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Introduction

The case study of Uniliver in terms of its financial analysis based on the 2015 and 2016 financial statement is presented in this paper. Detailed financial analysis of this firm's financial statement is provided in part 1. This has been done by assessing absolute level and alterations in its profitability alongside financial gearing. It has been compared by other competitors like Henkel, Beiersdorf and L'Oréal with proper macro-economic background being presented using such five ratios as ROCE, gross profit margin, operating profit margin, gearing and interest cover. Part 2 details critical discussion of various budgetary techniques most useful to a huge global firm to enable it effectively understand its division's operational performance. Part 3 offers a discussion on the various techniques for performance measurement and their suitability in an array of environment. The final part 4 assumes the case of a managing director considering key issues when making a decision after one of his divisional directors presents a comprehensive financial proposal for significant spending.

Part 1: Financial Analysis of Uniliver Plc Group Financial Statement (2015-2016)

This section presents a financial analysis of Uniliver Plc Group using its 2015 and 2016 financial statements. The analysis presents an assessment of the absolute level as well as changes in the company's financial gearing and profitability. It then presents a comparison of Uniliver peer companies including Henkel, Beiersdorf and L'Oréal. Also, a macro-economic background is further presented in this section.

Summary Analysis from Excel Worksheet:

	A	B	C	D	E	F	G	H	I
2									
3									
4					Formula	2015	2016	2015	2016
5			1	Return on Capital Employed (ROCE)	Net Operating Profit/Employed Capital	5249/5642	5547/5225	9.302%	10.607%
6			2	Gross Profit Margin	Gross Operating Profit/Total Sales	7865/5327	8046/5271	14.764%	15.264%
7			3	Operating Profit Margin	Net Operating Profit/Total Sales	5259/5327	5547/5271	9.872%	10.523%
8			4	Gearing Ratio	Debt/Equity	16197/154	18893/163	1.049096	1.155253
9			5	Interest Cover	EBIT/Interest expense	7865/773	8046/758	10.17464	10.61478
10									
11									
12									
13									
14									

Ratio Analysis

The analysis of ratio technique is applied to Unilever and is usually reliant on the financial statements of the organization within a specific time period. The company financial statement analysis is based on the ratio analysis technique.

Profitability Ratio:

This analysis is anchored on the organizational capabilities' analysis based on measuring the company's earning capacities. The overall profitability ratio computation of an organization is decided on the financial reporting period. An example for the case of Unilever is shown below:

Particulars	Unilever	
	2013	2014
TOTAL REVENUE	25,810.21	28,019.13
GROSS PROFIT	4,957.88	5,028.39
GROSS PROFIT MARGIN	0.192089875	0.179462746

The gross profit margin of an organization is anchored on the capabilities of earning of the firm on the basis of their respective operational activities. Based on this analysis, the gross profit margin of Unilever is found to be 0.192 and 0.179 in the period 2013 and 2014 respectively. In terms of the gross profit margin, the firm's financial period 2013 appears to be more profitable for the firm.

Particulars	Unilever	
	2013	2014
TOTAL REVENUE	25,810.21	28,019.13
NET PROFIT	3,796.67	3,867.49
NET PROFIT MARGIN	0.147099539	0.138030339

The ¹ net profit margin of a firm is generally linked to the capabilities of earning of the organization in respect of their operational activities. Based on the above analysis of the gross profit margin of the firm is 0.147 and 0.139 for the 2013 and 2014 financial periods. The gross ¹ profit margin shows that the 2013 financial year is more profitable for Unilever.

Particulars	Unilever	
	2013	2014
NET PROFIT	3,796.67	3,867.49
TOTAL ASSET	11,512.47	12,998.40
RETURN ON ASSETS	0.309794797	0.595071701

The returns on assets of Unilever is reliant on the capabilities of earning of the firm based on the activities of generation of revenue of the financial statements. Based on the examination of asset returns of this firm, the returns for 2013 and 2014 financial years are given as 0.309 and 0.595 respectively. Based on the ROA acquired by Unilever, the 2014 financial period is more profitable than the 2013.

Liquidity Ratio

This is generally supporting the organization's liquidity position and it measures the company's financial situation by which it can effortlessly pay its short-run financial claims. An example is given below:

Particulars	Unilever	
	2013	2014
current assets	11,512.47	12,998.40
current liabilities	5,167.69	5,793.89
current ratio	2.227778756	2.243466825

¹ The current ratio of the organization is demonstrating the financial position of Unilever that is making us comprehend that the firm can pay short-run claims of the firm within the ¹ 2013 and 2014 financial periods. The current ratio of Unilever is 2.220 and 2.224 in the 2013 and 2014 financial period. The current ratio of the firms is thus increasingly profitable in the 2014 financial period.

Particulars	Unilever	
	2013	2014
current assets	11,512.47	12,998.40
current liabilities	5,167.69	5,793.89
INVENTORY	2,526.99	2,747.53
quick ratio	1.738780771	1.769255198

The company's quick ratio is indicating its financial position that helps us understand that the firm can pay its short-term claims within the 2013 and 2014 financial years. The company's current ratio is given as 1.738 and 1.769 in the 2013 and 2014 financial period. Thus, the company seems to be more profitable in the 2014 financial year than in the 2013.

Return on Capital Employed (ROCE)

This is a financial ratio measuring the profitability of the firm alongside the efficiency with the firm's capital is employed. It is computed by the formula:

ROCE=EBIT/Capital Employed;

For Unilever Plc;

2015's ROCE= $5249/5642=9.303\%$

2016's ROCE= $5547/5229= 10.607\%$

ROCE is thus a valuable metric to compare the firm's profitability across firms on the basis of capital amount employed. It is useful when comparing the companies' performance especially in capital-intensive industries because ROCE considers other liabilities and debt. This gives a better financial indicator for firms with substantial debt. A stable and rising ROCE is desirable as it will be volatile and bouncing around from a year to another. From the above calculation, it is clear that Unilever has both stable and rising ROCE and hence more profitable in 2016 as opposed to 2015 relative to its competitors.

Gross Profit Margin

It is a financial metric utilized in assessing the financial health alongside business model of a firm by unearthing the money proportion remaining from revenue following accounting of cost of sales. It is calculated by dividing gross profit by revenue as follows:

The formula is:

Gross Profit Margin= $(\text{Revenue}-\text{COGS})/\text{revenue}$ or simply, $\text{Gross operating profit}/\text{total sales}$

For 2015; Gross profit margin= $7865/5327= 14.764\%$

For 2016; Gross Profit margin= $8046/5271= 15.264\%$

A higher gross profit margin is desirable. From the analysis, Unilever was more profitable in 2016 than in 2015 relative to its competitors.

Operating Profit Margin

It is a profitability measure showing how much a dollar of revenue a firm remains with following accounting for cost of sales and operating expenses

The formula is; $\text{operating earnings}/\text{revenue}$ or $\text{Net operating profit}/\text{Total Sales}$

For 2015; Operating profit margin= $5529/5327 = 9.872\%$

For 2016; operating profit margin= 10.523%

From the analysis, it means the company made \$0.09872 in operating earnings for every dollar spent in 2015 and \$0.10523 in operating earnings for each dollar spent in 2016 hence the firm was more profitable in 2016 than in 2015.

Gearing Ratio

It is generally a classification that describes the financial ratio which compares certain form of equity of the owner to borrowed funds by a firm. Gearing measures the financial leverage of a firm whereas the ratio evaluates the financial fitness of a firm.

The formula is: $(\text{long-run} + \text{short-run debt} + \text{overdrafts}) / \text{equity of shareholders}$ or simply, debt/equity (net gearing).

It denotes the amount of current equity which might be needed for outstanding debts payment. An optimal ratio (gearing) is established by each firm relative to peers in same sector. A higher than 50 percent gearing ratio is regarded extremely geared or leveraged. Thus, a firm will be at higher risk financially, since when the profits are lower and interest rates are higher, the firm would remain highly loan default-susceptible and hence bankruptcy. A lower than 25% gearing ratio is characteristically regarded low-risk by lenders and investors whereas a between 25 and 50% ratio is regarded normal or optimal for well-established firm.

For 2015; gearing ratio= $16197/154 = 1.049096$

For 2016, gearing ratio= $18893/163 = 1.155253$

For Uniliver, both 2015 and 2016 gearing ratio falls below 25% hence it is a low-risk firm in the eye of lenders and investors.

Interest Cover Ratio

It is applied establish how a firm easily pay the outstanding debt interest.

The formula is; EBIT/interest expense (same period)

For 2015; interest cover = $7865/773 = 10.17464$

For 2016; interest cover = $8046/758 = 10.61478$

A lower ratio denotes a burdened firm to pay debt. A 1.50 or lower ratio shows inability of a firm to pay its interest expenses. It gives a measure of the number of times over a firm might make payment for its due debts utilizing its earnings. From the above calculation, Uniliver's interest cover is lower than 1.5 and hence, it is burdened by debt payment for both 2015 and 2016.

SWOT Analysis

Uniliver's SWOT analysis is anchored on the examination of its strengths, weaknesses, opportunity and threats ¹ in the market. The firm is further operating its product dissemination tasks in over one hundred and ninety nations. Uniliver is offering a large array of products for diverse range of customers and clients. It is as well getting services of manufacturing products from two hundred and seventy manufacturing destination globally and have over twenty-five international brands that generate seventy percent revenue from its overall sale activities.

Strengths:

Uniliver strengths are primarily in the following nature:

- It is further operating its product distribution tasks in over one hundred and ninety nations
- Uniliver provides a large array of ¹ products for diverse range of clients and customers
- The organization gets its services of manufacturing products from two hundred and seventy destination globally with twenty-five international brands that generate seventy percent revenue from entire sale activities

- Unilever has a large range of products for diverse customer segment that is primarily defining the enormous revenue realization activities of the firm
- It has a strong R&D authorities anchored on quality and prices of product that is offered by the firm in a global market
- Unilever has over four-hundred international brands that sell in market in various varieties and sizes based on preferences and taste of the clients and customers
- Unilever has a successful promotional activities alongside used of advanced technologies that is providing the firm a competitive edge to thrive the market

Weaknesses:

- Various weaknesses are associated with Unilever brands in the course of sale and distribution tasks of its products in various markets. Some of the main noted weaknesses include:
- Unilever has an extremely strong rival that manufacture the products in various markets such as Nestle and P&G that is favorable by millions of clients and customer all over the globe
- The products that Unilever is producing are further manufactured by separate organisations within the market at considerable quality and prices within the local consumer markets that are lower in comparison to those of Unilever

Opportunity:

- Unilever is exposed to several opportunities awaiting it in different markets according to various scenarios that are anchored on the products' demand and alterations in preferences and tastes of the clients and customers within different local and global markets. Some of notable opportunities in the future of Unilever include:

- The firm is extremely popular in health conscious commodities that remains better generally in comparison to other different brands' products
- Uniliver is primarily popular for the altering trends and lifestyle of clients and customers that is linked to various activities of the firm. Uniliver is altering the product trends that is facilitating the product demand ¹ in the market.
- The enormous demand in Uniliver that is hinged on the production capacities' demand shall boost the firm substantially

Threats:

Uniliver is always faced with some threats based on the performance of the firm in the present situation of the demands of its products in various markets. Some threats are measured by the organization based on its operational and management activities. These threats are mainly the following:

- The economic reception and inflation primarily gives adverse effect on the Uniliver business activities that shall reduce the firm's profitability within the specific financial year
- The clients and customers of Uniliver remain conscious regarding products they purchase from the various markets thus the organization primarily focusing on making eco-friendly commodities will survive the competitive environment.
- The international market rivalry requires to the firm to match its competitors that is based on the innovative product characteristics that are favoured by the clients and customers
- The legal regulations and rules are anchored on the policies of taxation employed by the various government as well as the diverse procedure of the firm

Part 2: Budgetary Techniques

Whereas ratio analysis is regarded as the key tool for analyzing the company performance over the period, the capital budget techniques wholly circumvents around the assessment of investment opportunity. Various capital budgeting techniques are available for the use by the organizations. The techniques for capital budgeting are primarily categorized under two main techniques. These include discounting techniques as well as non-discounting techniques. In the former technique, various approaches can be used including the profitability index and payback period among others. In the same way, the Net Present Value (NPV), IRR, and modified IRR are the key discounting techniques available for the organizations to make investment decisions.

Payback Period:

Based on this technique, the options for investment is chosen depending on the period of recovery of the original spending executed by the firm. The formula for this technique is as follows: PP: initial investment for a give project divided by ¹ net annual cash flow. This specific formula is applicable in the case of similar cash inflow over a period. Where the cash flow stays uneven over a time period, the following formula ensues:

$$PP = A + (B \text{ divided by } C)$$
 In this formula, A is equal to the ¹ corresponding year of the previous negative cumulative cash inflow where B denotes the absolute value of the previous negative cumulative cash inflow. C stands for the cash inflow of the consequent year of previous negative cumulative cash inflow. To illustrate this technique, we take the Uniliver organization with the following opportunity for investment with initial capital outlay of \$10000000

⁴
1st year

2nd year

3rd year

4th year

5th year

	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Initial Investment	\$ 100,00,000.00					
Cash Inflow		\$ 50,00,000.00	\$ 40,00,000.00	\$ 20,00,000.00	\$ 20,00,000.00	\$ 10,00,000.00
Cumulative Cash Inflow		\$ -50,00,000.00	\$ -10,00,000.00	\$ 10,00,000.00	\$ 30,00,000.00	\$ 40,00,000.00
Payback Period	2.5	Years				

The NPV:

Where the payback period is employed broadly due to ease of access, the NPV, a discounting method, is further employed by the organization widely. The NPV's formula is given as follows:

NPV equals $C_1 / (1+r) + C_2 / (1+r)^2 + C_3 / (1+r)^3 + C_4 / (1+r)^4 + C_5 / (1+r)^5 - C_0$; Where

C_0 is initial investment

C_1 is year 1 inflow

C_2 is year 2 inflow

C_3 is year 3 inflow

C_4 is year 4 inflow

C_5 is year 5 inflow

R is discount rate

Where the above opportunity for investment is under consideration, and where the required RR of Uniliver is 12 percent, the NPV of the project is given as in the table below:

	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Initial Investment	\$ 100,00,000.00					
Cash Inflow		\$ 50,00,000.00	\$ 40,00,000.00	\$ 20,00,000.00	\$ 20,00,000.00	\$ 10,00,000.00
Cumulative Cash Inflow		\$ -50,00,000.00	\$ -10,00,000.00	\$ 10,00,000.00	\$ 30,00,000.00	\$ 40,00,000.00
Payback Period	2.5	Years				
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Initial Investment	\$ 100,00,000.00					
Cash Inflow		\$ 50,00,000.00	\$ 40,00,000.00	\$ 20,00,000.00	\$ 20,00,000.00	\$ 10,00,000.00
Discounting rate	12%	0.892857143	0.797193878	0.711780248	0.635518078	0.567426856
Present value		\$ 44,64,285.71	\$ 31,88,775.51	\$ 14,23,560.50	\$ 12,71,036.16	\$ 5,67,426.86
Total Present value	\$ 109,15,084.73					
Net Present Value	\$ 9,15,084.73					

Part 3: Performance Measurement Techniques

Performance measurement remains the targets or budgets' monitoring vis-à-vis the real outcomes to determine how best the organization and its workforce are functioning in entirety and individually. These measures are able to connect to short-run goals and objectives like costs control and long-run objectives like satisfaction of customers. The goals and objectives of the enterprise shall vary based on the business type being operated. For instance, a company that seeks profits has a goal of maximizing wealth of shareholder and hence it would wish to monitor its profitability on the basis of growing sales and decreasing costs as well as the market share and growth in relation to its rivals. However, a not-for-profit enterprise like a department of government, shall wish to offer the best possible services for the least cost in order that the

citizen being care for realize value for money from their paid taxes. However, these business both share the need to have long term strategic goals as well as objectives. Such long terms objectives or goals shall be further broken down into operational and tactic targets that shall require monitoring. This can only be done when they identify the critical success factors alongside the KPI to monitor to have the targets achieved.

There are various techniques for measuring performance including financial, non-financial, balanced scorecard and benchmarking.

The Financial Performance Measures:

These are utilized in monitoring inflows or revenues and outflows or costs and the entire money management in the enterprise. Such measure emphasize on the available information from the P&L statements and the financial position statement of the enterprise. These measure are able to be employed in recording cost centres performance, profit centres' performance as well as investment centres' performance with the accounting system responsibility. However, they can as well be employed in assessing the entire organizational performance. For instance, where the cost decrease or control is acknowledged as a factor of critical success, cost-oriented performance measures could be the suitable indicator of performance to be applied. The cost-oriented performance measures will be computed as a simple cost a unit of output. The firm shall have to establish its policies for the establishment of cost a unit for the purposes of performance measurement. The selected technique needs to be subsequently employed consistently.

Measuring Profitability:

The main goal of a profit seeking firm is profitability maximization. An enterprise must make a profit to get return to investors and grow the enterprise by re-investing. Three ratios of profitability are usually applied in monitoring the accomplishment of this objective: They

include ROCE (equals to a percentage of operating profit divided by non-current liabilities plus total equity), ROS (equals to a percentage of operating profit divided by revenue); and gross profit margin which is given as a percentage of gross profit divided by revenue.

ROCE is a key profitability measure as a percentage of the capital employed. It presents a measure of how much company profit is generated from every dollar of capital employed in an enterprise. The profit before interest or the operating profit is compared to long-run debt (non-current liabilities) in addition to invested equity in an enterprise. The operating profit denotes what the company has in place to pay for the interest arising from debt alongside the dividend paid to shareholders thus the figures utilized compare like for like. A higher ROCE remains desirable and a rise in ROCE might be accomplished from raising profit and decreasing capital employed.

The ROS or operating margin is expressed as a percentage of revenue. Companies desire a high return. It shows that either sale volume or price are high or cost are kept well under correct control. ROS, ROCE and Asset turnover are usable together and this is valuable if only partial information can be accessed.

Measuring Liquidity:

An enterprise is able to be profitable at similar time encounter cash flow challenges. Profit and cash at bank are different. Two liquid ratios are utilized in indicating a firm's ability to manage as well as meet short-run financial claims.

Current Ratio: It is the ratio of current to current liabilities and got by dividing current asset by ² current liabilities. It gives a measurement of the ability of the firm to meet its short-run claims due within a year with the current asset than needed to be changed into the cash within a year. A ratio that exceeds one remains favoured but the anticipated ratios range based on the

kind of industry. A reduction in ratio year on year or a number below the average in the industry might show a firm with liquidity challenges. The firm might take action to enhance liquidity through the payment of payable when they are falling due or even by improved receivable management to change money owed into cash in more efficient manner. Also, a high ratio might denote a surplus cash which is not being used efficiently. Cash cannot offer a return and hence needs to be re-invested in the enterprise.

Acid Test or quick ratio is identical to current ratio, however, stock is eliminated from the current asset because of it has poor liquidity in short run. It is computed by subtracting inventory from current assets and dividing by current liabilities.

Measuring Activity:

Activity ratio of the firm examines how effective the firm manages to change balance sheet items into money. They are utilized in investigating the efficiency of current asset management. The asset turnover is arrived at by dividing revenue by capital employed and measures how much firm's revenue is generated from every dollar of employed capital in the enterprise. Firms prefer high asset turnover and a rise in it might be realized by raising revenue or decreasing capital employed. The inventory days is arrived at by dividing inventory by cost of sales and multiplying the result by 365. This shows the average quantity of days that stock items are held for prior to sale. A rise in the holding period for inventory might suggest that a firm has challenges selling its commodities and could further show that there is augmented outdated inventory level. The firm might take actions to raise inventory turnover via the elimination of unpopular or slow-moving inventory items and also by removing outdated inventory. A decline in holding period of inventory might remain favoured as firm's ability to turn over their inventory has enhanced and the organization doesn't have excess cash that is tied up in stock. Nevertheless,

any decrease might be renewed extensively as the firm might be facing problems managing its liquidity and might never have the cash in place to hold desirable inventory level.

Measuring Risk

Apart from profitability management, the activity, liquidity and profitability, it is further imperative for a firm to effectively manage the risks. It must measure how “geared” a firm is able to be calculated for assessment of financial risk. The gearing shows how effective a firm shall be able to accomplish its long-run debts. The capital gearing or leverage ratio computes the connection between capitals borrowed (debt) and capital owners (equity). It is arrived at by dividing debt by equity and expressed as percentage. It can also be arrived at by dividing debt by sum of equity and debt and expressed as percentage. The gearing level denotes how much a firm depends on long-run debt finance. A higher percentage denotes a higher risk level since any debt finance has to be repaid via capital and interest repayment. A firm has a legal obligation to repay debts. Equity finance repayment is via dividend and no legal obligation to pay shareholders. No “correct” level of gearing, however, where a debt is above equity, it denotes a too high gearing.

Interest cover or income gearing is realized by dividing operating profit by finance cost. It denotes the number of times a finance cost/interest payments might be paid out of operating profit. A higher value is desirable. A decline in income gearing shows a firm with ² increased risk of being unable to meet its finance payment when they fall due. This ratio is enhanced by embracing actions that augment profit and decrease cost of financing via reduced debt level.

Non-Financial Performance Measurement

Even though it is unwise to negate profit because it is the primary goal of businesses, KPI and critical success factors (CSFs) must never solely focus on profits. The perspective is that an array of performance indicators must be utilized and be a ⁵ combination of both financial and non-

financial measures. The non-financial performance indicators (NFPI) are: customer satisfaction measurements through returning customers and clients and declining customers' complaints. Another NFPI is resource utilization including whether machines are being operated for every available hours and generating efficient output as feasible. Another NFPI is measuring quality like decline in conformance alongside cost of non-conformance. Since there are many varieties of enterprises, many NFPIs are available. Every enterprise shall have its individual list of NFPIs proving desirable measures of business success. Nevertheless, NFPIs can be categorized in two main cohorts: quality and productivity.

Productivity:

A measure of productivity measures operation efficiency and is called resource utilization. Productivity measure related services or goods generated to resource utilized, and hence, eventually incurred cost to generate output. The most efficient or productive operation is that which generates the optimal output for any specific resource input set or alternatively utilizes the least input for any particular output quality or quantity. Productivity measures are of various kinds and provided in respect of efficiency of labor. Nevertheless, productivity measures are never limited to labour and might as well be expressed based on additional resource inputs like machine hours employed in production. Three ratios are used in measuring productivity.

Production-volume ratio is used to assess the entire production in relation to budget or plan. A ratio exceeding one hundred percent denotes that entire production is beyond planned levels and ratios below one hundred percent show a decline in relation to budget. This ratio is arrived at by dividing actual output (measured in standard hours) by planned or budgeted production hours and then expressing as a percentage.

The capacity ratio gives information on the basis of working time hours possible in a given duration. It is computed by dividing actual production hours worked by planned production hours and expressing as a percentage. A ratio beyond 100% denotes that additional hour have been worked as compared to the planned ones and less than 100% indicates less hours consumed than budgeted.

Efficiency ratio is helpful indicator of productivity on the basis of output in relation to inputs. It is arrived at by dividing actual output in standard hours by actual production hours worked and expressing as a percentage. A ratio above 100% denotes more efficient workforce than budgeted and less than a hundred percent show less efficient workforce than as planned.

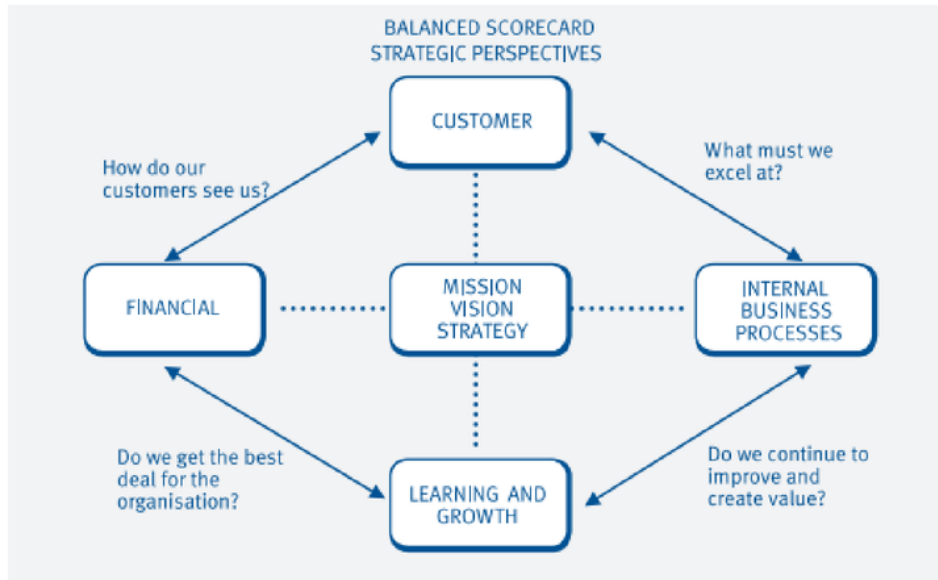
Quality:

Quality remains a matter of whether manufacturing commodities or services' provision. A loss of business as well as damage to reputation of business arise from poor service or product. The business must set targets of desired levels by using such NFPIs as level of wastage, customer complaints, and repeat sales to monitor quality from external and internal viewpoints. Other NFIPs include delivery accuracy, quantity of returns, delivery speed, internal finished products' reworking, novel customers, sales growth, turnover of labor, absences of staff, job satisfaction, improvements of products, development plans evaluation, overtime working and cost of R&D.

Balanced Scorecard

A business has to utilize a mixture of non-and financial measures to realize effective performance appraisal system. Balanced scorecard has been widely accepted as an advancement in performance measurement techniques. It helps in planning and allows managers to set an array of targets connected to suitable performance measures and objectives. It has four perspectives

including financial; customer; internal efficiency; and learning growth. The approach of balanced scorecard is as shown below:



The financial perspective emphasizes on shareholder value satisfaction. The desirable performance measures here include ROCE, and return of shareholder's funds. The customer perspective remains an attempt to measure the view of the firm in customer's eye by customer satisfaction measurement. Appropriate performance measure are customer loyalty and customer satisfaction with the timeliness. The internal perspective purposes to measure the output of the firm based on technical excellence alongside needs of customer. Such indicators as unit cost and quality measurement are typical examples. Growth and learning perspective focuses on the continual improvement need for current products alongside techniques and new ones' development to meet the changing needs of the client and customers. The measure will comprise of revenue percentage attached to novel products.

Benchmarking

This technique has been growingly been embraced as mean for continuous enhancement. It is the establishment of comparators and targets via data collection that allow comparable performance levels (and specific underperformance areas) to be acknowledged. Performance should be improved by adopting identified best practices. Benchmarking hence requires business to acknowledge what they are doing and why they are doing it. It also requires a firm to possess knowledge of what is done in the industry and specifically what the rivals do. Also, it requires enterprises to be completely devoted to best practice achievement.

A business can benchmark all activities but it must focus on the central ones to its strategy. It should also focus on where substantial improvement is desired without raising resource. It should as well focus on where workforce are devoted and always yearn for improvement. The fundamental concept behind benchmarking is that performance must be correctly assessed via a comparison of the business' individual commodities, practices and performance with "best practices" in other places. Benchmarking is purposed to receive the alarm call regarding the need for change and also for learning from other individuals to enhance performance. It is also to gain a competitive advantage in private sector and improve services in public sector.

There are different levels and types of benchmarking that are primarily described by whom firms selects to measure itself against. They are internal, competitive, functional, and strategic benchmarking. The functional benchmarking is where the firm compares itself with an identical function like order handling, selling or despatch in other firms that are never direct rivals. For instance, an operator of a fast-food restaurant can compare its purchasing function with that of supermarket chain. In competitive benchmarking, the firm uses the most successful rivals as its benchmark. The rivals are not likely to give willingly such crucial information to

compare, however, it could be feasible for the firm to observe the performance of the competitor like observing how fast a specific rival process orders of customers. A rival's commodities could be dismantled to learn more about its design internally and performance through what is referred to as reverse engineering.

In strategic benchmarking, it involves competitive form that is aiming at making decision for strategic step and change in the organization. Firms in one industry could agree to come together in a collaborative benchmarking procedure or process where the third party is selected to manage like a trade organization. This benchmarking type allow every firm in a scheme to submit its data regarding its respective performance the organizer of the scheme. The organizer subsequently computes the average performance values for the whole industry from the provided data. Every subject in this scheme is consequently provided with the average value of the industry that is used for assessing its individual performance.

In internal benchmarking, other departments or units within same firm are utilized as critical benchmarks. This could be feasible where the firm is big and subdivided into various identical regional segments. This type of benchmarking is broadly employed within the governments. For instance, in the United Kingdom, a Public Sector Benchmarking Services exist to maintain the performance measures' database. Thus, public service firms including hospitals and fire stations are able to compare their individual performance against the best in the sector.

In systematic benchmarking process, planning, analysis, action and review are critical requirements. Planning entails the selection of the desired activities the firm needs to benchmark, full involvement of engaged staff with such an activity and the identification of critical phases of activity linking to outcomes, outputs and inputs. It is imperative that a benchmark be established to a specific "best practice" level. Analysis is comprised of the identification of the degree to

which a firm underperforms and to trigger ideas as to how the firm can improve its performance. It might involve whether the novel methods or processes are needed. Implementation constitutes the utilization of the action plan to accomplish the maintenance or the improvement of the already determined standards. The management needs to make sure the availability of resources critical for meeting the set objectives. Action comprises placing a suitable plan into practice to enhance the performance in areas already benchmarked. The review calls for monitoring process or procedure vis-à-vis the plan and reviewing the performance measure's appropriateness.

In reality, enterprises determining benchmark shall employ a range of sources of information for their schemes/programmes. The most desirable and valuable information might be that which arises from the partner in a benchmarking process. These partnership might be designed via trade associations as well as inter-organizational comparison networks. All firms can significantly benefit when they compare against each other. It must be ideally judged against the best practices wherever they are accessed. The analysis in benchmarking avails required comparisons of competences, and resources different activities and entire organizational competence.

Part 4: Key Issues Considered for Significant Expenditure Proposal

There are various key issues considered when making a decision on a proposal for substantial expenditure. As a ² managing director of a huge public company who has received a comprehensive financial proposal for substantial spending from one of our divisional directors, I will consider the following key issues to guide me in making such a decision. Firstly, it must be understood from the onset that this is capital budgeting. It is a formal of the company to evaluate the potential investment or expenditure that are substantial in amount. The capital budgeting entails the decisions to invest the present funds for addition, modification, disposition, or even fixed asset replacement.

A large expenditure like in this scenario might entail fixed asset purchase such as land and building, novel equipment purchase, replacing or rebuilding current equipment, R&D among others. The huge amount spent for such kinds of projects is called capital expenditure. Therefore, capital budgeting tool will be of great help in this case to maximize the future profit or benefit of the firm because most firms can manage solely a restricted quantity of enormous project concurrently. This process entails the ³ computation of every future accounting profit of the project by period, the cash flow by period as well as the PV of cash flow following regard to money's time value. It also involves the payback period and risk assessment among other several factors.

With the above background of capital budgeting, key factors or issues to be considered can now be detailed. The first consideration is the expected returns. Returns describe the anticipated rise in profits alongside additional benefits. As managing director, I will be more concerned about the expected returns of such a significant spending to determine whether their will be value for money. Companies always primarily invest to boost their financial profitability in the long run. Such profits become realized as a result of a rise in sales or a decline in cost of operation. Therefore, where the company is evaluating different projects, like in this case, I will be concerned with prioritizes the project that will bring higher return to the company. As a managing director, therefore, I will have to consider the earning trends expected from this an expenditure budget since it is a long-term investment and will only approve this significant expenditure if it will guarantee significant profits/benefits to ensure there is value for money spent.

As a managing director, I will also consider the availability of funds before accepting such a significant expenditure. It must be understood that this is an investment cost with a

financial nature. Thus, as an organization, I will have to consider the funds availability when making such a significant spending decision. This is because a long-run investment spending need a huge sums of funds to meet. Therefore, before making any decision to fund this proposal, I will have to consider whether the company has adequate funds to implement and maintain this expenditure proposal properly.

As a managing director, I will also have to consider the government regulation related to significant expenditure proposal funding. It remains imperative for my organization to consider the appropriate laws and associated requirements the government has imposed. This will help me understand the payment requirements before undertaking to fund this proposal. I must be able to confirm whether the law prohibits whatever this money will be used for to ensure that the funding is not wasted.

As an MD, there is also need to consider some non-financial factors like availability of desired skills and the personnel when deciding whether to fund the proposal. For example, where the proposal relates to purchase of equipment, I must be able to initially establish whether there is sufficient availability of skilled personnel. I will also have to determine whether the available personnel have the desired technical knowledge to operate and use the machinery for the greater good of the firm and its associated stakeholders. Considering such factors will give me a clear image of whether there would be successful project implementation that will add value to the firm.

Conclusion

Based on the analysis of Unilever relative to its competitors, it is apparent that its profitability expanded between the two accounting periods (2015 and 2016 relative to its rivals (Henkel, Beiersdorf and L'Oréal)). The company's financial status is promising as measured by

ratio analysis hinged on its 2015 and 2016 financial statements. Besides, Unilever has more strengths availed by its customers and investors within periods under study relative to its rivals with more opportunities it can exploit to become more competitive.

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