EFFECT OF STRATEGIC BUSINESS UNITS ON ORGANIZATIONAL PROFITABILITY OF SELECTED MANUFACTURING COMPANIES IN SOUTH EAST, NIGERIA

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Abstract

The effect of Strategic Business Units (SBU) on Organizational profitability in selected manufacturing Companies in South-East, Nigeria critically assessed the impact of Strategic Business Units on Organizational Profitability over time. The study sought to: (i) ascertain the extent to which Strategic Business Units affect productivity, (ii) determine the extent to which Strategic Business Units enhance profitability in selected manufacturing companies in South East, Nigeria. The methodology adopted was descriptive Survey design. The study had a population of 500 drawn from five selected manufacturing companies in South East, Nigeria which was purposively used for the sake of convenience, concern and commitment of the respondents. Out of the 500 Questionnaires distributed, 493 were returned which represents 98.60% return rate which was used for the study. Primary data collection was done with the questionnaire designed on a 5 point Likert scale and Oral Interviews. Data was analyzed using tables and percentages. The test of hypothesis was done using the Chi Square Statistics and Pearson Product Moment Correlation test. Findings reveal that Strategic Business Units significantly ($P < 0.05$) enhance profitability in the selected manufacturing companies. The conclusion of this research is that there is a significant relationship between Strategic Business Unit, productivity and profitability in the selected manufacturing companies in South East, Nigeria. The study recommends the adoption of Strategic Business Units in enhancing the productivity and profitability of manufacturing companies for improved return on investment for Stakeholders in a competitive Business Environment.

Keywords: *Strategic Business Units, Profitability, Productivity, Strategic Planning.*

1.1 Introduction

Until the 1940s, strategy was seen as primarily a matter for the military. Military history is filled with stories about strategy. Almost from the beginning of recorded time, leaders contemplating battle have devised offensive and counter-offensive moves for the purpose of defeating an enemy. The word strategy derives from the Greek for generalship, *strategia*, and entered the English vocabulary in 1688 as *strategie*. According to James' 1810 Military Dictionary, it differs from tactics, which are immediate measures in face of an enemy. Strategy concerns something "done out of sight of an enemy." Its origin can be traced back to Sun Tzu's *The Art of War* from 500 BC. Over the years, the practice of Corporate strategy has evolved through five phases (each phase generally involved the perceived failure of the previous phase). These include: Basic Financial Planning (Budgeting), Long-range Planning (Extrapolation), Strategic (Externally Oriented) Planning, Strategic Management, Complex Systems Strategy: Complex Static Systems or Emergence and Complex Dynamic Systems (Vijaykumar, 2009).

Chandler (1962) also stressed the importance of taking a long term perspective when looking at the future in his work '*strategy and structure*'. He opined that a long term coordinated strategy was necessary to give a company structure, direction and focus. This core idea is developed into what is now called "*SWOT Analysis*" at the Harvard Business School. Strengths and weaknesses of the firm are assessed in the light of the opportunities and threats from the Business environment. *Ansoff (1965)* builds on Chandler's work by adding a range of strategic concepts and inventing a whole new vocabulary. He developed a strategy grid that compared market penetration strategies, product development strategies, market development strategies, horizontal and vertical integration and diversification strategies. He felt that he could use these strategies to systematically prepare for future opportunities and challenges.

The management of diversified organizations requires new techniques and new ways of thinking. The first Chief Executive Officer (CEO) to address the problem of multi-divisional Company was "*Alfred Sloan*" at General Motors. It was decentralized into Semi – Autonomous "*Strategic Business Units (SBU's)*" but with centralized support functions (Sloan, 1964).

Lamb (1984) describes strategic Business Unit as a unit that evaluates and controls the business and the industries in which the company is involved. It assesses its competitors, sets goals and strategies to meet all existing and potential competitors and then re-assess each strategy annually or quarterly to determine how it has been implemented and whether it can succeed or needs replacement by a new strategy to meet changing circumstances, new technology, new competitors, new Economic environment or a new social financial or political environment.

1.2 Statement of the Problem

The turbulent nature of Nigeria business environment has resulted in poor performance of most of the manufacturing businesses making their products of poor quality and consequently lacks competitiveness. It is estimated that the manufacturing sector in Nigeria has to bear additional indirect costs of sales because of bottlenecks in the business environment.

Strategic Business Units are into manufacturing, and thus is susceptible to the challenges facing the manufacturing businesses in Nigeria. These include: epileptic power supply; the country's deficient infrastructure; credit squeeze; low purchasing power; high financing cost in the financial market and poor performance which affects investments.

Therefore, in view of these challenging environmental factors on manufacturing companies in respect to their Parent Companies and their estimated morbidity rate which is highly consequential cannot be ignored. Their products are less competitive and sustainability is threatened as a result of poor performance, this study is embarked upon to reverse this trend through the strengthening of their Strategic Business Units which will enhance efficiency in the manufacturing sector.

1.3 Objectives of the Study

The study objective is on the effect of Strategic Business Units (SBU) on Organizational Profitability of Selected Manufacturing Companies in South-East, Nigeria while the specific objectives of the study are as follows:

1. To ascertain the extent to which Strategic Business Units affect productivity of selected manufacturing companies in South East, Nigeria.
2. To determine the extent to which Strategic Business Units enhance profitability in selected manufacturing companies in South East, Nigeria.

1.4 Research Hypotheses

The following hypotheses were proposed to guide this research. They are equally in line with the objectives of this study. The hypotheses that are as follows;

H_1 Strategic Business Units significantly enhance the improvement of productivity in selected manufacturing companies in South East, Nigeria.

H_2. Strategic Business Units promotes profitability in selected manufacturing companies in South East, Nigeria.

REVIEW OF RELATED LITERATURE

2.1 Conceptual Framework of Strategic Business Unit (SBU)

According to Hill and Jones (2009) the global division monitors and controls the overseas subsidiaries that market the products and decides how much authority to delegate to managers in these countries.

This arrangement of tasks and roles reduces the transaction of managing head offices across countries and world regions. However, managers abroad are essentially under the control of managers in the global division, and if domestic and overseas Managers compete for control of strategy making, conflict and lack of co-operation may result. Companies such as IBM, Citibank and Daimler Chrysler have experienced this problem. Very often, significant strategic control has been decentralized to overseas divisions. When cost pressures force corporate managers to re-assess their strategy and they decide to intervene, such intervention frequently provokes resistance, much of it due to difference in culture, not just corporate but also Country differences.

Implementing a global standardization Strategic Business Unit

When a company embarks in a global standardization Strategic Business Units today, it locates manufacturing and other value chain activities at the global location that will allow it to increase efficiency, quality and innovation. In doing so, it has to save the problems of coordinating and integrating its global value chain activities. (Hill & Jones 2009)

It has to find a structure that lowers the bureaucratic costs associated with resource transfer between corporate headquarters and its overseas divisions and provides the centralized control that a global standardization strategy requires. The answer for many companies is a global product group structure. In this structure, a product group headquarters is created to coordinate the activities of a company's home and overseas operations. The managers at each product group headquarters decide where to locate the different functions.

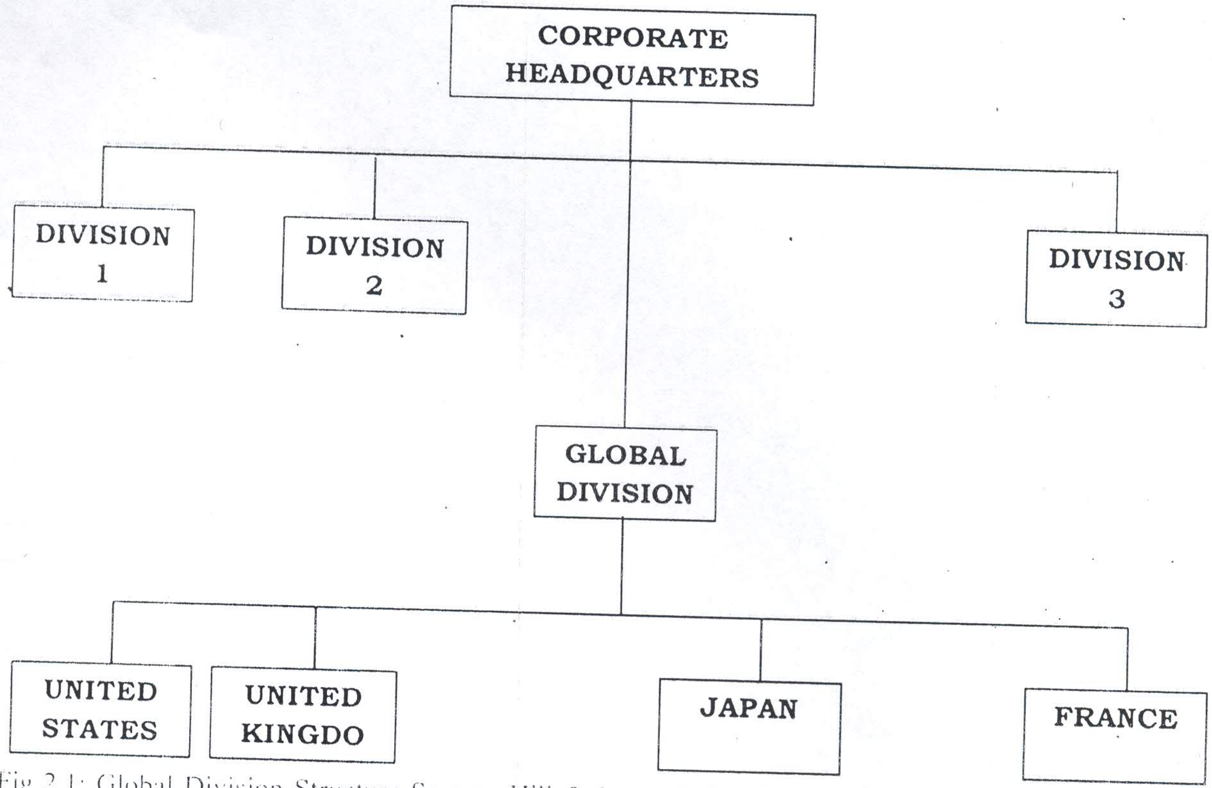

Fig 2.1: Global Division Structure Source: Hill & Jones (2009) *Strategic Management Approach*, New York, Cengage Learning.

2.2 Theoretical Framework

The Resource-Based View

Financial resources include the firm's monetary sources and abilities to fund its operations.

Physical resources involve the company's property, plants, and equipment, as well as its ability to obtain raw materials. Human resources consist of the experience, backgrounds, and capabilities of the firm's personnel. Intellectual resources are comprised of the firm's knowledge and learning abilities that allow it to stay innovative and competitive. Finally, the general resources of the firm vary between business and industries, but some examples include the company's culture, internal processes, management techniques, relations with suppliers, and organizational structure (Gregory 2015).

The resource-based view attempts to help companies identify the resources it controls that can lead to the creation of a sustainable competitive advantage. However, these resources must contain some intrinsic value. A resource is considered valuable if it is unique, difficult to imitate, and difficult to substitute. If a single firm, or only a limited number of firms, possess a resource that is impossible or costly to imitate, competitors find themselves at a disadvantage. Firms need to focus on this resource and fully exploit it. If done correctly, the resource should lead to a sustainable competitive advantage that offers the firm above-average performance for an extended period of time.

The Stakeholder View

The stakeholder view of a firm takes into account all internal and external groups that have an interest in a firm's operations. These stakeholders are directly impacted by the decisions and actions of the company. Common stakeholders include the organization's shareholders, management, employees, suppliers, customers, special interest groups, local communities and local governments.

With this perspective, organizations need to participate in two activities, stakeholder analysis and stakeholder management.

Stakeholder analysis involves identifying the particular company's stakeholders, evaluating their wants, needs, and ideas, and assimilating their contributions into the firm's strategic management processes. The stakeholder view intends for firms to evaluate the impacts of their actions on stakeholders and recognize the potential consequences from their strategic decisions.

However, an important aspect of this analysis requires the firm to prioritize certain stakeholders over others. For instance, management needs to pay more attention to the needs of the firm's shareholders than a special interest group trying to further their ideals. This can often be a difficult task given the large numbers of stakeholders many companies have; however, organizations need to recognize the stakeholders who are most important to the firm's success, and prioritize them accordingly.

The stakeholder view also requires firms to engage in stakeholder management. This process involves managing the firm's relations with stakeholders through communication, negotiation, and contracting. Moreover, motivating different groups of stakeholders to act in ways that benefit the firm, as well as its other stakeholders, is an important aspect of stakeholder management. Maintaining good working relations with internal and external stakeholders has resulted in increased performance and decreased risk for many organizations. Therefore, participating in this process increases the likelihood of a firm creating a sustainable competitive advantage.

The resource-based and stakeholder views are not competing perspectives, rather they are simply processes for organizations to identify or create competitive advantages. Companies depend on their stakeholders to obtain and develop their resources. Being in good standing with these stakeholders increases the probability for the company to receive more beneficial terms from arrangements. For instance, a supplier might offer a better price for the goods and services it provides, or a retailer may push a firm's product over a competitor's.

2.3 Empirical Review

To ascertain the extent to which Strategic Business Units affect productivity of Manufacturing Companies.

Walkman (2009) in a research to check the extent to which Strategic Business Units affect productivity in manufacturing companies confirms that there is a significant relationship between Strategic Business Units and productivity of manufacturing companies. He asserts that the three most important characteristics of any Strategic Business Unit are Competitiveness, Strategy and Productivity. Competitiveness describes how an organization meets the needs and wants of customers compared to the competitors of the organization, in other words demand. Strategic Business Units help organizations achieve their goals by using tactics, which are the methods and actions taken to accomplish its strategies. Lastly, Productivity helps Strategic Business Units know what materials are used effectively. Productivity = Output (Goods and Services) / Input (Labour, materials, energy and other resources). He affirms that productivity measures are useful for tracking a Strategic Business Units performance overtime. and judging the performance of an entire industry or Country. Productivity is a measure of the effective use of resources, usually expressed as the ratio of output to input. It is an important ingredient of Organizational and Functional level Strategies. A successful Strategic Business Unit must work hard to improve and grow its revenue base by ensuring that goods and services are produced in a cost effective manner.

Hill and Kent (2011) in their research on the impact of Strategic Business Units and productivity of manufacturing companies conclude that Strategic Business Units are more productive and innovative than mere work groups in an organization. They produce results that exceed what groups of individuals can do through simple cooperation and coordination. Such results reflect a "team effect"; members perform better when they feel they are part of a productive Strategic Business Unit. The root of this benefit is members' strong mutual commitment to their joint work. The commitment creates compelling social and emotional bonds among members, who come to believe that "we will all succeed or fail together and that no one can succeed if the team fails. In every team "we" triumphs over "I". Unless you have been part of a team yourself, it is hard to understand the exhilaration produced by this sense of what "we" can accomplish together.

The study by Jeff (2009) on Strategic Business Units and productivity concludes that one of the most important parts of running a successful business is that you need to have a viable Strategic Business Unit. Not only that you want your business organized in a way that your Strategic Business Unit can be most effective. Making sure of this can be tricky but it has to happen if your business is going to be successful. The reason that you need to make sure that you have a good organization and Strategic Business Units for your business is that it will keep things running smoothly. It will ensure that everybody knows what they are supposed to be doing and what goals of the business are. This will keep everyone on the same page and working towards the same goals. Most companies know that they need to have a good Strategic Business Unit to drive organizational productivity.

To determine the extent to which Strategic Business Units enhance profitability in Manufacturing Companies

A research by Hofstrand (2014) on Strategic Business Units and profitability confirms that a business that is not profitable cannot survive. Whether you are recording profitability for the past period or projecting profitability for the coming period, measuring profitability is the most important measure of the success of a Strategic Business Unit. Conversely, a Strategic Business Unit that is highly profitable has the ability to reward its owners and parent companies large return on their investment. Enhancing profitability is one of the most important tasks of SBU Presidents. Strategic Business Unit Presidents constantly look for ways to grow the business to improve profitability. These potential changes can be analyzed with a pro forma income statement or a partial budget. Partial budgeting allows you to assess the impact on profitability of a small or incremental change in the business strategies before it is implemented.

Equally subscribing to the same view on Strategic Business Units and profitability, Mankins and Steele (2005) in their work on Turning Great Strategy into performance agrees that Strategic Business Units enhance profitability of manufacturing companies. They came to the conclusion that a select group of high performing companies have managed to close the Strategy to Performance gap through better planning and execution. These companies developed realistic plans that are solidly grounded in the underlying economics of their markets and then use the plans to drive execution. Their disciplined planning and execution processes make it far less likely that they will face a shortfall in actual performance. If they do fall short, their processes enable them to discern the cause quickly and take corrective action. While these companies' practices are broad in scope, ranging from unique forms of planning to integrated processes for deploying and tracking resources. Experience suggests that they can be applied by any Strategic Business Unit to help craft great plans and turn them into great performance. Their research affirms that companies on average deliver only 63% of the financial performance their Strategies promise. Leaders then pull the wrong levers in attempts to turn around Performance, pressing for better executions when they actually need a better Strategy and Strategic Business Units, or opting to change direction when they should really focus the Organization on execution. This results in wasted energy, lost time and continued under Performance. A confirmation of the above views on Strategic Business Units and profitability was collaborated by Tzeng, Chiang and Lee (2006) in their work on Market orientation, Service Quality and Business Profitability maintain that Strategic Business Units enhances profitability. They conclude that due to the variety of organizational tasks, obviously, elements and component of Profitability and its assessment should be varied and tailored to each Strategic Business Unit. Therefore, it is essential that the components and criteria of the Profitability evaluation are based on the objectives, intentions, plans and tasks description and activities of each Strategic Business Unit. It means that in the Organizations Profitability evaluation of each Strategic Business Unit must be tailored to its specific Organization approach.

Another Study by Orji, Akhimien, Solomon and Ikegwuiro (2016) on Assessing Brand Equity and Customer Satisfaction as Tools for Profit Optimization in Nigeria revealed that there is a relationship between brand equity and customer satisfaction and Nigerian companies' performances, the company's promotional activities have effect on customer's level of product satisfaction, and their marketing activities directly optimize profitability.

3.1 Methodology

Survey design method was used for the study and the sources of data used for the study were both from Primary and Secondary sources. The primary data were collected through questionnaire administration while the secondary data were obtained from journals, textbooks and the internet. The questionnaire was designed in a 5 point likert scale format. The study had a population of 500 drawn from five selected manufacturing companies in South East, Nigeria. The sampling procedure adopted is the simple random sampling procedure. Out of the 500 Questionnaire distributed, 493 were returned while 7 were not returned. The 493 returned which represents 98.60% return rate was used for the study. The population covered in this study was drawn from the following five companies. They are Tonimas Oil (Abia: 90), Pokobros Oil and Gas (Anambra: 98), Innoson Technical (Enugu: 120), Orange Drugs Nigeria Limited (Onitsha: 92), and Camela Vegetable Oil (Imo: 93).

4.1 Data Analysis

The data obtained from the field study were analyzed using a set of techniques. First the frequency distribution table and simple percentages were used to analyze research questions while Pearson Product Moment Correlation technique and chi-square statistics were used to test the hypothesis.

Table 4.1: To ascertain the extent to which Strategic Business Units affect Productivity of Manufacturing Companies.

S/N	Questionnaire Items	SA 5	A 4	U 3	D 2	SD 1	N	X	STD	REM
1.	Strategic business units aids organizational performance	190 (38.54%)	103 (20.89%)	0 (0%)	92 (18.66%)	108 (21.91%)	493	3.58	1.05	Accept
2.	Strategic business units aids organizational growth	150 (30.43%)	133 (26.89%)	3 (0.61%)	110 (22.31%)	97 (19.68%)	493	3.63	4.53	Accept
3.	Strategic business units aids organizational expansion	145 (29.41%)	105 (21.30%)	40 (8.11%)	99 (20.08%)	104 (21.09%)	493	3.34	1.24	Accept
4.	Strategic business units are useful in strategic planning	130 (26.36%)	160 (32.45%)	3 (0.60%)	90 (18.25%)	110 (22.31%)	493	3.67	1.16	Accept
5.	Strategic business units help in maintaining product market size	172 (34.88%)	111 (22.51%)	4 (0.81%)	97 (19.67%)	109 (22.10%)	493	3.56	1.08	Accept

The position of the respondents in the above table 4.1 shows that 103 respondent or 20.89% and 190 respondent or 38.54% agree and strongly agree respectively that Strategic Business Units aids organizational performance while 92 respondents (18.66%) and 108 respondents (21.91%) disagree and strongly disagree to the fact that Strategic Business Units aids organizational performance. Nobody remained undecided. In another circumstance 26.98% or 133 respondents and 30.43% or 150 respondents agree and strongly agree respectively that Strategic Business Units aids organizational growth while 110 or (22.31%) respondents and 97 or (19.68%) respondents disagree and strongly disagree respectively that Strategic Business Units aids organizational growth. 3 respondents or 0.61% remained undecided.

105 respondent represented by 21.30% and 145 respondents represented by 29.41% agree and strongly agree respectively that Strategic Business Units aids Organizational expansion while 99 (20.08%) and 104

or (21.06%) respondents disagree and strongly disagree respectively that strategic business units aids organizational expansion. 40 respondents or 8.11% remained indifferent. In the table also 160 (32.45%) respondents and 130 (26.36%) respondents respectively agree and strongly agree that Strategic Business Units are useful in Strategic Planning while on the contrary 90 (18.25%) respondents and 110 (21.31%) respondents disagree and strongly disagree respectively that Strategic Business Units are useful in strategic planning. 3 or 0.60% of the respondents had no indication.

In another development, 111 (22.51%) respondents and 172 (34.88%) respondents respectively agree and strongly agree that Strategic Business Units helps in maintaining product market size while 97 or (19.67%) of the respondents and 109 or (22.10%) of the respondents respectively disagree and strongly disagree that Strategic Business Units helps in maintaining product Market size. 4 respondents or 0.81% remained indifferent.

At the least Standard derivation of 1.05 more respondents opined that Strategic Business Units affects productivity of manufacturing companies.

Table 4.2: To determine the extent to which Strategic Business Units enhance profitability in manufacturing companies.

S/N	Questionnaire Items	SA 5	A 4	U 3	D 2	SD 1	N	X	STD	REM
1.	Strategic business units help in the introduction of a new product line.	150 (30.42%)	140 (28.39%)	0 (0.0)	100 (20.28%)	43 (8.72%)	493	3.69	11.11	Accept
2.	Strategic business unit can be used in demand management	185 (37.52%)	105 (21.29%)	2 (0.40%)	99 (20.08%)	102 (20.68%)	493	3.63	1.17	Accept
3.	SBU's can be used in responding quickly to customer requests	153 (31.03%)	130 (26.36%)	0 (0.0%)	111 (22.51%)	99 (20.08%)	493	3.63	1.05	Accept

4.	SBU's can be useful in economic value added to organization fjances	192 (38.4%)	101 (20.48%)	0 (0.0%)	96 (19.47%)	104 (21.09)	493	3.58	1.03	Accept
5.	SBUS can be used in optimizing cost for the organization	158 (32.04%)	132 (26.77%)	0 (0.0%)	93 (18.86%)	110 (22.31%)	493	3.65	1.09	Accept

The distribution of responses in the above table 4.2 reveals that 140 respondents or 28.39% and 150 respondents or 30. 42% agree and strongly agree respectively that Strategic Business Units helps in the introduction new product line. In the contrary 100 respondents or 20.28% and 43 respondents or 8.72% disagree and strongly disagree respectively that Strategic Business Units helps in the introduction of new product line. The percentage that had no indication is nil.

In another instance, 105 respondents being represented by 21.29% and 185 respondents being represented by 37.52% agree and strongly agree respectively that Strategic Business Units can be used in demand management. In a divergent view, 99 or 20.08% of the respondents and 102 or 20.68% of the respondents disagree and strongly disagree respectively that Strategic Business Units can be used in demand management. Only 2 respondents or 0.40% had no indication.

130 respondents (26.36%) and 153 respondents (31.03%) agree and strongly agree respectively that SBU can be used in responding quickly to customers requests. On the contrary, 111 respondents or 22.31% and 99 respondents or 20.08% disagree and strongly disagree that SBU can be used in responding quickly to customers requests. Nobody is indifferent.

With a percentage number of 20.48%, 101 respondents and 192 respondents or 39.94% agree and strongly agree respectively that Strategic Business Units can be useful in economic value added to organizational finances. Following this, 96 respondents or 19.47% and 104 respondents or 21.09% respectively disagree and strongly disagree that Strategic Business Units can be useful in economic value added to organizational finances. All respondents indicated nil for undecided. In another development, 132 respondents (26.77%) and 158 respondents (32.04%) agree and strongly agree respectively that Strategic Business Units can be used in optimizing cost for the organization. Again 93 respondents, represented by 18.86% and 110 respondents represented by 22.31% disagree and strongly disagree that Strategic Business Units can be used in optimizing cost for the organization. Nobody remained indifferent.

The least Standard derivation of 1.03 suggests that more respondents are of the view that Strategic Business Units can be useful in economic value added to organizational finances.

Test of Hypothesis

The test of hypothesis was done using Pearson Product Moment Correlation test for hypothesis one while Chi square statistics was used to test hypothesis two.

Hypothesis one

Ho: There is no significant relationship between Strategic Business Units and productivity in the selected manufacturing companies

HA: There is significant relationship between Strategic Business Units and productivity in the selected manufacturing companies.

To test these hypotheses, the Pearson product moment correlation coefficient is applied hence it is a parametric test and is the most sensitive measure of correlation. The raw score method was used in which the raw score formular for computing the Pearson product moment correlation coefficient (Y) is given by

$$r = \frac{N\sum xy - \sum x \sum y}{\sqrt{[N\sum x^2 - (\sum x)^2][N\sum y^2 - (\sum y)^2]}}$$

The above hypothesis was tested at 0.05 level of significance.

Where N = Number of cases

X = Variable factor X in the population.

y = Variable factor Y in the population.

Data generated from two groups of respondents (ie Lower/Middle cadre staff and Management staff) which answered the research question (Are strategic business units relevant in the productivity of manufacturing companies?) were used to analyse this hypothesis in which the researcher had already hypothesized on the null hypothesis. Consequent upon this, the computation follows:-

Computation of the Pearson 'r' using the raw score method.

S/N	Options	SBU (X)	Productivity (Y)	X^2	Y^2	XY
1.	High	50	39	2500	1521	1950
2.	Very High	61	51	3721	2601	3111
3.	Exceedingly High	67	59	4489	3481	3953
4.	Low	47	34	2209	1156	1598
5.	Very Low	30	12	900	144	360
6.	Exceedingly Low	37	6	1369	36	222
	Totals	$\sum = 292$	$\sum = 201$	$\sum = 15188$	$\sum = 8939$	$\sum = 11194$

The value of N = 6

$\sum X = 292$

$\sum y = 201$

$\sum X^2 = 15188$

$\sum y2 = 8939$

$\sum Xy = 11194$

Substituting in the formular

$$r = \frac{6 \times 11194 - 292 \times 201}{[6 \times 51588 - (292)^2][6 \times 8939 - (201)^2]}$$

$$r = \frac{8472}{8808.99} = 0.96$$

r = 0.96

This value (0.96) signifies a very strong positive relationship between the two variables X and y. hence the correlation coefficient 'Y' = 0.96; to test for the hypothesis, the table value of the Pearson product moment correlation coefficient will be determined at 5% significant level and at N – 2 degree of freedom (DF) in which N = 6; DF is therefore 6 -2 = the table value at 0.05 significant level and DF of 4 = 0.8114.

Decision: The computed Y (0.96) is greater than the critical value (0.8114) for two tailed test at 0.05 significant level. There is very reason to reject the null hypothesis and conclude that there is significant relationship between Strategic Business Units and productivity in the selected manufacturing companies.

Test of Hypothesis Two:

Ho: To a great extent. Strategic Business Units cannot be used to enhance profitability in the selected manufacturing companies.

HA: To a great extent. Strategic Business Units can be used to enhance profitability in the selected manufacturing companies.

The chi-Square statistics (X^2) was used in the computation of the result at 0.05 level of significance. Data for this computation will be drawn from the respondent's opinion on the extent Strategic Business Units can be used to enhance profitability in the selected manufacturing companies.

Test of Hypothesis Two

S/N	Options	Lower/Middle cadre (X)	Management cadre	Total
1.	Agree	72	23	95
2.	Strongly Agree	46	50	96
3.	Disagree	67	51	118
4.	Strongly Disagree	65	47	112
5.	Undecided	42	30	72
	Total	292	201	493

2nd Contingency table

S/N	Options	Lower/Middle cadre (X)		Management cadre		Total
1.	Agree	Fe = 56	Fa = 72	Fe = 39	Fa = 23	95
2.	Strongly Agree	Fe = 57	Fa = 46	Fe = 39	Fa = 50	96
3.	Disagree	Fe = 70	Fa = 67	Fe = 48	Fa = 51	118
4.	Strongly Disagree	Fe = 66	Fa = 65	Fe = 46	Fa = 47	112
5.	Undecided	Fe = 43	Fa = 42	Fe = 29	Fa = 30	72
	Total	292		201		493

Note: Fe = Observed frequencies

Fe = Expected frequencies

$$\text{Expected frequency} = \frac{\text{Row total X column total}}{\text{Total}}$$

$$Fe = \frac{95 \text{ X } 292}{493} = 56 \qquad Fe = \frac{95 \text{ X } 201}{493} = 39$$

$$Fe = \frac{96 \text{ X } 292}{493} = 57 \qquad Fe = \frac{96 \text{ X } 201}{493} = 39$$

$$Fe = \frac{118 \text{ X } 292}{493} = 70 \qquad Fe = \frac{118 \text{ X } 201}{493} = 48$$

$$Fe = \frac{112 \text{ X } 292}{493} = 66 \qquad Fe = \frac{112 \text{ X } 201}{493} = 46$$

$$Fe = \frac{72 \text{ X } 292}{493} = 43 \qquad Fe = \frac{72 \text{ X } 201}{493} = 29$$

3rd Contingency Table for Chi-square determinant

Fa	Fe	Fa-Fe	$(Fa-Fe)^2$	$\frac{(Fa-Fe)^2}{Fe}$
72	56	16	256	4.57
23	39	-16	256	6.56
46	57	-11	121	2.12
50	39	29	841	21.56
67	70	-17	289	4.13
51	48	3	9	0.19
65	66	-1	1	0.02
47	46	1	1	0.02
42	43	-1	1	0.02
30	29	1	1	0.03
				$\sum = 39.22$

$\therefore X^2 = 39.22 = 39$

Degree of freedom (DF) = (No Row - 1) (No of Column - 1)

$= (5-1)(2-1)$

$= (4)(1) = 4$

Sig. level = 0.05

The critical value of chi-square at 5% significant level and DF of 4 = 9.488

Decision rule: (1) reject Ho if X^2 calculated is greater than the table value of Chi – square

(2) otherwise accept Ho

Conclusion X^2 calculated = 39

$X^2(.05, 4) = 9.488$. This is a two tailed test.

∴ HO is rejected since 39 > 9.488 implying that the alternative hypothesis is upheld. This means that, to a large extent, Strategic Business Units can be used to enhance profitability in the selected manufacturing companies.

Discussion of Findings

In this study, Strategic Business Units and Organizational Profitability in selected Manufacturing Companies in South East, Nigeria was evaluated. Two hypotheses were used in the study; They were to determine the relationship between Strategic Business Units and productivity of manufacturing companies and to ascertain the extent to which Strategic Business Units enhances the profitability of manufacturing companies. The result of the study shows that the two objectives have been achieved. However in the test of these hypotheses, the following facts have emerged and they are summarized below.

There is a significant positive relationship ($r_c = 0.96 > r_t = 0.8114$, $P < 0.05$) between Strategic Business Units and productivity of the selected manufacturing companies in South East, Nigeria.

The computed Y =(0.96) is greater than the critical value (0.8114) for two tailed test at 0.05 significant levels. There is every reason to reject the null hypothesis and conclude that there is a significant relationship between Strategic Business Units and productivity of the selected manufacturing companies. The level of correlation coefficient 'r' (0.96) displayed in table 4.6* computation of Pearsons 'r' using the raw score method implies a strong positive relationship existing between the two variables x and y.

This result confirms the report by Walkman (2009) that the three most important characteristics of any Strategic Business Unit are Competitiveness, Strategy and Productivity. Competitiveness describes how an organization meets the needs and wants of customers compared to the competitors of the organization.

Strategic Business Units helps the organization achieve their goals by using tactics, which are the methods and actions taken to accomplish its strategies. Lastly, Productivity helps Strategic Business Units know what materials are used effectively. This result further aligns with the report of Hill and Kent (2011) that Strategic Business Units are more productive and innovative than mere work groups in an organization. They produce results that exceed what groups of individuals can do through simple cooperation and coordination. Such results reflect a "team effect"; members perform better when they feel they are part of a productive Strategic Business Unit

In the case of objective two, Strategic Business Units to a great extent (P < 0.05) enhance profitability in the selected manufacturing companies in South East, Nigeria.

This result aligns with Hofstrand (2014) that a business which is not profitable cannot survive. Whether you are recording profitability for the past period or projecting profitability for the coming period, measuring profitability is the most important measure of the success of a Strategic Business Unit. Conversely, a Strategic Business Unit that is highly profitable has the ability to reward its owners and parent companies large return on their investment. Enhancing profitability is one of the most important tasks of SBU Presidents. Strategic Business Unit managers constantly look for ways to change the business to improve profitability. This result is also in conformity with

Tzeng, Chiang, Lee (2006) that due to the variety of organizational tasks, obviously, elements and components of Profitability and its assessment should be varied and tailored to each Strategic Business Unit. Providing harmonized and uniform criteria for Profitability and Organizations evaluation based on them essentially cannot be brought to positive approaches.

Summary of Findings

1. There is a significant positive relationship between Strategic Business Units and productivity of the selected manufacturing companies in South East, Nigeria.
2. Strategic Business Units to a great extent enhance profitability in the selected manufacturing companies in South East, Nigeria.

Conclusion

The study objective Strategic Business Units and Organizational Profitability was achieved alongside its specific objectives of ascertaining the extent to which Strategic Business Units affects the productivity of manufacturing companies and to determine the extent to which Strategic Business Units enhances the Profitability of manufacturing companies.

Recent developments in the Business Environment have seen heightened concern and focus on measuring and managing organizational profitability. Performance management methodologies such as strategy maps, demand forecasting, customer profitability analysis, product profitability analysis, activity-based costing, value based management, balanced scorecards, performance prism, dynamic pricing and driver-based resource capacity planning have proved to be great assets for improving business performance. At the same time, as the global modern economy has evolved, businesses are now being challenged to adapt to new operational models. The conclusion of this research is that there is a significant relationship between Strategic Business Units productivity and profitability which can be used to enhance its market share.

Recommendations

Based on the findings of the study, the following recommendations are made;

1. Management should encourage the creation of Strategic Business Units dedicated to very challenging and competitive market as a way of increasing the market share and profitability of the parent company.

2. Monitoring and measurement of productivity can be effectively done with the adoption of the assessment of individual contributions in the Strategic Business Units performance index which positively affects the Organizations overall performance.

3. Strategic Business Units is recommended in enhancing the productivity and profitability of manufacturing companies for improved return on investment for Stakeholders in a competitive Business Environment.

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