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Why Do Business Fail In West Africa

(Case Study Of Globacom Nigeria Limited. “GLO”)

(Thesis)

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Thesis Abstract

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The high rate at which business collapse in West Africa worries the stakeholders, as many factors were discovered to be militating against the business growth in Africa. Though business failure is a possibility and fact a manager must be acquitted with, incompetence is however the major reason for business failure. The failure of management team of an organization to take strategic approach into all business decision will take a toll on the fortune of the business, in the light of this; this study is on why business fail in West Africa and was targeted on Nigeria business segment.

This thesis highlighted some relevant theoretical studies and empirical investigation which provides an analytical framework for the study of business failure in West Africa, and Globacom Nig Ltd were used as a case study, most analysis of success or failure in business institution are done on micro-basis, using in most cases optimization model. A quantitative research method, personal interview, ratio and correlation analysis were used to analyzed the success effort of Globacom Nig. Ltd. The empirical investigation shows that across the sectors 66% of new establishment were still in existence two years (2) after their start up, and 44% were still in existence four (4) years after. This survival rates do not vary much by industry.

The study shows that despite all odds most firms in the verge of collapse or threatened by failure / distress can therefore have at least hope by trying out merger and acquisition. It is also important that to reverse this business failure trend in the west Africa, individual company must maintain a competitive edge by staying abreast of industry trends.

Keywords: Arise Africa, constitency and percifiarance needed for business development in global perspective.

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Abbreviations

NIG - NIGERIA

LTD - LIMITED

GLO - GLOBACOM

CAC – CORPORATE AFFAIR COMMISSION

ROA – RETURN ON ASSETS.

1 INTRODUCTION

People go into business for the purpose of making profit and be part of market competitor and controller. People sometimes talk about business burning through money and in reality business future can be like fires. Something smoldering can be difficult to spot at first, but could be easily and safely be extinguished before too much damage is done. Once there is a real blaze, the danger is much more obvious but at the same time much more difficult and dangerous to tackle as it consume everything around it.

As the old saying has it, “cash is king”, because fundamentally business fail when they run out of cash. So a real cash flow difficult is a real threat to your business very existence that calls for immediate action.

Many failures are start-up that simply do not survive their few years, either because they found there was really no market for what they doing or because with the limited resources available to a start up they were unable to surmount a problem they encountered.

While there is a high profit catastrophic failure where a business suddenly “falls off a cliff are actually quite rare and are usually due to the impact of some traumatic event such as a major fraud, lost litigation or sudden change in regulation, although some might say that management should have been looking out for these problems in advance.

By contrast, overtrading where a business grows too fast for its available finance is a relatively common cause of failures in boom times and a particular problem as an economy comes out of recession.

If a business is on the decline curve, it can be difficult to spot it at first but then the further down it goes the more its problem compound as it descends the slippery slope.

A failing business will make less profit than its competitors, even if only marginally of first. But with less profit it cannot reinvest as much into the business in new product or the latest plant and machinery. Slowly it will start to slip behind and as it loses it competition edge its market reputation and share will also fall, until it sees its first loser

What Causes Normal Business Failure?

Normal businesses failures seem to involve some mix is fire main contributing factors.

(1) Management problems which can range from autocratic dictatorship that want hotter to any view but their own bonds raven by disputes or a lack of appropriate management skills lower down in the business.

(2) Failure to deal with strategy challenger, which are inevitable fact of life for any business as it markets, customers and competitors constantly develop and change.

(3) Lack of financial control, ability to know where your cash flow is being choked which products and customers are profitable and aren’t, or even whether you are making profit at all

(4) Lack of operational control; this is ability to make use of your hard assets of plant and machinery and your soft assets of people and processes.

(5) Big projects which can disrupt business and take up cash and management time such as a huge new contract or a move, as these can prove to be the straw that camel’s back others are

(6) Lack of experience

(7) Insufficient capital

(8) Poor location

(9) Competition
(10) Low sales

1.1 Statement of Research Problem

Every business organization is established to achieve specific goals; dominant among these goals is profit maximization. Every investor desire a reasonable return on capital invested on a continuous basis. In recent time many business organization have reportedly witnessed distress or failure in one form or the other. But the main scope of this project is to ask certain question as in:

(1) Can business organization perform effectively and successfully without distress?
(2) Why do businesses fail in West Africa countries?
(3) Why do businesses fail to thrive despite several set goals and objectives
(4) Why do businesses fail in a competitive market
(5) How to reduce rate of business failure in West Africa to achieve better result and achieve success and margined profit certain rules and regulation must be put in place by the management. This will enhance effective conduct of the business operation

The failure of management team of an organization to take strategic approach into all business decision will take a toll on the fortune of the business, in the light of this; this study is on why businesses fail in West Africa.

1.2 Objectives of the Study

Business failure means different things to different people. To some people business fail only when it ceases to operate even, if it has not been declared liquidated officially.

In a winder context, a business is said to have failed when it has not succeeded in achieving any of the objective for which it was established. This business is considered a failure not only when it ceases operation, but when it cannot meet any of its obligations to its customers as well as to his shareholders and even the community where it operates.

However, failure to meet obligations could be serious, mild or negligible. The critical importance of business an economy growth and development explain why each economy takes serious view of failure. Consequently, any worthwhile economy seeks measures to prevent such failure.

However, despite preventive measure every economy experiences varying degree of business failure at one time or order.

The objectives of this study therefore are to:

(1) Examine reasons for business failure

(2) Comprehensively appraise the current failure trend

(3) Develop a strategies decision and coherent frame work that will ensure an effective preventive to business failure.

(4) Show the extent by which business failure trend could be reversed in West Africa.

1.3 Scope of the Study

Why do business fail in West Africa is a very broad one and focus of this project is on the more reason for failure of business in West Africa. It is equally worth mentoring that business failure is increasing and alarming in West Africa especially among small scope enterprises. As a result of this I am examine failure of business organizations right from their genesis. But this study will be confined to one organization as a cash study which is GLOBACOM Nig. Ltd.

More emphasis will be placed on the following:

(1) Cause of failure of business in West Africa
(2) Extent of failure and depth of failure
(3) Measure of failure
(4) How to achieve success in business management in West Africa

1.4 Significance of the Study

Undertaking a study as this is definitely most timely and relevant given economic situation of the West Africa countries; for efficiency maximum return, economic growth and development of the region, it is very important to have a high business growth that will have posture effect on the economy in the area of job provision, increase in GDP and per capital income.

Equally, this work will serve as a spring board for future research work in this field.

1.5 Limitation of the Study

Constraints are inherent in any organized effort directed toward providing solution to any perceived human problems. As such the study experienced some draw backs in the process of carrying out the research works, these are:-

(1) The attitude of the management and members of staff of the organization in providing relevant and reliable information sufficient for the purpose of research work

(2) The policy of the respondent company which may limit access to valuable information

(3) The possibilities of misleading data, which may be provided by the company either inadvertently or for the purpose of window dressing.

2 THEORETICAL FRAME WORK AND LITERATURE REVIEW

2.1 Introduction

This chapter attempts to highlight some relevant theoretical and empirical studies which provides on analytical framework for the study of business failure in West Africa. There is generally a dearth of materials (theoretical and empirical) for analyzing reason for business failure in West Africa. This is unlike such as investments interest rate, demand for credit, risk analysis etc. that have received a great deal of attention from economic analysis worldwide.

Further more, most analysis of success or failure in business institution are done on micro-basis, using in most cases optimization model.

However, very recently, some work has been done on early warning model which have not only become popular as a tool for distinguishing between a health and unhealthy ‘business institutions, but have also been useful in analyzing failure in the business organization. In Nigeria, the study of Jimoh (1993) and Myong (1994) could be described as having established formal empirical bases for analyzing failure in business in West Africa region.

Before getting to the main thrust of this analysis, however, it would be necessary to have a good understanding of what business failure means and how it is measured.

2.2 Some Basic Concept of Business Institution

Business is an organization that produces or sells goods or service to gain profit. Business produces most goods and service consumed by people and employed many people. The prospect makes a profit: the difference between income and business expenses that encourages people to open and expand business. Earning replay owner to take risk that are covered in investing their money and time.

Form of business has evolved several times over several centuries, namely; industrial revolution that arises in the Mid-18th century, creating a system of factories making material and labour needed to produce goods in large qualities and machinery needed for mass production come together in one place.

The 19th century became the solution of large-scale of entrepreneurs, business and West Africa adheres to the philosophy of leises-faire.

Leisses-faire is the principle which states that the government should not intervene in the economy but should let businesses apply in the absence of regulation.

Business developments rely on exploiting the opportunity that are presented to you and the company. To start a business development strategy, one should decide what your company should excel at and how that affects processes, people and customers

Business is an economic activity which is related with continuous and regular production and distribution of good and services for satisfying human wants.

All of us need foods, clothing and shelter; we also have many other household requirements to be satisfied in our daily live. We met those requirements from the shopkeeper. The shopkeeper gets from wholesalers. The wholesaler gets from the manufacturer. The shopkeeper, the wholesalers, the manufacturer are doing business and therefore they are called as businessman.

STEPHENSON: defines business as “the regular production or purchase and sale of goods undertaken with an objective of earning profit and acquiring wealth through the satisfaction of human wants”.

DICKSEE: defines business as “a form of activity conducted with and objective of earning profits for the benefit of those on whose behalf the activity is conducted”.

LEWIS HENRY: defines business as “human activities directed towards producing or acquiring wealth through buying and selling of goods”.

Thus the term business means continues production and distribution of goods and services with the aim of earning profit under uncertain market conditions.

2.2.1 Features of Business

Characteristics or features of business are discussed in following point:-

1) **Exchange of goods and Services**

   All business activities are directly or indirectly concerned with the exchange of goods and services for money or money worth.

2) **Deal in numerous transactions**

   In business the exchange of goods and services is a regular feature. A businessman regularly deals in a numbers of transactions and not just one two transactions.

3) **Profit is the main objective**

   The business is carried out with the intension of earning a profit. The profit is a reward for the service of a businessman.

4) **Business skills for economic success**

   Anyone cannot run a business. To be a good businessman, one needs to have good business qualities and skills. A businessman needs experience and skill to run a business. It entails good business acumen to be successful in the field

5) **Risk and Uncertainties :-**

Business is subject to risks and uncertainties. Some risks, such as risk of loss due to fire and theft can be insured. There are also uncertainties, such as loss due to change in demand or fall in price cannot be issuance and must be borne by the businessman. Every business in one way or the other is associated with its peculiar risk which cannot be taking into consideration and which cannot but occur at anytime.

6) **Buyer and seller**

Every business transaction has minimum of two parties or group of people called buyer and seller. It should be noted that business is nothing but a contract or an agreement between buyer and seller. There must be buyer and corresponding action from seller.

7) **Connected with production**

Business activity may be connected with production of goods and services. In this case it is called as industrial activity. The industry may be primary or secondary

8) **Marketing and Distribution of goods**

There must be adequate marketing and distribution strategy which ensure free flow of goods and services to the buyer or consumer. Business activity may be concerned with marketing or distribution of goods in which case called as commercial activity.

9) **Deal in goods and services**

In business there has to be dealing in goods and services. Goods may be divided into following two (2) categories:-

(a) **Consumer goods** :- goods which are used by final consumer for consumption are called consumer goods e.g. T.V soaps etc

(b) **Producer goods** :- goods used by producer for further production are called producer goods e.g. machinery, equipment etc service are intangible but can be exchanged for value like providing transport, warehousing and insurance services, etc.

10) **To satisfy human wants**

The businessman also desires to satisfy human wants through conduct of business. By producing and supplying various commodities, businessmen try to promote consumer's satisfaction.

11) **Social Obligation**

Modern business is service oriented. Modern businessmen are conscious of their social responsibility. Today's business is service oriented rather than profit oriented. Social obligation is the means of assisting in providing social infrastructure to the host community of the company.

2.3 Types of Business Organization

It is important that the business owner seriously consider the different forms of business organization-types such as sole proprietorship, partnership and corporation; Which organizational form is most appropriate can be influenced by tax issues, legal issues, financial concerns and personal concerns. For the purpose of this overview basic information is presented to establish a general impression of business organisation.

2.3.1 Sole proprietorship

A sole proprietorship consists of one individual doing business. Sole proprietorship are the most numerous and common form of business organization in the West Africa countries; however, they account for little in the way of Aggregate business receipts.

Advantages

- Ease of formation and dissolution; establishing a sole business can be as simple as printing up card or hanging a sign announcing the business. Likewise is easy to dissolve
- Typically, there are low start up cost or capital and low operational overhead.
- Ownership of all profits
- Sole proprietorships are typically subject to fewer regulations
- No corporate income taxes

Disadvantages

The most daunting disadvantage of organizing as a sole proprietorship in the aspect of unlimited liability, nobody is sharing the business loss with the owner.

2.3.2 Partnership

A partnership consist of two (2) or more individuals in business together. Partnership may be as small as mom and pop types operations, or as large as some of the big legal or accounting fires that may have dozens of partners.

There are different types of partnerships:-

(a) General partnership
(b) Limited partnership
(c) Limited liability partnership

The basic difference stemming around the depress of personal liability and management control

Business to business partnership provides a viable solution. Africa based multinationals have used partnership to enter the market can take advantage as well.

<u>Advantages</u>

- Synergy: - there is clear potential for the enhancement of value resulting from two or more individuals combining strengths.
- Relatively ease to form
- Partnership may be subject to fewer regulations than corporations
- There is stronger potential of access to greater amount of capital
- No corporate income taxes

<u>Disadvantages</u>

As pointed out unlimited liability exist for partnership just as for sole proprietorships. One way to alleviate this risk is through Limited Liability Partnership (LLP). As with Limited Liability Company (LLC), LLP may offer some tax advantages while providing some risk protection for owners.

2.3.3 Corporations

These are probably the dominant form of business organization in the West Africa, although fewer in numbers Corporation account for the lion's share of Aggregate business receipts in the West Africa economy. A corporation is a legal entity doing business, and is distinct from the individuals within the entity. Public corporations are owned by shareholders who elect a board of directors to oversee primary responsibilities. Along with standard, for profit corporations there are charitable, not for profit corporations.

As a corporation is known to be a separate entity which in governed by article of incorporation. The following items are contained in the articles.

(a) A Corporation Name

(b) The member of sharing the corporation is authorized to issue and any information concerning share

(c) The address of the corporation's initial registered office

(d) The name and address of each incorporator

(e) The corporate purpose; in particular the article shall specify the kind of industry and trade to be engaged in.

Advantages

- Unlimited commercial life: - the corporation is an entity of its own and does not dissolves when ownership changes.
- Greater flexibility in raising capital through the sale of stock
- Ease of transferring ownership by selling stock
- Limited liability: - this is the biggest advantage to organizing as a corporation. Individual owners in corporations have limits on their personal liability to the value of their own stock in the corporation

Disadvantages

- The process of incorporation requires more time and money
- Corporations are monitored and subject to rules of entities; federal, state and, some local etc.
- The incorporation of company could result in paying more taxes. Dividends paid to shareholders are not deductible as a business expenses
- There is possibility of double taxation.

2.4 Business Laws and Regulations

As a business owner, you are subject to various regulations and laws guiding operation of business. Even if you start out on a small level and planning to grow, you must comply with business laws and regulations from the day you open for business. It is meant to bring sanity and orderlines into human behavioral and to check excesses of some operator who might want to cheat on others.

These are under listed laws to most to be known and obeyed: -

(A) **Advertising Law: -** To make sure the claim you make about your offering are truthful and to protect consumers, all business have to comply with advertising and marketing laws. The section will help you understand the basic rules when it comes to advertising, labeling your products, and marketing online or over the phone. There must be truth in advertising and product labeling. Also the federal government regulates the advertising and labeling of a number of consumers products which one need to comply with some specific requirements.

(B) **Employment Labour Law: -** Bringing employees on board to work in your business is an exciting milestone. You would want to ensure that you are conducting employment processes in accordance to the law. To help you understand and comply with federal and state employment and labour law, you got to acquit yourself with all laws in the environment of your business. In the West Africa countries, its no more news that all the multinationals and international companies disrespect wholly or in part some labour laws; especially in the area of "casual worker system". You must know rules on:-

(i) Employment law basic
(ii) Employment discrimination and harassment
(iii) Employment law reforms
(iv) Child labour
(v) House hold Employment
(vi) Posters
(vii) Terminating Employees
(viii) Wages and hour laws
(ix) Severance pay and final pay check
(x) Workers compensation

(C) **Finance law: -** in other to protect the financing interest of small business individual, investor, antitrust, bankruptcy, and securities laws, the finance laws must be complied with by all players. For healthy markets, where business can thrive, depend on fair and open competition, the financial regulation of the environment must be adhered to. It boarders in the area of guiding investors fund to area of securing loan from financial institutions; others area are: - Bankruptcy, Securities law which every business must comply with as stated in securities and exchange commission (SEC) act and regulated by the state

(D) **Intellectual property law:-** If you're got a great idea, invention or trade secret, you need to protect it. The step involved in filling for patents, trademark, or copy rights are covered in this section, along with additional resource that can help you safeguard your intellectual properties, such as having employees or vendors sign non-disclosure agreements. The law help protect your business product from being use by unauthorized persons. It makes your intellect works within your sole control.

- **Digital Rights:**- personal data is not the only thing protected on the internet. Digital works (including text, movies music and act) are copyrighted and protected via the digital millennium copyright act (DMCA). This offer a numbers of protections for information published to the internet, as well as other from of electronic information.
- **Patents Trademarks and Copyright**:- this area protect your intellectual property and business particularly if you are looking to trademark your business's name, symbol, motto, etc. or if your business is based on an invention or involves writing and producing original written works, music or videos contents

(E) **Online Business Law:-** Doing business online can literally open your business to a world of potential customers. It can also expose your business to legal and financial liabilities particularly in the area of privacy, security, copyright and taxation. Even if one does not sell anything online, one should still know this information on:

- International online sales
- Collecting sales tax over the internet

- **<u>Privacy Law:</u>-** The responsibility of your business to customers should include how you are going to protect their personal information and reduce the risk of identity theft. In this section, adequate information in provided on privacy laws to make sure your business implements reasonable security measures to protect customer data and comply with children's online privacy requirements.
    - **<u>Children's online privacy:</u> -** the children's online privacy protection act (COPPA) requires business to follow specific rules and regulations when collecting online data from children. The rule applies to any commercial website or online service directed at or collecting information from children under the aye of 13.
    - **<u>Identify theft</u>:** - if one of your customers or employees is a victim of identify theft as a result of personal information you collected, you are required to provide information that assist the victim, the following resource explain the business owner's responsibilities, and provide practical advice on law to protect personal information against identify theft

        - Business must provide victims and law enforcement with transaction records relating to identify theft
        - Business guide to fighting identify theft
        - Guidance for protecting customer identify
        - Information compromise and the risk of identify theft
        - On guard online

(F) **<u>Environmental Regulation</u>:-** The federal environmental agencies regulate the impact of businesses on the environment. It develops and enforces laws that implement environmental laws enacted by the National Assembly; the environmental law is aimed at making some business strive on a good environment, without external attack, and unhealthy environmental impact on business organization. Also it's should be known that the business organization have responsibility to its environment which is also guided by set of rules. The environment regulations on the following must be strictly adhering to: -

(i) Air pollution
(ii) Clean up
(iii) Ecosystem
(iv) Environmental management
(v) Environmental permit
(vi) Environmental planning
(vii) Fish and wild life
(viii) Pollutants and chemicals

Others are

(G) Uniform Commercial Code
(H) Contact a Government Agency
(I) Workplace Safety and Health
(J) Foreign workers, Immigration, and Employee Eligibility

2.5 Business in Nigeria

Nigeria was a colony of Britain up to the October 1s 1960, when Nigeria became independence country. In consequence Nigeria law is basic almost entirely on English law. The Nigerian legal system is the English system with some local modification.

The basic law of Nigeria is the constitution of the Federal Republic of Nigeria 1999; (as amended)

Business in Nigeria necessarily starts with the company law of Nigeria. The first company law was the companies' ordinance of 1912. This was a local enactment of the companies (consolidation) act 1908 of England. Thereafter, we had the companies' ordinance 1917 and five years later, we had the companies' ordinance 1922.

The next major change was in 1968 when the companies' decree 1968 was promulgated and that decree remained in force until the coming of the companies' and allied matter decree No 1 of 1990 that decree is (with amendments) still the company law of Nigeria but it is now known as the companies' and allied matters act 1990.

This law regulates the different ways in which business may be carried out and divided into three parts, each part dealing with one of those ways. The parts are:-

Part A – companies

Part B – business names

Part C – incorporated trustees

Registration of business under the act is carried out by and at the Corporate Affair Commission (CAC). The head office of CAC is in Abuja, the capital of Nigeria.

Most people who are interested in doing business in Nigeria or in doing business with Nigeria would want to operate as or in companies' and so will be concerned with Part A only.

The most important thing for the non-Nigeria to take account in that company law in Nigeria regards foreign companies intending to carry on business in Nigeria to be incorporated locally.

2.5.1 Setting up a Company in Nigeria

The foreign will do well (and it is advisable) to engage the service of a law firm in Nigeria in order to properly do business in Nigeria. The international centre for Nigeria law provides such service to foreigner wishing to do business in Nigeria through International Centre for Nigeria law legal practitioners.

Incorporate the company

1.1. The starting point is to decide on name of the new company. For a company setting up is Nigeria, it is advisable to chose a name that is the same an name of the parent company and ending with Nigeria Limited; and make an application to C.A.C for availability and Renovation of name

1.2. Draft Memorandum and Articles of Association. It is advisable that the objects in the Memorandum of Articles and Association be close to that of the parent company as Nigeria law will allow

Agree upon a share capital structure for the new company. Non-Nigeria may own 100% of a company but it is politically advisable to have some Nigerian participation. Stamp duty in payable in respect of the share capital and also, the amount paid as filling fees depends on the share. It may cost more money but it’s advisable to have a respectable share capital.

Nigeria law provides that at least two person must sign a memorandum and article of association as subscribes. The law also provides that at least 25% of the share be allotted on incorporation.

2.5.2 The Cost

The fees to be paid to and at CAC for matters under the act are specified in companies and allied matters (fees) regulations 2003. The minister of commerce makes the regulation in exercise of the powers conferred upon the minister by section 16, 632, 668, and 692 of the companies and allied matter act and all other powers enabling the minister in the official gazette.

2.5.3 The fees paid to lawyers

It is normal to formally instruct lawyers to incorporate a company and this is best done in writing. Payments made to lawyers are made up of fees and costs incurred.

The cost is sums of money paid to government in any other way spend in the course incorporating the company and includes filling fees, fees for availability and reservation of name, procurement of incorporation forms, and cost of engrossment (printing) of the memorandum and article of association.

Fees are paid to lawyers for their professional services.

2.6 Why do business fail in West Africa

(1) **No business plan: -** if you don’t know where you are going, how will you get there. Too many business owners start their business without a plan. They simply “open their doors” for business, and then expect to succeed. Before starting your business, take the time to develop a business plan. Your plan will identify what you want your business to accomplish (when you want to go) and the strategies that you will utilize (how you will get there)

(2) **Under funded:-** many business fail within the first few months, before the owner runs out of money. When starting any business you will need money for all of your start up costs as well as money to sustain the business for the first few months of operation (until cash flow from operation is positive). Running out of money is a result of poor planning. A properly developed business plan will tell you exactly how much money you require for start up expenditures and to operate the business until cash flow is positive. A business owner should develop income statement and cash flow statement for the first two years of operation. That will tell you whether or not you have sufficient funds to sustain the business until it's is profitable.

(3) **Lack of operating goals and objective:-** many business create a business plan to obtain a loan. Once they receive their funding they put their plan "on the shelf" and do nothing further with it. While it is important to have a business plan. It is also very important to have specific goals and objections for the first twelve months of operation. In your planning process, create goals and objectives for your business. Break down goals and objectives by quarter – in other words, identify all of the things the first quarter, the second quarter, the third quarter and the fourth quarter. Examples of specific goals could be for each month, revenue objectives, profit object, number of new customer, specific marketing and operational activities; etc

(4) **Failure to measure goal and objectives:-** all too often, once a business start the operating, the owner become to immersed in the ongoing daily activities to take the necessary time to assess the program of the business. It is fine to establish operational goal and objectives, but you also have to measure how well your business is performing against those goals and objectives will tell the owner whether or not modifications and alternate strategies are required.

(5) **Failure to pay Attention to cash flow:-** there is an old saying in business "cash is king" in the early months of your new business, monitoring cash flow is extremely important. It is really as simple as this: if you continue to spend more money than you bring in, you will soon be out of business, cash flow is all of the money that you take in each month minus all your expenditures. Cash inflow is cash sales and accounts receivables collected. Cash outflow is all monies paid for inventory purchase and operating expenses (rent, heat hydro salaries, marketing expediting, etc.). It is not uncommon for most business to have a negative cash flow for the first several months of operation (in some business this may be for more than a year). However, at a point in time, the cash from revenues will exceed expenditure and the business will be in a positive cash flow position. Every new business owner has to ensure that he or she has preserved enough cash to reach this point.

(6) **Failure to understand the industry and the target customer:-** Some business owners start their business before fully investigating the industry, what are the opportunities and what are the threats? Where can you position your business in the industry in order that your business wills succeed? Will new technologies have an impact on your industry? If you have not taken the time to understand you industry, you could be entering a “sunset industry”. I have worked with two companies that had reinvented themselves because they were both in “sunset industry” due to change in technology. One was a manufacturer of computer printing ribbons for dot matrix printers. This was very good industry until the introduction of laser and ink jet printers. People stopped buying dot matrix printers and the demand for printers ribbons declined significantly. The other company was a cheque printing company. Due to electronic payment, the usage of cheques declined significantly. Some business owners open their doors for business without taking the time to understand their target customers (buyer demographics and psychographics, how they buy, what they buy, when they buy what motivates them to buy and where they buy). Do not expect that just become you are new in business that customers will flocks to your door. If you do not understand your target customer, how do you expect to effectively reach them?

(7) **No means of Differentiation:-** just another “me too” business. Many business have failed because they are just another “me too” business. Customers need a reason to come to or to want to do business with your company. If your products or service are the same quality and prices as your competition (s), why will people buy from you? They already have an existing suppler. If however, you can offer a different or better product/service (better quality, lower prices, broader selection, faster delivery, better location, extended warranty, etc.), prospective customers will want to do business with your company. Every business owner must objectively ask this question, if I were a customer why would I want to do business with this (my) company. If you cannot identify two good reasons, then rethink your positioning and your strategies.

(8) **Poor or no marketing programs:-** which is to attract new customers just because you have opened your doors for business, that does not means that customers will beat a path to it. You have to announce to prospective customer that (a) you are open for business and (b) why they should want to deal with you. By understanding the demographics and psychographics of your target customers, you can identify how to best reach them. There are numerous ways in which you can market your business. Some of the more common are: advertisements (Newspapers, Magazines, Radio, Television, Yellow pays value parks). Billboard; brochures (electronic and printed), cross marketing/ cross promotions direct mail, fax (broadcast or personalized); networking; newsletters; postcard; posters; promotional items; public speaking; referrals; sales calls (cold calls, scheduled calls); sales letters; seminars and workshops; sign (interior and exterior); targeted email; telemarketing; telephone on hold message; trade shows; websites. In order to ensure that your business succeeds, in the first few months you will have to implement marketing programs that get the attention of and appeal to the needs of your target customer.

(9) **Understanding the competition:-** some business owners underestimate the reaction of the competition when they start their business. Any owner of an existing business that perceived that a new entrant to the industry will be taking away some of their customers will aggressively take steps to defend their customer base. They could do this by lowering prices, offering package/bundle pricing, extending terms, introducing new products, improving product quality, extending warranties, increasing marketing activities, etc. do not underestimate the competitive reactions to the start of your business. You may find yourself in an extended competitive.

(10) **Not cash competitive:**- before starting your business, attempts to obtain information about and to understand the cost structure(s) and selling prices of your competitors. You may find that your competitors have lower operating costs than you. Your overhead may be too high. Your manufacturing processes may not be an efficient. If your selling price are the same as your competitors and operating costs are lower. If that is the case and you get into a protracted price war with a competitor you will not survive, you will have to find ways to reduce the disparity if you plan to last in the industry.

2.7 Extent and depth of failure in West Africa

Based on the extent and depth of failure of business organization business failure can either be of generalized nature or systemic. Generalized failure exists when its occurrence is spreading fast and it cuts across all sub sectors of industry. But in depth, the term is used to explain the radio of total failed business institution to total assets of the industry, and the radio of the branch of failed institutions to total institutional branches of the industry among others. This has not totally and adversely affected the confidence of the public in the public in the business and economy world.

The problem may become systemic and of serious concern to the relevant regulatory authorities when its prevalence and contagious affect become endemic and pose some threats on the nation’s economic system (Baalim 1991). Under this situation, the ratios of the relevant variable should have risen to a level that public confidence in the economy would completely be eroded.

The experience of economic melt down and global economic recovery is a good example, of which Africa; in particular West Africa is not immunized or covered. The confidence of the citizenry had been eroded; paying from bailout of banks, international companies, securities (shares and bonds). The examples of Greece, Italy, and USA economies have shown the extent and depth of business and economy failure. The level at which the system will get to before it trigger off runs on the entire system will vary from country to country. This depends on the level of economic development and awareness in a country, the existence or otherwise of an explicit business insurance scheme, which normally contains contagious effect and the level of awareness of the regulatory anchorites in swiftly taking correction actions.

In the case of business institutions in Nigeria available data indicates that most failure will occur in the first two (2) years of their existence. The information shows that across sectors, 66% of new establishment were still in existence (2) years after their start up, and 44% were still in existence 4 year. It is not surprising that most of the new establishments disappeared within 2 years after their birth, and then only a smaller percent disappeared in the sub segment 2 years. This survival rates do not vary much by industry.

2.8 Measures of failure of business

The categorization of business organisation as “problem” or “failed” institution is based on the CAMEL (an acronym for capital, asset quality, management, earning and liquidity) rating system (Sinkey , 1980; west, 1985; Ebhodagbe; 1995, Andolyong, 1994). Under this system, the regulatory and supervisory authorities assess a business institution’s performance in five areas, namely: capital adequacy, asset quality, management competence, earning strength and self sustainability in terms of its liquidity position.

Based on these parameters appropriate profitability, viability and sustainability ratio are developed for depicting the condition of the business organisation. As observed by Ebhodagbe (1995), a business organisation in distress or failure is usually one where the evaluation depicts poor condition in all or most of the performance factors as follows:

(a) Gross under – capitalization in relation in the level of operation

(b) High level of classified loans and advances

(c) Low earning resulting from huge/operational losses

(d) Weak management in area of credit control quality, inadequate internal controls, high rates of fraud and forgeries.

Using the parameters, an institution's financial condition is assessed against some standard bench mark like minimum capital adequacy ratio, liquidity ratio and ratio of non-performing credit to shareholder's funds among others to make statement about the health status of the institutions, when this ratio deviate negatively from the pre-determined critical level by the relevant authorities, the business is described as exhibiting symptoms of failure. However the use of such ratio above May not permit the determination of different thresholds that would describe the level. For instance, an institution that has not met the minimum capital adequacy ratio of 8% and the liquidity ratio of 30% specified for business organisation as at 1995 in the case of Nigeria, may have manifested some symptoms of failures without providing a good measure of the extent of failure.

In consequence, to make effective measure of distress through the establishment of thresholds, attempts are now being made to develop a composite measure based on the CAMEL parameters that will enable supervisions to determine on a uniform Platform the extent of failure in each of the business institutions by extension in the financial system as a whole, such a composite measure can be calibrated into a rating grid with desired categorized like sound, weak, marginally failed, terminally failed.

2.9 How business failure paves the way for success

If business success is a set of cliffs notes, business failure is a lifelong mentor. That is understanding in hard to digest business is a rush. Failure, be it a minor snafu or big time disaster, can wound in any number of ways, both practical and emotional. But failure offers insight. It's an opportunity to identify what went wrong and highlight greater issue that we all need to be reminded of from time to time.

Here are seven ways that business failure can be best teacher for a potential business owner and other investors:

(1) **Failure is necessary:**- sure and so are five-day blizzards, Brussels sprouting casseroles, and inboxes chock full of spam. But failure, infect, does occupy a central dynamic in business. Lacking a willingness to fail, many innovation may have merely been erased on the check board of the abstract. "I think the whole concept of success and failure needs to be re-though" says Richard person. We are such a success oriented culture, but I think what we need is more failure. Improvements only happen when you try things different. Failure is necessary to give better knowledge on how to technically handle business success. The adage says "experience is the best teacher".

(2) **Failure reinforces the need for risk:**- it require a gut check, but failing in any sort of business capacity can, infect jog your memory that risk is every where and needs to be. Business needs risk-taking to foster innovation and creativity, farson says. "And risk always involves a degree of failure".

(3) **Success can breed complacency**:- this is another tough nut. We all strive to come out on top; but its important to remember that wining frequently result from a goodly sniff of lucks. Moreover, mistakes prompt examination, where as success can lead to a don't-fix-what-isn't broke loading pattern. "When you have success, often there's an element of the stars being lined up with you" say AL VICERE. Therefore, having something go wrong is really an opportunity to look at the processes and execution, what did you miss?

(4) **Failure means you are not alone**:- it's natural to feel as adrift and isolated as an off-target field-goal kicker when things go sour. But within the frustration of failure is a reminder-those scores of wildly successful businesses and business people have also experienced failure that often was catastrophic but also was essential to finding success. And, as Vicere notes, that's company with which you go to school. "It in important to study how others failed. That can help you build patterns that can prove exceedingly useful.

(5) **Failure doesn't necessary mean something went wrong**:- yet another understandable reaction to failure is immediately assuming that something misfired. That's always a possibility. But bear in mind that failure can also drive from strength-perhaps an overly aggressive marketing or ad campaign, or simply a product or idea that's ahead of its time. That, in turn, can lead to analytic thinking to retool, not necessary repair. "It's also a question of how you look at failure", says farson. Often, it reflects strength rather than any sort of weakness.

(6) **Failure can emphasize process, not merely people**:- another functional pitfall of business is too much emphasis on the people involved, no matter if it's handling out due credit for success or searching for a scapegoat when something fizzles. Of course, people inevitably have a hand in how a business operates, but that overlooks the importance of how things actually function. And through the self examination that failure can prompt, people and processes can be brought into an equitable balance of importance. Failure can help you move past finger - pointing and try to lay blame, Vicere says. It can lead to breaking down and examine a process, not simply an issue of personal failure.

(7) **Failure broadens your thinking**:- consider the last time something really clicked. You wanted to repeat that process and the resulting feeling. During the same thing until it stops working can be a winning formula, but not one those necessary touches on global issues of import, such as your overall operational plan, goal and philosophy. When something goes wrong, not only do you consider the various means of fixing that particular problem you notch up your thinking to identify those broadens elements that may have led to the snafu and other like it. Thinking about what wrong really pulls you up to a more strategic view. It really forces you to think globally.

3 REARCH METHODOLOGY

3.1 Intorduction

This study is focus on the quantitative analysis of success effort of **GLOBACOM NIGERIA LIMITED.**

A careful look at the research project shows that it contains series of parameters and variables that can be measured and tested. However, we shall select those that are relevant and necessary for this study, in order words parameter and variables that will see to the achievement of our objectives will be employed.

Our research methodology includes the research designs, sample designs, and datas. As a matter of fact, research design is very essential for the collection, measurement and analysis of data.

3.2 Method Of Data Collection

Failure of business organization in West African Countries in the recent is a common phenomenon, unlike the advance counties where there are favourable conditions and enabling rules and regulations. In analyzing data for this study, we shall employ both descriptive and inferential method of analysis..

Some ratio and correlation analysis shall also be used.

3.2.1 Ratio And Percentage Method

It is not common to see percentages and ratios being used as appropriate in drawing conclusion from data. More so, when interests is on a relative change in time or from place to place, percentages are useful way of expressing data ratio and fractions, which expressed variations in the data irrespective of actual or absolute size of the data while percentage and ratio expressed with 100 as the dominator. Oswald E.T. 1 (1990) says that financial ratios produce an analysis with a very useful tool for gaining information from a firm financial statements.

Below are some of the ratios that will be used for the purpose of analysis in page work.

(a) Profitability Ratio.

(b) Liquidity Ratio

(c) Capital Position Ratio

(d) Quality of Asset

(e) Management Efficiency

(f) Operating Efficiency

3.2.2 Correlation Analysis

Correlation measures the strength of the association between variables. It measures how well the calculated equation fits the observed data. The co-efficient is designed to have a range between 1 to +1. The two extremes indicate correlation, negatives and positive respectively. Correlation co-efficient is denoted by r and is calculated from this formular :-

$$RXY = \frac{E(X-X)(Y-Y)}{E(X-X)^2\,(Y-Y)^2}$$

Where: X represents capital employed and Y represent turnover.

In addition t-distribution will be employed to text for significance; correlation analysis will be utilized to establish relationship between variables and predictive purposes.

3.3 Data Presentation Method

To do justice to this research study, it is necessary to develop hypothesis which will allow the researcher to shed light on the performance and success story of **GLOBACOM NIGERIA LIMITED** which keep it a float despite failure tread withered in the West Africa Region. Having identified this, we shall deal with the hypothesis thus:

HYPOTHESIS: The hypothesis states that "failure in part" could help build up a strong and stable business organization. Stating this hypothesis is another way.

Failure trend and experience could be used to put a stop to further and worse failure.

Given this ability of the company to increase its resources, it is not unreasonable to think that increase in capital employed would lead to increase earnings. It is therefore the belief of this research that there is a relationship between the capital employed and performance measured in terms of profit. This relationship should be in linear form and be positive.

To test the validity of this hypothesis, we should use the capital employed for the years under study and the total turnover covering all the years.

The hypothesis shall be stated thus:

HO: there is no relationship between the capital employed and turnover

HI: There is a relationship between the capital employed and turnover

HO: Represent null hypothesis, while Hi represent the alternative hypothesis

3.4 Data Analysis Method

Various types of data readily come to mind. Before utilizing the data that are available, it is pertinent to state here that the researcher is well aware of some effect of failure of business organization in west Africa for which information are not readily available.

Hence, it is assumed that such parameters are beyond the scope of this work, take for example, the effect on workers performance or the reaction of the customers to the product of failed firms. Parameters of effects of failure of this nature are not going to be examined.

The data to be used will cover a period of five(5) years, that is five(5) years of globacom Nigeria limited operation.

The data to be used would be collected from primary and secondary sources. The primary that will be needed are :- the financial summary balance sheet, profit and loss accounts which are contained in the annual report and accounts of globacom Nigeria Ltd, Also secondary data will be from the secondary and exchange commission (sec). thus the main source of our data is globacom nig ltd which is the subject of the study.

3.5 Limitation To Data Collection Method

The data collections were of primary and secondary sources as earlier stated. However, one prominent problem about the data collected is that on careful analysis, it was discover that the company concerned is the one that has witnessed and overcome failure or distress despite all challenges, probably in the term of financial report and balance sheet for the purpose of this work, the analyst will use data reported in the financial statement and annual reports of 2010.

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4 BACKGROUND HISTORY OF GLOBACOM NIG LTD

Globacom Nigeria Limited is a Nigeria multinational telecommunication company. Glo as popularly called is a privately owned telecommunication company that started operation on the 29th day of August, 2003 in Nigeria . Globacom was founded by Mike Adenuga groups which consists of Equatorial Trust Bank Plc, Conoil Plc, and a petroleum, marketing Company producing a crude exploration in the country.

The sole aim of introducing and lunching of Globacom Nigeria Limited was to provide telecommunication service to the people of Nigerian as a means of solving the problem of in adequate communication flow in the country .Although Glo mobile was the fourth telecommunication operator in Nigerian ,within the seven (7) years of the company's operation, it's subscriber base has grown to over 25million.It has a reputation as one of the fastest growing multinational company in the whole wide world because of one or two reasons ;(1)Nigerian has the fastest growing telecommunication industry in the whole world (2) Globacom is an indigenous company.

Globacom currently operates in four countries in West Africa; namely Ghana, Republic of Benin, Ivory Coast and Nigeria. It's headquarter in Lagos and 100% owned by Nigerians.

According to Globacom Annual Report: (2009) ; In August,2003, Glo mobile was launched in Nigeria with the introduction of lower tariff ever into the telecommunication system of the country and it's called "per second billing " and along other values added services. Glo Mobile is a subsidiary of Glo; its Glo Mobile Network Unit. Globacom ability to become the best telecommunication company in Africa and all over the world is due to the strategies they designed in order to carry out their business smoothly and uniquely.

In 2005, Glo mobile introduced Glo fleet Managers which is the most comprehensive vehicle tracking solution offer to the country to save time and money. This initiatives and products helps managers, transporters and other fleet operators manage their business efficiently.

The introduction of Glo mobile internet services has contributed immensely to the growth of Nigerian teeming development this service is the fastest and efficient one in the country, and provides speed access to all popular sites which have customized for mobile phone browsing.

The company in 2006, introduced Black Berry (A) which is the leading wireless solution that keeps mobile professionals around the world connected to the people and information. In 2009,Globacom introduced Black Berry prepaid services which allows subscribers options to pay daily, weekly or monthly for the services.

The company now provides coverage to over 120 cities and towns and well over 5000 communities and village spanning every geo-political zone and 36 states of the country. Globacom products and services are available at customers and friendships centre across the station. These have structures and department with the purpose of solving every problem that may arise in the course using the Glo network.

Under the chairmanship of Otunba Michael Adebiyi Ishola Adenuga in Globacom has turned out to become the fastest and best telecommunication industry in West Africa. In June, 2008 Glomobile was launched in Republic of Benin with unprecedented growth through sales of 600, 000 Sim cards in the first ten days of operation, Glo also acquired an operating license through its Glo mobile division in Ghana and Currently has about 11 millions subscribers in Ghana

In 2009, the company acquired submarine cable landing right and international gateway services in Ivory Coast.

Globacom Nigeria limited is a leading telecommunication company in Nigeria, No doubt about this; it has been in the forefront of promoting sustainable development and high standard of corporate governance. It is one of the signatories that keep date with the convention of business ethic, professionalism and integrity.

Accounting to Frank Nweke, (2006, guardian Newspaper) “Glo is an authentic Nigerian Company. What it has achieved in the past years demonstrates great opportunities, drive for excellence and commitment to Nigerian.”The Nigerian Communication commission awarded the second best telecommunication operation in the country.

4.1 Business Success Factors Of Globacom Nigeria Limited

Business success factor are the key principles that all successful business follow. This important solution can keep a good enterprise on the right trade to long-term accomplishment. Every individual business is as unique as the person whom control it by harnessing the right mix of flexibility and uniqueness, while staying true to the set success factors, one can create own personal formular for wealth and achievement .No one particular factor is more important to you enterprise until the nature of your business is known, however some are in general more important across the board.

(i) Branding :- Creating a brand can take weeks, months or even years. But inherent value is worth any wait. A brand name promotes an establishment in the market place and naturally brings trust and warmth to customers. The branding of Globacom starts form colour, logo, slogan and very good advertising strategy. The brand colour of Glo is green circle with inscribe Glo inside and the slogan:’ rule your world’. Whenever customers sight this they are turn on.

(ii) World of mouth:- When you have a product or service that is worthy of discussion, then you can start to sow the seeds of free advertising that word of mouth bring. But of course, you have to have focal point worthy of discussion and that can take some serious effort. one of the best solution to gain inexpensive notice is to offer 5star service. The highest quality service combine with friendly warm customer care service can offer a satisfied customer who will definitely tell their friends above the company high service standard.

The customer care service of glo is online, once you dial the number or better still visit any customer care centre.

(iii) Economies of Scale;- If you skipped economic then you may have missed the part where you learn. That there is a level of Maximum efficiency called economies of scale. The Glo has maximized the full potential of economies of scale which has resulted in high success in the telecommunication industry.

This is the financial hub of business success factors and creates internal generated Profile / expenses ratios that bring the ultimate profitability to the company.

(iv) Employee Satisfaction:- Glo has a high level of employee satisfaction, with many external benefits Happy workers are more productive, take less sick leave, are more loyal to Glo brand. Report shows that it creates an environment of respect for authority combined with appreciation for their employment, that make staff contribute heavily to the company efficiency

(v) Social Responsibility:- Business is socially responsible to the host communities and its environment. Social responsibility is an ethical ideology or theory that an entity, be it an organization or individual, has an obligation to act to benefit society at large. Social responsibility is a duty every organization has to perform so as to maintain a balance between the economy and ecosystem. Social responsibility helps in most cases to lift up the lifes of companies' host communities.

The case study of Globacom Nig Ltd, in which its has discharged corporate social responsibility efficiently since its establishment; and these has also add to its success performance.

The area of GLO involvement are:-

(i) Education : Globacom has awarded scholarship of various amount to students of its host communities since establishment. This is what attracted many young students to the network

(ii) Sport:- In the year 2009/2010 season and 2010/2011 season Glo was the official sponsor of Nigeria Premier League. This is no small measure a huge project to be called social responsibility, but for these two season, Globacom single handedly shoulder this and put Nigeria league in the Cynosure

(iii) Employee:- Glo has carried out adequate training of personnel over the period without problem, and has also provided safety and health aid for effective working environment in form of polices, help in the time of accident and medical facilities.

(iv) Marketing Practices: Glo is responsive to consumers complaints therefore setting fair prices and maintaining fair advertising message contents. It also established consumer care centre in all major city and town to sell Glo products and services.

(iv) Community Infrastructure: Since incorporated, Glo has found its self in developing their host communities in one way or the other . It involved in the area of provision of water (pipe borne water & borehole water), rural electrification, building of ICT centres in the universities, provision of transformers e.t.c

All these are what add to the achievement and success of Globacom Nigeria Limited, while others are failing

4.2 Data presentation analysis and discussion

The account of the company show it performance measured over a period of time. It is important for those parties interested in the company to be able to access its potential to aid in making decision as regards the company past, present, and future, most especially their participation and involvement. Therefore in order to access the potentials and obtain a guide to the future of the company it is important that the figures contained in its historic accounts be interpreted in a meaningful manner. Current information of 2010 would be assessed in relation to past 2009 or other past trends of the same business. The interested parties in the interpretation of the business accounts are:-

(a) The investors/ shareholder:- They are primarily concern with receiving adequate return on their investments, but it must be provided with security and liquidity.

(b) Creditors:-The set of people are concerned with security of their debt of loan given to the company, therefore look at the liquidity of the business in order to determine the amount and period of credit they consider prudent to allow.

(c) Management: The high rate of earning of the business organization is very paramount as this will be used measure their success

(d) Financial institution: professional adviser, investors and General public and others are interested in the liquidity and profit potentials.

In order to provide the above parties with a method of measuring the strengths and weakness of a company financial position, the use of accounting ratio has been developed. Also the used of correlation Analysis is used to determine the relationship between variables.

4.3 Data Analysis and Discussion

The financial summary, financial highlight, balance sheet and the profit and loss Account of Globacom Nigeria Limited since establishment are:

4.3.1 Globacom Nigeria Limited

Five Years Financial Summray

Result	2010 N,000	2009 N,000	2008 N,000	2007 N,000	2006 N,000
Income	498097	162825	257,408	254645	
Profit /loss (before taxation)	(83,169)	108,622	(22075)	(928)	
Taxation	(334)	(4,621)	(669)	_	
Profit /loss(after taxation)	(104,001)	(83,503)	(221744)	(928)	
Statutory Reserve	_	_	_	_	
Proposed Divided	_	_	_	_	
Retained learning	104,001	83503	221,744	928	
BALANCE SHEETS		_	_	_	
Short term finds	1,340,746	390,918	295,178	313,783	
Investments	66	8,816	8,750	8750	
Plants & Machineries	935.476	288,499	285,071	162,123	
Other Assets	414,153	264,402	334,471	162,123	
Lease Assets	1,371	406	3377	9255	
Fixed Assets	103,648	38,305	47,765	47,029	

	2,795,460	985,346	974,12	722,199	
Share Capital	287,909	1862209	58,880	52,800	52,800
Share premium	7349	72,994	_	_	_
Statutory rate	11,112	11.112	11.112	11.112	11.112
General Researched	(22,8081)	(3320,082)	110,338)	(190,410)	(79,913)
Shareholders find	154,436	(61,767)	46,426	(45498)	(16,0707)
Redeemable debenture	_	111,700	_	_	_
Current deposit &other	1,866,291	440,353	509,492	626,338	337,997
Other liabilities	774,773	495,060	511,546	12,359	103,365
	2,95,460	985,346	974,612	722,199	425,261

Table 4.5

Financial Highlight Of Globacom Nig Limited For 2009 & 2010.

	2010 N 000	2009 N 000
Gross earning	498,097	162,825
Interest Expensive	111,014	49,231
Net earning	387,083	113,594
Opearting Expensive	226,047	152,315
Provision for baddebts & Doubtful debts	52,414	182,354
Profit after provision and tax	104,001	221,744
Deposit	1,866,291	440,353

Plants & Machineries	935,475	282,499
Total Assets	2,795,460	985,346
Paid up share capital	297,909	186,209
Shares holder indicators	154,436	61767
Earning/loss per N1 share	34.91K	119.1K
Net Assets/Liabilities per N1 share	52K	(33K)
Total Assets per N1 share	N9.38	N5.29
Return on Equity (%)	35%	-199%
Return on assets (%)	4%	-23%

Table 4:6

Balance Sheet Of Globacom Nig Ltd As At 30th Sept, 2010

Assets	Notes	2010 N 000	2000 N 000

Cash and short term fund	1	1,340,746	390,918
Investment	2	66	8,816
Machineries	3	935,476	282,499
Finance lease	4	1,371	825
Other Assets	5	414,153	264,402
Fixed assets	6	103,648	37,886
		2,795,460	985,346
Liabilities			
Currents, deposit & others accounts	7	1,866,291	440,353
Other Liabilities	8	774,733	495,060
Redeemable debentures	9	-	111,700
		2,641,024	1,047,113
Capital & Reserve			
Share Capital	10	297,909	186,209
Share premium	11	73,496	186,209
Statutory reserve	12	11,112	11,112
Shareholders fund	13	(228,081)	332,082
		2,795,460	985,346

SOURCE: Annual report globacom Nigeria Limited

TABLE 4.4

PROFIT & LOSS ACCOUNT

For The Year Ended 30th Sept, 2010

	Note	2010	2000
		N ,000	N ,000
Interest income	14	310,214	84,616
Interest expensive	15	(111,014)	-
Net interest income		199,200	35,385
Commission & other Operating income	16	187,883	78,209
Operating Expenses	17	(226,047)	(152,315)
		161,036	(38,721)
Provision for bad-debt & doubtful debt	18	(52,414)	(182,721)
Profit before taxation			
Taxation		108,622	(22,075)
	19	(4621)	
		(104,001)	
Transfer to statutory reserve	20	-	(669)
Profit retained transferred to general research			
Earning per ordinary share +1	21	(104,001)	(221,744)
	22	34.9K	

			- (221,744) 119.116

SOURCE:- Annual report of globacom Nig Ltd (2010)

The above information of Globacom Nigeria Ltd will be used in calculation. The calculation will be based majorly on the performance of Globacom's experience all the years of telecommunication business both in Nigeria and the West Africa. Hence the performance for (2) two years will be compared so as to be able to justify her performance and success while others failed. However some calculation as well as interpretation of accounts will be carried out on the financial statement.

4.4 COMPANY PERFORMANCE DETERMENTS OF RATION ANALYSIS

Profitability Ratio: - These are the ratio that measure the net result of a large number of police and decision, profitability ratio shows the combine effects of liquidity ratio and managerial ratio on operating results.

(A) RETURN ON ASSETS (ROA)

Methods of computation –Total investment x100

Total Assets

(i) ROA (2009) 8816X100

985,346 =0.894

(ii) ROA 2(2010) 66X100

2,795,460 =0.00236

Percentage change (2010-2009) =0.00236-0.894=

=0.89

This result shows that the proportion of total asset that is invested over the period withers downward trend

(ii) RETURN ON CAPITAL EMPLOYED ON OWNER INVESTMENT

Method of computation = Net income

Owner equity

This ratio measures the profit generated by each additional of capital employed. Its sometimes reversed to as the primary ratio.

For 2009-

113594

(61767)= -1.8%

For 2010-

387 083

154,436 =2.51%

This shown that the net income represented by profit in the total answer equity increased. This bring about share profitability performance.

(B) CAPITAL POSITION RATIOS: This ratio presuppose that and adequate capital base can ensure and promote sound business performance some of the ratio used for purpose of this work includes.

(i) Ratio of plant & machinery to total equity capital

Formular = plant& machinery x100

Total assets

For 2009= 282,499x100=457,362

(1767)

For 2010 =935, 476x100= 605,737

154,436

From the result above its seen that the ratio of plant & machinery to equity capital increased to 2009 to 605,737 This sows that proportion of plant machinery on equity capital has reduced in 2010 as a result of the business growth this will definitely increased the capital base of the company.

(ii) Equity capital on total assets

Formular= Equity capital x100

Total assets

For 2009 =61,767x100

985,346 = -6.27%

For 2010 = 154,436 x100

2795 460 = 5.53%

2795 460 = 5.53%

For2009 equity capital on total assets recorded a negative figure, but with the strategre and strong asset base the position has improved in 2010.

(c) **QUANTITY OF ASSETS RATIO** :- this ratio shows that the higher the quantity of company's assets the greater the probability source of performance.

Proportion of loans and loss on total loan.

Formular = loan loss provision

Total loan

For 2009 =182,354 = 0.646 or 64.6%

282,499

For 2010 = 52,414 = 0.006 or 5.6%

935,476

Percentage change 5.6 - 64.6 = 59.00

The result indicate an increase in the quantity of assets of globacom Nig ltd;. The percentage of bad – debt of the company has greatly been reduced after building this business empire. If this tread is not reduced/ reversed, it could lead to failure and company distress.

(D) **MANAGERIAL EFFICIENCY RATIO** ;- the improvement in managerial efficiency has the effect of boosting company performance and a decrease in efficiency would further company performance.

(1) Ratio of operation expenses to operating income

Formular = $\frac{\text{operating expense x 100}}{\text{Operating income}}$

For 2009 = $\frac{152,315 \text{ x } 100}{78209}$ =194.75 %

For 2010 =$\frac{226,047 \text{ x } 100}{187,883}$ =120.35%

Percentage change = 120.3 – 194.75 = - 74.45

The result indicates an improvement on managerial efficiency in 2010 over the 2009.

It also shows the effort of vibrant and skilful managerial team put in place over the years.

r x y =$\sqrt{\frac{\sum (x - x)(y-y)}{\sum (x - x)^2(y-y)}}$ ……... 4.1.4

Rx y=$\sqrt{\frac{n\sum(x-x)-(\sum x-\sum y)}{n\sum x^2 - (\sum x)^2 \; n(\sum yy - (\sum y)2}}$ ………….4.1.2

rxy = $\sqrt{\frac{71984.41}{32100.72 \text{ x } 660476.3}}$………4.1.2

$$= \frac{71984.14}{145608.27} \quad \ldots\ldots\ldots\ldots 4.1.1$$

r x y is sufficiently high but it is a moderately strong correlation. We shall however t-test for its significance-test shall be used. The formular is :- tc = $rxy.n^{-2}$

$\sqrt{}1 - (rxy)^2$ …….. 4.1.5

By substituting for these value ,we shall have tc = 0.49 $.5^{-2}$

$\sqrt{}1 - (0.49)^2$

= 0.849 – 1.1168

= 0. 7599

From the statistical tc value of t – distribution at n^{-2} degree of freedom, and at 95% confidence level of significant t – 0.025, 3d = 3.182.

Decision rule:

(a) if tc < 3.182 or tc> - 3.182, accept ho

(b) if tc > 3.182 or tc < - 3.182 reject ho

It will seen that tc conform with criterion ‘a’, therefore, there is no relationship between the capital employed and the turnover of globacom Ng ltd between 2006 and 2010.

5 SUMMARY, RECOMMENDATION AND CONCLUSION

5.1 Summary

Business failure incident is a common phenomenon in Nigeria, and the whole west Africa at large. It also a new experience in the whole wide world due to recent global economic melt down triggered by crash in stock and most recent euro- zone debt in countries like Spain, Greece, Britain, and even America.

This has lead to most business failure and slow economic growth. Many international, multinational and indigenous and local establishments daily cut down jobs to be break- even. The values of stock depletes every day with no permanent solution yet; except temporary bail out for few public financial institution in order rescure them from total collapse.

The experience has show that only two- third (2/3) of business outfit survive in the first year of establishment, while one-third (1/3) scale though to about 5years after establishment

West Africa available data shows that most failure occur in the first two years of their existence. The information shows that across sectors 66% of new establishment were still in existence two years (2) after their start up, and 44% were still in existence four (4) years after. This survival rates do not vary much by industry.

5.2 Recommendation

Chief Earnest Shonekan cantioned this way: “however, with all the potentials in the horizon, this area is slippery and a game not for the novice.

The business model in term of the organization’s goals and objectives must be well stated and defined. The bible says “write the vision, make it plain that those that run it may see. The mission of the company must be clearly formulated and reflect the reality.

As quoted by chief Shonekan, there is need for qualitative brains that can interpret the vision of the company, and manage other human to handle same with all needed skill and strategy for success to be achieved.

The financial model also needs to be taken seriously. The area of material and non- material, contribution to the project of initiating side, history of previous financial side, available means of financial, direction of investments, forecasting of sales under pessimistic and optimistic serious ;and parameters of financial activities. These stages of financing should be handled with adequate professionalism.

It is also important that to reverse this business failure trend in the west Africa, individual company must maintain a competitive edge by staying abreast of industry trends, protecting your trade secrets, keeping confidential data source secure and putting all of your agreements in writing.

5.3 Conclusion

With the success of Globacom Nigeria limited so far in the period of distress and failure which is being witnessed along side global economic melt- down , it is still believed that other company can strive despite all odds. Taking stocks from globacom Nigeria limited, the company came out of 5 different conglomerate of establishment with vast experience in West Africa business terrain in the past decades, other companies too could merge and produce a big company that could stand the test of time.

Ibrahim Okpokwu said "although these merger and acquisition activities may arouse fear of monopoly of market, but its believed that business organizations will attain efficiency though cost cut ". Merging of companies could be considered option.

Most firms in the verge of collapse or threatened by failure / distress can therefore have at least hope by trying out merger and acquisition; even under this dwindling economy with hyper- inflation everywhere affecting every sector of the economy. Merger and acquisition is what is used in the reviving of non-performing political parties in the world over. Why can it be tried and implement to failed business for surviving resort.

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APPENDIX 1

Total Capital And Turnover Of Globacom Nigeria Ltd

year	Total capital employed (x)	Turnover (y)	X=x-x	y= y-y	xy	X^2	Y^2
2006	(16.007)	(83.503)	(12.96)	148.25	(1920.84)	167.88	,977.17
2007	(45.498)	(29.497)	(42.45)	202.25	(8585.24)	1801.83	40,906.28
2008	(46.426)	(928)	(43.38)	1696.25	30,301.93	1881.48	48,476.06
2009	(61.767)	(221.744)	(58.72)	10.01	(587.52)	3447.69	100.12
2010	154.436	(104.001)	157.48	335.75	52,876.08	24,801.84	112,728.70
∑	(15.26)	(1158.74)	-0.01	0.03	71984.41	32100.72	660,476.40

X=(3.05)

Y=(231.75)

n=5

∑X=(15.26)

$\sum Y=(1158.74)$

$\sum X\text{-}X=-0.01$

$\sum Y\text{-}Y=0.30$

$\sum Xy=71984.41$

$\sum X^2=32100.72$

$\sum Y^2=660476.40$

$$rxy = \frac{\sum XY}{\sqrt{\sum X^2 \sum y^2}}$$

$$= \frac{71984.41}{\sqrt{32100.72 x 660476.36}}$$

$$= 145608.26$$