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BUSINESS ENVIRONMENTAL IMPERATIVES AND SUSTAINABLE GROWTH OF FOOD AND BEVERAGE FIRMS IN A DEVELOPING ECONOMY

[1]Prof Patrick L. Akpan, [2]Ujunwa C. Enemuo PhD, [3]Patricia O. Onyechere

[1]Department of Business Administration, Nnamdi Azikiwe University, Awka Nigeria

[2,3]Department of Management Technology, Federal University of Technology, Owerri, Nigeria

Abstract: **This paper examines business environmental imperatives and the sustainable survival of food and beverage firms in developing economies with particular reference to Nigeria. The constraints associated with Food and Beverage sub sector of the economy has resulted in deterioration thereby robbing this unique sector of its unique roles associated with sustainable growth. The business environment is characterized by dynamic variables impacting on this subsector of the economy. The effect becomes severe on its performance and performance is measured in terms of profitability. In recognition of the constraints therefore, this paper therefore serves as a report of investigation of the implications of complex business environmental imperatives on the growth of food and beverage firms. The Ordinary Least Square Technique is adopted in the methodology and the result reveals positive relationship between environmental variables and profitability of the food and beverage firms. The study advocates a conducive business environment between government and stake holders of food and beverage firms capable of enhancing greater productivity and sustainable growth. A negation of this, the paper argues, is capable of jeopardizing the fortunes of this sector. The converse of this holds.**

Keywords: **Environment, Growth, Performance, Turnover, Taxation.**

1. INTRODUCTION

The Food and Beverage subsector in a developing economy such as Nigeria is fundamentally one of the sectors adjudged to be the sunrise of as well as the sustainer of the Nigerian populace. Its contribution to National development need not be over emphasized. These firms operate in a dynamic, complex and contemporary environment with all attendant challenges. The Food and Beverage industry in Nigeria has so much potential given the size of the country's population of over 180million people. However, low capacity utilization, competition from foreign imports, erratic power supply and poor water supply have plagued the industry in recent times. The problems of power and supply of clean water have added an estimated 2 per cent, 3- 25 per cent to the cost of production, which has to be passed on to the consumer. (Meristem, 2016) Poor road networks, weak telecommunications and lack of a viable transport system have also contributed to costs of input. Dearth of raw materials input and obsolete processes and machinery are other examples of problems facing the industry.

Food and Beverage Industry today experience deterioration in performance (Vanguard 2016). This is against the expected industry performance which was forecasted to remain on an upward trend through 2017 on the back of viability of the sub-sector vis a vis a healthy economy and a middle class with higher disposable income (Industry Sourcing, 2016). Being one of the strongest segments in the manufacturing sector of the economy and representing 22.5 per cent of Nigeria's manufacturing industry, 66 per cent of total consumer, with a valued aggregate output of $20.55 billion,

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equivalent to 4.6 per cent of gross domestic product (GDP) and also generating more than 1.5 million jobs in Nigeria, the performance decline of Food and Beverage industry requires attention. Available data indicates that the bulk of the companies in this sector, or about 85%, are small and medium enterprises (SMEs) in which many have closed down, others ailing and only a few percent operating at a sustainable level including the industry leaders (Vanguard 2016). Most managers of these Food and Beverage companies including Nestle Nigeria Plc , Cadbury Nigeria Plc and Guinness Nigeria Plc company now resort to work force downsize on the ground of difficult business terrain, dwindling profit, irregular and insufficient power supply. (Food and beverage Industry Report, 2016).

The increase in production costs has also imposed hardship on manufacturers of Food and Beverage companies. This is because even in the face of rising production cost, they do not have the luxury of increasing their prices due to reduced purchasing power of the consumers. This has a cyclical effect in that with high unsold inventory, production would be constrained and eventually reduced, productivity would decline, and competitiveness would be affected resulting in decline in performance. This situation, if treated with a wave of the hands may lead to a high mortality rate of food and beverage organizations.

The crux of the matter lies in investigating how Food and Beverage firms can examine, appraise and evaluate the implications of different problems on the sustainable performance of food and beverage firms. Performance here captures market share acquisition, rate of turnover, profitability, investment, asset base and goal achievement as well as corporate structure. Thus, the Food and Beverage firms encounter numerous constraints from their external environment. The external environment of the Food and Beverage firms is characterized by societal environmental problems which embrace instability of exchange rate, unstable interest rate, high rate of savings and investment, low technological development, high rate of importation of raw materials and high rate of taxation, unemployment. While some scholars argue that these environmental problems have contributed to the decline in performance of Food and Beverage Firms, others reason otherwise. Part of the problems which the environment creates also to the Food and Beverage Firms is difficulty in identification of strength, opportunities, weakness and threat. Terrorist activities in the country have also constituted problems to the Food and Beverage Firms.

According to the Food and Beverage Industry report (2016), poor state of infrastructure particularly epileptic power supply, poor technologies, high cost of raw materials, multiple taxation, low consumer spending, security concerns in the country, and stiff competitions are suspected to be the major challenges that have impacted on the profit growth of the Food and Beverage Industry leading to reduction in profit margin. Also, paucity and poor flow of information as well as low investment in Research and Development may also be part of the factors that hamper the performance of Food and Beverage organizations.

Most of these suspected factors that hamper the performance of Food and Beverage firms arise from the environment which is an embodiment of economic, social, technological, international, marketing socio cultural, regulatory and legal/political problems confronting the food and beverage manufacturers. Thus, by investigating how environmental scanning can help boost the performance of Food and Beverage Firms, the expectation is that having discovered the kind of influence these environmental scanning variables have on the performance of Food and Beverage Firms, their managers can better understand such complex and volatile environment so that uncertainty will be on the decrease. In addition to that, in the face of the present environmental threats, Food and Beverage manufacturing organizations, empowered by such understanding will be able to define their strategies to align with environmental conditions so as to accomplish organizational goals. The focus of environmental scanning is therefore on how organizations can strategically think ahead, identifying and understanding those influences from the environment which can create problems and then examining their options in response to those influences in consideration of their internal strengths and weaknesses. Uncertainties increase when there is such lack of proper information about the events or problems that may threaten performance. The major focus of this study is to determine the influence of high rate of taxation on profit of Food and Beverage firms. The study is in six sections with section one as the introduction. Section two focuses on Theoretical Discourse in relation to business environment and scope of strategic environmental scanning of the external environment. Stylized fact of five food and beverage firms constitute section three while section four is centered on Analytical methodology with related statistics. Discussion of findings become as tenet of section five. The paper terminates with concluding remarks and advocacy in section six.

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2. THEORETICAL DISCOURSE

The environment in which an organization exists can be described in terms of the opportunities and threats operating in the external environment as well as the strength and weaknesses existing in the internal environment. As opined by Gomes (2017), in business the environment in which an organization exists could be broadly divided into two part; the Internal environment (factors such as its personnel, physical facilities, organization and functional means, which are generally controllable). The external environment (factors such as economic, socio cultural, Government and legal, demographic, geo – physical – by and large beyond the control . Pearce & Richard (2011) defined the environment of a business organization as all elements that exist outside the boundary of the organization and have the potential of affecting all or part of the organization. In their articulation, the environment of an organization can be understood by analyzing its domain within external sectors. Harrison (1996) in Erumegbe (2015) views environment as all the conditions, circumstances, and influences surrounding and affecting the development of the total organization or any of its internal systems. For Andrews, Mintzberg and Quinn (1992), the environment of an organization in business is "the pattern of all the external conditions and influences that affect its life and development". The environment comprises several sectors or subdivisions of the external environment that contain similar elements (Morrison 2006). Morrison (2006) and Bedi (2011) visualized the environment of a business in terms of layers beginning with the immediate internal environment within the organization and moving outwards to the external environment surrounding the business and influencing its organization and operation. The Business organization, in the process of transforming their input to output enters into a mutual relationship with its environment. The environment exerts pressure on the business while the business, in turn, influences some aspects of its environment. Thus there is a symbiotic linkage between organizations and their environment .Pearce & Robbinson (2011) further noted two essential ways the environment influences organizations: firstly, the need for information about the environment followed by the need for resources from the environment. The environmental conditions of complexity and change create a greater need to gather information and respond based on the information. The organization also is concerned with scarce material and financial resources and with the need to ensure availability of resources.

The internal environment consists of factors which influence the firm's activities but are within the firm's control. It refers to all the factors within an organization which imparts strengths or cause weaknesses of a strategic nature These include factors like financial resources, technology, human resources, structures and processes. Gomes (2014) added other factors like value system, mission and objective, management structure and nature, internal power relationship. Palmer and Bob (2002) posited that external environment comprises all forces and events outside the organization that impinge on its activities. First set of variables emanate from economic, technological, political and socio cultural forces.

The external environment is made up of those factors that affect the operations of the firm but are beyond the control of the firm. It consists of two environments that have interrelated sets of variables important for determining the opportunities, threats, and constraints faced by organizations. These environments are – micro (task) environment and macro (general) environment. (Pearce and Robinson, 2007; Hiriyappa, 2016). Some scholars like Scott and Meyer (1994) classify the external environment into task and general environment . Pearce & Robinson (2011) agree that the external environment presents the greatest challenge to managers. Similarly, Adeoye & Elegunde (2011) opine that the external environment is uncontrollable therefore the firm has to match its operations to it in order to survive.

The Micro environment also known as the task or operating environment consists of the actors in the company's immediate environment, that affect the performance of the company. These include – Suppliers – those who supply the inputs like raw materials; Marketing intermediaries – which are 'firms that aid the company in promoting, selling and distributing its goods to final buyers; Competitors – not only other firms of similar products but also all those who compete for the discretionary income of the consumers; Customers – Business is a create of customer; therefore monitoring the customer sensitivity is a prerequisite for the business success; Publics – any group that has an actual or potential interest in or impact on an organization's ability to achieve its interests. Media publics, citizen's action publics and local publics are some examples. Technological – the fast changing technologies also create problems for enterprises as they render plants and products obsolete quickly. Product – market – matrix generally has a much shorter life today than in the past. It is particularly so in the international marketing context. Political – Political and Government environment has close relationship with the economic system and economic policy. For example, the communist countries had a centrally planned economic system. In most countries, apart from those laws that control investment and related

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matters, there are a number of laws which regulate the conduct of business. These laws cover such matters as standards of product, packaging, promotions etc. Socio – Cultural: socio – cultural fabric is an important environmental factor that should be analyzed while formulating the business strategies. The cost of ignoring the customs, traditions, taboos, tastes and preferences etc. of a people could be very high. The buying and consumption habits of the people, their languages, beliefs, and values, customs and traditions, tastes and performances, education are all factors that affect business. Mega environment mainly consist of International Environment which involves export and import dependencies.

3. SCOPE OF STRATEGIC ENVIRONMENTAL SCANNING; THE EXTERNAL ENVIRONMENT

The external environment of an organization is the environment that poses greater problem for an organization (Wheelen and Hunger, 2011). This environment is made up of the task environment which has a direct impact on the organization and a general environment which has an indirect impact on the organization (Carpenter and Sander 2009, Dill 1958). The external business environment is made up of extraneous variables or factors which are outside the control of the organizational management and cannot be manipulated such as technology, politics, and government legislation. In addition are economic, socio-cultural and physical factors. Daft et al (1988) opined that the task environment is characterized by uncertainty because it is believed that the task environment which is connected with the short-run is somewhat more volatile than the general environment that is connected with the long-run and the environmental uncertainty arises from the organization's inability to predict its environment (Oluremi and Gbenga (2011) .

Specifically, the task environment, commonly includes customers, resources (suppliers and investors), and competitors, while the remote or general environment consists of six sectors; the political, economic, social-cultural, technological, natural environmental and legal sectors. Task environment is organization-specific, that is, each organization operates in its unique task environment. However, companies operating in the same industry domain may have similar task environment, if they choose the same target market or the same group of suppliers; at the same time, they would become part of the task environment for each other as one of the competitors. Within the same geographic region, the remote environment is likely to remain unchanged for various kinds of industries; however, different organizations may have different emphasis towards the six groups of forces, while a food and beverage manufacturer may pay more attention to the social environment so as to know how consumers may react to his products, a cell phone manufacturer would like to pay more attention a trading house exporting goods to a politically volatile country would collect more information about political and economic stability. However, it may be dangerous for an organization to focus on one sector of the general environment as this may have negative consequences on their performance.

Strategic environmental scanning activity is carried out by organizations so as to derive strategic understanding of the external environment. Organizations scan the environment in order to get a strategic understanding of external influences, so that they may be able to develop effective responses that secures or adjusts their position in the future. The rapid changes in the marketplace create the need for organizations to monitor their environment, gain understanding of how their performance is affected by the environment. Information gathered from strategic environmental scanning helps an organization to make strategic decisions thus, focusing attention on future impacts of the organization.

There are many ways through which the external environment may affect an organization. These can be from social, political, technological, economic, legal and international forces. As much as the external environment contains resources and opportunities for the organization, it can also hinder their performance (Muyiwa, 2015). Pressure from each of these sectors can negatively affect an organization resulting in poor performance. As maintained by Choo (2010) the industry's environment is the most significant with focus on customers, suppliers and competitors and their intricate relationships. Thus, the improved performance of the firm can be determined by how the external environment is understood and monitored in order to make necessary adjustments to these influences. Strategic environmental scanning therefore helps an organization maintain and even improve its value in the face of adversity.

4. STYLIZED FACTS: PERFORMANCE INDICATORS OF THESE FOOD AND BEVERAGE COMPANIES

A close examination of the stylized fact associated with performance of Guinness Nigeria Plc, Nestle Nigeria plc and Cadbury Nigeria plc reveals the pattern and trend of profitability, Tax, Turnover, Market share, Fixed Asset, Import and Export at a particular point in time for 1990-2018

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For 1990 Profitability remained at different levels as reflected in the stylized facts. Year 2000 also recorded the differences in pattern and trend for the different organizations in respect of the various performance indicators of the company

High Rate of Taxation Equation

PRT=f (TAX+TNOR+MKTS+FASST+INV+EXP$_{t-1}$+IMP$_{t-1}$+BOP)µ……………(eq i)

Performance Indicators of **Guinness Nigeria Plc** (1990-2015)

Year	PRTT #000	TAX #000	TNOR #000	MKTS #000	FAST #000	INVEST #000	IMP$_{t-1}$ #000	EXP$_{T-1}$ #000	BOP #000
1990	6766024	3449334	23861746	21.7	21147462	60308571	87020.0	121535.4	5959.6
1991	6764877	3449334	22877373	21.7	21141649	57728166	145911.4	207266.0	-65271.8
1992	6767207	3449334	23556409	21.7	21135706	61180135	166100.4	218770.1	-95271.8
1993	6765987	3449345	25151458	21.7	21165052	62017413	162788.8	206059.2	-42623.3
1994	6761437	3449301	19924252	21.7	21124189	4998950	755127.7	950661.4	-195316.3
1995	6762332	3449389	25593518	21.7	21117877	71536044	562626.6	130953.4	-53152.0
1996	6747786	3449213	29936605	21.7	21253092	64529247	845370.8	1241662.7	1076.3
1997	681246	3449566	4242634	21.7	21001598	73895559	939018.2	751856.7	-220675.1
1998	6726751	3448860	42601316	21.6	21098894	13618333	939028.6	1189006.5	326634.3
1999	6726751	3450271	42965866	21.9	21658737	43508855	986827.8	2887400.3	314139.2
2000	6704147	3447449	41711848	21.5	20247116	41994496	988846.6	2899886.2	24738.7
2001	7006486	3453094	43126235	21.5	21390974	50679977	999888.8	2929864.6	-563483.9
2002	6469619	3441804	44059515	22.6	23338121	37852094	99999.6	2905717.1	-162298.4
2003	6636335	3464384	57949795	20.4	16012252	37451419	666245	2911822.6	1124157.2
2004	7913503	3419223	47369394	21.6	24822548	38884325	588711.1	2915801.4	-1473537.1
2005	4859019	3509545	46859356	25.7	29179564	37220539	451651.9	2911113.7	-2406340.6
2006	7440102	2825700	53651781	14.0	29531969	36249393	568869.3	2038172.2	-2379004.7
2007	10691060	4193390	62265413	23.0	30124847	43183042	536410.8	2621695.8	-3482276.4
2008	11860880	5232070	69172852	25.0	36733310	3229181	518977.3	2523660.5	-2755873.9
2009	13541189	5450576	89148207	21.4	35897959	46510094	541419.1	2394509.6	-13319214.2
2010	13736359	6252376	109366976	23.2	38244541	50172162	532269.1	2513288.7	-6519121.5
2011	17927934	8249032	123663125	27.1	46098557	774000	530889	2477153.0	-7531403.2
2012	14868494	21044488	116461882	26.8	76293851	-	534859	2461650.4	-9123246.3
2013	11863726	4050356	122463538	30.6	88112852	-	532672.3	2484030.7	-7724590
2014	9573480	1585320	109202120	38.5	83714714	121331	532807	2474278	-8126413.1
2015	9012434	2275704	110195859	25.30	86238731	124645	533446.0	2473319.7	8324749.8

Sources:

Nigeria stock exchange fact book (various issues).

Publications from different breweries such as NB Plc, Guinness Nigeria Plc

CBN statistical bulletin (various issues)

Keys:

L LPRT= profitability

LTAX = log of tax

LVAT = log of value added on tax

LTNOR = log of turnover

LMKTSH = log of fixed assets

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LINV = log of investment

$LEXP_{t-1}$ = log of export at a particular time

$LIMP_{t-1}$ = log of import at a particular time

LBOP = log of balance of payment

High Rate of Taxation Equation

PRT=f(TAX+TNOR+MKTSH+FASST+INV+EXP_{t-1}+IMP_{t-1}+BOP)µ…………..(eq i)

Performance Indicators Of **Nestle Nigeria Plc** (1990-2015)

Year	PRTT #'000	TAX	TNOR N'000	MKTS	FAST N'000	INVEST N'000	IMP_{T-1} N'000	EXP_{T-1} N'000	BOP N'000
1990	6032015	3687	42511404	17	9449764	297250	4571.9	10988.1	18498.2
1991	6032130	3687	42511214	17	9449617	297241	87020.0	121535.4	5959.6
1992	6032115	3687	42509057	17	9448589	297235	145911.4	207266.0	-65271.8
1993	6031799	3687	42513941	17	9451083	297271	166100.4	218770.1	-95271.8
1994	6032476	3687	42510645	17	9449187	297225	162788.8	206059.2	-42623.3
1995	6032070	3687	42502586	17	9445496	297209	755127.7	950661.4	-195316.3
1996	6030852	3687	42528593	17	9458567	297380	562626.6	130953.4	-53152.0
1997	6034506	3687.3	42500756	17	9443498	297086	845370.8	1241662.7	1076.3
1998	6023545	3687.2	42478408	17	9434422	297160	939018.2	751856.7	-220675.1
1999	6045779	3687.6	42606616	17	9497782	297895	939028.6	1189006.5	326634.3
2000	6034195	3686.7	42417243	16	9398289	296204	986827.8	2887400.3	314139.2
2001	5990660	3688.5	42411364	18	9407195	297382	988846.6	2899886.2	24738.7
2002	6112481	3684.9	42991241	15	9687862	300100	999888.8	2929864.6	-563483.9
2003	5999443	3692.2	41849126	20	9099810	291130	99999.6	2905717.1	-162298.4
2004	5860057	3677.6	42393726	10	9433913	300916	666245	2911822.6	1124157.2
2005	6477942	3706.9	44730870	10	10529772	308255	588711.1	2915801.4	-1473537.1
2006	5660329	3648.25	38422782	10	7336015	264219	451651.9	2911113.7	-2406340.6
2007	5441899	3765.5	44027525	8.79	10435952	330273	568869.3	2038172.2	-2379004.7
2008	8331599	3531	51742302	12.61	13817348	330273	536410.8	2621695.8	-3482276.4
2009	9783578	4000	68317303	14.81	25404616	330273	518977.3	2523660.56	-2755873.9
2010	12602109	5899	82726229	19.08	40241739	330273	541419.1	2394509.6	-13319214.
2011	10239095	4949.5	67595278	27.58	26487901	330273	532269.1	2513288.7	-6519121.5
2012	10874927	5424.25	72879603	38.90	30711419	330273	530889	2477153.0	-7531403.2
2013	11238710	5186.875	74400370	33.24	24533983	330273	534859	2461650.41	-9123246.3
2014	10784244	5305.5625	71625084	36.07	19298064	330273	532672.3	2484030.7	-7724590
2015	10965960	360640	72968352	34.7	24847822	330273	532807	2474278	-8126413.1

Sources:Nigeria stock exchange fact book (various issues).

Publications from Guinness Nigeria Plc

CBN statistical bulletin (various issues)

Keys:

L LPRT= profitability

LTAX = log of tax

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PRT=f(TAX+TNOR+MKTSH+FASST+INV+EXP$_{t-1}$+IMP$_{t-1}$+BOP)µ..............(eq i)

Performance Indicators of Cadbury Nigeria Plc (1990-2015)

Year	PRTT N'000	TAX #000	TNOR #000	MKTS #000'	FAST #000	INVEST #000	IMP$_{T-1}$ #000	EXP$_{T-1}$ #000	BOP #000
1990	3033510	113044	20303077	308	15234201	550420	4571.9	10988.1	18498.2
1991	3033973	113044	20303203	308	15234041	550420	87020.0	121535.4	5959.6
1992	3034124	1130444	20302307	308	15234160	550420	145911.4	207266.0	-65271.8
1993	3032433	1130444	20303724	308	15234402	550420	166100.4	218770.1	-95271.8
1994	3035361	1130444	20303576	308	15233562	550420	162788.8	206059.2	-42623.3
1995	3034579	1130444	20299623	308	15234516	550420	755127.7	950661.4	-195316.3
1996	3027359	1130444	20307973	308	15235129	550420	562626.6	130953.4	-53152.0
1997	3044146	1130444	20303133	308	15231043	550420	845370.8	1241662.7	1076.3
1998	3032233	1143474	20287764	308	15237376	550420	939018.2	751856.7	-220675.1
1999	3005698	117413	20333022	307	15236968	550420	939028.6	1189006.5	326634.3
2000	3094508	1169535	20288613	309	15218784	550420	986827.8	2887400.3	314139.2
2001	2996492	1065290.5	20241657	304	15256376	550420	988846.6	2899886.2	24738.7
2002	2926095	1273780	20468797	315	15235744	550420	999888.8	2929864.6	-563483.9
2003	3360936	856801	20155386	292	15164233	550420	99999.6	2905717.1	-162298.4
2004	2702446	1690755	20100789	338	15369150	550420	666245	2911822.6	1124157.2
2005	2714902	2284160	21150216	247	15173849	550420	588711.1	2915801.4	-1473537.1
2006	4665459	1097350	19215152	428	14949699	550420	451651.9	2911113.7	-2406340.6
2007	726978	3470970	19937000	66	15983903	550420	568869.3	2038172.2	-2379004.7
2008	2752268	95435	24298496	244	14587945	550420	536410.8	2621695.8	-3482276.4
2009	1235917	1143523	25585571	84	14308294	1564594	518977.3	2523660.56	-2755873.9
2010	1168167	784392	29170534	88	13940148	1564594	541419.1	2394509.6	-13319214.2
2011	1718784	1382	26351534	61	14278796	1226536	532269.1	2513288.7	-6519121.5
2012	1374289	2012	27035880	50	14175746	1451908	530889	2477153.0	-7531403.2
2013	1420413	1398	27485983	56	14131563	1414346	534859	2461650.41	-9123246.3
2014	1504495	45	26957799	53	14195368	1364263	532672.3	2484030.7	-7724590
2015	1433067	249	27159887	54.5	14167559	1410172	532807	2474278	-8126413.1

Sources: Nigeria stock exchange fact book (various issues).

Publications from Cadbury Nigeria

CBN statistical bulletin (various issues)

Keys:

L LPRT= log of profitability

LTAX = log of tax

LVAT = log of value added on tax

LTNOR = log of turnover

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LMKTSH = log of fixed assets

LINV = log of investment

$LEXP_{t-1}$ = log of export at a particular time

$LIMP_{t-1}$ = log of import at a particular time

LBOP = log of balance of payment

ANALYTICAL METHODOLOGY AND RELATED STATISTICS

In furtherance of this study, the control variables applied are Tax (Tax), Turnover (TNOR), Market Share (MKTS), Fixed Assets (FASST), Investment (INV), Export(EXP_{t-1}), Import (IMP_{t-1}) and Balance of Payment (BOP)

$PRT=f(TAX+TNOR+MKTS+FASST+INV+EXP_{t-1}+IMP_{t-1}+BOP)\mu$……………………………………..(i)

Econometrically we have,

$PRT=a_0 + a_1LTAX+a_2LTNOR+a_3LMKTS+a_4LFASST+a_5LINV+a_6LEXP_{t-1}+a_7LIMP_{t-1}+a_8LBOP+\mu$….(ii)

Where;

μ = white noise /error term/disturbance or stochastic term

a_0-a_9 = parameter estimate

LPRT = profitability

LTAX = = log of tax

LTNOR = log of turnover

LMKTSH = log of fixed assets

LINV log of investment

$LEXP_{t-1}$ = log of export at a particular time

$LIMP_{t-1}$ = log of import at a particular time

LBOP = log of balance of payment

In this model, which seeks to determine the effect of high rate of taxation on Food and Beverage firms, profitability, (dependent variable) was regressed on taxation and other independent variables that impact on the profitability as shown in equ (i). In this equation, profitability is used to evaluate the performance of the firms. This is because profitability is the primary goal of all business ventures. Without profitability the business will not survive in the long run. So measuring current and past profitability is very important in understanding how the firm is performing. A common goal and strategic plan for the food and beverage firms is ultimately to be profitable, to continue operations and to provide external stakeholders. Taxation is presented in the equation to investigate how high rate of taxation affect profit. Tax is an obligatory levy which Government imposes on a business. Value added tax is a consumption tax placed on a product whenever value is added at a stage of production and at final sale. It also impacts on the profit of the firm. The tax is borne by the final consumer of goods and services because it is included in the price paid. The model is expected to demonstrate how VAT among other explanatory variables affects the profitability of food and beverage firms. Turnover on sales represents the value of goods and services provided to customers during a specified time period - usually one year. It is factored into the explanatory variables of profitability. To further understand the impact of international transactions on the profitability of food and beverage firms, variables like Export at a particular time, Import at a particular time, balance of payment are all included in the model to explain profitability. Export is a function of international trade whereby goods produced in one country are shipped to another country for trade or commercial purposes. The sale of such goods adds to the producing nation's gross output. If used for trade, exports are exchanged for other products or services in other countries. An import is a good or service brought into one country from another. The importation and exportation of goods are limited by import quotas and mandates from the customs authority. The importing and exporting jurisdictions may impose a tariff (tax) on the goods. Balance of payment is a statement that summarizes an economy’s transactions with the rest of the world. Market share is one of the primary indicators companies use to measure how well they are doing versus competitors. The model will also analyze the strategic implications of the market-share/profitability relationship. Market share is the percentage of business or sales a company wields out of total business or sales by all competitors combined in any given market. Investment means the overall money allocated (or sometimes another resource, such as time) in the expectation of some benefit in the future.

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Regression Result of Influence of High Rate of Taxation on Performance of Food and Beverage firms for Guinness Nigeria Plc

Taxation Equation

Dependent Variable: PRT

Method: Ordinary Least Square

Sample: 1990-2015

No of observation 26

Variable	Estimated Coefficient	Standard error	t-statistic	p-value
C	33.7875	63.4163	0.532788	[0.599]
ΔL TAX	-290529	5.18621	2.560195	[0.580]
ΔL TNOR	0.017767	1.63076	0.010895	[0.99]
ΔLMKTS	0.054903	0.947989	-2.057916	[0.954]
ΔLFASST	1.41947	3.19415	0.444397	[0.660]
ΔLINV	7.61360	3.40986	2.232282	[0.034]
ΔL EXP t-1	4.41250	1.8925	2.41281	[0.002]
ΔL IMP t-1	5.28137	2.6721	2.5263	[0.040]
ΔL BOP			1.9214	[0.030]

Sources: Extract from Gret L Output (2016)

R2 Statistic= 2.19994, F Statistic 21.3120, Prob (F- Statistics) = [0.85]

DW = 1.37131

Regression result of influence of high rate of taxation on performance of food and beverage firms for Nestle Nigeria Plc

Taxation Equation

Dependent Variable: PRT

Method: Ordinary Least Square

Sample: 1990-2015

No of observation 26

Variable	Estimated Coefficient	Standard error	t-statistic	p-value
C	-13.1844	58.1444	0.570724	[0.573]
ΔL TAX	0.49003	5.29116	0.092614	[.927]
ΔL TNOR	-1.71091	1.56055	-2.09635	[.283]
ΔLMKTS	-1.08163	0.854204	-1.26625	[.217]
ΔLFASST	5.33897	2.74411	3.94561	[.063]
ΔLINV	-0.382425	0.384111	-0.995612	[.329]
ΔL EXP t-1	6.41360	3.28425	-2.814214	[.612]
ΔL IMP t-1	7.32765	4.31227	-2.13416	[.428]
ΔL BOP	4.43656	3.338123	-2.53142	[0.007]

R^2 Statistic= 0.193303,

F Statistic = 11.24604, Prob (F- Statistics) = [0.317]

DW = 1.22296

Sources: Extratct from Gret L Output (2016

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Regression Result of Influence of High rate of Taxation on Performance of Food and Beverage Firms for Cadbury Nigeria Plc

Dependent Variable: PRT

Method: Ordinary Least Square

Sample: 1990-2015

No of observation 26

Variable	Estimated Coefficient	Standard error	t-statistic	p-value
C	7.97204	0.443303	17.9833	[.000]
ΔL TAX	0.029751	0.33018	0.901059	[.367]
ΔL TNOR	0.77019	0.110060	7.05089	[.000]
ΔLMKTS	0.039368	0.19346	2.03498	[.052]
ΔLFASST	0.013880	0.23833	0.582385	[.565]
ΔLINV	0.824120	0.045721	2.62461	[.672]
ΔL EXP t-1	1.892411	0.143642	-2.1123	[0.00]
ΔL IMP t-1	0.672518	0.165436	-2.5711	[0.12]
ΔL BOP	0.865111	0.111991	1.6211	[0.111]

R2 Statistic= 0.694514

F Statistic = 15.3460 , Prob (F- Statistics) = [0.00]

DW = 0.377058

Sources: Extratct from Gret L Output (2016)

5. INFLUENCE OF HIGH RATE OF TAXATION ON PROFITABILITY OF FOOD AND BEVERAGE FIRMS

The above tables present the regression result of the influence of taxation on performance of Food and Beverage firms with particular reference to Guinness Nigeria Plc, Nestle Nigeria Plc and Cadbury Nigeria Plc respectively. The equation regresses profitability on taxation, turnover, market share, fixed assets, investment, export at a particular point in time, import at a particular point in time and balance of payment. This is to establish a relationship between the dependent and independent variables in the Food and Beverage firms. For Guinness Nigeria Plc, the coefficient of the constant term assumes a positive sign and is statistically not significant at 0.6 per cent. For Nestle, the estimated coefficient of the constant term is negatively signed and equally not statistically significant at 0.5 per cent. The case in these two companies is different from that of Cadbury Nigeria Plc whose estimated coefficient of the constant term assumes a positive sign and is statistically significant at better than 0.1 per cent. The implication in the case of Cadbury is that there is a positive relationship between the dependent and the independent variables. For Guinness Nigeria plc, the coefficient of taxation is negatively signed and it is statistically significant at 0.6 per cent. The reverse is the case in Nestle Nigeria Plc whose coefficient of taxation is a positively signed but statistically not significant. The coefficient of turnover is positively signed and statistically not significant for Guinness Nigeria plc whereas for Nestle and Cadbury, the coefficient of turnover is negatively signed and statistically significant at 0.3 per cent (Nestle) and at better than 0.1 percent (Cadbury). This implies that for Nestle and Cadbury, increase in profit leads to high rate of taxation. The coefficient of market share for Guinness is statistically significant at 0.1 per cent and statistically not significant at 0.2 per cent (Nestle Plc) but statistically significant at 0.1 per cent (Cadbury). This implies that for the three firms, increase in market share leads to profitability. This of course is in concert with aprorai expectation of the three firms whose primary objective is profit maximization. This argument is further supported by the findings of Bayode and Adebola (2012) strategic environmental scanning of the Food and Beverage industry environment will lead to acquisition of great market share of the companies. The coefficient of fixed assets is positively signed for the three companies but is only statistically significant in Nestle Nigeria plc at 0.06 per cent. It therefore implies that increase in fixed assets brings about increase in profitability in Nestle Nigeria Plc. Investment shows a positive coefficient and also statistically significant at 0.03 and 0.7 per cent for Guinness Nigeria Plc and Cadbury Nigeria Plc respectively. For Nestle Nigeria plc, investment has a negatively signed coefficient and statistically not significant at 0.3 per cent. This shows that investment activities influence profit of Food and Beverage firms. This is in line with the findings of Akpan, Ikon, Okereke and Momoh (2016) which found that investment in the Food and Beverage sub sector leads to greater profit after tax given a conducive economic environment and this subsequently results in acquisition of great market share in the sub sector ,.The coefficient of Export at a particular time carries a positive sign and statistically significant for Guinness Nigeria Plc, Nestle Nigeria Plc and Cadbury Nigeria Plc at 0.002, 0.6 and at better than 0.1 per cent respectively. This shows that export activities affect the performance of food and beverage firms. In the same vein, the coefficient of import at a particular time carries a positive sign for Guinness Nigeria Plc, Nestle Nigeria Plc and Cadbury Nigeria Plc, and is statistically significant at 0.04 per cent, 0.42 per cent and 0.12 per cent respectively. From the result, economic environmental variables like taxation were found to have an influence on performance. This is in concert with the findings of Enekwe, Ordu and Nwoha (2013) who found that scanning the economic environment is crucial for manufacturing firms due to the impact it has on their performance..

Strategic environmental scanning activity is carried out by organizations so as to derive strategic understanding of the external environment. Organizations scan the environment in order to get a strategic understanding of external influences, so that they may be able to develop effective responses that secures or adjusts their position in the future. The rapid changes in the marketplace create the need for organizations to monitor their environment, gain understanding of how their performance is affected by the environment. Information gathered from strategic environmental scanning helps an organization to make strategic decisions thus, focusing attention on future impacts of the organization.

There are many ways through which the external environment may affect an organization. These can be from social, political, technological, economic, legal and international forces. As much as the external environment contains resources and opportunities for the organization, it can also hinder their performance (Muyiwa, 2015). Pressure from each of these sectors can negatively affect an organization resulting in poor performance. As maintained by Choo (2010) the industry's environment is the most significant with focus on customers, suppliers and competitors and their intricate relationships. Thus, the improved performance of the firm can be determined by how the external environment is understood and monitored in order to make necessary adjustments to these influences. Strategic environmental scanning therefore helps an organization maintain and even improve its value in the face of adversity.

6. CONCLUDING REMARKS AND ADVOCACY

In this study, the revelations are significant in that there is a linkage between Business Environmental Variables and Growth of Food and Beverage Firms in Nigeria. These variables impact on the performance of food and beverage firms. The associated econometric models developed is essential considering the predictive power in the explanation of the model. Thus a responsible government should work in collaboration with the food and beverage firms by providing conducive environment devoid of constraints to aid business flow and performance

The paper advocated that food and beverage firms should strategically understand the environment and work towards sustainable growth of their companies in recognition of the enabling environment. The Nigerian Environment is capable of sustaining this sector for the benefit of economies of large scale productions.

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