BUSINESS SURVIVAL WITHOUT BORROWING

A STUDY OF CRITTALL - HOPE NIGERIA LTD

BY

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BEING A PROJECT SUBMITTED
TO THE DEPARTMENT OF BUSINESS ADMINISTRATION
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IN PARTIAL FULFILMENT FOR THE DEGREE OF MASTER
OF BUSINESS ADMINISTRATION (MBA)

DECLARATION

I hereby declare that apart from the use of published texts which has been fully acknowledged this write up is original and product of my own research findings and that I am responsible for any error of commission or omission.



Adeshina Alayaki

CERTIFICATION

This project titled BUSINESS SURVIVAL WITHOUT BORROWING (CASE STUDY OF CRITTALL - HOPE) by Adeshina Alayaki meet the regulations governing the award of the Degree of Master of Business Administration (MBA) of Ahmadu Bello University, Zaria and is hereby approved for its contribution to knowledge.

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DEDICATION

This project is dedicated to the memory of my late father and mother, Mr & Mrs. Kasdi Alayaki, who passed away some couple of years back, my source of Inspiration and Determination, may their soul rest in perfect peace. Amen

ACKNOWLEDGEMENT

I am most grateful to Almighty God who created me and also provided me the opportunity to attain this educational level.

My sincere gratitude goes to my Supervisor Hajiya Shafi Lecturer at the department of Business Administration for reading through the manuscripts, making constructive criticisms and providing guidance which helped in shaping my idea in the right direction that made the completion of this project a success.

I am deeply indebted to my father and mother who has given me both financial and moral supports which gave me the opportunity to attain this educational level. I must also mention my wife Mrs. Roseline Alayaki for her encouragement.

I would also like to thank my colleagues who in one way or the other helped towards the completion of this work. I am sincerely grateful to Samson Olukunle and Jimoh Abdul of Department of Business Administration for their kindness and encouragement, which contributed greatly in making this work, achieved its set objects.

Finally, my regards goes to all my friends who have in one way or the other contributed towards the success of this project work.

ABSTRACT

The survival of a business depends to a large extent on the availability of enough funds to finance, its operations. It is indeed not an under-statement that a business that is inadequately financed face the risk of dying.

Broadly, there arc two methods of financing business operations; owners' equity and debts (borrowings). An examination of many businesses balance sheets revealed that over 90% of business organisations have one form of debt or the other in their capital structure. These debts ranges from long, intermediate or short-term, sourced from both financial and non-financial organisations.

Crittall-Hope Nigeria Limited is one of the very few companies that is entirely equity financed and has been like that for over forty years of its existence. This study revealed that an organisation can survive without borrowing and also that there are other equally important factors aside from finance that determines survival. Among those factors revealed by this study are; the need for a continuous review of environmental changes and formulation of appropriate strategic planning and budget, an establishment of purposeful management information system, development of quality products that meets customers' specifications, desire etc., establishment of wide distribution network, recruitment of the right types of personnel.

It is also note worth to mention that companies don't just source for debt finance for the sake of it, it is usually based on need. Where the operations do not require it a company that still goes ahead to obtain debt will suddenly become over-capitalised and unable to effectively utilized the excess finance at its disposal.

It must however be stressed that even all the other factors that determines or contribute to survival of business organisations needs to be financed one way or the other.

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CHAPTER ONE

1.0. INTRODUCTION

Business bas been given various definitions by many writers, academicians, scholars etc. Some define business as the "art of buying and selling" Some consider it as provision of goods and services to individuals, groups who need such good and services with the aim of making profit, while some consider it as financial transactions between two parties, the aim of which is to make profit by the seller of either goods or services.

The aim of making profit permeated all the definitions above. One can then safely summarised that business is done with the aim of making profit. Any activity that is then undertaken without the aim of making profit can not therefore be regarded as business.

In providing goods and/or services that the market desired, many things need to be done; getting the input resources, converting the resources into acceptable output and distributing or conveying the goods and/or service to interested recipients. It is no gainsaying that all these activities required money to finance them. Money needed to finance business activities can only come from broadly two sources; from the owners or borrowings.

Either way in which the money comes from, it has a cost to the business. The method of financing business activities in Crittall-Hope Nigeria Ltd. has been unique as the company has neither borrowed from the bank nor from other conventional sources of financing.

1.1. STATEMENT OF THE PROBLEM:

The problem of this study is to critically analyse the business survival strategies of Crittall-Hope Nigeria Ltd. since its inception without borrowing to finance its operations.

1.2. OBJECTIVES OF THE STUDY:

The objectives of the study is to :

1. Critically see how practicable it is for a business to survive without borrowing, for how long and could the company have done better if they had avail themselves of the various sources of finance.

2. Possibility of continued survival, expansion and progress of the company without borrowing

3. Possibility of other business entities emulating Crittall-Hope and hence doing away with borrowing.

1.3. SIGNIFICANCE OF THE STUDY:

What prompted the study arose principally as a result of how Crittall-Hope has been operating in its forty years of existence without using any bank overdrafts or other form of conventional funds being utilized by many business concerns. It is indeed an acceptable fact that borrowings increase the financial risk of liquidation that a company faces in the event that such company is unable to pay the loan providers their money.

Secondly, it is expected that the secret behind the success of Crittall-Hope Nigeria Limited will be of use to the business world as many business concerns have folded up due to one financial problem or the other.

Thirdly, the research will try to see whether a business has anything to gain or lose from borrowing or not borrowing and the extent or impact, positive or negative on business operations.

Specifically, the study will be significant in that it will:

(i) determine whether a significant relationship exists between the finance available to a business concern and its fortune.
(ii) determine what a business gains/losses from debt financing as a complimentary form of finance to equity.
(iii) determine whether any business at all can operate without any form of outside finance in either a direct or an indirect form.

1.4. METHODOLOGY:

The main research design adopted in this project focused on the data – collection methods as the research instruments utilized. In fact it is a framework for the study, guiding the collection and analysis of data. Other types of research methodology used to support this study includes ; survey, documentation

1.4.1 DATA COLLECTION

There are two major type of data namely, primary and secondary. Primary data have not previously existed in collated form and are to be gathered for the specific task at hand. Secondary data on the other hand have been gathered for some other purposes and are already in existence. Both sources were used for this project.

The relevant information was gathered from internal records, documentary, statistical and journals as well as textbooks.

To compliment the secondary data gathered, reliance was placed on questionnaires and personal interview.

1.4.2 RESEARCH INSTRUMENT

As earlier stated, personal interviews and questionnaires were part of the major instruments used. Personal interviews were used to compliment the answers given in the questionnaire. Furthermore, some answers that could not be provided due to insufficient space or those requiring tables and figures and further explanations were given prominence. In the questionnaire there were relevant questions on general business finance, the common one being used by businesses etc. The questionnaire was unstructured and undisguised (i.e open ended). The reason for this is to allow unrestricted response. Also a greater quantity of information can be collected from unstructured than from structured interview. Furthermore, open-ended questions allows respondent to talk freely and bring out information that would not have been brought out in a structured questionnaire (Mcgown, 1979 P.146).

1.5. SCOPE OF THE STUDY

The study is confined to extent of business survival without borrowing. However in the analysis of Crittall-Hope Nigeria Limited methods of doing business, the activities of few business concerns were highlighted concerning their financing methods and the impacts of these finances. This is necessary so as to enable us determine what Crittall-Hope Nig. Ltd., is gaining or losing by its current method of operating.

For convenience, this project has been divided into five chapters. Chapter one consists of the introduction which deals with an over view of the subject matter. Other parts of this chapter includes; definition of the problem, objective and significance of the study, its scope and limitations and finally, definition of terms. Chapter two reviews the literature on business financing types and sources. History and operations of Crittall-Hope Nigeria Limited are detailed out in chapter three while chapter four undertakes an analysis of Crittall-Hope methods of doing business without borrowing. Finally, Chapter five deals with the summary of the findings, conclusions and suggestions.

CHAPTER TWO
REVIEW OF LITERATURE & THEORETICAL FRAMEWORK

2.0 INTRODUCTION:

Business borrowing refers to business attempting to finance its operation through the use of debts. The use of debts has influence on the capital structure of an organisation. It shows whether a company is highly indebted, technically, highly geared or otherwise. Borrowing can either be for a short, medium or long-term period depending on the need of the business concerns, its objective and other restrain factors. The ability of a company to secure loans depends on many factors, some of which are internally imposed while some are externally imposed.

When a company expands, it needs capital, and that capital can come from debt or equity. Debt has two important advantages. First, interest paid is tax deductible, which lowers debt's effective cost. Second, debt holders get a fixed return, so stockholders do not have to share their profits if the business is extremely successful. (Brigham & Houston 1987 P.49).

However debt also has disadvantages. First, the higher the debt ratio, the riskier the company, hence the higher its interest rate will be. Second, if a company falls on hard times and operating income is not sufficient to cover interest charges, its stockholders will have to make up the shortfall and if they cannot, bankruptcy will result. Good times may be just around the corner, but too much debt can keep the company from getting there and thus can wipe out the stockholders.

Companies can finance with either debt or equity. Is one better than the other? If so should firms be financed either with all debt or all equity? If the best solution is some mix of debt and equity, what is the optimal mix. In this chapter, the various means of financing business are reviewed, the benefits and detriments examined as the various debt instruments in use.

2A LITERATURE REVIEW

FINANCIAL MARKETS AND COMPANY FINANCE

The Nigeria financial markets comprise of suppliers of funds, users of funds and financial intermediaries/institutions who intermediate between suppliers and users of funds. The markets is mainly of two types; capital market for raising long term funds and money market for raising short and medium term funds.

"The Nigerian quoted companies do not use the capital market as the primary source of corporate finance. In fact short-term finance which involves the activities of financial intermediaries among others constitute the most important source of company finance". [1]An analysis of the trends of external sources of finance is as shown below:

---

[1] O. Godwin (1997) Nigeria Financial Market P. 25

TABLE I

YEAR	CAPITAL MARKET	BANKS & NON BANK FINANCIAL INSITUTIONS	OTHER EXTERNAL SOURCES
1974	19.3%	17.0%	58.7%
1975	18.2	17.3	64.6
1976	6.1	2.2	91.7
1977	8.1	3.3	88.6
1978	9.3	5.4	85.3
1979	13.0	4.2	82.7
1980	11.8	3.7	84.5
1981	10.4	4.0	85.2
1986	20.6	18.0	61.6
1987	18.0	23.6	58.4
1988	15.8	25.9	58.4
1989	13.0	24.7	62.3
1990	13.8	27.5	58.7
1991	12.0	28.8	59.3
1992	10.41	27.77	61.82
1993	8.69	22.01	69.3
1994	7.06	21.36	71.59
1995	5.89	27.34	66.74
1996	6.17	27.98	65.85
1997	7.06	33.29	59.66
N1b	56.20	173.96	454.76
	8.20%	25.40%	66.40%

Source : CBN Annual report and Statement of Accounts

From the above table the following are noticeable:

Of the total new finances raised between 1974 and 1997, external sources of company finance (banks, capital market and "other external finances") accounted for N685 billion. This shows reliance of corporate organisations on external sources of funds for their operations.

Other "external sources" as distinct from banks and the capital market dominate the financing patterns of Nigerian companies. The breakdown of the external sources of funds shows that the capital market accounted for only 8% or N56.2 billion while the banks and other external sources accounted for 25% or about N174 billion and 66% or N454.76b implying the predominance of other external sources.

Bank share of external finance rose from 18% in 1986 to 33% in 1997. The increased importance of banks as sources of company finance in the post 1986 period also resulted

from the deregulation of the financial system and the consequent entry of a large number of new banks which increased the quoted sectors' access to bank-oriented finance.

TRADE FINANCE

"The predominance of other external sources made up of trade creditors, accruals, prepayments and deferred taxes may also be attributed to the government tight monetary policies particularly in the post 1986 period."[2]

As a result of the tight monetary policies of government borrowing from banks became shaken due to high interest rate on loans. Gradually, trade credit begins to take over among the external sources of finances available to corporate organisations.

Table one confirmed this as "trade creditors, accruals and prepayments, together accounted for an average of about 68% of N454.76 billions sourced from other external sources."

NIGERIAN CORPORATE FINANCE PATTERNS

There exist differences in the patterns of finances adopted by different corporate organisations in different industries. The use of short-term, medium term, long-term and a mix of these different sources differ from industry to industry. A research carried out by Arbitrage Consulting Group came out with these findings:
About 68% of the aggregate finances available to the corporate sector went into five sectors with the conglomerate sector leading the way with a relative share of almost 22%. The Breweries came a distant second with 13%. The other three sectors include Food/Beverages and Tobacco with 12.75% and building materials sector 8.13%. The remaining sectors accounted for the rest.

TABLE II

FIVE MAJOR SECTORAL USERS OF FUNDS (1986 – 1997)

SECTOR	**AMOUNT =N='M**	**% OF SHARE**
1. Conglomerates	243,965.79	21.8
2. Breweries	145,294.25	13.0
3. Food/Beverages/Tobacco	142,294.12	12.75
4. Petroleum Marketing	135,285.57	12.08
5. Building Materials	91,603.66	8.13

[2] D. Williams Monetary Policies And Corporate Finance In Nigeria (1998) P.82

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TABLE III

FIVE SECTORS WITH LEAST USE OF FUNDS

SECTOR	AMOUNT =N='M	% OF SHARE
1. Machinery & Equipment	873.7	0.07
2. Footwear	2,550.47	0.13
3. Aviation	3,041.84	0.27
4. Printing & Publishing	4,291.57	0.38
5. Commercial Services	6,948.21	0.69

Another explanation for the increased importance of trade credit in the post – 1986 period is attributable to the process of a general squeeze on firm's working capital finance resulting in the squeezing of smaller firms by their largest trading partners through an increase in net credit taken by the latter. One view of this process is that during a monetary squeeze, companies with relatively high liquidity would shift liquid assets to more illiquid companies by increased grants of non-trade credits.

Another plausible view sees trade credit as an exercise of coercive power in which credit is taken from suppliers according to relative trading power. When the monetary restrain is introduced into this situation, it becomes evident that the more powerful firms will take more credit but not be forced to give more and thus the liquidity contraction will be shifted from the more powerful company to the less powerful rather than from the less liquid to the more liquid.

In summary, the data suggest that spontaneous financing and banks constitute the two major sources of external finance to Nigerian businesses. The capital market provides a small fraction of the financing of Nigerian businesses.

FINANCIAL INTERMEDIATION

This aspect of the contemporary economic life has become so important that it constitutes the foundation upon which the business and financial life of any economy or nation is determined. The world economy has moved away from the narrow confines of barter economy into the vast horizon of money and credit economy.
It is in this respect that financial intermediation is defined as "an effort to lock the deficit sectors (those in need of finance – loans and advances for productive purpose) with those with excess cash balance for lending".[3]

"In Nigeria, many financial institutions are in existence performing this role. Among those in existence are in the followings"[4]

- Commercial Banks

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[3] G. O Nwakwo (1980) Nigeria Financial System P. 103
[4] E. A. Olufowose (1998) Investment Practice In Nigeria P.74

- Merchant Banks
- Nigerian Industrial Development Bank
- Nigerian Agricultural & Corporation Bank
- Nigerian Bank for Commerce & Industry
- Federal Mortgage Bank
- Peoples Banks
- Community Banks
- Finance Companies
- Insurance Companies

Modern financial institutions have developed various mechanisms for mobilizing funds from the surplus sector of the economy. Some of these include savings, current account deposit, time deposits etc. From the demand side, the financial needs of business are met through various forms of borrowing. These include direct bank credit, commercial papers, treasury bills, treasury certificates, syndicated loans, corporate banks or stocks, government bonds or stocks, mortgage loans, debentures, ordinary shares, preference shares etc.

INTRA – INDUSTRY COMPARISONS OF FINANCES[5]

The conglomerates sector has a more even spread of their sources of finance with 41.5% derived from internally generated founds and 32.5% from trade creditors. Short-term loans accounted for about 17 percent while ordinary shares and long-term loans accounted for about 4.8 and 3.5 per cent respectively.

The building materials sector to which Crittall-Hope belongs relied substantially on internal finance (about 64%) and trade creditors (34.5 percent) as the main source of finance between 1974 to 1997. 60% trade creditors finance the construction industry, while about 15% are internally generated funds and long-term loans.

TABLE IV	Ordinary Shares	Long-Term Loans	Internal Finance	Short-Term Loans	Trade Creditor
Industry	N'000	N'000	N'000	N'000	N'000
Building Materials	6.01	2.76	63.76	3.11	34.51
Conglomerate	4.82	3.54	41.53	16.8	32.52
Constructions	2.21	15.54	15.13	7.16	59.73
Food/Beverages	4.81	3.12	38.79	18.29	40.01
Health Care	11.07	8.98	27.36	19.11	28,51
Petroleum	3.12	0.7	22.71	7.82	64.2
Textiles	4.20	8.07	38.99	16.11	32.56
Breweries	4.34	2.17	59.89	3.47	29.96

Source: Arbitrage Consulting Group Industry Finance Report.

[5] Olaseni Akintola Bello – Arbitrage Consulting Group Finance Report P.18

FUNCTIONS OF FINANCE INSTITUTIONS

Finance institutions performs the following functions[6]

(a) They provide short, medium and long-term loans and guarantee loans from foreign sources.

(b) they mobilize and channel domestic savings to profitable investment opportunities

(c) They receive foreign and international loans and redistribute them to local enterprises.

(d) They participate in the provision of risk capital for local enterprises.

(e) They promote the growth of domestic capital market by selling part of their own shares or portfolio to the public and participating in underwriting and guaranteeing operations.

(f) They accept deposit from customers.

(g) Some do participate in the development of indigenous entrepreneurial skills through training facilities and provision of consultancy services.

(h) Sometimes they engage in the identification of productive investment opportunities in the country and develop and promote.

The finance institutions in Nigeria has been performing the above mentioned functions creditably well, although not without some problems. Part of these problems is the banking distress witnessed in 1992 and 1993 that led to the collapse of over twenty banks, especially state owned banks that were being run like ministries or parastatals.

The major function of financial institution is financial intermediation. This is the mobilization of funds from the surplus segment of the economy to the deficit segment of the company. Many business organisations owed their survival and expansions to the financial assistance from these institutions. Some business however due to inability to meet the finance institution credits requirements is unable to benefit.

Apart from inability to meet credit requirements, other factors that have prevented some businesses from enjoying facilities provided by these financial institutions are[7]:

i) Provisions of Articles of Associations
ii) Attitude of business owners to financial risk
iii) Restrictions imposed by previous loan covenants
iv) Availability of projects to undertake

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[6] A H. Hanson (1959) Public Enterprises In Nigeria P.26
[7] A. Joseph Corporate Finance In Nigeria (1995) P.98

v) Conservativeness of Business Managers

WORKING CAPITAL FINANCE (SHORT-TERM BORROWING)
Two important sources of working capital finance are trade credits and bank credit. As it is noticeable from the following table, the use of trade credit as a source to finance working capital is increasing.

TABLE V:

WORKING CAPITAL FINANCE FOR MEDIUM AND LARGE PUBLIC LIMITED COMPANIES

YEARS	TRADE CREDIT	BANK CREDIT
1986	32%	32%
1987	32	34
1988	32	35
1989	33	31
1990	36	28
1991	36	27
1992	36	26
1993	38	26
1994	40	25
1995	42	25

Source: CBN Bulletin

In 1986, trade credit as a ratio of current assets was 32% and over the years, it has increased to a level of 42% in 1995. The Central Bank data also indicate that trade credit has grown at a faster than the rate of increase in sales. In view of the present restricted supply of short-term bank loans, delayed payments to creditors seem to be the obvious tactics of companies as a way out of financial stringency,

Bank credit is a scarce resource, it has therefore to be optimally utilized under all circumstances. In view of the growing shortage of bank credit, industrial management has no option but to use bank funds in the most efficient way.

2B THEORETICAL FRAMEWORK

2B.1 SHORT-TERM FINANCING

Short-term methods of finance are finances that are usually between one week to one year (Schultz & Schultz 1972 P.117). They are mainly suitable for funding

shortages in working capital. They are not suitable for the finance of long-term investment. They may be secured or unsecured. The main sources are:

(a) Bank Credit
(b) Commercial paper
(c) Trade Credit
(d) Bill Finance
(e) Efficient Stock Control
(f) Factoring
(g) Invoice Discounting
(h) Hire purchase
(i) Financing of retail sales by Hire Purchases

BANK CREDIT

This is in the form of overdrafts to cover temporary cash shortages or needs of business enterprises. Traditionally, Commercial Banks in Nigeria have concentrated on financing the short-term needs of companies while the Merchant Banks are expected to grant medium to long term finances to business.

Although, bank overdrafts are normally repayable on demand, they are never, in practice, called without reasonable notice. Except in credit squeeze conditions businesses can easily borrow for up to a year with adequate provision for a rollover.

The rate of interest on bank overdrafts is tied to other market rates of interest. It is charged on the day to day overdrawn position. Overdraft interest rates are usually charged at a certain margin above the bank's base rate. The size of the margin depends on the standing of the customer. Larger companies may be asked to pay overdraft interest at the bank prime rate while smaller companies may borrow at say 2% above the PRIME.

COMMERCIAL PAPER

A commercial paper (or commercial note) is an unsecured money market instrument. Large Company with good credit rating can raise short-term funds by issuing commercial notes, which are then purchased by investors in the money market. The notes are usually issued on behalf of the company by an issuing house (normally a merchant bank). The issuing house does not guarantee the notes but assist in finding investors to buy them. The investors effectively lend directly to the company issuing the notes. The issuing house charges a commission for the service.

Commercial notes are usually issued for a stated period, say 90 days, 120 days or 180 days and a specific rate of interest (coupon rate). This source of finance is only available for large companies because investors will only purchase notes issued by well-known corporate names. For these companies, commercial paper is an important source of

short-term finance. Companies such as Lever Brothers Nigeria Plc., SCOA Plc., etc. from time to time raise short-term funds by way of commercial paper.

TRADE CREDIT

Trade Credits are usually from suppliers. These are situations where goods/services are purchased and paid for later. The payment later could be as short as one week or more depending on agreement. It is particularly important to small and fast growing companies.

BILL FINANCE

Bill Finance is a situation whereby Bill of Exchange is discounted by a financial institution and the money involved given to the bill drawer. Bill of exchange is mostly used by business that is engaged in foreign trades. An exporter will draw a bill (usually 90 days) which after acceptance by the importer effectively becomes a financial instrument payable on or before 90 days.

The exporter may before the 90 days present the bill to financial institution who, on an agreed commission/discount may agree to provide the cash need of the exporter immediately and wait for 90 days to collect the full value from the importer.

The use of bills payable and the discounting of bills receivable helps to overcome a cash shortage but can be very expensive. The cost of this depends upon the credit worthiness of the customers and the native of the trade concerned.

In advanced country the discount market is well developed unlike in Nigeria where the market is still at its infancy.

EFFICIENT STOCK CONTROL

Though not or real sources of finance per se, but a reduction in excessive stocks can reduced the need for finance and so would achieve a saving in finance costs.

FACTORING

Factoring is a service that does not have a concise definition. A factor is defined as a doer or transactor of business for another, but a factoring organisation specialises in trade debts and so manages the debts of a client (business customer) on the clients behalf. There are three main aspects of factoring:

(a) Administration of the client's invoicing, sales accounting and debt collection service.

(b) Credit protection for the client's debts, whereby the factor takes over the risk of loss from bad debts and so 'insures' the client against such losses. This service is also referred to as 'debt underwriting' or the purchase of a client's debt.

(j) The factor usually purchases these debts, without recourse to the client, which means that in the event that the client's customers are unable to pay what they owe, the factor will not ask for his money back from the client.

(ii) Not every factoring organisation will purchase approved debts without recourse and with recourse factoring might be provided especially in case where the size of the debt is particularly high, or the factor would not approve the debts for a without recourse agreement.

(c) Making payments to the client in advance of collecting the debts. This might be referred to as 'factor finance' because the factor is providing cash to the client as a prepayment of outstanding debts.

Factoring is therefore a source of short-term finance and also a means of managing and controlling debtors. The administration of a client's debts by the factor covers:

- Keeping the book of account for sales
- Sending out invoices to customers
- Collecting the debts.
- Credit control (ensuring that customers pay on time)

The credit protection services rendered to clients include;

- Assessment of potential debtors' credit worthiness
- Carrying out credit checks for individual customers orders
- In the case of regular customers of the client, set a credit limit for that customer. The client does not then have to apply for approval of credit sales provided that the customer remains within his credit limit.

Factors do make advances on debts. This service gives the client immediate cash in place of a debt (which is a promise of cash in the future). If the client needs money to finance operations, borrowing from a factor against trade debts is therefore an alternative to asking bank for an overdraft, although the factor will probably charge lighter interest. Whereas a bank overdraft would be shown in the client's balance sheet as a current liability, factor financing does not appear in the client's balance sheet at all.

INVOICE DISCOUNTING

Invoice discounting is related to factoring and many factors will provide an invoice discounting service. It is the purchase of a selection of invoices, at a discount. The invoice discounter does not take over the administration of the client's sales ledger, and

the arrangement is purely for the advance of cash. A client should only want to have some invoices discounted when he has a temporary cash shortage, and so invoice discounting tends to consist of one-off deals.

If a client needs to generate cash, he can approach a factor or invoice discounter, who will offer to purchase selected invoices and advance up to 75% of their value. At the end of each month, the factor will pay over the balance of the purchase price, less charges, on the invoices that have been settled in the month.

There is an element of credit protection in the invoice discounting service, but its real purpose is to improve the client's cash flow. Since the invoice discounter does not control debt administration, and relies on the client to collect debts for him, it is a more risky operation than factoring and so a Factor might only agree to offer an invoice discounting service to reliable, will established companies.

HIRE PURCHASE

Industrial hire purchase, or installment credit, is a method of paying for plant and machinery out of income rather than capital. Use of the equipment is gained on payment of the first installment. Although it is relatively expensive, it leaves other sources of finance free for emergencies and in contrast to bank overdrafts; the cost is fixed at the outset and will not be affected by changes in money market conditions. The repayment period will rarely be greater than five years, which in most cases will be shorter than the useful life of the asset acquired.

Finance Companies usually provides hire purchase. The finance companies raise bank credit to transact their own operations. In the alternative, promissory notes issued by the insurance companies and other investors in the Nigerian money market.

FINANCING OF RETAIL SALES BY HIRE PURCHASE

On the other hand, a retailer selling goods on installment credit may be able to reduce strain on his own financial resources by arranging a hire purchase agreement directly between the customer and a finance company. The finance company will pay the retailer the cash price for the goods but may require him either to guarantee the transaction or to re-purchase the goods if the customer defaults. Alternatively, the retailer may enter into hire purchase agreements with his customer and then, using a process known as block-discounting sell the debts to a finance company for immediate payment at an agreed percentage e.g. 75 of their collection value.

2B.2. INTERMEDIATE-TERM FINANCING

Intermediate term financing refers to any form of finance that matures between one to five years. This source of financing though arbitrary as far as boundaries are concerned is used to finance more permanent funds requirement than those associated with short-

term sources. In actual fact, intermediate-term credit is a category of financing that is traditionally considered as bridging the gap between long-term and short-term sources of finance.

The main forms are leasing and term loans from both commercial banks and life insurance companies. Term loans are business loan having a maturity of more than a year, with negotiable repayment arrangement. Traditionally, majority of these loans is advanced without security because emphasis is always placed on the ability of the borrower to honour his obligations by means of repayments as at when due. Life assurance companies, on the other hand provide substantial amount of credit usually with installment-repayment provision.

With respect to equipment leasing, the principle behind it is basically quite simple. The leasee agreed to pay a rental charge and adhere to other conditions of a lease contract in return for the right to utilize the property of the leasor in his operations, for a specific period of time. Its various forms include sales and leaseback, operating leases, financial leases, direct and leverages leasing.

2B.3 LONG-TERM FINANCING

Long-term financing can be define as any form of financing with Maturities that extend beyond a period of five years. Most forms of financing in this section are normally for a period of more than ten years. This section will cover treatment of capital stock (i.e. common, preferred and guaranteed stocks) bonds and warrants and convertible financing with option.

2B.3.1 CAPITAL STOCK FINANCING

The importance of capital stock can be seen not only in the fact that it is a significant source of long-term financing, but also in its ability to provide a base for other types (e.g. bonds) as well as enabling the firm to start its operations. The three basic classifications of it are common stock, preferred stock and guaranteed stock.

(i) COMMON STOCK: The common stock holder is the residual owner of a corporation. He has a complete voting control over it. And he also ranks last in the order of claimants to the corporation's assets and income. In the event of liquidation, the common stock not only receives his dividend last but also suffers the greatest loss. Conversely, if the corporation is very profitable, he receives the

largest share of profit through the payment of dividends and price appreciation.

There are some advantages to a company in the use of common stock as a source of fund. Ordinary shares carry no fixed maturity date. Secondly, no fixed charges are attached to the ordinary shares. Furthermore, the sales of ordinary shares increase the credit worthiness of the firm. Also, they can be sold more easily than debentures. The principal disadvantages include the extension of the voting right or control to more shareholders. Also the cost of underwriting and distributing new issues of shares are usually higher than those of preference shares or debentures. Finally, dividends payable to ordinary shareholders are not deductible as an expense for tax purposes.

(ii) PREFERRED STOCK: This is a class of capital stock having preferential treatment over other classes of capital stock. Preference shares have claims and rights before ordinary shares but after debentures. The priority features and the fixed dividends to preference shareholders make it similar to debentures. If the company fails to earn enough profit to enable it pay dividends to preference shareholders, it can continue in existence without necessarily going into liquidation. To this extent, it is similar to ordinary shares.

Its main characteristics are most evident in the priority it has over ordinary shareholders with regard to earnings and assets. Secondly, dividend payments are usually cumulative; i.e. all past preference share dividends must be paid before any payments can be made to ordinary shareholders.

The main advantages as a source of fund are that it enables a company to limit the amount of control to be shared through participation in voting, i.e. voting rights. They are also more flexible than debentures because of their irredeemable nature. However, the high cost of preference shares to a company relative to that of fluctuating dividends is a major disadvantage.

(iii) GUARANTEED STOCK: This usually the when a company is in the process of acquiring another company by means of merger. The acquiring company will guarantee some aspects or features of the about-to-be acquired company's outstanding stock. This makes the owners of that stock a contingent creditor of the guarantor. The benefits of guaranteed stock is that they are most stable and less risky to investors. Both preferred and common stock may be guaranteed.

2B.3.2 DEBT (LOANS) FINANCING

A bond is a long-term contract under which a borrower agrees to make payments of interest and principal on specific dates to the holder of the bond. Most bonds are issued with maturities of ten to thirty years. The stated interest rate on the bond represents the percentage of the bond's face value that will be paid out annually. All the terms and conditions to which the bond is subjected are set out in the bond's indenture and filed with a trustee (one who acts on behalf of the debenture holders). A bond indenture is a legal document stating the conditions under which the bond has been issued. It specifies both the right of the bondholder and the duties of the issuing company.

One of the features of a bond is that it provides for a sinking fund. As sinking fund provides for the orderly retirement of a bond issue prior to maturity. This helps in reducing the firm's debt and thereby its financial riskiness as the bond approaches maturity. Another is the call provision, which gives the issuer the opportunity to repurchase bonds at a stated date prior to maturity. The call price is usually set above the bon's face value in order to provide some compensation to holders of the called bonds. A warrant certificate permits the holder of the bond to purchase a certain number of shares of common stock at a specified price. This is usually used as a sweetener to attract prospective buyers. Finally, restrictive covenants are common features of a bond. It requires the issuer of a bond to meet certain stated conditions; like ensuring that the debt does not exceed a certain percentage of total capital and so on. The covenants are usually aimed at safeguarding against the deterioration of the bond's quality after it is issued.

The major type of bonds includes secured bonds, unsecured bonds, subordinate debentures and income bonds.

(i) SECURED BONDS: These are bonds with a specified claim on real or personal property of the debtor. In the event of the default, the secured creditor has a prior claim on the specified property. Should this property be insufficient to cover the claim, the secured creditor then share equally with the general creditors in the distribution of the remaining assets. Among the secured bonds are the following:

Mortgage Bank – this is a bond, which is secured by real property. Mortgage bonds carry a covenant in its provisions that places liens on specified physical property of the company. There are two types of mortgage bonds. There is the senior mortgage bond, which gives the holder the first claim on secured assets. Similarly,

there is the junior mortgage bond that only has a secondary claim on assets already secured by the first mortgage.

Equipment Bonds: These refer to the use of personal properties. This type of bonds is quite extensively used in the transportation field, particularly in the railroad industry. The method used as a basis for the issuing of equipment bond is lease-agreement. This is an agreement whereby the trustee holds legal title to the equipment and issues equipment on a lease agreement under conditions that provide for the payment of an advanced rate of approximately twenty percent of the value of the equipment. There is also a provision for periodic rental payments, which covers interest and principal payments as they fall due. Upon payment of interest and principal, the trustee to the company conveys the title to the equipment.

Collateral-Trust Bonds: These are bonds secured by personal property i.e. stocks or bonds. It involves depositing certain securities with the trustee by the corporation as pledged property. The securities used are normally that of other companies.

Other forms of secured bonds are guaranteed bonds, joint bonds.

(ii) Unsecured bonds (Debentures): These are a type of steady growth in liens against specific assets of the firm. In event of liquidation, A debenture holder becomes a general creditor of the company without any priority of claims on the company's assets.

The major forms of unsecured bonds include convertible debentures, which are aimed at facilitating their market acceptance. They are a form of flexible and transitional financing because of high probability of their eventual exchange for common stock. Another is the subordinated debenture, which carries an extra high interest rate. They rank below all other long-term creditors as far as the issue of claims is concerned.

(ii) Income Bonds: They are also called adjustment or preference bonds. They earn interest only when earnings are available from which payments can be made. The unpaid interest generally accumulates and must be paid prior to any distribution of funds to stockholders. Due to the weak claim of the in come bond holder on the firm's assets, the interest rate it attracts is generally high and when paid it is tax deductible.

The two major advantages of debt financing include the following: -

(i) The interest expense on bond (which is tax deductible) is a fixed amount not affected by increases in sales and earnings. Therefore, a firm having a steady growth in earnings does not have to reflect this increases on the interest being paid on existing debt.

(ii) Bond holders though creditors of the firm do not participate in the management of the firm.

The main disadvantages can be seen in increased financial risks resulting from increased level of fixed charges in term of interest expense. This happens if a firm engages in indiscriminate debt financing. Secondly, the financial flexibility of the firm may be hindered as a result of conditions and restrictions imposed by the bondholders. Finally, economic problems may make it impossible for the firm to repay its debt, which have fixed maturity dates. This is unlike the common stock and preferred stock, which do not have a maturity date.

2B.3.3. WARRANTS AND CONVERTIBLE.

The common stock holders' position in a business organisation is a residual interest. Any security or contract that can be transformed into common stock under stipulated conditions also would be classified as a residual security. In this category are warrants and convertibles, which are forms of options. An option is merely a security that gives its owner the right to buy or sell the common stock of a company within a specified period of time. In this section, convertible securities, and stock warrants will be considered.

i) Convertible Securities: A convertible security is a bond or a share of preferred stock that can be converted at the option of the holder into common stock of the same company. In other words, they are debentures. Exchangeable into ordinary shares at the option of the holder and under specified terms and conditions. Once a security is converted into common stock, the stock can not be exchanged again for bond or preferred stock. A special feature of convertible security is conversion rate. This refers to the number of shares the holder of the convertible receives in return for his security on conversion. Conversion price is defined as the effective price paid for the ordinary shares when conversion occurs. This makes a convertible security similar to a debenture with a warrant. It should be noted that the conversion price and the conversion ratio are established at the time the convertible debenture is sold. Their values generally are fixed for the life of the debenture except when a stepped-up conversion price is used (Weston & Brigham P.395). Also, the clause protecting the convertible security against dilution from scrip (bonds) issued and the sale of ordinary shares at low

prices (as in right issues) may affect the stability of the conversion price and ratio. This is however a major feature of nearly all convertibles.

The major advantages of a convertible can be seen in the fact that with convertibles a firm can sell debt (bond) at lower interest rates and less restrictive covenants by giving investors a chance to share in potential capital gains. Furthermore, the use of convertibles makes possible the sales of ordinary shares at prices higher than those currently prevailing. This is made possible due to the selling of the conversion price at between fifteen and twenty percent above the present market price of the ordinary shares. Another benefit of financing with convertibles is that they create less dilution in earnings per share, both view and in the future.

However, financing with convertible (in case of a fall in price of shares after the debenture has been issued) leaves the issuing company with no choice than to be saddled with debt.

(11) Stock Purchase Warrants: A warrant is an option to purchase a specified number of shares of common stock at a stated price. When the holder exercises the option, he surrenders the warrant (Van Horne 1987 P. 607). Stock-Purchase Warrants can be issued in a variety of wage and for a member of purposes. Warrant generally has longer life span than convertibles. A few issues are even perpetual. One of the characteristics of warrants is that they are usually issued in combination with other securities in other to make them more attractive to investors. More often than not, they are used as "sweeteners" to enhance the value and distribution of other securities. Another characteristic is that they are detachable (i.e. traded separately from the other unit security) or non-detachable (i.e. Convertible securities with the retention of the senior security). Warrants not only contain anti-dilution protection provisions similar to those of convertibles but also their value is usually based on their option price, the market value of common stock, and the member of shares obtainable per warrant. Also, if warrants are held six months before they are sold or exercised, any gains realised will be taxed as long-term capital gains. Furthermore, the warrant holder is not entitled to any cash dividends paid on the common stock nor does he have a voting power. This is because a warrant is only an option to purchase stock. Thus if the common stock is split, or a stock dividend declared, the option price of the warrant is usually adjusted to take care of this charge.

In summary, from the treatment of business financing (with the review of the different sources of financing) it can be safely concluded that there abound a number of means by which business firm can meet their financing requirements. It is also clear that a business must be financed one way or the other; internally or externally.

2B.3.4. THEORIES FELATING TO BUSINESS LOANS

Every company has some debts that it owes, long term and/or short term. It is a part of normal business practice, for example, to take credit from suppliers, and to borrow from a bank.

A high level of debts, however, creates financial risk. Financial risk can be seen from the point of view of:

a) The company as a whole: If a company builds up debts that it cannot pay when they fall due, it will be forced into liquidation.

b) Creditors: If a company can not pay its debts, the company will go into liquidation owning creditors money that they are unlikely to recover in full.

c) Ordinary Shareholders: A company will not make any distributable profits unless it is able to earn enough profit before interest and tax to pay all its interest charges, and then tax. The lower the profits or the higher the interest bearing debts, the less there will be if there is anything at all for shareholders.

Debts of a company should therefore be kept under control, in the interests of the company, its creditors and its shareholders.

FINANCIAL RISK:

As mentioned above, a company that uses debts to finance its operations is faced with financial risk. Financial risk is the additional risk placed on the common stockholders as a result of a company's decision to finance its separation with debts.

When debts are used as part of capital mix to finance operation, the Capital Structure of such companies is usual described as partly financed by equity and partly financed by debts.

The financial risk of a company's capital structure can be measured by a gearing ratio and interest rate cover ratio.

GEARING RATIOS:

Gearing is the term used to describe the relationship between shareholders' capital plus reserves and either prior charge capital or borrowings or both (Chartered Institute of Management Accountant).

Prior charge capital is capital, which has;

- A right to payment of interest or preference dividend before there can be any Earnings for ordinary shareholders, and
- A prior claim on the company's assets in the event of winding up.

A company, which is financed entirely by equity capital, is said to be an ungeared company. A company that is partly financed by equity and debts is said to be a geared company. The higher the proportion of prior charges capital, the higher the gearing. A high-geared company is one in which equity capital (including reserves) is less than prior charge capital. The most commonly used measures of gearing are based on the balance sheet values of the fixed interest and equity capital. They include:

a) $$\text{Gearing} = \frac{\text{Prior Charge Capital}}{\text{Equity Capital (Including Reserves)}}$$

Or

$$\text{Gearing} = \frac{\text{Prior Charge Capital}}{\text{Total Capital Employed}}$$

The amount of gearing has a considerable effect on the earnings attributable to the ordinary shareholders. A highly geared company must earned sufficient profits to cover its interest charges before any is available to equity.

INTEREST COVER:

Interest cover is a measure of financial risk, which is designed to show the risks in terms of profit, rather than in terms of capital values.

CAPITAL VALUES:

a) Interest cover gives a correct indication of the ability of the company to meet its interest commitments and it is after all, the possibility of a company failing to pay interest that represents the man danger of high gearing.

b) Interest cover measures, if calculated over several years, give a more dynamic picture of the effects of borrowing and financial risk.

Interest cover is measured as shown below:

$$\text{Interest Cover} = \frac{\text{Profit Before Interest and Tax}}{\text{Interest}}$$

The reciprocal of this, i.e. the interest to profit ratio is also sometimes used.

As a general rule, an interest cover of less than three times is usually considered low, indicating that profitability is too low given the gearing of the company.

LIMITING FACTORS ON DEBT FINANCING:

It is worth summarising the main factors that will tend to limit the amount of debt capital that can be raised. They are:

a) The limitation on borrowing imposed by the company's Article of Association, which is usually expressed as a multiple of shareholders' funds. This borrowing limit cannot be altered except with the approval of the shareholders at a general meeting of the company.

b) Any limits imposed by covenants made on the issue of existing debt capital (e.g. debenture trust deeds).

c) The availability of cash to meet interest charges and capital repayments. This will in time depends on the level of profitability and interest cover.

d) The cost of debt capital relative to the cost of equity. As mentioned earlier, the interest rate demanded by potential lenders will increase as the level of gearing rises.

e) Business confidence and expectations of future profits are crucial factors in the determination of low much debt capital investors are prepared to lend.

f) The attitude of would-be-new lenders, who expect some security for their lending, in the form of a charge on company assets or a certain rate of interest cover, or a safe debt ratio or gearing ratio for the borrowing company. A bank for example will be reluctant to lend more to a company that has used up enough credit already.

2B:3.5 BENEFITS AND DETRIMENTS OF BORROWING

Borrowing refers to obtaining an asset from the owner with a view to paying back what was borrowed with interest or other form of compensation to the owner.

Companies borrows for many reasons among which are the following:

- to finance current or long term assets
- expansion purpose

- replace or refinance a loan
- To meet temporary cash shortage
- to avoid dilution in earnings
- to embark on new projects
- to replace out-dated machines

Smooth running of enterprises largely depends on availability of funds to finance operations in the short and long term. As earlier noted in another section of this chapter, operations can only be financed in broadly two ways.

- internally sourced finance
- externally sourced finance

Companies derive many benefits from borrowing to finance their operations. The benefit among many others include the following:

i) Viable projects identified can easily be financed, as this will add to shareholders' wealth.

ii) As business grows, the need, for additional finance to support such growth becomes obvious. In many cases, it many not be easy persuading owners of the business to inject additional funds into the business. Also retained reserves may have not being built up enough to enable such internally sourced finance. In this circumstance, business managers turn outside to source for finance.

(a) Temporary Liquidity Crises are usually brought under control by borrowing. This can save the company from going into avoidable liquidation.

Business organisations are usually faced with two broad types of risks. These are business risk and financial risk. Business risks are risk associated with the type of business individual organisations is in. It is unique to each organisation. However, financial risk are risks faced by organisations that are debt financed

Every company has some debts that it owes, long term and/or short term. It is a part of normal business practice, for example to take credit from suppliers, and to borrow from bank.

A high level of debts, however, creates financial risk. Financial risks are risks faced by the owners of the business as a result of decision to use debt.

The detriments of borrowing are as follows:

- A company that always depends largely on borrowing to execute its projects can easily get into debt trap. In rough period, such companies are usually unable to service their debts. This may lead to liquidation of such companies.

- Financing with debt increases the expected rate of return for an investment, but debt also increases the risks of the investment to the owners of the firm, its common shareholders

- Financing with debts introduces high degree of uncertainty into the returns that common stockholders will receive.

- A Company that is highly indebted may find it difficult to get further trade credit or overdrafts from banks at its most needed time.

2B.3.6. TECHNIQUES OF BORROWING

Borrowing is nothing more than debt financing or the use of debts to finance operations. It may be done directly or indirectly.

Directly in the situation whereby the company in need of finance approach the lending institutions(s), present its case and an agreement is reached regarding amount, interest repayment terms etc. This is reminiscent of borrowings from banks and other financial institutions that are engaged in lending organizations in need of funds or funds worth.

Indirect borrowing can be described as a situation whereby financial agents are involved in the raising of the fund. An example is the involvement of an Issuing House in the raising of long-term debt finance. The issuing house help companies in sourcing funds from the capital market. The and other capital market operators are involved in the issue of the following debt instruments:

- Bond
- Debentures
- Convertible loan stock
- Redeemable loan stock
- Mortgage bond
- Income bond
- Etc.

For the avoidance of repetition the different types of debt instruments as regards, short, medium and long-term have been fully discussed in the section on short, medium and long-term financing.

SUMMARY

The chapter has shown that basically there are two sources of finance; finance internally generated and finance obtained from outside the organisation. Finance from outside could also be short-term, medium or long-term depending on the duration or tenor agreed upon. Internally generated finances are the undistributed surplus made by the business.

Outside finance are regarded as debt finance and of various types and tenor. Among these are loans, convertible debentures, warrants, corporate bonds etc. The chapter has also shown that the use of debt increases the risk, which a company is exposed to. This is called financial risk. It is the risk that the owners of a business may or may not get returns from their business. It is also a risk that in the event of business downturn where the company is unable to settle the outside fund providers, it may be liquidated. Also the use of excessive debts could transfer the control of the company from the owners to creditors.

The chapter also showed that despite the financial risk involved in debt finance; there are also many advantages. For instance, companies are always unable to generate quickly internal funds necessary for rapid growth and expansion.

The Nigerian financial markets were examined and it was revealed that majority of funds used by companies are not provided by owners but by trade creditors, banks and other non-bank financial institutions. In fact owners contribute less than 10% of funds used for expansion purpose.

Among the five major users of funds is the building materials sector of the economy to which Crittall-Hope belongs. The sector share of funds usage amounted to 8.13%. The conglomerates sector is in the lead with 21.8%.

The chapter showed that there are some key institutions involved in the mobilizations and provisions of these funds from providers to use through the process of financial intermediation. These, they carry out by the evolvement of different types of products. These financial intermediaries are many and have different focus and target customers.

In corporate finance, industry relies on different sources. While the building materials industry relies mainly on internally generated revenue, construction industry relies on trade credits.

The chapter also showed that though corporate organisation my desire to finance its operations with debts; some factors do restrain them from doing so. These are factors that may have been deliberately established by owners, or stipulated by government or situation at hand.

CHAPTER THREE

HISTORY & OPERATIONS OF CRITTALL-HOPE LIMITED

3.0. INTRODUCTION:

A review of the business environment shows a clear delineation between successful an non successful companies. One wonders why the same business environment is capable of producing success and failure at the same time. The logical reason for this among others is that there are success factors which when tapped into produce successful companies. Failure to tap these factors in a business environment do results in business failure.

It is a paradox to note that there are more failure of companies than new companies being formed on a daily basis. The import of this phenomenon is that successful companies are becoming scarce. It is the ability of an enterpreneur to identify and tap the critical success factors in his business early enough that determines the success of such business.

There is no gainsaying that there can never be a standard formular for survival/success , otherwise all companies would have survived the turbulent and dynamic business environment. In such situation, there would have been no challenge in the business environment. Therefore the critical success factors have remained the challenge to being an enterpreneur.

One of the key to Crittall-Hope success till date is the ability of its managers to make timely and appropriate adaptations to a complex and ever changing environment.

3.1. ESTABLISHMENT OF CRITTALL-HOPE

Crittall-Hope was founded in 1958 in Nigeria by a British business concern called Crittall Windows of United Kingdom.

Once incorporated, three plants were established in each region of the country namely; Western, Eastern and Northern Regions. The one of the Western Region was located at Lagos, Eastern Region at Port-Harcourt and the Northern Region in Kaduna. The idea was to ensure a complete coverage of the whole nation.

Crittall-Hope was established to fabricate doors and windows of British Standard to be used in the various capital development springing up in all parts of the about-to-be-granted independence country. Its main focus initially was on government projects and very few individuals who are of the high class.

Some agents were appointed to distribute Crittall-Hope products. These distributors UAC, John Holt etc. are the main distributors for any notable manufacturer in Nigeria during the period Crittall-Hope entered the Nigerian market.

On establishment, all the necessary plants and machinery needed to ensure smooth productions were brought into the country including the Engineers and Technicians that will operate the machine.

Over the years; Nigerian Engineers were employed and further trained for effectiveness purpose.

The distributive agents appointed are responsible for sales to corporate organisations as well as governments. They have their depots conspicuously located in most of the big cities and towns of the country to ensure wide coverage.

3.2. OPERATING E ENVIREONMENT & ORGANISATIONAL STRUCTURE

As with all business Crittall-Hope Nigeria Limited is operating within an environment that affect its ability to operate successful. It is faced by both internal and external environment. While the internal environmental factors are controllable, the external environmental factors are not controllable and have to be adapted to.

In view of the above; Crittall-Hope can be viewed as a resource conversion machine that takes inputs from the outside world, converts them into useful products and services and make them available to others as output.

Crittall-Hope carries on a number of functions such as engineering, purchasing, manufacturing, financing and marketing. In performing these functions, Crittall-Hope has to contend with different factors in the market place whose activities affects its life and development. These environmental influences among others are:

- Political
- Economical
- Social
- Technological
- Financial Publics
- Competitors
- Marketing intermediaries – distributors
- Raw materials suppliers
- Customers
- Etc.

Over the years and even more rapidly now changes have continue to take place in these environments affecting the way in which business is conducted in Crittall-Hope Ltd. To still be in existence till date is a testimony that Crittall-Hope has kept pace with the environmental factors enumerated above.

Crittall-Hope organisational structure has witness many changes since the company was established over four decades ago. The different structures are as shown blows.

3.3. BUSINESS OPERATIONS

Crittall-Hope Nigeria Ltd., is engaged with the fabrication of steel doors and windows according to customers' specifications. Apart from these specifications, some standard (general) dimensions of doors and windows are produced to stock in few quantities to meet customers demand.

From the beginning, Crittall-Hope Limited segmented the market into three as follows:

- Government market
- Industrial market
- Domestic (individual market)

From examination of few available past sales records, over eighty percent of sales generated to date came from Government patronage.

Specifications of Crittall-Hope Limited products start from the point of Architectural drawings and including same in the bill of quantity as estimated by Quantity Surveyor. Once the project is approved, then Crittall-Hope is patronised as specified in the drawings.

For effective distribution of Crittall-Hope products, a number of distributors were appointed. These initially were mainly corporate and well established companies such as; John Holt, Gottchalks, CFAO/Structor and many others.

Because of the business standing of these distributive agents and for the fact that they are all European owned companies, having their headquarters in Europe, Crittall-Hope had an agreement to supply its products on thirty days unlimited credits to these distributors.

In addition to these corporate organisations, Crittall-Hope also appointed some indigenous distributors who initially were also granted credit facilities. While the corporate bodies do pay promptly until a decade ago the indigenous organisations do default in payment. Thus the credit facilities have been withdrawn from both the corporate and indigenous organisations.

Crittall-Hope has more than adequate plant and machinery needed to fabricate the needed windows and doors. This ensured that customers delivery deadline are always met in so far as the customer has paid the required percentage of the money.

In terms of quality, Crittall-Hope is ranked as the best by the users of their products despite the presence of some nowadays competiters.

In addition to the use of distributive agents, Crittall-Hope employed few, salesmen who performs the following two main jobs;

- Collection of payments at the end of each month or completion of thirty days of credits extended to its credit customers while it lasted.

- Paying regular visits to building industry consultants like Architects, Quantity Surveyors, Building Engineers and Contractors.

In the past twenty years, Crittall-Hope has witnessed serious and persistent decline in sales. This has been found to be due largely to the following factors:

- Change in Government polices in respect of procuring foreign exchange needed for importing raw materials. In Crittall-Hope situation, over 90% of the make-up of their products are imported.

- Upward swing of the exchange rate which consequently affected the price of Crittall-Hope products thereby making it become expensive to afford to certain class of buyers.

- General depression in the Nigerian economy beginning from the eighties.

- Increase in competitors activities especially local inferior substitutes products. These imitation products through inferior in quality are sometimes mix together by contractors to use in government projects.

- Government indigenisation policies.

CHAPTER FOUR

PRESENTATION & ANALYSIS OF CRITTALL-HOPE BUSINESS METHODS

4.0 INTRODUCTION

This chapter is intended to present in detail the unique manner, which Crittall-Hope operates. The planning methods, implementation of the plans, review of achievement and failures with the aim of getting prepare for the future. The chapter also dwells on the budgeting process, the elements of the budget, examination of the markets, sources of finance, cost of such finance and management of finance.

Over the forty years of its operations, Crittall-Hope has been consistent in its manner of conducting business while adapting to the dynamic environmental influences.

From inception when the company was set up, Crittall-Windows of United Kingdom brought in more than sufficient plant and machineries. These machineries are still in use up till today. Apart from these machineries, factory and administration building that have been erected over four decades are still place and strong enough to last another fifty years.

One of the strongest factors that has ensured the survival of Crittall-Hope till date is the high emphasis placed on strategic planning and annual budgeting of operations.

Before the beginning of every year, Crittall-Hope reviews its operations and prepares new plans as detailed below:

The strategic plan is usually designed to cover three years operations, and is always prepared in third quarter for presentation at the executive seminar tri-annually held in November.

The strategic planning process is separated and made distinct from the budgeting process. The strategic plan is focussed on medium term strategic issues. The objectives are usually to fulfil three main objectives.

a) To provide a simple, strategic summary of Crittall-Hope business. This usually includes background data to substantiate the plan so that when it is passed to the Board of Directors, it makes clear understanding of the logic of the plan.

b) To set out and agree the key medium-term objectives for each business segment over the next three years.

c) To specify how each of these objectives is to be achieved, the resources required and the approximate financial impact on the company.

4.1 STRUCTURE OF THE STRATEGIC PLAN:

a) Key Objectives
The quantitative and qualitative objectives including key performance indicators are outlined e.g.

- Sales growth to be achieved
- Market shave
- Cost position
- Funds to be employed

In the year 1998 when the current strategic plan was established, it was decided that sales growth in the next three years should be a minimum of 25% annually.

BUSINESS BACKGROUND TO THE STRATEGY:

This is made to provide a clearer picture of the background against which the plan is being set. It is used in highlighting key issues like;

- Sales and Marketing;
  i) Market sizes, trends, segmentation, shares, and geographic split.
  ii) Distribution channels, structures and trends, key
  iii) Customers, new opportunities and threats.
  iv) Changing requirement of customer services
  v) Competitors analysis in terms of market share, pricing, growth, resources, strategies.
  vi) Product range, competitiveness, completeness, new products life cycles, facelifts.
  vii) Cost structure, cost drivers, relative advantages and disadvantages.

- Purchasing; key materials, suppliers and sources
- Manufacturing and Distribution: value added steps, constraints, systems and logistics.

- Personnel: management structures, key team members, development and succession plan.

- SWOT (Strength Weakness, Opportunities and Threats) Summary.

- Detailed profit and loss, balance sheet and cash flow figures showing sources of sales increases, the impact on margins and the effect on manufacturing cost.

- Evaluation of the risks and sensitivities to major changes in the assumption.

4.2 BUDGETING PROCESS:

The preparation of budget in Crittall-Hope is an annual event. It represents the qualification of the approved objectives contained in the first year of the strategic plan and it is designed:

- To enable Crittall-Hope to plan the short-term development of its business so that maximum profitability is attained by full utilization of all the resources available to it.

- To provide a performance yardstick against which actual achievement can be measured and

- To provide a mechanism to highlight significant variances from budgeted performance so that corrective action can be taken quickly where appropriate.

To underscore the importance of the annual budget in Crittall-Hope, the ultimate responsibility for the preparation of the annual budget lies with the Managing Director with the active participation of top management personnel. The annual budget as agreed by the Company Chairman must be circulated to all Directors at least two weeks prior to the December Board Meeting.

The annual budget usually contains the following Assumptions and key financial information:

- Budget commentary
- Performance summary
- Profit and Loss Account.
- Balance sheet
- Cash flow statement
- Quarterly working capital
- Capital Expenditure
- Product line Analysis
- Market share Analysis

CRITTALL-HOPE NIGERIA LIMITED

STRATEGIC PLAN

PERIOD COVERED 1994 -1998

	1998	1997	1996	1995	1994
Sales	N135.0m	121.0m	100.00	80.0m	65.0m
Materials Cost/% Sales	45%	45%	45%	45%	45%
Operating Profit	40.0m	36.0m	29.0m	23.0m	19.0m
Return on Sales	29%	29%	29%	29%	29%
Average Employee Nos.	120	115	111	105	100
Sales per Employee	1.125	1.05m	0.9m	0.76m	0.65m
Employee costs/% sales	10%	10%	10%	10%	10%
Fixed Assets @ Year end	N130m	125m	120m	190m	190m
Working Capital @ Year end	N2.0m	2.0m	1.75m	1.5m	1.25m
Return on funds employed	25%	25%	20%	20%	20%
Capital Expenditure					
Requested/Approval	5.0m	5.0m	5.0m	10.0m	-

SALES GROWTH

Volume Increase (Decrease)	25%	25%	25%	20%	20%
Price increase	10%	15%	15%	15%	10%

COST DRIVERS

Row Materials	10%	15	15	10	10
Employee Cost	20%	20	20	15	15

MARKET SHARE ANALYSIS

Crittall-Hope	20%	24%	31%	30%	28%
Others	80%	76	69	70	72

ACTUAL FINANCIAL SUMMARY

PERIOD 1994 – 1998

	1998	1997	1996	1995	1994
Sales	N119.0m	N72.0m	N67.0m	N60.0m	N48.0m
Material cost to sales	44.3%	45%	42.8%	43.4%	47%
Operating Profit	24.0m	13.0m	10.05m	12.0m	7.0m
Return on sales	20%	18%	15%	20%	14.6%
Average Employee Nos.	114	110	94	98	96
Sales Per Employee	N1.04m	0.65m	0.71m	0.61m	0.5m
Employee Cost per Sales	11%	9.4%	12%	10%	11%
Fixed Assets at year end	N60.8m	59.1m	57.7M	59.4M	63.8M
Working capital-Year end	N4.8m	3.5m	3.0m	3.1m	2.0m
Returns on Fund employed	36.8%	20.8%	16.6%	19.2	10.64m

SALES GROWTH

Volume Increase/Decrease	18%	15%	14%	26%	19%
Price Increase	5%	5%	-	-	10%

COST DRIVERS

Raw Materials	8%	5%	4%	5%	5%
Employee Cost	11%	9.4%	12%	10%	11%

COMPARISON OF CRITTALL-HOPE 1994 – 1998 STRATEGIC PLAN TO ACTUAL ACHIEVED BETWEEN 19994 – 1998

(i) SALES

	1998	1997	1996	1995	1994
PLAN	N135.0m	121.0m	100.0m	80.0m	65.0m
ACTUAL	N119.0m	72.0m	67.0m	60.0m	48.0m
% ACHIEVED	88.15%	59.5%	67.0%	75%	73.8%

(ii) OPERATING PROFIT

PLAN	N40.0m	36.0m	29.0m	23.0m	19.0m
ACTUAL	N24.0m	13.0m	10.05m	12.0m	7.0m
% ACHIEVED	60%	36.11%	34.6%	52.17%	36.8%

(iii) RETURNS ON SALES

PLAN	29%	29%	29%	29%	29%
ACTUAL	20%	18%	15%	20%	14.6%
DIFF.	- 9%	- 11%	- 14%	- 9%	- 14.4%

(iv) SALES GROWTH

PLAN	25%	25%	25%	20%	20%
ACTUAL	18%	15%	14%	26%	19%
DIFF.	- 7%	-10%	- 11%	+ 6%	- 1%

(v) RETURNS ON FUNDS EMPLOYED

PLAN	25%	25%	20%	20%	20%
ACTUAL	36.8%	20.8%	16.6%	19.2%	10.64%
DIFF.	+ 11.8%	- 4.2%	- 3.4%	- 0.8%	9.36%

CRITTALL-HOPE NIGERIA LIMITED

BUDGETED BALANCE SHEET

ASSETS EMPLOYED N'm	1999 ESTIMATE N'm	N'm	1998 ACTUAL N'm	N'm
FIXED ASSETS				
Land & Buildings	51.0		52.4	
Plant & Machinery	13.0		3.3	
Furniture & Equipment	3.6		2.2	
Motor Vehicles	5.1		2.8	
		72.7		60.7
CURRENT ASSETS				
Stocks and Work-In-Progress	42.0		20.7	
Debtors & Payment	24.9		48.0	
Cash at bank and in hand	2.1		1.3	
	69.0		70.0	
CURRENT LIABILITY				
Trade Creditors	0.8		2.0	
Deposit by Customers	8.0		21.9	
Taxation	13.5		12.6	
Other Creditors	35.7		24.4	
	58.0		60.9	
NET CURRENT ASSETS		11.0		9.1
		83.7M		69.8
REPRESENTED BY				
Share Capital		13.6m		13.6m
Reserves		70.1		56.2
		83.7		69.8

CRITTALL-HOPE NIGERIA LTD.

BUDGETED PROFIT & LOSS

	1999 ESTIMATE	1998 ACTUAL
	N'm	N'm
Sales	148.0	119.0
Cost of Sales	(66.6)	(52.7)
Gross Profit	81.4	66.3
Administration Expenses	(20.35)	(19.5)
Trading Profit	61.05	46.8
Other Income	2.26	0.9
Profit before taxation	63.31	47.7
Taxation	(13.5)	(12.6
Profit After Taxation	49.81	35.1
Proposed Dividend	(37.35)	(26.3)
Retained Profit for the year	12.46	8.8
Earnings Per Share	N3.66k	N2.58k
Dividend Per Share	N2.75k	N1.93k

BUDGET COMMENTARY

In the period (1994 – 1998) about to be concluded, every Crittall-Hope product came out priced below average level observed for the particular size. Average percentage negative variance observed was –197. And these were fairly even across the board. Our competitors' like Aluminium City, Altec and Metalum in that order, came up with prices that topped the price echelon. Prices of General Metal Product through often higher, compared closest to Crittall-Hope prices. The observed differentials in pricing in the period reviewed is to be corrected in the new strategic plan being proposed. The table below highlights these price differentials.

	PRODUCT DESCRIPTION		UNIT PRICES (=N=)					AVG PRICE
			CHK	ALTEC	ALUM CITY	GMP	MET	
1.	Window	600h x 600W	5,760	6,062	11,960	7,279	8,959	8,006
2	"	900h x 900W	8,709	10,220	15,511.91	9,493	10,910	11,431
3.	"	900h x 1200W	10,114	12,360	17,241.02	10,588	12,277	13,019
4.		1200h x 1200w	11,911	13,980	19,301.82	12,228	13,144	14,630
5		1200h x 1500w	13,547	15,532	21,160.31	13,298	14,415	16,202
6.		1500h x 1200w	13,708	17,253	21,362.55	13,497	14,415	16,658
7.		1200h x 1800w	15,180	20,180	23,018.82	14,363	15,316	18,302
8.		1200h x 2400w	18,463	25,412	26,735.81	17,169	17,503	21,799
9.		1200h x 3000w	22,579	34,218	39,108.17	23,472	19,240	28,549
10.	Door	2100h x 1800w	22,687	33,522	36,404.58	22,221	41,386	32,999
11.		2100h x 2400w	27,165	39,300	40,583.95	25,006	44,946	37,306
12.		2100h x 3600w	43,392	57,220	53,393.03	45,230	65,089	55,626
13.		2100h x 900w	26,936	49,738	22,614.34	40,882	33,281	36,102
14.		2100h x 1800w	38,818	80,580	51,763.54	61,487	51,844	59,026
15.		2100h x 750w	12,338	27,330	22,308	-	-	20,648

Apart from the variance noted in prices, a new trend has started emerging in the industry. Focus is being shifted away from the use of steel doors and windows to aluminium doors and windows. This has resulted in the low performance of our steel section. In this new strategic plan emphasis is placed on our getting more income from the aluminium section while the steel section will not receive new investments in fixed assets etc.

In the development of aluminium section, new fashionable doors and windows that combined security and attractiveness shall be developed. Investments in modern plant and machinery to produce quality doors and windows will be made.

In order to be more competitive in the fast growing city of Abuja, a depot/office is to be opened in Abuja in 1999. This office shall ensure prompt response to potential customer's enquiries etc.

4.3 IMPLEMENTATION OF STRATEGIC PLAN & ANNUAL BUDGET:

From inception, due to benefit of hindsight of Crittall-Windows of United Kingdom, the need for an effective database information system has been identified as necessary to the operation of Crittall-Hope Nigeria Limited. Thus, this was established immediately after incorporation. The database is continually been reviewed, updated etc. It contains information listed below:

- Consultants in the building industry e.g. Architects, Quantity Surveyor, Building Engineers, Civil engineers etc.

- Distributor: their locations, financial strength, Line of products being distributed, distribution network, classification of patronage.

- On going or about to commence government capital development projects, renovations, level of developments etc.

- Building contractors.

Crittall-Hope makes use of this database in getting most of its business. Salesmen employed by the company visit on a routine basis the earlier mentioned building consultants to obtain information about government planned building projects.

Crittall-Hope makes use of this database in getting its businesses. Salesmen employed by the company visit the earlier mentioned consultants to obtain information, which are used in updating the database.

Crittall-Hope does not sell direct to ultimate users like individuals unless it is a very big order in the range of over half a million naira (in year 2000 worth). Individuals who desire to buy lower than this amount is directed to the company's distributors. The channel of distribution to ultimate users is as shown below:

CRITTALL-HOPE

DISTRIBUTORS

INDIVIDUAL USERS

CRITTALL-HOPE

BUILDING CONTRACTORS

SMALL TIME CONTRACTORS

GOVERNMENT/INDUSTRIES

INDIVIDUAL USERS

In this regard, the company offers two types of prices. These are ex-factory price or distributor price and retail price. The retail price is used to sell to all other buyers that are not distributors. Some contractors depending on their bargaining power do sometimes get concessionary prices.

Usually, the company's distributors specify the type and dimension of doors and windows, which they are interested in buying, and stocking before Crittall-Hope commences fabrication.

In the case of sales to contractors, the process is as follows: Upon the receipt of information of government intention to embark on any building projects (e.g. schools, hospitals etc.) from our sources, the company sales officers starts visiting the various consultants that are likely to be involved in such projects. This is with a view to persuading these consultants to specify Crittall-Hope products in the architectural drawings. In the same vein, prices of our products are given to Quantity Surveyors who uses these to prepare the bill of quantity that eventually determines the worth of the project.

As part of imprinting the name and products of Crittall-Hope in the mind of building consultants, the company distributes brochure to Universities/Polytechnic faculty or department of environmental studies for the use of the students.

The government projects are approved and awarded to contractors, the contractors then approaches the company to supply its products as specified in the architectural drawings. Some contractors do try to use substitute inferior products in order to make much money from the projects. This is usually nipped in the bid by Crittall-Hope closeness to the various consultants who are involved in the project from conception to completion.

In the early years of Crittall-Hope, similar products produced in Nigeria can be said to be non-existing. This gave the company an edge in the steel doors and windows in Nigeria. Notwithstanding this edge, the company places high emphasis on quality of its products.

4.4 CRITTALL-HOPE SOURCES OF FINANCE

Conventionally, the building/construction industry standard manner of transacting is that contractors must be mobilised before they will commence any activity on a particular project. These mobilisation fees allow them to pay in advance for the doors and windows needed for such projects.

At Crittall-hope, these deposits by contractors serves as a veritable source of finance for the company's operations, this eliminate the need to borrow and finance the production requirements of contractors. The pricing system is unique and made it easy for us to know the materials cost of any item from the sales price. What is usually done is that, the

total materials needed for any project is identified. The cost of the materials is ascertained. In ascertaining the cost, we consider the replacement value of materials to be used. A make-up of 50% is then added to the cost of materials. For example, if the material cost of a project is N100.00, a mark-up of 50% is added. This will now make the selling price N200.00. Our customers are usually asked to make a deposit of 70% of the selling price. This we know will cover material cost and other overheads. In the example cited, the client will be asked to deposit N140.00 before we commence fabrication of these products.

Often times upon serious and intensive negotiations, some clients are given discounts. These however, are not more than 10% of the selling price. In recent times due to intensive competition, discount of up to 20% are offered on jobs that are over N1.0m.

The supply of raw materials by Crittall-Windows of London and allowance to pay for it at a later day is of significance assistance to Crittall-Hope Nigeria Ltd. This ensures that materials are received on time and credit facility is enjoyed. Remittances are made later on to Crittall-Windows. The situation nowadays is however changing due to the state of the Nigerian economy and possibility due to operating environment in the United Kingdom. Nowadays, Crittall-Hope Nigeria Ltd. is expected to open letter of credit in favour of Crittall-Windows, London so that the materials needed can be sent to Nigeria. Notwithstanding, this change Crittall-Hope Nigeria Ltd. is still operating without overdrafts as clients are still being requested to deposit money before the commencement of fabrications.

The financial backing of Crittall-Windows of United Kingdom in the form of supplies of raw materials ensure survival of Crittall-Hope Nigeria Ltd. without borrowing from any bank in Nigeria. The imported raw materials constituted over 90% of the products components and all these are supplied by Crittall-Windows of United Kingdom.

The installation of more than adequate plant and machineries needed for production and the technical back-up by Crittall-Window played a major part in the survival of Crittall-Hope Nigeria Ltd. till date. All the machineries in the factories are those installed forty years ago. These machines are regularly maintained and kept in good condition. Faulty parts are quickly removed and replaced. Though the last report rendered by the maintenance consultants showed that the machines can still be effectively used for the

next ten years, it must be pointed out that the machines are out-of-date. There now exist in Europe modern machines that are more efficient and ensure lower operational cost.

Apart from the supply of plant and machineries, all the factories and administration buildings that have being put in place are very strong structures that are still being used and looks adequate for foreseeable future operations. Even there is still undeveloped land space in the factories.

The stoppage of credit facilities when defaults by distributors started has in no small measure help to conserve find and avoid the need to borrow from financial institution to finance debtors. One borrowing would have led to another and might possibly have been detrimental to the company's operations.

Crittall-Hope Nigeria Ltd. only produces few insignificant items to stock due largely to intimate dimensional doors and windows needs of its ultimate customers. This also avoids the need to borrow to finance inventory.

The quality of products produced by Crittall-Hope is reputed to be unique in the building industry. The raw materials (Steel) are the heavy gauge type that can last over a century without any damage. This fact is known by the professionals in the industry and therefore strives to specify the use of Crittall-Hope products in government projects.

Overall, it is necessary to point out that Crittall-Hope Nigeria Ltd. strongest factor that have ensured success and survival till today is the management's constant analysis/review of the environment, formulation of strategic plan/budget. This has continued to ensure its existence in the building industry. It is this foresight that saw to the establishment of strong structures that are necessary for success.

CHAPTER FIVE

SUMMARY, CONCLUSIONS & RECOMMENDATIONS

5.0 INTRODUCTION

Every business organisation has unique manner in which it is being managed despite the fact that all businesses are faced with the same changing environmental factors with different relevance. This chapter summarizes, concludes and makes some recommendations on the basis of the study.

5.1 SUMMARY & CONCLUSIONS:-

The study of Crittall-Hope Nigeria Ltd. operations in the last forty years showed that it is possible for business organisations to survive and operate successfully without borrowing from any financial institution. It is however important to realise that a company will only find it easy in this manner if it is well managed and technically and financially supported by non-financial institutions.

It can also be seen that a company that seeks to operate with only its fund may not expand or the expansion may be slow. Usually, as companies expand, the needs for additional finance do come about. Most of the time the owners are always unable to provide such additional capital and hence needs to borrow to finance such expansion. Crittall-Hope Nigeria Ltd. has not really expanded in terms of physical structures since its inception.

A Company that has no debt capital is not faced with financial risk but only business risk. As Crittall-Hope has no debt capital, the risk of its being liquidated by any creditor is remote. Little loans turns gradually into big loans which if not well utilized or mismanaged by business miscalculations can distress a business. In this, a company that is geared is a risky company while an ungeared company is a riskless company.

Virtually all businesses operate with one debt or the other. It is either funds are directly collected from the financial institutions or materials are collected on credits from one supplier or the other to be paid for at an agreed later date. Empirical studies have shown that over 98% of businesses enjoy one form of trade credit or the other.

5.2 RECOMMENDATIONS

The factor that determines the survival of an organisation is not limited to finance alone. In fact, many companies are not lacking in availability of finance but yet the management or harmonisation's of this finance with other managerial functions have been the reason for their stagnancy or failure.

Crittall-Hope Nigeria Ltd. has survived the past forty years without direct borrowing from finance institution. To survive another forty years and more, the following are recommended

Modernisation of Production Process

Crittall-Hope should begin the process of phasing out his production plants so as to replace them with modern production machines. The present machines in use are those installed at the commencement of Crittall-Hope operation in Nigeria. Though these machines are still in working conditions, they are aged and the cost of maintaining them is high. The replacement with new machines will reduce production cost, higher product quality, shorter production time etc.

Environmental Analysis & Strategic Planning

Crittall-Hope should continue to devote special attention to environmental analysis and strategic planning, as it is one of the keys to the survival and growth of business organisations.

The corporate objectives should be continuously reviewed to determine whether it is still in line with the current realities and environmental changes. For instance, when Crittall-Hope started its operations in the North, there was no competing manufacturer. Over the years other manufacturers have established their business in the North.

The more energy Crittall-Hope pays to environmental analysis, the greater its capability to survive the next four decades and beyond.

Development of New Products

Crittall-Hope should develop new products that combine security with fashion. Presently, many of Crittall-Hope products are those steel doors and windows that the company started with forty years ago when its operations were commenced. When these products were started, the overriding focus was on producing doors and windows that provide security.

Management Information System

Crittall-Hope should continue to maintain and utilize its management information system, as it is a critical element in the effective management of business. Data should be updated timely, reviewed and made use of for decision making.

Crittall-Hope should for this purpose invest in information technology equipments that will ensure fast processing and generating of management information.

In addition Crittall-Hope should establish a system that will ensure that only relevant information is processed and not just any information. Access to confidential information should be restricted to authorised users alone.

5. **Corporate Finance**
Crittall-Hope should consider the use of more short-term loan to finance its working capital rather than relying on its internally generated fund and trade credits. The use of short-term loan to finance working capital will enable the company to produce some standardized items to stock. This will ensure that customers are promptly responded to instead of making them to wait for days or weeks.

6. **Injection of Long-Term Funds**
Owners of Crittall-Hope should inject long-term funds into the business or allow management to source for long-term funds that can be used to procure new machineries. The introduction of new machineries as pointed out earlier will benefit the company.

7. **Personnel Administration**
Crittall-Hope should continue with its present method of recruiting its employees based on merit. This have been ensuring that the right candidate have been taken for the right position.

To ensure dedication of employees competitive in addition to the development of training and welfare programmes.

8. **Appointment of Distributors**
Crittall-Hope should widen its market by appointing more distributors for its products. This will ensure that its products got to more users.

9. **Technical Support**
In the past forty years, the importance of technical support to Crittall-Hope has been tremendous. In fact the foreign technical support has been the backbone of Crittall-Hope in this vein closer collaboration should be maintained with the foreign technical partners.

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