

## **ABSTRACT**

This work was carried out to appraise the Cost Reduction Techniques and Productivity in a Manufacturing Firm. Cadbury Nigeria Plc. was chosen as a case study. The researcher is assessing the Cost Reduction Techniques and Productivity of Manufacturing Firm. Organization is faced with myriad of challenges. Some of these challenges are unexpected; others are complex issues that must be dealt with at various times in the business cycle. Regardless of whether it is unexpected or a regular challenge, each challenge will include variables that will require creative methods of navigating the complex challenges. In today's competitive world corporate and businesses are struggling to maintain profits and healthy bottom lines. Cost of production, fuel, raw material and human resources is rising each year. These developments have prompted people to look for Cost reduction Ideas & methods. Those who have opted for focused cost reduction strategies have survived those who could not managed have perished. In recent economic down turn it becomes more important to make cost reduction program a major initiative in industry. Companies are finding it difficult to retain people and are laying off people which are un -precedence in recent history of industrial recession. Companies have to develop its own cost reduction program for savings without cutting jobs.

This research is primarily carried out to identify cost reduction techniques and productivity in manufacturing firms. Furthermore the study will identify factors that inhibit the accuracy of inventory which results in production shortages, premium freight, and often inventory adjustments.

The major issues that inhibit productivity in a firm are incorrect bills of materials, inaccurate cycle counts, un-reported scrap, shipping errors, receiving errors, and production reporting errors.

Information on the subject matter was obtained through extensive review of literature by different authorities and scholars who have carried out similar researches. Survey research design was used to carry out the study. Three hypothesis differences were postulated.

A sample of fifty (50) respondents was randomly selected from the pool of employees in Cadbury Nigeria Plc. they were administered questionnaires from which data was obtained. This data was analyzed and the three hypotheses were tested. Tables were used for data presentation, simple percentage was used to analyze the data and the chi - square technique was used to test the hypotheses.

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## **CHAPTER ONE INTRODUCTION**

### **1.1 BACKGROUND OF THE STUDY**

Cost Reduction Techniques are very important element in any Manufacturing Firm or in a project planning and control. Materials represent a major expense in Manufacturing Organizations, so minimizing procurement or purchase costs present important opportunities for reducing costs. Poor materials management can also result in large and avoidable costs during operation. First, if materials are purchased early, capital may be tied up and interest charges incurred on the excess inventory of materials. Even worse, materials may deteriorate during storage or be stolen unless special care is taken. For example, electrical equipment often must be stored in waterproof locations. Second, delays and extra expenses may be incurred if materials required for particular activities are not available. Accordingly, insuring a timely flow of material is an important concern to the Organizations.

Cost Reduction Techniques are not just a concern during the monitoring stage in which production is taking place; decisions about material procurement may also be required during the initial planning and scheduling stages. For example, activities can be inserted in the project schedule to represent purchasing of major items such as raw materials to be used for production. The availability of materials may greatly influence the schedule in production with a fast track or very tight time schedule, sufficient time for obtaining the necessary materials must be allowed. In some cases, more expensive suppliers or shippers may be employed to save time. Cost Reduction Techniques are also a problem at the Organization level if central purchasing and inventory control is used for standard items.

In this case, the various projects undertaken by the Organization would present requests to the central purchasing group. In turn, this group would maintain inventories of standard items to reduce the delay in providing material or to obtain lower costs due to bulk purchasing. This organizational

materials management problem is analogous to inventory control in any Organization facing continuing demand for particular items.

Materials ordering problems lend themselves particularly well to computer based systems to ensure the consistency and completeness of the purchasing process. In the manufacturing realm, the use of automated materials requirements planning systems is common. In these systems, the master production schedule, inventory records and product component lists are merged to determine what items must be ordered, when they should be ordered, and how much of each item should be ordered in each time period. The heart of these calculations is simple arithmetic: the projected demand for each material item in each period is subtracted from the available inventory. When the inventory becomes too low, a new order is recommended. For items that are non-standard or not kept in inventory, the calculation is even simpler since no inventory must be considered. With a materials requirement system, much of the detailed record keeping is automated and project managers are alerted to purchasing requirements.

## **1.2 STATEMENT OF THE PROBLEM**

This research was embarked upon to Access Cost Reduction Techniques and Productivity in Manufacturing Firm. There are many factors that inhibit the ability of a Company to keep cash flow at necessary levels for operations, inaccuracy of inventory which, results in production shortages, premium freight, and often inventory adjustments. The major issues that all manufacturing firm face are: Raw Material Procurement, Logistics-inbound and outbound, Warehouse and Stores, Manufacturing Process (Production), Energy, Packaging, Recycling of waste and Waste Reduction, Information Management and Human Resources. Materials Managers have striven to determine how to manage these issues in the business sector of manufacturing since the beginning of the industrial revolution.

The dependent and independent variables of this research have been established. It therefore follows that effective material management is the dependent variable. Productivity of any Organization will have a multiplier effect on the economy in general is the independent variable. To achieve the desired efficiency and productivity levels, business establishments rely on a highly monitored materials and equipment and workforce that share the vision and aspirations of the establishment.

Economic growth and productivity of the Organization is determined by the variables, a, b, c,.....u,

where a = Effective Cost Reduction and the availability of materials may greatly influence the schedule in projects with a fast track. b = Timely flow of material is an important concern of project managers. c = Incentives. u = Variables unspecified.

### **1.3 PURPOSE/OBJECTIVES OF THE STUDY**

The general objective of this study is to determine cost reduction techniques and productivity in a manufacturing firm with a particular reference to **Cadbury Nigeria Plc.** In order to achieve this objective, the researcher focused on the following specific objective.

- i. To identify the significant importance of cost reduction techniques and productivity in Manufacturing Firm.
- ii. To estimate the effect of cost reduction for effective performance growth.
- iii. To examine the impact of poor material management on productivity and cost of operation

### **1.4 SIGNIFICANCE OF THE STUDY**

The findings from this study will help to highlight those areas where they are problems; cost reduction techniques are about improving profitability. By reducing expenses, profits are increased without even addressing sales program enhancements. If the cost reduction plan is matched with a sales increase program, it doubles the results. It is just one more reason why a cost reduction program must be an integrated plan that is results-oriented. A structured plan will put a Company on track to achieve maximum profitability. In some Companies materials management is also charged with the procurement of materials by establishing and managing a supply base. In other Companies the procurement and management of the supply base is the responsibility of a separate purchasing department. The purchasing department is then responsible for the purchased price variance from the supply base.

In large Companies with multitude of customer changes to the final product over the course of a year, there may be a separate logistics department that is responsible for all new acquisition launches and customer changes. This logistics department ensures that the launch materials are procured for production and then transfers the responsibility to the plant materials management.

### **1.5 RESEARCH QUESTION**

To execute the research effectively, data analyzed will answer the following questions, which in turn will determine the problems and prospect of cost reduction techniques in Cadbury Nig. Plc. They give focus and direction to the research. They include

1) Is there a significant relationship between cost reduction techniques and productivity in Manufacturing Firms.

2) What are the processes of cost reduction, for effective performance growth

3) How does poor material management result to large and avoidable costs during operation

## **1.6 RESEARCH HYPOTHESES**

The accuracy of the findings of the research will be determined by testing the following hypotheses:

**Ho:** There is no significant importance of cost reduction technology and productivity in a manufacturing firm

**Hi:** There is a significant importance of cost reduction technology and productivity in a manufacturing firm

**Ho:** The poor materials management cannot result in large and avoidable costs during operation.

**Hi:** The poor materials management can result in large and avoidable costs during operation.

**Ho:** Effective cost reduction techniques cannot help in reducing expenses that are too high and meet up clients demand.

**Hi:** Effective cost reduction techniques help in reducing expenses that are too high and meet up clients demand.

## **1.7 RESEARCH METHODOLOGY**

For the purpose of this research, a survey research design was used. A sample of fifty (50) respondents was selected from the pool of employees at Cadbury Nig. Plc using the Random Sampling Technique. The respondents were then administered questionnaires to obtain primary data on the topic of discussion. The research instrument was tested to be valid and reliable by ensuring content validity and by using the test – retest method to check its consistency.

## **1.8 SOURCES OF DATA**

The data for this study was obtained from two sources: The Primary and Secondary Sources are the two sources that make research system. Making use of existing data and therefore mostly based upon a literature study.

## **1.9 SCOPE OF STUDY**

The scope of this research entails the examination of the problems and prospects of cost reduction techniques and productivity in a manufacturing firm. It covers other costs as required for ordering the materials, carrying the materials in inventory, its maintenance and handling charges must be

assigned to the cost of materials before it enters into a product or transformed into some other form. In order to economize all the costs of materials management, Company has to adopt definite method of deciding the quantity of materials to be ordered, quantity to be stored as inventory and work in progress inventory. In order to reduce the material cost and all other costs stated above, there has to be some efficient and effective cost reduction techniques, which must be dynamic to adjust with changing demand and production.

### **1.10 LIMITATION OF THE STUDY**

Some respondents requested to be paid by researcher. Others were not too enthusiastic, especially those at the top who always gave excuses of being too busy and because time was also not on the side of the researcher, she had to make do with only the available respondents. Responses given by respondents might not be totally accurate and honest.

### **1.11 GLOSSARY OF TERMS**

In some circumstances, word may carry different meanings. However, according to Thou less, if our thoughts are to be clearly communicated to other people then we must have a method of fixing the meaning of the word we used. For purposes of clarity therefore, some of the important term used in this study are defined as follows:

<b>ABC:</b>	Always Better Control
<b>EOQ:</b>	Economic Order of Quantity
<b>DGSD:</b>	Directorate General of Supply and Disposal
<b>GRN:</b>	Goods Receipt Notes
<b>PO:</b>	Purchase Order
<b>PRA:</b>	Purchase Requisition Approval
<b>PSO:</b>	Physical Stock Verification
<b>MTD:</b>	Material Transaction by Date
<b>BOM:</b>	Bill of Material Operation
<b>QA:</b>	Quality Assurance
<b>MRP:</b>	Material Requirement Planning
<b>WIP:</b>	Work-in-progress
<b>IQC:</b>	Incoming Quality Control
<b>JIT:</b>	Just-in-Time
<b>SPC:</b>	Statistical Process Control

## **1.12 BRIEF HISTORY OF CADBURY NIG. PLC. AN OVERVIEW**

Cadbury Nigeria is a member of the Cadbury Schweppes Group, a major player in the global confectionary and beverages markets with over 40,000 employees and business operations in 200 countries. Cadbury's initial objective in the 1950s to source cocoa and prospect for a market in Nigeria led to the establishment of a manufacturing facility in Ikeja, North of Lagos, in 1965. The Company has since grown organically to become one of the leading manufacturers in Nigeria, with a rising profile in the Europe, Middle East Africa (EMEA) Region, one of the five Regional Groups on which Cadbury Schweppes currently runs. Listed on the Nigerian Stock Exchange since 1976, Cadbury is in the top ten of the 258 quoted equities by market capitalization at the end of 2002. Cadbury Schweppes currently owns 46.3% of the equity, with the balance stock held by about 40,000 individual and institutional shareholders.

### **THE CADBURY NIGERIA BUSINESS**

With about 2000 employees and sales in excess of \$130 million in 2002, Cadbury Nigeria is a top contributor to the Cadbury Schweppes business in Africa by profitability. A ten year ambitious growth agenda to 2010 is being implemented in a characteristically focused manner, based on opportunities in the West Africa Sub-region.

Cadbury has been at the vanguard of promoting sustainable development and high standards of corporate governance, and one of the few signatories to date to the convention of Business Integrity. Its commitment to corporate social responsibility has been given expression in the area of Education, Health and Sport, the Arts and other important needs of society. Brand Advertising has been anchored on projects that help create a better society and sharpen Nigeria's competitiveness. Support for leadership development among youths has been a more recent initiative, on the platform of Cadbury's flagship brand, Bournvita.

### **THE BRANDS**

Cadbury Nigeria has a portfolio of brands that are market leaders in the confectionary, food drinks and foods categories. It is involved as a robust and vertically integrated entity and maintains a better control of the supply chain. The Industrial Material Unit Manufacturers key inputs (glucose syrup and sorghum extracted) to feed the located in Ondo, supplies excellent quality cocoa powder. Stanmark enjoys Export Processing Factory Status, and has a singular mission to be the preferred supplier of cocoa butter and cocoa liquor to select customers around the world. In addition, the Ikeja factory runs on a



self-owned 8.7MW capacity power plant and in-house water supply facilities. The factory operates to very high standards of product quality as well as emission control.

## **AWARD**

Cadbury Schweppes emerged the best Business Unit in the then Africa, India, Middle-East (AIM) region in 2001.

## **Achievement**

- Advancement of our distribution and availability network, with strong support for our advantaged and highly differentiated brands.
- Renewed focus on the Managing for Value (MFV) agenda to galvanize the collective competence of our people in the achievement of performance target.
- Extensive modernization of our production plants and corporate Headquarter in the relentless pursuit of higher productivity and superior performance.
- Progressed integration of the West Africa operation of Cadbury Schweppes and significant inroads into the ECOWAS Market of 250 million people.

## **Management**

The Cadbury Nigeria Board is made up of high calibre technocrats widely acknowledged being among the best in Nigeria. The Managing Director and Chief Executive, Mr. Bunmi Oni is a high profile within the Nigerian business environment and also Chairman of the Cadbury Ghana.

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