



***SWOT Analysis in Manufacturing:
A Case Study of Nigerian Aluminum Extrusions
Limited (NIGALEX)***

By B. E. A. Oghojafor and Andrew E. Otike-Obaro

B.E.A. Oghojafor is a Professor of Management, Faculty of Business Administration, University of Lagos, Lagos State, Nigeria.

Andrew E. Otike-Obaro (andrewoobaro@gnail.com) is a doctoral student (Management) in the Department of Business Administration, Faculty of Business Administration, University of Lagos, Lagos State, Nigeria.

I. CASE ABSTRACT

A private limited liability company, Nigeria Aluminum Extrusion Limited, (NIGALEX) pioneered aluminum extrusion sector of the Nigerian aluminum industry in 1973 with a pioneer status to produce aluminum windows, doors, curtain wall, partitioning etc. with annual capacity of 5,000 tonne and over 5,500 extrusion dies for construction, automobile and aviation industries. It

produces profiles in press finish, silver, colinal colour and modern powder-coated forms according to the RAL chart.

NIGALEX played a leading role, with 60% - 70% share of the local demand for aluminum profiles between 1975 and 1995. This leadership position was later lost to unbridled imports of aluminum profiles and competition which brought the company to holding a mere 15% of the market share. Trading results featured net loss position for two consecutive years of 2010 and 2011.

This case is about the strategy formulation and implementation required to reverse the downward trend of the company's fortune and restore its leadership position.

CASE SUBJECTS AND ISSUES

Strategy formulation
 Strategy implementation
 Core competences
 Competitive strategy
 Market segmentation
 Threat of importation of foreign products

II. STEPS COVERED IN STRATEGIC DECISION PROCESS

Strategy Formulation								Strategy Implementation	Evaluation & Control
Performance	Strategic Posture	Corporate Governance	External Factors	Internal Factors	Strategic Factors	Review MBO & Mission	Strategic Alternatives		
VII	VII	VII	VIII	IX	X	X	X	XI	XII
O	O	X	O	X	X	X	X	X	O

O = emphasized in this case X = covered in case

III. CASE OBJECTIVES

1. To discuss aluminum profile segment of building materials

2. To discuss the threat of competition and imported aluminum products on local manufacturing outfits
3. To discuss the strategies for a turnaround of a one-time industry leader in the aluminum profile manufacturing business
4. To discuss profitability and cash flow

IV. SUGGESTED CLASSROOM APPROACHES TO THE CASE

This is an exceptional case for instructor-led discussion.

The SWOT analysis is intended to be built during the discussion. The point of reference is 2010 when the most recent trading loss occurred.

V. DISCUSSION QUESTIONS

1. Was the recently installed plant of about 2200 metric tonne the correct strategy for NIGALEX?
2. Was the recent opening of marketing channels in Aba, eastern region and Abuja in the Federal Capital the best strategic move to reduce inventory of finished goods?
3. How is the establishment of corporate governance able to pull NIGALEX out of the woods?
4. Is NIGALEX proposed injection of fresh capital in machineries and equipment the correct strategy to shore up the dwindling fortune of the company?
5. What can be done to reduce the negative impact of importation of aluminum profiles in view of the absence of government protection of the industry?
6. What factor(s) demoted NIGALEX from its cost leadership position?
7. What was the financial and managerial impact of the exit of Swiss Aluminum from the partnership in 1987?

VI. CASE AUTHORS' TEACHING NOTE – See Appendix 4 below the text of the case

VII. CURRENT SITUATION

1. History of the company

Nigerian Aluminum Extrusions (NIGALEX) Limited was established in 1973 with a work force of 250 employees under the umbrella of the renowned Swiss Aluminum Limited, (ALUSUISSE). NIGALEX actually pioneered aluminum extrusion in the sub-Saharan Africa. In 1987, ALSUISSE relinquished its shareholding in NIGALEX, 14 years after commencement, following the re-organization of its worldwide investments. Other notable shareholders are: Bank of Industry (BOI), National Insurance Company of Nigeria (NICON), Great Nigeria Insurance Company Plc (GNI), Northern Nigeria Development Corporation (NNDC), METALUM, ALUMACO & ODUJA and a Swiss based company, Messrs. Hallmark beteiligungsstiftung,

2. Products

NIGALEX extrudes aluminum in desired configuration and colours to users in the construction, automobile and aviation industries. Its modern cutting-edge technology, positioned the company to emerge as the leading producer of high quality aluminum profiles used in the construction of aluminum windows, doors, curtain wall, partitioning etc. in Nigeria and other West African countries at inception. With an annual capacity of 5,000 tones and over 5,500 extrusion dies, the company produces profiles in press finish, silver, colonial colour and modern powder-coated forms according to the RAL chart.

NIGALEX's predominance in the local market between 1975 and 1995 was undeniable with a market share of between 60 to 70 percent of local demand.

The tide however, subsequently changed dramatically in favour of one of its local competitors and imported substitutes. Many reasons have been adduced for this but the surrender of the local leadership could be traced to low investments and complacency on the part of the management of the company.

Currently, NIGALEX's output is only 15 percent of the national production. This is in spite of the installed capacity afforded by the relatively new Extrusion plant which capacity utilization is only at 22 percent. The company which, two decades ago accounted for 55% of the Nigerian market, now shares only 12%. The product mix which at inception was 95% anodized now tilts mainly towards powder coated aluminum profile.

3. Mission

To create clients for life through innovative approach to:

- Qualitative production
- Competitive pricing
- Outstanding customer services
- Prudent sales conduct and operation support

4. Objectives

- a. Building of the market share which will lead to the reclaim of the leadership of the extrusion industry in Nigeria.
- b. Enhancement of operational efficiency.
- c. Exploring and implementation of cost optimization strategies.
- d. Building of organisations and people.
- e. Internal control strategies.
- f. Deployment of appropriate ICT to drive production and processes.

5. Strategies

- a. Establishment of a strategic planning function to drive the communication, monitoring and implementation of the defined strategy and operating plan.
- b. Involvement of key stakeholders in definition of strategy and alignment of departmental key performance indicators (KPIs) to strategic objectives.
- c. Development of comprehensive corporate, business and operating plans to support the implementation of corporate strategy.
- d. Establishment of corporate governance framework to ensure optimal involvement of Board of Directors.
- e. Injection of fresh capital through Investments in the following machineries and equipment
 - Remelt Furnace with homogenizing oven and cooling system
 - New Vertical Powder Line.
 - Installation of bi-fuel heating system on the Billet Heater to facilitate switches to public energy supply in case of natural gas outage.
 - New 1600 tonne Extrusion line.
 - Effluent Treatment Plant and Demineralizing Unit.

Investment analysis of the above equipment revealed a positive net present value (NPV) and the payback period in the first year.

6. Corporate Governance

a. Board of Directors

The company has board of directors made of representatives of the institutional shareholders.

b. Top Management

This is made up of the MD/CEO and six other management staff who constitute the management committee. The divisions headed by the management staff are Sales, Marketing & Business Development; Production & Engineering; HR & Administration; and Finance & Accounts

VIII. EXTERNAL ENVIRONMENT – See Exhibit 1 shown below the body of case

A. General Environment

1. Economic

- a. Change in competitive environment due to uncontrolled influx of imported aluminum profiles.
- b. Increase in the cost of production arising from the inefficiency of old production machineries and equipment.
- c. Change in consumer preference from quality to price.

2. Technological

- a. Low equipment efficiency in the Finishing lines leading to wastages in consumables and down time.
- b. High rate of scrap (well above the international threshold) on the Extrusion line and Anodising line.
- c. Breakdown of the powder recovery system on the Powder Coating Line with huge loss of powder.
- d. No equipment back up in all the major plants with risk of shutdown in the event of major breakdown.
- e. Dependence on natural gas to fuel billet heating with the risk of shut down of the Extrusion line in the event of gas outage

3. Political/legal

- a. Presently, there is no government incentive policy concerning the aluminium extrusion industry.
- b. The absence of government policy and standards has impacted negatively on the aluminum extrusion subsector.

- c. The country, according to Kayode Ogunwale in the Sunday Trust of 23 February 2014, is emerging as an important exporter of cement due to the incentive offered by the government.
- d. Steel rods and automotive sector have also received some degree of protection. This is necessary to avoid the experience of the textile sector and the rubber tyres of Dunlop & Michelin.

4. Socio-cultural

- Growing concern with factory effluents which required additional investment in Effluent Treatment Plant and Demineralizing Unit.

B. Task Environment

1. Threat of New Entrants: High

The Nigeria Aluminium profile market can be divided between the local manufacturers and the importer of substandard aluminium profiles as there is neither import restriction nor import standardization policy.

Consequently the local manufactures found it difficult to produce up to full capacity. NIGALEX with an installed capacity of 7,500 tonnage per annum has consistently produced at less than 35% of the installed capacity.

Industry turnover is absorbed by mass market and specifier market

Based on market research NIGALEX's main competitor in the specifier market is EBM. Systems Nigeria Limited (EBM). Tower Aluminum is not very active in this sector and importation is minimal. But NIGALEX has competitive edge over EBM because it has:

- very good track record and brand awareness
- short delivery period for products
- availability of anodizing and powder coating lines
- very strong linkage with major fabricating companies
- well trained technical staff able to meet the need of specifier market

2. Bargaining Power of Buyers: High

Competition within the industry is very high, so unsatisfied buyers have options.

Price dictates the preference in the specifiers' market. Success in this market demands cost efficient operations.

3. Threat of Substitution: High

Absence of government specified standards permits unbridled importation which constitutes a threat to local production.

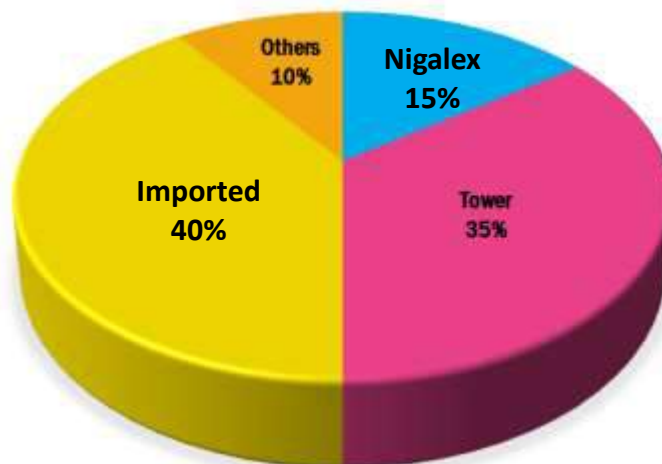
4. Bargaining Power of Suppliers: Low

- a. There are many suppliers from which to choose.
- b. The preponderance of suppliers reduces the bargaining power of any one of them individually
- c. The current mix of metal is **90** percent imported and **10** percent local. The target is to increase utilization of Remelt facilities and increase the local content to **25** percent in Year **2014** and up to **35** percent from Year **2015** upward.
- d. The cost savings and the positive impact on profitability will be significant.

5. Rivalry among Competing Firms: High

- a. NIGALEX competes with many firms in each one of their product groups: mass market and specifier market.
- b. The competitors have significant resources (financial, technical, manufacturing, marketing, etc.) and well established brand names: EBM Systems, Tower Aluminum, Priority Alusteel, Alex Extrusion.

Fig. 4: Industry Overview



Source: NIGALEX Marketing Strategies and Plans,

(2012).

6. Power of Other Stakeholders: High

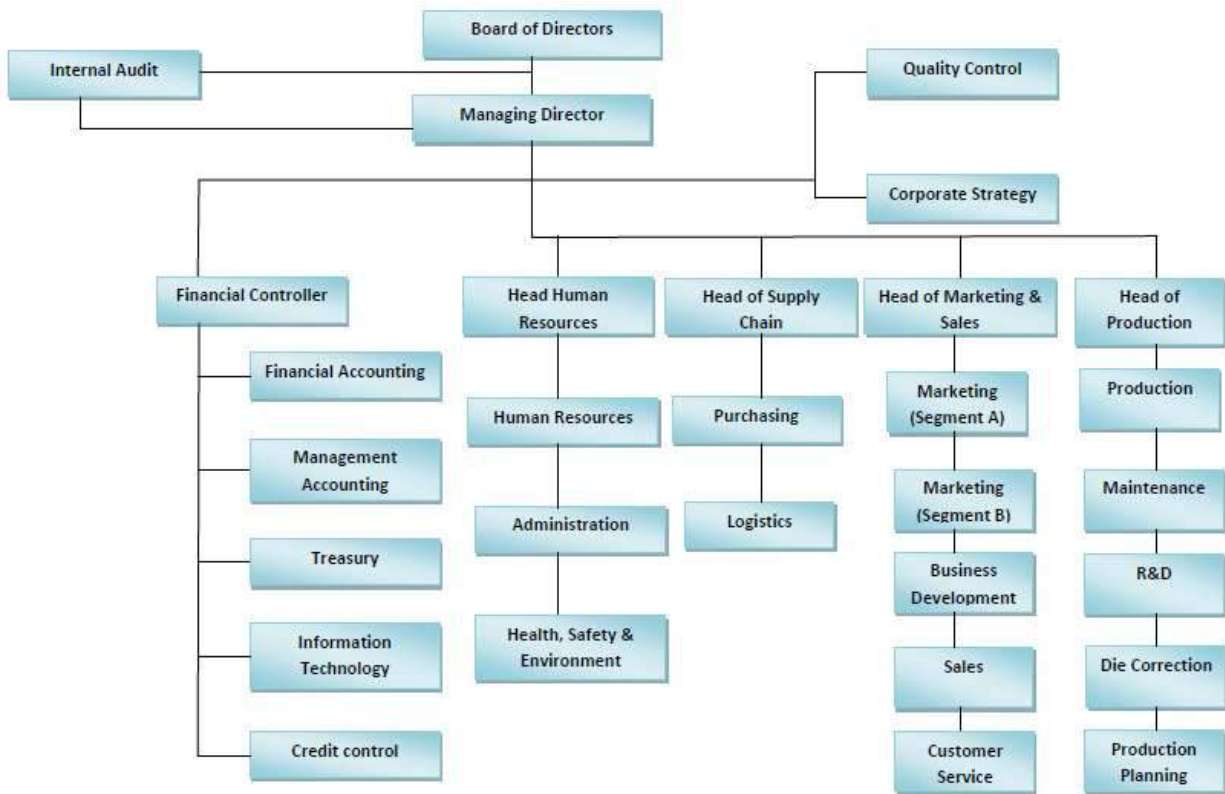
In the absence of government regulations, imported aluminum profiles compete strongly with locally manufactured products.

IX INTERNAL ENVIRONMENT – See Exhibit 2 shown below the body of the case

A. Corporate Structure

1. Vertically integrated, un-quoted private corporation with decision making devolved on the Chief Executive Officer and the management team as the board is rather ineffective.
2. Present corporate structure highly consistent with company's strategy of being at the forefront of the industry.

Corporate Structure



Source: NIGALEX 5 Year Business Plan Framework, (2013)

C. Corporate Culture

Core Values:

Core values of the company and major expectations are explicitly stated in the company's vision and mission statement.

To the Customers:

- Customer Focus
- Excellence Service
- Creativity
- Prudence

Other Stakeholders

- Business growth and profitability
- Employee personal and professional growth
- Quality of life of Nigerian community enhancement

D. Corporate Resources

Marketing

Marketing objectives are clearly stated and consistent with company missions, strategies and marketing mix:

Objectives

1. Internal cost reductions
2. Aggressive Advert
3. Product Availability
4. Constant liaison with specifiers.
5. Premium Brand
6. New Designs
7. ISO Compliance

Strategy

1. Constant price and business monitoring

2. Improve efficiency through manufacturing process, supply chain and raw material sourcing to keep costs and prices low and increase speed to market e.g. local ingots and remelts.
3. Promote and form partnership by attending trade show and conferences with business partners and strategic investors and customers.
4. Strong nationwide representation

(b) Finance

- Periodic replacement of worn- out machineries and equipment which were acquired as second-hand to maintain unbroken production flow.
- Cash balance is improving to meet working capital needs
- Confidence of shareholders is waxing stronger as deposit for shares are still being made.
- In all, the graph is beginning to look upwards as net profit margin improved from 0.45% in 2009 to 2.86% in 2013 while return on investment also progressed from minus 7.21% in 2010 to 7.16% in 2013.
- Cash availability is a significant source of competitive advantage.

(c) Human Resources Management & Information Systems

i. Human Resources Management (HRM)

- NIGALEX has a workforce with a high level of technological expertise
- A policy for new recruitment and training programs which is expected to increase personnel cost by 2 percent but will be compensated by reduction in metal and consumables as a result of improvement in recoveries on the Extrusion and Powder Lines.
- Competitive advantage in HRM exists through the expertise held by the company through its technical partners and the recent recruitment of the British national for oversight responsibility over the production and engineering division.

ii Information Systems (IS)

The running and maintenance of the extrusion line is heavily dependent on information technology. The production system is driven by the

company's newly acquired software, Extrusion Production Information and Control Systems (EPICS) with the following inherent advantages:

- reduction in scrap rate due to specifications of optimal billet sizes.
- efficiency in production scheduling.
- accessible and better management stock of billets, consumables and finished profiles

Besides production and engineering, accounting and administrative functions are driven by Microsoft Dynamics, a software acquired more than ten years ago. This integrates seamlessly with EPICS noticeable improvement in operations.

The company is still deficient in hardware capabilities but investments in years 2014 and 2015 is geared towards Cloud Computing and networking facilities

X. ANALYSIS OF STRATEGIC FACTORS – See Exhibit 3 below the body of the case

(a) Review of Mission and Objectives

The current mission of NIGALEX is fitting for the products they produce and sell. The company's objectives are also appropriate for the key strategic factors identified.

While the mission does not reflect the company's unpredictable industry, it obviously identifies the main purpose of NIGALEX and what the company aims to do. Consequently, it is not necessary to change the mission. The company's objectives also need not be altered since they precisely represent the key strategic factors for the company and take into account both internal and external issues.

(b). Strategic Alternatives and Recommended Strategy

Strategic Alternative

Through careful implementation of its strategies and incorporation of several alternative strategies related to cost leadership, profitability and growth, the company has the ability to meet its objectives. For example, for NIGALEX to ensure long-term profit maximization, the company must review the cost of metal inputs to increase the ratio of local input against the imported ingots. Markets for aluminum profile within the west African sub-region must be developed to reduce the inventory of finished goods. NIGALEX identified strategies must cautiously put into place. If the company neglected to implement their current and at least

several of the recommended strategies related to cost control, profitability and growth, it will likely not achieve its objectives.

Some alternative strategies available to the company include:

- a) Actively pursue market expansion into West African sub-region among other regions
 - i. Pros: Access to more customers
 - ii. Cons: Pressure on costs of production
- (b) Drastically reduce and control production cost
 - i. Pros: Cost reduction is an automatic increase in profit margin.
 - ii. Cons: Imported metal constitute 90% of the cost of metals. Sourcing for metals locally may pose a constraint due to availability.
- (c) Acquire new model of production machineries and equipment through bonus or script issue.
 - i. Pros: This strategy will avoid the cost of borrowing
 - ii. Cons: Existing shareholders may not be enthusiastic to invest as the company has not been paying dividend.

© Recommended Strategy

1. Corporate Level: Stability and growth

The company can maintain a stable presence in the industry in the short-term, while focusing on growing and expanding in the long-term through new technologies and high growth markets. Minimizing costs while obtaining cheap funding (through bonus or script issues) to replace the worn out machineries and equipment will create increased capacity for NIGALEX long-term growth

2. Business Level: Differentiation

The company can utilize its unique resources such as:

- brand awareness
- Short products delivery period
- availability of anodizing and powder coating lines
- very strong linkage with major fabricating companies
- well trained technical staff able to meet the need of specifier market, to provide specific products and long-term differentiation among its competitors.

3. Functional Level: Market Penetration

The strategy of expanding NIGALEX marketing reach to the West African sub-region will help to reduce the cost of holding inventory of finished goods and achieve the corporate level strategy of long-term growth.

The policies that should be in place, or reinforced, to ensure effective implementation include attracting cheap funding to replace the outdated machineries and equipment, new recruitment and training programs.

XI. IMPLEMENTATION

A. Organisational Structure

Restructuring is necessary to control costs particularly with respect to the under-listed issues:

- a. Building of the market share which will lead to the reclaim of the leadership of the extrusion industry in Nigeria.
- b. Enhancement of operational efficiency.
- c. Exploring and implementation of cost optimization strategies.
- d. Building of organisations and people.
- e. Internal control strategies

B. Programmes and Profitability

- a. should focus on anodized powder coated profiles where it has comparative advantage.
- b. Marketing efforts should focus on West African sub-regional market to reduce inventory of finished products
- c. Worn out production machineries and equipment should be urgently replaced to achieve low cost production as the payback of borrowed fund for this purpose is calculated to fall within one financial year.

C. Funding

Additional cash is urgently needed to procure new machineries and equipment. This can be achieved through private placement, secondary offering, or issuing additional debt.

XII. EVALUATION AND CONTROL

- A. The current information system needs additional reporting and analytical capabilities to support the company's production activities.

The running and maintenance of the extrusion line is heavily dependent on information technology. The production system is driven by the company's newly acquired software, Extrusion Production Information and Control Systems (EPICS) with the following inherent advantages:

- reduction in scrap rate due to specifications of optimal billet sizes.
- efficiency in production scheduling.
- accessible and better management stock of billets, consumables and finished profiles

Besides production and engineering, accounting and administrative functions are driven by Microsoft Dynamics, a software acquired more than ten years ago. This integrates seamlessly with EPICS noticeable improvement in operations.

However, the company is still deficient in hardware capabilities but investments in years 2014 and 2015 is geared towards Cloud Computing and networking facilities

B Control measures in place to enforce conformance with strategic plan:

Controls are not mentioned specifically in the case, but the following issues raised in the rejigging process indicates some lapses in the control process:

- Establishment of a strategic planning function to drive the communication, monitoring and implementation of the defined strategy and operating plan.
- Involvement of key stakeholders in definition of strategy and alignment of departmental key performance indicators (KPIs) to strategic objectives.
- Development of comprehensive corporate business and operating plans to support the implementation of corporate strategy.
- Establishment of corporate governance framework to ensure optimal involvement of Board of Directors.

C A policy for new recruitment and training programs

A policy for new recruitment and training programs is expected to increase personnel cost by 2 percent but this will be compensated by reduction in metal and consumables as a result of improvement in recoveries on the Extrusion and Powder Lines.

D Reward System

Sales force compensation should have some element of commission to encourage the reduction of finished goods stock

EXHIBITS, TEACHING NOTES, AND BACKGROUND READING

Exhibit 1

External Factor Analysis

Key External Factors	Weight	Rating	Weighted Score	Comments
Opportunities				
Increasing housing units	0.05	2	0.1	NIGALEX products serve construction, automobile and aviation industries
Increasing volume of automobiles	0.05	2	0.1	NIGALEX products serve construction, automobile and aviation industries
Sales depot at Aba & Abuja	0.15	4	0.6	A factor in the reduction of inventory of finished products
Strategic partnership with raw materials vendors for optimal materials inventory cycles	0.05	3	0.15	A reduction in the price of raw materials and re-order lead time are necessary for cost reduction.
Sourcing of billets and other raw materials from alternative sources or through hedged prices	0.10	4	0.4	This strategy has the potential reduce the cost of metal which is the major cost of inputs.
Expansion into local and regional markets to enhance revenue	0.05	5	0.25	Increase in sales volume through local and regional market expansion will improve the market share.
Manufacturing operations improvement (lower cost)	0.15	5	0.75	Installation of new production machineries and equipment to reduce wastage of powder and

				scrap to standard threshold would enhance profit margin.
Threats				
Influx of sub-standard products from abroad (mainly from China which currently account for about 60% of the Nigerian aluminum extrusion market).	0.20	5	1.0	The influx of imported profiles, in the absence of any government regulations is gradually closing the market
Inefficient production process leading to wastage and comparatively high cost	0.10	4	0.4	The malfunctioning of the old machineries and equipment has increased tremendously the cost of production, making the price of the finished products uncompetitive.
Poor customer management systems leading to loss of existing as well as potential customers.	0.10	4	0.4	Inability to retain old customers and attract new ones is narrowing the market for NIGALEX.
Total Scores	1.00		2.35	

Exhibit 2

Internal Factor Analysis

Key Internal Factors	Weight	Rating	Weighted Factor	Comments
Strengths				
Strong brand name	0.20	1	0.20	In the midst of competition, NIGALEX brand name is visibly recognized
Perceived high quality of the products	0.15	1	0.15	Homogenizing oven and vertical powder line makes the company products to stand out.

Relatively new high-capacity production facility	0.15	1	0.15	The newly installed high capacity production facility is capable of reducing the cost of production and improving profit margin.
Weakness				
Dependence on foreign import for raw materials	0.15	1	0.15	Foreign import of raw materials subjects the company to the vagaries of exchange rate fluctuations.
Weak marketing and business development function.	0.25	1	0.25	Constant and price and business monitoring, aggressive advertising, constant liaison with specifiers and premium brands will lift the company from the valley.
Sub-optimal organization structure	0.05	3	0.15	Development of comprehensive corporate business and operating plans to support the implementation of corporate strategy
Absence of an effective middle management	0,05	3	0.15	A policy of new recruitment and training to enhance recoveries of extrusion and powder lines
Total Score	1.00		1.30	

Exhibit 3

Strategic Factor Analysis

Key Factors	Strategic	Weight	Rating	Weighted Score	Duration	Comments
					Short	
Opportunities						
Expansion into local and regional markets		0.15	5	0.75	X	In of view of the present high competition,

to enhance turnover and revenue					particularly from the imported products, entry into regional markets is a good strategic step.
Manufacturing operations improvements (Lower cost)	0.10	2	0.20	X	The planned fresh investment in production facilities has capacity to improve operational efficiency and the bottom line.
Threats					
Influx of sub-standard products from abroad (mainly from China which currently account for about 60% of the Nigerian aluminum extrusion market)	0.15	5	0.75	X	Association of aluminum profile manufacturers can lobby government for legislation against unabated imports to save the local industry
Poor customer management systems leading to loss of existing as well as potential customers	0.10	3	0.30	X	The planned recruitment and training of staff should focus on customer handling to improve company-customer relationship.
Strengths					
Strong brand name	0.20	4	0.80	X	Strategic customer relationship building will also enhance brand loyalty.
Relatively new high-capacity production facility	0.15	2	0.30	X	The planned installation of high capacity production facility would reduce cost and improve profit margin.
Weaknesses					
Dependence on foreign import for raw materials	0.10	2	0.20	X	Company should gear up efforts to develop alternative source of raw materials.

Absence of an effective middle management	0.05	1	0.05	X	The planned recruitment will close this gap.
Total Score	1.00		3.35		

Exhibit 4

Case Study Teaching Notes

1. Synopsis of the case

This teaching note accompanies the case study titled 'SWOT Analysis in Manufacturing Industry: A Case Study of Nigerian Aluminum Extrusions Limited (NIGALEX) with 2010 as reference date. The case pertains to a private limited liability company, Nigeria Aluminum Extrusion Limited, NIGALEX, which entered into aluminum extrusion sector of the Nigerian aluminum industry in 1973 to produce aluminum windows, doors, curtain walls, partitioning etc. with annual capacity of 5,000 tonne and over 5,500 extrusion dies for construction, automobile and aviation industries. It produces profiles in press finish, silver, colinal colour and modern powder-coated forms according to the RAL chart. NIGALEX played a leading role, with 60% - 70% share of the local demand for aluminum profiles between 1975 and 1995. This leadership position was later lost to unbridled imports of aluminum profiles and competition which brought the company to holding a mere 15% of the market share. Trading results featured net loss position for two consecutive years of 2010 and 2011.

This case is about the strategy formulation and implementation required to reverse the downward trend of the company's fortune and restore its leadership position.

2. Target group

This case provides a general overview of strategy formulation, strategy implementation, core competences, competitive strategy, market segmentation and threat of importation of foreign products and is suitable for undergraduate students in the final year of general business/management studies who would be expected to pull from a wide range of topics on strategic management for a single case.

3. Learning objectives

The case is intended to help students comprehend the corporate strategy process and the management of strategy in a competitive environment. The objectives of this case study are to:

- examine the strategies for a turnaround of a one-time industry leader in the aluminum profile manufacturing business;
- discuss competitive strategies for a corporate turnaround efforts;

- deliberate on what to do when price consideration becomes more prominent than product quality consideration in the market place;
- discuss models and strategies for sustainability after the turnaround.

4. Teaching strategy

The instructor should begin teaching this case by asking students/participants to individually read and think about the case prior to class. A 20-minute introduction to the case by the instructor may be expedient before commencement of discussion. The introduction should explain NIGALEX commitment to achieve a turnaround.. The pivotal position of the company in its industry in the first 20 years of its existence, the pull out of Swiss Aluminum at the end of the first 14 years, loss of its market leadership position, and the negative bottom-line in the two consecutive years of 2010 and 2011 should present opportunity for students to appreciate the impact of risks and uncertainties in corporate strategic positioning.

The goal of the case is not for the students to discover the right path for NIGALEX, but rather to understand the components of the strategies intrinsic in a turnaround endeavours and strategies for sustenance after the turnaround.

5. Questions for discussions

- a. Was the recently installed plant of about 2200 metric tonne the correct strategy for NIGALEX?
- b. Was the recent opening of marketing channels in Aba, eastern region and Abuja in the Federal Capital the best strategic move to reduce inventory of finished goods?
- c. How is the establishment of corporate governance able to pull NIGALEX out of the woods?
- d. Is NIGALEX proposed injection of fresh capital in machineries and equipment the correct strategy to shore up the dwindling fortune of the company?
- e. What can be done to reduce the negative impact of importation of aluminum profiles in view of the absence of government protection of the industry?
- f. What factor(s) commanded NIGALEX competitive advantage in its first 20 years of existence?
- g. Can those factors be replicated?
- h. Was there any financial and managerial impact of the exit of Swiss Aluminum from the partnership in 1987 in view of the fact that the company operated 14 years before the pull out and has been in operation for about 24 years before the bottom-line turned red?
- i. Was the influx of imported products a new phenomenon or in existence since the advent of the company?
- j. Has the company been making profits consistently since inception?
- k. What has been the average profit retention rate?

- l. Why was the production machineries and equipment allowed to deteriorate to the extent that it impacted on production costs negatively before replacement considering the fact that the pay-back period is estimated to be in the third year?.
- m. Are there enough strategic thinking with respect to the marketing efforts?
- n. What are the required strategies for a company to sustain its cost leadership position?

6. Case Analysis

Key Success Factors

The NIGALEX product offer is an essential commodity for construction, automobile and aviation industries. How well did the company understand the key success factors of the product? What will those factors considered to be in the NIGALEX aluminum profiles: quality, pricing, design?

Technology push versus market pull

Managing technology push and market pull is managing the extremes. New technologies were introduced into the product production line to enhance output to 2200 metric tonne, to what extent has this move helped the market situation?

Pricing Strategy

How would you categorize the pricing strategy? Market based, cost plus or competitor modeling?

Models for Analysis

The VRINE model

The VRINE model has five components: Value, Rarity, Inimitability, Non-substitutability, and exploitability. These attributes determine whether a resource or capability can help the company compete and achieve superior performance by asking, is it valuable, rare, inimitable, exploitable. Students should be arranged into small groups and ask them to identify NIGALEX's resources and capabilities and explain their role in the company's performance using the VRINE model.

PESTEL model

PESTEL is an analytical technique which can facilitate a structured analysis of a company's external environment by considering political, economic, social, technical, environmental, and legal issues. When applying the analysis, only factors that could have a potential impact on the company in the future are considered. Students should be made to complete a PESTEL analysis for NIGALEX to identify the major features of the external environment, to help the company better understand the opportunities and

threats they face by enunciating the future business scenery and how the business might compete profitably.

Porter's five forces

Porter's five forces are: competitors, buyers, suppliers, new products and new players. Students can also be required to apply these components in analyzing the threats from imported aluminum profiles.

7. Background reading

Barney, J. B., (2002), *Gaining and Sustaining Competitive Advantage*, Prentice-Hall, Upper Saddle River, NJ.

Day, G. S., (1984) *Strategic Market Planning: The Pursuit of Competitive Advantage*, West Publishing, St. Paul, MN.

Grant, R.M., (2005), *Contemporary Strategy Analysis*, Fifth Ed., Blackwell Publishing, USA.

Gunn, R. and Williams, W. (2007). Strategic tools: an empirical investigation into strategy in practice in the UK, *Strategic Change* 16(5): 201 - 216.

Hill, T. and Westbrook, R., (1997), *SWOT Analysis: It's Time for a Product Recall*, *Long Range Planning*, 30, 46-52

Humphrey, Albert (December 2005). "SWOT Analysis for Management Consulting". *SRI Alumni Newsletter* (SRI International).

Stenfors, S. and Tanner, L. Syrjanen, M., Seppala, T. Haapalinna, I., (2007), Executive views concerning decision support tools, *European Journal of Operational Research* 181: 929 - 938.

Mintzberg, H., (1994), *The Rise and Fall of Strategic Planning*, Free Press, NY.

See <http://www.westga.edu/~bquest/2016/NigalexOK.pdf> for the Nigeria Aluminum Extrusion Limited, (NIGALEX) authorization for this case study.

