

# Profile of The Select Manufacturing Companies In Ethiopia

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**Abstract-** Ethiopia manufacturing companies contribute lower GDP share in the country economy. There are many constraints related to this low contribution but the most challenging is capital budgeting and investment of capital project management. Capital budgeting practices and usage of techniques is another constraints which they face. The article is a part of my study on capital budgeting practice and techniques, a survey conducted in the eastern Ethiopia and have been focused on medium and large companies' profile. Companies' mistake in their capital budgeting process could lead to disastrous consequences as they do not have the financial hit to recover from them. The aim of the paper is related to companies' profile of select manufacturing companies in eastern Ethiopia. The finding reveals that vast majority 96 per cent of the companies are in private sector seven to ten years experience. Many companies produces food and beverage products which is perishable as such they use local market. A majority of 71 per cent respondents are satisfied in their job.

**Keywords-** Capital; Budgeting; Manufacturing; medium companies; large companies

## I. INTRODUCTION

Despite the contribution of the manufacturing sector in Ethiopia to the gross domestic product (GDP) was very low, a remarkable percentage was employed in the sector of the economy. A survey study was conducted on 46 manufacturing companies from somalie, oromia, harrari regional states and dire dawa administrative council. The article is confined to the summarization of selected Ethiopian manufacturing sector companies' profile.

## II. OBJECTIVE

1. To study the profile of select manufacturing companies in three regional states and one administrative council in eastern Ethiopia.

## III. METHODOLOGY AND SAMPLING

The study is based on both primary and secondary data. The primary data is collected through questionnaire which includes the aspects of company profile of the respondents. The researcher took a total sample of 337 respondents from 3,724 higher management staff in 46 companies distributed among four regional states (Oromia, Somalie, Harrari and Dire Dawa administrative council) in Ethiopia. The respondents were selected by using random sampling techniques.

### 1. Legal status of the company

**Table 1 Legal status of the company**

Ownership	Frequency	Per cent	Valid Per cent	Cumulative Per cent
public	9	2.7	2.7	2.7
private	323	95.8	95.8	98.5
other	5	1.5	1.5	100.0
Total	337	100.0	100.0	

Table 1 reveals the legal status of the company. 95.8per cent of the respondents replied that their companies are private, whereas 2.7per cent said their company is public. 1.5per cent of the respondents responded that their companies are large companies,

Therefore, most of the surveyed companies are private business companies. The reason of choosing private companies survey is that they better respond to the questionnaires and lack some technical knowhow of capital budgeting process and techniques with to plan to expand, add new branch or plan to purchase new machinery with a limited resource as well as face some challenges of long run company capital planning techniques.

### 2. Number of years the company in operation;

**Table 2** Number of years that the company in operation

No. of years	Frequenc y	Per cent	Valid cent	Per cent	Cumulative Per cent
Five years	7	2.1	2.1		2.1
Five-Six years	69	20.5	20.5		22.6
Seven-Ten years	142	42.1	42.1		64.7
Eleven years and above	119	35.3	35.3		100.0
Total	337	100.0	100.0		

Table 4.2 indicates that the number of years that the Company was in operation. From analysis, we can see that about 42.1per cent of the Companies were in operation seven to ten years and 35.3per cent were for eleven years and above in operation. 20.5per cent of the companies were five to six years in operation whereas only 2.1 per cent companies were five years in operation.

This shows that most of the companies are consistent in fulfilling the criteria which was at least five years in operation. The more the manufacturing companies in operation imply that they might have some capital expenditure and asset acquisition. In this case there are capital expenditure management planning and challenges.

So the company is need to adopt capital budgeting project planning and follow certain specified methods. Theoretically this is the procedure, however many companies are not following the procedure and simply purchase huge assets like machinery and equipment which is over expenditure.

Therefore the company needs capital budgeting plan if it is objective is to expand in coming years or continue in existence. Thus, the table indicates these companies had an objective of continuity in the future and perhaps might have certain expansion, maintenance or purchases of equipment for their business continuity. In this scenario, the company should follow some capital planning for capital budgeting and this planning will help in future direction. Simply staying long number of years in business operation without the required capital plan will not benefit the business and many companies at the end face difficult to continue. The consequence will be collapsing and sell the machinery items with even lower than the required price.

**3. Types of business activity in the area**

**Table 3** Predominant type of business activity in the area

Types	Frequenc y	Per cent	Valid cent	Per cent	Cumulative Per cent
manufacturing	51	15.1	15.1		15.1
finance	2	.6	.6		15.7
utilities	1	.3	.3		16.0
whole sale business	24	7.1	7.1		23.1
retail business	252	74.8	74.8		97.9
health care	6	1.8	1.8		99.7
transportation	1	.3	.3		100.0
Total	337	100.0	100.0		

The area of business activities is furnished table 3. About 74.8per cent of the respondents said retail business, 15.1per cent said manufacturing type and 7.1per cent responded whole sale type of business activities. Thus the other type such as utilities, finance, health care and transportation are not significant in the area.

**4. Type of company product**

**Table 4** Type of company product

Products	Frequency	Per cent	Valid Per cent	Cumulative Per cent
Food and Beverage	192	57.0	57.0	57.0
Tanning Leather product	56	16.6	16.6	73.6
Furniture	40	11.9	11.9	85.5
Textile product	5	1.5	1.5	86.9
Nonmetallic mineral product	15	4.5	4.5	91.4
Valid Wood and Wood product	10	3.0	3.0	94.4
Plastic product	9	2.7	2.7	97.0
Chemical and Chemical products	7	2.1	2.1	99.1
Machinery and Equipment	3	.9	.9	100.0
Total	337	100.0	100.0	

Table 4 reveals the various types of company products that the surveyed manufacturing companies engaged. 57.0per cent of the respondents replied their companies produce Food and Beverage, 16.6per cent Tanning and Leather product and 11.9per cent of the respondents said they are engaged in furniture companies. Nonmetallic products, wood and wood product companies are 4.5per cent and 3per cent respectively, while 2.7per cent and 2.1per cent of the respondents are from Plastic and chemical product companies

respectively. Only 1.5per cent of the respondents are from textile companies.

From the analysis above we can see that Food and Beverage manufacturing companies constitute almost two-third of the total survey and these are the most manufacturing companies in Ethiopia. Tanning and Leather companies are located only in specific regions such as Oromia. Furniture and wood product companies are scattered among the four regions surveyed.

## 5. Product Market;

<sup>□</sup> **Table 5 Firm product(s) market**

Product market	Frequency	Per cent	Valid Per cent	Cumulative Per cent
local market	264	78.3	78.3	78.3
external market	26	7.7	7.7	86.1
both local and external	47	13.9	13.9	100.0
Total	337	100.0	100.0	

From table 5 it is noticed that the total sample respondents, 78.3per cent said that they sell their product in local market, 13.9per cent responded that they use both external and local market for sale. Only 7.7per cent respondents said that they use external market for their products.

Many companies produces food and products which is perishable as such they use local markets. However, manufacturing industries like leather use both external and internal or local markets. It is an encouraging sign that Ethiopia manufacturing companies are getting the capacity to use outside markets like neighboring countries and expand their market segments.

The non-metallic manufacturing like cement has high local demand because of many construction facilities. Many furniture manufacturing companies still has excess local market demand but face challenges of technological backwardness and obsolesce of equipment and machineries.

## 6. Respondents view on the company image;

**Table 6 Respondent's view on the Company Image**

Company image	Frequency	Per cent	Valid Per cent	Cumulative Per cent
normal	58	17.2	17.2	17.2
good	208	61.7	61.7	78.9
very good	49	14.5	14.5	93.5
excellent	22	6.5	6.5	100.0
Total	337	100.0	100.0	

Respondent's view on the company image is depicted in table 6. About 208 (61.7per cent) replied "good", 58(17.2per cent) said "normal", 49(14.5per cent) answered "very good". Only 22(6.5per cent) respondents said their company has "excellent" image from the public viewpoint.

Surprisingly, no respondent said about the poor image of his/her company.

It is common that many staff members and employees restrain to display the weak side of the firm or company despite of their weakness and poor image exist. However it is observed that many of surveyed manufacturing firms have good image as responded by their sample respondents.

It may be concluded that the image of the company depends about the quality of product it produced, the service it provide, and other factors including the price, delivery and so on. Thus image of the company also depend on the environmental concern and how the company supports the local community. All these contribute for the image and public view of company.

## 7. Sources of recruitment

<sup>□</sup> **Table 7 Source of recruitment**

Sources of recruitment	Frequency	Per cent	Valid Per cent	Cumulative Per cent
Join by applying the job	146	43.3	43.3	43.3
Join by through friends	12	3.6	3.6	46.9
Valid Join by through relatives	83	24.6	24.6	71.5
Join by through agency	96	28.5	28.5	100.0
Total	337	100.0	100.0	

Table 7 shows how the respondents join the company. 43.3per cent of the total sample respondents said that they join the company by applying for the jobs and 28.5per cent join through agency. Out of the total sample respondents, 24.6per cent said that they join the company through relatives. Only 3.6per cent replied that they joined the company through their friends

Recruitment based on relatives is common phenomenon in Ethiopia and many companies accept the staff’s recommendation for some of their relatives. However, this violates the “equal job opportunity principle “to all of human resource policy. Companies should avoid this kind of employment policy.

**8. Designation of the respondents**

Table 8 Designation of the respondents

Designation	Frequency	Per cent	Valid Per cent	Cumulative Per cent
Capital budget Managers	176	52.2	52.2	64.7
Company general managers	56	16.6	16.6	81.3
Capital budget Department heads	42	12.5	12.5	12.5
Capital projects financial controllers	38	11.3	11.3	92.6
Capital investment accountants	25	7.4	7.4	100.0
Total	337	100.0	100.0	100.0

Table 8 revealed designation of the respondents. The table shows that 52.2per cent of the respondents were capital budget managers, 16.6per cent of the respondents were company general managers and 12.5per cent were Capital budget department heads. The remaining 11.3 per cent were capital project financial controllers and 7.4 per cent of the respondents were capital investment accountants.

It may concluded that majority of the respondents were capital budget managers.

**9. Number of employees;**

Table 9 Respondents response of number of employee in each company

Number of Employees	Frequency	Per cent	Valid Per cent	Cumulative Per cent
11 - 250 employees	152	45.1	45.1	45.1
251 -450 employees	160	47.5	47.5	92.6
451- 600 employees	14	4.2	4.2	96.7
601 - 700 employees	7	2.1	2.1	98.8
701 -750 employees	3	.9	.9	99.7
greater than 751 employees	1	.3	.3	100.0
Total	337	100.0	100.0	

From the table 9 we can see that the majority of 47.5 of the respondents said their companies have employees in between 251-450. About 45.1per cent of the respondents said their company employees are in between 11-250, 4.2 per cent have 451-600 employees and 2.1per cent of them responded that their company employees are in between 601-700 employees. About 0.9 per cent of the companies have employees in between 701-750. Only 0.3 per cent of the respondents said that their companies have above 751employees.

**10. Recruitment of company manager;**

Table 10 Recruitment of company manager

	Frequency	Per cent	Valid Per cent	Cumulative Per cent
Valid family/owner	118	35.0	35.0	35.0
Valid hired from outside	219	65.0	65.0	100.0
Total	337	100.0	100.0	

Recruitment of company manager is given in table 10. It shows that 65per cent of the total respondents said the company manager is recruited from outside. 35per cent of the managers are from family members.

These companies are managed by their owners acting as managers. However, once the company start growing it is not advisable to be managed by the owner. Firstly as a business Principle Company is an entity which has legal personality. It should be separated from ownership. Secondly, the owners cannot follow up to day activities of the company. In addition to that, there is a need of a career and professional quality and ethics needed in business environment. For instance, Stakeholder relations whom the externally recruited manager can play a role are important in the growth of the company.

It may be concluded that the company manager could be accountable either to the board of directors or other executives in certain decisions, but the family manager sometimes may need external support for decisions.

**11. Type of employment contract;**

**Table 11**Type of employment contract

Employment contract	Frequency	Per cent	Valid Per cent	Cumulative Per cent
Permanent	75	22.3	22.3	22.3
Six month	46	13.6	13.6	35.9
Valid Contract				
yearly contract	216	64.1	64.1	100.0
Total	337	100.0	100.0	

Table 11 shows the type of employment contract of the respondents. From the total sample of the respondents, 64.1per cent of the respondents are appointed as annual contract employees. 22.3per cent of the respondents are permanent employee and 13.6per cent of them are six month renewal contract employees.

It may be concluded that most of the employees are working in annual renewal contract and even some are working for six months renewal contract employment agreement. This is one of the main cause of the high turnover of the employee look for a better benefit. Companies are also using this kind of recruitment policy to get better and skilled employees and evaluate before the renewal of the new contract agreement.

However, to retain the human resource and skilled employees, the manufacturing companies should expand their employment contract policy to minimize the fear of job insecurity to the employees and high turnover. So there is a need of guaranting stable and permanent employment in the company recruitment policy.

**12. Experience ;**

**Table 12**Experience of the Respondents

No. of years	Frequency	Per cent	Valid Per cent	Cumulative Per cent
Three years	97	28.8	28.8	28.8
four to five years	41	12.2	12.2	40.9
six years	187	55.5	55.5	96.4
Valid seven years and above	12	3.6	3.6	100.0
Total	337	100.0	100.0	

In the above table 12 reveals the experience of the respondents which vary as follows;

About 187respondents equaling to 55.5per cent of them answer six years and about 97 respondents 28.8per cent have an experience of three years. About 41respondents equaling to 12.2per cent have four to five years after only the

remaining 12 equaling to 3.6per cent have seven years and above of job experience.

The variation of the employee experience is an indication of that some companies are newly established and have lower number of years in the business operation. For instance almost one-third of the employee response indicates that they have only three years of experience.

**13. Gender discrimination in work place**

**Table 13** Gender discrimination in work place

opinion	Frequency	Per cent	Valid Per cent	Cumulative Per cent
Never	293	86.9	86.9	86.9
Valid Sometimes	16	4.7	4.7	91.7
Often	28	8.3	8.3	100.0
Total	337	100.0	100.0	

Table 13 describes the respondents view on gender discrimination in the working place. 87 per cent of the respondents said that they never face any gender discrimination. 8.3per cent replied that they feel often and 4.7per cent of them responded sometimes they feel gender discrimination in the work place.

It may be concluded that money is not always the main cause of job satisfaction. When employees spend a majority of their working hours in the workplace, they need to be motivated. Using their talents, engaging them in challenging projects, offering incentives no gender discriminations, and creating a friendly and respectful environment with low stress are among the reasons that the staff will be glad to work hard each day to contribute to the company's ultimate success.

**14. Facilities available in the company**

**Table 14** Facilities available in the company

Opinion	Frequency	Per cent	Valid Per cent	Cumulative Per cent
Highly Dissatisfied	28	8.3	8.3	8.3
Dissatisfied	76	22.6	22.6	30.9
Valid Satisfied	186	55.2	55.2	86.1
Highly satisfied	47	13.9	13.9	100.0
Total	337	100.0	100.0	

Table 14 reveals the perception of the respondents responding to the facilities available in the company they work in. About 55.2per cent of the respondents replied that they are

satisfied, 22.6per cent of them said dissatisfied with the facilities provided by their companies. 13.9per cent are highly satisfied whereas only 8.3per cent are highly dissatisfied about their companies' facilities provided to them.

Company facilities include the environment of the working place, employees safety mechanisms, protecting of hazards employment conditions and providing the required machinery and equipment in the work place.

In these regard machinery and equipment obsolescence is one of the common factor that need capital planning to increase the production facilities in the work place. However many manufacturing companies in Ethiopia are facing difficult to change their old machinery of production.

Therefore, there is capital budgeting planning gap in this regard and usage of machinery and equipment depreciation mechanism. Many companies today are producing lower than their competitive capacity due to the old equipment which they did not change for long period.

#### 15. Non-monetary benefits provided by the management like Authority and responsibility, cadre and management support

Table 15 Non-monetary benefits provided by the company

Opinion	Frequency	Per cent	Valid Per cent	Cumulative Per cent
Highly Dissatisfied	29	8.6	8.6	8.6
Dissatisfied	63	18.7	18.7	27.3
Satisfied	232	68.8	68.8	96.1
highly satisfied	13	3.9	3.9	100.0
Total	337	100.0	100.0	

Table 15 furnishes the respondents view on non-monetary benefits provided by the company. About 68.8per cent are satisfied, 18.7per cent are dissatisfied and 8.6per cent of the respondents are highly dissatisfied about the non-monetary benefits of their companies they work in. only 3.9 per cent are highly satisfied with the non-monetary benefits provided by their companies.

The table concludes that most of the employees are satisfied with their companies' non-monetary benefits such as authority and responsibility and other management support. These non monetary benefits may keep company employee competitive in working environment. It is suggested to the authorities to give some incentives like promotion and responsibilities should be provided for those hard working employees to be an example for others.

#### 16. Job satisfaction level;

Table 4.16 Respondents job satisfaction level

Opinion	Frequency	Per cent	Valid Per cent	Cumulative Per cent
unsatisfied	98	29.1	29.1	29.1
satisfied	171	50.7	50.7	79.8
Valid strongly satisfied	68	20.2	20.2	100.0
Total	337	100.0	100.0	

Table 4.16 shows the job satisfaction level of the respondents. Asking about his/her job satisfaction, about 50.7per cent replied that they have satisfied with their existing jobs. 14.5per cent of the respondents said that they are not satisfied with existing job. About 20.2per cent of the total sample respondents are strongly satisfied.

From above table, we can see that the majority of the sample surveyed respondents revealed that they are satisfied with their jobs. Perhaps this may have many reasons like;

Culture is one factor; When employees like their co-workers and find commonalities among their peers and supervisors, they tend to be more satisfied at work, When employees connect with co-workers and develop personal relationships they usually are happier at work. Overall job satisfaction also correlates with how well employees get along with their direct supervisors.

Interest in work is another reason where employees are more satisfied when they find their work interesting. Being able to retain a certain amount of autonomy allows workers to develop their own challenges and find ways to overcome obstacles, leading to a more satisfying work experience. Challenges and diversity in the daily grind also keep work interesting. While the nature of specific jobs may not typically lead to a diverse workday, successful managers should look for ways to increase challenges for workers and vary their daily routines to provide a range of responsibilities.

Low Stress can be also a factor of job satisfaction. Job satisfaction increases when employees can enjoy a stress-free environment in which they know they're appreciated and they're not in fear of losing their jobs if they make a mistake. All the above reason may motivate the employees to work hard to increase the company productivity and their by contribute to the economic development of the country.