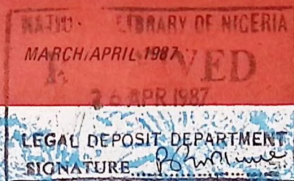


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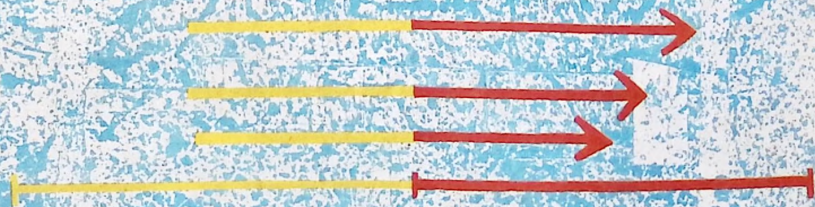
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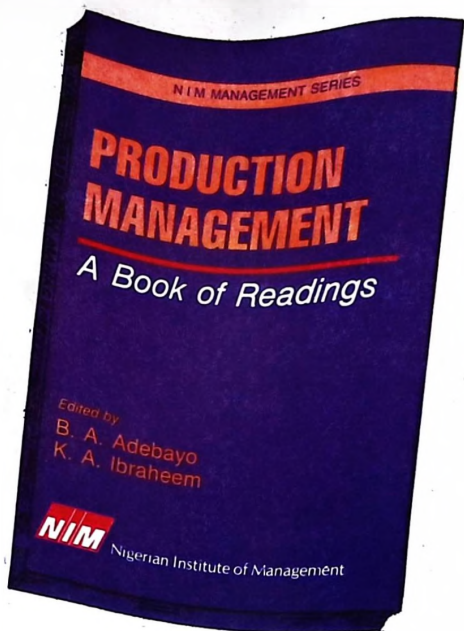
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FINANCIAL REPORTING AND MULTINATIONAL ENTERPRISES

With lavish reference and down-to-earth expositions, the author of our lead article in this Issue takes on multinationals, and pays great attention to the problems facing them in their financial reporting. The writer, an experienced accounting lecturer, then proffers suggestions and gives an insight into recommendations put forward by other renowned experts for the possible solution of existing problems..(page 8)



Miss I. A. Gbadebo

ASSESSMENT CENTRE APPROACH TO MANAGEMENT DEVELOPMENT

A contributor has contended that the conventional methods of managerial selection, appraisal, training and development (namely tests, interviews and rating scales) might still be pregnant with defects resulting in wrong persons receiving unmerited benefits at the end of such exercises. A probably new approach to these issues has been recommended—the assessment centre approach—and you need to read this writer's views on this concept..(page 15)

TOTAL PRODUCTIVITY AT FIRM LEVEL

An increase or decrease in the productivity of an industrial organization has always been an important parameter in the assessment of the quality of management concerned. Despite the acknowledged importance, its measurement has often tended to be illusory to certain managers, because of the numerous meanings attached to the term. This paper attempts to distinguish total from partial productivity and suggests how total productivity at firm level could be measured. The suggested methods of calculations were backed up by a productivity study in a brewery..(page 26)



COMMUNICATION IN AGRICULTURE

An agricultural scientist with the Leventis Group of Cotaplanis is strongly of the view that communication on the farm should be not only downwards, as is most often the case, but also upwards, lateral and, believe it or not, diagonal. In addition, he, in his short article, gives credence to the need for farmers to consider the basic parameters of direction, medium, time and place in their overall package of effective communication on the farm, and warns that managerial competence and knowledge may be dented by ignorance of communication skills and techniques..(page 35)



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NEW COVER PRICE FOR MANAGEMENT IN NIGERIA

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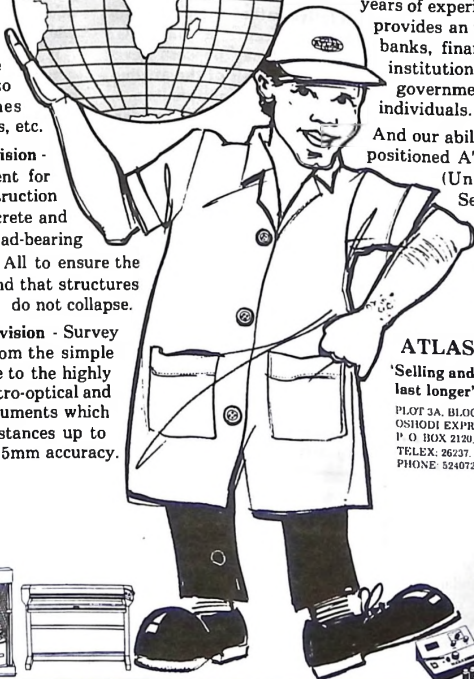
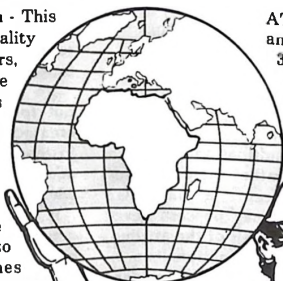
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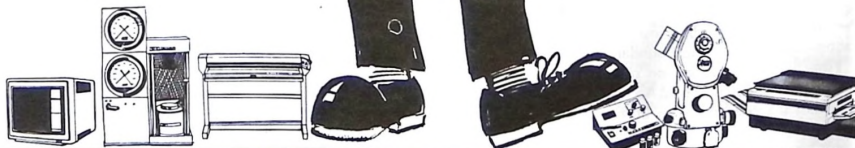
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FINANCIAL REPORTING AND MULTINATIONAL ENTERPRISES

INTRODUCTION

In a world of economic business and international commerce, there are however, important differences as well as similarities.

The main differences are centered mainly in the areas of currency, interest rates, inflation, taxation systems, government restrictions, language and culture and economic system.

In other words, what companies or enterprises conduct business operations outside their countries, they are faced with some or all of the above problems.

In this paper, we want to discuss some of the diverse financial reporting problems faced by multinational enterprises as they carry out their business operations across various countries.

In discussing these problems, we shall consider briefly the meaning of the term "Multinational Enterprises" (MNE), the various environments under which business operates and how these affect their reporting practices.

An attempt will also be made to consider some of the suggestions and recommendations put forward as a means of solving some of these reporting problems.

WHAT IS AN MNE?

SIMPLY defined, an MNE is an enterprise whose business operations cross international boundaries.

However, it is the opinion of the Committee of International Accounting that the concept of an MNE is not susceptible to unequivocal definition.

There is the

By Mrs E. N. M. Okike
Department of Accounting, University of Lagos.

"...It is several attributes in combination which define an MNE".

And

"since multinationalism is a relative rather than an absolute concept, a particular company may possess several, but not all of the attributes of multinationalism.... and still be properly considered to be an MNE".

Accordingly, therefore, MNE is large in total size and has a high proportion of its total operations abroad; which are likely to include a pro-rata share of production operations and to be in a great many countries rather than just a few.

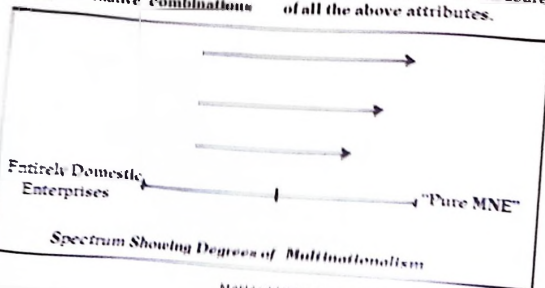
To the MNE there are no "foreign" markets or operations, this would imply that there is but one domestic market and to the MNE all markets are its domestic markets. The MNE perceives and evaluates a great many alternative combinations

of marketing, production, and assembly locations, and a United States based MNE, for example, is as likely to import to the United States as to export from the United States.

Its marketing strategies do not focus on selling products created for its home market, but instead products are created or adapted for its main markets wherever they are in world.

It is believed that the MNE considers the world to be its capital market and borrows, lends, or sells securities wherever in the world it can do so to best advantage; accordingly it is likely to shareholders and dividend distributions in several nations. Promotions to top management go to the most qualified managers no matter their nationality and the best recruits from around the world are sought to fill its lower management ranks.

However, it is realised that this description of the MNE is idealized—there are no companies possessing a full measure of all the above attributes.



Therefore, it is agreed that degrees of multinationalism can be viewed as points on a spectrum on which the extremal points are shown in the diagram on page 8. There is an apparent evolutionary movement along the spectrum as more companies acquire more of the attributes of multinationalism. Some of these well-known companies can be identified: IBM World Trade, ITT, Mobil Oil, Nestle, Guinness, et cetera.

It is common observation that operations of foreign companies outside their home base have increased in recent years. (In fact the volume of international business that is taking place in Nigeria today confirms this).

In addition to the much greater magnitude of business activity conducted by companies outside their base country, an important shift in the type of foreign operations has taken place, also, in recent years. Companies' operations now typically consist of a much greater proportion of manufacturing operations abroad and a correspondingly decreased proportion of export activities. This emphasis on manufacturing adds a great deal of complexity to business operations—especially in the area of financial reporting and accounting.

Therefore, the report of the Committee on International Accounting, is primarily concerned with the financial control and reporting problems of these companies.

One of the objectives of the committee in the preparation of their report, was

...to identify the financial control, financial reporting and other accounting problems which are peculiar to operations abroad, or are different in intensity between domestic and multinational enterprises;...

POLITICAL, CULTURAL AND REGULATORY ENVIRONMENTS

EVERY MNE must operate in multiple political, cultural, and regulatory environments. When a

company's operations become global, additional dimensions are added—not only must it “know the rules” thoroughly in many countries rather than just its home country, it must also understand the interactions between different sets of rules as well as how to capitalise on, and avoid traps caused by, differences in taxation legislation.

A multiplicity of different country environments serves to immensely increase the complexity of MNE operations. The operations of MNE quarters and affiliates of MNE usually involve the interchange of economic, technological, financial and human resources between countries. Although the interchange is normally assumed to be mutually beneficial, it involves some degree of conflict in the national interest of both the home and the host state as to economic and control terms.

MNEs operate within many different cultures. What seems proper and desirable in one country may not be highly regarded in another country. Such conflicts create sociological, organisational, technical, and managerial problems, if the host country's cultural values are not given adequate consideration. (For example, a British MNE operating in Saudi Arabia—an entirely Muslim state—must be very cautious).

In a legal sense, MNE is a group of corporations of several different nationalities linked by ties of common ownership. Each country in which an MNE operates has its own legal system, which might be based on civil law (Roman), common law (British), Islamic law (theocratic or religious), or some combination of these or other legal systems. Thus, MNEs must operate and carry on business in many legal environments, and according to the committee, “no two legal codes or laws are identical”.

An important area, identified by the committee in the legal environment, is tax legislation. MNE's subsi-

diaries are legal citizens of the host countries and as such are subject to local tax laws and regulations in determining tax bases and rates, and MNE's are often disadvantaged by local tax laws and legislation. In some countries special taxes are levied on foreign-controlled firms, and double taxation—taxation of the same income by home and host countries—is also a problem.

In the area of auditing, the regulatory environment raises difficult problems stemming from different statutory regulations governing the attest function in host countries. Each company has different Companies Acts (or the equivalent) and fiscal requirements which influence accounting methods, forms, documents, and accounts as well as govern the audit function and the auditor's duties. The primary objectives and focus of audits may vary from the detection of fraud to the evaluation of management to providing assurance of conformity with the national plan.

ECONOMIC AND BUSINESS ENVIRONMENT

A DOMESTIC firm is required to operate within a particular socio-cultural, legal-political, and economic environment. It quickly becomes familiar with and adapts to that environment. The MNE has to worry about these same variables in a multiplicity of “domestic” environments. It must also worry about the environmental variables that affect a firm's operations across borders. Thus, taxes must be paid by each subsidiary to the government of the country in which it is operating, and as dividends flow across national borders from the subsidiary to the parent, the parent must worry about a withholding tax to the foreign governments as well as income tax to its own government.

Perhaps the single most important difference between domestic and international operations is that the latter involves operations in several different currencies. The endeavours of MNEs to integrate and coordinate

operations on a global scale further means that for these companies at least movements of financial resources between countries is continuous and sometimes massive in amount. This extensive monetary activity contributes to a number of serious managerial and accounting problems, the foremost of which are currency translation, reporting of foreign operations, transfer pricing and taxation, which have been mentioned in preceding paragraphs. Governments of various countries, especially those who were members of the International Monetary Fund (IMF) intervened actively in the international market in order to influence exchange rates.

The methods whereby governments seek to influence the exchange rates of their currencies can be summarised under four headings of exchange controls, domestic economic policies, including monetary and fiscal policies, active participation and intervention by the Central Bank in the market for foreign currencies and revaluation and devaluation.

REPORTING AND ASSOCIATED PROBLEMS

IN the preceding discussions we have tried to identify the various environments in which MNEs operate. We would observe that it is not very easy to dissociate the financial reporting problems from such environments, because the problems have, in the first place, arisen as a result of those environments. The discussions that follow, therefore, will try to consider some specific problems which MNEs have to cope with in their attempt to report the results of their operations.

The way in which MNEs are organized bears an important relationship to their financial reporting responsibilities and to their approach to financial control. Usually, the form of organization of an MNE is likely to evolve toward that which is most efficient for operating and financial control purposes.

Most often the extensions of this

reporting function involve certain stages. Due to differences of accounting principles between countries the financial matters of all operations must be adjusted to common denominator accounting principles. This involves intimate knowledge at headquarters of the principles and regulations of all countries involved. Alternatively, the information can be adjusted locally to conform to parent country accounting principles. This leads us to the question of translation of financial statements.

TRANSLATION OF FINANCIAL STATEMENTS

ONE of the major reporting problems of an MNE is that it receives financial statements in many different currencies. The objective of translation is to convert these statements in many different currencies. The objective of translation is to convert these statements into a single currency, usually that of the parent.

There are three basic issues connected with the translation of statements, namely:

1. What exchange rates should be used to translate accounts from local currency to currency of the headquarters company?
2. Which asset and equity accounts should be adjusted for changes in the exchange rate?
3. How should the resulting exchange adjustment be accounted for?

The decision as to which exchange rate should be used to translate local currency accounts into parent-company currency accounts is a complex one. The exchange rate used varies from country to country.

The various methods which have been proposed for translating statements into the currency of another country (e.g. the Naira) are as shown on the following table.

	Monetary/ Non-monetary Method	Current/ Non-current method	Temporal method	Current or Closing rate method
Cash, current receivables, current payables	Current	Current	Current	Current
Inventories, current pre-pays, current unearned revenue	Historical	Current	Current	Current
Non-current receivables, long-term liabilities	Current	Historical	Current	Current
Fixed assets, deferred charges, noncurrent	Historical	Historical	Historical	Current
Revenues	Average	Average	Historical	Current
Expenses except depreciation	Average	Average	Average or Historical	Current
Depreciation	Historical	Historical	Historical	Current

All these methods have their merits and demerits which this paper does not intend to go into.

The 1973 Committee on International Accounting of the American Accounting Association strongly criticises the appropriateness of exchange rates for translating currencies and recommended further research into an alternate, such as a purchasing power parity.²

After translation, the decision must be made as to whether the translated results are to be combined (consolidated) or reported separately for all or part of the foreign operations. This will also depend on the choice of a particular country, and would vary from one country to another.

Also, every country regulates financial reporting to some degree and in many it is closely regulated. Countries' attitude toward, and approaches to, reporting regulation differ substantially, however. "But within companies' legislation two extremes and many gradients can be perceived—at one extreme Netherlands legislation is so sketchy as to scarcely constitute regulation at all, and at the other extreme the French Uniform Accounting Plan, required by law for most major French companies, is exceedingly detailed about disclosure, classification and other reporting requirements".

Additionally, in every country a different mix of legal, government agency, stock exchange, and professional association control of financial reporting is to be found. Outside the American/British accounting orbit, for example, concepts akin to "generally accepted accounting principles" are encountered far less frequently than are legal reporting requirements.

One other general difference is the different concepts of profit encountered. According to the report of the committee, the concept of profit accepted in the U.S., British commonwealth countries, and in

several other areas, is that of compensation for risk and uncertainty and for entrepreneurial efforts, over expenses by the excess of revenue the Netherlands. They report that in but the measurement of profit as the maximum that could be consumed off" at the end of the period as it was at the beginning is accepted by accountants and replacement values rather than historical costs are matched with revenue.

They also went on to say that, in some areas, most notably countries with socialist systems but not restricted to these, profit may be viewed as an exploitative return not fairly belonging to the owners of the business entity and instead more properly accruing to the people as a whole. The MNE which operates in such areas may find it necessary to identify profit as something else (such as additional expense). This approach, it is reported, has been used in several non-socialist countries for a different reason—to avoid paying excessive dividends.

In several countries it is customary or required by statute that a certain percentage of annual profits be distributed as dividends. To retain earnings for expansion, *et cetera*, accountants have developed systems of provisions and reserves which permit the reporting of relatively low profit.

The MNE need not always adopt the local practices for its subsidiaries. Its management must, however, be aware of, and understand the different local concepts of profit and other local financial reporting differences if it is to avoid confiscatory taxation, violation of the law, and in the extreme, expropriation. Accountants are likely to bear the major burden of determining the important differences in reporting between nations and of formulating the policies which MNEs will adopt for global use.

Disclosure requirements vary widely among countries. Affiliates

may be required to provide financial reports for shareholders, the public, tax authorities, *et cetera*. Financial reporting is regulated by statute in most countries (the U.S. being a notable exception). Requirements may also be effectively imposed by stock exchanges, custom and acceptable professional practice.

The array of financial reporting influences requirements, and constraints faced by the MNEs throughout the world, of which a sample only has been provided, make worldwide consolidated financial reporting by the MNEs difficult. Most MNEs find it necessary to adopt a strategy resulting in two or more sets of records in some affiliates, each set reflecting different needs.

In addition to the problem of reporting in host countries the parent company also faces the problem of reporting for the entity as a whole. Consolidation is more and more expected yet it is difficult to the extent that affiliate records are maintained on a consistent basis throughout the global network. In turn strict consistency is difficult because of differing accounting requirements of countries. Also trans-national reporting principles do not exist and may not exist in the foreseeable future.

There is, in addition, a question as to whether traditional procedures developed for consolidating financial data within a single country are valid in the international sphere.

However the consolidation problem is resolved, decisions must be made about distribution of the MNEs' financial reports. Should they be distributed in several countries, and if so should they be translated into several languages? Should reporting practices in the various countries of distribution be used or should only the practices customarily used in the home country be used no matter where the reports are distributed?

There are additionally a great many other intriguing international financial reporting questions and

issues which merit attention. For example, should foreign income be automatically included in consolidated accounts of the MNE even if the local government is disinclined to permit the repatriation of monies? Should the MNE provide consolidated financial statements only in the parent country or should currency translation and take place in the other direction so that translated consolidated statements are prepared using other currencies or currencies of other countries? In what circumstances should the audit standards used be that of the parent country and in what circumstances should they be that of the host country?

There are some of the international financial reporting problems which have been identified in the report of the Committee on International Accounting.

SPECIAL PROBLEM: INFLATION

THE discussion of international financial reporting problems will be incomplete without reference to the effect of inflation on the accounts of MNEs. How do we know that inflation rates vary from one country to the other depending on the economic conditions existing at any particular time?

At present a major problem requiring solution is the fact that the theoretical basis behind all accounting systems assumes stability of currency values. Since this problem has not been recognized everywhere at the same time and to the same degree, varying theoretical and practical solution proposals have emerged.¹

Already, some countries like Brazil and Uruguay, have begun to reflect the effect of inflation in their main accounts. And in some countries like Chile, Philippines, United Kingdom, for example, effects of inflation upon financial position and results of operations are reported as supplemental information, as revealed in a Survey of Accounting

Principles And Reporting Practices in 38 countries, conducted by the Institute of Chartered Accountants (England and Wales).

International financial reporting problems are also encountered in the area of depreciation, stock valuation, supplementary statements, et cetera. For example, countries which were formerly part of the British Empire permit no LIFO (Last In First Out) inventory practice and as a general rule allow a full year depreciation in the year of acquisition of a capital asset. Whereas, in the U.S., LIFO method of inventory valuation is permitted, in some countries like Brazil, LIFO is a taboo.

SUGGESTIONS FOR AN INTERMEDIATE SOLUTION

CONSIDERING all the above facts, present hopes are slim of accomplishing world-wide uniformity in accounting principles. Nevertheless, MNEs have to devise methods of financial reporting in order to simultaneously accomplish the following aims:

- ★ Comply with all legal and tax regulations in all countries in which operations are located.
- ★ Guarantee understandability for efficient operation of their accounting systems and generate locally valid information and decision data.
- ★ Use procedures permitting consolidation of financial statements of all subsidiaries with those of the home office to provide publishable information and valid internal decision data.

Existing problems of external financial reporting have been minimized as defining accomplishment of all aims by means of a single financial statement. Therefore the suggestion has been made to compile several parallel statements, thus fulfilling separate requirements with each along the following lines:²

1. National financial statements drawn up on the basis of

nationally accepted accounting principles thus guaranteeing understandability within the national economy. The operation of an accounting system for this purpose does not require additional employee education; resulting statements are sufficient to inform the public as well as shareholders in the respective countries. Also, a comparison with competitors operating under the same environmental conditions is thereby facilitated, and management receives information which is relevant to the national economic system.

2. Translated financial statements provide the basis for consolidation. Compliance with accounting principles as well as translation methods accepted in the country of the home office are necessary. Frequently, for purposes of informing shareholders and the general public, several of these statements have to be provided using the generally accepted accounting principles of all countries in which a large number of shareholders reside. Their main purpose consists in consolidation and publication; therefore, compliance with accepted accounting principles takes precedence over adjustments reflecting the true economic situation of the multinational enterprises. Consequently, statements can be used for decision-making in a limited way only.

1. Financial statements reflecting the economic situation of the enterprise can only be provided separately; these are—by and large—for internal use only; therefore, it is not necessary to adhere to legal regulations and/or accepted accounting principles. Instead, over and above uniform contents of accounts, uniform valuation methods for assets of all

subsidiaries must be used (LIFO, FIFO, and other valuations have to be readjusted to the same basis). Moreover, accelerated depreciation adopted solely to exhaust all legal tax advantages should be converted to write-downs reflecting the true consumption of assets.

In order to neutralize inflation-caused national financing policies, separation of corresponding assets and liabilities might be advisable. For translation, methods best suited for the particular multinational enterprise can be developed. If market or replacement values are utilized for this purpose, major changes in financial ratios will result (since revaluation increases equities whereas period profits are less affected); as a result, comparisons with typical national financial ratios become impossible. The resulting financial statements appear to be the only acceptable data basis for decisions involving the entire multinational enterprise or large portions thereof.

4. Tax statements must be compiled wherever required by national regulations.

In putting forward the above suggestion, Schoenfeld is aware of the fact that "at the present time it seems impossible to avoid the cumbersome procedure using three or four different sets of financial statements, if an MNE wants to provide all necessary information required for divergent purposes". According to him, "this emphasizes" the urgent need for developing internationally acceptable principles (or at least gradually to change national regulations towards this goal) to simplify international accounting. As a major step, he suggests that empirical research within national enterprises is required to gain a better understanding of all problems involved.

On their part, the Committee on International Accounting have put

forward some of the following recommendations in their report:

1. Attention should be given to the possibility of including specialized statements relating to international operations with the published financial statements of MNEs; candidates include statements of foreign exchange transactions, of key management financial and operating policies in the international arena, and of the MNE's impact on the balance of payments of each country.
2. Efforts should be continued to harmonize accounting principles and to standardize audit procedures around the world.
3. A comprehensive and revisable encyclopaedia of the legal and other regulations constraining accounting and reporting functions throughout the world should be developed.
4. With the nature of MNEs in mind, accounting consolidation theory should be re-examined to see if MNEs may require a new approach to consolidation.
5. Investigation is required into the feasibility and preferable nature of a uniform world-wide system for purchasing power adjustments to financial reports.

It is hoped that if serious steps are taken to implement some or all of the above suggestions, the major financial reporting problems of MNEs would be solved.

HARMONIZATION OF PRINCIPLES

It will not be worthwhile concluding a paper like this without mentioning some of the current moves that are being made to harmonize accounting in the light of some of the just concluded suggestions.

In spite of all the differences in accounting principles and reporting practices, many believe that there are many reasons for uniformity. As

international capital markets continue to increase in size and importance, financial analysts will require statements prepared under similar accounting standards so as to make comparisons between companies of different countries possible. The growth of regional economic groups such as the European Economic Community also provides a stimulus to the development of uniform accounting principles.

In spite of these trends towards uniformity, the environmental impediments earlier mentioned still remain.

However, many international accounting committees are currently active in the attempt to harmonize accounting principles. The International Congress of Accountants (ICA) is the major forum for the accounting professions on a wide variety of topics. In 1972, the delegates to the ICA formed the International Coordination Committee for the Accountancy Profession (ICCAP) in an effort to improve inter-country cooperation. Five standing committees have been organised by the ICCAP:

1. Regional Bodies,
2. Ethics,
3. Professional Education and Training
4. Future International Organization and
5. Publicity.⁵

The International Accounting Standards Committee (IASC) was developed during the 10th International Congress of Accountants in Sydney. The IASC is made up of representatives from Australia, Canada, France, West Germany, Japan, Mexico, the Netherlands, United Kingdom and Ireland, and United States. The goals of the group are to

- ★ formulate standards to be observed in the audited accounts and financial statements of member countries
- ★ promote the worldwide acceptance of the standards

- ★ encourage auditors to disclose if the published statements do not comply with the standards, and
- ★ apply pressure on the auditors that do not comply.

Some of the first projects were the Disclosure of Accounting Policies (by France, the Netherlands and United Kingdom), Inventory (by Canada, Japan and Mexico), and Consolidation (by Australia, Germany, and the United Kingdom).

The solution to the international diversity of accounting principles may come in the form of the IASC project on Disclosure of Accounting Policies. The basic idea is to identify fundamental accounting assumptions and accounting policies that should be adhered to worldwide, and then require firms to disclose in their statements any deviations from these accepted forms. This would be of great assistance to the MNE as it attempts

to raise capital worldwide and seeks inroads into markets through acquisition of existing foreign firms. The reduction of major differences would simplify the preparation of statements for alternative users (*ibid*).

CONCLUSION

THE discussions in this paper have been centred in the financial reporting problems of MNEs, which have been identified as revolving around the various environments and conditions under which they operate.

It has also been mentioned that it is not easy to develop a single concept for MNEs rather, it is several attributes put together which make a company multinational in outlook and operation.

It would be observed that this paper has not gone into any serious details of comparing specific countries, and their reporting problems. Rather, the discussions have been in

a general perspective—considering major financial reporting problems faced by all MNEs in different countries.

We have also looked at some of the suggestions and recommendations put forward towards harmonization of reporting practices; and have seen that certain moves are currently being made towards achieving this. It must be submitted however, that this is not going to be an easy task, in the light of the different operating environments we have been mentioning in this paper.

Finally, it would be observed that much reference has not been made to Nigeria in the discussions for obvious reasons—there is yet no record of any MNE having its home-base in Nigeria. Whatever accounting practices that are upheld in Nigeria are "carry-overs" from Britain and other home-bases of MNEs which operate in Nigeria.

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ASSESSMENT CENTRE APPROACH TO MANAGEMENT DEVELOPMENT

INTRODUCTION

EMLOYERS and the top management in many work organizations in the country base their decisions on employee selection, promotion, performance appraisal and training on some conventional methods like tests, interviews and rating scales. Studies carried out in ten organizations in the country attest to this.¹ The studies revealed the wide usage of these conventional methods but a low level of awareness for the approach suggested in this article.

In this paper a multi-dimensional approach to managerial selection, appraisal, training and development is presented. This approach—the assessments centre system—represents a much viable alternative to the traditional practices in management development in Nigeria.

Tests

Some of the conventional tests are ability and aptitude tests. Ability tests are usually aimed at examining the presence of certain ability traits which are believed to be critical in the performance of a job or a role for which the candidate is being considered.

Aptitude tests measure general ability which is expected to be applied to particular jobs.²

Sometimes special aptitude tests are constructed, borrowing items from here and there. In fact, indiscriminate use of aptitude tests alone is likely to bring down the predictability of job success.

For example, Thorndike and Hagen³ obtained 12,000 correlations between aptitude test scores and various measures of later occupational success, on over 10,000 respondents and concluded that the number of significant correlations did not exceed what would be expected by chance.

By Miss I. A. Gbadebo
Department of Social Sciences,
Lagos State University, Ojo.

Tests cannot accurately predict job success, potential for promotion and training.

A comprehensive battery of tests will provide only a small sample of a person's total pattern of behaviour.

Tests might not be able to predict other extraneous factors like poor adjustment to boss and peers, lack of motivation, lack of interest in his work, family problems and faking answers in order to be acceptable.⁵

Interviews

Interviews are organized generally in the final stages of selection after top talents among the applicants are identified through tests. It is generally at this stage that the management or administrators of the organization, who otherwise have little time to spare, come into the picture to ensure that only good candidates are filtered in.

Interviews, as a source of employee selection, promotion and training, is highly subjective. The decisions made by the interviewer are based upon his opinion, and that opinion is subject to bias and prejudice. In addition, interviews are not standardized, and it is difficult to quantify the results. Equally important is the fact that the desire of an applicant to get the job might make him behave in an unnatural fashion.

Countless research experiments have demonstrated that the opinions and biases of the interviewer have a powerful in-

fluence upon the decisions reached.⁶

Rating Scales

Rating scales usually personal and behaviour traits like co-operative, personality, attitude and judgement. It is to be noted that there is nothing debarring people with different personalities from being equally effective in job performance.

The problems of rating scales have been particularly noted to be centred around known errors of halo effect, leniency or strictness, central tendency and inter-personal bias.⁷

THE ASSESSMENT CENTRE APPROACH

An "assessment centre" refers to a standardized off-the-job procedure used to identify managerial potential for purposes of selection, placement, promotion and/or development.⁸

Mode of Operation

In the assessment centre approach, the organization develops its own internal resources for the continuous assessment of its members and for the selection of its new employees.

At the start, the help of an external agent or a testing consultant may be used, but once the system is established, external help should be minimized.

One of the roles of an external agent in an assessment centre is to develop internal resources. For example, training the line managers or staff members who would be the assessors.

Such internal resource—development will enable the system, when established, continue to function in the absence of the external agent. The external agent becomes a specialist after the system is established and is used by the organiza-

tion only when its internal resources lack certain skills required for assessing. In some instances, the organization may employ part-time experts who participate in the activities of the centre.

In employee selection, assessment centres use multiple measurements or evaluation techniques such as management games, leaderless group discussions, in-basket exercises, mock selection interviews, tests, biographical questionnaires and observation of assessed behaviour by trained assessors.

The data on the assessee in this approach would elicit patterns of behaviour previously identified as successful in a given management position for which the candidates are assessed.

In appraisal, promotion, and training exercises, assessment centre approach employs procedures which accurately assess the dimensions of managerial effectiveness like organization and planning, decision-making, creativity, human relations skills, behaviour flexibility, personal impact, tolerance of uncertainty, resistance to stress, inner work standards, energy, realism of expectation, goal flexibility, and ability.

In addition, interviews, in-basket exercises, group discussions and projective personality tests, general ability tests, personality inventories and biographical information blanks are used.

Assessors can observe and record and make evaluations and recommendations as appropriate for promotion, salary increase and training.

In self-development, the assessment centre approach employs the feed-back system. Participants take part in professionally led critiques of their performance in group activities, and they watch their performance in groups by means of video tapes.

In addition, career counselling and planning discussions are often combined with assessors' feedback. In this approach, centre participants are greatly sensitized to their own short-

comings and open to development ideas and training.

Problems

The first problem in most assessment centre programmes is the reliance on the supervisor to nominate employees for participation. Some high-potential employees may never be nominated because qualities of aggressiveness, curiosity, and intelligence that might make a person successful at higher levels of management are not always appreciated by lower level supervision. To get around this problem, some companies which make the use of assessment centres adopt self-nomination procedures or put everyone at a particular level of management through a programme.

Other organizations have devised a system of nominations based on personnel department records indicating interest in advancement such as application for educational aid.

The second problem associated with an assessment centre is about the individual who attends the assessment centre and does poorly. The individual usually recognizes his poor performance whether or not he receives a formal feed-back. He might feel demoralized and want to quit the organization for another job where his chances are untainted by his poor assessment centre performance. This problem could be eliminated through expert handling of the feed-back process. Anxiety at an assessment centre can also be a problem.¹⁰

There is no doubt that the assessment process is stress provoking and that the performance of a few participants is affected by stress. This problem is removed because the assessors usually recognize this problem and it is taken into consideration in the final assessment judgement.

An assessment centre is very expensive. It requires a degree of sophistication of personnel and psychological knowledge.¹¹

The assessee would have to be accommodated and catered for during the period of assessment. In

some international organizations assessee have to be brought from their different local areas to the centre for assessment.

The cost of maintaining assessee by the organization would include travel, accommodation, and feeding. The assessors—whether internal or external—would also have to be remunerated.

However, considering the cost of faulty selection of managers with its consequent effect upon performance, turn-over, and morale, the cost effectiveness becomes evident.

Demonstrated Attractions

An assessment centre, with its high validity, will eliminate to a large extent problems of subjectivity associated with interviews and tests in employee selection. The likelihood of hiring wrong hands through an assessment centre is very low. All studies so far strongly support the use of assessment centre procedure as the most effective method of management selection.¹²

An assessment centre will remove frustration and low morale which could result from overlooking capable candidates for promotion which is possible with the use of conventional methods like rating scales. This is achievable through concise procedures which accurately assess the various dimensions of managerial effectiveness.

Research studies support the conclusion that behaviour observed in assessment centres can be evaluated (i.e. rated and ranked) with high inter-rater reliability by staff members.¹³

Overall ratings and predictions made at assessment centres have been validated against a variety of criteria, such as:

1. job performance;
2. job progress (salary increase and promotion).¹⁴

Assessment data can be useful in allocating training and development expenditures and in planning new

development programmes in an organization.¹⁵ This is achievable by the assessment centre by analyzing the strengths and weaknesses of participants on the dimensions the organization has previously identified as important to success. Consequently, assessment data eliminate pouring thousands of naira down the drain and rationalize training.

An assessment centre can also aid in stimulation of self-development in employees. Participation in an assessment centre is a developmental experience.

As can be quickly recognized, many assessment exercises such as in-basket, management games, and leaderless group discussions also are training exercises. There is a great deal of evidence that most participants gain in self-insight from participating in assessment exercises and this insight is fairly accurate.¹⁶

CONCLUSION

CONSIDERING the vital importance of human assets in organizational growth or decay, and the immense benefits of assessment system in the attainment of organizational growth and employee development, many large and medium-sized organizations in Nigeria stand to benefit from this relatively new technique if adopted in place of conventional methods.

Organizations that use assessment centres have clearly indicated satisfaction with the results.¹⁷

The assessment centre system, despite its problems, possesses benefits that are valuable to organizations and their human assets. Once established assessment centre are highly efficient and can form a good system of recruiting capable employees and forming a base for training and developmental activities. Assessment cen-

tre approach would go a long way in improving productivity through judicious investment in appropriate training programmes and motivating workers who are properly evaluated and promoted accordingly.

Every method has its limitations but the advantages of the assessment centre system are immense and Nigerian organizations should try this multi-dimensional approach to management development.

Many previous management development techniques and instruments have had great popular success but have waned when the spotlight of empirical research was trained on them.¹⁸

Perhaps the objective and developmental nature of the assessment centre strategy discussed thus far will yield a new dimension in the improvement of management in work organizations in Nigeria if considered for adoption.

APPENDIX
METHODS IN USE IN TEN ORGANIZATIONS
STUDIED IN NIGERIA (MANAGERIAL LEVEL)

S/N.	Organizations Studied	Method of Recruitment	Performance Appraisal and Promotion Technique	Training Needs Technique *	Awareness of Assessment Centres
1	Metaloplastica	Interviews	Rating Scales	Employee Appraisal, Formats	Nil
2	West African Milk Company	Interviews	Rating Scales	Employee Appraisal Formats	Nil
3	Bata	Interviews	Rating Scales	Employee Appraisal Formats and information on individual workers by Heads of Departments	Nil
4	Volkswagen of Nigeria	Aptitude Tests and Interviews	Rating Scales	Employee Appraisal Formats and Interviews	Nil
5	BEWAC	Interviews	Confidential Reporting System	Reports on Individuals in the closed system and organizational needs	Nil

1	Four Mills	Aptitude Tests and Interviews	Rating Scales	Employee Appraisal Formats	No
2	Organizations Studied	Method of Recruitment	Performance Appraisal and Promotion Technique	Training Needs Technique	Awareness of Assessment Centres
3	Chemical and Allied Products Limited	Interviews	Rating Scales	Employee Appraisal Formats	No
4	Burger Foods	Aptitude Tests and Interviews	Rating Scales	Employee Appraisal Formats	No
5	ELIUMADD	Interviews	Informal System Reliance on Divisional Managers for information about performance of individual workers in their divisions	Deterioration of performance and organizational needs	No
6	Nigeria Breweries Limited	Interviews	Rating Scales	Employee Appraisal Formats	No

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25TH ANNUAL NATIONAL MANAGEMENT CONFERENCE

The 25th Annual National Management Conference of the Nigerian Institute of Management will be held:

- On:** 21st and 22nd of May, 1987.
Venue: Concorde Hotel, Owerri.
Theme: "INNOVATIVE MANAGEMENT: A Crucial National Need"
Speaker: Chief E. A. O. Shonekan,
Chairman and Managing Director, UACN.
Sub-Theme I: "MANAGEMENT OF OUR HUMAN RESOURCES TO
AVERT MASSIVE UNEMPLOYMENT".
Speaker: Brigadier Ike Nwachukwu,
Minister for Labour and Productivity.
Sub-Theme II: "MANAGEMENT OF RURAL DEVELOPMENT"
Speaker: Professor F. S. Idachaba,
University of Ibadan, Professor of Agricultural Economics
For Whom: All Senior Managers in Industry and Commerce; Top
Functionaries in Government and Trade Unions;
Academicians; Members of Professional Institutions and
Senior Employees in the Parastatals.

Delegates are being requested to register for the Conference. The Conference fee is ₦300.00 (Three Hundred Naira) per NIM member. This will cover Conference materials, two lunches, Cocktails and other refreshments at periods to be stated.

Registration Forms can be obtained from:

either Professor J. O. Ogunlade
Director-General
Nigerian Institute of Management
Plot 22, Idowu Taylor Street,
Victoria Island.
Post Office Box 2557, Lagos.
Phone: 615105, 616203.

OR

The Area Manager (East)
c/o Aba Area Office
215, Port Harcourt Road.
P.O. Box 3272, Aba.

The Area Manager (North)
c/o Kano Area Office
57, Airport Road.
P.O. Box 6382, Kano.

Closing date for return of forms: 20th April, 1987.

Starting Dates	Course Title	Duration	Location
	MARCH		
9/3/87	How to Improve Managerial Performance	1 Week	Kano
16/3/87	Management Appreciation	1 Week	Lagos
16/3/87	Supervisory Management	1 Week	Lagos
16/3/87	Effective Selling Skills	1 Week	Lagos
16/3/87	Leadership & Motivation in Management	1 Week	Kaduna
23/3/87	Management Appreciation	1 Week	Lagos
30/3/87	Management Course for Executive Secretaries and Personal Assistants	1 Week	Aba
30/3/87	Supervisory Management	1 Week	Lagos
30/3/87	Finance for Non-Finance Managers	1 Week	Kaduna
	APRIL		
6/4/87	How to Improve Managerial Performance	1 Week	Owerri
6/4/87	Management Appreciation	1 Week	Lagos
6/4/87	Production Planning and Control	1 Week	Lagos
6/4/87	Internal Auditing	1 Week	Lagos
6/4/87	Field Sales Management	1 Week	Lagos
6/4/87	Developing Supervisors: Leadership Skill	3 Days	Lagos
27/4/87	National Management Seminar for Middle Managers	1 Week	Kano
27/4/87	Management Appreciation	1 Week	Lagos
27/4/87	Maintenance Management	1 Week	Lagos
27/4/87	Advanced Management Accounting & Information Control	2 Weeks	Badagry
	MAY		
4/5/87	Supervisory Management	1 Week	Lagos
4/5/87	Selling of Industrial Products	1 Week	Lagos
4/5/87	Marketing People for Greater Results	1 Week	Kano
11/5/87	Leadership and Motivation in Management	1 Week	Aba
11/5/87	Action Tools for Middle Managers	1 Week	Lagos
18/5/87	How to Improve Managerial Performance	1 Week	Lagos
18/5/87	Financial Management for Executives	1 Week	Lagos
18/5/87	Effective Selling Skills	1 Week	Lagos
25/5/87	Middle Level Management	2 Weeks	Kaduna
25/5/87	Middle Level Management	2 Weeks	Lagos
25/5/87	Inventory Management	3 Days	Lagos
25/5/87	Managing Accounting Departments	3 Days	Lagos
	JUNE		
1/6/87	Corporate Strategy for Executives (Residential)	1 Week	Badagry
1/6/87	Organization and Methods	1 Week	Lagos
1/6/87	Budgeting and Budgetary Control	1 Week	Lagos
1/6/87	Field Sales Management	1 Week	Lagos
1/6/87	Developing Supervisors Leadership Skill	2 Weeks	Lagos
8/6/87	Middle Level Management	1 Week	Lagos
8/6/87	Management Accounting	2 Weeks	Lagos
15/6/87	Middle Level Management	2 Weeks	Lagos
15/6/87	Work Study	3 Weeks	Jos
15/6/87	Marketing and Sales Management (Residential)	1 Week	Lagos
15/6/87	Personal Effectiveness: Self & Time Management	1 Week	Jos
22/6/87	Leadership and Motivation in Management	1 Week	Lagos
22/6/87	Credit and Debt Management	1 Week	Lagos
22/6/87	Leadership and Motivation in Management	1 Week	Lagos
	JULY		
6/7/87	National Management Seminar for Senior Executives	3 Days	Lagos
6/7/87	Supervisory Management	1 Week	Lagos
6/7/87	Finance for Non-Finance Managers	1 Week	Badagry
6/7/87	Personnel Management (Residential)	3 Weeks	Lagos
13/7/87	Management Appreciation	1 Week	Aba
13/7/87	Supervisory Management	1 Week	Lagos
13/7/87	Management Auditing	1 Week	Lagos
13/7/87	Products and Brand Management	1 Week	Lagos
20/7/87	Corporate & Boardroom Management for Directors (Residential)	1 Week	Lagos
20/7/87	Management Appreciation	1 Week	Kaduna
20/7/87	Network Analysis & Project Management	1 Week	Lagos
27/7/87	Action Tools for Middle Managers	1 Week	Aba
27/7/87	Product Planning Management	1 Week	Lagos



21/7/87	Banking and Corporate Cash Management	1 Week	Lagos
27/7/87	Field Sales Management	1 Week	Lagos

AUGUST

3/8/87	Management Course for Executive Secretaries and Personal Assistants	1 Week	Lagos
3/8/87	Leadership and Motivation in Management	1 Week	Sokoto
3/8/87	Managing People for Desired Results	1 Week	Lagos
10/8/87	Leadership and Motivation in Management	1 Week	Aba
10/8/87	Production Planning and Control	1 Week	Lagos
10/8/87	Management Accounting	1 Week	Lagos
10/8/87	Advertising Sales Promotion & Merchandising	2 Weeks	Lagos
17/8/87	Advanced Management (Residential)	3 Weeks	Kaduna
17/8/87	Supervisory Management	1 Week	Lagos
17/8/87	Budgeting and Budgetary Control	1 Week	Lagos
17/8/87	Developing Supervisory Leadership Skills	1 Week	Lagos
24/8/87	Management Appreciation	1 Week	Aba
24/8/87	Managing Accounting Departments	3 Days	Lagos
31/8/87	Leadership and Motivation in Management	1 Week	Kano
31/8/87	Work Study, Productivity & Cost Reduction	4 Weeks	Lagos
31/8/87	Advanced Management Accounting and Information Control	2 Weeks	Kaduna
31/8/87	Marketing & Sales Management (Reporting Back)	1 Week	Lagos
31/8/87	Industrial Relations	1 Week	Lagos

SEPTEMBER

7/9/87	How to Improve Managerial Performance	1 Week	Port Harcourt
14/9/87	Marketing Research	2 Weeks	Lagos
14/9/87	Employment Laws and Regulations	1 Week	Lagos
21/9/87	Top Management (Residential)	1 Week	Enugu
21/9/87	Management Appreciation	1 Week	Maiduguri
21/9/87	Management Appreciation	1 Week	Aba
21/9/87	Financial Management for Directors	1 Week	Lagos
21/9/87	Leadership and Motivation in Management	1 Week	Lagos
28/9/87	Managing The Team	3 Days	Lagos

OCTOBER

5/10/87	How to Improve Managerial Performance	1 Week	Lagos
5/10/87	Supervisory Management	1 Week	Aba
5/10/87	Internal Auditing	1 Week	Lagos
5/10/87	Effective Selling Skills	1 Week	Lagos
12/10/87	Management Appreciation	1 Week	Lagos
12/10/87	Organisation and Methods	1 Week	Lagos
12/10/87	Finance for Non Finance Managers	1 Week	Lagos
12/10/87	Developing Supervisory Leadership Skills	1 Week	Lagos
19/10/87	Middle Level Management	2 Weeks	Kaduna
19/10/87	Leadership and Motivation in Management	1 Week	Owerri
19/10/87	Management Accounting	1 Week	Lagos
19/10/87	Managing People for Desired Results	1 Week	Lagos
19/10/87	MBO Advisers Course: Getting results through MBO (Residential)	3 Weeks	Lagos
26/10/87	Supervisory Management	1 Week	Lagos

NOVEMBER

2/11/87	Inventory Management	1 Week	Lagos
2/11/87	Budgeting and Budgetary Control	1 Week	Lagos
2/11/87	Job Evaluation and Salary Administration	1 Week	Lagos
9/11/87	Middle Level Management	2 Weeks	Port Harcourt
9/11/87	Credit and Debt Management	1 Week	Lagos
16/11/87	Maintenance Management	1 Week	Lagos
16/11/87	Field Sales Management	1 Week	Lagos
16/11/87	Effective Human Relations in the Organisation	1 Week	Lagos
16/11/87	Management Appreciation	1 Week	Zaria
23/11/87	Middle Level Management	2 Weeks	Lagos
23/11/87	Work Study, Productivity & Cost Reduction (Reporting Back)	1 Week	Lagos
23/11/87	Leadership and Motivation in Management	1 Week	Lagos
30/11/87	Banking and Corporate Cash Management	1 Week	Lagos

DECEMBER

7/12/87	How to Improve Managerial Performance	1 Week	Kano
7/12/87	Supervisory Management	1 Week	Lagos
7/12/87	Managing Accounting Department	3 Days	Lagos
7/12/87	Effective Selling Skills	1 Week	Lagos
7/12/87	Developing Supervisory Leadership Skills	1 Week	Lagos
14/12/87	Management Appreciation	1 Week	Lagos
14/12/87	How to Improve Managerial Performance	1 Week	Owerri

News from NIM member organizations & others

NATIONAL BANK RAISES SHARE CAPITAL

The authorised share capital of National Bank of Nigeria Limited has been raised from ₦30 million to ₦50 million out of which over ₦40 million is expected to be issued and fully paid up when the bank goes public this year.

The chairman of the bank, Professor Ayo Ogunshye, OFR, announced this in Lagos recently.

He said that the rise was necessary in order to enable the bank face the stiff competition offered by other



Mr. S. A. Durosinmi, IBS Manager, Baiogun Street, Branch.

banks with stronger and wider capital bases.

It will also enable the bank to meet the expectations of its customers.



Prof. Ayo Ogunshye

enhance, positively, its operational latitude and ensure profitability in subsequent years so as to justify the payment of dividends to its shareholders.

Professor Ogunshye who is also the president of the Lagos Chamber of Commerce and Industry told the staff of the bank that the Central Bank of Nigeria had given its approval for National Bank to go to the capital market to raise funds.

The majority shareholders of the bank. (Ogun, Ondo, and Oyo State Governments), he said, had also agreed to reduce their equity shareholdings considerably.

At present National Bank's fully paid-up share capital is ₦10 million.



Mr. Alfred O. Sojolarin (General Manager, Domestic Banking) (right) receives 20-year-service award from Prof. Ogunshye at an award night during which 92 employees of the bank were honoured.

A DOUBLE FOR NIGERIAN PAPER MILL

A two-pronged recognition has recently been given to the Federal Government-owned Nigerian Paper Mill Limited.

The mill itself won a trophy for distinguishing itself as regards its commercial achievements and the quality of its products while the company's chief executive and chairman, Alhaji Ise Ozi Salami, was elected to the highest individual membership grade of the Technical Association of Pulp & Paper Industries Worldwide (TAPPI) based in Atlanta, United States of America.

The company received the trophy as winner of the 7th International African Award of the Trade Leaders Group of Europe



Alhaji Ise Ozi Salami

"The spirit of an organization is created by the people at the top. Their standards of conduct, values and beliefs set the example for the entire organization and determine its self-respect".

—Chuma Ifeidi
Business Concord. March 7, 1986. p. 14.

News from NIM member organizations & others

BUSINESS STARTS FORCUSSING ON VIDEO

The video tape recorder (VTR), already a common sight in most homes, is fast invading the domains of business. Managers, according to a report in the November issue of *World Executive's Digest*, are taping everything from job interviews and sales presentations to stockholders' meetings and annual reports. World Executive's Digest Editor, Jack Lim, observes that "for

repetitive orientation and training, video provides a consistent and cost-saving alternative". "And," he adds, "since videotaped material can be stored and viewed when convenient, this new medium is a saver of valuable time as well."

Business, it seems, is finding more and more uses for video. Public relations firms, for example, are finding

that video news releases are quite effective in getting their clients' messages across. News releases made on video are sent to television stations.

In the retail area, entrepreneurs are discovering the usefulness of video as a selling tool. Point-of-purchase displays using video invariably attract shoppers, and some high-tech pioneers are even investing in computerized video kiosks. Using these kiosks, all a customer has to do to purchase a product is to touch defined areas of the screen and insert his credit card for payment. Computers attached to the video monitors will order the product, receive the payment, and notify a delivery service, which then brings the product to the purchaser's home.

BRITAIN'S ROYAL OBSERVATORY MOVES

The British Government has approved the plan for Britain's Royal Greenwich Observatory (RGO) to move from Herstmonceux Castle in southern England to link up with the astronomy centre at Cambridge University in eastern England.

The decision to move the RGO is a consequence of astronomers' switching to better viewing areas on the islands of Hawaii and Las Palmas. The observatory started life in 1675 and until 1948 was housed at Greenwich in London, where its original purpose was to study the positions and apparent motions of the stars. These observations were required to find longitude on the earth and for measuring time—hence the Greenwich Meridian and Greenwich Mean Time.

By 1948 the observatory's role had widened to include astrophysics, and it was decided to move its telescope to Herstmonceux to take advantage of the clearer viewing conditions outside London. Unfortunately these conditions also failed to meet the standards required for first-class astronomy and it was decided to establish telescopes on Hawaii and Las Palmas to cover the southern and northern hemispheres respectively.

At Cambridge University, claimed

to be a world leader in radio-astronomy, the observatory will be linked with what is already one of the UK's best astronomy centres, with outstanding engineering, computing and physics departments.

NIGERIAN AND INDIAN SHARE PRIZE

The 1986 Commonwealth poetry prize has been jointly won by Niji Osundare from Nigeria and Vikram Seth from India who will share the prize money £6000, it was announced recently at London's Commonwealth Institute.

Mr. Osundare's book, "The Eye of the Earth," deals with the complexities of Africa's spiritual, political and ecological problems, and shows for example how rain, although often longed-for, can turn into a natural disaster, washing away the top-soil when too abundant. The poems are designed to be performed, many to the accompaniment of music, especially a drum.

Born in 1947 in Ikere-Ekiti, Mr. Osundare studied at the University of Ibadan, at Leeds University in England, and York University, Toronto. He is now a senior lecturer in English at the University of Ibadan and is also a critic. He has already published

several volumes of poetry.

Mr. Seth's winning work is also unusual because it is a novel in verse form.

Nissim Ezekiel, Professor of English at Bombay University was chairman of the international panel of judges, who had to sift through some 500 entries from 49 countries around the world.

Of the winning entries, he said, "the two books expressed such different forms of poetic excellence that it would be unduly arbitrary to choose between them and so we have decided to award a joint prize."

The original commonwealth poetry prize was established by London's Commonwealth Institute in 1972 and, since 1985, has been sponsored, with its current prize-money, by British Airways (BA). The airline flew the award winners to London for the award ceremony.

The winning poets later toured Britain and gave a series of readings from their works in Bristol, Birmingham, Glasgow and Lancaster.

ELECTIONS IN NOVEMBER 1986

Elected Members

Akerele (Prof.), A
 Alabi, A. A
 Bendega (Dr.), J. T
 Famurewa, R. O.
 Ghate, V. G.
 Hambolu, W. O. S.
 Ibrahim, M. S.
 Olayanju, L. A.
 Onwo, S. U
Elected Associates
 Abasekong, N. A.
 Abbas, M. S.
 Abdulrazaq, M. T.
 Abiona, M. O.
 Abudei, (Dr.) F. C.
 Adama, Y. S.
 Adedokun, A. S.
 Adejumbi, J. A.
 Adekoya, M. O.
 Adenaike, J. O. O.
 Adetunji, K. O.
 Adewoye, J. T.
 Adeyemi, A. A.
 Adeyemi, G. A.
 Adeyemi, R. A.
 Adeyeri, I. O.
 Ajagbe, N. O.
 Ajayi, O.
 Akinremi, I. A.
 Akinsanya, A. O.
 Akintayo, A. I.
 Akinteye, G. O.
 Aliyu, A.
 Amachree, (Dr.) S. M. O.
 Amadasu, J. U.
 Amadi, L. E.
 Amole, F. O.
 Anwunah, J.
 Anyaegbu, I. A.
 Anyanwu, E. N.
 Arogundade, K.
 Aruleba, I. A.
 Apugo, C. A.
 Atanlogun, O. S.
 Audu, M. L.
 Awopetu, E. I.
 Ayodeji, O. E.
 Banjo, O. O.
 Bankole, A. A.
 Bijimi, B. S.
 Chukukere, P. I.
 Cole, A. B. O.
 Dankande, M. A.
 David-West, (Mrs) J. O.
 Dier, E. O.
 Doherty (Major), A.
 Dunmoye, B. S.
 Efuwape, S. A.
 Emeje, P. S.
 Enigbokan, R. O.
 Ezobodor (Miss), R. E.

Associates Contd.

Ezenyirioha, R. M.
 Fakorede, A. O.
 Fatokun, J. A.
 Fatunbi, S. O.
 Gadzama, P. M.
 Gbenene, V. P.
 Gisanrin, (Mrs) J. G.
 Ibangwa, A. E.
 Ige, J. O.
 Ijose, C. O. A.
 Ilondu, C. I.
 Ivory, G. F.
 Iyakwo, N. D.
 Jega, A. Y.
 Jenfa, O.
 Junaid, F. B.
 Kadafa, A. I.
 Karunwi, A. O.
 Lashinde, A. A.
 Madu, N. C.
 Mafara, H. B.
 Marisagba, S. O. O.
 Menanya, J. I.
 Menbema, G. I.
 Misan, H.
 Muhammed, A.
 Nweke, W. E.
 Obi, (Mrs) R. U.
 Obieze, J. C.
 Ochiogbano, (Lt.) C. O.
 Odintoho, D.
 Odudu, C. O.
 Ogbue, A. N.
 Ogungbade, D. R.
 Ojo, E. M.
 Ojukannaiye, S. B.
 Okewole, (Dr) E. A.
 Okonweze, L. C.
 Olukun (Sq Ldr), E. O.
 Omodara, J. O.
 Omojawa, M. S.
 Omole (Mrs), O. A.
 Onokala, E. M.
 Onyebueke, H. O.
 Opara, S. C.
 Orukan, O. I.
 Orunmuyi, A. G.
 Osaze, C. E.
 Osifeso, (Mrs) O. O.
 Osunbor, O. C.
 Owoyale, O. S.
 Oyatogun, W.
 Pension-Smith, M. O.
 Prince-Abbi, G. S.
 Saba, M. M.
 Saka, A. A.
 Soroye, O. A.
 Suleiman, A.
 Talabi, A. A.
 Talabi, (Dr.) M. O.
 Tijani, B. G.

Associates Contd.

Tuedor, N. T.
 Uba, C. L.
 Ubom, W. E.
 Uka, N.
 Ukandu, J. R. O.
 Ulor (Miss), N. S.
 Umar, A.
 Umaru, N. M.
 Umoh, M. R.
 Usen (Miss), K. R.
 Uwulekhue, S. B.
 Wakama, K.
 Zabadi, I.
 Anieze Adams (Mrs), R. N.
 Akpabio, A. I.

Elected Graduates

Aba, A. J.
 Abidogun, S. O.
 Abudu, (Miss) A. A.
 Adeyemo, A. A.
 Adeyemi, S. O.
 Aiyedun, T. O.
 Apata, N. A.
 Asapokhai, O. S.
 Babagana, S.
 Bultu, Z. M.
 Egbe, J. E.
 Emeh, U. F.
 Eyiwuawi, L. A.
 Fasah, F. J. Y.
 Fashola, (Miss) A. E.
 Habibu, A. A.
 Ijeh, (Miss) A. A.
 Ijide, (Lt.) W. O. V.
 Kasali, A. I.
 Kassim, (Mrs) F. N.
 Kua, B. T.
 Njiowhor, C. P.
 Nwankwo, F. O.
 Nwobu, U. C.
 Obot, B. P.
 Oguale, E. O.
 Oke, (Mrs) J. T.
 Okereke, O. W.
 Okolo, R. O.
 Okon, J. M.
 Okoro, E. E.
 Oluyemi, S. A.
 Onaolapo, O.
 Onowo, J. O.
 Othihwa, P. O.
 Oyegebemi, M. O.
 Oyewola, (Dr.) K. A.
 Popoola, O. A.
 Saadu, A.
 Udoh, I. T.
 Umeh, M. U.
 Yahaya, J. A. A.
 Ande, O. O.
 Olalekan, F. I.

Graduates Contd.

Oshomah, E.
Elected Affiliates
 Abaku, E. N.
 Adebisi, M. A.
 Adekunle, C. K.
 Adetiwa, S. O.
 Ahmed, A. S.
 Aiyamekhue, J. O.
 Alua, J. O.
 Angurube, O.
 Eniang, J. U.
 Erugo, G. C.
 Fabunmi, M. A.
 Giadom, J.
 Ikeri, U. I.
 Ikujenyo, M. A.
 Ilugbusi, J. O.
 Iro, A. S.
 Nwafor, E. E.
 Nwanorue, (Miss) O.
 Oke, O. A.
 Olajugbagbe, O.
 Olatona, S.
 Olegbe, D. B.
 Olusola-Alayande, J. C.
 Onwusiribe, P. N. C.
 Opara, P. C.
 Oyibo, I. D.
 Pam, (Mrs) M. B.
 Soretire, T. O.
 Umaru, U. S.

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 in
 Management in
 Nigeria**

Total Productivity at firm level

A Case Study

By

J. C. Nwachukwu

INTRODUCTION

In recent times the term productivity has become an everyday word in Nigeria. Industrialists, economists and politicians feel concerned with it because they feel its trend is integrally related to the nation's general economic health.

Despite the great interest in productivity, the real meaning of the term has remained elusive because of lack of a theoretical work—mainly at the firm level. Measurement of productivity has oftentimes been concentrated on labour productivity which is a component of total productivity, whereas plant level productivity—the level at which the majority of productivity gains are achieved—has received comparatively little attention. As a result, managers, with responsibility for ensuring that productivity increases are actually realised, have had to work with methods of productivity measurement inappropriate to their needs.

In view of this situation the author carried out a survey to identify the needs of managers in industry. The majority of the two hundred managers involved agreed that productivity is a measure of output in relation to the input of resources and capital (and which is really only valid for a given state of technology). Many managers, however, felt that there was no clearly defined yardstick against which productivity could be easily measured.

Most of the managers felt satisfied with measuring productivity in terms of output per unit of labour, or in the case of capital intensive companies, output per unit of capital employed. These are partial productivity ratios which appear to be of limited value at firm level.

NEED FOR TOTAL PRODUCTIVITY MEASUREMENT

MOST industrial firms have a hierarchy of objectives which, in turn, produces an organizational structure which enables them to pursue them, first by a planning process that specifies an array of activities to be undertaken and allocates resources to them, and secondly by executing the details of the plan. The control function is responsible for monitoring progress, comparing it with

targets specified by the plans, taking corrective action when serious discrepancies are revealed and finally undertaking to evaluate the whole planning and execution process when the operations are complete.

The purpose of this evaluation is to learn from experience and to show where the process can be improved in future, and an essential part of this learning exercise is to construct a series of measures of performance to guide the analysis.

The index of productivity is an important performance indicator and its measurement is necessary for the following reasons:

- (i) for strategic purposes—in order to compare the performance of the firm with that of its competitors or related firms, both in terms of aggregate results and in terms of major components of performance.
- (ii) for tactical purposes—to enable management to control the performance of individual sectors of the firm, either by function or by product.
- (iii) for planning purposes—to compare the relative benefits accruing from the use of different inputs, or varying proportion of the same inputs, currently and over longer periods as the basis for considering alternative adjustments over future periods; and
- (iv) for other management purposes, such as collective bargaining with trade unions, assessing the effects of prospective governmental restrictions.

Total and partial productivity

Productivity has been defined as a "ratio of a measure of output to a measure of some or all of the resources used to produce this output" Easterfield (1959).

The phrase "some or all of the resources" has far-reaching implications for the understanding of the term. It means that the ratio will result in more than one productivity index. There are at least two distinctive productivity ratios—total productivity and partial productivity.

$$\text{Total Productivity} = \frac{\text{Total Output}}{\text{Total Input}}$$

$$\text{Partial Productivity} = \frac{\text{Total output}}{\text{Partial output}}$$

The use of partial productivity indexes can lead to serious misunderstanding.

A simple example will demonstrate the potential problems associated with the use of partial productivity indexes.

Assume a firm procures an advanced modern machine which significantly reduces the man-hours necessary for processing. The output per man-hour would naturally rise since a worker now can produce more of the same product in less time.

Assume that the extra cost of the new equipment over the old is equal to the savings from reduced processing man-hours.

Using the labour productivity index as a guide, workers and shareholders would note an increase in productivity. Either group could bargain for increased benefits.

Contrary to this understanding, there had been no increase in labour productivity since the apparent rise in productivity has been distributed to the machine suppliers. Gains indicated by increased labour productivity may not actually be gains at all.

It should be obvious that this type of fallacy is inherent in all partial productivity measures. Therefore some measure of total productivity must be used for most top-level management decisions.

Industry Studied

Having demonstrated the need for total productivity measurement at firm level, the next step was to select a firm in a particular industry for study. The brewery industry in Nigeria has been the fastest growing industrial activity in recent years. It has also been one where a loss is rarely made.

In view of these facts a brewery located in the southern part of the country was selected for study. The company produces one brand of lager beer and has a turn-over of over N12 million. The host firm was initially reluctant to disclose any information, from its books of records and accounts, but this resistance was overcome after the firm has been assured of complete anonymity in the emerging report.

Approach to the problem

In recent years many attempts have been made in productivity analysis at firm level. Gold (1955), developed a productivity analysis procedure which needed an interlocking hierarchy of cost structure and managerial control ratios. Gold's procedure was a bold attempt at the problem but failed to present a total productivity index. Gold's procedure would be difficult to use in Nigeria because it would not be easy to gather the necessary data for the network of productivity ratios.

Another important contribution to productivity analysis at firm level is one described by Martin and Bahiri (1970). This concept is the "productivity costing" approach which emphasizes the

contributions to the productivity of a firm of individual products or resources, rather than of operating units or functional activities. Thus, the productivity of a product or resource is measured by its efficiency in making a profit.

After reviewing the various productivity analyses we focussed our attention on a simple model proposed by Craig and Harris (1973). They claimed that the model was universally applicable to overall corporate productivity. Their claim appears to have some merit as could be seen in later analyses.

The Craig and Harris Model

In this model the total productivity of a firm is determined as follows:

$$P_t = \frac{O_t}{L + C + R + Q} \quad (1)$$

where P_t = total productivity

O_t = total output

L = Labour input factor

C = Capital input factor.

R = Raw material and purchased parts input factor.

Q = Other miscellaneous goods and services input factor.

The output of the firm and all inputs are expressed in common measurement units, usually monetary, although other dimensions could be used. The input factors are assessed as follows:

(i) Labour

Labour input should reflect salaries and fringe benefits as well as wages. Of all the four factors input in equation (1) the monetary value of the labour input is the easiest to calculate, as it is the sum of the total salaries, wages and benefits paid by the firm.

$$L_i = \sum_k N_{ik} W_k \quad (2)$$

where L_i = Labour input measured in period i

W_k = Base period wage for category k .

(ii) Capital

In this model the lease concept of capital is used to calculate the capital input factor. A typical lease is in the form of an annuity. The amount of the annuity depends on three factors: the cost of the asset, the productive life of the asset and the desired rate of return to the lessor. Capital input factor, therefore, involves

- determining the cost of an asset, (and the cost of commissioning *et cetera*) from the firm's accounting records;
- estimation of the productive life of the asset, from accounting data.

(i) cost of capital: a weighted cost of capital is calculated using the capital structure characteristics of the company.

(iii) *Raw Materials and Purchased Parts*

The material input factor is calculated as a sum of products, where current period consumption is multiplied by base period cost.

$$\text{Hence } R_i = \sum_j V_{ij} M_j \quad (3)$$

where R_i = Material input for i^{th} period.

V_{ij} = Volume of material type j consumed in period i .

M_j = Base period cost for material j .

Material input factor can also be calculated by deflating the current year productive material expense to base year data. In either case the resulting value of material input has to be adjusted by material inventory change, so as to convert the material expenses to material consumed.

(iv) *Miscellaneous Goods and Services*

This input factor consists of all other expenses including maintenance and taxes. Total output (O_i) of the firm is defined as the sum of revenue received from the sale of goods produced plus any other revenue, such as dividends from securities or interest from loans.

Actual output of the firm is defined as the summation of all units produced multiplied by their selling prices at base year as shown in equation (4) below.

$$O_i = \sum_j P_j U_{ij} \quad (4)$$

O_i = revenue due to visible output in period i

P_j = Price/Unit for item j in base period

U_{ij} = Number of production units of item type j produced in period i .

Since in this study only one product was produced, the total revenue was calculated by multiplying the sales price by total number of items produced. The sales price was deflated to base year 1981. The revenue figures were adjusted for changes in finished goods inventory as shown in Table 1. Net output was deflated to the 1981 base year using an in-company index. Since companies in the brewery industry obtain their raw materials under different arrangements, there appears to be no wholesale price index for the industry.

In-company price indices were also used in deflating capital input value. Fixed capital was treated as an irredeemable loan and the interest payable based on the company's cost of capital. Material inputs were based on money values of the materials purchased by the host firm. These were adjusted for changes in materials inventories and net values for a given year obtained. Material usage values were then deflated to the 1981 base year using an in-company figure.

	1981	1982	1983	1984
Sales Revenue	8,800	9,504	10,644.5	12,007
Finished goods stock change	+ 20	+ 30	+ 27.0	-
Total output	8,820	9,534	10,671.5	12,007
Capital input	500	514	554	570
Materials input	3,988	3,577.2	4,650.4	4,952.7
Miscellaneous input	1,063.5	1,495.3	1,839.22	2,012.3

Table 1: Output and Input data (N,000) in raw values.

	1981	1982	1983	1984
Total output	8,820	7,910	8,584	8,765
Capital input	500	447	421	401
Materials input	3,988	3,040	3,674	3,566
Miscellaneous Input	1,064	1,301	1,398	1,408

Table 2: Output and Input Data (N,000) deflated to 1981 base year values using in-company indices.

	1981	1982	1983	1984
Total output (1)	8,820	7,910	8,583	8,765
Inputs - capital	500	447	421	401
Material	3,988	3,040	3,673	3,566
Labour	3,013	2,862	2,719	2,790
Total inputs (2)	8,565	7,650	8,211	8,165
Total Productivity (1) ÷ (2)	1.03	1.034	1.05	1.07
Index of Total Productivity	100	100.4	102	104
Output/Labour	2.93	2.76	3.12	3.14
Index of labour productivity	100	94	106	107
Output/Capital	17.6	17.7	20.4	21.9
Index Capital Productivity	100	100.5	115.9	124.4
Output/Material	2.21	2.60	2.34	2.46
Index of Material Productivity	100	117.6	106	111.3
Output/Miscellaneous	8.29	6.08	6.14	6.23
Index of Miscellaneous Productivity	100	73.3	74	75.2

Table 3: Total Productivity Indices and partial Productivity Indices 1981-84 (Based on deflated data in Table 2).

It was discovered that the firm had reduced the number of its employees since 1981 base year, but no significant changes had occurred in wage rates and salaries. Therefore the labour input was calculated by using actual computed costs of labour. Direct labour costs were calculated by multiplying total man-hours by appropriate wage rate. Tables 2 and 3 show some of the data collected.

The miscellaneous goods and services input factor included items such as fuel, power, plant maintenance, administration, travel and transport. These expenses were deflated using in-company index.

Interpretation of Results

Figure 1 shows graphically some of the results obtained using this model (Harris and Craig). The results showed that the company in question had a very insignificant total productivity increase in the period considered. Miscellaneous productivity had a continuous downward trend throughout the four year period. Capital productivity appeared to be the only input factor which increased steadily after 1982. Total productivity ratio was not less than 100 per cent in any of the four years. This means that the company not only maintained its total productivity from 1981 but also increased it. Capital

productivity appeared to be the only factor which increased as the total productivity rose.

REMARKS AND CONCLUSIONS

THE result of the productivity analysis for this company shows that not all partial productivity indices rose with a rise in total productivity. It is generally not even possible to have all the partial productivity indices move up together. This is so because the action of managers tend to increase productivity in one area and decrease it in another. Thus the importance of measuring total productivity to determine managerial efficiency cannot be overestimated.

The analysis also showed prominently that miscellaneous productivity index has fallen steadily over the years. On closer examination it was found that the company had problems with their plant maintenance hence the losses shown. This area (miscellaneous goods and services) appears to be difficult for local industries. A better management of this factor cannot be over-emphasized in a machine dominated production like a brewery in view of its apparent effect on total productivity.

This method of productivity measurement is not only simple to conduct, but also, its outcome enables the manager to see the progress of the company at a glance. It forces the company to show a return on capital invested. The method of calculation was based on service flow model which appears to be valid for the manager. This method differs from others in its treatment of capital and the use of all inputs and outputs. A lease service concept of capital was used rather than a physical consumption concept. Also, all revenue items were included as outputs and all cost or expense items as inputs.

The ideal goal of productivity measurement, however, should not simply be the historical analysis of company performance. Models which can forecast trends in productivity as a result of changes in key input variables are required. Theoretically, it is possible to develop such models based on Craig and Harris approach. Hence a regression equation which showed the contribution made to total productivity by, say, direct labour or working capital productivity is feasible.

For reliability and validity such regression analysis would need data collected over a great many time periods. It was not possible to collect such data in the present study. Such a predictive model should be investigated in further studies. However, the study succeeded in exposing the managers of the host firm to a new way of calculating productivity.

The managers expressed their wish to use the model in future analysis of the firm's performance.

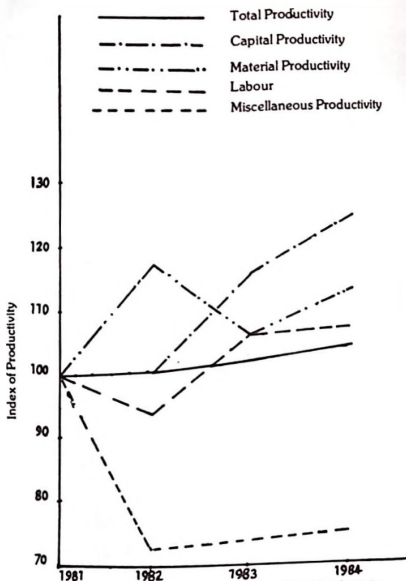


Fig. 1: Partial Productivity Versus Total Productivity.

They agreed that the model provides a realistic approach to performance appraisal, unlike the business ratios which tend to dominate present performance analyses.

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Dr. J. C. Nwachukwu is with the Department of Production Engineering of the University of Benin.



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News from NIM Branches

AREA COMMITTEE MEETS

THE NIM Branch Area Committee, East, (BACE) held its 1986 annual conference recently at Aba.

The conference was attended by delegates from the Institute's branches in the eastern zone.

Resolutions made by the conference included the intention to open the Institute's branch at Awka, Nsukka, Okigwe, Orlu, Umuahia and Uyo. They took particular note of the fact that Umuahia and Uyo

had been organizing meetings and sending delegates to BACE conferences as observers.

The conference also elected Dr. K. C. Aboim, chairman of the Aba branch, as its chairman for 1987.

In the photograph below Mr. A. B. Attah is seen reading the welcome address at the conference on behalf of the retiring chairman, Chief E. A. Udoh.



YOUNGEST BRANCH MARKS NIM'S SILVER JUBILEE

THE youngest branch of the NIM—the Onitsha branch—joined others last November to celebrate the Institute's silver jubilee anniversary. In the photograph below the then Commissioner for Finance and Economic Development for Anambra State, Professor Pita Ejiolor, MNIM, on behalf of the State Governor. Group Captain Sampson Emeka Omeruah, is seen delivering an address at a lecture/luncheon organized by the branch to mark the occasion.



ABU TO COOPERATE WITH NIM

THE Ahmadu Bello University, Zaria, will be willing to cooperate with the Nigerian Institute of Management in its task of improving managerial skills in the country.

This statement was made early this year, by the University's vice-chancellor, Professor Adamu N. Mohammed, when members of the Zaria branch of the Institute paid him a courtesy call.

Professor Mohammed expressed his wish for a department of management studies for his university and stated that although there were departments of business administration and of public administration in the university, he felt that management and administration were two different areas of study.

Earlier, the chairman of the Zaria branch of NIM, Mr. Sam Imasuen, had given the vice-chancellor a brief history of the Institute and an insight into its functions. He also expressed his appreciation for the support which the branch had so far received from the university.

ZARIA BRANCH HOLDS GRASSROOT WORKSHOP

The Zaria branch of the Institute has held a "Grassroot Business Workshop", in Hausa, as one of the activities organized by the branch to mark the Institute's silver jubilee anniversary.

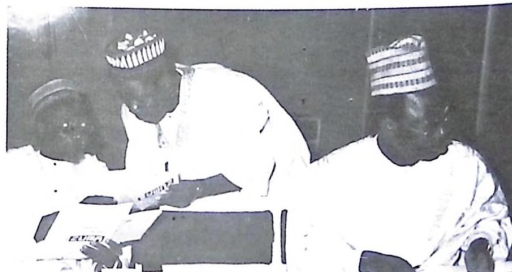
The two-day workshop, which was held on November, 26 and 27, 1986, featured the presentation of papers in seven sessions, lunch and cocktail. The guest of honour was His Highness the Emir of Zaria who was represented at the workshop by his traditional prime minister, Sarkin Shanu. The Kaduna State Commissioner for Commerce & Industry, Alhaji Sule Abubakar, was also at the workshop as special guest.



Kaduna State Commissioner for Commerce & Industry, Alhaji Sule Abubakar, makes a speech as special guest



Sarkin Shanu, traditional prime minister to the Emir of Zaria, reads an address on behalf of the Guest of Honour—the Emir



Some of the officers of the branch (right—left) Mr Sam Imasuen—Chairman; Mr A. F. Jerome—Secretary and Alhaji M. Jibo—Vice-Chairman



A cross section of participants at the opening ceremony at Zaria Hotel.

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Communication in Agricultural Management

by

E. O. Mejabi

INTRODUCTION

COMMUNICATION is vital to all aspects of human endeavour, whether it is in an industrial establishment, interpersonal relationship, or any other situation in which two or more people have to exchange ideas or information.

It is particularly important in the agricultural sector of Less Developed Countries (LDC's) such as ours, because LDC's are generally characterized by a labour-intensive structure.

Owing to the low level of mechanization in the agricultural industries of LDC's, a large proportion of their operations have to be implemented by people. This large human element therefore suggests that information must be dispatched in such a manner that each employee knows exactly what his/her responsibilities are. That is to say that communication must be effective.

Communication can be defined as a process of transmitting information and meaning from one person to another. For communication to occur therefore, there must be a sender, a medium through which the message is sent, a receiver, and a result attributable to the message.

It is important that the receiver not only understands the message, but also acts on it. For instance, a poultry manager who issues instructions to a poultry attendant in such highly technical terms that the latter does not understand, has merely spoken. He has not communicated effectively. Understanding and implementation therefore are as important to good communication as the sending and receiving of the message.

DIRECTION

TRADITIONALLY, communication in agriculture has been downwards, i.e. from the superior to the subordinate. It is usually for a poultry superintendent to instruct an attendant to collect the eggs at a particular time, or to clear out the litter on a particular day. Downward communication is typically used in issuing instructions.

Upward communication (subordinate to superior) on the other hand occurs to a much lesser extent, and could be virtually non-existent in some agricultural enterprises, because the bosses are usually so far removed from their subordinates that the latter consider them as being unapproachable. It is the duty of the superiors therefore to make a conscious effort at creating an environment which encourages the flow of information from their subordinates upwards. This is essential in enhancing the efficiency of production and ensuring that directives are executed accurately. It is possible to minimise costly labour disputes by encouraging upward communication.

Imagine the chaos that would result if workers decided to "down tools" on a critical day, such as one after a long-awaited rain on which planting operations had been scheduled. Such problems could be averted by sustained upward communication, the process of which would expose the workers' grievances for appropriate action.

Lateral communication between workers holding equivalent positions in different sections is also important. This creates an atmosphere in which all workers, irrespective of their departments, co-operate for the achievement of the overall objectives of the organization. The purpose of this is to make general organizational (company) loyalties supercede individual or departmental loyalties.

Lateral communication also allows for the proper co-ordination of the different sections of the organization. For instance, the livestock officer could liaise with the agronomist by informing him of the projected number of animals planned for the next production season. From this figure, the feed requirements of the animals could be calculated and hence the agronomist would be in a position to determine the corresponding number of hectares of grain to cultivate.

Diagonal communication between people in different departments, and on different levels in the organizational hierarchy should also be encouraged. For instance, in the illustration given above, the information from the livestock officer should not be restricted to his equivalent in the crops department (the agronomist) alone, but should be passed to other officers both higher up and lower down the departmental (crop) hierarchy, who might require the information.

For example, the field superintendent might need the information to determine the number of workers he would need to recruit based on the number of hectares to be cultivated.

MEDIUM

Several media exist through which communication could be effected.

The relevant ones in any agricultural set-up are the oral, written and non-verbal forms. Caution must be exercised in ensuring that the most appropriate medium or combination of media is utilised in every situation.

Oral communication involves the use of spoken words. This is by far the most frequently employed method of communication in agriculture. It has the advantage of being able to immediately ascertain whether or not the receiver understood the message.

Written communication involves the use of circulars and memos, either sent directly to the receiver, or placed on notice boards. This method is seldom used in agriculture despite the many advantages that could accrue from its utilisation.

Written communication serves as both a record that information has been passed, and also a reminder to the receiver who might otherwise have forgotten to act on it.

Non-verbal communication involves such acts as facial expressions, for example a smile, a frown, a shrug of the shoulder, a shake of the head or even silence. In some circumstances it may well be the most effective form of communication.

For communication to be more effective in agriculture, it would be necessary to use a combination of these media depending on the type and importance of the information to be communicated. It is important that irrespective of the form it takes, the message should be simple, unambiguous, and easy to understand. Also, feedback should always be obtained to ensure that the message was understood, and acted upon accordingly.

As an illustration, a farm manager might desire to give directives to the foreman with respect to the husbandry schedule for a particular crop. In addition to verbally telling him the age at which the crop should be weeded, or fertilizer applied, it would be necessary to draw up a programme in the form of a circular,

for the foreman to place on his notice board. By using a combination of oral and written communication, it is less likely that the foreman would forget to implement the programme as directed. Also, he would not be in a position to deny receiving the information as the written document serves as a permanent record.

Written communication is also invaluable in spelling out desired conduct from the staff. Pilfering and general dishonesty is a perennial problem facing most agricultural establishments in Nigeria today. By stating the penalties for such behaviour, not only verbally, but also in written form—either in the letters of employment, or in a staff handbook, the employees would be less disposed to indulge in such practices.

Cartoons could also be used in communicating in a humorous but effective manner. For instance, the necessity of adhering to safety regulations could be effectively depicted by a cartoon.

Also the effects of poultry men and their families consuming infected birds could be forcefully portrayed by this means. When used appropriately, cartoons tend to have a long lasting effect on the recipient of the message.

It is important also to be aware of informal methods of communication, such as the grapevine. This is usually very strong in agricultural establishments, and as such, managers should strive to utilize it to their benefit. If not adequately controlled, however, it could be counter-productive through the abundance of rumour mongering in the organization.

TIME AND PLACE

COMMUNICATION should occur as close to the time of implementation as possible. Granted that many farm operations require a substantial amount of time for forward planning, in the interim however, it is important that the superior officer receives feedback from the subordinate to ensure that

everything is progressing as planned. If the interval between communication and implementation is excessive, the tendency is for it to be either forgotten entirely, or incorrectly done.

The place at which communication occurs is equally important. For example, the farm manager who sits behind his desk and issues directives for a particular plot of land to be ploughed runs the risk of being misunderstood. This could lead to a wrong plot being worked on, with the associated losses in man hours, fuel, et cetera.

When communicating with illiterate workers, it is especially important to be as close to the site of implementation as possible.

IMPEDIMENTS TO COMMUNICATION

Noise

There are several factors that hinder effective communication in agriculture, the most obvious one being noise. Technically, noise is anything that impedes the free flow of information. In a narrower sense, however, noise is any continuous or intermittent sound that hinders hearing. In a farm situation, therefore, an exchange of information taking place by a tractor, or in a layers' pen with agitated birds, is not likely to be effective due to the high noise levels prevailing in the circumstances.

Type of Relationship

Another factor is the master-servant type of relationship that exists in most agricultural enterprises between bosses and their subordinates. A farm manager attempting to communicate with a farm hand might deliberately or otherwise cause the latter to be so awed as not to be able to concentrate on listening to the message.

This would inevitably result in the message being misunderstood, and the subordinate not admitting this fact to his boss. Consequently, disastrous results might ensue due to the worker's either doing the wrong

thing or doing nothing at all. It is important therefore for superiors to create a relaxed atmosphere for effective communication to occur.

Because of the recent trend towards large-scale agricultural production in Nigeria, it is important that effective communication skills are applied in order to enhance efficiency in the utilization of all resources, and especially the human ones.

No matter how competent or technically knowledgeable a farm manager might be, his abilities would not be reflected by the performance on the project under his supervision if he ignores the use of effective communication skills in all interactive processes with his subordinates.

Mr. E. O. Mejabi is a manager with A.G. Leventis & Co. (Nigeria) Limited. He holds a Master of Science degree in agricultural management from the University of Reading in England.

A paper entitled "Local Sourcing of Raw Materials for the soft Drinks Industry—the role of the Agro and Allied Sectors", which he presented at the 1986 Young Managers' Competition, organised by the NIM, won him a prize...

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