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EFFECTIVE BUSINESS COMMUNICATION AND ORGANIZATIONAL PROFITABILITY: EVIDENCE FROM SELECTED RETAIL OUTLETS IN LAGOS STATE, NIGERIA.

KADIRI, Ismaila Bolarinwa (Ph.D)

bolakadiri@yahoo.com

and

SULEIMAN, Ahmed Aremu

Department of Business Administration

University of Ilorin, Ilorin, Nigeria

ABSTRACT

The Nigerian business environment have been opened to the outside world, hence organizations that cannot convey the message of its products to the consumers may be priced out of markets. The inability of organizations to effectively communicate their products have confirmed to reduce their income level thereby leading to low profitability. This is partly due to their inability to effectively communicate their business to their consumers of their products or services. These are attributable to factors such as a poor and ineffective communication between the producer or suppliers of products and the potential consumer (customer). Primary data were collected using detailed questionnaire and analysed. With an R^2 of 51.9, it posits that 51.9 percent of profitability level are determined by effective communication. The study revealed that existence of effective business communication in an organization has a positive effect on goal achievement; enhancement of customer patronage and overall business development and this will lead to organizational profitability. The study therefore recommended that businesses should put in place effective communication system that will help in achieving higher rates of returns which will lead to higher profit.

INTRODUCTION

Organizations are often faced with the problems of getting the right information in the right form to the right person at the right time. Effective communication is seen to be lacking within and outside most organizations which is affecting their sales and profitability level on the long run. Organizations are seen to have poor and ineffective internal communication among various departments, wide communication gap with customers, adoption of wrong channel of communication in reaching their customers and inability on the part of customers to understand some language of communication (Kadiri, 2014).

Communication touches every aspect of human activity. Business communication is any communication used to promote a product, service or organization with the objective of satisfying customers' needs and making profit on the long run. Messages are conveyed through various channels of communication. These may include Press, Electronic media, Internet, point of purchase, direct mail (Mathour, 2010)

Hence any act by which one person gives to or receives from any person or through any communication medium about that person's needs, desire is regarded as communication. Satisfying customers need is the overriding objective in communication and can only be achieved if there is effective and efficient communication with the organization.

Communication is not only restricted to organizational premises but also to the outside world. For instance, the relationship between the organization and its customers, are perfected through

effective communication. This is so because; the output of organizations must be communicated in terms of its quality and price to the consumers. They in turn will decide whether to purchase or otherwise. There is the urgent need to collectively communicate launch of new product modification in products, change in price and educating consumers on proper use of the products. How then effective then can we say effective communication will lead to organizational profitability. The objective of this study therefore is to examine the impact of effective business communication on organizational profitability.

REVIEW OF LITERATURE

Communication is the passing of ideas and information in business. This is done through advertising management. The contact may be between people, organizations, or places. Organizations need to be structured in such a way as to maximize the benefits of communication processes.

Good communication is an important skill in an organization. Employees are most likely to be well motivated and to work hard for organization where there are well organized multi-directional communication flows.(Stephen & Mary, 2005)

In recent years, communication has been tipped as a Management function because of its growing importance in large organization and also because of it has been realized that communication is not forced but has to be learnt to enhance the productivity of every organization (Ronald &Jeane, 2002). Advertising which symbolizes communication an aura around products which hires customers to at least look at the product (Mathur, 2010). Communication can be targeted at local area, national or international audiences.

Add more to this information

Conceptual Framework

Concept of Business Communication

The concept of communication is derived from the Latin word "communis" which means "common". Therefore communication only takes place when there is common understanding between the sender and the receiver. Communication can be described as the process of passing information from the sender to the receiver in a manner that the receiver will be able to understand the message in which feedback is sent to the sender. (Heinz & Harold, 2003)

Communication has been widely accepted by scholars as the life hood of an organization because it is needed for exchanging information, exchanging opinions, making plans and proposal, reaching agreements, executing decisions, sending and fulfilling orders and conducting sales. (Heinz & Harold, 2003)

Society, business and technology are all dependent on effective communication. Without effective communication, there is confusion, dissatisfaction and misunderstandings. In order to operate a business properly, one must understand the basics of business communication and its essential role in creating success. Business communication therefore is any form of communication, verbal or nonverbal, that is used to relay a message, promote a product or service or share information (Chandan, 1987).

According to Kotler (2006), communication is the means by which firms attempt to inform, persuade and remind customers directly and indirectly about the products and brand that they sell. Drucker (1995) opined that communication as the process of transmitting ideas and thought from one person to another for the purpose of creating understanding in the thinking of the person receiving the message.

Williams (2005) on the other hand views communication as the process of transmission of the verbal and nonverbal information from the sender to the receiver through a medium. However Olasehinde (2007) was of the opinion that communication is the process of transmitting and exchanging information or messages by talks, gestures or writings.

The purpose and roles of communication in an organization

Communication has been said to be very significant in every human interaction. According to Chandan, (1987), Communication has both internal and external roles;

Internal roles of communication

Internal roles of communication can be examined by looking into the roles that communication plays within an organization. The internal roles of communication may include;

- i. Communication helps in establishing and disseminating goals. When realistic goals are to be set in an organization, members need to be aware of such goals setting through information dissemination to concerned individuals.
- ii. Communication also plays an important role within an organization most especially by ensuring proper co-ordination of work activities among various levels of workers. Under normal circumstance, managers usually passed essential information to the subordinates and may also receive information from fellow managers or subordinates.
- iii. Communication also simplifies means of performing managerial functions. The management functions of planning, organizing, staffing, directing, coordinating and controlling of human and material resources are done through effective communication.
- iv. Communication also helps in making the organizational members to easily identify their duties and responsibilities. Communication as a virtual element assists each organizational member to be informed on the expected tasks to be performed and at time.

External roles of communication

Communication is not restricted to the organizational premises alone, but also helps the organization in its relationship with its environment. *The external roles of communication may include;*

- i. Communication helps in building good relationship between the organization and its customers. For instance, the organization gets the customer informed when demand will not be met, when price of goods is to be changed, when customers themselves passed essential information to the organization such as placing special requests for goods, information about product quality and goods supplied and so on.
- ii. Communication also plays an immense role in making organization to able to be aware of strategies and steps taking by the competitors. The organization needs essential information about competitors because every one of them seeks to become market-winner through application of relevant strategies.
- iii. Communication makes business or company to easily adapt to changing circumstances. Many factors are relatively unstable such as political-legal, economic, technological, socio-cultural and demographic in which regular information is needed about them.
- iv. Communication also builds an environment of good relationship between the organization and the supplier (s) of resources. Communication aids business transaction between the organization and suppliers of resources.

Concept of Organizational Profitability

The main objective for the objective of any establishment of any entity is to make profit. The word profit is an absolute number which is obtained by deducting total cost from the total

revenue. Profitability on the other hand is a relative figure. It explains in percentages, the ratio between profit and total revenue (Chary, 2004). Hence, any organization that generates more revenue than its expenditure is said to be profitable. The higher the difference, the more profitable is the organization.

According to Prasanna (2002), profitability is the ability of an enterprise to get sufficient return on the capital and employees used in the business operation. An investment that earns a return to its use is said to be profitable. However, although, profitability is not a proof of efficiency. The latter is merely one of the factors on which profitability of an enterprise largely depends. (Khan and Jain, 2003).

Past studies have shown that the more workers are allowed to be participated in organizational activities through effective communication, the more efforts they exert to achieve organizational excellence.

Theoretical framework

Communications are concerned with collecting, processing, and disseminating information (Hill Mc-Share, 2009).

- (a) Critical Theory: Conflict is a natural state that cannot be totally eradicated. There are tendencies that employees will resist managers attempt to reduce operational costs. Hence, higher level management should strive to reduce unnecessary friction. This can be achieved through effective communication. (Kelvin, 2016)
- (b) Information theory: this theory according to Johnson explains the movement of information without distorting its facts. The basis imbibed in the information are protected against undue interference or manipulations. Also, the theory suggests that there should be feedback mechanism to confirm that information sent out are not altered. (Kelvin, 2016)
- (c) Transmission Model of Communication: The theory of communication evolved over the years, but the model of Shannon and Weaver (1949) is one of the first that explains the process of communication. The Shannon-Weaver model of communication has been called the "mother of all models." According to Shannon and Weaver's model, a message begins at an information source, which is relayed through a transmitter, and then sent via a signal towards the receiver. But before it reaches the receiver, the message must go through noise (sources of interference).

Although, all the theories are appropriate for this study, the critical theory due to its contribution on the reduction in operational cost to increase productivity is the most appropriate.

Empirical studies

The work of Gamble and Gamble (2002) fronted the importance of communication as the hearth of management process. The view of the study was that the concern for employees' attitude and satisfaction stimulated their involvement in decision making through effective communication. Vercueil (2001) in his opinion posits that strategic internal communication system leads to increased employee passion for, commitment to and alignment with the organizations strategic goals. The study conducted by Torrington and Hall (1991) concluded that lack of communication will lead to loss of business, customers, products, goods, employees turnover as well as productivity.

METHODOLOGY

Method of data collection and analysis

The primary method of data collection was used. Detailed questionnaire was administered to the correspondents. The questions raised were in two categories, the first section of the questionnaire contains the demographic information about the respondents while the second section is to provide answers to questions earlier raised. A total of ninety-eight(98)copies of questionnaire were sent to the respondents. This represents the population as well as sample size for the study. This is because the population is not too large. Out of these, eighty-one (81) of the targeted respondents correctly filled and returned their questionnaires. This represented a response rate of 83%. The product moment Coefficient Correlation was adopted as the method of data analysis.

$$R = \frac{N\sum xy - (\sum x)(\sum y)}{\sqrt{\{N(\sum x^2) - (\sum x)^2\} \times \{N\sum y^2 - (\sum y)^2\}}}$$

X = Independent variable

Y= Dependent variable

N= Sample size.

The significant level is 5%

Business Communication and Organizational Profitability

Options	Frequency	Percent	Valid Percent	Cumulative Percent
SA	60	74.1	74.1	74.1
A	14	17.3	17.3	91.4
I	3	3.7	3.7	95.1
D	2	2.5	2.5	97.5
SD	2	2.5	2.5	100
Total	81	100	100	

Source: Research survey, (2016)

The above table shows that 60 respondents which represent 74.1% of the total number of respondents strongly agreed that business communication has great impact on profitability. A total of 14 respondents that make up 17.3% of the total number of respondents also agreed. Moreso, 3 of the respondents are indifferent while 2 respondents making 2.5% of the total disagreed. Lastly, 2 remaining respondents representing 2.5% strongly disagreed. This implies that the majority of the respondents agreed with this position.

DATA PRESENTATION, ANALYSIS AND DISCUSSION OF RESULTS

Ho1: business communication does not have any impact on organizational profitability.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.638 ^a	.519	.507	.073

a. Predictors: (Constant), Effective Business Communication in place
ANOVA^a

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	22.946	1	22.946	39.768	.000 ^a
Residual	45.596	79	.577		
Total	68.542	80			

Source: Research Survey, (2016).

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(constant)	5.186	.536		9.674	.000
	Effective business communication in place	.144	.116	.638	1.238	.03

a. Dependent Variable: impact in achieving organisational profitability

Source: Research Survey, (2016).

The standardized co-efficient (β) of 0.638 indicates that there is a positive relationship between effective communication and the achievement of organizational profitability. R^2 as contained in table shows that 51.9% of variation in the achievement of organizational profitability can be explained by the extent of the effectiveness of business communication.

The global fitness of the model as given by the f-statistics of 37.42 with a p-value of 0.00 shows that the model is well fitted.

The co-efficient (β) is significant at 0.000 and tested at 5% level of significance. The null hypothesis that effective business communication does not have impact on organizational profitability is hereby rejected. The result therefore frontier that effective business communication do have impact on organizational profitability. Hence, we accept the alternative hypothesis.

Conclusions and Recommendations

Communication touches every aspect of human endeavour. Organizations that want to continue to exist must be able to communicate effectively both within and outside its organization. An effective communication will create a productive working environment and more customer patronage. The standardized co-efficient (β) of 0.638 as presented in the results shows that there is a positive relationship between effective communication and the achievement of organizational profitability. Moreso, with an R^2 of 0.51, this explains that 51.9% of variation in the achievement of organizational profitability can be explained by the extent of the effectiveness of business communication.

The study concluded that effective business communication is a requirement for continued profitability. Moreso, business communication plays a major role in influencing customer patronage. The following recommendations were drawn from the study;

- Organization that wants to be profitable must improve their line of communication
- Organizations are expected to keep a functional communication chart to show the flow of information within and outside the organization

- iii. Messages/information to be communicated must be simple and easy for understanding
- iv. Communication must carry the correct message at the right time so as to obtain the expected outcome.

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