



Research Article

Volume 2 - Issue 1: 21-26 / January 2019

PERFORMANCE OF OWNER-MANAGED AND EMPLOYEE-MANAGED SMALL-SCALE POULTRY FARMS IN NIGERIA

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Received: September 29, 2018; **Accepted:** October 31, 2018; **Published:** January 01, 2019


Abstract


This study was conducted to establish the linkage between farm manager's identity and performance of poultry farms in Lagos State, Nigeria. Primary data on poultry farm features were elicited with well structured questionnaire from randomly selected 130 poultry firms. Descriptive statistics, regression model and enterprise budget were applied for data analysis. From the result, it is seen that 78.94% of the poultry farms are owner-managed while the other 21.05% are employee-managed. The result revealed that poultry farms are mainly owner managed and had survived for past 4 years in operations. Result shows a return on investment 53% and 61% for employee-managed and owner-managed poultry farms, respectively. The finding shows that the extent to which farm manager's identity affects financial performance of the poultry firm is 72%. The result shows that there is a positive and significant relationship between farm manager's identity and the financial performance of poultry farms. Farm manager's identity ($P < 0.05$) is a predictor of the financial performance of poultry farms in Nigeria. We concluded that owner-managed poultry farms performed better than employee-managed farms. We recommended that small scale poultry farm owners should personally manage their farms, provided they have the rudimentary knowledge of farm management and the technical know-how of poultry production.

Keywords: Farm manager's identity, Owner-managed, Financial performance, Poultry farm

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Cite as: Achoja FO, Ananenu OE. 2019. Performance of owner-managed and employee-managed small-scale poultry farms in Nigeria. *BSJ Agri*, 2(1): 21-26.

1. Introduction

A manager is a person responsible for controlling or administering an organization or firm. In some poultry firms there is no differentiation between the owner and the manager of the business as oppose to others where there is a clear distinction between the owner and the manager. As a result of these different managers'

identities structure, their financial performance in terms of return on investment as well as survival (operational longevity) tends to vary.

In an identity-performance framework, a set of conditions determine the manager's identity in the business but whether the manager's identity determines behaviour and performance of the business has raised disputing

conclusions. The effect of firm's owner operating as the manager on performance was studied by Shleifer and Vishny, (1986); Agrawal (1996); Huddart (1993), Cui (2002); Jensen and Murphy (1990) and Odegaard (2003). They found positive effects of high concentration of management function on firm performance. Pederson (1999), Stulz (1988), and Morck et al (1988) carried out similar investigation and found the effect to be negative. Diverse studies have used manager's identity (as owner or non-owner), as a predictor of performance in firms other than poultry farms. There is therefore the need to critically investigate and establish the relationship between farm manager's identity and performance and survival. This study therefore examined the manager's identity in relation to poultry farm performance in Lagos State, Nigeria.

While the contribution of poultry firms to Nigerian GDP has been noted to be significant, it is not yet clear whether better performance of poultry firms is driven by the effect of farm manager's identity. Even at that, who constitutes better farm manager deserves critical investigation in the poultry business sub-sector in Nigeria.

Enofe and Isiavwe (2012); Ajagbe and Ismail (2014); Dabor et al. (2015) argued that the concept of ownership structure covers the behaviour and potentials of the business owners and the structure of the management. Ownership structure can also be defined by the distribution of equity with respect to votes and capital (Jensen and Meckling, 1976; Faccio and Lang, 2002). Ownership structure also involves the overall attitude and disposition of the owners and management in terms of their competence and abilities (Abu-Tapanjah, 2006). It will be noted that from the above definitions ownership structure is divided into two major areas: ownership concentration, which refers to the amount of stock owned by large block shareholders (investors that hold at least 5% of equity ownership in the poultry firm) and ownership identity, which measures the extent to which owner(s) of a business are differentiated from the managers. In this study, ownership identity is highly relevant as it considers both ownership and management in the poultry business.

Poultry farm manager's identity can be defined as the extent to which poultry farm owners are differentiated from the managers (Reddy et al., 2015). It is seen as management ownership in some studies. It can also be defined as the allocation of control rights within a firm. In an established poultry firm, the decision on who manages the firm is important.

Owner managed: In this case, the owner is in charge of the organisation and coordination of the farm resources and activities. The studies of Morck et al. (1988) and McConnell and Servaes (1990) have been among the first to empirically test the effect of management ownership on firm performance. An important argument that arose from the above studies is the incentive alignment argument. This argument states that as a result of the

owner and manager being the same individual a positive effect stems from the alignment of ownership and control. This form of manager's identity slightly tackles the agency problem and cost because the manager will strive to maximize the firm's interest as they align with his interest. In other words, there is no divergence between cash flow right and control rights.

Non owner managed: In this form of manager's identity, an agent is put in charge of the day to day activities and coordination of farm resources. The farm owner hires an agent/manager to perform the farm activities on their behalf. The decisions concerning the farm including those that involve high level of risk is bestowed on the agent. According to the principal agent theory, problems such as asymmetric information which is the manager having more information such that the principals cannot directly ensure that the managers are always acting in his interest. Agency cost is also likely to be incurred and thus increase total cost of poultry production. As a result of this, agency cost is expected to translate to increase in profit of the farm, otherwise, it does not worth it.

This study was based on Agency theory and Stewardship theory.

Agency theory explains the relationship between firm owners and managers who perform or run the business activities on behalf of the firm owners. Due to the differences between the goals and desires of the firm owners and managers losses referred to as agency cost may occur which in the long run may translate to a decline in the firm financial performance and efficiency (Jensen and Meckling, 1976).

Stewards are organizationally oriented employees, who seek the best interest of the firm rather than their own interest, as they view the prosperity of the firm as a factor that will positively affect their own well being (Davis et al., 1997). This theory argues that regardless of the fact that the farm manager may not be the firm owner he will strive towards the better performance and survival of the poultry firm once a role or task is assigned to him.

For example, Adam Smith (1776) highlighted that joint stock firms are less efficient than private partnerships because the managers would not attend to other people's money with the same vivacity as their own. This emphasises the Principal-agent theory, which mentions that there is conflict between the firm owners view and that of the management. The conflict arises from the different agendas of owners and management. More precisely, the divergence between cash flow right and control right

Some pertinent questions that this research is structured to answer are; what are the various forms of farm manager's identity that exist in Poultry firms? What is the effect of farm manager's identity on the financial performance of poultry firms? The thrust of the study was to find out whether or not the concentration of management function on farm owner has significant influence on poultry farm performance in Lagos State,

Nigeria. Specifically, the study was designed to:

- i. Identify and describe the relevant features of poultry farms in the study area;
- ii. Examine various forms of farm manager's identity in the study area;
- iii. Assess the effect of Farm manager's identity on financial performance of poultry firms in the study area.

2. Material and Methods

2.1. Study Area, Sampling Technique and Sample Size

The study was conducted in Lagos state, Nigeria in 2017 because poultry production is a common economic activity that contributes substantially to the country's GDP. A Two-staged sampling procedure was used to select 130 respondents from the list of registered members of Poultry Farmers Association in Lagos state, Nigeria (i.e. 7 districts from where 133 poultry farms were randomly selected and studied.

2.2. Data Collection Techniques

This study made use of primary data that were collected poultry farmers in the study area using structured questionnaires, which was personally administered to the respondents. The questionnaire was structured according to the stated objectives of the study. The tools for obtaining data on organizational features and financial performance indices (profitability) were included in the questionnaire. A total of 133 copies of questionnaire were personally administered to the sample poultry farm operators but 130 copies were filled correctly and used for the study. This gave respondents response performance of 97.7%.

2.3. Data Analysis Techniques

2.3.1. Forms of poultry farm manager's identity.

This was determined using descriptive statistical tools (mean, mode, frequency distribution tables and percentage) to show the distribution of the surveyed poultry farms' managers' identity typologies, whether owner-managed or employee-managed.

2.3.2. Determination of financial performance (return on investment) of poultry farms.

Poultry farms financial performance was derived from the data obtained from poultry farm enterprise budget. Previous author (Mongollon and Raisinghani,2003) applied similar methods to determine financial performance of farms in their study. In this study, Return on Investment extracted from the enterprise budget, was used to measure the financial performance of the surveyed poultry farms. The formula for ROI is given as:

$$ROI = \frac{\text{Total Revenue} - \text{Total Cost}}{\text{Total Cost}} \times 100 \quad \text{(Equation 1)}$$

2.3.3. Determination of the effect of farm manager's identity on financial performance.

The Ordinary Least Square (OLS) technique of multiple regression analysis was adopted to assess the causal relationship between farm manager's identity and

financial performance of poultry farms. This is presented in the model.

2.3.4. Model Specification.

$$ROI = \beta_0 + \beta_1 FMI + e_i \quad \text{Equation 2}$$

Where;

ROI= Return on investment, FMI= Farm manager's identity, $\beta_0 - \beta_1$ = coefficient or estimate, e_i = stochastic disturbance term.

3. Results and Discussion

3.1. Features of Poultry Firms in the Study Area

The result of features of surveyed poultry farms is presented in Table 1.

Age; the finding of this poultry survey showed that majority of the poultry farms have operated continuously for less than 4 years ago. That notwithstanding, some better managed farms have been in operation for longer periods. This implies that the economically active farms fall within this age bracket. Any poultry development programme should age of farms as an important criterion for targeting benefitting farms.

Size of the farm; from the study it is seen that about 58.65% of the poultry farms have a capacity of 301- 500 birds. This is a clear indication that they are small scale poultry firms.

Form of ownership structure; the result shows that 88.7% of poultry farms are owned by one person i.e Sole proprietorship while 9.02% were jointly owned and 2.26% were owned by cooperatives. This economically implies that there is no separation between the business entity and its owner. It also means that the business will come to an end at the demise of its owner,

Farm manager's identity; from the result, it is seen that 78.94% of the poultry farms are owner managed while the other 21.05% are Non-owner managed. This economically implies that most of the poultry farmers in the study area are actively involved in the day to day running of their farm activities. It also means that to a large extent agency problem and asymmetric information is eliminated.

Sources of finance; information about source of finance showed that 65.41% of the poultry owners used their personal savings to fund the poultry firms. The economic implication is that acquisition cost and interest will be eliminated as opposed to cash loans and Other Financial Sources.

Number of employees; the result indicates that the modal number of employees in poultry firms in the study area is 1-3 employees. Based on the farm size and scale of production this implies that a larger percentage of the poultry firms are optimally staffed.

Table 1. Distribution of Features of the poultry firms in,Lagos state Nigeria

S/N	Features	Frequency (%) (n=130)	Mean/Mode
1	Age of the farm		
	Below 4	93(71.54)	Below 4 years
	5 - 8	32(24.06)	
	9 - 12	3(2.26)	
Above 12	2(1.5)		
2	Size of the farm		
	Below 100	11(8.27)	301-500 birds
	101 - 300	25(18.80)	
	301 - 500	75(57.69)	
	500 - 700	14(10.53)	
Above 700	7(5.26)		
3	Ownership structure		
	Sole proprietorship	115(88.46)	Sole proprietorship
	Partnership	12(9.02)	
	Cooperative	3(2.26)	
Government Farm	0		
4	manager's identity		
	Owner managed	102(78.46)	Owner managed
	Employee-managed	28(21.05)	
5	Source of finance		
	Personal savings	84(64.62)	Personal savings
	Farm friends	6(4.51)	
	Borrowing from relatives	15(11.28)	
Cash loan	20(15.04)		
	Other	5(3.76)	
6	Number of employees		
	None	48(36.09)	1 - 3 Employees
	1 - 3	70(53.85)	
	4 - 7	9(6.77)	
Above 7	3(2.26)		

*Figures inside parenthesis are the corresponding percentage values.

Source: 2017 field data

3.2. Financial analysis of Employee-Managed and Owner-Managed Poultry Enterprises

The result of financial analysis of employee-managed and owner managed poultry enterprises are presented in Table 2. The result of the financial analysis of poultry firms in the study area shows the cost components and revenue components of the Poultry enterprise. The budgetary analysis shows the cash inflow and outflow in the poultry enterprise. The purpose is to determine the net farm income, total investment per farm, cost of production per bird, net income per bird/crate and the level of return on investment (ROI). The result showed that the net farm income was N426, 36 and N1, 540, 810 for employee-managed farms and owner-managed farms respectively. The total investment in the enterprise was N802, 650 and N2, 519, 450 for employee-managed and owner-managed poultry farms respectively with cost of production per bird at N1, 784 in employee-managed farms and N5, 593 per bird in owner-managed farms. The return on investment for the poultry firm was 0.53 (53%) and 0.61 (61%) for employee-managed farms and owner-managed farms respectively. This means that for every 1 naira invested in employee-managed poultry production, 0.53 kobo was realised while for every 1 naira invested in owner-managed poultry production 0.61 kobo was realised. The implication of this result is that poultry farming, be it employee-managed or owner-managed, is a profitable business. However, it is more profitable when it is managed by the owner. Prospective investors are encouraged to venture it. The net return is substantial to sustain the farm owners, their families and the farm enterprise could continue in operational existence. Where borrowed funds from formal or non formal financial institutions are invested, farm owners could service their loans and will be willing to always extend credits to poultry farmers. Profitability is therefore an important factor for the willingness to invest and the operational longevity of poultry farms. Where there is profit failure, existing poultry farmers tend to quit and prospective investors are scared to invest. The growth and operational survival of poultry farms could be attributed to the profitability profile in the poultry industry in Lagos state, Nigeria.

Table 2. Financial analysis of employee-managed and owner-managed Poultry Farms

Farm manager's identity Typology	Frequency (%)	Net Return ₦	ROI	Investment ₦
Employee-managed	28(21.05)	426,36	0.53(53%)	802,650
Owner-Managed	102(78.46)	1,540,810	0.61 (61%)	2,519,450

3.3. Effect of Farm Manager's Identity on Financial Performance of Poultry Firms

The Table 3 and equation 3 present the result on the relationship between farm manager's identity and financial performance, which is measured by return on investment. There is no significant relationship between farm manger's identity and the financial performance of

poultry firms in the study area. The double log function outperformed the other functions on the basis of the number of significant variable and the highest R² value of 0.715 (72%) and for this reason it was selected as the lead equation. This result indicates that approximately 72% of the variation in financial performance of poultry farms is explained by the identity of who manages it.

T-Statistics was used to test the significance of the parameter coefficient. The t-test indicated that the Farm manager's identity positively and significantly ($P < 0.05$) influenced the financial performance of poultry farms in the study area. The null hypothesis is therefore rejected and the alternative holds true. The beta weigh as shown in the Table 3 showed that Farm manger's identity ($B=0.339$; $P<0.05$) is a positive predictor of the financial performance of poultry farms in the study area. The positive value of the beta coefficient indicates that a 1% bias towards owner-manager's identity will translate to 0.34% increase in the financial performance of poultry farms. This finding implies that as the size of poultry farms increases, with increasing concentration of

management control right, the performance of owner-managed farms will increase at a decreasing rate. Farm manger's identity is the allocation of control rights within a farm. The manager's identity (either farm owner (concentrated) or farm employee (diffused)) has a serious influence on the performance of poultry farms. This finding confirmed the earlier findings of Cui (2002) who reported that there is positive effect of manager's identity on Firm's performance. The possible reason for the outcome of this result in line with the findings of Adam Smith (1776) that most non owner managers will not attend to other people's business with the same dexterity they will attend to their own.

Table 3. Regression Result showing the effect of Farm manager's identity on financial performance

Model	R	R ²	Adj. R	Standard error	
Linear	.281	.079	.052	18.66330	
Double log	.339	.115	.089	0.32952	
Semi log	.281	.079	.052	18.66330	
ANOVA					
Double log	SS	DF	MS	F	P
Regression	479	1	.479	4.413*	.043
Residual	3.692	34	.109		
Total	4.171	35			
Variables in the equation					
Double log	Coeff.	Std. coeff.	t-ratio	P	
(Constant)	1.442	0.078	18.562	.000	
FMI	0.767	0.365	2.101*	.043	

Dependent variable: Return on Investment.

Independent variable: Farm manager's identity.

*5% Significant level, R² = 0.7115.

The equation for this model is then given as;

$$ROI = 1.442 + 0.339FMI + ei. \quad \text{(Equation 3)}$$

(18.562) (2.101)*

3. Conclusion

The thrust of the study was to find out whether the identity of the farm manager, whether the owner or an employee has significant influence on poultry farm financial performance and operational survival in Lagos State, Nigeria. We found that most of the poultry farms in the study area were small-scale and owner-managed. It means that problems of unfaithfulness, dupe and nonchalant attitude commonly found with agency, to a large extent, were eliminated. The result revealed that poultry farms that are owner-managed, had survived for an average of 4 years in operations. Result further shows a Return on investment 53% and 61% for employee-managed and owner-managed poultry enterprises, respectively. The finding shows that the extent to which farm manager's identity affects financial performance of the poultry firm is 72%.The result shows that there is a positive and significant relationship between farm manager's identity and the financial performance of

poultry farms. Farm manger's identity is a significant predictor of the financial performance of poultry farms in the study area. This implies that manager's identity plays very crucial role in determining the performance of the farm as the manager regulates other factors that may influence performance. The possible reason for this result is that employed managers will not attend to other person's with the same motivation they will give to their own. We concluded that owner-managed small-scale poultry farms performed better than employee-managed farms by all standards. This study has reaffirmed the centrality of concentration of management functions on owners in the successful management of small-scale poultry farms in Nigeria. We recommended that small scale poultry farm owners should personally manage their farms, provided they have the rudimentary knowledge of farm management and the technical know-how of poultry production.

Conflict of Interest

The authors declare that there is no conflict of interest.

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