's performance indicators was N46, 678m in 2001. In 2002, it dropped to N32,120m given a drop rate of 31.1%. In 2003, PAT of the company dropped again to N30,889m, given a drop rate of 3.8 percent. In 2004, Profit After Tax of the company increased to N41, 847m given a 35.5%. In 2005, it dropped again to N34,403m given a percentage drop of 17.78 percent.

In 2001, PBT (Profit Before Tax) of the company was N70,610m. In 2002, PBT of the company dropped to N49,101m given a drop rate of 30.4 percent. In 2003, the PBT of the company fell to N48, 094m that was 2.1%. In 2004, it became N60, 687 that was 26.2 percent. In 2005, the PBT of the company dropped to N52, 904m representing a decrease of 12.8%.

The Turnover as a proxy for the company's Gross Earning was N578, 321m in 2001. In 2002, it dropped to N278, 609m that was 51.82%. In 2003, the turnover of the company became N292.580 given a drop rate of 5.0%. In 2004, it increased to N355, 614m representing 21.54% growth. In 2005, it rose again to N365, 829m given a percentage growth of 2.87 percent.

Table 4.5: AFPRINT PLC

YEAR	SHF	T/OVER	PAT	PBT
2001	2690582	5860771	-71984	-51984
2002	2756216	7346152	65633	83633
2003	2558364	6955590	-96222	-73722
2004	1939956	6237334	-618407	-224588
2005	1621715	5991285	-318239	-127960



In 2001, SHF of Afriprint Plc was N2, 690,582 in 2002, it decreased to N2,276,216b representing 15.40% drop. In 2003, it increased to N2,558,364b translating to 12.40% increase. In 2004, the company SHF decreased to N1,939,956b representing 24.17% to drop. In 2005, SHF of the company drop again to N1, 621,715b representing 16.40% drop as against the previous year.

The PAT of the company in 2001 was negative by N71, 984m.In 2002, it rose to N65, 633m representing 8.8%. In 2003, it became negative by N96, 222m representing 46.61% drop. In 2004, it became negative by

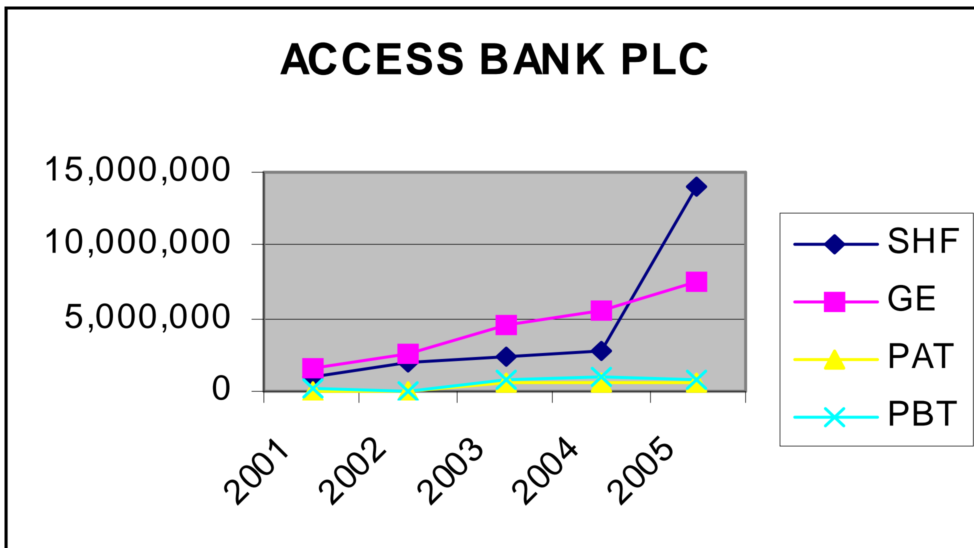
N618, 407m representing 632.69% drop. In 2005, it drop again by N318, 239m representing 48.54% drop.

In Turnover of the company in 2001 was N5, 860,771b.In 2002, it increased to N7, 346,152b showing a 25.34% increase. In 2003, it drop to N6, 955,590b representing a 5.32% drop. In 2004, it decreased again to N6, 237,334b representing a 10.33% drop as against the previous year. In 2005, it dropped again to N5, 991,295b meaning a 3.94% drop.

The PBT of the company was negative by N51, 984m in 2001.In 2002, it became positive by N83, 633m representing a growth rate of 93.01%. In 2003, PBT of the Company became negative by N73, 722m showing a 11.85% drop. In 2004,PBT of the company became negative by N224, 558m representing 204.64% drop. In 2005, it became negative by N127, 960m representing 43.02% drop.

Table 4.6: Access Bank Plc

YEAR	SHF	GE	PAT	PBT
2001	919,493	1,589,555	77,743	116,081
2002	1,943,784	2,604,378	(-55,245)	(-17,947)
2003	2,365,356	4,604,378	556,573	810,639
2004	2,702,830	5,515,086	637,473	951,750
2005	14,071,924	7,492,855	501,515	751,033



In 2001, Access Bank shareholders' Fund was N919,493m. In 2002,it increased to N1,943,784B given a growth rate of 111.39 percent. In 2003, it increased again to N2,365,356 billion given a growth rate of 21.68%.In 2004, it became N2,702,830b producing a growth rate of 14.26%. In 2005, the shareholders' fund of Access bank jumped to N14,071,924b, that is 420.63%.

On their Gross Earning, it was N1, 589,555b in 2001.In 2002, it increased to N2, 604,378b, that was an increase of 63.84%. In 2003, the Gross Earning of the company rose to N4, 367,887b, which was 67.71% growth. In 2004, the company made N5, 515,086b Gross

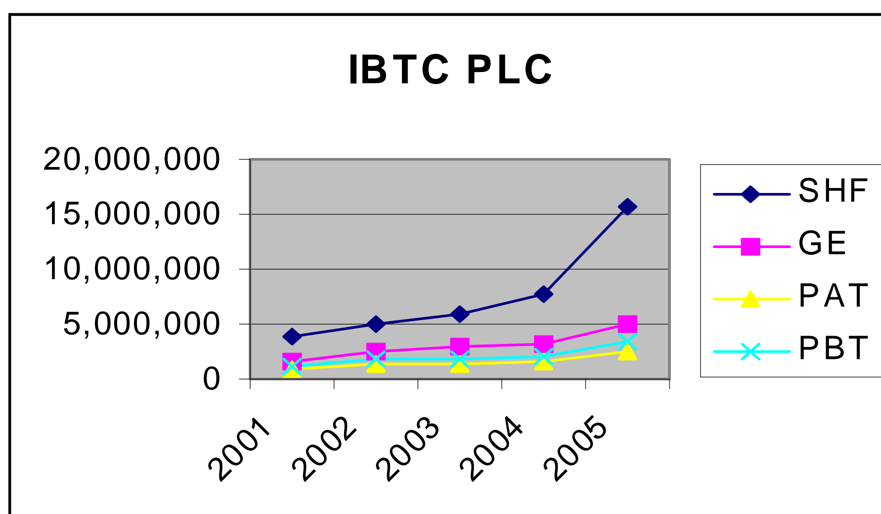
Earning translating into 26.26%. In 2005, the gross earning of the company rose to N7,492,855b, that is 35.86% growth rate.

The Profit After Tax of the company in 2001 was N77, 743m. In 2002, it dropped to N55, 245m representing a 28.9% drop rate. In 2003, the PAT of the company rose to N556, 573m that became 907.46% growth rate. In 2004, the company generated N637, 473m PAT that became 14.53% growth. In 2005, Access Bank, profit After Tax was N501, 515m that was 20.70% drop as against the previous Year.

In 2001, the Profit Before Tax of the company was N116, 081m. In 2002, the Profit Before Tax of the company was negative by N17, 947m, that was 84.53% drop. In 2003, the PBT of the company rose to N810, 639m that was 4416.85% growth. In 2004, the Access Bank, made N951, 750m Profit After Tax, that gave 17.40% growth rate in 2005, the PBT became N751, 033m that translates to 21.08% drop as against the previous year.

Table 4.7: IBTC PLC:

YEAR	SHF	GE	PAT	PBT
2001	3,779,412	1,671,537	927,502	1,208,436
2002	4,934,148	2,513,759	1,469,310	1,905,270
2003	5,880,820	2,933,175	1,455,631	1,881,044
2004	7,837,620	3,072,328	1,586,231	2,049,916
2005	15,659,226	5,004,828	2,444,633	3,321,295



In 2001, the shareholders' fund of IBTC was N3, 779,412b. In 2002, the SHF of the company became N4, 934,148b representing 30.55% growth. In 2003, SHF of the company because N5, 880,820b given me 19.18 percent growth.

In 2004, the company had N7, 837,620b SHF balance meaning 33.27 percent growth rate. In 2005, the SHF of the company moved to N15, 659,226b representing 99.79 percent growth rate.

The Gross Earning of the company in 2001 was N1,671,537b. In 2002, it became N2,513,759 billion, that translated to 50.38 percent growth

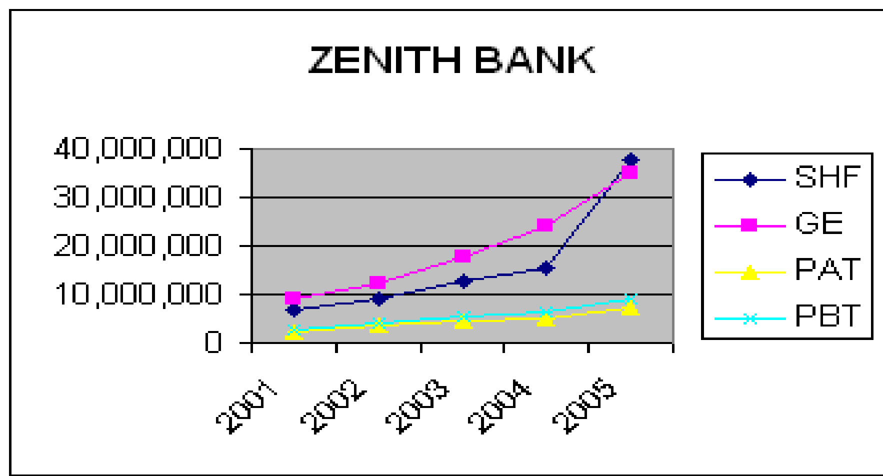
compared to last year. In 2003, the GE of the company rose to N2,933,175 billion representing given us 16.71 percent growth. In 2004, IBTC gross earning became N3,072,328 billion that translates to 4.74 percent growth. In 2005, the company grew their Gross Earning to N5,004,828b that became 62.94 percent growth for the year.

In 2001, Profit After Tax of IBTC was N927,502m. In 2002 it became N1,469,310 billion that gave me 58.40 percent growth. In 2003, their PAT was N1,455,631 billion that was a drop of 0.9 percent. In 2004, the company recorded N1,586,231 billion Profit After Tax. This translated to 8.97 percent growth rate. In 2005, their PAT became N2, 444,633 billion that was 54.1 percent growth.

On the Profit Before Tax (PBT), the company recorded N1,208,436 billion in 2001. In 2002, it increased to N1,905,270 billion that became 57.66 percent growth. In 2003, the PBT dropped to N1,881,044 billion that gave us 1.27 percent drop rate. In 2004, the company increased its PBT to N2,049,916 billion that became 8.97% growth. In the year 2005 the PBT of the company became N3, 321,295b representing 62.02% growth.

Table 4.8: Zenith Bank Plc

YEAR	SHF	GE	PAT	PBT
2001	6,725,947	9,023,305	2,418,243	2,802,580
2002	9,305,968	12,118,935	3,504,013	3,999,368
2003	12,651,557	17,844,230	4,424,186	5,440,471
2004	15,674,368	23,931,225	5,190,768	6,404,885
2005	37,789,662	34,913,462	7,155,926	9,164,787



In 2001, Zenith Bank Shareholders' Fund was N6, 725,947billion.In 2002 it rose to N9, 305,968b that became 38.35 percent growth. In 2003, SHF of the company became N12, 651577 billion, representing 39.96 percent growth. In 2004, Zenith Bank SHF increased to N15,674,368 billion this shows a growth rate of 23.89%. In 2005, their SHF moved to N37,789,622 billion representing 141.10 percent growth.

The Gross Earnings of the company in 2001 was N9,023,305 billion. In , it became N12,118,935 billion representing that became 34.3 percent growth against the previous year. In 2003, the GE of the company was N17,844,230 billion that translates to 47.24 percent growth.

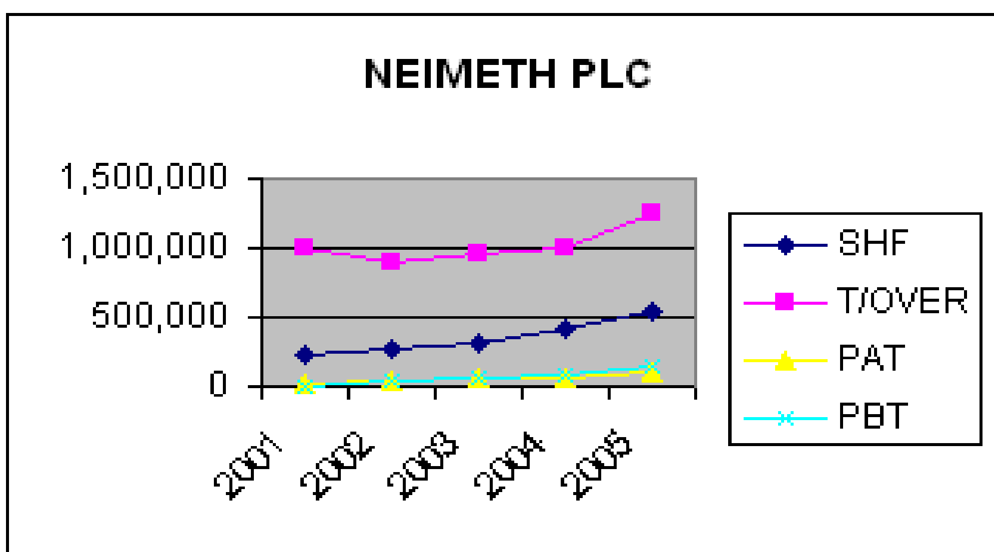
In 2004 GE of Zenith Bank was N23, 931,255 billion representing 34.11 percent growth. In 2005, the Bank's Gross Earning increased to N34, 913,462b representing 45.89 percent growth.

On Zenith PAT (Profit After Tax) the bank's record revealed N2,418,243 billion in 2001. In 2002, it became N3,504,013 billion producing 44.89 percent growth. In 2003, their PAT amounted to N4,424,186 billion that gave us 26.26 percent growth as against the previous year. In 2004, the bank's PAT rose to N5, 190,768 billion that became 17.34 percent growth. In 2005, PAT of the company rose to N7,155,926 billion representing 37.85 percent growth.

The financial report of Zenith Bank shows that its Profit Before Tax was N2, 802,580 billion in 2001. In 2002, it became N3,999,368 billion given us a 42.70 percent growth. In 2003, it became N5,440,471 billion that amounted to 36.03 percent growth as against the previous year. In 2004, PBT of the company became N6,404,885 billion showing a growth rate of 17.7 percent. In 2005, PAT of the Bank moved to N9,164,787 billion representing 43 percent growth.

Table 4.9: Neimeth Plc

YEAR	SHF	T/OVER	PAT	PBT
2001	233,331	1,003,036	21,057	3,043
2002	261,091	897,811	35,661	35,215
2003	308,461	950,804	52,084	72,386
2004	418,994	1,002,024	59,175	89,155
2005	540,919	1,241,949	98,427	153,602



In 2001, Neimeth Shareholders' Fund was N233,331m.In 2002, it became N261,091m that was 11.89 percent growth. In 2003, the company's SHF moved to N308,461m that translates to 18,14 percent growth. In 2004, it became N418,994m that became 35.83 percent growth. In 2005, the company's SHF became N540, 919m amounting to 29.09 or 29.1 percent increase.

The Turnover performance of Neimeth in 2001 was N1,003,036b. In 2002, it dropped to N897, 811m that gave us 10.49 percent decline. In 2003, it increased to N950,804m that became 5.9 percent growth. In

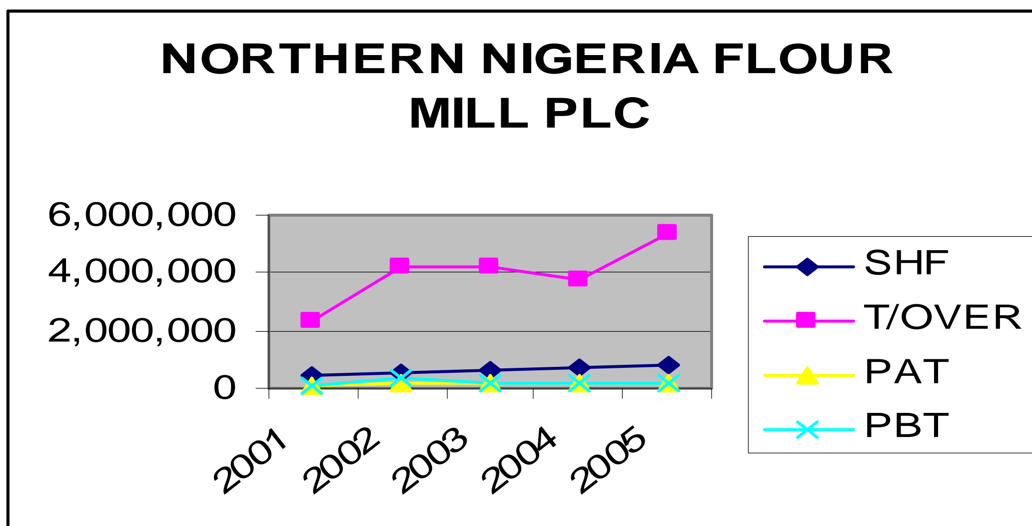
2004, it rose again to N1, 002,024 billion representing 5.38 percent growth. In 2005, the turnover of the company was N1, 241,949 this gives us a 23.94 percent growth.

The Profit After Tax of Neimeth in 2001 was N21, 057m. In 2002, it became N35,661m representing 69.35 percent growth. In 2003, the PAT of the company became N52, 084m that gave us 46.05 percent increase. In 2004, PAT of the company increased to N59,175m representing 13.61 percent growth. In 2005, PAT of the company also increased to N98.427m that became 66.33 percent growth.

For the company's Profit Before Tax performance in 2001, it was N30, 043m. In 2002, it became N35, 215b representing 13.88 percent growth. In 2003, PBT of the firm was N72, 386m that gave us 105.55 percent increase. In 2004, PBT of the company was N89,155m that translated to 23.16. In 2005, PBT of the company jumped to N153,603m indicating 72.3 percent growth.

Table 4.10: Northern Nig. Flour PLC (NNFP)

YEAR	SHF	T/OVER	PAT	PBT
2001	412,707	2,288,617	55,443	82,881
2002	505,147	4,210,517	149,640	320,840
2003	614,396	4,243,286	149,233	219,396
2004	725,565	3,786,915	138,499	204,070
2005	813,064	5,414,843	146,797	212,283



In 2001, NNFP, Shareholders' Fund was N412,707m. In 2002, it became N505,147m representing 22.39 percent growth. In 2003, the SHF of the company was N614,396m this translated to 21.62 percent increase. In 2004, the company recorded N725,565m SHF, this gave us 18.09 percent growth. In 2005, the company grew its Shareholders' Fund to N813,064m that produced 12.05 percent growth.

On the Turnover performance of the company, it was N2, 288,617 billion in 2001. In 2002, it became N4,210,517 billion that was 83.97 percent growth. In 2003, the Turnover of the company increased to

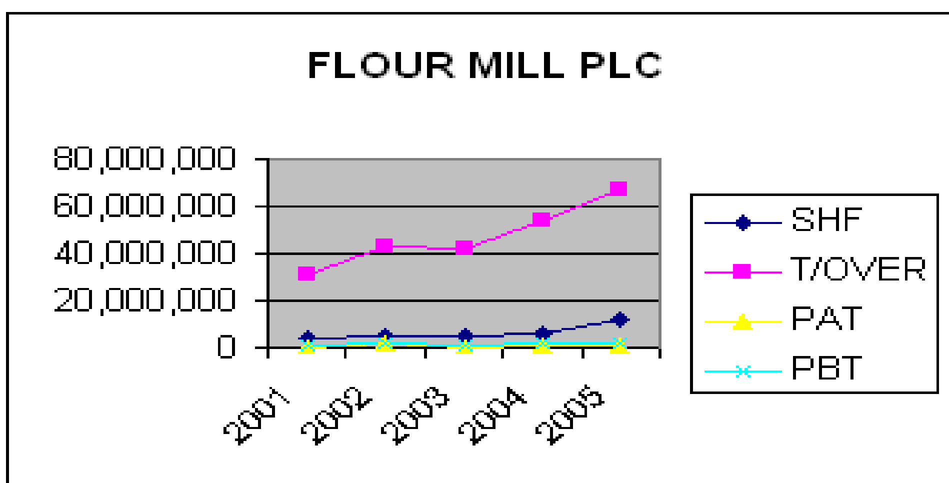
N4,243,286b giving us a 0.77 percent growth. In 2004, the company's Turnover decline to N3,786,915b recording a percentage decline of 10.76%. In 2005, the company's turnover grew to N5,414,843b that resulted to 42.98 percent increase.

On the Profit After Tax performance of NNFP,it was N55,443m in 2001. In 2002, the PAT of the company increased to N149, 640m that became 169.89 percent growth rate. In 2003, it became N149, 233m representing 0.27 percent decline.. In 2004, the company reported N138,499m PAT translating to 7.19 percent decline. In 2005, PAT of the company rose to N146,797m representing 5.95 percent growth rate.

We also analyzed the Profit Before Tax of the company. The result showed that the PBT of the company was N82,881m. In 2002, it became N220,840m translating to 166.45 percent growth. In 2003, the PBT of the company became N219,396m that is 0.65 percent decline. In 2004, the PBT of the company became N204,070m giving us 6.93 percent decline. In the year 2005, the company recorded a N212, 283m PBT resulting to 4.02 percent increase.

Table 4.11: Flour Mill Plc

YEAR	SHF	T/OVER	PAT	PBT
2001	3,976,256	30,922,902	390,828	677,080
2002	5,103,860	43,306,511	1,537,104	2,266,473
2003	5,067,655	42,250,029	254,995	590,232
2004	5,958,094	53,563,211	1,370,485	1,887,216
2005	11,623,725	66,805,656	1,451,845	2,024,747



In 2001, Flourmill Plc recorded a Turnover of N30, 922,902 billion. In 2002, its turnover increased to N43, 306,511 billion showing a 40.04 percent growth rate. In 2003, the turnover of the company dropped to N42, 250,029b that shows a 2.4 percent decline. In 2004, the company was able to increase its turnover to N53, 503,211b that mean 26.77 percent growth. In 2005, the company reported N66, 805,656b turnover translating to 24.72 percent growth rate.

On the shareholders' Fund of the company in 2001, it was N3, 976,256b. In 2002, it rose to N5, 103,860b representing 28.35%

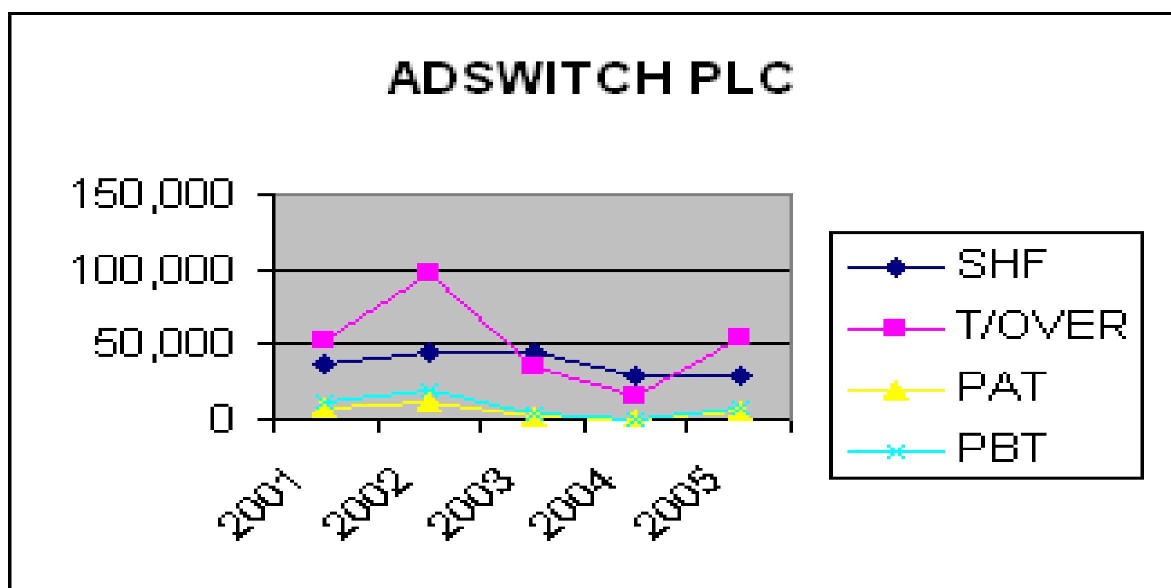
growth. In 2003, the SHF of the company became N5, 067,665b leading to 0.71% decline. In the year 2004, the company's SHF rose to N5, 958,094b that gives us 17.57% growth rate. In 2005, flour mills Plc, SHF become N11,623,725b amounting to 95.09 percent growth.

As regards to the Profit After Tax (PAT) of the company in the year 2001,it was N390,828m. In the year 2002 it increased to N1, 537,104b that becomes 293.39 percent increase. In 2003, PAT of the company dropped significantly to N254,995m translating to 83.4% decline. In 2004, PAT of the company moved to N1,370,485b showing a percentage increase of 437.45 percentage. In 2005, PAT of the company became N1,1451,845b representing 5.9 % rises over the previous year.

In 2001, the company made Profit Before Tax (PBT) of N677,080m. In 2002, PBT of the company increased to N2,266,473b showing 234.7 % growth. In 2003 PAT of the company dropped to N590,232m that is 73.92% decline over the previous year. In 2004, PBT rose immensely to N1,887,216b representing 219.7% rise. In 2005, PBT of the company rise again to N2,024,747 translating to 7.28 percent growth over 2004.

Table 4.12: Adswitch PLC

YEAR	SHF	T/OVER	PAT	PBT
2001	37,957	52,632	7,502	11,329
2002	44,627	97,390	11,670	19,172
2003	45,770	35,992	1,143	3,520
2004	28,378	15,262	(-17,392)	(-18,321)
2005	29,982	55,512	6,604	7,921



Adswitch had Shareholders' Fund of N37, 957m in 2001. In 2002, it grew to N44,627m representing 17.6% growth. In 2003, SHF of company became N45,770m which means 2.6 % growth over last years result. In 2004, SHF of the company dropped to N28,378m representing 38% decline over the previous year. In 2005, it marginally increased to N29,982m that gives us 5.7 percent growth rate.

On the turnover of the company in 2001 it was N52,632m. In 2002 the company turnover moved to N97,390m representing 85% growth. In

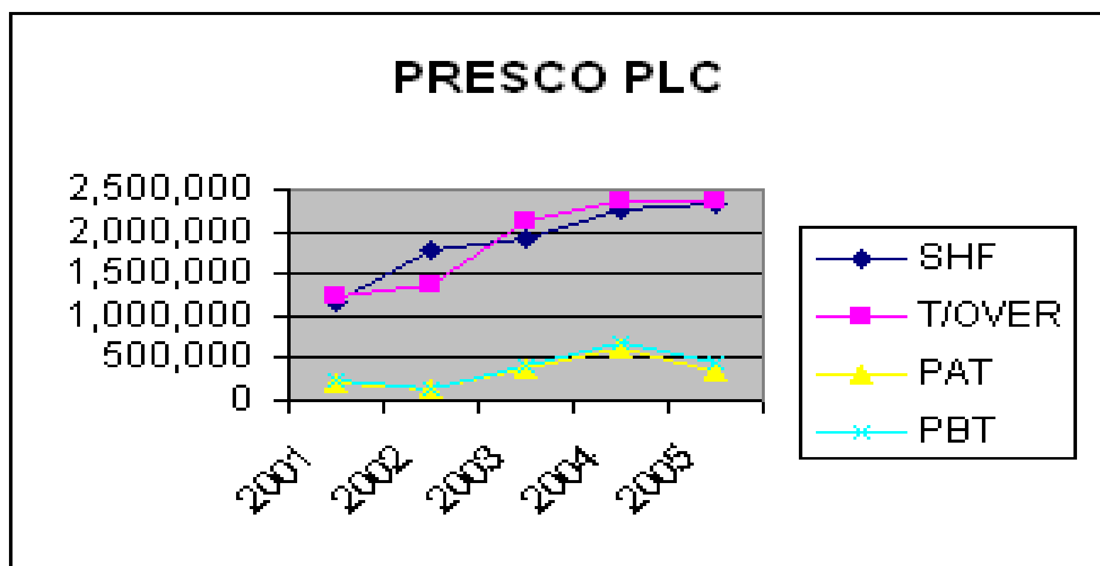
2003, the company reported a dropped Turnover of N35,992m showing 63% decline against 2002. In 2004, turnover of the company became N15,262m representing 57.6% decline. In 2005, the company turnover was N55,512m that means 263.7% growth against the previous year.

In 2001, PAT of the company was N7, 502m. In 2002, it increased to N11, 670m representing 55.56% growth against the previous year. In 2003, the company's PAT dropped to N1, 143m showing 90.21%. In 2004, the PAT of the Company became negative by N17, 393m representing 1421.61% drop. In 2005, it increased to N6, 604m representing 62.03% growth.

In 2001, the Profit Before Tax of the company was N11, 329m. In 2002, it moved to N19, 172m representing 69.2 percent growth over previous year's result. In 2003, it dropped to N3, 520m showing a decline of 72.4 percent. In 2004, PBT of the company was negative by N18, 321m representing 420.48%. In 2005, the PBT if the company rose to N7, 921m translating to 56.77% against previous year.

Table 4.13: Presco PLC

YEAR	SHF	T/OVER	PAT	PBT
2001	1,165,055	1,236,626	217,264	225,349
2002	1,793,365	1,369,364	153,596	131,378
2003	1,918,558	2,128,304	375,193	407,615
2004	2,274,900	2,346,068	606,342	672,242
2005	2,315,582	2,347,611	340,682	453,620



In 2001, Shareholders' Fund of Presco Plc was N1, 165, 055 billion. In 2002, the company's SHF rose to N1,793,3656m representing 54 percent growth. In 2003, SHF of the company became N1,918,558 billion that means 6.9 percent growth. In 2004, the company SHF became N2,274,900 billion representing 18.7 percent growth over the previous years performance. In 2005, SHF of the company became N2,315,582 billion showing 1.78 percent growth.

In 2001, the turnover of the company was N1,236,626 billion. In 2002, it moved to N1,369,364b representing 10.7 percent increase. In 2003, it

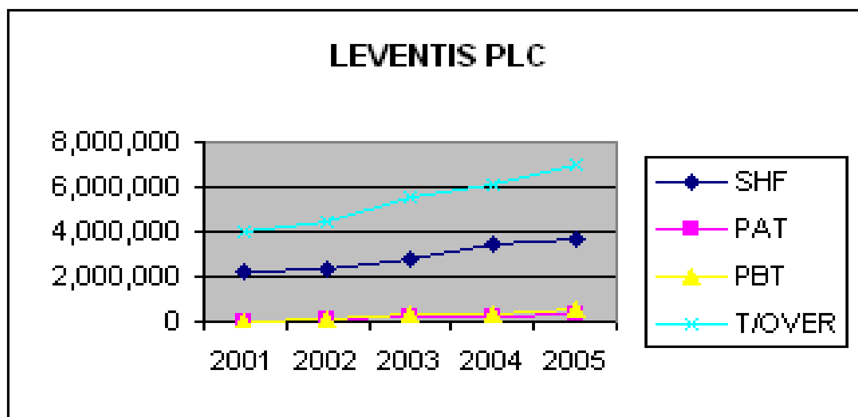
moved to N2,128,304 billion that means 55.4 percent growth. In 2004, the company's turnover became N2, 346,068 billion showing 10.2 percent rise over the previous year. In 2005, the turnover of the company became N2,347,611 billion translating to 0.06 percent increase.

Presco Plc had N217,264m as Profit After Tax in 2001. In 2002, its PAT dropped to N153,596m representing a drop of 29.3 percent. In 2003, its PAT rose to N375,193m showing 144.3 percent growth. In 2004, PAT of the company rose again to N600,342m representing 61.6 percent growth over the previous years result in 2005, PAT of the company dropped to N340,682m that IS 43.8 percent decline.

The company Profit Before Tax in 2001 was N225,349m. In 2002, it dropped to N131,378m representing a decline of 41.7 percent. In 2003, it rose to N407,615m that means 210.3 percent growth. In 2004, PBT of the company moved to N672,242m translating to 64.9 percent growth. In 2005, there was a fall in the PBT of the company to N453,620b representing 32.5 percent decline.

Table 4.14: Leventis Plc

YEAR	SHF	PAT	PBT	T/OVER
2001	2,175,889	36,310	37,534	4,051,668
2002	2,357,769	59,565	132,714	4,421,205
2003	2,813,535	186,180	305,665	5,608,501
2004	3,433,429	240,992	325,825	6,120,757
2005	3,676,466	382,370	593,301	7,035,811



In 2001, Shareholder's Fund of the company was N217,889b. In 2002, the SHF of the company became N2,357,769 billion representing 8.35 percent growth. In 2003, SHF of the company became N2,813,535 billion showing 19.3 percent growth. In 2004, SHF of the company recorded N3,438,429 billion SHF representing 22.2 percent rise over the previous year. In 2005, SHF of the company became N3,676,466b that means 6.9 percent growth over the previous year's performance.

The PAT of the company was N36,310m for the year 2001. In 2002, it rose to N59,565m representing a growth rate of 64.3 percent. In 2003, the PAT of the company rose to N186,180m that translates to 212.6 percent growth. In 2004, the company recorded N240,992m PAT

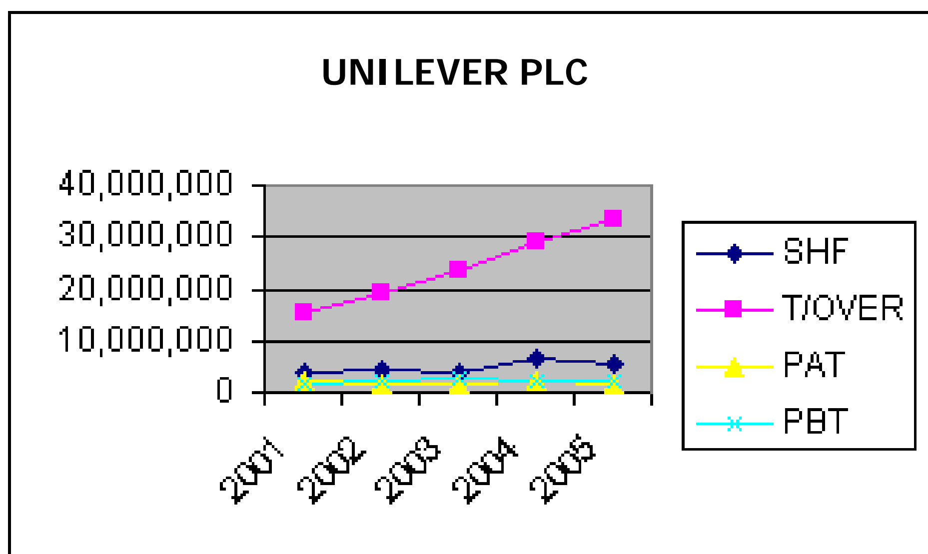
representing 29.45 percent growth. In 2005, PAT of the company became N382,370m translated to 58.66 percent growth.

The Profit Before Tax of the company was N37,534m in 2001. In 2002, it grew to N132,714 representing a growth rate of 253.58 percent. In 2003, PBT of the company moved to N305,665m representing to 130.3 percent growth. In 2004, the company's PBT became N325, 825m that means 6.6 percent growth. In 2005, PBT of the company increased to N593,301m that produced 82.1 percent increase over the previous year's performance.

The Turnover of the company in 2001 was N4, 051,668 billion. In 2002, it became N4, 421,205b representing 9.1 percent growth. In 2003, the turnover of the company became N5, 605,501b showing 26.85 percent growth. In 2004, the company recorded a Turnover of N6, 120,757b representing 9.13 percent growth. In 2005, Leventis as a company recorded N7,035,811b as Turnover representing 14.95 percent growth.

Table 4.15: Unilever Plc

YEAR	SHF	T/OVER	PAT	PBT
2001	4,109,065	15,203,511	2,164,114	1,585,738
2002	4,167,664	19,003,356	1,571,918	2,053,089
2003	3,905,551	23,693,923	1,870,258	2,778,155
2004	6,672,800	28,976,997	2,167,249	2,270,047
2005	5,570,611	33,390,940	1,616,457	2,281,416



In 2001, shareholders' fund of Unilever was N4, 109,06b. In 2002, SHF of the company rose to N4,167,664b representing 1.4 percent growth. In 2003, the company recorded N3,903,551b SHF showing decline of 6.3 percent. In 2004, the SHF of the company was N6, 672,800b representing 70.9 percent growth. In 2005, the company recorded N5,570,611b SHF translating to 16.5 percent decline.

The turnover of the company in 2001 was N15,203,011b. In 2002, it moved to N19,003,306b representing 24.98 percent growth. In 2003, the company's turnover rose to N23,693,923b that gives us 24.68

percent growth. In 2004, the Turnover of the company became N28,576,997b that means 20.60 percent growth. In 2005, the company recorded N33, 390,940b Turnover translating to 16.84 percent growth.

In 2001, Unilever recorded N2,164,114b PAT. In 2002, PAT of the company dropped to N1,571,918b representing 27.36 percent drop. In 2003, PAT of the company became N1,870,258b showing 18.9 percent growth in 2004, the company's PAT became N2,167,249b that means 15,87 percent growth. In 2005, it dropped to N1,616,457b producing 25.41 percent decline.

The Profit Before Tax of the company was N1,588,738b in 2001. In 202, it grew to N2,053,089b representing a growth rate of 29.47 percent. In 2003, it became N2,778,115b that means 35.31 percent growth in 2004, the company recorded N2,270,047b PBT showing a 18.28 percent decline. In 2005, the company declared N2,281, 416b PBT representing 0.50 percent growth.

4.2 IMPLICATIONS OF PERFORMANCE MEASUREMENT AND BUSSINESS STRATEGY

Theoretically, there seems to be a correlation between performance measurement and business strategy. The BCG and Product life cycle help us to understand more about this link in business strategy. It is a common thing to see some companies that have a high performance based on some of the variables (Shareholders Fund, profit after tax, profit before tax and gross earning) pursing stability or growth strategies. Also it is common to see some of the companies that have

negative financial performance indicators applying turnaround, integration and similar strategies. The performance indicators signal the strategic direction of a particular business. Some of these strategies indicated in the literature could be turn-around, vertical, horizontal, growth strategies and so on.

In furtherance, the study revealed that about 98% of public limited companies selected for the study have positive quantitative financial indicators. What these means is that adequate financial record and sound management would have contributed to this result. Also the availability of this financial data made it possible for easy SWOT (strength, weaknesses, opportunity and threat) analysis of the company. In crafting business strategy the availability of this financial data is a plus to sound, adequate and suitable strategy.

4.3 REGRESSION ANALYSIS

The study adopted the use of regression techniques to analyze the relative impact of the quantitative variables used in measuring Companies' performance. Here, we adopted again the use of key selected performance variables. Our regression model therefore becomes:

$$Y = b_o + b_1PAT + b_2PBT + b_3SHF + e_i$$

Where:

Y = Gross Earning / Turn Over

PAT = Profit After Tax

PBT = Profit Before Tax

SHF = Share Holders' Fund

e_i = errorterm

Table 4.16: CROSS SECTIONAL DATA FOR OUR REGRESSION ANALYSIS

YEAR	GE	SHF	PAT	PBT
2001	83,428,359	34,659,655	9,489,108	11,123,172
2002	116,618,629	76,648,724	12,574,994	16,037,787
2003	133,661,043	52,560,059	12,909,996	16,405,958
2004	160,428,996	66,153,264	16,394,105	20,785,525
2005	206,678,393	145,611,006	21,715,246	28,447,413
TOTAL	**700,815,420**	**375,632,708**	**73,083,449**	**92,799,855**

Researcher's computation.

Table 4.17 From 4.16 above converted to the nearest billion (₦).

YEAR	GE (X1)	SHF(X2)	PAT (X3)	PBT (X4)
2001	83.4	34.7	9.4	11.1
2002	116.6	76.6	12.6	16.0
2003	133.7	52.6	12.9	16.4
2004	160.4	66.1	16.4	20.8
2005	206.7	145.6	21.7	28.4

Source: Researchers computation.

Table 4.18 **COMPUTED TABLE FOR THE REGRESSION ANALYSIS.**

X_1	X_2	X_3	X^4	X_i^2	X_2^2	X_3^2	X_4^2	X_1X_2	X_1X_3	X_2X_3	X_1X_4	X_2X_4	X_3X_4
83.4	34.7	9.4	11.1	6955.56	1204.09	88.36	123.21	2893.98	783.96	326.18	925.74	385.17	104.34
116.6	76.6	12.6	16.0	13595.56	5867.56	158.76	256	8931.56	1469.16	965.16	1865.6	1225.6	201.6
113.7	52.6	12.9	16.4	17875.69	2766.76	166.41	268.96	7032.62	1724.73	678.54	2192.68	862.62	209.92
160.4	66.1	16.0	20.8	25728.16	4369.21	268.96	432.64	10602.44	2630.56	1084.04	3336.32	1374.88	341.12
206.7	145.6	21.7	28.4	42724.89	21199.36	470.89	806.56	30095.52	4485.39	3159.52	5870.28	4135.04	616.28
∑X1= 700.9	**∑X2= 375.6**	**∑X3= 73.0**	**∑X4= 92.7**	**$\sum X_1^2$= 106879.86**	**$\sum X_2^2$= 35406.98**	**$\sum X_3^2$= 1153.38**	**$\sum X_4^2$= 1887.37**	**∑X1X2= 59556.12**	**∑X1X3= 11093.8**	**∑X2X3= 6213.44**	**∑X1X4= 14190.62**	**∑X2X4= 7983.33**	**∑X3X4= 1473.26**

Source: Researchers Computation

General normal equation formula:

$\sum X_1 = b_{1.234} N + b_{12.34}\sum X_2 + b_{13.24}\sum X_3 + b_{14.23}\sum X_4$

$\sum X_1X_2 = b_{1.234}\sum X_2 + b_{12.34}\sum X^2_2 + b_{13.24}\sum X_2X_3 + b_{14.23}\sum X_2X_4$

$\sum X_1X_3 = b_{1.234}\sum X_3 + b_{12.34}\sum X_2X_3 + b_{13.24}\sum X^2_3 + b_{14.23}\sum X_3X_4$

$\sum X_1X_4 = b_{1.234}\sum X_4 + b_{12.34}\sum X_2X_4 + b_{12.34}\sum X_2X_4 + \sum X_3X_4 + b_{14.23}\sum X^2_4$

Source: Spiegel Murray and Stephens Larry (1999: 350)

To derive our normal equation, I therefore substitute in table 4.3:

$700.8 = 5b_{1.23} + 365.4b_{1.2} + 73b_{1.3} + 92.7b_{1.4}$

$59556.12 = 375.6b_{1.23} + 35406.98b_{1.2} + 6213.44b_{1.3}\ 7983.33b_{1.4}$

$11093.8 = 73b_{1.23} + 6213.44b_{1.2} + 1153.38b_{1.3} + 1473.26b_{1.4}$

$14190.62 = 92.7b_{1.23} + 7983.33b_{1.2} + 1473.26b_{1.3} + 1887.37b_{1.4}$

We now transformed the above equation to:

$5b_{1.23} + 375.6b_{1.2} + 73b_{1.3} + 92.7b_{1.4} = 700.8$ .... (1)

$375.6b_{1.23} + 35406.98b_{1.2} + 6213.44b_{1.3} + 7983.33b_{1.4} = 59556.12$ ...(2)

$73b_{1.23} + 6213.44b_{1.2} + 1153.38b_{1.3} + 1473.26b_{1.4} = 11093.8$ .....(3)

$92.7b1.23 + 7983.33b_{1.2} + 1473.26b_{1.3}\ 1887.37b_{1.4} = 14190.62$ ....(4)

Solving equations 1,2,3 and 4 simultaneously, I have:

$b_1 = 0.8588$; $b_2 = 0.1680$; $b_3 = 8.582$; $b_4 = 0.0752$

From the above results, I now derived the least square model as;

$Y = 0.8588 + 0.1680b_2 + 8.582b_3 + 0.0752b_4$ ....(5)

4.4 ANALYSIS OF OUR LEAST SQUARE MODEL:

From the results generated, we can see there is a positive relationship or correlation between our dependent variable (Y) and all the independent variables (Profit After Tax, Profit Before Tax and Share holders' Fund). The results show that the interception between our dependent and independent variable is 0.8588. The result also shows that 1% change in Gross Earning/Turnover is equal to 0.1680 of Share Holders' Fund. We also saw that 1% change Gross Earning results to 8.582 of Profit After Tax. Finally, changes in Gross Earning results to 0.0752 of Profit Before Tax.

Table 4.19:
RANKING OF RELATIVE IMPACT OF THE VARIABLES ON THE DEPENDENT VARIABLES

VARIABLES	RANKING
Profit After Tax	8.582
Share Holders' Fund	0.1680
Profit Before Tax	0.0752

From the above, it is obvious that Profit After Tax has more relative impact on the Gross Earning (The impact could be as result of the cross sectional generation of the data used). The results shown by the ranking

means that the Share Holders' Fund has more impact than Profit After Tax which is 0.0752.

4.5 TEST OF HYPOTHESES

Hypotheses 1

There is no significant relationship between financial ratio and business strategy.

Table 4.20

Summary of responses on financial ratios based on educational qualification and job title.

Group	Responses		Row Total
	Yes	No	
Educational qualification	10	8	18
Job Title	14	10	24
Column Total	24	18	42

Table 4.21

Result of calculated expected frequency based on observed frequency for multiple sample case.

Cell	Observed frequencies	Expected frequencies
1.	10	10.29
2.	8	7.71
3.	14	13.71
4.	10	10.29

Table 4.22

Summary of resulted of calculated chi-square

Cell	O	E	O-E	$(O-E)^2$	$(O-E)^2/E$
1	10	10.29	-0.29	0.084	0.008
2	8	7.71	0.29	0.084	0.010
3.	14	13.71	0.29	0.84	0.006
4	10	10.29	-0.29	0.084	0.008
					X^2=0.032

Table 4.23

Summary of chi-square analysis on financial ratio responses based on educational qualification and job title

Group	Responses		N	Cal X^2	df	Crit X^2
	Yes	No				
EQ	10	8	18			
JT	14	10	24			
	24	18	42	0.032	1	3.841

Insignificant at 0.05 probability level. The hypothesis is therefore accepted since the calculated chi-square is less than the critical X^2 .

HYPOTHESES 2

There is no significant relationship between firm's production effectiveness and business strategy.

Table 4.24

Summary of responses on production effectiveness based on educational qualification and job title.

Group	Responses		Row Total
	Yes	No	
Educational qualification	11	10	21
Job Title	12	9	21
Column Total	23	19	42

Table 4.25

Result of calculated expected frequency based on observed frequency for multiple sample case.

Cell	Observed frequencies	Expected frequencies
1.	11	10.5
2.	10	9.5
3.	12	10.5
4.	9	9.5

Table 4.26

Summary of resulted of calculated chi-square

Cell	O	E	O-E	$(O-E)^2$	$(O-E)^2/E$
1	11	10.5	0.5	0.25	0.024
2	10	9.5	0.5	0.25	0.026
3.	12	10.5	1.5	2.25	0.214
4	9	9.5	-0.5	0.25	0.263
					X^2=0.527

Table 4.27:

Summary of chi-square analysis on production effectiveness responses based on educational qualification and job title

Group	Responses		N	Cal X^2	Df	Crit X^2
	Yes	No				
EQ	11	10	21			
JT	12	9	21			
	23	19	42	0.527	1	3.841

Insignificant at 0.05 probability level. The hypothesis is therefore accepted since the calculated chi-square is less than the critical X^2.

HYPOTHESES 3

There is no significant relationship between client satisfaction and business strategy.

Table 4.28:

Summary of responses on Client satisfaction based on educational qualification and job title.

Group	Responses		Row Total
	Yes	No	
Educational qualification	6	5	11
Job Title	17	14	31
Column Total	23	19	42

Table 4.29:

Result of calculated expected frequency based on observed frequency for multiple sample case.

Cell	Observed frequencies	Expected frequencies
1.	6	6.024
2.	5	4.976
3.	17	16.976
4.	14	14.024

Table 4.30:

Summary of resulted of calculated chi-square

Cell	O	E	O-E	$(O-E)^2$	$(O-E)^2/E$
1	6	6.024	-0.024	0.001	0.00016
2	5	4.976	0.024	0.001	0.00020
3.	17	16.976	0.024	0.001	0.000058
4	14	14.064	-0.024	0.001	0.00071
					X^2=0.001

Table 4.31

Summary of chi-square analysis on client satisfaction responses based on educational qualification and job title

Group	Responses		N	Cal X^2	Df	Crit X^2
	Yes	No				
EQ	6	5	11			
JT	17	14	31			
	23	19	42	0.001	1	3.841

Insignificant at 0.05 probability level. The hypothesis is therefore accepted since the calculated chi-square is less than the critical X^2.

HYPOTHESES 4

There is significant between research and business strategy

Table 4.31

Summary of responses on Client satisfaction based on educational qualification and job title.

Group	Responses		Row Total
	Yes	No	
Educational qualification	7	8	15
Job Title	15	12	27
Column Total	22	20	42

Table 4.32

Result of calculated expected frequency based on observed frequency for multiple sample case.

Cell	Observed frequencies	Expected frequencies
1.	7	7.86
2.	8	7.14
3.	15	14.14
4.	12	12.86

Table 4.33

Summary of resulted of calculated chi-square

Cell	O	E	O-E	$(O-E)^2$	$(O-E)^2/E$
1	7	7.86	-0.86	0.74	0.094
2	8	7.14	0.86	0.74	0.104
3.	15	14.14	0.86	0.74	0.052
4	12	12.86	-0.86	0.74	0.058
					X^2=0.308

Table 4.34

Summary of chi-square analysis on research responses based on educational qualification and job title

Group	Responses		N	Cal X^2	df	Crit X^2
	Yes	No				
EQ	7	8	15			
JT	15	12	27			
	22	20	42	0.308	1	3.841

Insignificant at 0.05 probability level. The hypothesis is therefore accepted since the calculated chi-square is less than the critical X^2.

HYPOTHESIS 5

There is no significant relationship between corporate social responsibilities and business strategy.

Table 4.35

Summary of responses on corporate social responsibilities based on educational qualification and job title.

Group	Responses		Row Total
	Yes	**No**	
Educational qualification	8	7	15
Job Title	14	13	27
Column Total	**22**	**20**	**42**

Table 4.36

Result of calculated expected frequency based on observed frequency for multiple sample case.

Cell	Observed frequencies	Expected frequencies
1.	8	7.86
2.	7	7.14
3.	14	14.14
4.	13	12.86

Table 4.37

Summary of resulted of calculated chi-square

Cell	O	E	O-E	$(O-E)^2$	$(O-E)^2/E$
1	8	7.86	0.14	0.019	0.002
2	7	7.14	-0.14	0.019	0.003
3.	14	14.14	0.14	0.019	0.001
4	13	12.86	0.014	0.019	0.001
					X^2=0.007

Table 4.38

Summary of chi-square analysis on corporate social responsibility based on educational qualification and job title

Group	Responses		N	Cal X^2	df	Crit X^2
	Yes	No				
EQ	8	7	15			
JT	14	13	27			
	22	20	42	0.007	1	3.841

Insignificant at 0.05 probability level. The hypothesis is therefore accepted since the calculated chi-square is less than the critical X^2.

CHAPTER 5

DISCUSSION Of RESULTS

5.1 LINK BETWEEN PERFORMANCE AND STRATEGY

Jaunch and Glueck (1998) stated that designing strategy involves analysis and diagnosis of all the business entity. This analysis assists in determining the environmental factors, opportunities, internal strength and weakness that affect the company.

In carrying out this study on the assessment of firm performance, the researcher examined the links between firm performance and business strategy using both the primary and secondary data from selected companies in Kaduna. However, the analysis of the secondary data has been done earlier. From the primary data generated and examined, out of 60 questionnaires distributed 42 staff responded, representing (70%) response rate. In the course of the research, the respondents were according to their educational qualifications and job titles. This enabled the researcher to know the percentage responses of the each of the key variables from each groups.

5.2 ANALYSIS OF PRIMARY DATA RESPONSES

In analyzing our primary data responses were grouped them under educational qualifications and job title respondents. The cross – sectional responses helped us to capture the responses of staff under two major groups (educational qualifications and job title). Thus, the disaggregated responses are based on “yes”, “no” and “undecided” responses.

In discussing our result we found out that 85.71% of the respondents agreed that their firms have vision statement, 4.76% of the respondents stated that their firm do not have a vision statement. 9.55% of the respondent said they did not know anything about vision. What this means is that people with high educational qualifications seems to understand where the company is going. The respondents show clear agreement with the principle that strategy is a corporate level thing. Similarly the responses on knowledge of the company 5- year vision statement indicate that most top staff of the companies knows the competent vision statement.

From the result generated about 38.1% of the respondents agreed that their company have strategic business unit. 52.28% of the respondents said their companies' do not have strategic unit and 9.25 % did not know any thing about strategic unit in their organization. What this shows is that greater numbers of the company staff do not know the direction of the company.

On staff involvement in strategic development process, about 57.14% of the respondent with HND and above stated that they are involved in the process of developing strategy. Only about 28.57% said that they are not being carried along. 14.29% show their ignorance about strategic management process. This shows that most of the companies selected

based participation in strategic process on skill and educational qualifications.

Also only about 47.62% of the respondents who participated in the strategic management process played active role. 9.52% of the participants said they did not play any role. Looking at the response about 42.86 % of the staff were undecided, may be because they do not know anything about strategy.

Looking at the response rate for knowledge of key management ratios, the response rate shows that 57.14% of the respondents' claim to know much about key management ratios, but 23.18% of the respondents said that they do not know much about key management ratios. Also from the responses it is observed that 19.05% of the respondents were undecided on what key management ratios are all about. What it means is that most staff that participated in strategic process of their company have some knowledge of the key management ratios.

From survey also 80.95% of the staff said that understand key management ratio and could also interpret them. This could be as a result of their educational qualification. Only about 14% said they could not interpret them.4.76% stated they do not know anything about them. What this statistics show is that there is a correlation between understanding ratios analysis in business strategy and interpreting the ratio.

Our survey also revealed that 85.71% of the company has 5-year financial statements. Inability of the companies to open up to researcher could be an internal management decision. Only about 4.76% of the staff of the companies said "No" to the question. 9.23% of respondent claims they do not know anything about the company's 5-year financial statement. These could be as a result of their educational qualification or lack of knowledge about how companies are run.

The above response is in tandem with the rating of the financial performances of these companies. From our survey, staff of these companies with 5 year financial statement stated that 85.71 % of companies is doing well finally, 4.76% stated that they do not know, thus agreeing with their earlier responses. About 9.23 % stated they do not know anything about their companies' performance.

Our results also revealed the responses based on knowledge why business strategies fail, 76.19% of the respondent agreed that they have good knowledge why strategies fail. This is in consistent with their earlier responses on financial variables. Only about 14.29 % of the respondents said they do not know why strategies fail. In addition, 9.52 % of the respondents were "undecided" on why strategies fail.

In our survey, we generated information on knowledge of how to implement strategy successfully. This could be as a result of their position

and educational qualification (HND, BSc) and knowledge of business strategy.

Also the same group of respondents (14.29%) started they do not know how to implement strategy successfully. What this seems to explain is that some of them in leadership position or educational exposure lack knowledge of strategic management. Also 23.84% of the respondent were undecided similar to the above responses, the study gathered that 71.43% of the respondents who said "yes" on knowledge of how to implement strategy successfully also said they consider company structure, systems, style, quality of staff, shared values, skills, leadership as necessary factor for effective strategy implementation.

The same group of respondents (4.76%) stated that they do not know or understand factors necessary for effective strategy implementation. The survey also revealed that 23.31% of the respondents stated that they know nothing about effective strategy implementation factor. This could be as a result of their lack of knowledge about what strategy is.

Looking at the responses of the financial ratios under educational qualification, we have 55.55% of respondents agreeing that their companies consider financial ratios in measuring firms' performance. 27. 77% of the respondents stated that their firms do not consider financial ratios in measuring performance. Only 11. 11% of the respondents stated "undecided" on the variable. From the result, we can see that greater

number of the respondents believed that their firms consider financial ratios in measuring performance.

On production effectiveness variable, 52.38% of the staff agreed that their companies consider qualitative variable (production effectiveness) in measuring performance.38.10% of the respondents stated that their firms do not consider production effectiveness in measuring performance. The remaining 9.52% were “undecided” when it come to this variable.

Looking at the client satisfaction variable, we saw that 54.55% of the respondents stated tat their companies consider client satisfaction in measuring performance. 27.27% of the respondents stated that their companies do not consider client satisfaction in a measuring performance. 18.18% of the respondents were “undecided”.

We also look at the research and development responses in measuring performance. From our results 46.66% of the respondent stated that their companies do consider research and development in measuring performance. 40% of the respondent stated they do not consider research in measuring company performance. 13.33% of the respondents were “undecided” may be for lack of understanding of what the variable is all about.

In addition, our results show that 53.33% of respondents stated that their companies consider corporate social responsibility (CSR) in

measuring performance. 33.33% of the respondent stated no when it comes to considering CRS in measuring performance. 13.33% of the respondents were "undecided".

In analyzing our data further, I examined the responses of staff based on their job title. Job title here is grouped into corporate top manager, strategic business unit top manager, member of board of director and internal consultant compared to the group of people that started they do not belong to any of the above categories of staff.

Looking at the responses based on job title the researcher observed that 61.90% of the respondent agreed that their companies have a vision statement about 23.81% stated "no" to the question. 9.52% of the respondent did not know anything about vision statement. If you compare this with the responses based on educational qualification, you realize that staff members with high educational qualification and job title are correlated vis-à-vis business strategy and performance.

From our survey generated 76.19% of people with similar job title agreed that they know about the company 5-year vision. Comparing this with the response based on educational qualification we found that the same percent of response agreed that their company has a 5-year vision.

Responses on whether firms have strategic unit revealed that only about 90.48% of our selected companies have strategic business unit. 4.76% responded no, and the percentage is undecided.

In examining our responses further we found out that 57.14% claimed that they have participated in strategic business development. What it means is that greater number of the firms with strategic unit has more people participating in strategic development of the company.

From our survey it is observed that 52.38% said they played active role in strategy development. This is close to the number of people (57.14%) who participated in strategy development of their company. About 42.86% stated that they do not play any role, may be because they were not given a role. 4.76% of the respondents were undecided.

It is also observed that 4.76% said that they consider other variable like return on investment in measuring performance. 71.63% said they do not consider other variables. Only about 23.81% were undecided.

Our responses reviewed that the number of company that have 5-year financial statement responses are 52.38% whereas 23.81 and 23.81 said "no" and "undecided' respectively.

From responses it is possible that those firms without 5-year financial statement do no have business strategy or that the respondent are not

among the management team of the company. We gathered that the financial performance according to the responses of the management team is 90.48% for "Yes" and 4.76% said "No" and undecided...respectively.

In discussing responses on knowing whether they know how to implement strategy successfully, we recorded 80.90% that said, "Yes" and 9.52% and 4.76% said "No" and "undecided" respectively.

In addition 76.19% of the respondents showed that there firm understand those factors that are necessary for successful strategy implementation, 19.05% said "No". The remaining 4.76% were undecided.

Results generated based on job title, also show 58.33% of the respondents stating that they their companies consider financial ratios in measuring performance. 33.33% of the respondents stated they do not consider financial ratios in measuring performance. This could be as a result of their inability to understand the implications of considering such variables in measuring performance. 8.33% of the respondents were "undecided"

On the production effectiveness variable, 57.14% of the respondents said their firms consider the variable in measuring performance. 28.57% of the respondent said "no" to this variable. About 14.29% of the respondents were "undecided".

Looking at the client satisfaction responses, 54.84% of the respondents stated that their companies consider the variable in measuring performance. 41.94% of the respondent said their companies do not consider client satisfaction in measuring performance and only about 3.23% of the respondents were "undecided".

On research and development (R&D) responses, 55.56% of the respondent stated that their companies consider R&D in measuring performance, 33.33% of the respondent stated they do not consider (R&D) in measuring performance, while 11.11% of the respondent" were "undecided" in considering the variable.

Again, looking at the corporate social responsibility based on job title, it was observed that 51.85% of the respondents stated that their firms consider corporate social responsibility in measuring performance. 40.74% of the respondents said they do not consider the variable. Only about 7.41% of the respondents were "undecided".

5.3 THE PROBLEM OF STRATEGY IN SELECTED COMPANIES

Most firms examined in our study especially private limited companies are faced with a lot of business strategy problem. Generally, in understanding business strategic process we need to identify factors, which may lead to significant changes in the organization. Some of these factors could be positive or negative to the firm. For instance, a major divestiture could

eliminate a business subunit or a new product thrust or product development could make a unit more critical for organizational development. Understanding what factors may be pushing the organization in certain directions and how business activities are very critical business strategy.

Understanding business values, objectives of higher-level managers put staff in a better position to know where the firm is heading. Most private companies used found it difficult to understand basic strategic management theories. From investigation, we found out that 85% of the companies do not have adequate manpower to craft the right strategy for the organization.

Also our study show that more than 80% of the junior staff in the companies selected do not know anything about the direction of their companies not to talk of the companies strategies.

Another problem observed is that some top managers of the companies selected do not understand SWOT analysis of their companies, thereby making it difficult for them to initiate the right strategies.

In addition, most staff members do not understand the fundamental variables that impact on their business, thus making it difficult for them to design the right strategy.

Koch (2000) listed the following as the major problem associated with business strategies:

(i) What business are you in?

(ii) Where do you do to make the money?

(iii) How good is your competitive position?

(iv) What skills and capabilities underpin your success?

(v) Is this a good industry to be in?

(vi) What do the customers think?

(vii) What about the competitors?

(viii) How do you raise projects quickly?

(ix) How do you build long-term values?

5.4 IMPLICATIONS OF STRATEGY TO BUSINESS DEVELOPMENT

There are many implications of strategy to business development. Companies rather than markets are mainly responsible for creating new, better and fresh ways of doing business. It is individual human collaboration that makes it possible to boldly go where no person and no market has gone before. The job of crafting companies new space and supplying customers in that space with something that no other company can do, or do so well is what continually swells the wealth of the world .(Koch,2006.)

Corporate strategy is the province of entrepreneurs or managers in any firms, other small, medium or large. Business unit strategy explains what happens in particular business positions and is generally confined to the

position at one time or over a relatively short period of time. To make any substantial progress in business requires innovation and the creation of new market segments "ecosystem", because they involve the satisfaction of human needs by other human being and the organization of a separate and distinctive way of doing so. Creating "white space" in business, and delivering a new product or service in that space is sometimes (but more than 99 percent of the time) the work of a loose network of individual.

Corporate strategy is about diversity, differentiation, surprises, peculiarity, change and creativity.

Jauch and Glueck (1998), that you are likely to perform better in your function, regardless of your level in the organization, if you know the direction in which the organization is going. As a manager of a subunit, you would like to know how what you do fits into the broader picture. If you know how your functions contribute, you should be able to do a better job of helping the organization reach its objectives. Further more, If you understand why those were established, you can implement them more effectively. If you understand how your job relates to others in the organization, you will be in a better position to effectively work with peers when co–operation is called for, and compete for resources when the times comes.

CHAPTER 6

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS.

6.1 SUMMARY OF FINDINGS AND CONCLUSIONS

The robust analysis carried out in the course of this study revealed a lot of findings. Some of the findings are literature based; some are methodological while some are analytical based. The results from our analysis revealed that there is a correlation between staff job title (corporate level staff) and knowledge of business strategy and implementation. This was clearly illustrated by the results generated from our survey. This is in line with the principle of business strategy as corporate level issues.

The conclusion is that most staff at the corporate level have adequate knowledge of strategy, and are the ones that design business strategy. They are also in a better position to understand and interpret strategic management issues or process.

The study revealed that previous literatures do not include some important quantitative and qualitative variables. The conclusion is that they could not capture some important variables that aid business strategy.

The study also shows that most junior staff especially people with OND and below know little or nothing about business strategy or even their companies' vision statement. The conclusion is that virtually all the companies selected do not carry their junior staff along while designing

business strategy. This gap or finding has shown why strategy implementation in very difficult to achieve.

Another finding generated from this study is that all the private limited companies selected could not release their company financial statements. Thus casting doubt as to whether they have sound financial statements. This made it very difficult for the researcher to assess their financial strengths and weaknesses. It also cast doubt as to whether they keep adequate financial statement.

The conclusion is that some of the companies selected may not have sound financial statement or at the extreme evades appropriate tax payment.

Another finding very common is that about 85% of the companies do not have anything like strategic department or unit. Similarly, they do not even have internal consultants. What it means is that contrary to some of their responses, we found out that some of their responses are not consistent with what we found on ground.

The conclusion we deduced from this finding is that most business failures could be attributed to lack of strategic unit or lack of consulting of external consultants for the purpose of designing or creating strategy for them.

Another finding of the study based on the response from the questionnaire, is that the staff members of their companies seems to have some basic understanding about their companies financial statement not withstanding the fact that they did not show the researcher the financial statement. Companies like IBBI, Peugeot, Kaduna Furniture Company have well qualified accountants. The conclusion deduced from this is that they may have good financial record.

We also found out that some of the companies selected do not have good company structural set up. For instance, in some company one person was the manager, accountant, lineman, thus making it difficult to pin down their duties. Jauch and Glueck (1998) stated that, "good structure is inseparably linked to strategy". This is also in agreement with Porters 7- S theory.

The conclusion is that those companies without sound structured arrangement even when they have business strategy will always face implementation problems. We therefore agreed that for a company to succeed strategy-wise there is need to have sound structural set up.

Moreover, our finding from the literature reviewed is that most strategic management literatures scarcely incorporate rigorous macro economic variables that impact on strategic management success.

The conclusion is that understanding the impacts of macroeconomic variables like exchange rate, inflation will aid strategy design and success.

We also found that most studies on strategy adopted state static model instead of dynamic and time-bound model. The problem could be as a result of poor data or inadequate data. The conclusion is that these studies could not capture the real life business uncertainties.

6.2 RECOMMENDATION

In the course of our research we examined firm performance by assessing some key variables that influence firm's strategy development. Our findings and conclusions therefore informed the following recommendations.

Integrating all aspects of a company is a sin-qua-non to a successful business strategy. Unit levels and functional levels should be integrated for any successful business strategy.

Also, every company should have a strategic business unit or employ the services of external consultants. These consultants will help them design road – maps for their company. In addition, companies should keep up-to-date and adequate financial statements. This is because the basis for any sound strategy is the understanding of the financial position/performance of the company. This financial position will assist both internal and external consultants to design appropriate and feasible business strategy.

There is need for further studies to include macroeconomic variables in crafting business strategy. This is because the ability of a strategist to capture more variables will lead to more realistic strategy.

The researcher also recommends the effective use of ratio in the analysis of companies to strengthen the understanding of their performances thereby crafting suitable strategy.

There is need for more inclusive studies that will involve more sample size, and the time series/secondary data should be extended to more than five years to reduce biased ness of the results.

Firms should be pragmatic about the amount of effort required in formulating strategy. Be willing to gather insight and improve decision making reasonable doubt that any particular strategy is correct.

Strategy should not be over planned. Ideally, it should emerge as part of an interactive process of thought, hypothesis, and experimentation. The process should combine analysis and intention and should be open ended. There should never be a final solution, strategy should always evolve and continually deepen.

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