THE EFFECT OF MANAGEMENT PERFORMANCE ON SHAREHOLDER WEALTH MAXIMIZATION OF CONGLOMERATE FIRMS IN NIGERIA

BY

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BEING A RESEARCH PROJECT SUBMITTED TO THE SCHOOL OF POSTGRADUATE STUDIES, NASARAWA STATE UNIVERSTIY KEFFI, IN PARTIAL FULFILMENT OF THE REQUIREMENT FOR THE AWARD OF MASTERS IN BUSINESS ADMINISTRATION

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DECLARATION

I declare that this project was carried out by me; Ali Hadiza Tatari of Department of Business Administration, Faculty of Administration Nasarawa State University, Keffi in accordance with the procedures and guidelines of the School of Postgraduate Studies on project written.

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CERTIFICATION

This is to certify that this project work is under taken by **Ali Hadiza Tatari NSU/ADM/MBA/BUS/068/15/16** and has been prepared in accordance with the requirement for the award of Masters in Business Administration (MBA) of the School of Postgraduate Studies, Nasarawa State University, Keffi.

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DEDICATION

This work is dedicated to Almighty Allah who gave me the inspiration, strength, knowledge and passion to undergo this programme.

ACKNOWLEDGEMENT

I am very grateful to Almighty God for his Mercies, strength and protection over me throughout the period of my course.

My great gratitude goes to my caring parents for their ability to lay a good foundation for my future well-being.

My profound approbation also goes to Prof. Sam B.A. Tende; my project supervisor for putting me through in this work.

ABSTRACT

Management is a universal function that finds application in every area of human endeavor, this dated back to antiquity and medieval ages; when man had to organize in groups to accomplished common objectives. Management seeks to ensure effectiveness, efficiency and economy in the attainment of common goals. Thus, this study investigates the effect of management performance on shareholder's wealth maximization in Nigeria. The study focused on five selected conglomerate firms and secondary data was adopted in the research. It used a combination of regression analysis economic value added (EVA) and compounded annual growth rate, it found that measuring managerial performance using EVA model has no significant effect on the firms performance. It recommends that potential investors should consider accounting performance measure for wealth maximization.

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CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Business is all about buying and selling of goods and services, its origin date back to the history of man on earth. This is when it was managed by owner. In the business, the single-mind pursuit of profit was expected. Business then was characterized by self-financing, private property, and single entrepreneurship. The aims of single owner include total control of the business, cheap and easy start up, retention and monopoly of profit well as private business affairs.

Due to inefficiency of single entrepreneur, modern business emerged with adequate capital to satisfy customer's needs, separation of power from control, legal personality and limited liability of the owner. Ownership of companies is diversified among thousands of shareholders while planning leading directing and controlling of the business are in the hand of the managers. Since then, business operation become strong and complex, which serves as an impetus for owners to look for qualified manager that could run the affairs of their company in their best interest to achieve their goal.

Managers are human beings and by nature, goal seeking organism, they act to control certain aspects of the world about them and at the same time, other actors and factors are often acting to control those same aspects. Often in the ways and direction that are odds with their intentions. Manager's actions are helped or hindered by other conditions to a greater or lesser degree, and the

effect of their actions on the control variables are the sum of their action and these other conditions. Manager's actions are also part of them and part of the situation in which they are acting (Nickols, 2004). Thus, they have great tasks to manage those actions and factors that can hinder their performance in order to achieve organizational objectives. Organizational objectives can achieved by engaging in four major functions of managerial planning organizing, leading and controlling (Kathryn et al 1998). In practice managers of firm are expected to use their initiative skills and experience in an effective and efficient manner to accomplish organizational objectives. Conversely, some manager are not succeeding the company either in terms of growth in the market share, expanding customers relationship, cost minimization or increase in revenue generation, incited they have more priority to their personal objectives such as recognition, power, status and personal wealth. Mark (2001) certifies that, managers taking more for them have led to higher salaries and bigger but less profitable empires, all of which have generally negative social effects when 'product market are competitive. Due to these managerial dysfunctions, shareholders need to look over managerial performance in order to create a measure, which can align their interest and goals together.

Milton (2008) an advocate of the shareholder theory, focuses strictly on those who have a monetary share of the company. According to this view, a firm's only purpose is to serve the needs and interest of the company's owners which is wealth maximization. Thus, the study will utilize market value of conglomerate firms at the end of each year, as proxy for shareholder' wealth

maximization during the study period. Maximizing shareholders wealth can perhaps be achieved by having a reliable managerial performance measures. However, there is no single measure that provides a complete picture of the performance. The best performance measure is the one that without imposing excessive costs, give managers the strongest incentives to take action that increase firm value (Zimmerman, 1997)

Accordingly the study will employ Economic Value Added (EVA) Model as a proxy for Economic Performance Measure to determine the Effect of managerial performance on shareholder's wealth maximization. Theoretically, EVA improves the value of the firm and hence is a good measure of managerial /corporate performance. The major attraction of EVA Model is that it link to the value of the firm and hence, capable of signaling the value creation or otherwise (Irala, 2007). Since eightieth century economist have recognized that for a firm to increase its wealth, it must earn more than its cost of capital (WACC= an average of the cost of debt and the cost of find that investors view increase in EVA more than improvement in traditional accounting based performance measures. These studies have been used to suggest that EVA is generally superior to earning and other accounting based performance measures in explaining security returns.

Traditionally, periodic corporate performance is most measured using variant of historical accounting income. Accounting data are verifiable and widely understood and pass what practitioners call the "Line of Sight" criteria for

acceptable performance measures. Managers understand and can "see" how their day-to-day actions affect year-end profitability Murphy, 1998). In search of such a metric traditionally, companies used to captures managerial performance and reward them through the operations based measures such as profit. The study will utilize Profit, Equity Capital and number of subsidiaries as proxies of accounting measure to identify the degree at which accounting performance measure affects shareholder's wealth besides it weaknesses as confirm by EVA model.

1.2 Statement of the Problem

Various theories attempted to provide basis for establishing business organizations. Financial theory states that the financial goal of a firm is maximization of owner's welfare. Owner's economic welfare could be maximized by maximizing the shareholders wealth as reflected in the value of shares (Pandey, 2002). Agency theory suggest that manager seek to maximize their own self-interest rather than in the best interest of the firm because of asymmetric information. Here managers may be view as they know more than any investors; whether they can meet shareholders objectives and uncertainties or not.

Conversely manager feels unfair; the way shareholders assess wealth maximization in terms of market value of shares which the (managers) don't have control over. Nickols (2004) argue that shareholders ought to know managerial actions that are helped or hindered by other conditions to a greater

or lesser degree, and the effects of their actions on the control variables are the sum of their action and these other conditions. Managerial actions are also part of them and part of the situation in which, and on which they are acting.

Going by the relentless issues of managerial performance among shareholder and manager which gave birth to managerial dysfunctions; such as principal-agent conflict and utility maximization to name a few, the menace if not measured accurately may lead to profit minimization, cost maximization, agency problem and bankruptcy which may generally have negative social effects in a competitive market on shareholder's wealth. This gap or divergence between the goals of managers and that of shareholders seems to create uncertainties and distrust of management performance by shareholders which pinpoint the need to find an acceptable position by most of shareholders in order to shrink the gap and hence recognized managerial performance.

Managerial dysfunction could lead to capital market crash, unemployment, low productivity, poverty, lack of sufficient income tax to government, increase inflation as well as hold back to economic growth and development of the country at large. Furthermore, Capital market might meltdown as shareholders realize that manager are not acting in their best interest, therefore what left is to dispose their interest (shares) to earn capital-gains against dividend. Trading activities in the market may hold back as no one is willing to deal with shares in the market.

Brokers and Jobbers could lose their jobs commissions and other incomes. Market intermediaries such as Banks, Pension and Insurance firms among others may perhaps end up with surplus cash, as there are no firms to invest their savings. The menace may cause a setback to economic growth and development or the country at large. Government may possibly lose revenue to finance its expenditure as there is low revenue, which could give birth to inflation, poverty and low income tax, deficit financing as well as foreign aids. The menace may cause some structural adjustment program to be imposed, which may hinder economic activities in the country. Along the line, the study will determine the effect of managerial performance on shareholders wealth of conglomerate firms by establishing some objectives.

1.3 Objectives of the Study

The study's main objective is to find out the effect or managerial performance on shareholder's wealth maximization in conglomerate firms. Other objectives of the study are:

i. To find out the extent to which economic managerial performance measure affects shareholder's wealth
ii. To identify the degree at which accounting performance measures affects shareholders wealth.

1.4 Research Questions

For the purpose of the study the following research questions are raised.

i. Does managerial performance affects shareholder's wealth maximization of conglomerate firms?

ii. To what degree does accounting performance measures affects shareholder's wealth?

1.5 Statement of Hypotheses

The study formulates following hypotheses in a null form.

$H_0$1: Managerial performance has no significant effect on conglomerate firms' shareholders wealth maximization.

$H_0$2: Shareholders' wealth is not affected by accounting performance measure.

1.6 Significance of the Study

The following are expected to benefit from the study among which include: Shareholders, Potential investors, Government, Researchers, Financial intermediaries and other lenders. They may find it useful, thought as an internal performance measure; it could warrant the firm's share in the capital market to bear the same value.

Researchers and students may use it as a guide and gauge for their research which will give them more opportunities to affect studies in area. To a researchers' knowledge, as at the time or this study there is no any available research work that uses EVA-Model, on conglomerate firms in Nigeria. Shareholders and prospective investors are expected to benefit fully, being

EVA an internal performance measure, it could warrant shares to bear the same in the capital market.

Regulatory bodies, as government representatives such as Nigeria Deposit Insurance Corporation (N.D.I.C), Nigeria Stock Exchange (N.S.E), Corporate Affairs Commission (C.A.C), Security and Exchange Commission (S.E.C) and the like can use it to gauge market value of firms' shares and the quality of it management, before taking decision on any firm.

1.7 Scope of the Study

The study will utilize available data of all (eight) conglomerate firms listed in the Nigerian Stock Exchange fact books for the period of eight years (2001 to 2008) inclusive. The study select five firms based on the following criterion: firms that ceased to trade during the period, having negative equity or having data missing for any variable used in the models were excluded from the study. Five conglomerate firms that surpass the above screening were included in the analysis. The selected firms among them arc: A.G. Leventies (Nig) Plc, John Holt Plc, P.Z. Cussons (Nig) Plc, U.A.C Plc, Unilever (Nig) Plc.

Conglomerate sector was in operation since pre-colonial era contributing towards economic growth and development of Nigeria. Its' nature of business includes: Production of goods and or services, sales and maintenance of equipment, distributions, construction, letting of properties, merchandising, as well as international managerial-skills with crossed trained in twinned field of

expertise, technical know-how as well as citizen and 10 foreigners shareholders. Matsuka, (1993) contends that in a few acquisitions of big publicly-traded target companies, managerial discipline may have been a major factor. These serve as a justification and essence of choosing conglomerate sector of the Nigeria Stock Market as a population of the study.

In addition, the sector is characterized with illusory of synergy, which is an extra layer of management that increases costs. Accounting disclosure in the sector is less useful information; many numbers are disclosed in groups rather than separately for each business. The complexities of a conglomerate accounts make them harder for investor and regulatory bodies to analyze and make it easier for management to hide things which perhaps lead to culture clashes between subsidiaries and destruction of market value. These are also among other parameters that lead the work to choose conglomerate as the study area.

CHAPTER TWO

LITERATURE REVIEW

2.1 Conceptual Framework

2.1.1 Concept of Managerial Performance

Managers are all around. They brought innovations and opportunities in order to maximize shareholder's wealth. Live of companies as we know it, would be a shadow of how it is today without managers. There are two types of management, professional and nonprofessional. Due to the importance of all business to the human race, it is vital that they are nurtured by professional managers. Management should spend its time improving the quality of assumptions and assuring that all strategic questions have been asked (Pandey, 2002), rather than implementing and using more relined evaluation techniques. The majority of businesses are profit driven and in order to achieve this, they must have a sound internal managerial structure. Many theories and concepts have arisen as a result to aid the management side ofl an organization. The effect of such theories and concepts are fundamentally to get the maximum output from employees whilst creating a sense of cohesion and serenity. The study will review relevance theories, concepts and models on managerial performance measures and shareholder's wealth respectively, in order to find the best that can solve the research problems and test the stated hypothesis.

Management is a universal function that finds application in every area of human endeavor, this dated back to antiquity and medieval ages; when man

had to organize in groups to accomplished common objectives. Management seeks to ensure effectiveness, efficiency and economy in the attainment of common goals. Kathryn *et al,* (1998) sees it as the process of achieving organizational goals by engaging in the four major functions of planning, organizing, leading and controlling. Organizational goals are distinguishes between three different objectives which form a hierarchy: the mission or an organization, corporate objective, and unit objectives.

The mission of an organization describes in very general terms the broad purpose and reason for an organization's existence, nature of its business and the customers it seeks to serve and satisfy. Corporate objectives relates to the organization as a whole. They are normally measurable and are expressed in financial terms such as desired profits or sales levels, return on capital employed rates of growth or market share. Corporate objectives are normally formulated by the members of board of directors and handed down to senior managers. It is important that senior managers in an organization to understand clearly where their company is going and why and how their own roles contributes to the attainment of corporate objectives. Unitary objectives relate to the specific objectives of an individual unit within the organization such as division of one company within a holding company. These objectives are all geared towards better performance of the organization.

Kathryn, *et al* (1998) Opine that work method and managerial roles as well as work agendas, feed in to the managerial functions aimed at performances. A

performance management system can achieve business results far beyond those of typical paper-based processes. It increase employee rating accuracy and consistency, enforce goal alignment with company strategy, enhance employee engagement and retain key contributors as well as improving profitability and efficiency. A manager's knowledge base and management skills are also important factors in reaching targeted performance.

Corporate performance management improves the capability of a business (Josh, 2008). It provides three important values to the business. They are information, delivery, performance oversight, and performance effectiveness. These values help to understand manage and improve the business. A large proportion of performance measures are qualitative not quantitative and therefore value judgments can only be calculated with supportable and justifiable standards (Fratiles, 2008). Some performance measures are financial and non-financial in nature.

In the twenty century, there has been an increase 111 published research concerning the balance between financial and non-financial measurement (Chapman 2005; Kaplan & Norton, 2001; Collier 2006, Merchant & Stede, 2007). Managerial financial performance measures divide organization into centers that is cost centers, profit centers and investment center. Cost center managers would have their performances well evaluated when variance analysis is concluded. While the performance of profit centers and investment centers managers is measured in terms of meeting sales (turn over) target and

cost objectives while investment center manager by rate of return is able to generate on invested fund. Chapman (2005) argues that, financial performance measurements within firms usually focus on short sighted solutions. The logic opposite would be that non-financial performance measurement have been dominating the organizations but literature and research in fields such as accounting and management control argues that, in non financial performance measurements should influence the decision making and managers to a higher extent (Chapman 2005; Kaplan & Norton, 2001; Collier, 2006; Merchant & Stede, 2007). Financial measurement variables tend to direct focus towards short term profits (Chapman, 2005; Gomes *et al*, 2005).

Several measures for balancing short and long term as well as financial and non-financial performance have been developed in order to achieve organizational objectives. The measures are classified in two which are traditional and modern measures.

2.1.2 Accounting/Traditional Measures

Traditionally, periodic corporate performance is most often measured using some variant of historical accounting income. Irala (2007) maintains that, managers maximize firms' value by accepting positive Net Present Value (NPV) investment. Investments that earn more return pass what practitioners call the "line of sight" criteria for acceptable performance measures. Managers understand and can "see" how their day-to-day actions year-end profitability (Murphy, 1998). In search of such a metric traditionally, companies are used to

capture managerial performance and reward them through the operation based measures such as profits, Earning Per Share (EPS), Return on Capital Employ (ROCE) and Return on Equity (ROE) (Irala, 2005).

2.1.3 Earning Per Share (EPS)

Earnings per share (EPS), is a measurement of companies per share performance. It is a ratio of net income to the number of shares outstanding. EPS-when compared to profits-is a relative measure as it considers the size of the capital (in the form of numbers of shareholders). EPS as a performance measures might motivate managers to choice investment as long as it will generate positive returns, whether is below or above the hurdle rate of capital.

2.1.3.1 Return on Capital Employed (ROCE)

ROCE is the ratio of net operating profit to the net operating assets or capital. ROCE is an improvement over EPS as it links the returns generated to the capital employed. However, it does not include the cost of such capital employed for example two investments can't be rated as equally good even if they have the same ROCE unless costs of financing these investments are equals. As managerial performance measures, ROCE might encourage managers to reject even good investments (whose expected returns exceed WACC) when such returns are expected to lower the current Average ROCE (papers.s8rn.com accessed, 2010).

2.1.3.2 Return on Equity (ROE)/Return on Net Worth (RONW)

ROE indicates how much the firm has earned on the funds employed by the shareholders. ROE like ROCE doesn't include cost of capital (Equity in this case) in its computation. ROE as a performance measure might encourage managers to accept investment capable of adding some earning even if they don't cover the cost of capital/earn the required return. Conversely it is important to notice two fundamental problems with all accounting measures.

1. Accounting profits are inherently backward-looking and short-run. Those manager that focused on accounting profits may avoid actions that reduce current profitability but increase future profitability of the firm such as cutting R & D (Dechow *et al*, 1991).
2. Healy, (1985) confirm that accounting profits can be manipulated either through discretionary adjustments in "accruals" or by shifting earning across periods.

The study will gauge how managerial performance elects shareholder's wealth using accounting indices such as profit, equity capital among others. However, researchers confirm the fundamental problems of accounting measures, as it doesn't considers cost and size of capital employed to generate a given profit (Robert *et al*, 1996 and Stern, 2001) among other.

2.1.3.3 Economics/Modern Measures

Measuring organizational performance in the current business environment using traditional accounting methods is increasingly inadequate and often

irrelevant to real value in today's economy (Sharma *et al,* 2007). Modern managerial performance measures are adequately relevant towards value creation, as they consider cost and size of capital employed to generate a given profit. The measures include balance score card and Economic Value Added to name a few.

2.1.3.4 Balance Score Card

Balance scorecard is one of the most well know model-developed by Robert *et al,* (1996). The model introduces a mix of financial and non-financial performance measurements in order to get a more correct picture of the situation when performing management control. The model also focuses on the strategy as the central issue when developing control systems and performance measurements. Olve *et al,* (2004) argues that, model such as balanced scorecard have their disadvantages, companies that have attempted implementing it has frequently failed to fully achieve all predicted beneits. Reasons to this could be that, the implementation of performance measurement model is generally time consuming, which puts pressures on the company.

Balance scorecard as a measurement system, support the promotion of strategy at an everyday operation level. The balance scorecard system is part of a strategic and operation-planning objectives setting and monitoring as well as learning about how well the strategy works. This system can be used in any organization to help align vision and mission with the customer requirements.

2.1.3.5 Economic Value Added (EVA) Model

Performance measure must incorporate at least three things: amount of capital invested, return earned on the capital and cost of capital (WACC) that reflecting the risk adjusted required rate of return (Irala, 2005). In search for that stem Stewart & Company answers this question positively and introduces its Economic Value Added (EVA) Model. Stern (2001) succinctly opined that, 'EVA will be the main financial parameters by which we measure our performance". EVA model provides economic value crated for investors in a given time period by weighing the profit generated by a decision against the value of the capital employed to generate that profit.

EVA is the Adjusted Net Operating Profit after Tax (ANOPAT) for a period minus the capital charge of the investment over that period. It can be expressed as adjusted Net Operating Profit after Taxes (ANOPAT) – Capital Cost.

Capital Employed (CE) X ROCE (as ROCE = EBIT (I-T)/CE)

Capital Cost = WACC X Capital Employed (CE).

Thus,

EVA = Capital Employed (CE) X ROCE – WACC X Capital Employed. EVA = (ROCE- WACC) Capital Employed.

Capital is generally measured by books valued of show

WACC is the weighted average cost of equity (generally measured by CAPM) and cost of debt.

Bontis, (2001) describes EVA as providing "a common language and benchmark for managers to discuss value creation and it is blessed with widespread acceptance in the financial community, can increase the legitimacy of a company in the eyes of financial Parakeets, as a valuable measure of corporate value creation or destruction over a period". Value of the firm can be enhanced by linking managerial performances with EVA, as the model will oblige managers to improve returns with the existing Capital, employ capital productivity and reduce the capital cost. Since the eighteenth century, economist have recognized that for a firm to increase its wealth, it must earn more than its cost of capital (WACC = an average of the cost of debt and the cost of equity) (Hamilton, 1777; Marshall, 1890, cited by Biddle *et al*, 1997).

Robertson *et al*, (1999) find that investors respond favorably to the adoption of an EVA-based compensation plan, and that a now-on effect would be that, investors view increases in EVA more than improvement in traditional accounting based performance measures. These studies have been used to suggest that EVA is generally superior to earnings and other accounting used performance measures in explaining security returns.

However, there is also evidence to suggest that EVA is not a superior measure of firm performance. Biddle, *et al* (1997), for example, question whether EVA is more highly associated with stock returns and firm values than accrual earnings, evaluated which components of EVA, if any contributes to these associations. The results of their study of 773 large US firms indicated that,

earnings is more highly associated with market-adjusted annual cash flows from operations (CFO). Thus, when considering the relative and incremental information content results together, neither EVA nor RI appears to dominate earning in its association with stock market returns.

Fernadez, (2003) shows a major attractions with EVA as its linkage to the value of the firm and hence, capable of signaling the value creation or otherwise of it. It is not too uncommon that the market value of a firm (Market value of Debt and Market value of Equity) either exceeds or falls short of its Book value. The difference is the Market Value Added (lost). MVA can be arrived at by discounting back the future EVAs. MVA = Future EVAs discounted back and thus, MVA equals the present Value of future EVAs. The Market value of equity exceeds its Book Value when the MVA is positive under in this case the Market Value of the equity is said to be a premium. On the other hand it will be at a discount when MY A is negative. Stern, (2001) argues that, EVA provides a signal to the investors that, management is more likely to achieve the expected return on book capital employed and might warrant higher price to earnings ratios because they are likely to engage in less potential waste. Empirical studies have outlined mixed findings-some of them diametrically opposite. There is only limited support for Stewart's contention that the adoption of EVA is associated with greater increase in MVA.

Linda (2001) improving EVA performance is associated with a higher stock return. However, the association of EVA with stock return is not as strong as

suggested in anecdotal EVA stories (Chen & Dodd, 1997). In the same vein, Swain (2002) assert that EVA out smarts all other financial measures in predicting MVA; however there is no significant correlation between MVA and other economic measures.

In opposition Malhotra, (2001) contends that there is no indication what so ever that, EVA is conveying any statistically significant signals different from the traditional performance indicators. While Bhatnagar *et al*, (2001) argue that, EVA is the single, largest and most consistent variable, which had a decisive role in accounting for change in MVA. I-laving reviewed various application and uses of EVA, the study will utilize the model to measure managerial performance on shareholder's wealth maximization among Nigeria's conglomerate firms.

2.1.4 Concept of Shareholder's Wealth and Wealth Maximization

Languages were not always focusing on shareholders' value. So, when pressure to do just came in the 1980s, there were large opportunities for improvements (Oskar, *et al* 2006). In general terms, wealth is anything which has value. Shareholders wealth more commonly referred to as shareholders value) is talking about the value of the company generally expressed in the value of the stock. When investors look at a company, they not only look at net operating profit but also profit margins, returns on capital and other indicators of efficiency (Wiki answers, 2008).

Wikipedia (2008) pithily show that increasing shareholder value may mean driving the stock price as high as possible and also increasing dividends, the goal of maximization of shareholder wealth is meant by:

1. Enlightened management to be aware that the only way to maintain its position over the long-run is to be sensitive to shareholder.
2. Management often has sufficient stock option incentives that motivate it to achieve market value maximization for its own
3. Powerful institutional investors are making management more responsive to shareholders.

The objective of shareholders' wealth maximization (SWM) is an appropriate and operationally feasible criterion to choose among the alternative financial actions. It provides an ambiguous measure of what financial management should seek to maximize in making investment and financial decisions on behalf of owners (shareholders)., shareholder's value is the part of its capitalization that is equity as opposed to long-term debt. In the case of only one type of stocks, this would roughly be the number of outstanding shares times current share price. Things like dividend augment shareholders value while issuing of shares (stock options) lower it.

Shareholders value approach is the management philosophy that regards maximization of shareholders equity as its highest objectives. It attempts to increase this value by the following policies that include: enhancing the firms earning, increasing the market value of its shares, and increasing the amount or

frequency or the dividend paid. Increasing shareholder wealth involves investing in positive net present value projects, increasing profits on existing capital, and diverting resources form negative net present value projects.

2.1.5 Factors Affecting Market Value of Shares

In management value is a meaningless business word that includes all forms of values, which determine the health and well-being of the firms in the long run. Chuke, (2001) concisely shows that the goal of any company is to maximize the value of the firm and the welfare of stake holders. Value maximization is reflected in the market price per share or the market price of the company. When the market price appreciates, the value of the company is enhanced. The shareholders realize capital gain by disposing their share and maximize wealth. The welfare of shareholders is maximized through profit maximization that ensure high sum of money coming to them as dividend as well as maximizing value of the firm. Wide array of actions that affect shareholders value includes defining the business strategy, choosing between debt and equity financing, making dividend and repurchase decisions, identifying acquisition and divestiture target, selecting industries and markets to ensure or exist, allocating capital across business units, setting budgets for developing new products and businesses, hiring productive (and firing unproductive) subordinates among others. In addition, shareholders and their advisers might do well to focus on those corporate governance provisions that really matter for firm value.

Gompers, *et al* (2003) posit that most of the studies that examines the relationship between corporate governance and firm value or performance have dwelled on such governance practices as board composition, board size, CEO turnovers among others as cited by Fodio, (2006). In Nigeria Sanda *et al*, (2004) find a negative relationship between board size and firm performance. While significance relationship between corporate governance and share prices is documented by Black, *et al* (2003). The study will find hoard size effect, on shareholder's wealth maximization in Nigeria conglomerate firm.

Likewise capital structure of corporation is very sensitive and crucial area to financial managers, potential investors, debenture holders and other investment community for shareholder's wealth maximization. Modigliani and Miller (1958) reveal that in the absence of bankruptcy costs and tax subsidies on the payment of interest the value of the firm is independent of the financial structure. Pandey, (2002) opined that financing or capital structure decision is a significant managerial decision that influences that shareholders return arid risk. The value of a firm depends upon its expected earnings stream and the rate used to discount this stream. The rate used to discount earning stream is the firms required rate of return or the cost of capital. Thus the capital structure decision can affect the value of the firm either by changing the expected earnings or the cost of capital or both. There exist two extreme views and a middle position view. The two extreme views; the net income and net operating approaches are as follows:

Net income Approach: Under this approach, the cost of debt and cost of equity are assumed to be independent to the capital structure. The weight average cost of capital decline and the total value of the firms rise with increase use of leverage.

Net Operating Income Approach: The cost of equity this approach is assumed to increase linearly with leverage. As a result, the weighted average cost of equity remains constant and the total value of the firm also remains constant as leverage is change.

Middle Position or Traditional Approach on the other hand shows that, the cost of capital declines and the value of the firm increase with leverage up to a debt level and after reaching the optimum point (minimum cost of capital or maximum value of the firm), leverage cause the cost of capital to increase and the value of the firm to decline. Equally, the study will use (paid-up) share capital of the sample firms, as a proxy for capital structure decision to find its effect on shareholder's wealth maximization in Nigeria conglomerate firms. In addition to the above factors, nature or structure of the market, perhaps affect shareholders wealth.

Market is a set of arrangement whereby buyers and sellers are in close contact to exchange goods and services (Shehu, 2004), Mark (2001) contends that the relative value of shareholders wealth maximization for a nation is partly a function of that nation's industrial organization. When much of a nation's industry is monopolistically organized, maximizing shareholders wealth would

maximize the monopolists' profits, induce firms to produce fewer-goods than society could potentially produce and motivate firms to raise price to consumer beyond that which is necessary to produce the goods. The study will use net operating profit after tax (NOPAT) of each sample (conglomerate) Linn as a proxy for market structure to Lind their relevancies or otherwise on shareholder's value maximization.

2.1.6 Managerial Performance in Conglomerate Firms

Conglomerate firms came in to time line in the mid 1920's (Danielsson *et al,* 2007). These companies were highly diversified with operations in a variety of industries. Ever since researchers have examined advantages and disadvantages of conglomerate firms' performance how they destroy or create shareholders value. While Encyclopedia (2010) sees it as a corporation that is made up of a number of different, seemingly unrelated businesses. In a conglomerate, one company owns a controlling stake in a number of smaller companies, which conduct business separately. Each of a conglomerate's subsidiary business runs independently of the other business divisions, but the subsidiaries' management reports to senior management at the parent company. The largest conglomerates diversify business risk by participating in a number of different markets, although some conglomerates elect to participate in a number of different markets, although some assets growth, often very rapid, which comes largely through acquisition of our merger with other firms whose products are largely unrelated to each other or to 11 at of the parent company. Merger to

gain monopoly ("horizontal integration") was notable at the end of the 19th century somewhat later, acquisition of suppliers or buyers ("vertical integration") became fairly.

Conglomerates did not emerge until the 1960s, when they quickly became popular among investors. Their stock price often rose and sometimes fell spectacularly. Economic advantages attributed to conglomerate include protection against over specialization, availability of management expertise, and reduced costs. The rise of the conglomerate in the 20th century has been attributed to restrictions imposed by antitrust laws: As businesses were constrained within their own industry, they instead expanded into different markets. This trend intensified during the 1990s. A notable exception was ITT which, in 1995 split up its companies to strengthen operations. The mid-200s again saw the breakup of a number of conglomerates, most notably Cendant and Viacom, will investors seemed to favor more focused companies ever larger companies with disparate businesses, but other conglomerates continued to thrive and grow through invention of newer ideas like focusing on a company's competency.

Panielsson, *et al* (2007) posited that, conglomerate is a special case of company group. There are to conditions that must be fulfilled for a company group to be classified as a conglomerate.

1. The first condition is that the group must entails at least one company with a subsidiary, and hence have an internal capital market.

2. The second condition is that the companies within the group must operate in at least two different SNI-code segments.

History has shown that, conglomerates can become so diversified and complicated that they are too difficult to manage efficiently. Since the height of their popularity in the period between the 1960s and the 1980s, many conglomerates have reduced the number of businesses under their management to a few choice subsidiaries through divestiture and spinoffs. Most researchers agree that, at least some conglomerates exhibit a large diversification discount relative to standalone firms. The interesting and important problem is to understand what causes this value loss.

The diversification discount refers to the generally accepted fact that most quoted conglomerates are traded at a value that is less than the combined value or the subsidiaries that the conglomerate entails. Since the market value of the conglomerates is less than its "true" value, the company is said to be traded at a discount (Danielssons, *et al,* 2007). Diversification across industries creates various in efficiencies in internal capital allocation (Scharfstein, *et al,* 2002) and Rajan *et al,* (2000). While capital misallocation can be caused by differences in opportunities facing conglomerates divisions in different industries Danielsson *et al,* (2007) argue that wide varieties of explanation for the discount have surfaced including agency problems, inefficient capital allocation, and overinvestment in underperforming segments.

Previous empirical tests of inefficient internal capital market theories aid not lead to a consensus. Lundstrum, (2003) finds that in conglomerates with large information problems, the success to an internal capital market has no value. He also concluded that internal capital markets do not create shareholders value in such conglomerates. But where the information problems are small, the benefits of having access to an internal capital market can contribute to company value.

The change in the segment-reporting rules provides an opportunity to examine the same firm under two regimes: reporting on a single segment and reporting on 41 multiple segments. Hyland (1999) show-that change in number of reported segments on composted not always represents an economic event such as an acquisition. Using a sample of average firms that changed the number of reported segments from one to more than one, he finds that only about 60% represent an economic event. Others are either pure reporting changes or internal growth. Graham, *et al* (2000) examined the subs ample of diversifying firms that increased the number of reported segments due to a reporting change. They find that these firms did not have any adverse value change in the next year alter the change in number of reported segments. According to Graham *et al*, (2000) a reporting change is when company grows internally or changes its business structure in any other way except through an acquisition. However, the firms decision to change the reporting voluntarily there is a potential for the indigeneity problem (Campa *et al*, (2000) and Villalonga (2000). Hyland, (1999) notes that most common way through which firms

diversify is acquisitions. Lemmon and Wolf (2000) show that the value decline after the diversification event is partly due to the lower value before the diversification. Therefore, a potential reason for apparent diversification discount in 1998 is that, firms which were standalone in 1997, acquired other discounted companies and thus, began reporting multiple segments and became discounted at the same time.

In order to calculate the diversification discount, Berger and Ofek (1995) computed the standalone value of the different subsidiaries and compared the total value with the market value of the conglomerates. Specifically, they produced rations of total capital to three accounting measures; sales, assets, and earnings. Each subsidiary was assigned the median values of these rations for the corresponding single segment companies. The assigned values of the subsidiaries were then summarized "in order to find the theoretical value of the conglomerate.

The actual market value of the conglomerate was deducted from the calculated theoretical value to find the discount. Berger and Ofek (1995) concluded that conglomerate in the United states on averaged traded at 13 to 15 percent discount, compared to the computed total stand-alone value of their subsidiaries. An important contribution of the Berger and Ofek (1995) study was to show the degree of diversification is passively correlated to the diversification discount. That is the more diversified a firm is, the more value is destroyed. To this end, the study will utilize number or subsidiaries or each

sample firm, to find their effects on the shareholders wealth maximization in Nigeria.

Model enable researchers to manipulate variables within the model to establish proposition, hypothesis and to determine results in order at conclusions. A model is a conceptualization of the way two or more concepts relate to each other (Marsahll, 1890, cited by Biddle *et al*, 1997). There are various models that talks on different filed among which included GAP-ACT Model that depicts managerial performance in organization.

Nickols, (2004) show that managers are responsible for achieving and maintaining results. They are expected to control certain variables. These targeted variables might take the form of a financial result such as meeting a budget, reducing the costs associated with an operation or increasing revenue. They might also take the form of an operational result such as maintaining or increasing a specified level of production, service or quality. In any case there are variables for which the manager is responsible to control. To achieve the results of interest managers take actions, they do things intended to obtain and maintain the results for which they are responsible. The impact of managers' actions can be offset or even completely negated by some actors and factors. People might not "go along with the program." Some might even resist openly.

Things change, finding might be withdrawn, budgets cut, staff members are reassigned and units reorganized. The net effect on the targets manager attempts to control reflects not just their actions but the sum of their action and

the CI Tects of these other actors and factors. The effects of these other actors and factors constitute the circumstances under which managers are expected to perform and these circumstances often pose " disturbances" to the targeted variables that manager seek. To control depending on the targeted variables in question the disturbance posed by external circumstances might be relatively minor, no more than background noise, a mere nuisance.

2.2 Empirical Review

Biddle, Bowen and Wallace (1998) empirically test whether EVA is superior to accounting-based competitors in explaining changes in shareholder wealth as claimed by Stern Stewart & Co. They find that earnings before extraordinary items dominate EVA in comparisons of relative information content for explaining stock returns and firm values. Further, they find that the EVA components estimated by Stern Stewart add only marginally to the information contained in cash flows and accruals and that their contributions are likely to be economically insignificant. Thus, it appears at least one of the Stern Stewart claims is based more on marketing hype than unbiased statistical evidence. Naser, Karbhari and Mokhtar (2004) examine the impact of ISO 9000 Registration on company performance. They find that EVA do determine the performance of the Malaysian Listed Companies. Specifically, there is an association between ISO 9000 Registration and performance of companies in Malaysia. Their analysis reveals that accredited Malaysian companies outperformed the non-accredited ones during the period of study.

Jeffrey, John, Todd and Anjan (1997) study on the best financial performance measure for 25 firms for the1988-1992 period. Their results indicate that the most appropriate measure of shareholder value is the return shareholders earn through price appreciation and dividends in excess of that required compensating shareholders for systematic risk. They conclude that EVA does quite well in terms of its correlation with this measure of shareholder value creation.

Ooi and Liow (2002), examine the implications of the corporation's quest for value and the adoption of a new economic performance metric on real estate corporate strategies. The economic profit of 19 Singapore property companies is computed. Overall, the result suggests that most property companies failed to generate enough period income to cover their cost of capital. Hence the companies appear to be destroying rather than creating corporate wealth. They also conclude some reasons why EVA tends to understate the true economic performance of real estate both as an investment and as a business unit.

Ooi and Liow (2004) examine whether corporate real estate create wealth for shareholders using two value-based measures that are EVA and Market Value Added (MVA). The study find that corporate real estate has impacted negatively on non real estate firms' EVA and MVA in the period of 1997-200. This happen for non real estate corporations from different industries. Further, the higher the real estate intensity, the greater negative impact on the firms' EVA and MVA. These results have important implications for the traditional

notion that there is a competitive advantage in owning corporate real estate by diversifies conglomerates. In all, given that real estate is neither the core business nor the only business at many non-real estate firms, it is interesting to find out why so many corporations are still hanging on to the ownership of corporate real estate.

Krumm and Vries (2003) examine value creation through the management of corporate real estate. They find that corporations are under continuous pressure from shareholders to focus on core competencies and avoid getting involved in other core matters. In order to increase shareholder value, there is an increasing trend to outsource non core support services. In many corporations real estate is considered to be of those non core activities. However up to now, real estate is a necessity for the core business to exist. As a consequence, every real estate investment a corporation makes should in fact be a balance of the costs and the expected return just like any other corporate investment.

2.3 Theoretical Framework

2.3.1 Management Control Theory

Control is the process of ensuring that a firm's activities conform to its plan objectives (Kabir, 2006). Management control is the process by which management ensures that the organization carriers out its strategies i.e. resources are obtained and used efficiently and effectively in the accomplishment of the company's objectives. Management control system is a logical integration of technique for gathering and using information to make

planning, control decision, for motivating employee behavior and for evaluating performance (Simon *et al*, 2003). The purposes of a management control system are: to clearly communicate the organization goals, ensure that managers and employees understand the specific actions required of them to achieve organizational goals and adjust to change(s) in the environment. In order for manager to understand specific action required from them, some managerial theories are been observed.

Control theory (Powers, 1973) provides insights into the nature of human perror11-mce in the work-place and draw attention to the challenges this view presents to those who wish to engineer or manage the performance of others. As the current views are inadequate and more important incorrect, which means they are misleading and counter-productive. In a word, they are dysfunctional. Generally speaking the current view of human performance is that it can be engineered or managed. It can be engineered or managed by people other than the performance(s) in question (e.g. by industrial engineers on the one hand and by managers and executives on other)

The current view is dearly in situations in which performance consists of producing well defined tangible result using predetermined tools methods and techniques. It is less valid in situation in which the performer must configure or tailor his or her response to the situation at hand, especially when the situation itself is in a state of flux. Something else is required for these situation. “Something else” is a control theory view of human performance.

Such view has implications for performance management, because it is clearly the case that the chief means of realizing human performance is human behavior.

2.3.2 Control Theory View of Human Behavior

According to Power's (1973) people are "living control system", they act to control certain aspects of the world about them. While Nickols, (2004) argues that all any of us know of the world about us, he/she known via our performance. What we in fact to control, then, are our perceptions of certain aspects of the world about us. Hence powers view that behavior is the control perceptions.

Control is always against some standard, a references or a goal. Goal or references conditions are compared with perceptions of those things to which goals are reference conditions apply. In the workplace for instance, a goal or references condition (i.e. some aspect of aspect of the world that a manager is attempting to control) might relate to cost and the goal or references condition might be reduce cost by some percentage. As such manager has to compare reports and calculations of actual costs with the goal or reference condition.

In control theory any differences between the references condition and the perceived condition constitute a gap. So a difference between goal conditions and perceived conditions is referred as "discrepancies. Effective action in turn acts what a manager is attempting to control.

In reducing costs for instance, substituting less expensive materials, reducing or eliminating waste and making process more efficient are all actions that will have the desired effect on post. But those targeted variables that the manager is seeking to control, whether they are cost or revenue or productivity or whatever, do not exist in isolation. There are other actors and factors at work. There are other influences operating on the same variables he/she seek to control such as: suppliers may raise their prices; the cost of material goes up. Union negotiations results in pay raises and the cost of production goes up (and goes right down again as the result of layoffs, reengineering and certain process improvement). In control theory these other influences are (41kd "disturbances," meaning they disturb the value of the variables the manager is trying to control.

Shareholder theory focuses strictly on those who have a monetary share of the company. According to this view a firm's only purpose is to serve the needs and interest of the company's owners. In many industries there are companies that seem to follow a stakeholder theory framework while guiding the majority of interests towards the shareholders and ultimately enforcing a shareholder theory framework.

2.3.3 Compound Annual Growth Rate (CAGR) Theory

Compound Annual Growth Rate (CAGR) is a rate of growth of an investment which is expressed in a percentage to express the rate at which a cell earn investment is going to grow (Buzzle.com) the CAGR is principally used in

cases where the initial investment amount and the final amount are known. The rate of return in annualized and the number of year which are depicted as an ‘n’ or ‘nth’ in financial literature, is used to evaluate the rate of return on investment (ROI). In a floating returns structures the CAGR formula is usually not applicable as the portfolio performance is governed us per market conditions.

There are however, instances where the CAGR formula and final percentage rate is taken in to consideration in order to analyze and assess a said investment. Essentially CAGR is a percentage value that is used to drive the return on investment over a period of time on an annualized basis. The formula for CAGR takes into consideration three important values or dimension of a specified investment namely: the ending value of the investment, the beginning value of the investment and time period for which the investment has be made. The end result of the formula is a rate (expressed in percentage that gives the return on investment per year). The formula goes as follows:

CAGR = (Ending value/Beginning value) (1/no, of years) (-1)

Theoretically the formula is quiet applicable for fixed return investments but could be use to analyze, summarize and forecast the return of investment on an annual basis. Thus, right Li” Chii stock investments to mutual funds and index funds, CAGR can be used as a tool of analysis. There are two potential ways to apply CAGR:

1. In the pre-investment time when plans to invest in to a channel and went to drive the rate of return for a year is raining. In such a situation, if the investment is a fixed return investment then the CAGR points out to what the return will be in the coming years. If the investment a variables returns, then the formula can be used to predict the returns in such circumstances where the portfolio determines the returns, the CAGR percentage value is the ideal rate of return that one might receive, the product in such a situation is more of a guideline
2. In several cases the CARG is used post-investment to drive much have actually been earned and at what rate.

Thus, the formula is a very good financial tool as well as a good financial planning and financial management formula that help to derive the best of the best investments. The study will utilize control theory view of human behavior, EVA-Model theory, shareholders theory and compound annual growth rate theory, to assess the effect of managerial performance on shareholders' wealth of conglomerate firms in Nigeria.

2.4 Summary

This chapter reviewed related literature on concepts, models and measures of managerial performance and shareholder's wealth. The measure include accounting and economics performance measures. Theoretical framework on control view of human performance and behavior, shareholder's wealth and

compounded annual growth as well as factors affecting market value of conglomerate shares and findings of other related studies are all considered.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Research Design

The research design for this study is the ex-post factor. The design is employ where the phenomenon under study has already taken place (Awudu, 2014). The data will be obtained from the annual report and accounts of the sampled firms which are historical in nature, thereby rendering the research an ex-post factor.

3.2 Population of the Study

The study is based on the total (eight) Conglomerates firms listed in the Nigeria Stock Exchange (N.S.E) for the period (2008 to 2016) inclusive. The period is chosen as a time of hem y emphasis by firms it) r short term operating performance, to enhance stock price movement and accounting information has been modified to accommodate this end.

This behavior is described as earning management in accounting literature. Hyland, (1999) shows that conglomerate firms are characterized with diversification through acquisitions. While value decline (Lemon *et al,* 2000) after the diversification event is partly due to the lower value before the diversification. There was also a potential and apparent diversification discount in 1998, where standalone firms in 1997 acquired other discounted companies and thus, began reporting multiple segments and became discounted at the

same time. These are some of the reasons that induced research in the area and period respectively.

Table 3.1 Population of the study

S/N	Conglomerate Firms
1	A.G Leventis (Nig) Plc
2	Chellarams Plc
3	John Holt plc
4	PZ Cussons Nigeria Plc
5	SCOA (Nig) plc
6	Trans National Corporation of Nig Plc
7	UACN plc
8	Unilever Nigeria Plc

Source: The Nigeria Stock Exchange Fact Book (2008 to 2016)

The research was technically sampled through purposive sampling method, using three criterions: firms that ceased to trade during the period, having negative or having data missing for any variable used in the models were excluded from the study. The number or firms varied across the study period resulted in a balanced-pooled sample of 40 firm-years over the period (2008 to 2016) inclusive. Five conglomerates firms pass the above screening for the whole study period. They are tabulated below:

Table 3.2 Sample Size

S/N	Conglomerate Firms
1	A.G. Leventis Nig) Plc
2	John Holt Plc
3	PZ Cussons Nigeria Plc
4	UACN Plc
5	Unilever Nigeria Plc

Source: The Nigeria Stock Exchange Fact Book (2008 to 2016)

3.3 Method of Data Collection

Data are collected through secondary source using anecdotal source as a research instrument. The data was collected through secondary source on the annual report and accounts of the conglomerates firms. It was mainly on the profit and loss account and balance sheet of the sample firms for the years under review.

3.4 Techniques of Data Analysis

The research employs three techniques which include Regression, Economic Value Added (EVA) Models and Compounded Annual Growth Rate (CAGR) for data analysis

3.4.1 Economic value added (EVA) Model

The study cannot adopt conventional EVA formula dye to data limitation in the Nigeria stock. Ignacio (2001) argues that "EVA Model is determined according to the proposed approaches in calculate it" According, the study adopts the formula purpose by Ignacio (2001) as it will shape the study to give a reliable result. Thus:

EVA = Net profit –cost of capital of shareholder x equity shares. Net profit = Net operating profit after tax for the year 1

Cost of capital of shareholders = (Ke)

Ket = Cost of Equity for the year ending t

Ret = Rft + (Rmt – Rft) βt

Rft = Risk Free Rate for the year ending t

(Rmt – Rft) = Market for the year ending t

βt = Beta for the year ending t

βt is computed by regressing the yearly returns of conglomerate firm with that of t the Nigeria Stock Market in the Preceding 8 years.

Let Rj represent the return of the sample conglomerate firms Stock for the year j, j = 1, 2 ….8.

Let Rm represent return of the Nigeria Stock for the year m, m =m 1, 2 ……8

B = Covariance (Rj Rm)/Variance (Rm)

Equity = Book value of Equity share capital at the end of year t.

3.4.2 Compounded Annual Growth Rate (CAGR)

Compounded Annual Growth Rate (CAGR) is employ in appendix tables in order to convert the market value and market index (proxy for market return) to true rate of return for uniformity, rather than using them in their normal values. CAGR is a rate of growth of an investment which is expressed in a percentage to express the rate at which a certain investment is going to grow.

The rate is adopted in order to valid Capital Asset pricing Model (CAMP) which is a product of EVA-Model, as suggested by Fama and French (1992) The formula is give below:

CAGR = (Highest value/lowest value) (1 no. of years) (-1)

HV = Highest value of the variable

LV = Lowest value of the variable

3.4.3 Regression Analysis

The term “regression” was coined by Francis Galton (1989) in the nineteenth century to describe a biological phenomenon. The phenomenon was that the heights or descendants of tall ancestors tend to regress down towards a normal average (a phenomenon also known as regression towards the mean. Regression analysis includes any techniques for modeling and analyzing severally variables, when the focus is on the relationship between dependent variables and one or more independent variables. More specifically, regression analysis help one understand how the typical value of the dependent variable are held fixed. The study employ F- Statistic to test the hypotheses having

degree of freedom (df) of N = 40 (where N, is the number of years of sample conglomerates firms in the analysis) and confidence interval of 95% (alpha-a at 0.05)

Decision Rule

i. Reject Ho, if computed value (Fe) is greater than the critical value (Ft)

ii. Accept Ho, if computed value (Fe) is less than the critical value (Ft)

The technique will be computed with the aid of statistical package for social Sciences (SPSS) and Micro soil Excel Spread Sheet.

3.5 Variables of the Study and Equations

The study adopts the strategy or Azhagaiah *et al* (2008) where they employed Market price (per share) at the end of the year in their analysis. Market value (MV) of the company's equity is considered as dependent variable and proxy for measuring shareholder's wealth.

Equation One:

Economic Value Added (EVA) Model is employ as a managerial performance measure and independent variables to the equation.

$MV = a + \beta xi\ (EVA)$

MV = Market Value of shares at the end of the year t

a = an intercepts.

B = Coefficient of the model.

Equation Two:

The study will use accounting performance measures, proxies by operating profit after Tax (NOPAT), Equity Capital (SC), and number of subsidiaries (NOS) as independent variables and market Value (MV) as dependent variable.

Thus:

$MV = a + \beta xi + \beta x2 + \beta x3 + \beta x4$

$MV = a + \beta (NOPAT) + \beta (SC) + \beta (NOS)$

MV = Market value of share at the end of the year t

a = an intercepts

β = Coefficient of the model-variables

X^1 = Net operating profit after Tax (NOPAT)

X^2 = Share Capital (SC)

X^3 = Number of Subsidiaries (NOS)

3.6 Justification of the Technique

The study employs the following techniques namely: Regression Analysis, Economic Value Added (EVA) model and Compounded Annual Growth Rate (CAGR) in trying to analyze data and interpret result, along the line Mamman, (2002) has used regression analysis in determining the "relevance if credit management to performance of Nigerian Commercial Banks". Ignacio, (2001) employ EVA-model in the paper title "Value Creation and its Measurement: A critical look at EVA".

3.7 Summary

Research methodology is one of the most important chapters of the research report. The study employ ex post factor research design, as the phenomenon under review has already taken place. Population of the study includes all conglomerate firms listed in the Nigeria Stock Exchange (N.S.E) for the period 2008 to 2016 inclusive, while the sample across the study period resulted in a pooled sample of 40 firm-years over the period. Purposive sampling method was adopted using three criterions: firms that ceased to trade during the period, having negative equity, or having data missing for any variables used in the models were excluded from the study. The data was collected through secondary- sources, using anecdotal sources as a research instrument on the annual reports and accounts of the conglomerate firms. EVA-Model and Regression Analysis are among the techniques adopted by the study.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1 Data Presentation

The data collected is presented in tables and charts using SPSS package to test hypothesis, answer research questions and determine results respectively. The data consist that of market Value (MV), Economic Added Value (EVA) Net Operating profit After Tax (NOPAT) Equity Capital (SC) and Number of Subsidiaries (NOS).

Table 4.1: Market Values for the Sample Firms

Years	**AG Leventis**	**John Holt**	**UAC Plc**	**Uniever Plc**	**PZ Plc**
2009	0.91	2.19	3.6	27.17	N11,00
2010	N0.62	0.88	4.1	16.15	N7.70
2011	N0.65	0.59	10.2	18.5	N9.13
2012	N1.23	0.99	14.17	15.5	N11.64
2013	N1.16	1.47	17	20.51	16.20
2014	N1.86	1.21	25.79	12.45	N26.00
2015	N5.10	4.49	51	21.85	N26.50
2016	N7.90	13.95	34.6	10.38	N11.24
Total	**19.43**	**25.77**	**160.46**	**142.51**	**119.41**

Source: The Nigeria Stock Exchange Fact Book (2009 to 2016)

The above table shows market value of the sample firms. The years of each firm is arranged in the first column, from 2008 to 2016.

While Market value of the sample firms, are depict in the proceeding columns respectively. The table somehow, shows relationships in the market behavior of the firms. The up and down movement of values, are in tandem among the firms-years. Which reveal an existence of systematic risk in Nigeria Stock Exchange (NSE). The table shows that, U.A.C Plc has the highest total market value of N160.46 follow by Unilever Plc N142.51, PZ Plc N11.41, AG Leventis N19.43 and lastly John Holt Plc with N25.77.

The market values of the sample firms are depict in chart 4.1 above. The diagram shows that, though the firms are having different values, but they tend to move in tandem toward reacting to market equilibrating processes, which testifies some correlation in the market value of the sample firms and the market return.

Table 4.2: Economic Value Added Model (EVA)

Years	**AG Leventis N000**	**John Holt N.000**	**UAC Plc N 000**	**Unilever Plc N000**	**PZ Plc N000**
2009	-N64,413	N54,062	N1,136,792	N2,015,250	N1,526,681
2010	-N35,329	N117,449	N1,194,981	N1,427,485	N1,803,703
2011	N94,167	N295,847	N2,423,875	N1,287,669	N2,457,255
2012	N70,307	N13,579	N1,616,822	N1,941,615	N3,495,624
2013	N230,717	-62,789	N1,614,358	N1,605,954	N2,280,249
2014	N335,446	N529,427	N3,445,831	N,1,891,697	N3,696,077
2015	N617,984	-N26,424	N3,436,258	N520,451	N4,186,506
2016	N1,141,297	N437,295	N3,344,947	N4,161,740	N2,360,721
Total	**N2,390,176**	**N292,102**	**N18,213,864**	**11,068,467**	**N22,806,816**

Source: Derived from Appendix tables

Table 4.2 shows the values of Economic Value Added (EVA) Model, which serves as a proxy and measure for managerial performance. The table contains six columns, first columns shows period of study and the next columns depict EVA values of the sample firms. The model depicts positive and a mixture of positive and negative values for the sample firm's period. The table shows that Pz Plc has the highest total value of N22,806,816.00 follow by UAC Plc N18,213,864,000.00, Unilever Plc N11,068,467,000.00, AG Leventis N2,390,176,000.00 and lastly John Holt Plc with N292,102,000.00

The above chart depicts EVA values of the sample firms. Though some firms have a mixture of negative and positive values while some have positive values, they tend to move together toward reacting to market forces, which testifies some correlation between managerial performance and market return of the firms.

Table 4.3: Net Operating Profit After Tax

Years	**AG Leventis N000**	**John Holh N.000**	**UAC Plc N 000**	**Unilever Plc N000**	**PZ Plc N000**
2009	N36,310	N135,000	N1,006,500	N2,164,114	N1,270,164
2010	N59,565	N179,000	N1,166,200	N1,571,918	N1,685,918
2011	N186,180	(N218)	N2,184,600	N1,870,258	N2,010,846
2012	N240,992	N70,000	N1,570,100	N2,167,249	N3,303,662
2013	N382,270	(N25,000)	N1,629,900	N1,616,457	N3,235,587
2014	N468,000	N476,000	N3,203,600	(N1,374,363)	N3,235,587
2015	N752,874	N38,000	N3,058,000	N1,296,533	N3,512,346
2016	N1,218,171	N390,000	N4,192,000	N2,596,533	N3,950,935
Total	**N3,344,362**	**N310,782**	**N18,010,900**	**N11,908,899**	**N22,206,631**

Source: The Nigeria Stock Exchange Fact Book (2009 to 2016)

Table 4.3 shows Net Operating profit after tax (NOPAT) of the sample firms. The years are arranged in the first column, from 2009 to 2016, while NOPAT values are depict in the proceeding columns respectively. The table shows that AG Leventis, UAC Plc and PZ have positive values while John Holt and Unilever have a mixture of positive and negative values during the study period. PZ Plc has a highest total value of N22,206,631,000.00, UAC Plc N18,010,9000.00, Unilever Plc N11,908,699,000.00, AG Leventis N3,344,362,000.00 and lastly John Holt Plc with N310,782,000.00.

Table 4.4: Share Capital

Years	**AG Leventis N000**	**John Holt N.000**	**UAC Plc N 000**	**Unilever Plc N000**	**PZ Plc N000**
2009	N439,164	N195,000	N908,636	N605,328	N726,030
2010	N474,126	N195,000	N908,636	N1,513,319	N726,030
2011	N514,340	N195,000	N908,636	N1,513,319	N871,236
2012	N1,027,266	N195,000	N576,168	N1,513,319,	N871,236
2013	N1,103,037	N195,000	N642,312	N1,513,319	N1,089,045
2014	N1,103,037	N195,000	N1,284,624	N1,891,649	N1,270,553
2015	N1,103,037	N195,000	N1,280,576	N1,891,649	N1,270,553
2016	N1,323,645	N195,000	N1,280,576	N1,891,649	N1,588,191
Total	**N7,087,652**	**N1,560,000**	**N7,790,164**	**N12,333,551**	**N8,412,874**

Source: The Nigeria Stock Exchange Fact Book (2009 to 2016)

Table 4.4 shows the amount of paid-up capital of the sample conglomerate firms. The table contains six columns, first column shows period of the study and the subsequent columns depict different amount of capital by the sample firms. During the period the table reveals that PZ, Plc has increase its capital

between 2005 to 2013, from N439,164.00 to N1,103,037.00 and maintain it up to 2016. The firm later on increase it to N1,323,645.00, in 2016, John Holt Plc maintains a fixed capital of N195,000.00 during the study period (2009 to 2016). UAC Plc and N642,312.00 between 2005 to 2008, while increase the amount to N576,168.00 and N642,312.00 between 20012 and 2013 respectively. The firm later maintain the sum of N1,284,624.00 between 2014 through 2016. Uniliver Plc has a sum of N605,328.00 in 2009 and contains a fixed capital of N1,513,319.00 between 2010 to 2009. In 2014, the firm increase the sum to N1,891,649.00 which are maintain up to 2016.

Lastly, PZ Plc keeps N726,030.00 as paid-up capital during 2009 and 2010 while it increase to N871,236.00 for 2009 and 2010 respectively. In 2012 the amount is increase to N1,089,045.00 while N1,270,553.00 maintains as fixed sum between 2014 through 2015 and N1,588,191.00 is use in 2016.

Table 4.5: Subsidiaries of the Sample Firms

Years	**AG Leventis N000**	**John Holh N.000**	**UAC Plc N 000**	**Unilever Plc N000**	**PZ Plc N000**
2009	10	9	2	10	1
2010	10	9	2	10	1
2011	10	9	2	8	1
2012	9	9	2	8	0
2013	9	9	2	11	0
2014	9	8	2	11	0
2015	10	8	3	10	0
2016	10	8	3	11	0

Source: The Nigeria Stock Exchange Fact Book (2009 to 2016).

The above Table Depict number of subsidiaries; manage by each of the sample firm. AG events maintain ten (10) subsidiaries for three consecutive years, 2009, 2010 and 2011 respectively. While between 2012 through 2014, the firm manages nine (9) subsidiaries each year and in 2015, the firm controls ten (10) subsidiaries yearly. John Holt, manage nine (9) subsidiaries for each of the year 2009 to 2012, while for each year 2014 to 2016, the firm hold eight subsidiaries. UAC Plc along the line manages two subsidiaries during the period 2009 to 2014. While for 2015 and 2016, the firms control three subsidiaries each year. Uniliver Plc has ten subsidiaries 2009 and 2010, eight in 2011 and 2012, eleven for 2013 and 2014; and finally, the firm mange ten and eleven subsidiaries in 2015 and 2016 respectively.

PZ Plc has fever subsidiaries among the sample firms. The firms maintain only one subsidiary during 2009 to 2011, while for the remaining sample period; the firm has no any subsidiary.

4.2 Test of Hypotheses

The study tests the stated null hypotheses in order to arrive at conclusions. The hypotheses are as follows:

4.2.1 Management Performance and Shareholder's Wealth

H_{o1}: Managerial performance has no significant effect on conglomerate firms' shareholders wealth maximization. Managers in an organization should

understand why and how their role contributes to the attainment of corporate objectives for them to maximize shareholders wealth.

Table 4.6: Effect of Managerial Performance on Shareholders Wealth Maximization of Conglomerate Firms in Nigeria from Simple Regression Results

Variables	**Coefficient t-value**
Intercept	11.276 **(6.248)*** **
EVA	2.187
Multiple R	2.187 (0.997)
R Square	(0.15971)
Adjusted R Square	(-0.00014)
F-Sat	0.994
Durbin Watson	0.415

Source: SPSS Regression Result Using Secondary Data.

*a_t-Values are ill parenthesis *** indicate that values are significant at 1% A significant result (at 1%) is show in bold face except for intercept term and F-Statistic.*

Table 4.6 relates managerial performance proxy to shareholder's wealth variable. The estimated regression model with EVA is:

MY = 11.276 + 2.187 (EVA)

The model indicates that managerial performance measure by EVA model has no significance effect on shareholders wealth maximization of conglomerate firms in Nigeria. EVA explains only 2.55% of the variation in market value observed. The model does not fit the population given adjusted R square value of (-0.00014).

4.2.2 Accounting Performance Measure and Shareholder's Wealth

H_{02}: Shareholder's wealth is not affected by accounting measure

Researchers stress a wide array of actions that affect shareholders value including defining the business strategy, choosing between debt and equity financing among others. Traditionally, periodic corporate performance is most often measured using some variant of historical accounting income. Accounting data are verifiable and widely understood and pass what practitioners call the "line of sight" criteria for acceptable performance measures. In search of such a metric traditionally, companies are used to capture managerial performance and reward them through the operation based measures such as profits. Basically, the study tests the above hypothesis is trying to find out the effect of accounting performance measure on shareholders wealth maximization of conglomerate firms. The independent variables include; Net operating profit After Tax (NOPAT), Equity Capital (SC) and Number or subsidiaries (NOS).

Table 4.7: Effect of Accounting Performance Measure on Shareholders Wealth Maximization of Conglomerate Firms in Nigeria from Simple Regression Results

Variables	**Coefficient** **t-value**
Intercept	11.276 **(6.248)*** **
EVA	2.187 (0.997)
Multiple R	(0.15971)
R Square	(0.02551)
Adjusted R Square	(-0.00014)
F-Sat	0.994
Durbin Watson	0.415

Source: SPSS RESULT.

*At- Values are in parenthesis. *** indicates that values are significant at 1 % significant results (at 1%) are shown in bold face except for intercept term and F-Statistic.*

In table 4.7 proxies of Accounting Performance Measure having related with shareholder's wealth variable. The estimated regression for the model is

MV= 0.443 + 5.066 (NOPAT) + 4.16 (SC) + 0.0396 (NOS)

The model indicates that only NOPAT among the three accounting performance measure, has significant positive effect at 1% on shareholders

wealth maximization of conglomerate firms as measured by Market Value. The table reveals that model explains over 51% of the variation in market Value observed and fit the population to the adjusted R Square level of (0.47994).

Table 4.6 depicts the effect of managerial performance on Shareholders Wealth maximization on conglomerate firms in Nigeria. The study fails to reject the null hypothesis given computed value of F (0.994) is less than F-tabulated value (4.08). The study finds that managerial performance measure by EVA has no significance effect on shareholders wealth maximization of conglomerate firm in Nigeria.

The result contradicts theory of EVA-Model which shows that EVA improves till value of the firm, a good measure of managerial/corporate performance and capable of signaling the value creation or otherwise (Irala, 20(7). It also criticize the work of Stern, (2001), Linda (2000/2001) and Bhatnagar *et al*, (2001) who show that, EVA provides a signal to the investors that, management is more likely to achieve the expected return on book capital employed and might warrant higher price to earnings ratios.

The study is in line with findings of Chen and Dodd, (1997), and Malhotra, (2001) who find insignificant correlation between Market Value Added (MVA) and other economic measures. They also find that, EVA is not conveying any statistically significant signals different from the traditional performance.

In the same vein, Tables 4.7 shows the effect of accounting performance, measure on shareholders wealth maximization of conglomerate firms in Nigeria.

The table reveals that computed F-value (13,000) is greater than F-tabulated value (2.84). Basically, the study fails to reject alternate hypothesis which state that; shareholders wealth is affected by accounting performance measure.

The study is in line with Pandey, (2002) who confirms that firm value depends upon its expected earnings stream and capital structure decision is a significant managerial decision that influences the shareholder's return and risk. Along the line Biddle, *et al* (1997) confirm that earnings are more highly associated with market-adjusted annual returns than either residual income (RI) or EVA

4.3 Problems of Shareholder's Wealth Maximization in Conglomerate Firms

Managers were always on shareholders' value. So, when pressure to do just came in the 1980s, there were large opportunities for improvements (Oskar, *et al* 2006). In general terms, wealth is anything which has values. Shareholders wealth (more commonly referred to as shareholders value) is talking about the value of the company generally expressed in the value of the stock. Conglomerate firms were highly diversified, with operations in a variety of industries shareholders wealth maximization in these firms, like other sector of the economy, has numerous problems militating against it among them are: Synergies are Illusory, extra layers of management increase costs, accounting

disclosure is less useful information; many numbers are disclosed in grouped, rather than separately for each business, culture clashes can destroy value, inertia prevent development of innovation and lack of focus and inability to manage unrelated business equally well are in the reasons to criticize conglomerates which lead conglomerate's stocks to be penalized by the market. This phenomenon is called conglomerate discount.

Most researchers agree that some conglomerates exhibit a large diversification discount relative to standalone firms. Danielsson *et al,* (2007) assert that since market value of conglomerate is less than its "true" value, the company is said to be traded at n discount Diversification across industries creates various inefficiencies in internal capital allocation (Scharfstein, *et al* 2000 and Rajan *et al* 2000). Danielsson *et al,* (2007) argue that wide varieties of explanations for the discount have surfaced including agency problems, inefficient capital allocation, overinvestment in underperforming segments and organizational structure.

On the same vein, Berger and Ofek (1995) show that the larger the investment in the low Q industry segments, the higher is the value loss for the conglomerate firms. Rajan *et al,* (2000) show that when divisions are different in their resources weighted investment opportunities, inefficient cross-subsidization can occur. Whited (2001) argues that investment inefficiency may be explained by the measurement error in the investment opportunities for each conglomerates segments. Meyer *et al* (1992) model suggest that the

wasteful activities may occur in any multi unit organization, where prospects facing some unit-managers are poor.

In other word, some few studies confirm that changes in the diversification status are due to the reporting change. Berger and Ofek (1995) study show that the degree of diversification is positively correlated to the diversification discount. That is the more diversified a firm is, the more value is destroyed.

4.4 Suggestion and Solution to Conglomerate Firm's Problems

Researcher confirms that conglomerates firms are highly diversified firms with operation in a variety of industries. In line with these statement conglomerate firms' shareholders should uphold the following suggestion for wealth maximization decision in Nigeria.

1. Extra layers of management that increase costs such as divisional and middle managers should be reducing to minimum size that could yield more result.
2. Conglomerate firms should adopt multiple segments accounting reporting as this will make their accounting information to be useful by users.
3. Pseudo-conglomeration needs to go on board in order to have premium on diversification as culture clashes destroy value.
4. The firms should employ modern managerial performance measures such as EVA-Model and Balance Score Card to Name a few, as these measure will control inertia problem that prevents development of innovation in conglomerate firms.

4.5 Performance Appraisal of the Selected Firms

The study technically selects five firms as sample through purposive sampling method using three criterions: firms that ceased to trade during the period, having negative equity, or having data missing for any variable used in the models were excluded from the study. The study utilizes number pf appraisal variables in order to assess the effect of managerial performance on shareholder's wealth maximization of conglomerate firms in Nigeria. The variables include: Market Value, Economic Value Added (EVA) Model, Net Operating Profit (NOPAT) Equity Capital (SC) and subsidiaries (NOS) of the sample firms.

Table 4.1 and chart 4.1 shows the movement of the sample firms' Market values which are in tandem among the firms during the study period. These reveal an existence of systematic risk in the Nigerian Stock Exchange (NSE). The table shows that, U.A.C Plc has the highest total market value of N160.46 follow by Uniliver Plc N142.51, PZ Plc N119.41 AG Leventis N19.43 and lastly John Holt Plc with N25.77. In the same vein, table 4.2 and chart 4.2 shows Economic value Added (EVA) Model, which serves as a proxy and measure for managerial performance of the sample firms.

The model depicts positive and negative values for the sample firms period. PZ plc has the highest total value or N22,806,816.00 follow by UAC Plc N18,213,864,000.00. Unilever Plc N11,068,467,000.00, AG Leventis N3,344,362,000.00 and lastly John Holt Plc with the period the table reveals

that, PZ plc has increase its capital between 2009 to 2014 from N439,164,000.00 to N1,103,037,000.00 and maintain a fixed capital of N195,000,000.00 during the study period (2001 to 2008). UAC Plc maintains N908,636,000.00 during the years, 2009 to 2010, while it increase the amount to N576,168,000.00 and N642, 312,000.00 between 2005 and 2014 through 2016. Uniliver Plc has a sum of N605,328,000.00 in 2011 and maintains sum to N1,891,649,000.00 which are maintain up to 2010. Lastly, PZ Plc keeps N726,030,000.00 as paid-up capital during 2001 and 2002, while it increase to N871,236,000.00 for 2003 and 2004 respectively. In 2005, the amount is increase to N1,089,045,000.00 while N1,270,553,000.00 is maintain as a fixed sum between 2009 through 2011 and N1,588,191,000.00 is use in 2012 subsidiaries manage by each of the sample firm are shown in table 4.5 above. AG Leventis maintains ten (10) subsidiaries for three consecutive years, 2005 and 2007 respectively. While between 2006 through 2010, the firm manage nine (9) subsidiaries each year and in 2011 and 2012, the firm control ten (10) subsidiaries yearly. John Holt, manage nine (9) subsidiaries for each of the year 2005 to 2010, while for each year 2010 to 2012, the firm hold eight subsidiaries. UAC Plc along the line manages two subsidiaries during the period 2005 to 2011. While for 2011 and 2012, the firm controls three subsidiaries each year. Uniliver Plc has ten firm manages ten and eleven subsidiaries in 2007 and 2008 respectively. PZ plc has fewer subsidiaries among the sample firms. The firm Maintain only one subsidiary during 2005 to 2008, while for the remaining sample period; the firm has no any subsidiary.

The chapter presents and analyses the data collected in table and charts, hypotheses are tested, results are discussed as a means to arrive at conclusions. In additions, problems militating on shareholder's wealth maximization in conglomerate firms, suggested solution to the problems and performance appraisal techniques of the selected firms are also discussed.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

The study entitles "The effect of Managerial Performance on Shareholders Wealth Maximization on conglomerate firms in Nigeria" finds that managerial Performance measure by BVA Model, has no significance effect on shareholders wealth. It also establishes that shareholder's wealth is affected by accounting performance measure among conglomerate firms in Nigeria.

The approach to any research is usually a function of the nature of the variables being examined, for instance, question like whether they are quantitative or qualitative are brought up). The predicted relationship between the variables expressed in the hypotheses or research questions also plays an important role in this regard, Research methodology is one of the most important chapters of the research report. In fact, it can be described as the research itself (Awudu Diovietou, 2014)

Basically, the chapter three explains method design for the research, the population of the study, the sample size and sampling technique, the source and method of data collections, techniques for data analyses as well as the justification of the technique and summary of the chapter at the end.

5.2 Conclusion

The study concludes that Managerial Performance measure by EVA Model has no significance effect on shareholders wealth maximization of conglomerate firms in Nigeria. The results contradict the theory of EVA-Model and contributions made by Stern, (2001), Linda (2000/2001) and Bhatnagar *et al*, (2001) who document that, EVA provides a signal to the investors that management is more likely to achieve the expected return on book capital employed and might warrant higher price to earning ratios. The study is in line with Chen *et al*, (1997), and Malhotra, (2001) who find insignificant correlation between Market Value Added (MVA) and other economic measures. They confirm that, EVA is not conveying any statistically significant signals different from the traditional performance indicators.

On the effect of accounting performance measure on shareholders wealth maximization, the study concludes that shareholder's wealth is affected by accounting performance measure among Nigerian conglomerate. The study shows that profit has significant positive effect at 1% on Market Value of shares. Thus; the higher the profit the higher the Market Value of share.

5.3 Recommendations

The following recommendations are made by the study based on the findings:

1. Shareholders and potential investors of conglomerate firm should consider Accounting Performance Measure for Wealth maximization decision.

2. Nigeria Stock Exchange (NSE) should include a true Market Return (MR) and Risk Free Rate (RFR) in its daily publication of stock information for easy application and validation of EVA-Model and Capital Asset Pricing Model (CAPM) in Nigeria as there is positive relationship between return and market value of the firm.
3. The Securities and Exchange Commission (SEC), Corporate Affairs Commission (CAC) and Corporate Management should restrain the prominence of problems of conglomerate in Nigeria. The problem could be redress by shaping the performance of divisional and middle managers through adopting multiple segment accounting reporting, Pseudo-conglomeration and modern managerial performance measure such as EVA Model and Balance Score Card to name a few. This will control inertia dilemma and conglomerate discount that prevents development of innovation in the sector. The effort will help greatly towards the reduction of gross misconduct, insider abuse and empire building by management of those firms.
4. Research work need to go on board on the wide application of EVA-Model as modern managerial performance measure in Nigeria. The study finds no any available research work to validate the findings in the country, besides its wide usage and application in other developing country.

5.4 Limitations of the Study

The scope of the study is limited to the effect of management performance on shareholder wealth maximization of conglomerate firms in Nigeria. Thus, it does not comprise of all the listed companies in the Nigerian Stock Exchange but only five selected firms.

Also, the study makes use of only secondary data in its study. In essence, the secondary data consists of only published information which is subjected to individual firm's point of view.

Another limitation to this research work is insufficient time for the researcher to conduct through research on the subject matter and inaccessible financial assistant that could help the researcher to conduct through study.

5.5 Suggestions for Further Study

Further research can be conducted on effect of management performance on shareholder wealth maximization of conglomerate firms in Nigeria but cover more firms instead of only five firms.

Also, it can be taken further by looking at the effect of management performance on small and medium size firms in Nigeria as this will provides opportunity for small and medium scale business owners to learn their managerial skills can be improved.

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APPENDIX A

MULTIPLE REGRESSION

Listwise Deletion of Missing Data

Equation Number 1 Dependent Variable. MV Market Value.

Block Number 1. Method: Enter EVA

Variable(s) Entered on Step Number

Variables	
Multiple	= 0.15971
R Square	= 0.02551
Adjusted R Square	= -0.00014
Standard Error	11.24127

Analysis of Variance

DF	Sum of Squares	Mean Square
Regression 1	125.69046	125.69046
Residual 38	4801.01653	126.36622
F = .99465	Signif F = .3249	

Variables in the Equation

Variable	B	SE B	Beta	T	Sig T
EVA	2.18655E-11	2.1924E-11	0.159710	0.997	0.3249
(Constant)	11.276418	1.804911		6.248	.0000

End Block Number 1 All request variable entered

APPENDIX A (Continue)

Residual Statistics:

	Min	Max	Mean	Std Dev	N
*PRED	11.2351	22.6579	11.5895	1.7952	40
*RESID	-11.2025	39.6484	.0000	11.0962	40
*ZPRED	-1974	6.1654	.0000	1.0000	40
ZRESID	-.9966	3.5270	.0000	.9871	40
Total Cases		= 40			
Durbin-Watson Test		= .4169			

MULTIPLE REGRESSION ****

Listwise Deletion of Mission Data

Equation Number 1 Dependent Variable. MV Market Value

Block Number 1. Method: Enter NOPAT SC NOS

Variable(s) Entered on Step Number	
1. NOS	Number of Subsidiaries
2. NOPAT	Net Operational Profit After Tax
3. SC	Share Capital
Multiple R	0.72107
R Square	0.51994
Adjusted R Square	-0.47994
Standard Error	8.10611

Analysis of Variance

	DF	Sum of Squares	Mean Square
Regression	3	2562.08029	854.02676
Residual	36	2365.52670	65.70908
F = 12.99709		Signif F = .0000	

APPENDIX A (CONTINUE)

==========**Variables in the Equation**==========

Variable	B	SE B	Beta	T	Sign	T
NOPAT	5	-6591E-09	1.0986E-09	.611719	4.611	0000
SC	4.15918	3.2048E-09	.194714	1.298	.2026	
NOS	.039549	.376417	.014508	.105	.9169	
(Constant)	.442787	4.647537		.095	.9246	

End Block Number I All request variables entered

	Min	Max	Mean	Std Dev	N
*PRED	-.8412	27.4403	11.5895	8.1052	40
*RESID	-15.9421	29.3440	.0000	7.7881	40
*ZPRED	-1.5337	1.9556	.0000	1.0000	40
ZRESID	-1.9667	3.6200	.0000	.9608	40
Total Cases		= 40			
Durbin-Watson Test		= 1.14378			