

# Business Leadership Digest

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Entrepreneurship, Management, Leadership and Career Advice for Business Executives & Students.

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### Supply Chain Excellence Is All About Providing "Transformed Solutions"

—Hau L. Lee, Operations, information and technology professor,



In a globalized economy, businesses are employing innovative methods to create value in the supply chain process. What results is a higher market share, increased sales growth, impressive profits, outstanding customer service, and most importantly, superior shareholder value.

In this article, Hau L. Lee, the operations, information and technology professor at Stanford University's Graduate School of Business, who is also the co-director of the Stanford Global Supply Chain Management Forum, an industry-academic consortium to advance the theory and practice of global supply chain management, in his recently keynote address on "Creating Value with Supply Chain Excellence" at the Value-Chain Seminar 2007, organized by the School of Information Systems, Singapore Management University talked

about how supply chain innovations could be developed and realized, using a framework he designed on "Value-Creation Evolutions".

Lee contents that every company has a supply chain. It could be a physical supply chain, which involves sourcing, manufacturing, distribution and logistics, or a service supply chain. The first thing companies should do is to ensure that the supply chain is done well. That means eliminating waste, removing inefficiencies, and not having any value-added activities. However, all this is purely a margin improvement exercise. Often times, what we have found is that once a good process is in place, it will enable companies to respond to the different needs of their customers. And these are where the opportunities lie. Any time there is an external disturbance and companies respond accordingly -- when their competitors cannot do so -- they will be able to grab that market share. Once they gain market share, it is very hard for competitors to grab it back. Essentially, companies should try and be responsive, through using the supply chain process, to take advantage of unexpected events. This is what agility is about.

It is not just a question of unexpected events, however. In being agile, companies which have many customers with different needs and geographies, will realize they can serve more customers with more customized solutions. Those solutions will allow them to reach out to markets that they have not been able to reach out to before. The next stage is to think about what the customer needs. Is it just the product or is there a way that they want certain things done? For instance, let's say I am a cement company and my customers buy cement from me. The customers need cement not because they want to store it at home but because they are constructing something. So, can I do something that would make their construction easier? Can I help them buy other things and put these together for them? That is what "transformed solutions" are about.

I think the more mature companies will go down the path of providing more complete solutions. As start-ups, most companies have a single product and they will want to make that well and efficiently. But mature companies must evolve for that is the way to create intimacy and stickiness with the customer, making it harder for them to switch loyalties.

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## Supply Chain Excellence Is All About Providing "Transformed Solutions"

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Once companies provide complete solutions, for example by helping customers design and manage projects, it is harder for customers to make that switch.

Lee thinks that this model apply to companies across the world. "In the advanced economies, you can see more examples. However, there are also examples from emerging economies such as ITC e-Choupal from India, and Netafim from Israel. Having said that, businesses can still be built through being efficient. Emerging economies tend to have more inefficiencies. For instance, according to the World Bank Global Logistics Indicators Survey 2005, in the Democratic Republic of Congo 42 signatures are required for a typical export transaction. This is compared to only two signatures required in Singapore. You can start building a business simply because you are able to do things faster and on a less costly basis. Down the road, the best way to defend the business is to transform it into a company that sources for and provides customized solutions."

Lee believes Asian companies will learn and benefit more from this model; "I think the model is, in a way, more important for Asian companies. Firstly, Asia is hugely diverse. When you talk about the differences between Vietnam, Thailand, Indonesia, China -- and even inside China -- that diversity is multiple times what can be seen in the U.S and Europe. That means that the ability to provide customized solutions is even more important."

Secondly, since Asia is an emerging region, there is diversity not just in terms of needs but in capabilities as well. In Asia there are companies that are mature, and there are those that are 'mom-and-pop shops'. Mature companies are mainly concerned about receiving the product. From there, they turn it into a complete end-product. But the other companies have a lot more needs than that. Hence this solution concept is important. Many of these companies do not just need the product; they need the complete solution, the whole thing so as to make it as part of their offering. That's why I think, in Asia, this path is

even more important because the needs for customization and solutions are even higher due to the diversity in needs and capabilities.

Do you believe that following the model can help 'mom-and-pop shops' progress towards become mature companies?

Lee also believes that 'mom-and-pop shops', if served well by following this model, can become bigger, stronger and eventually climb the ladder to become powerful. In a way, the model also helps to balance the extreme difference. If we don't have these types of solutions, only the mature, big companies will continue to thrive. How then, can the 'mom-and-pop shops' survive? Look at the U.S economy. Why is it still strong? I think it's because there are still a lot of start-ups that have the potential to become giants. Because the economy has so many solution providers, the start-ups can leverage on the solution providers. Even if I am a small company, there are logistic companies that can provide me with logistics solutions. That way, even if I don't have those capabilities, I can still compete with the giant companies which have elaborate logistics capabilities. And that enables the whole economy to grow.

Look at some of the giants in China, such as Lenovo. They all started as small businesses. Lenovo was started by a small group of people from Qinghua University in Beijing. It was a 'mom-and-pop shop'. Back then, the electronics industry was already quite mature. That presented Lenovo with the opportunity to leverage on the tonnes of component manufacturers already in the Chinese industrial parks. But why are they there? Because the HPs, Flextronics and Solectrons of the world have built these giant industrial parks. These component suppliers are very smart. Not only do they support HP and the likes, but if there is a little company that needs support because it does not have HP's expertise and capabilities, they modify their solutions and serve them. They are adaptable and able to serve small companies as well. Now these little guys have become big guys. Lenovo was able to leverage on the logistics and supply network that was built for the large companies.

Lee thinks the role of the supply chain 'architects' he has put forward is important because with globalization, the supply and customer base increases significantly. Globalization means companies are not tied to one supplier, but possibly to a big network of suppliers. So which one should they choose? When do they use them? How do they use them? All these become more complex. So now we need people who design supply chains. That's why I call them 'architects'.

On tips for practitioners in the supply chain and logistic industry, Lee thinks the most important tip is that the knowledge practitioners receive has to be constantly going through transformation. Just as we say a supply chain needs to be transformed, knowledge too needs to be transformed. What is regarded as a good supply chain today might not be a good supply chain tomorrow. This is because the technology, needs or even customers change. What is good today is no longer good tomorrow. Lee's advice to professionals is to constantly seek new learning and transform their learning to adapt to the needs of the future. There is also no one-size knowledge or best practice or innovation. Continuous transformation is the key.

On the future trend in supply chain, Lee says it is not definitive but thinks it needs more knowledge workers. In his prediction on the trend, Lee predicts a future where knowledge workers will be important, particularly knowledge workers who are able to use information smartly. It is not just about passing information quickly. It is not just differentiation. Supply chain professionals will be knowledge workers. They will know how to design the supply chain, adapt it and see to changing needs. We need that additional layer of professionals to coordinate the process and have a macro view of things.

## Impact Business Solutions: Supply Chain Management Becomes a Larger Priority

Industries with extensive and complex manufacturing environments, such as consumer products, high-tech and automotive, know that failing to collaborate with suppliers will result in deep monetary losses. As a result, companies' attention and budgets are returning to supply chain management (SCM), and area that received much attention in the early '90s, before the Web boom. SCM is typically defined as the components, products and services that work together to break down barriers between a company's functions, processes, departments and trading partners. We will continue to see increasing adoption rates of technologies that streamline supply chains, specifically through properly managed planning and execution practices.

The Internet's development over the last nine years has helped push the adoption needle by making it easier for companies to electronically communicate with their supplier networks, for instance, connecting warehousing and transportation -- a process that was nearly impossible previously, since those operations were siloed functions. In fact, SCM has grown so much as a priority that Aberdeen Group's December 2002 study, "The Supplier Performance Measurement Benchmarking Report," stated that 70 percent of enterprises view measurement of supplier performance as critical to their companies' overall operations.

As the realization for needing cutting-edge SCM sinks in, companies will struggle with linking together all parts

of their networks. The fact that SCM is probably the most fragmented group of software applications doesn't help to diffuse frustration levels, even among analysts.

### THE COMPONENTS OF SCM TOOLS

Vendors and analysts tend to break SCM networking applications into five components:

- Planning: The strategy
- Make: Manufacturing steps
- Source: Procurement and capacity allocation *Continue on page 4*

## Business Laws and Ethics: LEADERSHIP AND CREDIBILITY: You Are Only As Good as Your Reputation

You're only as good as your reputation. That's a lesson many companies and institutions have painfully learned over the recent years. Scandals have shaken Americans' trust in institutions and icons from the Catholic Church to Wall Street and wrecked the images of companies from defunct Arthur Andersen to WorldCom and Tyco International. Even now, many companies don't fully understand the value of a sterling reputation. A good name can enhance business in good times, protect it during a crisis and, in an instant, be destroyed by people at the highest or lowest levels of the corporate structure.

People tend to focus on reputation only when there are troubles and forget about it in sunnier times. But reputation requires constant vigilance. Companies today are exposed to unprecedented scrutiny through the Internet and 24-hour all-news television channels. Business is truly global and information, especially gossip, travels fast.

Studies have demonstrated the powerful impact of reputation on profits and stock prices, and yet less than half of all companies have a formal system for measuring reputation. A good number of corporate managers are still struggling to understand the reputation management process. Many people mistake

only equate reputation with corporate social responsibility. While certainly of growing importance, corporate citizenship is but one element of the equation. Financial performance, the workplace environment, the quality of products and services, corporate leadership, and vision all figure heavily into reputation. There is also that elusive emotional bond between a company and its stakeholders that is central to the most enduring reputations.

All of the corporate malfeasance not only showed how precious and fleeting reputation is, but it also demonstrated how one company's misdeeds can taint an entire industry. Some businesses with superb reputations have found themselves unfairly lumped with the pack of fraudulent companies. A news report about an investigation into alleged problems at a Johnson & Johnson pharmaceutical plant in Puerto Rico put J&J in the company of the accounting-fraud scoundrels. The company requested a retraction.

Ron Sargent, the CEO of Staples, told his story about visiting a high school in suburban Boston to talk with students and being appalled by a couple of their questions. "How much money do you make?" one teen asked, while another wondered, "Do you have a \$6,000

shower curtain?", a reference to the extravagant purchases that Dennis Kozlowski, the former CEO of Tyco, allegedly used company funds to pay for. Sadly, many admirable corporate officials have been unfairly tarred by the accounting fraud and executive greed.

The scandals, of course, offer many cautionary tales about reputation pitfalls. But there is much more to learn from companies that have long valued their reputations and work hard every day to preserve them. Their stories clearly show the value of reputation management—how Johnson & Johnson inculcates a sense of integrity throughout its global workforce, how DuPont vigilantly polices its 200-year-old reputation, how IBM projects a consistent corporate image, and how Timberland makes social responsibility the essence of its corporate culture.

If companies ever hope to maximize the value of their reputations, they must make reputation management a fundamental part of the corporate culture. Companies should spread the message of reputation management throughout the organization and make employees cognizant of how each and every one of them affects reputation on a daily basis.

—*continue on page 4*

## Supply Chain Management Becomes a Larger Priority *Continue from page 3*

- Deliver: Warehousing, inventory and invoicing
- Return: Merchandise returns

The underlying problem, says Andrew White, research director at Gartner, Inc., is that no single SCM vendor integrates with a company's CRM offering and none offer a complete solution with all five elements. SCM technologies are broken into two subcategories: Planning and Execution. Manugistics and i2 Technologies typically cover planning, while SAP, J.D. Edwards, Oracle and PeopleSoft are execution vendors.

Companies using execution software generally need a planning solution, as well, which optimizes the flow and

efficiency of the supply chain by using algorithms to predict sales and manufacturing capacity. Planning solutions include demand planning and forecasting, supply planning and sourcing and manufacturing planning and scheduling. An execution program automates the steps of the chain and should offer components that manage the warehouse, transportation, labor and supply-chain events.

As best-of-breed vendors try to differentiate themselves through more sophisticated promotion planning, pricing optimization and causal forecasting, they should offer assistance with integrating SCM technologies with compa-

nies' CRM and ERP applications. We're seeing this [gap] in end-user deployments. They've implemented CRM and they've implemented SCM and they've realized there are gaps between the two systems. Vendors are trying to fill that space by offering "demand chain management" technology that links the systems together.

The data required by some SCM applications is not always readily available. Some of these calculations require complicated or deep data sets. Pricing constraints, product descriptions, storage capacities data is not normally lying around in an ERP system because there was no need to create it in the past. *Continue on page 8*

## LEADERSHIP AND CREDIBILITY: You Are Only As Good as Your Reputation

—*continue from page 3*

Reputation must be central to the corporate identity, not merely clever image advertising and manipulative public-relations ploys. With reputation management, success is in the details. FedEx, of course, is well aware that a plane crash or too many late packages would certainly harm its reputation. But it also works zealously monitoring everything from the friendliness and responsiveness of employees to the cleanliness of its white trucks emblazoned with the FedEx logo.

No doubt the CEO ought to set the tone and be ultimately accountable for reputation. But reputation management is a 24/7 job. Companies should designate certain managers or departments to be the primary guardians as GlaxoSmith-Kline, FedEx and others are doing. Glaxo, for example, tries to keep employees informed of the company's perspective so they can answer tough questions about why executive pay seems so high, why Glaxo performs animal research, and why it charges more for medicine than some people can afford. With pharmaceutical companies under siege over the price of drugs, Glaxo believes that it is especially important now to appoint one person to reflect on what the world

thinks of Glaxo and how it would like the world to see it.

Companies like Glaxo need to take an honest look at the reasons their reputations are ailing. That doesn't mean the solutions will be easy, but self-awareness is the first step to self-improvement. Companies will almost certainly benefit from being honest about their shortcomings. People are inclined to like both individuals and companies that admit their faults and apologize. Of course, they also must demonstrate that they intend to fix the problems—and fast.

Too many companies have managed to survive by living in denial. The major airlines have been slow to address shortcomings in everything from high fares to employee courtesy. Now, they are paying the price as carriers like Southwest Airlines and JetBlue win the loyalty of many disillusioned travelers and develop stronger reputations. New government regulations like the Sarbanes-Oxley Act are expected to improve corporate governance and increase transparency. But to attain a truly outstanding reputation, corporations must aspire to go well beyond government regulations. What the law demands and what the public expects are

often two very different things. It's apparent that we live in an increasingly cynical age. People just naturally expect to get spin, not sincerity from companies, politicians, even their churches. Cynicism was percolating through the American populace long before most people had ever heard of Enron. But the scandals of the last two years have certainly made the cynics feel vindicated and given birth to many new pessimists. A recent Harris Interactive survey found that a stunning three-quarters of Americans rate corporate reputation as either "not good" or "terrible." Clearly, much work remains to be done to repair reputations.

—NEL

*"With Reputation  
Management, Success is in  
the Details"*

## Government & Public Policy: NAFDAC bans on re-useable syringes

The National Agency for Food and Drug Administration and Control (NAFDAC) recently took another important step in public health protection with the decision to enforce a ban on the manufacturing and importation of re-useable, non-retractable syringes in Nigeria, from 2009.

The Director-General of the Agency, Professor Dora Akunyili, who announced this development at a stakeholders conference on injection safety in Abuja, advised international donor agencies which donate these equipment, which have been banned in their own countries, to now supply only auto disable, retractable syringes.

The now banned non-retractable syringes do not retract after use, thereby increasing the risk of injury to medical personnel and

persons involved in the disposal of medical waste. They are often used to give injections several times, thereby increasing the possibility of spreading infections. The new auto disable syringes that have been made mandatory for use in the country, from 2009, automatically withdraw inwards immediately after use on a patient and cannot be re-used. The two-year deadline for the enforcement of the ban is in conjunction with the Nigerian Medical Association (NMA) and the Medical and Dental Council of Nigeria.

The NAFDAC initiative on auto disable syringes is a welcome one. It is another demonstration of the commitment of the agency to the promotion of safe health practices that should be taken seriously

by both local manufacturers of syringes and international donors. The two-year grace period is sufficient notice. No manufacturer should allow itself to be caught napping and pleading for an extension after the expiration of the deadline.

Unsafe injections have been confirmed to be a major source of new infections, worldwide. A 2003 World Health Organization (WHO) Report identified unsafe injections as being responsible for 25 million new infections with Hepatitis B, Hepatitis C and the Human Immuno-Deficiency (HIV) Virus. These sordid statistics make NAFDAC's decision to keep unsafe syringes out of our hospitals, markets and shops, a wise one. —*Continue below*

## Sam Oluwabunwa —*continue from page 11*

### Monetary and financial outlook

Inflation was expected to edge up as a result of massive election spending. However, this has not happened. Tight fiscal and monetary policies seem to have succeeded in further bringing down the rate of inflation. Interest rates should also remain stable. Foreign exchange reserves will now stabilize at the new historic high level. Monetary policy is expected to remain tight.

Therefore, growth prospects remain good and strong. Nigeria's economic prospects will be bright in 2007 pro-

vided there is no political crisis arising from election problems and stable macroeconomic policies continue to be implemented by the authorities.

### Lesson for the in-coming administration

The reform program of the Obasanjo administration has recorded good microeconomic outcomes with robust GDP growth, balance of payment surpluses, budget balance, and low inflation. The downside to the reform is that they have not yet had an appreciable impact on poverty reduction, manufac-

turing sector and employment generation.

Also, not much has been done to reduce the incidence of multiple taxation and its deleterious effect on production in the real sector. Supply of electricity remains erratic and many major roads are in a state of dilapidation.

Thus, while it would be prudent for the in-coming administration to sustain and even deepen the economic reforms, it would be imperative for it to find ways and means of making the reforms to contribute more to poverty alleviation, expansion of the manufacturing sector, and increased employment generation. It is only in this way that the economic reforms will truly increase economic welfare of the citizens and contribute to the citizens and contribute to the attainment of the Millennium Development Goals.

### The recent elections have been surrounded by controversy and charges of rigging.

Even neutral observers have opined that the overall conduct of the elections left a lot to be desired. Yet, it is imperative to put the imperfections of the elections behind us and move forward. Nothing should be done to disrupt the economy.

Indeed, it is only by nurturing and growing the economy that we can succeed in reducing poverty and increase the welfare of our people.

## NAFDAC bans on re-useable syringes *Continue from above*

The international donor agencies which elect to donate the re-useable syringes which have been banned in their own countries to Nigeria should wake up to the fact that, from 2009, the country will no longer be a dumping ground for the product, as only syringes which do not expose their sharp ends to users will be allowed.

Beyond the issuance of a deadline for the enforcement of this ban, however, the health authorities must go a step further to enlighten users of the dangerous syringes on their shortcomings and the best way to handle them to prevent infections.

Local manufacturers may also need to be assisted by the relevant authorities to acquire the new technology so that the desired auto disable syringes will be available in the required quantity and quality at the end of the two-year deadline.

## Management Practices: Productivity Measures

**Deploy these strategic tactics to increase your company's productivity.**

Cletus E. Olebunne advises companies big and small on how to help employees become more productive and is a leading expert on business start-ups and development. The author of *The Way It Is: Ideas & Solutions for Entrepreneurs*, lays down five principles for boosting productivity in any company.

**1. Make sure employees know exactly what is expected of them,** which means making productivity standards clear and explicit. Some sample guidelines include, Answer the telephone in three rings or less, and always address guests with 'good morning,' 'good afternoon' or 'good evening'—never 'hello,'

'hi,' or 'how's it going?'" Productivity standards are often vague, and too much is left up to individual judgment.

**2. Provide regular feedback on employees' productivity using objective data.** Annual productivity appraisals are pretty much a waste of time. People need frequent and specific feedback on how they are doing. This feedback should come at least weekly, but daily is better.

**3. Make sure you drive productivity with adequate positive and negative consequences.** In many organizations, the good performers get more work and the poor performers get less work and easier assignments. For consequences to be useful in controlling behavior, they need to be powerful (getting fired or

getting a big bonus), personal (affecting the individual employee, not a team), immediate (occurring as soon as possible after the performance), and consistent (happening every time the employee is particularly productive or unproductive).

**4. Technology and tools can do wonders to improve productivity.** Buy your employees the latest and best tools you can afford. Remember when returning a rental car used to require 20 to 30 minutes? Now it is done in about two minutes, thanks to the handheld terminals car rental employees have in the lot where customers return cars. On the other hand, purchasing on many websites is still a challenge and frustrating to many consumers. The amount you can gain in productivity from tools and

## Manufacturing Practices: Launch Your Invention as a Joint Venture

**Two heads are better than one, so why not use a joint venture to get your invention off the ground?**

For inventors, a joint venture is an agreement by two parties to work together to design, promote or manufacture a new product. The parties split the work and the profits. Inventors can form a wide variety of partnerships, including:

- A partnership with a manufacturer who will help design the new product, build prototypes and eventually produce the prod-

uct. The inventor is responsible for all sales and marketing activities and may also pay for the patent and other tooling expenses.

- A contract with a sales and marketing group that agrees to market the product
- An agreement with an expert in the field--such as a pro golfer or a well-known doctor--to present the product to consumers
- An alliance with an engineer or

industrial designer who will finalize the product design

- A joint venture with another marketing company to exploit a market other than the one originally targeted
- An agreement with an overseas manufacturer to make your product for a reduced price and extended terms in exchange for overseas marketing rights.

—Continue on page 8

## Nigeria Local Business News: China Surpasses US as Nigeria's Import Partner

The Peoples Republic of China has gradually eclipsed the United States as Nigeria's import partner with 11 per cent of trade and about 20,000 Chinese presently living and working in the country. Delivering a speech on the "Political Dynamics Affecting the Business Climate in Nigeria" during a meeting of the US Department of State Advisory Committee on International Economic Policy, a government official who cannot be identified because of Chatam House Rules, observed that the US now holds just over 8 per cent of trade, having been surpassed by China.

According to the official, US businesses are "intrigued" by the role that China will play in the development of Nigeria and in the country's commercial ties to America. He described the relationship between China and Nigeria as "strong and cordial" but "complex".

"The average Nigerian resents the use of Chinese labourers in construction projects and perceives the Chinese as harsh employers. Nigeria's pharmaceutical and textile industries are suffering from what appears to be 'dumping' of Chinese pharmaceutical and textiles and from counterfeit goods originating in

China," he said.

Explaining further, the circumstances under which the Chinese operate in the country, he observed that "Nigeria's infrastructure could clearly benefit from Chinese aid, but the Chinese are discovering that their largest and most highly touted, proposed infrastructure projects have not even broken ground because of cultural and market misunderstandings, bureaucratic hurdles and corruption."

The US official encouraged the Nigerian government to pursue public tenders in a transparent manner that en-

## Productivity Measures. *Continue from page 6*

technology depends on how much human behavior you have in your process. For example, the right equipment can make a huge difference in a steel mill or a paper mill, where the work is almost completely automated, but it might make little difference in building houses or airplanes, where people mostly work with hand tools.

**5. Incentives can really help boost productivity**—if they are based on a balanced set of productivity measures. If you put the incentive on a single aspect of productivity, such as sales or profits, you will drive the wrong type of performance. Some of today's forward-thinking companies link executive bonuses to profits, satisfied customers and satisfied employees, so you can't just focus on one aspect of performance—you have to balance all three. It is dan-

gerous to implement incentives until you are certain your productivity measures have integrity and can't be cheated on. People get very creative when financial incentives are involved, and they sometimes make the productivity measures look good with some undesirable behaviors.

—*Cletus E. Olebunne*

## China Surpasses US as Nigeria's Import Partner *Continue from page 6*

courages China to promote transparency and competition for its long-term interests on the Continent. In spite of China making headway in the country, he disclosed that the US has over the past seven years provided 53 per cent of the Nigeria's foreign investment to the tune of \$11.2 billion, in addition to being the second largest export market for US wheat.

The official re-affirmed the US government position that Nigeria is a strategic partner, a dependable ally and that a prosperous Nigeria is important to US security, democracy, trade and energy needs.

He disclosed that Nigeria had in June 2006 expressed interest in a Phytosanitary Standards Agreement and a Bilateral Investment Treaty (BIT) which could help "lock in" reforms that has to

do with basic protection for investors.

"These developments point to the need for robust bilateral engagement, despite the enormous challenges. We are encouraged by President Yar'Adua's public and private commitment to these types of reforms but recognize that he is operating in a complex political environment," he said

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## Supply Chain Management Becomes a Larger Priority . *Continue from page 4*

So supply-chain systems need to gather new data. The more complex the supply chain, the more complex that problem will become.

When companies sort through the intricacies involved with developing an efficient network of suppliers, they will reap the benefits. Operational improvements, including reduction and inventory, which free up working capital, reduce cycle time and increase customer service, stand among the most obvious returns on investments, improving order fulfillment also. The key things companies are looking at improving are faster supply chains and faster and shorter order-cycle times.

Industries, including automotive and high-tech, have been enjoying these benefits for the past few years. Procter & Gamble and Wal-Mart are also prototypes of companies that have excelled from their supply-chain performances.

Finally, companies are realizing that they can reduce inventory and improve service by sharing customer information with suppliers. As a result, over the next year, companies will scale up these relationships. You can only squeeze out internal efficiencies so far before you need to start looking elsewhere to get

incremental efficiencies, function improvements and cost reduction. The biggest opportunities lie in between businesses, not within businesses.

*Chumin Chen, M.B.A*

*Supply Chain Manager*

*AutoZone, Inc.*

### Lunch Your Invention as a Joint Venture. *Continue from page 6*

Inventors form alliances because either they need a partner to help foot the bill, or they need to offer an extra incentive to get help from key people in the market. For instance, an inventor who wants to penetrate the hardware-store market may team up with a top manufacturers' sales representatives agency. Agencies might not be interested in taking on a product for a standard 10 percent commission. But they might be willing to take on the product--and pay for promotion--if they form an alliance and receive 50 percent of the profits.

When forming joint ventures and alliances, you might be hoping to do any of the following:

- Introduce and penetrate the market as quickly as possible

- Receive sufficient funding and support for a project that is beyond your resources and experience
- Have more involvement in the ongoing success of the product than you would get in a licensing arrangement
- Develop the product further before it can be licensed. An alliance can be a precursor to an eventual licensing agreement.
- Generate additional market information and distribution-channel contacts that can be used for subsequent inventions
- Obtain management, administrative and manufacturing support for a new product. A company with experienced personnel can do these tasks far better than most inventors.

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## Joint Venture — *continue from page 6*

when they decide to team up with an inventor. Typically, they are only interested in your product if it can increase their sales 15 to 25 percent, or if it provides them with a market advantage over their competitors. The perfect product, from their perspectives, is one that has considerable market impact.

From the inventor's point of view, perfect products for a joint venture are ones that the inventor doesn't have the resources to produce, or the marketing network or credibility to launch. A joint venture allows inven-

tors to move their products to market quickly with much less financial risk. The key to success is finding the right size companies to approach. If your product can sell \$1 million to \$2 million per year, a \$100 million corporation won't be interested--but a \$5 million corporation might be.

Here are some other factors to consider as you investigate joint ventures:

- **Money matters:** Typically, the main advantage of a joint-venture strategy is that you get funding from your potential partner. For example,

you may have identified a big market opportunity, but lack the money to create prototypes. You approach a potential partner company and discuss a possible alliance if the product is successfully developed. You can then ask for money or engineering support to finish the prototype. One strategy is to ask for support only for this first step; once the prototype is finished, the two parties can decide if they want to proceed. This step-by-step process is usually much easier to sell to a company than a licensing agreement. —*continue on page 9*

## Joint Venture *continue from page 8*

- **Protection:** You don't really need a patent to strike a joint-venture agreement, but it does improve your negotiating position and helps ensure that the product's intellectual property rights belong to you. You could apply for a provisional or design patent, but this can be dangerous. The provisional patent gives you only one year to apply for a utility patent. That year could easily run out before you finalize your agreement and finish the product design. You're better off applying for a very broad patent, knowing your initial application will be contested by the patent office. Then you can keep going back and forth with the patent office for several years. This tactic can keep your patent rights open for three to five years.

- **Prototypes:** Many inventors choose a joint venture because they don't have the experience or the money to finalize a "looks like, works like" prototype. But a drawing often isn't enough to get a positive response from a potential partner. Having a prototype is important. Don't spend too much money creating a prototype; just take it far enough so the partner can see your product's sales potential.

- **Research:** You won't have any trouble finding a partner if you uncover a product that satisfies the needs of a large market. But it's up to you to prove the market is there. Your research should show that customers need and want your product, and that they're willing to pay a reasonable price for it.

- **Manufacturing:** Most inventors create a joint venture with a manufacturer that can make the product. Most sales and marketing partners won't form a joint venture with you unless you have a manufacturing source.

### DOS AND DON'TS

- Don't ask for too much of the profits. Other companies are not going to work hard to make you rich. You won't get a deal if you ask for more than 50 percent.

- Do bring something to the table--either engineering know-how to create the final product or numerous

contacts in the distribution network to expedite sales.

- Don't approach a potential partner without several pieces of market research from target customers. Your position is more favorable if you have survey results from at least 15 to 20 potential users, and even stronger if you have results from 15 to 20 people in your potential distribution channel.

- Do have a professional in charge of every phase of your operation. If you plan to handle sales and marketing and don't have marketing experience, you need advisors who do. Ditto for manufacturing.

- Don't be a pain. Companies won't proceed with a joint venture, no matter how profitable, if you appear difficult to work with. Don't call constantly with questions, revisions or suggestions. Limit your contacts to one or two per week where you mention major concerns.

### STEPS TO SUCCESS

You are trying to convince a potential partner that together you can dominate the market. What will really get your potential partner excited are your relationships with key people in the market. Having an advisory board of key end users and distributors is a common tactic to show that you're connected to the market. Here are steps for finding those key people:

- Meet as many people in the target market as you can, and start identifying "early adopters"--people who buy products before anyone else.

- Meet as many people in the distribution channel as you can, and get their input.

- Read trade magazines, and identify the key players in the market.

- Go to your target customer's local association meetings to find new contacts and to get a better understanding of what people want.

Use your key contacts to help you find the right potential partners to approach. Your best bet for a good joint-venture partner is a company that has strong manufacturing skills

but weak marketing capabilities.

Next, develop a relationship with a regional manager or marketing person at a company you have targeted as a potential partner. To succeed, you need someone on the inside of the potential partner company pushing for an agreement.

As you search for a joint-venture partner, here's what to expect:

- Potential partners will not be easily convinced that you have a unique, profitable opportunity.

- You will have trouble getting an appointment if you don't find a company contact who will recommend that the company look at your offer.

- You will have to push for a formal agreement to establish your rights in the relationship. (The partner will try to keep the agreement on a more informal basis.)

- You will have to persuade the partner that you can do your part in the promotion.

- The company will want to proceed slowly to ensure your idea has potential and they can count on you.

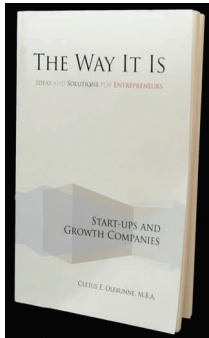
- You will be responsible for keeping the momentum going.

- You will have to take charge of finalizing the product design, even if the partner does most of the work.

- Sales for most joint-venture partners take three to four months to ramp up. Don't be alarmed if it takes six months for the product to show true sales potential.

Realistically, most inventors who use a joint-venture strategy would not have been able to launch their products otherwise. A joint venture can place you in big, powerful markets where there is a lot of interest from investors. It also lets you maintain some ownership of the product and make contacts with distributors, end users and key industry people. If you manage it well, a joint venture or alliance can be a stepping-stone on the road to launching a full-fledged company of your own someday. —cont. On page 11

## Book Review



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A comprehensive guide on business ownership, from start-up to growth companies. The book covers general and specific issues related to running a business. Whether, you are starting from scratch, or buying an existing business, you will find this book of great interest.

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**Pages:** 210, Paperback

**Price:** 17.95USD

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## Nigeria's Nuclear Power Plant Begins 2011

Problem of epileptic power supply in Nigeria may soon become a thing of the past, as the Director-General of the Nigeria Atomic Energy Commission (NAEC), Dr Franklin Erepmo Osaisai, yesterday said the Commission hopes to begin actual construction of the nation's first nuclear power plant by 2011.

He said the Commission was expecting the design certification and requisite regulatory approvals to be concluded in 2009, while power generation would begin by 2017.

In an interactive session with newsmen in Abuja, Osaisai said it was gladdening that President Umar Musa Yar'Adua has renewed his administration's commitment to use nuclear technology as one of the sources of electricity generation in the long term, revealing that the nuclear roadmap, which consists of a

three phase technical framework developed by the Commission is to generate at least 1,000MW by 2017, and increase the capacity to 4,000MW by 2027, through nuclear power plant, which has been approved and adopted by the Federal Government.

Osaisai said the cost of running a nuclear power plant was more cost effective than other technologies, though initial funding is usually capital intensive, adding that the return on investment is much more faster.

He said for Nigeria to succeed in the match towards application of nuclear technology, there was need for sustained long-term funding to uplift research facilities and nuclear infrastructure, apart from capacity building between now and 2017.

"A sustained long-term funding is required to uplift the research and nuclear infrastructure and capacity building during this gestation period of about 10 years," he said.

He said demand during the period would be between 28,360MW and 31,240MW. Nigeria currently has installed capacity to generate 6,000MW out of which less than 4,000MW is available.

On National Programme for the Deployment of Nuclear Energy for Electricity Generation, he estimated potential electricity generation from hydro-power sources within the period at between 3,000MW and 5,000MW, while other conventional sources like gas and oil could contribute between 7,000MW and 9,000MW.

## Joint Venture *Continue from page 9*

### IS A JOINT VENTURE RIGHT FOR YOU?

#### Pros:

- Allows you to introduce new products that are beyond your reach in terms of either resources or experience
- Helps you gain production experience that you can use in the future
- Speeds up the introduction and market penetration of a new product
- Offers you greater control of the product and its subsequent development than a licensing agreement
- Is a much easier sell than a licensing agreement
- Allows you to introduce new products when you can't afford to produce a "looks like, works like" prototype

#### Cons:

- Doesn't give you total control of the product
- Depends on another party to do their jobs effectively for the product to succeed
- You can't withdraw the product to

start a company on your own.

- May not establish you as a market force capable of launching your own company.
- Your input may be overridden by the joint-venture partner.

### Sam Oluabunwah — *from page 13*

success story. It may well be true that without good governance, other reforms have limited impact. This is so because good governance includes issues like the absence of rent-seeking behaviour, transparency, accountability, proper enforcement of property rights and the rule of law. Good governance thus plays a critical role in attracting investment to a country, improving productivity and competitiveness, promoting political stability and, in the end, contributing to rapid economic growth. However, in Nigeria, progress in governance has been haphazard and inconsistent. Corruption still persists in several areas of national life and property are still far from rent-seeking behaviour is still pervasive. Security of life and property are still far from guaranteed. Hostage

taking of foreign oil workers by militants in the Niger Delta is still a daily occurrence. The principle of the rule of law is still under attack. These may explain why adoption of foreign oil workers by militants in the Niger Delta is still a daily occurrence. The principle of the rule of law is still under attack. These may explain why foreign investments in the Nigerian economy have not increased as much as expected.

#### Prospects for the future

Oil price looks set to weaken on account of reduction in global demand arising from forecasting slow growth of the US economy and build-up of petroleum inventories. However, this may be counter-balanced by political uncertainties in the Middle East and the Niger Delta region of Nigeria, which may combine to keep oil prices high.

Robust growth opportunities exist in the non-oil sector. In particular, prices of non-oil commodities should continue to rise. Therefore, GDP growth in Nigeria may remain at a level between six per cent and seven per cent in the years ahead. However, for sustainable growth of the real sector, there is need to improve infrastructure, especially electricity and roads.

—*Continue on page 5*

## Economic reforms failed to alleviate poverty— Sam Oluwabunwa

As the Chairman of the Nigerian Economic Summit Group (NESG), Mazi Samuel Oluwabunwa heads a think tank comprising renowned economists, accountants, bankers, academics, investors, entrepreneurs, and other players/stakeholders in the Nigerian economy. And under this platform, these stakeholders meet constantly to review and make inputs into the growth of the economy.

At an interview held recently to review the performance of the President Olusegun Obasanjo's government in the last eight years, Oluwabunwa, who applauded the government's economic reforms programme, especially as enunciated by NEEDS, said it had assisted in boosting the Gross Domestic Products (GDP) of the country.

Oluwabunwa, who is also the Managing Director of Neimeth Pharmaceuticals, however, noted that the economic reform programme had failed to make the anticipated impact on poverty and employment generation.

"The Obasanjo administration has recorded good microeconomic outcomes with robust GDP growth, balance of payment surpluses, budget balance, and low inflation. The downside to the reform is that they have not yet had an appreciable impact on poverty reduction, the manufacturing sector and employment generation," he said.

### Economic performance in past eight years

First, let me say that for some years after the return to democratic rule in 1999, the Nigerian economy continued to report poor overall economic performance contrary to the hopes and expectations of Nigeria's donor partners and the entire international community.

It was wisely expected that with the new dawn of democratic revival in Nigeria, economic growth would resume and accelerate, leading to significant reduction of poverty. Unfortunately, this did not immediately happen and economic growth continued to be lackluster and unprepossessing. During the first half of President Olusegun Obasanjo's first term, growth in real output had

continued to be weak. Indeed, the poor growth performance of the economy during President Obasanjo's first few years in office made it clear that fundamental economic reforms were warranted. Additional, in the millennium, it became necessary to make a concerted attempt to actualize the UN's Millennium Development Goal (MDGs)

Thus, starting in 2001, government started to implement an economic reforms programme. In 2003, the programmes were formalized and systematized, and government began to implement a comprehensive reform known as the National Economic Empowerment and Development Strategy (NEEDS).

According to the NEEDS document issued by the Nigerian government, the National Economic Empowerment and Development Strategy is a nationally coordinated framework of action in collaboration with the state and local governments and other stakeholders to reduce poverty. Indeed, NEEDS is Nigerian home-grown poverty reduction strategy (PRSP). In effect, the State Economic Empowerment and Development Strategy (SEEDS) of each state of the federation are to be coordinated with NEEDS as a weapon to reduce poverty and underdevelopment in the country. In addition to the state and local governments, the implementation of NEEDS will be predicted on a close collaboration between the Federal Government and donor agencies, the private sector, civil society and Non-governmental Organizations (NGOs). As articulated by the Nigerian authorities, poverty reduction is the core objective of NEEDS.

To summarize, the comprehensive reform programme have been implemented in four main areas: Macroeconomic reform; structural reforms; government and institutional reforms; and public sector reforms. Under the Macroeconomic Reforms Programme, government adopted prudent oil price-based fiscal rule; introduced Medium Term Expenditure Framework (MTEF) and Medium Term Sector Strategies (MTSS); improved implementation of

monetary policy by Central Bank; undertook a bank consolidated exercise to strengthen financial sector; adopted trade liberalization policies; and undertook the privatization of some government enterprises. Under the Structural Reforms Programmes, there has been a bank-consolidated exercise to strengthen financial sector; trade liberalization reform; and privatization of some government enterprises. Under Institutional and government reforms, government introduced the Due Process mechanism in public procurement; adopted the Extractive Industries Transparency Initiative (EITI) in Nigeria; and established the Economic and Financial Crimes Commission (EFCC) and Independent Corrupt Practices Commission (ICPC) to address corruption in public offices. Under the public sector reform, there has been a restructuring of some government agencies and an increased focus on service delivery.

The improvement in macroeconomic policy making in the post-2003 period has started to yield good dividends. Real GDP growth has improved, averaging 7.0 per cent per annum since 2003. Similarly, inflation has proved, falling from over 20 per cent in 2003 to below 10 per cent in 2006, while total external debt fell from \$35 billion in 2003 to under \$5 billion in 2006.

Since 2003, the non-oil sector, which provides livelihoods for the majority of Nigerians, has grown at 5.9 per cent annually, accelerating to 7.4 per cent in 2004 and to 8.2 per cent in 2005. In 2006, the growth rate of the non-oil sector reached 8.9 per cent. Growth of the non-oil sector has been largely driven by the growth in agriculture and the global commodity boom.

### The real sector

While there have been some clear improvements in the financial sector's performance, gains in the real sector have been limited. This is especially true of the manufacturing sector, which has continued to stagnate. Yet, increase in manufacturing sector production and exportation is vital for the long-term development and growth of the economy. One of the principal reasons responsible for the sluggish growth of the

## Spinning Gold from Good Ideas— *continue from page 14*

Until recently, academic researchers in most European countries owned the intellectual property (IP) rights to their discoveries and had surprisingly little interest in commercializing their work. Indeed, there seemed to be a cultural aversion to making money from scientific discoveries. But that mindset has changed as European universities have become more entrepreneurial.

**NEW HUNTING GROUNDS.** In Britain, by contrast, most of the country's universities retain ownership and licensing rights to the IP developed on their premises, while the inventors are given a slice of royalty revenues.

This has led to quicker development of technology transfer offices at universities across the country devoted to bringing inventions to market. It has also turned universities into fertile hunting grounds for private equity groups looking for the next big thing. Oxford University, for instance, snagged a £12 million (\$22.5 million) deal recently with Technikos, a private equity arm of Sloane Robinson investment group, to help fund its Institute of Biomedical Engineering. Sloane Robinson will provide commercial and financial advice in return for shares in future spin-outs from the institute.

Britain for example is experiencing a boom in companies specifically meant to bridge the gap between academic innovation and commercialization. One prominent example is U.S.-based Utek, which has opened an office near Lon-

don and scours university labs for technology to meet its clients' needs.

**BATTLEFIELD TO BOARDROOM.** Then there's London-based IP Group, which has formed 42 portfolio companies from university partnerships—seven of which have listed on the Alternative Investment Market. One promising example: Proximagen, a startup developing drugs to combat Parkinson's disease.

The British government also has gotten into the act. In 2001, it set up a private company called Qinetiq whose job is to bring defense-related technologies—some of them formerly classified—from the Ministry of Defense to the marketplace. The MoD's legendary research labs helped invent such breakthroughs as liquid-crystal displays, thermal imaging, and carbon fiber. Publicly listed Qinetiq pulled in \$150 million in pretax profits last year, on revenues of \$1.97 billion, and the company is jointly funding Britain's first "tech transfer professorship" in the physical sciences.

The rest of Europe is starting to catch on. Ten years ago, the very thought of partnering with industry would have been anathema in countries such as France. But now, laws to facilitate the commercialization of technology transfer have begun to change—and just as important, so have attitudes. Likewise, in countries such as Italy and Spain, networks of technology transfer offices are working together to promote commercialization.

**BRITISH ADVANTAGE.** Countries that continue dragging their heels may be forced to change. With budgets under pressure, many European governments are trimming funding for academic research, forcing universities to look elsewhere for financial support. If policies don't adapt...research will fall by the wayside, which is why universities need to become more commercially minded. And this is the essence of NEL's effort to promote the concept of real technology transfer.

For academic and government technologies to reach their ultimate potential, inventors and early-stage private investors also need ready access to public markets. The key is the development of Alternative Investment Market, which allows smaller companies to gain access to capital markets without strict shareholder's equity requirements; this will give the country's universities a head start in cashing in on scientific research.

Tech transfer is catching on in countries around the globe. Nigeria has got to start to sing from the same songbook that "knowledge-based economies are singing from, if we plan to sustain the wealth of the nation.

—*Cletus E. Olebunne*

mentation of good economic policies - as exemplified by NEEDS. Some analysts question whether the Nigerian economic reforms are truly home-grown as claimed by its architects. The issue is moot because, while parts of the reform programme are "orthodox"- conforming to Williamson's "Washington Consensus", the programme was nevertheless adopted without prodding from the IMF or World Bank, and was not supported by a loan from either of the two famous institutions.

Although NEEDS has both state level and local government components, it is yet to be as fully embraced at the national level. It seems clear that economic reform is more likely to promote sustainable growth over time if it is also enthusiastically implemented at the sub-national level.

Good governance and institution building have also been part of Nigerian

## Sam Oluwabunwa —*continue. on page 12*

manufacturing sector is the poor state of infrastructure, especially electricity and transportation.

### Impact of macroeconomic policy

A comparison of Nigeria's growth performance in pre-2003 and post-2003 periods shows clearly that good macroeconomic policy making does make a difference.

It is now accepted in the development outcomes. It can be established that by and large, during the 1960-2000 period, Nigeria's policy choice were poor, and the reforms that sought to correct them

starting in the mid-1980s were plagued by inconsistencies reversals and general lack of policy coherence in the implementation of economic policies during the post-2003 period.

### Leadership & good governance

Apart from the sustained commodity export boom as exemplified by skyrocketing oil prices in the new millennium, the main explanation for the exemplary economic growth performance in Nigeria was leadership.

Going hand in hand with improved leadership was the adoption and imple-

## Empowering United States Food and Drug Administration

A new law gives more powers to the regulatory agency and will impact the drug industry for years.

The United States [Food & Drug Administration](#) overhaul bill signed into law in September is one of the most wide-ranging revisions of the federal Food, Drug & Cosmetic Act passed in 40 years and is likely to affect the pharmaceutical industry for decades to come.

The huge measure—the Food & Drug Administration Amendments Act of 2007 (FDAAA)—grants sweeping new powers to FDA. It raises the annual user fees the industry pays to the agency for new drug reviews from \$303 million to \$393 million and doubles the resources available to FDA's Office of Drug Safety from about \$40 million to about \$80 million. It also gives FDA the power to require drugmakers to do postmarketing clinical trials. Most of the law's provisions went into effect on Oct. 1.

In addition, the new law gives the agency authority to mandate changes in drug labels and expands the government's clinical-trial database. It places new restrictions on direct-to-consumer advertising and raises the penalties for false or misleading ads to a maximum of \$500,000 per violation. In short, the measure addresses most of the drug-related problems that have been in the headlines over the past few years, says Christopher-Paul Milne, associate director of the [Tufts Center for the Study of Drug Development](#).

Before the enactment of FDAAA, pharmaceutical companies had to post clinical trials for drugs to treat life-threatening diseases on a database administered by the National Institutes of Health. FDAAA expands this registry to include trials for all drugs ([clinicaltrials.gov](#)). The expanded listing will allow patients and physicians to easily identify studies that could offer promising experimental treatments.

FDAAA also requires that the results of pivotal studies FDA used in approving a drug, as well as results of postmarket studies, be included in the database, Milne says. "Drug companies can't pick and choose which trial results they want to make public," says Rep. Edward J. Markey (D-Mass.), who as a member of the House Committee on Energy & Commerce has led efforts to reform FDA.

Within three years, FDA must publish a

regulation requiring companies to provide a detailed summary—that the public can understand—of the results of each trial listed on the NIH database, says Daniel A. Kracov, an attorney at Arnold & Porter. This is a controversial provision that had been opposed by the White House. The Bush Administration had argued that "such summaries would present a high likelihood for misinterpretation and bias," he says.

Along with granting FDA new authority to require companies to perform post-marketing studies, FDAAA requires the agency to establish a database of post-marketing adverse drug reactions. To do this, FDA will use adverse events and other data from private health insurers, Medicare, and other organizations to create a comprehensive risk-identification database, Milne says. FDA must greatly improve its technological capabilities to be able to analyze the adverse events reports within the database and then identify and assess potential safety problems, Kracov says.

For some drugs, FDAAA gives the agency new authority to demand that the manufacturer create a risk evaluation mitigation strategy (REMS). A REMS is a risk map that lays out exactly how a drug is to be prescribed and how physicians and patients will be warned of its dangers. Previously, drug companies had created risk strategies for products that pose obvious and severe risks to patients or their offspring. These strategies had been created for just 30 drugs, including the teratogen thalidomide (now used for multiple myeloma) and the acne medicine Accutane. Now, if FDA believes a medicine may present a risk, it can demand that the manufacturer devise a REMS to make sure that the benefits of the pharmaceutical outweigh the risks. "A lot more drugmakers will probably be asked to do these risk maps," Milne says. "It will require a fair amount of work on the sponsor's part."

The new law creates a voluntary system for FDA review of direct-to-consumer television advertisements for prescription drugs by which a pharmaceutical manufacturer can pay the agency a fee to review an ad. The rationale for a company to do this would

be that if FDA approves the ad before it is aired, it is unlikely to decide later that the ad is false and misleading. According to Milne, the new system will give companies predictability and save them the money they might waste in producing and then having to cancel an advertisement.

One FDAAA provision is aimed at counterfeiting. It gives FDA two-and-a-half years to develop a standardized numerical identifier for drugs that can be applied at the point of manufacture and used on containers and packages throughout the supply chain to guard against the introduction of counterfeit drugs. Radio-frequency identification tags and encryption technologies could be used to track and trace medicines.

FDAAA also offers companies incentives to develop treatments for so-called neglected diseases. These include infectious and parasitic diseases—such as sleeping sickness, malaria, hookworm, and dengue fever—that rarely occur in the U.S. but sicken millions in Africa, Asia, and the Americas. According to the [World Health Organization](#), nearly one in six people worldwide suffers from at least one neglected disease.

"Too many people in the developing world suffer and die from diseases that for the most part are both preventable and curable," says Sen. Sam Brownback (R-Kan.), who sponsored the provision. "The main obstacle to responding to the needs of those suffering is insufficient incentive for companies to produce drugs that treat and prevent neglected tropical diseases."

In exchange for developing a new or superior treatment for a neglected disease, a pharmaceutical company would be rewarded with a voucher for priority (six month) review of another drug of its choosing. An expedited review could shave one year off FDA's review time and could earn the company up to \$1.6 million per day in extra revenues if the drug turns out to be a blockbuster, Milne says.

—continue on page 15

## Empowering U.S. FDA —*cont. from page 14*

Conflict-of-interest issues are also part of the new law. For years, health safety groups, such as [Public Citizen](#), have alleged that FDA science advisory committees include too many experts with conflicts of interest, especially experts with ties to the drug industry. As a consequence, Public Citizen says, the panels have sometimes recommended approval of dangerous drugs, such as Vioxx, that were eventually withdrawn from the market.

FDAAA attempts to reduce the potential for approval of risky drugs by placing strict limits on the percentage of experts appointed to advisory panels with conflict-of-interest waivers. It requires FDA to assess the aggregate percentage of waivers it granted in 2007 and decrease that number by 5% annually between 2008 and 2012. A question has been whether enough experts without conflicts of interest can fill the committees, Milne says. "We'll know in a few years whether FDA is having problems maintaining the memberships of these panels."

Alan Goldhammer, deputy vice president for scientific and regulatory affairs at the [Pharmaceutical Research & Manufacturers of America](#), has a different view. "It is not a good idea to keep experts off advisory committees simply because they have conflicts of interest," he says.

**One contentious issue** FDAAA does not address is generic biotech drugs, or what industry calls biogenerics or follow-on biologics. These are generic versions of drugs produced by living organisms.

Even though seven generic biotech drugs have been approved in Europe, FDA has not yet worked out a legal basis for approving such medicines. A bill (S. 1695) that would create a pathway for the approval of biogenerics, however, was introduced in the Senate this year. It is supported by about 70 organizations, including the [Generic Pharmaceutical Association](#). GPhA spokeswoman Andrea Hofelich expects the House to work on a similar bill early next year.

One issue that was not completely resolved by FDAAA is "pediatric exclusivity." Under a law that was set to ex-

pire this year, if a drugmaker tests a brand-name medicine for use in children, its marketing monopoly for that product is extended by six months. FDAAA renewed that law.

GPhA supported an amendment, however, that would have reduced that monopoly to three months for blockbuster drugs and kept it at six months for others. "The idea was to get smaller companies involved in pediatric research by providing six months of exclusivity for their products," Hofelich says. But that measure was defeated and did not become a part of FDAAA.

Overall, FDAAA may increase industry's initial costs for drug development and approval. But in the long run, FDA's expanded Office of Drug Safety and its risk identification database may reduce costs by helping firms recognize drug risks sooner and avoid expensive litigation.

—*Bette Hileman*

## MANUFACTURING CARRIES THE FUTURE

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There have never been better prospect for the makers of products than there are right now. Innovation is rampant, capital is available, technological changes have enabled new materials and manufacturing process, and the global standard of living is steadily improving, even in developing African countries, enabling billions of consumers to buy new and existing products. Renewed political interest in manufacturing is also evident as a competitive strategy, as countries protect their manufacturing industrial base.

For Nigeria, the challenge for government is to figure out how to support manufacturers—for they are carrying the future. The government can start by providing 24-hour electricity, water, and good network of rural roads.

## China Steps Up Drug Inspections

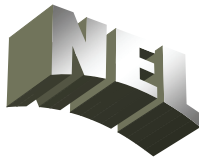
### Top leader vows to stop chemical plants from making drugs.

China's Vice Premier Wu Yi has announced that Chinese authorities will inspect chemical plants throughout the country to make sure they are not producing pharmaceutical ingredients without authorization. She made the announcement while leading a delegation inspecting a toy factory and other plants in the southern province of Guangdong.

Wu Yi said chemical plants producing pharmaceuticals without proper government clearance have been posing a public health risk. In the past year, the reputation of China's manufacturing sector has been tarnished by a series of scandals. Cough syrup made with counterfeit ingredients from China killed dozens of people in Panama a

year ago. Last month, a toy made in China and sold in the U.S. was recalled after a researcher in an Australian hospital discovered it contained toxic 1,4-butanediol.

—*Jean-François Tremblay*



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### The Business of Science & Technology: Spinning Gold from Good Ideas

**Taking public innovation to the private sector—universities and government labs encourage invention.**

How faculties and universities can best manage and commercialize their scientific discoveries.

As part of NEL's agenda to encourage the development of a "knowledge-based economy," this section of this newsletter is dedicated to raising awareness targeted to raise research and development spending across Nigeria's national universities as prerequisite of science, math, and engineering education. Just as important as boosting overall investment in these subject areas, we must strive to push the innovations cooked up in academic and government research labs out to the private sector.

GENERATING EXCITEMENT. So far, the Nigerian President Yar'Dua has taken the lead in urging for increased research. On October 22nd, 2007, the President while declaring open the 20th edition of the National Science and Technology (NASTECH) week in Abuja unfolded plans to boost not only the culture of research in the country but scientific inventions to drive the production of individual goods and development. The President stated, "we need to

translate our research and development into sustainable industrial goods and development." Well, at least, the President has acknowledged the importance of his first address—scientist, and his background in the sustainable development of a nation. But the most important aspect of the challenges is the distribution and management of this wonderful concept at the source level—laboratories and collaborations with the private sector. How many federal universities file for patents each year and how many patents are filed yearly, and how many are approved, and how many went ahead to become commercialized. I recently took a look at my alma matter, University of Ilorin, department of biochemistry. I was impressed by the dedication of professors, and lecturers in the department of biochemistry and the research work they do. It took me back to my final year project at that school, when I worked on the effect of Arctocapus arthilis on the organs of laboratory animal. This back ground knowledge was a great help when I worked as a clinical biochemist, and clinical research scientist. At this point I saw the impact of what is done in the university labs on the commercial benefits for the society.

The ability to distribute and

manage inflow of venture capital for research partnerships, will not only help Nigeria develop towards a "knowledge-based economy," but is a key to sustainable economic wealth—moving more people into middle class, as education becomes a guarantor of this upward mobility for those who did the right thing.

This strategic concept will also force universities to become more entrepreneurial, encouraging them to seek private equity investments for their research works. Can you imagine where a university is able to file new patent applications and was granted more than half of these applications that became commercialized. This is money in the bank. When it comes to technology transfer, there are certainly more exciting financial experiments going on in developed economies.

There's no question Europe has a rich history of technological research—indeed, without bodies like Germany's publicly funded Fraunhofer Institute, which gave birth to the technology behind the MP3 audio format, there might be no Apple iPod.

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