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Impact of Growth Strategies on Business Profit A Study of Ashakacem Plc, Gombe-Nigeria

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Abstract: *Growth is important and key to the survival of any business venture. Competition in a highly regulated and in depressed economy like Nigeria requires that businesses devise means that are capable of increasing its relative market share and profits. Formulating and implementing effective growth strategies to enhance business profit is the concern of any dynamic looking organization. This is the main problem the paper wishes to address. Therefore, the objective of this paper is to review growth strategies with a view to ascertaining whether they could contribute to organizational profit. Secondary source of data was relied upon for the review, methodology and findings. Based on secondary sources of data, the paper found that growth strategies like market penetration, market expansion and development, product expansion and development, diversification and karma influence business profit. The study recommends that Ashakacem Plc should continue to formulate planned growth strategies that enhance investment and economic development. The study also contributes to knowledge to the understanding that growth strategies enhance profit in Cement Manufacturing Companies in Nigeria.*

***Keyword**: Acquisition, Ashakacem, Business Profit, Diversification, Growth Strategy, Karma, Product,Nigeria.*

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I. Introduction

There is much to gain when growth in business is seen as akin to individual growth. Businesses must develop growth strategies to attract human resources, remain in business and compete in order to increase the level of profit. It is against this background that Foster & Browne (2006)[1] considered growth to mean various things including increase in the total sales volume per annum, an increase in the production capacity, increase in employment, increase in production volume, increase in the use of raw material, increase energy and power. Simply stated, business growth means an increase in the size or scale of operations of a firm usually accompanied by increase in its resources and output. Business growth is a natural process of adaptation and development that occurs under favorable conditions. Growth in strategy of a business is similar to that of a human being who pass through the stages of infancy, childhood, adulthood and maturity (Hamel, 2006)[2]. Strategy is about setting direction and having a more future oriented approach in undertaking future activities of organizations. In business, it also defines an organization and encourages staff to focus on the objectives which are the end result of planned activity of a company.Objectives indicate what is to be accomplished by when and quantified if possible. Strategy which is a fundamental management tool in any organization is a multi-dimensional concept that various authors have defined in different ways. It is the match between an organization's resources and skills and the environmental opportunities as well as the risks it faces and the purposes it wishes to accomplish (David, 2003)[3]. Mintzberg and Quinn (2002)[4] also had a hand in strategy definition whereby he perceives strategy as a pattern or a plan that integrates organization's major goals, policies and actions into a cohesive whole. Porter (2006)[5] has defined strategy as a creation of a unique and vulnerable position of tradeoffs in competing, involving a set of activities that neatly fit together, that are simply consistent, reinforce each other and ensure optimization of effort. Pearce and Robinson (2007)[6] defines strategy as the company's "game plan" which results in future oriented plans interacting with the competitive environment to achieve the company's objectives.Mankins & Steele (2005)[7] state clearly that growth strategy is an ongoing process that evaluates and controls the business and the industry in which the company is involved, assesses its competitors and set goals and strategies to meet all existing and potential competitors, and then re-assess each strategy annually or quarterly (regularly) to determine how it has been implemented and whether it has succeeded or needs replacement by a new strategy to meet changing circumstances. According to Kiptugen (2003)[8] growth strategies that a business enterprise may wish to adopt include: understanding customer expectation, service, positioning market segmentation, setting measuring market standards, relationship marketing, human resource strategy and successful communication strategy. Achieving a competitive advantage position and enhancing firm performance relative to its competitors are the main objectives that business organizations in particular should strive to attain. These strategies generally have to some extent encouraged new ideas as well as entrepreneurial activities and skills that are required to promote diversifying economic activities and making significant contribution to industrial development of Nigeria.Business growth strategies are approaches that can be used to increase the size of a business. The best business growth strategies for a business will be to grow a business top line and bottom line over the long-term and can also help in creating competitive advantage over competitors. Working strategically starts with setting goals and the process of goal setting can be very beneficial to the organization as well. In today's challenging business environment, business must formulate growth strategies in order to grow beyond its known scope and to earn profit.At the global level, a number of studies have been carried on business growth strategies applied by different companies in different parts of the world seeking competitiveness. Shaw (2000)[9] carried on a research on business growth strategies of Germany companies in U.K. A mail survey of all Germany companies with U.K. subsidiaries was undertaken 955 companies were mailed with a questionnaire seeking information on business growth strategies and their competitive advantage. In addition, a research was also conducted on the consequences of corporate environment on marketing strategies sought to find the consequences of marketing strategies on organizations and how they impact competition in dynamic market environment in New Zealand.Unfortunately, much of the existing strategy literature puts great emphasis on businesses strategies and failed to address adequately specific growth strategies that promote business profit that may increase investment as well as industrial and economic development. This is where the problem of this paper lies. Therefore, the paper aims at reviewing growth strategies that enhance profit in organizations citing Ashaka Cement Plc as a reference point**.**

II. Review of Concepts and Literature Citations

Growth increases the overall business performance including sales, assets base, employee retention, goodwill and increase business profits that drive investment and economic development. Business growth, as earlier mentioned, entails introducing new products and services or adding new features to existing products. Growth could also mean expansion of an organization in order to buy new assets, develop new products or service thereby enhancing new investments in the economy. Therefore, business growth can be realized through several different indicators as stated below: Olomi, (2004)[10], Jardins, (2007)[11], Dexit & Pandey, (2011)[12], Susmitha, (2014)[13] and Vasu & Jayachandra, (2014)[14].

3.1. Outcome indicators

This indicates profit: the difference between revenues and costs is a common target of all private businesses and has to be achieved in order for any other objective to be sustainably realized. The amount of profit that a business makes is a function of revenues generated as well as the level of efficiency in the business. Increase in profit thus signifies an increase in sales and increase in efficiency. So generally one can observe his/her business growth through the increment of these aspects.

3.2. Output indicators

The main outputs of the business are the products and or sales. Production level can be a reasonable indicator of the business size because it's likely to reflect both the capacity of the business and its potentiality for profit. The value of goods produced is not readily available to the outsiders, so sales value is most widely used growth indicator. When amount of products produced by the business increases it implies that the business is growing.

3.3. Capacity indicators

These reflect the potentials of the business to produce outputs and outcomes. They include value of assets, capital invested, production capacity and workforce size. The managers can realize their business growth by observing an increase in assets and production capacity without forgetting the capital invested and the increase in number of employees.

3.4. Qualitative indicators

These include business structure, management practices, degree of formalization. When the structure of the business is expanded to allow decentralization and when management practices increase and become more complicated and the degree of formalization increases, then the business is growing.

3.5. Karma

As used here, 'karma' refers to 'action, work or deed'. It is suggestive of a person's destiny or fate, luck or in spiritual terms, accountability for ones actions. Karma is not regarded simply as good or bad fortune, rather, it is the causal responsibility for those results which is physical but spiritual which may play out on the stage of everyday live through our bodies, thoughts, feelings, relationships, experiences and circumstances (Johnson, 2012 https://www.huffingtonpost.com>wha...)[15]

3.6. Growth Strategies

Growth strategies involve introducing new products or adding new features to existing products. Many companies plan to grow, increase sales and profits based on certain strategies. A growth strategy refers to a strategic plan formulated and implemented for expanding firm's performance (Andrews, 2001)[16]. Strategy is a high level plan to achieve goals under conditions of uncertainty. A strategy generally involves setting goals, determining actions or patterns to achieve the goals, and mobilizing resources to execute the actions. It is a description of how goals will be achieved by the resources that are available and adequately allocated. It is also an emerging pattern of activity that organization adapts to its environment or to compete involves both strategic planning and thinking. It is against this background and various that McKeown (2011)[17] summaries strategy as a situation that 'shapes the future and the human attempt to get to desirable ends with available means'. Growth strategies common to all types and sizes of businesses include the following: market penetration, market expansion, product expansion, diversification and acquisition, Moore, (2004)[18], Harwood, (2006)[19], Nooteboom, (2005)[20], Watts et al, (2008)[21], Smallbone et al, (2005)[22], Harwood (2006)[23]

3.6.1. Market Penetration

This strategy focuses on expanding sales of a company's existing products or services in an existing market. Penetration of the market involves attracting new customer for the product and increasing the usage or purchasing rate of existing customers it is often achieved by increasing activities through more intensive distribution aggressive promotion and competitive pricing. This makes the firm's products the most preferred against those of the competitors. This has the advantage of preventing a company from relying too much on its existing products. It can be a means of growth and expansion by the firm and can also act as insurance against potential disasters in case of large environmental changes. It involves the introduction of new products into market sectors which are new to the company or it may be that the product is new to the company but it has been already available in the market.

3.6.2. Market Expansion or Market Development

This means taking something which is done well already but moving it into a completely new market. This strategy is about existing products which are offered in a new market. This strategy is used when a regional business wants to expand, or when new markets are opening up, or when a new use is found for the existing product. This also means appealing to sectors of the new market or to geographical regions. Market development leads to increase in sale of existing products in unexplained markets.

3.6.3. Product Expansion or product development

It involves introducing a new idea into a company's existing market. Product development strategy applies to a firm that is offering new products to an existing market. Product development strategy, in this, the firm tries to grow by developing improved products for the present market. The most suitable growth strategies for a small firm are those concerning product development and market development. Firms pursue product innovation strategies in emerging markets and marketing innovation strategies in mature niche markets. Moore also suggests that business model innovation is a very effective strategy in mature markets with products in late life cycle stages.

3.6.4. Diversification

Growth strategies in business also include diversification, where companies will sell new products to new market. This type of strategy can be very risky, according to (gaebler.com) a company will need to plan carefully when using a diversification growth strategy. Marketing research is essential because a company will need to determine if consumers in the new market will potentially like the new products.

3.6.5. Acquisition

An acquisition is the purchase of one company by another company. An acquisition may be private or public, depending on whether the acquired is or isn't listed in public markets. An acquisition may be friendly or hostile. Whether a purchase is perceived as a friendly or hostile depends on how it is communicated to and received by the target company's board of directors, employees and shareholders. It is quite normal for acquisition deal communications to take place under confidentiality situation whereby information flows are restricted due to confidentiality agreements.

3.6.6. Concentrated and Limited Growth Strategy

This strategy is used to direct resources and energy to a profitable growth of a single product in a single market, where a single technology is dominant. This strategy aims at achieving a company's effective development. Limited strategy seeks to reduce costs and avoid large amounts of debts that a company incurs due to rapid growth strategies. In this case the amount of revenue received may not be enough to expand the business.

3.6.7. The New Growth Strategy

This is a strategy that can be used as an alternative channel. This strategy involves pursuing customers in different ways for instance selling a company's products or services on-line. Through the use of the internet a customer can access products or services of a particular company in a new (alternative) way (https://www.inc.com)[24]. Another new growth strategy can be seen in Japan. Here the new growth strategy focuses on 'Green Innovation' which emphasizes innovation in the field of environment and energy. Its aim is to create:

a. Y50 trillion in new environment-related markets.
b. 1.4 million new environment sector jobs
c. New worldwide greenhouse gas emissions by at least 1.3 billion tons of CO2 using Japanese private sector technology (www.sustainabledevelopment.un.org)[25]

3.6.8. Steps in Growth Strategy Formulation

A growth strategy goes beyond envisioning a long-term success. Growth strategy formulation has to be deliberate and not haphazardly done in order to accomplish the desired goals. To this end, Biederman (2015) suggests workable steps that may enhance growth strategy for all organizations. These steps are hereby listed (https://www.entrepreneur.com>article)[26]

Step 1: Establishing a value proposition for the company.
Step 2: Identifying an ideal customer (who is loyal to the company)
Step 3: Defining a company's key indicators (as shown above)
Step 4: Verifying revenue streams (for cost reduction)
Step 5: Looking out for competition (in the external environment)
Step 6: Focusing on company's strength (internal)
Step 7: Investing in talents (effective human resources who are creative and innovative)

Therefore, managers must embark on growth planning to enable stakeholders not only to plan but also to track organic growth in their revenue and allow effective and efficient allocation of resources toward a more centered effort to adapt to frequent changes in the company and the industry occasioned by technology and the differences in competition. Generally, a company plans for its existing businesses allow it to project both sales and profits. If a strategic-planning gap is noticed between future desired sales and projected sales, managers will have to develop new plans or seek to acquire new businesses to fill the gap. Kotler (1999)[27] suggest three growth options that are available to managers in filling this gap. The options include: intensive growth opportunities, integrative growth opportunities and diversification growth opportunities.

3.7. Concept of Business Profit

Profit is an excess of revenues over associated expenses for an activity over a period of time. Stated in specific terms, profit is what remains after all business expenses have been deducted from sales revenue. A negative 'profit' occurs when a company's expenses are greater than its sales revenue. This negative 'profit' is called a loss. Terms with similar meanings include earnings income and margin. Profit is the engine that drives the business enterprise. It is the return, or reward, that business owners receive for producing goods and offering services that consumers want. Further, it is regarded as the payment for the risk that businessmen (and women) undertake for ownership and loss of investment. Profits include gross net and retained (Pride, Hughes & Kapoor, 1993)[28]

3.7.1 Gross Profit

Gross profit is the excess of revenue from sales less the amount of direct costs of a product. This is referred to as cost of goods sold. These costs could include the materials purchased to manufacture products, transportation of materials into the production facility, direct labor to produce them, and distribution costs. The easiest way to determine cost of goods sold is to start with the value of the beginning inventory, add the amount of purchases during the period in question, and then subtract the value of the ending inventory.

3.7.2 Net Profit

Net profit is the difference between gross profit and operating expenses. Operating expenses differ from direct expenses because they are general business expenses that cannot be directly attributed to the products that are being sold. This is sometimes called overhead expense. Operating expenses are expenditures that companies make in performing normal business activities. They are divided into two categories: selling expenses and administrative expenses. These include such things as sales commissions, depreciation expense, rent, management or office personnel salaries, repairs, office supplies, business licenses, and taxes. Business profit is usually discussed in terms of net profit since it is from this type of profit that owners receive their income or stockholders receive dividends.

3.7.3 Retained Profit

This is the surplus profit after the amount is withdrawn by the owner or dividends are paid to stockholders. This amount is added to the owner's equity or net worth of the business. Business profit is important because without it the company might cease to exist. Retained profit is important to the growth of the business and can be used for activities like adding a production line, increasing the size or number of facilities, or research and development of new products. Managers of companies keep track of business profit by completing a profit and loss statement. This financial statement begins with total or gross sales, less any discounts or returns. Then the cost of goods sold is subtracted to determine gross profit. Operating expenses are subtracted from gross profit to show income from operations. From this figure, other revenue, such as dividends, interest, or rent income, is added and other expenses, such as interest and taxes, are subtracted to arrive at net profit. After any owner disbursements or stockholder dividends are subtracted, the remaining amount of the business profit will be retained profit.

3.8 Integration of Growth Strategies and Profit

Growth strategies and profit integrate. If growth strategies are effectively formulated and implemented according to indicators and plan, it will lead to increase in profit in that organization. Growth strategies are often called the master business strategies; they provide the basic direction for strategic actions. They are the basis of the coordinated and sustained efforts directed towards achieving long term business objectives and profit. Growth strategies have played central roles in the expansion and profit. They have enabled organizations to increase their market shares, develop new markets, and develop new products and services so that business profit will continue to increase economic development. Enhanced net or retained profit is associated with growth strategies.

III. Methodology

The paper relies on secondary sources of data. It reviews existing literature on business growth strategies and interviewed entrepreneurs and human resource experts. Relevant materials were consulted from papers on strategy, business growth strategies and concept of profit, Dexit & Pandey, (2011)[29], Susmitha, (2014)[30], Vasu & Javachanandra, (2014)[31], Watts et al, (2008)[32], Kotler, (1999)[33] and Smallbone et al, (2005)[34]. End of year records and other company books of Ashakacem Plc were also consulted and examined. In addition, literature for the review and conceptual clarifications were sourced online. Findings reveal that Ashakacem Plc and indeed other businesses in Nigeria earn greater profit as a result of crafting and implementing effective growth strategies. For businesses to grow and compete in the Cement Industry, managers and owners need to devise comprehensive growth strategies that will impact the business performance positively. Strategies such as diversification, acquisition, product development, market penetration and pricing are some few of the growth strategies that if adopted effectively, business profit will grow. Growth strategy has positive and negative impact on profit. The positive impact may include increasing market share, achieving competitive advantage, increasing business profit, increasing productivity. If the growth strategies proxies are not adopted effectively it will lead to negative impact such as market failure, low profit, and low productivity**.** Nathan (2013)[35] also asserts that firms should develop strategies that aim to increase the market share in a bid to achieve competitive advantage. This is so because, market development strategy has been shown to lead to growth in size of firms, helped firms to effectively pursue and achieve competitiveness by increasing sales and customer numbers and has enabled firms to expand into new geographical regions thus increasing their profits.

IV. Conclusion

The paper theorizes growth strategy and how it affects corporate profit. The paper introduces the reader to the problem and objective. It examined how growth strategies impact on business profit at the global level and show Ashakacem Plc can benefit from growth strategies. Further it considered growth options beginning from market penetration through product development to the karma. The concept of profit and how it can enhance investment and economic development were reviewed. Based on the above it is recommended that

Ashakacem Plc should continue to formulate good policies on growth strategies like acquisition, diversification, online etc to be able to make more sales and enhance legitimate profit on its business activities. Product development should also be prioritize to enable better and improved product delivery to changing customer needs and restrain against market failure that may be as a result of low quality goods. The study also recommended that further studies be carried out in Nigeria to evaluate the impact of growth strategy on business profit.

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