

**COURSE
GUIDE****CRD 334
AGRO BUSINESS MANAGEMENT**

Course Team

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CONTENTS	PAGE
Introduction.....	1
Course Contents.....	1
Course Aims.....	1
Course Objectives.....	1
Study Units.....	2
Assessment.....	2
Tutor-Marked Assignment.....	3
Final Examination and Grading.....	3
Summary.....	3

INTRODUCTION

The course **CRD 334: Agro Business Management** is a semester two credit unit course which will assist students in appreciating the role of agriculture and agro business activities in Nigeria.

Rural environment, the concept of rural development, growth models and rural development, rural development strategies, leadership in rural development, resources and rural development, cooperative formation and management to enhance rural development, social change in rural development, rural education and rural development, town unions and community development, government community cooperation towards rural welfare development programmes, conflicts resolutions at community level and rural development, women in rural development and rural development and personnel administration.

COURSE AIMS

This course is geared towards equipping you with the basic tools, knowledge and necessary strategies in managing agro business operations.

OBJECTIVES

On the successful completion of this course, you will be able to:

- gives an overview of agro business,
- how to manage it effectively,
- understand the peculiar nature of agro business activities in Nigeria and
- know the basic strategies in managing agro business activities.

Course Materials

Course Guide

Study Units

Textbooks

Assignment Guide

STUDY UNITS

There are fifteen (15) units in this course which should be studied carefully:

Module 1

Unit 1	The concept of Agriculture
Unit 2	The concept of Business
Unit 3	The concept of Agribusiness
Unit 4	The concept of Agro-business
Unit 5	Steps involved in establishing Agro-business Enterprises

Module 2

Unit 1	Forms of Agro-business Enterprises
Unit 2	Sources of Finance for Agro-business Enterprises
Unit 3	The concept of Management
Unit 4	Planning in Agro-business Organisations
Unit 5	Staffing as Management Function in Agro-business

Module 3

Unit 1	Management function of Controlling in Agro-business
Unit 2	Coordinating as a Management function in Agro-business Enterprises
Unit 3	Financial Analysis in Agro-business Enterprises
Unit 4	Budgets and Budget Control for Agro-business Enterprises
Unit 5	Marketing of Agro-business Product

Each study unit, made up of the introduction, objectives, main content, exercises (for self-assessment), conclusion, summary, tutor-marked assignments questions, and references and further reading; will take at least two hours. You are expected to study the materials carefully and attempt the exercises. You are also expected to consult the textbooks under reference and for further readings for additional information.

Practice the tutor-marked assignment questions as well.

ASSESSMENT

The assessment for this course will be in two parts:

- a) Continuous assessment using the tutor-marked assignment questions (TMA)
- b) Written examination of three (3) hours duration.

TUTOR-MARKED ASSIGNMENT

The NOUN will direct further on the number of TMA you are to answer, when to do them and when to turn them in to your facilitator for grading. However, you are expected to utilize the information gathered from the

study material and the references in doing the assignments. The assignment will count for 40% of the total course mark.

FINAL EXAMINATION AND GRADING

The final written examination for the course which will be scheduled for three hours will attract the remaining 60% of the total course grade.

You are to expect that all the areas of the course will be assessed during the examination.

SUMMARY

On the successful completion of the course, you would be a better manager having been equipped with the tools and knowledge needed for the management of agro business enterprises.



**MAIN
CONTENT**

CONTENTS	PAGE
Module 1	1
Unit 1 The Concept of Agriculture	1
Unit 2 The Concept of Business	6
Unit 3 The Concept of Agribusiness	10
Unit 4 The Concept of Agro-business	14
Unit 5 Steps involved in Establishing Agro-business Enterprises..	18
Module 2	22
Unit 1 Forms of Agro-business Enterprises	22
Unit 2 Sources of Finance for Agro-business Enterprises.....	27
Unit 3 The Concept of Management.....	31
Unit 4 Planning in Agro-business Organizations.....	35
Unit 5 Staffing as Management Function in Agro-business.....	53
Module 3	68
Unit 1 Management Function of Controlling in Agro-business..	68
Unit 2 Coordinating as a Management Function in Agro-business Enterprises.....	88
Unit 3 Financial Analysis in Agro-business Enterprises	94
Unit 4 Budgets and Budget Control for Agro-business Enterprises.....	99
Unit 5 Marketing of Agro-business Product	104

MODULE 1

Unit 1	The Concept of Agriculture
Unit 2	The Concept of Business
Unit 3	The Concept of Agribusiness
Unit 4	The Concept of Agro-business
Unit 5	Steps involved in Establishing Agro-business Enterprises

UNIT 1 THE CONCEPT OF AGRICULTURE**CONTENTS**

1.0	Introduction
2.0	Objectives
3.0	Main Content
3.1	Background of Agriculture
3.2	Role of Agriculture
3.3	Characteristics of Agricultural Products
3.4	Effort made to Improve Agriculture
	3.4.1 Fadama Development Project.
	3.4.2 Special Programme for Food Securing
	3.4.3 President Initiatives on Cassava, Rice, Vegetable Oil and Tree Crop
	3.4.4 New Partnership for Africa's Development (NEPAD)
	3.4.5 Community-Based Agricultural and Rural Development Programme
	3.4.6 Roots and Tubers Expansion Programmes
4.0	Conclusion
5.0	Summary
6.0	Tutor-Marked Assignment
7.0	References/Further Readings

1.0 INTRODUCTION

There is the need to discuss agriculture before getting into agro-business, to; assist the reader to understand what agro-business is all about. The concept of agriculture is a household word and it is the economic backbone of any developing nation. Agriculture is a field that houses many sub-fields. Understanding the concept of agriculture will shade more light on the agro-business.

Indeed, agriculture started with the Early Man who discovered that the seeds he threw away germinated and grew and harvested. He later

became conscious of agriculture and started practicing it. Meanwhile, in Nigeria, agriculture had passed through many stages.

2.0 OBJECTIVES

At the end of this unit, you should be able to:

- examine the background of agriculture in Nigeria
- discuss the role of agriculture in Nigeria
- discuss the characteristics of agriculture in Nigeria
- discuss the efforts made to improve agriculture products.

3.0 MAIN CONTENT

3.1 Background of Agriculture

As stated above, the seeds that were thrown away germinated and grew up to maturity. The Early Man became conscious of agriculture and started practising it. From this point, agriculture started developing, up to the subsistence stage. At this point, the man was taking care of himself and members of his family. There was no money and so exchange was as what is called Trade by barter. When money was introduced exchange became easier.

Today, agriculture is in mainly the hands of the small-scale farmers, who grapple with many problems. They put in much effort but with little results. Most farmers, however, are involved in crop production. Unfortunately though, they find it difficult to produce enough for domestic consumption.

3.2 Role of Agriculture

Agriculture plays, numerous roles in the economic development of Nigeria. One of the roles is that agriculture provides food for the ever increasing population. Food is required for man's sustenance. The foods provide carbohydrate, protein, fat, mineral, etc. Food also provides energy and helps in building of body tissues.

Agriculture provides employment opportunities for the jobless. Indeed, about 50 percent of the total labour forces are employed by the agricultural sector. No doubt about 70 percent of the businesses in Nigeria are agriculture based. Agriculture provides income for those engaged in agriculture. It provides raw materials for the domestic industries and enhances rural development.

3.3 Characteristics of Agricultural Produce

The agricultural produce are bulky and they need to be transported from the areas of production to the areas where they are to be processed and thereafter marketed. The bulkiness of these products however, determines the mode of transportation which in turn determines the final costs.

Most agricultural produce are seasonal whereas the demand is fairly stable throughout the year. Therefore, there must be ways of handling or controlling production in order to even out the seasonal variations.

Most agriculture produce are perishable and must therefore, be transported immediately to centres of consumption or frozen or and stored for use at later dates. The more perishable the produce, the greater or more costly the marketing functions to be performed before they get to the final consumers.

The small-scale farmers who produce greater part of the agricultural produce are numerous and scattered on many small-sized holdings. These farmers have surplus to be sold. Most agricultural produce cannot be consumed in the state in which they are produced. They therefore, need some level of processing before final consumption.

SELF ASSESSMENT EXERCISE

Discuss the characteristics of Agricultural produce in Nigeria.

3.4 Efforts to Improve Agriculture

Recent efforts by the federal government in improving agriculture include:

3.4.1 Fadama Development Project

The Fadama Development project involves utilizing irrigation during dry seasons to produce mostly vegetables.

3.4.2 Special Programme for Food Securing

The government of Nigeria decided to implement the special programme for food security in year 2000 with its own human and financial resources with FAO providing technical support on demand to the government. The programme aimed at improving household food security through: water control such as on-farm irrigation, capacity

building in gender and water management crop intensification and diversification, etc.

3.4.3 Presidential Initiatives on Cassava, Rice, Vegetable Oil and Tree Crop

The presidential initiative/task forces, rice, cocoa and oil palm were initiated in Nigeria in year 2003 to boost the production of the said crops through the following strategies of increasing agricultural productivity, especially land productivity, expansion of hectares, strengthening of agricultural extension delivery system, provision of effective research support, strengthening of research- extension-farm-input linkage system, timely available of inputs, etc.

3.4.4 New Partnership for Africa's Development (NEPAD)

NEPAD recognizes the vital contributions by African inland and marine fisheries to food security and income of many millions of Africans, and to poverty reduction and economic development in the continent. It further recognizes the growing opportunities and emerging successes of aqua-cultural development in the region.

3.4.5 Community-Based Agricultural and Rural Development Programme

The programme was initiated to support Nigerian government's efforts at addressing rural poverty by identifying and targeting the most vulnerable groups and empowering them to effectively participate in development activities.

3.4.6 Roots and Tubers Expansion Programmes

These programmes seek to increase production of cassava, yam and potatoes, adopt improved processing technology, offer education about adequate storage methods and increase support/education in marketing activities.

4.0 CONCLUSION

The knowledge of agriculture is required for the reader to become familiar with the production of the raw materials needed for production. Most importantly, agro-business is under the classification of agriculture

5.0 SUMMARY

The unit discusses the background of agriculture, role of agriculture and efforts made to improve the sector. Agriculture is the major occupation of most rural Nigerians and is the economic backbone of the Nigerian economy

6.0 TUTOR-MARKED ASSIGNMENT

Discuss the role of agriculture in the Nigerian economy.

7.0 REFERENCES/FURTHER READINGS

Umebali (2004). *Rural Resources Farm Business Management and Rural Development*. Lagos: Computer Edge Publication.

Akubailo, C.J.C, Umbali E.E, Mgbada, J.U; Ugwu, D.S, Egwu W.E and Awoke (eds) (2007). *Readings in Agricultural Economics and Extension*. Enugu: Computer Edge Publishers.

UNIT 2 THE CONCEPT OF BUSINESS

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 Types of Business Existing within the Economy
 - 3.1.1 Agribusiness
 - 3.1.2 Mining
 - 3.1.3 Financial Business
 - 3.1.4 Marketing Business
 - 3.1.5 Heavy Industrial Business
 - 3.1.6 Light Industries
 - 3.1.7 Service Industries
 - 3.2 Obligations of Business
 - 3.2.1 To Customers
 - 3.2.2 To Workers
 - 3.2.3 To Management
 - 3.2.4 To Competitors
 - 3.2.5 To Investors
 - 3.2.6 To Public
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Readings

1.0 INTRODUCTION

This unit, discusses business because understanding it will enhance the understanding of Agro-business. As far as we are discussing Agro-business, we cannot avoid discussing business. Although business assumes a wide position, Agro-business narrows it down to a manageable level for clarity purpose. Generally, there are numerous businesses, but investments are made in those ones that available fund can finance.

Admittedly, the main focus is on the Agro-business but the concept of business shows that the unit is operated in a commercial way. After discussing business, then it becomes easier to discuss agribusiness.

2.0 OBJECTIVES

At the end of this unit, you should be able to:

- what business is all about

- types of businesses existing in our environment
- obligations of business.

3.0 MAIN CONTENT

Business can be defined as an institution concerned primarily with the production and marketing of goods and services for the economy. It can also be defined as all the economic activities carried out in order to provide goods and services. However, Hooper defines business as the whole complex field of commerce and industry, the basic industries, processing and manufacturing industries, and the network of ancillary services, distribution banking, insurance, transport, etc, which serve and interpenetrate the world of business far only. Business can be private or public, providing goods and services. The major aim of operating business is to make profit especially in private types. In public type, however, profit maximization is de-emphasized. Rather, it is service oriented. But profit is made in order to sustain the business.

3.1 Types of Business Existing within the Economy

The following are the major types of businesses existing with the economy.

3.1.1 Agribusiness

This is agriculturally related business, concerned with the production, distribution and processing of food and fiber. Greater proportion of the total labour force is involved in agribusiness in Nigeria.

3.1.2 Mining

Mining is concerned with the exploration of minerals, petroleum, coal, etc.

3.1.3 Financial Business

This is a business that has to do with financial transactions with the banks, insurance, companies, credit houses etc.

3.1.4 Marketing Business

This business deals with wholesale and retail trading.

3.1.5 Heavy Industrial Business

These are industries that engage in large-scale production or activity and require huge amounts to set up.

3.1.6 Light Industries

These are industries that engage in small-scale production or activity and often do not require huge sums to set up.

3.1.7 Service Industries

Service industries include tailoring, barbing salon, pool bating, etc.

SELF ASSESSMENT EXERCISE

Mention the types of business existing in the economy.

3.2 Obligations of Business

Business has the following obligations to fulfill:

3.2.1 To Customers

The customers should have the best products and services at the least cost, according to the rules of fairness to all engaged in production and distribution.

3.2.2 To Workers

There is the need to preserve their employment with all rights and rewards and to expect fair contribution from them under conditions approved by law and work social ethics.

3.2.3 To Management

That the management may be recognized and rewarded according to the fruits of their decisions, and protect the interest of others.

3.2.4 to Competitors

That there will be no unfair practices and foul means. Smuggling, counterfeiting and substandard goods are condemnable measures of doing harm to competitors.

3.2.5 To Investors

To safeguard the investments and interests of the investors, using the best management judgments and decisions. Efforts should be made to open up profitable investment opportunities so that profits can accrue to the investors after expenses have been paid out.

3.2.6 To Public

That the enterprise(s) will promote the general welfare, education and social activities that enhance high productivity and ethical obligation and to observe faithfully the laws of the land.

4.0 CONCLUSION

In this unit, we have explained the concept of business. It is to be noted that not only commercial activities that are referred to as business: other activities come into plays too.

Further, the major types of businesses have been identified and discussed. Discussions have also been carried out on the obligations businesses are expected to fulfill in respect of some institutions.

5.0 SUMMARY

This unit has treated the concept of business, which shades more light on the concept of agribusiness. It also looks at the major types of businesses and finally the obligations. This can be referred to as social responsibility.

6.0 TUTOR-MARKED ASSIGNMENT

Discuss the factors responsible for most businesses in Nigeria being classified as small- scale businesses.

7.0 REFERENCES/FURTHER READINGS

Musselman. V.A and Ughes, E.H (1981). *Introduction to Modern Business Analysis and Interpretation*. Englewood Cliffs N.J.: Prentice Hall Inc.

Unamla, P.C. and Ewurum, U.J.F (1995). *Business Administration*. Precision Printers and Publishers.

UNIT 3 THE CONCEPT OF AGRIBUSINESS

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 Definition of Agribusiness
 - 3.2 Components of Agribusiness
 - 3.2.1 Supplies form of Agribusiness
 - 3.2.2 Farm Production form of Agribusiness
 - 3.2.3 Processing Farm of Agribusiness
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Readings

1.0 INTRODUCTION

We can only understand and discuss Agro-business after we have had a good understanding of agribusiness. No doubt a clear understanding of the concept of agribusiness will make it easier for one to understand the concept of Agro-business. The concept of agribusiness is derived from the field of agriculture. However, agribusiness assumes a wider scope, in the sense that it subsumes agriculture. Agribusiness gives a clearer picture of what agriculture is all about.

Agribusiness is a business that is carried out by both individuals and group of people. Both earn their living from agribusiness. There is the need, therefore, to understand the concept of agribusiness before discussing Agro-business. We will look at the definition and the various components. In the subsequent units, there will be needed to look at the sources of finance for the Agro-business and also the overall management. It will also look at the steps in establishing Agro-business.

2.0 OBJECTIVES

At the end of this unit, you should be able to:

- have a clearer picture of what agribusiness is all about
- understand the various components of agribusiness.

3.0 MAIN CONTENT

3.1 Definition of Agribusiness

Agribusiness can be defined as the sum total of all the operations (economic activities) involved in the manufacture and distribution of farm supplies, farm operation in the farms and the processing distribution-storage of farms commodities and the items made from them. It can simply be put as the sum totality of all operations involved in the production and distribution of the food and fibre needs of the economy. Based on the foregoing definition, some level of coordination is required which will involve the marriage of technology and economics. It, therefore, depends on the technology of the various agricultural production disciplines (plant science, animal science, forestry, fishery, agricultural engineering, avian science, entomology, agricultural biochemistry, food science, agricultural biology, etc) and the tools as well as the theory of economics (such as agricultural economics, industrial business economics, etc) and the other behavioral sciences (such as political science, sociology, psychology, etc).

3.2 Components of Agribusiness

The following will constitute the components of agribusiness.

3.2.1 Supplies form of Agribusiness

Farm production depends heavily on certain additional inputs or the services of inputs such land labour, capital, water and management. The capital input can take the form of machinery and power (physical capital) capable of substituting for labour. The biological capital takes the form of better seed varieties, fertilizers, pesticides, etc, which ensure a higher yield. Other forms include bags, sacks, cartons and crate needed for packaging, lumber and other building materials, utilities such as electricity, water, capital and farm credit/finance and farm insurance for coverage of risks such life, hospital surgical, crop, liability and property damages, fire, etc. Availability of farm supplies in cheap and sustained form will facilitate structural transformation of farm production and hence modernizing and commercializing farms.

3.2.2 Farm Production Form of Agribusiness

Given the structural changes in agribusiness, farm business tends to grow towards corporate, cooperatives and large scale firms. To achieve production efficiency however, the following have to be recognized:

- a) a large supply of land and water resources
- b) large investments in education to improve human skills and managerial abilities
- c) development and diffusion of new knowledge about agricultural technology
- d) complementary industrial development that supplies capital inputs for industrial and non-farm employment opportunities for people no longer needed in farm production business.
- e) structural organization of farm production and marketing that provides satisfactory economic incentives for farmers
- f) public and private institutional services that help to conserve as well as improve natural resources, increase the fund of knowledge about improved agricultural technology, encourages, capital formation as well as investment in agriculture.

3.2.3 Processing Farm of Agribusiness

In a developing economy processing account for between 51 and 60 percent of the value added yields more foreign exchange. However, greater percentages of the processed items are staples. Processing influences farm production and farm commodity marketing patterns. It, however, stimulates both consumer demands for the processed product and of an adequate supply of raw materials for processing. Export crops such as tea, cane sugar, coffee, rubber, vegetable oils, etc, require considerable processing. The techniques used by small producers are usually crude and inefficient while those used on plantations and state farms are usually complex processing units of large scale and vertically integrated organizations which tend to promote agribusiness framework.

SELF ASSESSMENT EXERCISE

In your own words explain the meaning of Agribusiness.

4.0 CONCLUSION

In this unit, we have discussed generally the concept of agribusiness, emphasizing on the nature of agribusiness and the various components. There are three major components in agribusiness, namely, the production and distribution of farm inputs, the actual production and then the processing and distribution of farm produce.

5.0 SUMMARY

This unit treats as a stepping-stone to the concept of agribusiness. Agribusiness shades more light on Agro-business and hence it is part of

its first and third stages. The industrial components of agribusiness are referred to as agro industries. This is the core aspect of business.

6.0 TUTOR-MARKED ASSIGNMENT

With the aid of a chart explain the components agribusiness.

7.0 REFERENCES/FURTHER READINGS

Umebali E.E (2004). *Agribusiness and Financial Analysis*. Enugu: Computer Edge Publisher.

Umebali, E.E (2004). *Rural Resources Farm Business Management and Rural Development*. Enugu: Computer Edge Publishers.

UNIT 4 THE CONCEPT OF AGRO-BUSINESS

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 Agro-business
 - 3.1.1 Agro industries
 - 3.1.2 Supplies
 - 3.1.3 Processing
 - 3.2 Utilization of Crops in Producing Agro Products
 - 3.3 Potentials of Agro-business
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Readings

1.0 INTRODUCTION

In unit 3, we discussed the concept of agribusiness which no doubt gives a clearer picture of Agro-business. We tried to explain what agribusiness is all about and its various components. The discussion on Agro-business constitutes the core aspect of the course.

The central focus of this topic is to relate in this unit to business, bearing in mind that agro relates to agriculture. The topic, to a large extent, can be assumed to be agro industries involved in business; hence agribusiness has already been treated. Both individuals and group of people set up Agro-business, deriving their livelihood from it.

2.0 OBJECTIVES

At the end of this unit, you should be able to:

- explain the nature of Agro-business
- types of agro-industries and what they produce.

3.0 MAIN CONTENT

3.1 Agro-business

Agribusiness relates to Agro-business, which we have already explained. Agribusiness relates to those industries that are involved in the handling of both inputs and farm produce and also actual farm

production. However, we want to place more emphasis on agro industries.

3.1.1 Agro-industries

Agro-industries refer to those industries that carry out the production and distribution of farm supplies (inputs) and those that process and distribute food and fibre products. The inputs include fertilizer, chemicals, machines, while the processed outputs include rice, flour, feed, packaged products, etc. Most of them are located in rural and semi-rural areas and can be labour-intensive.

3.1.2 Supplies

Farm inputs which are also referred to as capital goods are produced and distributed for further production. There are physical capital in form of machinery and power which are capable of significantly substituting for labour and biological capital in the form of improved seeds, fertilizers, etc. which enhance increased output.

3.1.3 Processing

Farm produce undergoes some degree of change between harvesting and final use. This is capable of strongly shaping the form of the farm production process. Processing ensures effective storage of the products and enhances value added. Nigeria still exports farm produce unprocessed and it reduces the value. However, this is as a result of the lack of processing facilities including scarcity of skilled labour to handle them. Processors handle mostly stable food items such as garri, corn, yam, etc. The establishment of processing facilities is the first essential step in the stimulation of both consumer demand for the processed product and of an adequate supply of raw materials for processing. Processing increases the marketability of the products.

3.2 Utilization of Crops in Producing Agro Products

Crop	Agro Products
Yam	Starch, yam chips, flour and flakes, livestock feed etc
Cassava	Garri, cassava starch, flour and feed, cornflakes, confectionaries
Maize	Flours, luster for liters, feeds
Oil palm	Magarines, soap, crayon, candle, cosmetics, livestock feed
Citrus	Beverage juice, yam, flavouring agents
Rubber	Tyres, tubes, shoe sole, books

Cocoa	Nuts used for volatile oils, livestock feeds, chocolates
Fresh milk	Yoghurt, ice cream, etc
Groundnut	Soap making, biscuit, livestock feed
Cotton	Textiles, cosmetics, margarine, livestock feed towel
Livestock	Meat, hides and skin for shoes, yoghurt, ice cream, butter and tannery
Soya beans	Oil, livestock feed, milk, cakes
Timber	Paper

SELF ASSESSMENT EXERCISE

Explain the nature of Agro-business.

3.3 Potentials of Agro-business

Actualizing the potentials of the agro-business will be based on the following:

1. The small-scale farmers, who are the centerpiece of agricultural production, should be encouraged to produce on cooperative term to enhance output.
2. There should be promotion of widespread adoption of irrigation scheme and other technologies.
3. The extension service has to be strengthened including the education aspect.
4. Controls of diseases, pests, weeds and also observing other agronomic practices.
5. Extension of credit to the farmers to expand their farms.
6. Research efforts have to be intensified in order to establish new links and also strengthen the existing ones.

4.0 CONCLUSION

This unit has discussed Agro-business placing emphasis on agro-industries. Most of the businesses in Nigeria are in the area of agribusiness and are small-scaled. Almost 100 percent of the raw materials are obtained from the agricultural sector.

5.0 SUMMARY

There is need for the reader to be conversant with the various types of agro-industries and the raw materials required. The raw materials needed by the agro industries have been looked at.

6.0 TUTOR-MARKED ASSIGNMENT

Discuss the role of agro-business within the framework of Nigerian Economy.

7.0 REFERENCES/FURTHER READINGS

Olayide, S.O *et al* (1981). *Elements of Rural Economics*. Ibadan: University Press Publishing House, University of Ibadan.

Umebali E.E (2004). *Rural Resources Farm Business Management and Rural Development*. Lagos: Computer Edge Publisher.

UNIT 5 STEPS INVOLVED IN ESTABLISHING AGRO-BUSINESS ENTERPRISES

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 Appraise the Economic needs of the Business
 - 3.2 Feasibility Study
 - 3.2.1 Fixed Cost
 - 3.2.2 Variable Costs
 - 3.3 Selection the Appropriate form of Business
 - 3.4 Selecting and Adopting Appropriate Article of Incorporation
 - 3.5 Registration
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Readings

1.0 INTRODUCTION

This unit discusses the steps involved in establishing agro-business enterprises. There is the need for the entrepreneur to go step by step in establishing Agro-business enterprise. This is to ensure the viability and profitability of the enterprises. Going step by step will convince the entrepreneur whether to go ahead or otherwise. These steps are followed in a logical manner. There are about five steps.

2.0 OBJECTIVES

At the end of this unit, you should be able to:

- appraise the economic needs of the Agro-business
- conduct a feasibility survey
- select and adopt the articles of incorporation of the business
- register the business and thereafter commence business.

3.0 MAIN CONTENT

3.1 Appraise the Economic needs of the Business

The appraisal is carried out to determine the market potential of the business. Most businesses apparently succeed when there is high

demand for their products. Therefore, the market potentials require undertaking a market survey. Information on the demand for the product is needed in order to make projection for the future. Again one has to look at the population of the consumers and their incomes both rural and urban. The prices have to be ascertained. The data collected will enhance projections for the future.

3.2 Feasibility Study

The feasibility study requires investigation into the future costs and returns associated with the business and the economic viability of the business. However, other purposes could be determining the technical feasibility and the culture compatibility of the business

In investigating into the viability of the business, information is sought on the elements of costs. Basically, costs are of two kinds, namely: fixed and variable costs.

3.2.1 Fixed Cost

These are costs that do not vary with the level of output and they include: cost of land, equipment, housing, vehicle, stocks, etc.

3.2.2 Variable Costs

These costs vary with the level of output and they include: cost of labour, raw materials, electricity, water and fuel supplies. Where the operator is borrowing the fund for the business, interest becomes a part of the operating expenses. One may need to advertise the business in which case provision has to be made for it. All these costs will form the total cost. Projection is also made for revenue, obtained by multiplying the total output with the unit price of the output. The difference between the total revenue and total cost in each year gives net revenue which may be positive or negative indicating profit or loss, respectively.

However, to determine the profitability of the business there is need to discount the future total revenue and future total cost. Using such economic indicators as net present value (NPV), benefit cost ratio (B/C) and internal rate of return (IRR). Decisions as to whether to invest in the business will be based on the results of the indicators.

SELF ASSESSMENT EXERCISE

How do you conduct a feasibility survey of an Agro-business?

3.3 Selection the Appropriate form of Business

- Business can assume any of the following forms
- Single proprietorship
- Partnership
- Corporation
- Cooperatives

The form to be adopted could be determined by the number of people involved, scale of operation intended and financed available **Single proprietorship** requires only one man while partnership requires two or more people. Corporation involves legislation. Cooperative is owned and operated by the members for mostly rendering services to members and assuming the risks collectively.

At the primary production level, business (mostly agribusiness) in Nigeria and probably in other developing countries are operated as either single proprietor or cooperatives. To overcome the problem of capital inherent in developing agribusiness, people are encouraged to form cooperatives in order to provide certain services ranging from input procurement, primary processing to marketing. At the level of utilization of agro-raw materials to produce other consumer goods, one finds many forms of business organizations. Which include the multi-nationals who have the prime users of the agro-raw materials.

3.4 Selecting and Adopting Appropriate Articles of Incorporation

When a decision is taken on the form of business, it is important to draw the relevant articles of incorporation. Given a partnership business, the normal deeds of partnership must be drawn. The common partnership contract (agreement) covers the following areas:

- i) The name of the business
- ii) The name of the partners
- iii) The location and type of business
- iv) The length of life of the partnership agreement
- v) Profit and losses distribution
- vi) The amount of capital each partner contributes
- vii) Interest rate payment on capital, if any
- viii) Provision for salaries of partners
- ix) Limitations on withdrawal
- x) Method to be followed in event dissolution of the partnership
- xi) Method of admitting new partners.

Cooperatives require the byelaw drawn from the cooperative law for corporate business the normal article of incorporation is drawn to reflect the name, nature of business, shares to be sold and the organizational structure

3.5 Registration

On completion of the agreement, the business should be given a legal backing. This is usually achieved through business registration. Business could be registered as limited or non-limited liability busyness. In Nigeria, agribusiness, especially at the level of marketing agribusiness produces, could contain with mere registration with appropriate trade organization in the locality.

4.0 CONCLUSION

This unit has discussed the steps involved in establishing an agribusiness. In establishing an Agro-business, some steps are followed. This forms part of the planning. This aspect can be handled by experts to ensure that it is properly done.

5.0 SUMMARY

This unit to looks into the steps involved in establishing business, the unit looked at the economic needs, feasibility report, selecting appropriate form of business and adopting appropriate article of incorporation.

6.0 TUTOR-MARKED ASSIGNMENT

a) Different between Fixed Costs and Variable Costs in a typical Agribusiness.

7.0 REFERENCES/FURTHER READINGS

Umehali E.E (1997). Management of Small-scale Business Agribusiness and Cooperative Enterprise. Enugu: Computer Edge Publisher.

MODULE 2

Unit 1	Forms of Agro-business Enterprises
Unit 2	Sources of Finance for Agro-business Enterprises
Unit 3	The Concept of Management
Unit 4	Planning in Agro-business Organizations
Unit 5	Staffing as Management Function in Agro-business

UNIT 1 FORMS OF AGRO-BUSINESS ENTERPRISES

CONTENTS

1.0	Introduction
2.0	Objectives
3.0	Main Content
3.1	Sole Proprietorship
3.2	Partnership
3.3	Companies
3.4	Public Company
3.5	Public Corporations
3.6	Importance of Selecting the Proper Form of Business
4.0	Conclusion
5.0	Summary
6.0	Tutor-Marked Assignment
7.0	References/Further Readings

1.0 INTRODUCTION

This unit looks at the various forms of Agro-business enterprises. The Agro-business entrepreneur must determine at the beginning what form the business will be, not only that it will help him plan but also take into consideration the nature of management. Indeed, the form will determine the type of management style to adopt. For an individual, operating the business would not be a problem. But outside this the operation can constitute a problem.

2.0 OBJECTIVES

At the end of this unit, you should be able to:

- importance of selecting the proper form of Agro-business organization
- forms of Agro-business organization
- advantages and disadvantages of each.

3.0 MAIN CONTENT

The forms of agribusiness enterprise include the following; sole proprietorship, partnerships, companies cooperatives and public enterprise.

3.1 Sole Proprietorship

Sole proprietorship is also as known one man business. It is the commonest and oldest type of business. But as the output of each individual enterprise is small, the total contribution of one man firm to national output is smaller than that of companies. It is mostly found in Agro-businesses. This type of business involves one person putting up the finance when starting the business and bears the risks. If successful the profit accrues to him

Advantages

There is greater incentive rewards because the profit accrues to the owner. The operator takes decisions even without consultation. He has personal contact with the employees which encourage them to work.

Disadvantages

His capital is small as he provides it all. His liability is unlimited. His death will adversely affect the success of the business and may not enjoy the reward of economies of scale.

3.2 Partnership

A partnership business involves two or more persons. A major reason for their coming together to do the business is to raise capital and also get personal(s) who specialized in management.

Advantages

There could be specialization among the partners in management. There could also be a personal contact with employees and customers and decisions must not delay. Partnership is easily formed. Written agreement may not be necessary. New ideas may be brought into the business

Disadvantages

Capital raised could still be limited. Liability of the partners is still unlimited. Taking decisions could be difficult as agreement may not be

easy to reach. The death of a partner indeed could adversely affect the operations of the business.

3.3 Companies

Companies are of two types: private and public companies. Finance is raised by the issues of shares and it has a legal entity. It may sue or be sued.

Advantages

Limited liability is a major advantage and more funds are raised. The business continues even after the death of a member

Disadvantages

Shares may not be advertised.

3.4 Public Company

A minimum of seven can form the company. Shares can be advertised and is transferable. It is separate legal entity.

Advantages

It can access large sums of money. It enjoys the rewards economies of scale. Shareholders have limited liability and the shares can be sold and be quoted at the stock exchange market.

Disadvantages

Forming business may be complicated. Decisions are not easily taken.

3.5 Public Corporations

Public corporations are undertaken by the government.

Advantages

Amount required may be too large Government uses public corporation to develop the rural areas.

Disadvantages

It is characterized by bureaucracy. The business may not be cost effective and desired services may not be provided.

SELF ASSESSMENT EXERCISE

Discuss the importance of selecting the proper form of agro-business organisation.

3.6 Importance of Selecting the Proper Form of Business

The operator wants to know how much money to invest in the business, what risks are involved in the business and whether he can assume the risks. One has to know the cost of business organization, the extent of control of the activities of the business one is investing in, what amount of profit he will receive. The form must fit the particular needs of the business to be successful.

4.0 CONCLUSION

This unit has discussed the various forms of Agro-business enterprises. The various forms of Agro-business include sole proprietorship, partnership, cooperative, corporation, etc. The form adopted will, to a large extent affect the viability of the business. Meanwhile, in Nigeria, most business enterprises are sole proprietorship.

5.0 SUMMARY

There is need for you to understand the various forms of business enterprises, particularly the advantages and disadvantages. The sole proprietorship should be in a position to attract other entrepreneurs in order to raise more funds and ensure efficient management of the business.

6.0 TUTOR-MARKED ASSIGNMENT

Which of the forms of business organizations fits more in our Nigerian environment and why?

7.0 REFERENCES/FURTHER READINGS

Hasting, P.G (1968). *Introduction to Business*. New York: McGraw Hill Book Company.

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UNIT 2 SOURCES OF FINANCE FOR AGRO-BUSINESS ENTERPRISES

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 Formal Sources
 - 3.1.1 Commercial Banks
 - 3.1.2 Community Banks
 - 3.1.3 Merchant Banks
 - 3.1.4 Nigerian Banks for commerce and Industry (NBCI)
 - 3.1.5 Nigerian Industrial Development Banks (NIDB)
 - 3.2 Informal Sources
 - 3.3 Problems Facing the Formal Sources
 - 3.3.1 Lack of Collateral
 - 3.3.2 Cumbersome Process
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Readings

1.0 INTRODUCTION

Agro-business enterprises, like any other enterprise, involve finance. The establishment is only made possible if finance is available and the amount will determine the scale. However, finance is a major constraint in establishing Agro-business. There are two major sources of finance.

The two sources are the institutional or informal sources. The formal sources will be examined in details because the informal sources are not officially registered or recognized.

2.0 OBJECTIVES

At the end of this unit, you should be able to:

- the sources of finance
- the problems facing these sources.

3.0 MAIN CONTENT

3.1 Formal Sources

The sources include: formal and informal. The formal sources include: commercial banks, community banks, merchant banks, Nigerian Bank for Commerce and Industry (NBCI), Nigerian Industrial Development Bank (NIDB).

3.1.1 Commercial Banks

Commercial banks should have the responsibility to facilitate the transformation of the rural areas through the promotion of extension of banking facilities and inculcating banking habits in the rural people.

Apart from short term lending, they should include medium and long-term lending as a part of their activities. Profits of the bank should be used to further improve their services. Furthermore, decisions should not be centralized issue. Fund mobilization include provision for current account, savings account, time deposit, safe keeping and custodians transfer of funds, standing orders, investment management foreign exchange facilities, collaborating finance, equipment leasing reference and states reports, trustees and executorship.

3.1.2 Community Banks

Community banks were set up to enhance the transformation of the rural areas. These banks are being funded and operated by individuals in a community association and other formal and informal groups from the immediate community. Rural investors can obtain loan with ease and invest on the rural projects. Small-scale Agro-business constitute the greater percentage of the customers of the bank and the operators are opportune to seek for loan.

3.1.3 Merchant Banks

Merchant banks are wholesale bankers unlike the commercial banks dealing with cooperate bodies or very rich individuals. They specialize in medium and long-term lending. Their functions include:

- provision of medium and long-term loan
- issuing of shares and debenture acceptance of credit export promotion scheme
- offering investment advice and profolio management.

3.1.4 Nigerian Banks for commerce and Industry (NBCI)

The NBCI has the following functions:

- provision of long and medium-term finance to business establishment
- provision of equity finance to business enterprises
- guaranteeing foreign credits to indigenous enterprise
- undertaking of feasibility studies including agribusiness projects
- provision of investment advisory services

3.1.5 Nigerian Industrial Development Banks (NIDB)

The NIDB functions in the following ways:

- provision of medium and long-term finance for the public and private sectors
- identification of investment of bottlenecks in Nigerian economy
- promotion of development project
- supervision of project
- adviser to indigenous enterprise.

3.2 Informal Sources

The formal sources include the following: Isusu, money lender, daily collection; rural association, committee of friends, development union, Cooperative Thrift and Credit Associations etc. The informal sources are unofficial and unregistered sources. However they still meet the finance needs of their members

SELF ASSESSMENT EXERCISE

What are the sources of finance of Agro-business?

3.3 Problems Facing the Formal Sources

The formal sources are faced with some problems and they include:

3.3.1 Lack of Collateral

Formal sources need collaterals or other securities from their client before the disbursement of loan. Incidentally, their clients are not disposed to providing such collateral and therefore cannot obtain loan.

3.3.2 Cumbersome Process

The process involved in obtaining loan can be cumbersome. Coupled with illiteracy, the clients find it difficult to go through. Along the line, they become frustrated and withdraw. Again, the issue of supervision and provision of feasibility report can be a discouraging factor.

4.0 CONCLUSION

There is no way any business can operate without finance. Finance is therefore very important. Meanwhile, there are some sources for the provision of fund. However, the entrepreneur will go for the cheapest source of fund. The volume of fund provided will determine the size of the business.

5.0 SUMMARY

You should be familiar with the various sources of fund. The sources include the formal and informal sources. The informal sources are those unofficially recognized while formal sources are officially recognized.

6.0 TUTOR-MARKED ASSIGNMENT

Discuss why most small -scale entrepreneurs rely more on informal sources for fund.

7.0 REFERENCES/FURTHER READINGS

Ojigbo, P.N.C (1981). *Nigeria's Financial System Structure and Growth*. Essex, Longman Group.

Umoh, P.N (1993). *Principles of Finance*. Lagos: Page Publishers Services Ltd.

UNIT 3 THE CONCEPT OF MANAGEMENT

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 The Concept of Management
 - 3.2 Approaches to Management
 - 3.3 Management Theory and Principle
 - 3.3.1 Fredrick Taylor
 - 3.3.2 Henry Fayol
 - 3.4 Elements and Principles of Management
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Readings

1.0 INTRODUCTION

Since the overall topic makes reference to management, there is every need to discuss management. In any business organization and even non-business organization, management is very important. It plays a vital role in ensuring the viability of the organization. The traditional factors of production include: land, labour capital and entrepreneurship (management). In essence, management coordinates other factors of production. Apart from management, the other factors are quantified and brought together by the management to yield expected results.

2.0 OBJECTIVES

By the end of this unit, you should be able to:

- discuss the concept of management
- identify the approaches to management
- discuss the management theory and principles by Fredrick Taylor and Henry Fayol
- discuss the elements and principles of management.

3.0 MAIN CONTENT

3.1 The Concept of Management

Management is the art of the science of working in an organization through being directed, and by directing and coordinating the activities of people to achieve one's personal goals in the context of the goals of

one's organization. Ejiofo (2984). Mc Farland (1974) defines management as that process by which managers create, direct, maintain and operate purposeful organizations through systematic coordinated cooperative human effort. In their own way, Brech et al (1972) define management is concerned with seeing that jobs get done and done efficiently, as being doing them to achieve desired objectives. Management although not quantifiable, determines the success or failure of the business.

3.2 Approaches to Management

The approaches to management will include:

1. The empirical or case approach. This involves carrying out research regarding enterprise.
2. The interpersonal behaviour approach. This refers to relationship between those involved in the enterprises.
3. The cooperative social system approach. Business can be carried out by the cooperating individuals.
4. The socio-technical systems approach. It looks at the technology and the environment
5. The decision theory approach: Taking viable decisions
6. The systems approach: Adopting a system that will enhance the viability of the enterprise
7. The mathematical or management science approach. This views the functions of management. Other approaches include the managerial role approach and the operational theory approach.

3.3 Management Theory and Principle

The first school of thought says that management is an art that managers are born. In other words, managers are intuitively created by God and cannot be trained.

The second school of thought says that management is a science and can be measured. It is based on certain principles and procedures, i.e. when principles and scientific procedures are involved in predicting results. Facts are observed and hypothesis formed. Relevant data are then collected, analyzed and deductions made. Fredrick Taylor and Henry Fayol featured prominently in this school of thought.

The third school of thought says that management is a behavioural science, as it combines some aspects of art and science. It is based on principles and theories. The modern management even supports this ascertains.

3.3.1 Fredrick Taylor

He wrote on principles of management and his book sets out three objectives:

1. He wanted to demonstrate that management is a true science, involving the use of principle and theories.
2. He also wanted to prove that there are inefficiencies existing in industries and these inefficiencies are due to management.
3. He also wanted to prove with some illustrations that these inefficiencies can be ameliorated.

He therefore, showed three basic principles of management in proving his case and these include:

- Scientific training and selection of workers;
- Careful determination of each man's join in the business
- Ensuring equal distribution of responsibility between workers and managers with the manager later taking responsibility of planning and organizing the work.
- Taylor, however, did not see universality in management and hence he restricted himself to industries (shop level). This attracted some criticisms.

3.3.2 Henry Fayol

He wrote on general and industrial management. Three main features of these are:

1. He made a distinction between elements and principles of management;
2. He also tried to determine the attributes or qualities of a good manager;
3. He enunciated the activities carried out in any business.
4. He therefore identified six activities performed by any business:
 - Technical or production activity
 - Commercial activity (buying raw material selling finished products)
 - Financial activities, i.e. capital acquisition
 - Activities involving security and protection of properties of the business unit
 - Accounting and statistical activities
 - Managerial activities.

SELF ASSESSMENT EXERCISE

Explain why different approaches to management are need in Agro-business.

3.4 Elements and Principles of Management

The elements of management, according to Fayol, are different from principles. What he perceived as elements are now known as functions. Principles are nothing more than rules governing management. There are fourteen principles and they included:

- Principles of division of labour
- Principles of authority and responsibility
- Discipline
- Unity of command
- Unity of direction
- Subordination of individual interest to general
- Remuneration
- Centralization of authority
- Scalar chain
- Order
- Equity
- Stability of personnel
- Initiatives
- Espirit de crops.

4.0 CONCLUSION

This unit has discussed the concept of management. It looks at the various approaches to management. It further discussed the views of the earliest management scholars like Henry Fayol, Fredrick Taylor, etc.

5.0 SUMMARY

Management is very important in any organization. Most business organizations have gone moribund because of poor management. The resources employed should be efficiently managed to ensure that profitability of the business. The reader should understand the concept of management in order to have full grasp of business organization.

6.0 TUTOR-MARKED ASSIGNMENT

Discuss the management practices to be adopted by operator of Agro-business in order to enhance the profitability of the business.

7.0 REFERENCES/FURTHER READINGS

Umehali, E.E (1997). *Management of Small-scale Business Agribusiness and Cooperative Enterprise*. Enugu: Dona Publishers.

UNIT 4 PLANNING IN AGRO-BUSINESS ORGANIZATION

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 The Nature of Planning
 - 3.2 Essential Features of Planning
 - 3.2.1 Contribution to Purpose and Objectives
 - 3.2.2 Primacy of Planning
 - 3.2.3 Pervasiveness of Planning
 - 3.3 Efficiency of Plans
 - 3.4 Planning is Futuristic in Outlook
 - 3.5 Planning Involves Action
 - 3.6 Classification of Plans
 - 3.6.1 Corporate Plans
 - 3.6.2 Strategic Plans
 - 3.6.3 Tactical Plan
 - 3.7 Step in Planning Process
 - 3.7.1 Identification of a Problem
 - 3.7.2 Evaluate Relevant Information Bearing on the Problems
 - 3.7.3 Develop Alternative Course of Action
 - 3.7.4 Assessor Evaluate Alternative Courses of Action
 - 3.8 Characteristics of a Good Plan
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Readings

1.0 INTRODUCTION

Management functions include planning, staffing, organizing, directing, controlling and coordinating. These must be carried out by an organization in order to achieve its objectives. Planning varies from one organization to the other depending on the size of the business. The amount of resources required also varies. Planning is usually carried out before the business starts and therefore, helps to determine the profitability of the business. Without planning the business would not have a direction.

2.0 OBJECTIVES

At the end of this unit, you should be able to:

- discuss the nature of planning
- discuss the essential features of planning
- identify the various classes of planning
- discuss the steps in planning
- discuss the characteristics of a good plan.

3.0 MAIN CONTENT

3.1 The Nature of Planning

Planning, according to Kootz et al (1980:156), is deciding in advance what to do, how to do it, when to do it, where to do it, who is to do it and even why it should be done. In the words of Stoner and Freeman (1992:186), planning is the process of establishing goals and suitable courses of action for achieving these goals. It is setting the right objective. Planning involves two elements, namely; deciding on the objectives and the means of achieving such objectives.

Planning is also defined as the process of selecting objectives, strategies, policies, programmes and procedures for achieving them either for the entire organization or enterprise or any organized part thereof. This involves selecting from alternative future courses of action for the enterprise as a whole and for every department or section within it. It requires selecting enterprise objectives and departmental goals and determining ways of achieving them.

The essence of planning is to prepare for and predict or forecast future events. Planning goes beyond an attempt to attain stated organizational objectives. It thus involves the development of strategy and procedure required for effective realization of the entire plan. Planning is very important especially in developing countries like Nigeria where resources are relatively scarce. Therefore, planning to avoid waste of resources is very imperative. Planning is a blueprint for action. A businessman who wishes to enter into any business has to engage in detailed planning in order to identify the sources of raw materials, equipment, working capitals, etc.

Planning is the primary function of management. It provides the framework for all other managerial functions. Organizing, staffing, directing, controlling and co-ordinating depend to a large extent upon planning. For instance, controlling is meaningless without objectives as

guidelines. Like the other managerial functions, planning must take place in a context of fundamental theories, principles and techniques (Koontz et al 1980:157). Many failures in planning have been caused by a lack of understanding of its fundamentals. Good planning therefore, is a pre-condition for better results.

3.2 Essential Features of Planning

These essential features of planning are as follows:

3.2.1 Contribution to Purpose and Objectives

The purpose of every plan and all derivative plans are to facilitate the accomplishment of enterprise, purpose and objectives. If group effort is to be effective, people must know what they are expected to accomplish. This is the function of planning. Without plans, action must become merely random activity, producing nothing but chaos

3.2.2 Primacy of Planning

Since managerial operation is to organize, staffing, directing, controlling and coordinating are designed to support the enterprise objectives. Planning logically precedes the execution of all other managerial functions. Although all the functions intermesh in practice as a system of action, planning is unique in that it establishes the objectives necessary for all group effort. Besides, plan must be made to accomplish these objectives before the manager knows what kind of organizational relationships and personal qualification are needed, along which course subordinates are to be directed and led, and what kind of control is to be applied. And, of course, all the other managerial functions must be planned if they are to be effective.

Planning and control are especially inseparable - the Siamese twins of management. Unplanned action cannot be controlled, for control involves keeping activities on course by correcting deviations from plans. Any attempt to control without plans would be meaningless, since there is no way for people to tell whether they are going where they want to go (the task of control) unless they first know where they want to go (the task of planning). Plans thus furnish the standards of control.

3.2.3 Pervasiveness of Planning

Planning is a function of all managers, although the character and breath of planning will vary with their authority and with the nature of policies and plans outlined by their superior. It is virtually impossible to circumscribe their area of choice that they can exercise no discretion.

And unless they have some planning responsibility, it is doubtful that they are truly managers. A manager, because of his authority, delegation or position in the organization, may do more planning or more important planning than another, or the planning of one may be more basic and applicable to a larger portion of the enterprise than that of another. However, all managers (from presidents to supervisors) plan (Koontz et al 1980).

SELF ASSESSMENT EXERCISE

What are the essential features of planning?

3.3 Efficiency of Plans

The efficiency of a plan is measured by the amount it contributes to purpose and objectives as offset by the costs and other unsought consequences required formulating and operating it. A plan can contribute to the attainment of objectives, but at too high or unnecessarily high costs. This concept of efficiency implies the normal ratio of input to outputs, but goes beyond the usual understanding of inputs and outputs in terms of naira, labour-hours, or units of production to include such values as individual and group satisfaction.

However, many managers have followed plans where costs were greater than the revenue obtainable. Companies have inefficiently attempted to attain objectives in the face of the unsought consequences of market unacceptability of their products. Again, the new chairman of a company that was losing money attempted quickly to reorganize and cut expenses by wholesale and unplanned layoffs of key personnel. The result in fear, resentment and loss of morale led to so much lower productivity as to defeat his laudable objective of eliminating losses and making profits. And some attempts to install management appraisal and development programmes have failed because of group resentment of the methods used, regardless of the basic soundness of the programmes.

3.4 Planning is Futuristic in Outlook

Planning is future-oriented. The element of futurity brings into planning some future problems of an organization at today's doorsteps. Besides, the future can never be predicted with a 100 percent accuracy. Thus, the economic, technological, social and political-legal variable affects planning. This is why provisions have to be made to accommodate future uncertainties. As a manager carries out this function, he continues to look ahead, to plan, revising his ideas and choosing alternatives, when necessary. Planning is therefore, made today in order to cover the future events.

3.5 Planning Involves Action

Plans alone cannot make an enterprise successful. Laying down plans involves taking necessary action to attain the firm's objectives. According to Goetz (1949:63), for an enterprise to operate, action is required. Plans can however, focus action on purposes and objectives.

3.6 Classification of Plans

Plans can be classified in a variety of ways, for instance, by time, by levels, and by range, i.e. from a very broad viewpoint to a very narrow one Akpala (1993:49), classifies plans into time, business, function, breath and scope.

In practice, it is not easy to separate plans, even for purposes of analysis, into some of these, because the category into which any of them belongs may depend on the type and size of the organization. However, Akpala (1993: 49-51), further classifies plans into:

- Corporate plans,
- Strategic plans, and
- Tactical plans.

3.6.1 Corporate Plans

Akpala (1993:49) says that corporate plan covers not only the whole organization but also very functional aspects of the organization or a firm's business. It takes into account the full environment in which the organization operates. Corporate planning could take the following steps:

- Assessment of the trend of the international, national, industry and firm's environment.
- Identifying what business the organization is into.
- Seeing corporate objectives for so many years ahead.
- Determination of suitable strategies to achieve objectives; namely, profitability, return on capital employed, and avoiding loss (Akpala,1993).

3.6.2 Strategic Plans

Strategic plan aims at ascertaining how an organization can compete successfully within its environment. The strategic plan is broad and long-ranged and takes its first step in looking outside the organization at the surrounding economic, political, social and technological environments. Planning is also defined as the process of selecting

objectives, strategies, policies, programmes and procedures for achieving them either for the entire organization or enterprise or any organized part thereof. This involves selecting from alternative future courses of action for the enterprise as a whole and for every department or section within it. It requires selecting enterprise objectives and departmental goals and determining ways of achieving them.

The essence of planning is to prepare for and predict or forecast future events. Planning goes beyond an attempt to attain stated organizational objectives. It thus involves the development of strategy and procedure required for effective realization of the entire plan. Planning is very important especially in developing countries like Nigeria where resources are relatively scar. Therefore, planning to avoid waste of resources is very imperative. Planning is a blueprint for action.

A businessman who wishes to enter into any business has to engage in detailed planning in order to identify the sources of raw materials, equipment, working capitals, etc.

Planning is the primary function of management. It provides the framework for all other managerial functions. Organizing, staff, directing, controlling and coordinating depend to a large extent upon planning. For instance, controlling is meaningless without objectives as guidelines. Like the other managerial function, planning must take place in a context of fundamental theories, principles and techniques (Koontz et al, 1980:157). Many failures in planning have been caused by a lack of understanding of the fundamentals. Good planning therefore is a precondition for better results.

3.6.3 Tactical Plan

Tactical plan deals with determining the most efficient and effective use of resources that can be or are allocated for achieving any specific or given objectives (Terry, 1970:260). Tactical planning is usually short-term in nature and is largely concerned with the problems of strategies plans. Sonter and Freeman (1992:188) agreed that organizations use two main types of plans. They are strategies plans and operational plans.

Strategic plans, according to them are designed by top and middle managers to meet the organization's broad goals. While operational plans take care of the day-to-day activities.

In order to have a clear idea of how operational plan evolve out of strategic plans, one needs to be aware of the major differences between strategic plans and operational plans. According to Hayes and Wheelwright (1984:27-28), there are at least three major differences between strategic and operational plans. These differences are:

Short-Term Plans

Short-term plans are sometimes called annual operational plans (AOP). A short-term plan is usually from one day to one year. Therefore, plans that only require a short period of time to accomplish are referred to as short-term plans.

Medium-Term Plans

This type of plan usually runs from one to five years. This type of plan gives the management the opportunity to postulate or speculate the desired position it hopes to find itself in the future. For instance, “The Young Shall Grow Transport Limited” may have in mind of overtaking Chidiebere Transport in the market share of their transport business in the next five years. In the same vein, the Life Breweries may have the plan to take over the market share of Diamond Breweries in five years’ time. The five years annual operating plans put together help in projecting the future stand of the organization.

Long-Term Plans

It is often used by capital intensive organizations ranging from five years to infinitum. However, what may constitute short-term, medium term or long-term plan depends on the type of organization, the kind of industry, the production cycle, the quality of management, etc. Based on the foregoing, we can conclude that organizations are typically managed according to two types of plans, namely: Strategic plans and Operational or Tactical plans; we have already discussed them above

SELF ASSESSMENT EXERCISE

Discuss the various classes of planning.

3.7 Steps in Planning Process

Various writers on management outline what they regard as the planning process or essential elements of planning. Koontz et al (1980:173-177) identifies eight steps in planning. They are:

- Being aware of opportunity
- Establishing objectives
- Premising
- Establishing alternative courses
- Evaluating alternative courses
- Selecting course
- Formulating derivative plans

- Numbering plans by budgeting

Also Stoner and Freeman (1992:190-194) gives nine elements of planning. They include the following:

- Goal formulating
- Identification of current objectives and strategy
- Environment analysis
- Resources analysis
- Identification of strategic opportunities and threats
- Determination of extent of required strategic change
- Strategic decision making
- Strategy implementation
- Measurement and control of progress.

Akpala (1993:4) citing Trewartha et al (1976) says that planning is a process which takes rationalistic and decision making approach and involves the following steps:

- Recognizes problems
- Evaluates relevant information
- Develops alternative course of action
- Assesses the possible consequences of each alternatives and
- Selects the best course of action called plans.

There are five steps in planning, namely:

- The identification of the inadequacies in the present conditions desiring change;
- The time period for which planning is made;
- Forecasting;
- Collecting and analysis of data; and
- Co-ordination of plans.

A close examination of the various elements or steps given by writers according to Akpala (1993:44), reveals some factors that are recurrent. They include the identification and spelling out of the problem which planning aims to solve, and the collection and analysis of the information as well as data related to the problems. Under this comes the action of forecasting, weighing of alternative solutions to the problems, and a choice of the solution, otherwise known as decision by which organizational goals or objectives are determined. From the foregoing discussions, planning therefore, involves the following processes:

3.7.1 Identification of a Problem

This first step in planning is the identification of problem. Therefore, planning deals with problems. A problem arises when an actual state of affairs from a desired state of affairs arises. In many case, a problem may be an opportunity in disguise. The problem of customer complaints about slow delivery of orders could, for example, also be seen as an opportunity to redesign production processes and customer services.

Thus, managers face many problems and opportunities. An opportunity is a situation that occurs when circumstances offer an organization the chance to exceed stated goals or objectives.

A problem is a felt need which may present some opportunities for some other people or organizations. A candidate in need of a university education has a problem but this is an opportunity for the university. A lady in need of a man to marry her has a problem but this also has provided as opportunity for any man wishing to marry a lady.

Therefore, identification of a problem and, or awareness of an opportunity is the real starting point for planning. Managers must obtain a solid understanding of all the causes of the problem. They should ask such questions as:

- a) What changes inside or outside the organization may have contributed to the problem?
- b) What people are most involved with the problem situations?
- c) Do they have insights or perspectives that may clarify the problem? Do their actions contribute to the problem?

Four informal and intuitive situations usually alert mangers to a problem's existence: performance deviates from past experience, performance deviate from a plan, other people express dissatisfaction and the performance of competitor challenges an organization.

Managers must avoid confusion in problem definition. This arises in part because the events or issues that attract the manager's attention may be symptoms of another more fundamental and pervasive difficulty. A manager may be concerned about an upsurge in employee resignations, but this is not a problem unless it interferes with the achievement of organizational objectives. If the individuals resigning are relatively low performers and more qualified replacements can be readily found, the resignations may present an opportunity rather than a problem. Curing the turnover problem then may be the last thing the manager should do. Defining the problem in terms of the organizational objectives that are

being blocked or the end in view of a goal to be sought helps to avoid confusing symptoms and problem.

3.7.2 Evaluate Relevant Information Bearing on the Problems

The second step in the planning process is the evaluation of relevant information bearing on the problem. Some authorities such as Stones and Freeman (1992:192) regard this analysis of information as environmental and resource analysis. Effective planning demands knowledge of a number of disciplines associated with management such as economics, psychology, sociology, etc, plus experience and a constant flow of information on the business and the outside world. On the other hand, information on the disciplines is available in textbooks and at educational centres and is relatively easy to learn if time is available. On the other hand, information on the internal and external situation is relatively very difficult to obtain and assimilate, assuming that a manager has sufficient knowledge in the governed mainly by the flow of information appropriate to ongoing business and the external aspects. If a manager is forced to plan, make decision and solve problem with a poor information, his performance will suffer.

As information is so vital, it is obviously desirable for the manager to keep himself informed of all the facts that influence his planning directly and indirectly. The purpose of evaluating, relevant information is to identify the ways in which changes in an organizations economics, technological, socio-cultural and political-legal environment can indirectly influence the organization and the ways competitors, suppliers, consumers, government agencies and others can directly influence it (Stoner and Freeman, 1992:192). Useful sources of information include consumers and suppliers, trade publications and exhibitions, and technical meetings.

Forecasting and other management science methods are extremely useful for analysing information about the environment. Also anticipating stakeholder-reactions to the implementation of the plan is also important.

The organization's resources should be analysed too. This analysis is necessary to identify the organization's competitive advantages and disadvantages, its strengths and weaknesses relative so its present and likely future competitors. The purpose of this step is to help the manager identify and locate information bearing on the problem. It will also enrich his knowledge and help him formulate better alternative courses of action.

3.7.3 Develop Alternative Course of Action

The third step in planning is to search for and examine alternative courses of action. There is seldom a plan for which reasonable alternative do not exist, and right often an alternative that is not obvious proves to be the best. The more common problem is not finding alternatives, but reducing the number of alternatives so that the most promising may be analysed. Even with mathematical techniques and the computer, there is a limit to the number of alternatives that may be examined. It is therefore usually necessary for the planner to reduce by preliminary examination the number of alternatives to those promising the most fruitful possibilities or by mathematically eliminating through the process of approximating the least promising ones.

3.7.4 Assessor Evaluate Alternative Courses of Action

Having sought out alternative courses and examined their strong and weak points, the fourth step is to evaluate them by weighting the various factors in the light of objectives. One course may appear to be the most profitable but requires a large cash outlay and a slow payback; another may be less profitable but involves less risk; still another may better suit the company's long-range objectives (Koontz et al 1980).

If the only objective were to maximize profit in a certain business immediately, if the future were not uncertain, if cash position and capital availability were not worrisome, and if most factors could be reduced to definite data, this evaluation should be relatively easy. But typical planning is replete with uncertainties, problems of capital shortages.

Intangible factors and evaluation is usually very difficult, even with relatively simple problems. A company may wish to enter a new products line primarily for purposes of prestige; the forecast of expected result May show a clear financial loss; but the question is still open as whether the loss is worth the gain prestige.

Because the number of alternative course in most situations is the numerous, variables and limitations are involved evaluation can be also exceedingly complex. Due to these complexities, the newer methodologies and applications of operations research and analysis are helpful. Indeed, it is at this step in the planning process that operations research and mathematical and computing techniques have their primary application to the field of management.

The manager can also evaluate each alternative on the basis of three key questions:

Is this alternative feasible? Does the organization have the money and other resources needed to carry out this alternative? Replacing all obsolete equipment might be an ideal solution but it is not feasible if the company is already near bankruptcy. Does the alternative meet all the organization's legal and ethical obligations?

Closing a plant to save costs, for example, involves a complicated web of legal and ethical obligations to displaced workers. Is the alternative a reasonable one given the organization's strategy and internal politics? Any solution is only as effective as the support it wins within the organization. In evaluating an alternative, then, managers must try to anticipate what would happen if employees fail to support and implement it wholeheartedly.

Is the alternative a satisfactory solution? To answer this question, managers need to consider two additional questions. First, does the alternative meet the decision or objectives both the "musts" and the "shoulds"? Second, does the alternative have an acceptable chance of succeeding, assuming this can be calculated? (In conditions of uncertainty or turbulence, of course, this may be extremely difficult or impossible) Managers should realize, too, that the definition of "acceptable" may differ from organization to organization and from person to person, depending on the organization's culture and individual's tolerance for risk. What are the possible consequences for the rest of the organization?

Because an organization is a system of interrelated parts and exists among other systems, managers must try to anticipate how a change in one area will affect other areas, both now and in the future. Cutting back research and development, for example, might save money in the short term but it could cripple or even kill the organization when it fails to develop new products for the future. If the decision might affect other departments, they too should be consulted. Competitors may also be affected by the decision and their reactions will have to be taken into account. Can competitors mount a counter-attack to a new marketing strategy or a new product? If so, managers must also decide how to deal with competitor's reactions. Alternatives with negative consequences should be eliminated, of course, while alternatives with positive consequences will usually be favoured over those with merely neutral consequence.

Apart from the issues raised above, there are three basic processes of evaluating of alternatives (Knoetz et al, 1980:241-245). These are:

a. Evaluating Alternatives through Quantitative and Qualitative Factors

Quantitative factors consist of things which can be measured, such as various types of fixed and operating costs and the time and cost associated with ancillary services. No one would question the importance of this analysis, but it would be dangerous to the success of the venture if intangible factors in the situation were ignored. These are the immeasurable elements such as the quality of labour relations, the risk of technological change, or the international political climate. There are all too many instances where the best of quantitative plans were destroyed by an unforeseen war, a fine marketing plan was made inoperable by a long transportation strike, or rational tax plan was hampered by an economic recession. These illustrations point up the importance of giving attention to be quantitative and qualitative factors in the comparison of alternatives.

To evaluate and compare the intangible factors in a planning problem and make decisions from them, the analyst must recognize them and then determine whether a reasonable quantitative measurement can be given them. If not, the analyst should find out as much as possible about them, perhaps rate them in terms of their importance, compare their probable influence with results disclosed from evaluation of the quantitative factors, and then come to a decision.

b. Evaluating Alternatives through Marginal Analysis

The evaluation of alternatives may utilize the techniques of marginal analysis, wherein the additional revenues from additional costs are compared. Thus, where the objective is to maximize profits, this goal will be reached when the additional revenues and additional costs are equal. Marginal analysis can be used in comparing factors other than costs and revenues. For example, to find the optimum output of a machine, one could vary inputs to equal the additional output. This would then be the point of maximum efficiency of the machine. Or the number of subordinates reporting to a manager might conceivably be increased to the point where incremental savings in costs, better communication and morale, and other factors, equal incremental losses in effectiveness of control, leadership and similar factors. Perhaps, the real usefulness of the marginal approach to evaluation is that it accentuates the variables in a situation and de-emphasizes average and constants. Whether the objective is optimum profits, stability or durability, marginal analysis will help show the way.

c. Evaluating Alternatives through Cost Effectiveness Analysis

An improvement or variant on traditional marginal analysis is cost effectiveness, or cost benefits analysis. It is a technique of weighing alternatives where the optimum solution cannot be conveniently reduced. In its simplest terms, cost effectiveness is unique for choosing from among alternatives to identify a referred choice when objectives are far less specific than those expressed by such clear quantities as sales, costs or profits. For example, defense objectives may be as unspecific as those to deter an enemy attack; social objectives may be to reduce air pollution or entrain the unemployed; and business objectives may be to participate in social objectives through a programme of training unemployable.

This does not mean that objectives may not be given some fairly specific measures of effectiveness. In a programme with the general objective of improving employee morale, for example, effectiveness may be measured by such verifiable factors as turnover, absenteeism, or volume of grievance and also supplemented by such subjective inputs as the judgment of qualified experts. Or a programme for selecting a military airplane may be verifiably quantified in part by considering bomb carrying load, speed, and maneuverability, but supplemented by judgment of military strategists on how effective it might be in meeting tactical requirements in combat.

The major features of cost effectiveness are concentration on output from a programme or system, weighing the contribution of each alternative against its effectiveness in serving desired objectives, and comparison of costs of each in terms of its effectiveness. Although it involves the same steps as any planning decision, the major features that distinguish cost effectiveness are:

- Objectives are normally output-or end-oriented and usually imprecise
- Alternative ordinarily represent total systems, programme or strategies for meeting objectives.
- The measure of effectiveness must be relevant to objectives and set in as precise terms as possible, although some may not be subject to quantification.
- Cost estimates are usually traditional and normal, and may include Non-monetary as well as monetary costs, even though the former may be eliminated by expressing them as negative factors of effectiveness.
- Decision criteria, while definite but not usually as specific as highest profits, may include achieving a given objective at least cost, attaining it with resources available, or providing for a

trade-off of cost for effectiveness, particularly in the light of the claims of other objectives.

Cost effectiveness can be made most systematic through the use of models and other operational research techniques, to be described presently. Cost models may be developed to show cost estimates for each alternative, and effectiveness models to show the relationship between each alternative and its effectiveness. Then, synthesizing models combining these results may be made to show the relationships of costs and effectiveness for each alternative. The purpose of cost effectiveness analysis is to relate effectiveness measure to various costs.

d. Select the Best Alternative Course or Action Called a Plan

The fifth planning step, selecting the course of action is the point at which a plan is adopted –the real point of decision making. Occasionally an analysis and evaluation of alternative courses will disclose that two or more are advisable, and the manager may decide to follow several courses rather a single course.

In selecting from among alternatives, managers have three bases for decision open to them (Kootz et al, 1980: 246-248): experience, experimentation and research and Analysis.

Reliance on past experience probably plays a larger part than it deserves in decision making. Experienced managers usually believe, often without realizing it, that the things they have accomplished and the mistakes they have made furnish an almost infallible guide to the future. This attitude is likely to be more pronounced with the more experience a manager has had and the higher in an organization he or she has risen.

To some extent, the attitude that experience is the best teacher is justifiable. The very fact that managers have reached their positions appears to justify their decision, Moreover, the reasoning process of thinking problems through, making decisions, and seeing programmes succeed or fail does make for a degree of good judgment (at times bordering on the intuitive). Many people, however, do not profit by their errors, and there are managers who seem never to gain the seasoned judgment required by modern operations.

There is danger, however, in relying on one's past experience as a guide for future action. In the first place, most human beings do not recognize the underlying reasons for their mistakes or failures. In the second place, the lessons of experience may be entirely unsuitable to new problems. Good decisions must be evaluated against future events while experience belongs to the past.

On the other hand, if experience is carefully analysed rather than blindly followed and if the fundamental reasons for success or failure are distilled from it, it can be useful as a basis for decision analysis. A successful programme, a well-managed company, a profitable product promotion, or any other decision that turns out well may furnish useful data for such distilling. Just as no scientist hesitates to build upon the research of others and would be foolish indeed to duplicate it, managers can learn much from others.

3.8 Characteristics of a Good Plan

A good plan is a plan that achieves its objectives. Certain features distinguish a good plan from a bad one. Some of the distinguishing features include:

- i. Good plans are realistic and capable of implementation.
- ii. Good plans must have clearly defined objectives in terms of scope, accuracy, clarity and definitiveness.
- iii. Good plans must be reasonably economical and should consider the resources available.
- iv. Good plan must be flexible. A flexible plan can be adjusted smoothly and without delay or serious loss of economy.
- v. Good plans must be comprehensive. This makes it possible to take a systems view of the entire organization.
- vi. Good plans must contain alternative courses of action to more possible changes as they arise.

Planning is the crucial first step in a business of any size. If you do not know where you want to go, you are not very likely to get anywhere! Even more important, it is essential for every business to formulate an written business plan. Large corporations have long learnt to follow their lead. This business plan must include all the details of where the business is going and how it will get there in the allotted time.

A business plan is a written document prepared by the individual entrepreneur or partners that describes the goals, and objectives of the business. Along with steps necessary to achieve those goals. Preparing a business plan therefore, is one of the most useful things that any small scale entrepreneur should do before embarking on the operations of the business. A business plan can serve as both a blueprint to follow and as a tool that you can use to get financing. Once a business plan has been completed, there are many uses to which it can be put. First and foremost, it is a pre-requisite for talking to a venture capitalist, and other investors. For borrowing money, it is also the important document your banker will want to see before considering your application for a loan.

As a rule of thumb, the more you want to borrow, or the more you want to raise from investors, the more thorough your business plan must be.

A second major use of your business plan is as a guide to direct your operations. Like a blueprint for a house, your plan will tell you what you are going to do. Many small-scale entrepreneurs use their business plans for the critical set-up and expansion period of operations. In this way, they will be both on target and on budget to reach that objective. Consider factors as availability of materials, your business's capability for production and delivery, your need for money to finance growth, the need for new products, the state of the economy in your state or country and any trends you can identify among your competitors, All are important ingredients in the initial section of your plan.

When you have complied with all the above data, your next task is to write down all the steps that are necessary to reach your business goals. You must consider the following: what suppliers will be involved, how employees will be trained, how many new employees will be needed and in what departments, what machinery will be needed and how much it will cost to buy or lease, what machinery can be repaired, whether new marketing and advertising programme will be needed and, if so, what they will cost, whether the factory is adequate or needs to be upgraded, whether the factory is automated sufficiently to complete, and similar questions that apply to your specific business. Another very important point to be considered is money: where to find it, and exactly how much is needed, must be determined.

Once you have established the overall objectives of your business and then listed all the specific tasks necessary to achieve these objectives, you are ready to begin to set monthly, quarterly, and annual sub-objectives. At this point, you establish the specific steps that must be taken each month. Only by having this blue print to follow can any business ever expect to progress. If you find that you fall behind in any given month or quarter, you will know how much extra effort is required to get back on track again.

4.0 CONCLUSION

Planning is an important aspect of management and it is the first stage involved in setting up business. You should have thorough understanding of planning as it determines the viability and profitability of the business planning is the thoughtful determination of what wants.

5.0 SUMMARY

This unit has discussed the nature of planning, essential features of planning, various classes, steps and the characteristics of planning. The entrepreneur should have good background on planning in order to achieve efficient management.

6.0 TUTOR-MARKED ASSIGNMENT

Discuss the concept of planning as it affects Agro-business enterprises.

7.0 REFERENCES/FURTHER READINGS

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UNIT 5 STAFFING AS MANAGEMENT FUNCTION IN AGRO-BUSINESS

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 The Nature of Staffing
 - 3.2 Recruitment
 - 3.2.1 Job and Position Descriptions
 - 3.2.2 Sources for Recruitment
 - 3.2.3 Outside Recruitment for Manager and Professionals
 - 3.2.4 Recruitment from Within
 - 3.2.5 Selection
 - 3.2.6 Screen or Short List Completed Job Applications
 - 3.2.7 Testing
 - 3.3 Background Investigation
 - 3.4 Interview
 - 3.5 Physical Examination
 - 3.6 Job Offer
 - 3.7 Manager Selection
 - 3.7.1 Selecting Experienced Managers
 - 3.7.2 Selecting Potential Managers
 - 3.7.3 Assessment Centers
 - 3.8 Placement
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Readings

1.0 INTRODUCTION

Staffing in management involves the recruitment of personnel. The entrepreneur has to ensure that the best personnel is recruited otherwise the business will end up being unprofitable. Therefore, in recruiting personnel the logical procedure has to be followed to achieve the set out objectives. Staffing is a very important function of management, as the personnel determines the pattern of utilizing non-human resources.

2.0 OBJECTIVES

At the end of this unit, you should be able to:

- discuss the nature of staff
- the nature and process of recruitment

- discuss manager selection process of placement

3.0 MAIN CONTENT

3.1 The Nature of Staffing

Staffing involves filling and keeping filled the positions provided for by the organization structure. Staffing involves effective recruitment, selection, placement, appraisal, training and development of people to occupy the positions created by the organization structure.

Staffing is a function of every manager. It is not that of the personnel department. To be sure, this department provides valuable assistance, but in the final analysis it is the job of managers to fill the positions and keep them filled with qualified people. The responsibility for staffing starts with top-line management and permeates the entire organization.

Although each line manager may not be active in original recruitment and selection, he must be certain that his subordinates are properly developed, trained and in due time promoted. This line function is as important as planning, organizing, directing, controlling and coordinating. Naturally, the ultimate responsibility for staffing function lies with the chief executive, for he and his immediate subordinates are charged with the future of the enterprise. Specifically, the chief executive must monitor and support the staffing programme. He must be certain that all managers meet their staffing obligation, sometimes a difficult task.

Of course, we must recall that the chief executives staffing responsibility is passed to him by the board of directors. The board, in turn, bears this responsibility to the shareholders. The director's duty can be interpreted to mean that he should know what is being done to prepare candidates to replace the top managers and fill other management positions. It is the duty of the board to formulate a company staffing policy throughout the organization. Only by doing so can the board make sure that an orderly succession can occur in the company.

Line managers cannot dispose of their staffing responsibility by assigning it to a staff unit. They may often call on staff members for help in this programme. Staff specialists can be useful in almost every phase of staffing process. For instance, they can help in designing an interview programme. They can aid in determining their training needs, etc.

However, some managers do not have direct access to the labour market for recruitment nor do they have the specialized skills needed for

selection of employees. But, some line managers do not have the time to perform detailed staffing function. This situation has promoted the development of a specialized staff function captioned personnel department to aid and advice line managers in meeting their staffing needs. The scope and responsibility of the personnel department may be concerned with the recruitment, selection and placement of low-level employees and the maintenance of the paper work associated with such employment.

The staffing of top management positions are left to the top managers and board of directors. In other cases, personnel department has broad jurisdiction including training, management development, counseling, compensation, fringe benefit programmes and the recruitment, selection and placement of high-level managers. A personnel management department with broad authority, then, is closely related with staffing.

However, in this case there is no indication that certain aspects of the staffing function are not performed by line managers. For instance, a staff requisition form is required to be completed by the head of the department where the vacancy exists, noting full details of the vacancy.

Staffing involves people; it is the life-giving force of any system. It supplies the human structures that will fulfill corporate plans and vitalize the organizational structure. The manager's function of planning, organizing and controlling can be viewed as essentially objective tasks that are characterized by impersonal features. On the other hand, the functions of staffing and influencing are concerned almost exclusively with people. Naturally, this introduces complexities that are not easily resolved through logic. Organizational environment are dynamic. But the most dynamic factor in organization is the human factor.

Staffing requires an open system approach. It is carried out within the enterprise, which, in turn, is linked to the external environment.

Therefore, internal factors of the firm such as personnel policies, the organizational climate, and the reward system, must be taken into account. Clearly, without adequate rewards, it is impossible to attract and keep quality managers. The external environment cannot be ignored either. High technology demands well-trained, well-educated, and highly skilled managers. Liability to meet the demand for such managers may well prevent an enterprise from growing at a desired rate.

Staffing also has its motivational aspects. Certainly, training and development as well as compensation and other staffing activities are sources of motivation and influence. For instance, promotion brings

along with it not just more money but also esteem and a mark of recognition of the individual's performance. A new life is put into him, his knowledge and skill become activated, and his overall attitude and outlook improved. He consequently strives hard to be effective and to achieve higher standard. Promotion is indeed a high motivation. A well-structured appraisal makes for fairness and encourages mutual trust and confidence, thus creating a congenial atmosphere where the manager can do his work without fear or inhibition.

Therefore, staffing includes recruiting, selection, placement, training, performance evaluation, wage and salary administration, and health and safety management. Each of these functions is affected by all the others.

The importance of each function varies according to the size of the firm and the skill level of the jobs involved. The higher the skill level, the more carefully you must recruit and select; the lower the skill level, the more carefully you must train. Although, staffing is closely related therefore, to organizing, it is a separate function of management. Many writers on management theory do in fact discuss staffing as a phase of organizing. They say that planning and controlling are basic but closely related parts of the management process. For instance, the standards of performance which is used in the controlling process are determined during planning. Yet, controlling is not discussed as a phase of planning.

Also, management function of controlling is closely related to other functions of management. For instance, effective control requires organization structure which is a phase in organizing. But this does not make controlling is a phase in organizing. Also controlling invariably requires some form of communication which is phase in directing function. This is to say that each function of management does not exist without the other functions of management. This is why the management function are described as a process.

SELF ASSESSMENT EXERCISE

Staff quality determines output in Agro-business. Discuss

3.2 Recruitment

Recruitment involves seeking out prospective employees through various means and receiving applications. It means informing job seekers that vacancies exist in an organization and then receiving such applications. Recruitment is also defined as the development of a pool of job candidates in accordance with the human resources plan.

The first step in the recruitment process is to write up the job description and job specification. Job description contains information stating the job title, location of the job in the organization, duties and responsibilities entailed in the job and extent of supervision to be provided for the job. Job specification contains information stating the qualification, experience, skill and attributes the holder of the job should possess.

The next step in recruitment is to scout around to locate qualified candidates. Candidates are usually located through newspaper and professional journal advertisements, employment agencies, word of mouth and visits to college and university campuses.

The last step in recruitment is receiving and recording of applications. The purpose of recruitment is to provide a group of candidates that is large enough to let organization select the qualified employees it needs. Recruitment can be general or specialized. General recruiting which is most appropriate for operative employees, takes place when the organization needs a group of workers of a certain kind, for example, typists or sales people. It follows comparatively simple, standardized procedures. Specialized recruiting, which is used mainly for higher level executives of specialists, occurs when the organization wants a particular type of individual. In specialized recruiting, candidates set personalized attention over an extended period. The recruiting of university MBA graduates falls somewhere between these two extremes.

It resembles general recruiting in the sense that many candidates are screened for a group of openings and many may be hired with only a vague idea about their initial jobs, especially if the first "job" is in a management training programme. At some companies, the chief executive officer (CEO) and other top executives become directly involved in recruiting to symbolize its importance to company strategy.

Small firms often have difficulty attracting job applications, particularly those with specialized skills; since large firms usually offer more security, higher pay and greater opportunity. Thus, many small firms choose to develop their own skilled employees, recruit unskilled or semi-skilled people and train, them on the job. There are costs involved in this approach, but the benefits in loyalty and eventual job performance are often large enough to justify them.

3.2.1 Job and Position Descriptions

This is a written description of a job's or a position's title, duties and responsibilities, including its location on the organization chart. Before employees can be recruited, recruiters must have some clear ideas

regarding the new employees' activities and responsibilities. Thus, job analysis is an early step in the recruitment process. Once a specific job has been analysed, a written statement of its content and location is incorporated into the organization chart. At the operatives level, this statement is called the job description; at the managerial level, it is called a position description. Each box on the organization chart is linked to a description that lists the title, duties and responsibilities for that position. For example, a brief position description might read as follows: sales Manager-Duties include hiring, training, and supervising small sales staff and administration of sales departments; responsible for performance of department, reports to division manager.

Once the position description has been determined, accompanying hiring or job specification is developed. The hiring specification defines the education, experience and skills an individual must have in order to perform effectively in the position. The hiring specification for sales manager might read; position requires MBA degree; five years' experience in sales and two years' supervisory experience; energetic, motivated individual with well-developed inter-personals skills.

3.2.2 Sources for Recruitment

Recruitment takes place within a labour market, i.e. the pool of available people who have the skills to fill open positions. The labour market change everytime in response to environmental factors. Which sources a human resources department turns or meet its recruitment needs depends on the availability of the right kinds of people in the local labour pool as well as on the nature of the positions to be filled. An organization's ability to recruit employees often hinges as much on the organization's reputation and the attractiveness of its location as on the attractiveness of the specific job offer. If the people with the appropriate skills are not available within the organization or in the local labour pool, they may have to be recruited from competing organizations and or from some distance away.

3.2.3 Outside Recruitment for Manager and Professionals

Large companies use various outside recruitment sources to fill vacancies at different levels of management. For many large companies, graduate schools are a major sources of entry-level and new managerial help. Campus recruiting however, has some disadvantages. The recruitment process can be quite expensive, and it is not uncommon for hired graduates to leave an organization after two or three years. When recruiting to fill middle management and top positions, many large companies resort to even costlier and more competitive hiring strategies.

When top quality ability is in short supply, middle management recruitment often requires the services of placement agencies or the purchases of expensive advertisement in newspapers and national publications. And when recruiting is done to fill top-level positions, many corporate management's must turn to executive search firms for help in locating three or four carefully considered prospects who not only are highly qualified but who also can be enticed from their present positions by the right offer. The difficulties inherent in recruiting outside the organization, however, especially for senior level positions, argue that organizations should carefully weigh the costs against the expected benefits.

3.2.4 Recruitment from Within

Some firms have a policy of recruiting or promoting from within except in very exceptional circumstances. There are three major advantages of this policy. First, individuals recruited from within are already familiar with the organization and its members, and this knowledge increases the likelihood they will succeed.

Second, a promotion from within policy fosters loyalty and inspires greater effort among organization members. Finally, it is usually less expensive to recruit or promote from within than to hire from outside the organization. The major disadvantages of this policy are that it limits the pool of available talents, it reduces the chance that fresh viewpoints will enter the organization, and it may encourage complacency among employees who assume seniority ensures promotion.

3.2.5 Selection

Selection involves using application forms, resumes, interviews, employment and skill tests, and reference checks to evaluate and screen job candidates for the managers who will ultimately select and hire candidate. It is the mutual process whereby the organization decides whether or not to make a job offer and the candidate decides whether or not to accept it (Ile, 2000:154). The selection process ideally involves mutual decision. The organization decides whether to make a job offer and how attractive the offer should be, and the candidate decides whether the organization and the job offer fit his or her needs and goals.

In reality, the selection process is often more one-sided. In situations when the job market is extremely tight, several candidates will be applying for each position and managers at the organization will use a series of screening devices to identify the most suitable candidate. On the other hand, when there is a highly qualified executive or professional being courted by several organizations, managers at the organization

will have it sweeten the offer and come to a quick decision. The level of personnel hired could also affect the selection process.

When selecting a new employee, it is important to ask yourself three questions “Is he or she qualified for the job” “Is this job an improvement over his or her last job?” and “Will he or she be accepted into the team concept?” You must address all three questions during the interviewing process. Work history is important to the first two questions, but you should not rely on the applicant’s past employers for accurate records.

Legally, they cannot release much information, and they are often reluctant to give any details. Some firms will not allow you to talk to the applicant’s former supervisors, and you will only be able to talk to the personnel department. Learn to be a good interviewer, and you will locate better employees.

The small business owner-manager must understand the steps in the selection process.

3.2.6 Screen or Shortlist Completed Job Applications

This involves rejecting applications that do not meet the minimum requirements for the job. Each time an employee is to be hired it is necessary for him to complete an application form. The purpose of an application form is to obtain specific desired information about an applicant. Through the use of application forms, it is easy to determine whether the applicant has the minimum academic and experiential requirements of the position and whether he is to be invited for interview or test.

3.2.7 Testing

Once the application passes the screening process as evidenced by the information supplied in the application form, he could be subjected to a test. According to Nwachukwu (1988:110), tests are used as an aid in selection. One of the major advantages of the use of tests is that many tests help in making decisions that are objective and less biased than other devices that are used in selection process. This is because it is easier to show an applicant his score on examination than to explain to him that the panel did not like the way he answered questions during an interview.

Different tests measure different traits or skills. The major types of tests are:

- General ability test which measures a person’s general training, experience and education.

- Achievements tests which samples and measures the applicant's accomplishments and developed abilities.
- Aptitude test which measures a person's mental ability level of reasoning, perceptual speed and adaptability to a job position. Note that intelligence test is an aspect of aptitude test.
- Skill test-measures a person's ability to use a specific skill.
- Interest test-use selected questions or items to identify areas of interest or special concern to the applicant
- Personality test-measures a person's personal traits including emotional, beliefs and dominance. Testing also may include computer testing, software, hand-writing analysis, etc

However, the purpose of testing is to measure applicant's job skills and the ability to learn the job.

3.3 Background Investigation

In this step, the truthfulness of the information contained in the applicant's resume of curriculum vitae or application form is checked. Further information can be obtained from the applicant's referees. Also, previous employers and heads of institutions of the applicant can be called upon to confirm information from applicant. Relations and those who know the applicant can be contacted for the purpose of confirming information from-applicant.

3.4 Interview

This is the fourth step in the selection process. A selection interview is an extension and development of the inevitable meeting, which takes place between the employer and the prospective employee. Questions are designed to test achievement and aptitude. It is the most commonly used method of personality assessment. The purposes of interview are:

1. To elicit information about candidate's motives and behaviour so as to assess his personality.
2. To check information the candidate may have already given about himself
3. To examine the value and relevance of his experience and qualifications in relation to job specification.
4. To inform the candidate about the job and company. Selection interview can be classified into initial screening interview and in-depth selection interview.

Initially, screening interview provides a quick evaluation of the applicant's suitability for the job. Questions are asked on experience, salary expectation, willingness to relocate, etc.

In-depth selection interview finds out more about the applicant as an individual. This type of interview is usually conducted by the manager to whom the applicant will be reporting to.

3.5 Physical Examination

This is the fifth step in the selection process. It is common practice for organizations to require that prospective employees subject themselves to physical examination before a job offer is made. The purposes of physical examination are:

- i. To determine the physical fitness of the applicant for the job.
- ii. To protect other employees against diseases.
- iii. To establish health record on the applicant.
- iv. To protect firm against unjust works compensation claims.

At times, the physical examination is performed by company's medical doctor. At other times, it is performed by medical doctors in government owned hospitals.

3.6 Job Offer

Job offer is the last stage in the selection process. Once the candidate is successful in the steps discussed above and still shows the desire for employment, he is offered the job. In making the offer of employment, many factors such as the required experienced, academic qualification, test scores, background investigation, and performance at the interview are to be considered. The salary plus benefits package offered should be influenced by the availability of the skill required in the labour market, especially environmental peculiarities, prevailing salary and fringe benefits package, the personal needs and aspirations of the applicant and the company salary.

In practice, the actual selection process will vary with organizations and between levels in the same organization. For example, the selection interview for lower-level employees may be quite perfunctory: interview or on tests. Although written tests designed to define a candidate's aptitudes, and intelligence have long been a staple of employment screening, their use had declined. Many tests have proved to be discriminatory in their design and results, and it has been difficult to establish their job relatedness when they have been subjected to judicial review. In selecting middle or upper level managers, on the other hand, the interviewing may be extensive, sometimes lasting for hours, and there may be little or no formal testing. Instead of initial filling out an application, the candidate may submit a resume. Completion of the

formal application may be delayed until after the job offer has been accepted.

For many positions, particularly in management, the indepth selection interview is an important factor in the organization's decision to make a job offer and in the individual's decision to accept or decline the offer.

The most effective interviews: are those that are best able to predict the eventual performance of applicants. They are usually planned carefully.

Ideally, all candidates for the same position are asked the same questions. Most interviews, however, tend to be far less structured and deliberate.

Inadequate interviewing can lead to poor employment decision. Richard Nehrass has identified three common defects in interviewing that may produce inaccurate information about job applicants. The first defect is the imbalance of power in the interview situation. The interviewer is likely to be experienced and at ease, while the interviewee is probably inexperienced in interviewing and feel ill at ease because the job represent livelihood, a career, and an important part of his or her self-image

The second defect of interviews is that they may cause the job candidate to adopt "phony" behaviour in the desire to project an image that is acceptable to the interviewer. Sometimes, the "act" put on by a qualified applicant is so obviously false or projects an image so contrary to the organization's style that a less qualified candidate who projects a realistic image is offered the position.

The third defect is the tendency of interviewers to ask questions that have no useful answer, such as "tell me about yourself" or "what would you say is your greatest weakness?" Applicants, sensing the lack of skill and preparation of an interviewer who asks such open-ended questions, may feel uneasy and give superficial answer or may try to second-guess the interviewer and go off on a lengthy tangent. As Nehrass asserts, interviews that focus on the requirements of the job and the actual skills and abilities of candidates will provide interviewers with more useful information and be better predictors of performance. The interview process may also prove unreliable because of the differing objectives of the interviewer and interviewee. The prospective employer wants to sell the organization as a good place to work and may therefore, exaggerate is or her qualities. Some organizations have attempted to reduce this problem through the realistic job preview (RJP), in which candidates are exposed to the unattractive as well as the attractive aspects of the job,

and by using structured, focused interviews to acquire a more accurate picture of each interviewee's likely job performance.

3.7 Manager Selection

The task of selecting managers is difficult because of the complexity of the manager's job. Since managers must use a wide variety of skills and abilities, their selection depends on an accurate assessment of candidates' proven or potential skills and abilities.

3.7.1 Selecting Experienced Managers

Organization may seek to hire experienced managers for a variety of reasons. A newly created post may require a manager with experience not available within the organization; a key position may suddenly open up before there is time to train a replacement; or a top performer in a competing organization may be sought to improve the organization's competitive position.

An experienced manager who is up for selection usually goes through several interviews before being hired. The interviewers are almost always higher-level managers who attempt to assess the candidate's suitability and past performance, since past performance is generally expected to predict future performance. However, interviewers often find it difficult to obtain verified data on a manager's past performance, so they must frequently rely on the interview process, asking questions that may reveal such desirable qualities as emotional stability, self-confidence, and good interpersonal skills. In short, interviewers try to determine how well the candidate fits their idea of what a good manager should be and how compatible the candidate's personality, past experience, personal values, and operating style are with the organization and its culture.

3.7.2 Selecting Potential Managers

Potential managers usually enter the organization after graduating from college. Typically, they take entry level positions, a research or staff job or a position in a training programme. Their performance in these entry level positions will strongly influence the type of managerial job they eventually receive.

Assessing an individual's managerial potential is difficult because it involves judging the future manager on things he or she has not yet done. Such an assessment is extremely important, nonetheless, since potential managers may well determine the future success of the organization. Most assessments of prospective managers begin with

review of college grades, even though, except for technical positions, college performance does not seem to be strongly associated with managerial performance. Other aspects of the college record can provide some insights into non-academic abilities, such as interpersonal skills, leadership qualities, and ability to assume responsibility. For this reason, many organizations look for evidence of extracurricular managerial interest or experience.

Finally, like experienced managers, prospective managers may be interviewed extensively to determine whether they have what the interviewers consider an appropriate personal style for a manager.

3.7.3 Assessment Centres

Another method that has proved effective in selecting qualified candidates is the assessment centre. Under this approach, candidates participate in a wide range of simulation exercises while the trainer observes, notes and assesses their behaviour. One common exercise is the in-basket, in which the candidate is informed that he or she has just been promoted to a newly vacant position and will have to leave town soon to attend an important meeting. The candidate is given one hour to deal with the memos, letters, reports, telephone messages, and other materials in the previous incumbent's in-basket. The candidate must handle each item in the most appropriate manner, and in many cases will have an opportunity to explain or discuss his or her decisions in a follow-up interview.

In the activity known as the leaderless group discussion exercise, participants are given a problem requiring a group decision. The way the candidates handle themselves in this situation helps to reveal their leadership qualities and interpersonal skills. Candidates may also participate in management games geared to the level of the job being filled, make oral presentations, and take any number of tests probing their mental ability, and general knowledge of management potential.

Assessment centres can serve as part of a management development programme. In fact, some graduate schools of business use assessment centre techniques to guide an individual's self-development programme. Unfortunately, only a few relatively large, successful organizations can afford the assessment centre approach, which typically involves a number of assessors working with a small group of candidates over a period of several days.

Assessment centres have come under criticism on other grounds besides cost. Richard Klimoski, for example, points out that the tests focus on maximum performance under certain conditions rather than typical

performance. They prove that a person can perform well without evidence that he or she will perform well (Lovenheim, 1979:4)

3.8 Placement

Placement deals with writing of appointment letter, reporting for work, induction and orientation of the employee. Once the decision to hire the individuals is made, he should be written to as soon as possible.

Applicants appreciate prompt action from employers. All employees who receive letters or appointment should be given a time limit to accept the offer of employment after which the offer is made to elapse.

Applicants who were not offered employment should be advised because it makes for good public relations. According to Nwachukwu (1988:118), appointment letter should not be too brief and should state as clearly as possible the following:

- i. the position offered to the employee;
- ii. the salary attached to the position;
- iii. the working arrangements.

According to him, other pertinent information that cannot be in the letter of appointment should be communicated to him during induction period.

Once the employee reports for duty, it is very pertinent that induction or orientation programme is organized to ease the initial shock that an employee is exposed to in unfamiliar environment.

Induction is designed to provide an employee with general knowledge of future activities, requirement methods, etc. associated with his job.

Orientation implies to make an employee familiar with a situation or surroundings (Hornby 1975:602). Since the two terms, induction and orientation or socialization, are closely interrelated, we shall use the terms interchangeably.

Accordingly, orientation or socialization is designed to provide a new employee with information he or she needs to comfortably and effectively in the organizations. Typically socialization conveys three types of information:

1. general information about the duty work routine,
2. a review of the organization's history, purpose, operations and products to services as well as how the employee's job contributes to the organization's needs; and
3. a detailed presentation, perhaps in a brochure, of the organization's policies, work rules and employee benefits.

Many employees feel anxious on entering an organization. They worry about how well they will perform in the job; they feel inadequate compared to more experienced employees; and they are concerned about how well they will get along with their co-workers. Effective socialization programmes reduce the anxiety of new employees by giving them information on the job environment and on supervisors by introducing them to co-workers, and by encouraging them to ask questions.

Early job experience (when the new employee's expectations and the organization's expectation confront each other) seem to play a critical role in the individual's career with the organization. If the expectations are not compatible, there will be dissatisfaction. Turnover rates are almost always highest among an organization's new employees. An important aspect of job satisfaction, for workers, is the assurance that employees can work for the company's good without neglecting their personal education's. One of the most pressing concerns in this area is adequate child care.

4.0 CONCLUSION

The staff to be employed should be carefully selected in order to select the best that will contribute to the growth and development of the business. Not only that competent people are employed, they should be willing to work.

5.0 SUMMARY

This unit has discussed the nature of staffing, recruitment, selection and placement. People employed should be provided with the opportunity of going for training in order to enhance their scope knowledge.

6.0 TUTOR-MARKED ASSIGNMENT

Discuss the logical steps involved in recruiting the best personnel for effective operation of Agro-business.

7.0 REFERENCES/FURTHER READING

Akpala, A. (1993). *Management: An Introduction and the Perspective*. University of Nigeria Nsukka.

MODULE 3

Unit 1	Management Function of Controlling in Agro-business
Unit 2	Coordinating as a Management Function in Agro-business Enterprises
Unit 3	Financial Analysis in Agro-business Enterprises
Unit 4	Budgets and Budget Control for Agro-business Enterprises
Unit 5	Marketing of Agro-business Product

**UNIT 1 MANAGEMENT FUNCTION OF
CONTROLLING IN AGRO-BUSINESS**

CONTENTS

1.0	Introduction
2.0	Objectives
3.0	Main Content
3.1	The Nature of Controlling
3.2	Requirements of an Effective Control System
3.2.1	Controls Require Plans
3.2.2	Controls Requires Organization Structure
3.3	Steps in the Control Process
3.3.1	Establish Standards of Performance and Methods of Measuring Actual Performance
3.3.2	Measure the Actual Performance
3.4	Subordinates Reaction to Supervisory Control
3.4.1	Compliance
3.4.2	Purposeful/Deviation
3.5	Critical – Point, Standards and Their Types
3.5.1	Physical Standards
3.5.2	Cost Standards
3.6	Types of Control
3.6.1	Pre-Action Control
3.6.2	Steering Control
4.0	Conclusion
5.0	Summary
6.0	Tutor-Marked Assignment
7.0	References/Further Readings

1.0 INTRODUCTION

Controlling is part of the management function which measures and controls the performance of activities of subordinates in order to make sure that enterprise objectives and plans devised attain them are being accomplished. Controlling ensures that specific schedules are followed.

It is the responsibility of the entrepreneur to understand the specific schedules and follow them.

2.0 OBJECTIVES

At the end of this unit, you should be able to:

- discuss the nature of controlling
- discuss the requirement of an effective control system
- discuss the step in the controlling process.

3.0 MAIN CONTENT

3.1 The Nature of Controlling

The managerial function of controlling is the measurement and correction of the performance of activities of subordinates in order to make sure that enterprise objectives and plans devised are being accomplished. Controlling can be defined as the regulation of work activities in accordance with pre-determined plans so as to ensure the accomplishment of organization objectives. The simple and good definition of control is the process of ensuring that actual activities conform to planned activities.

Controlling can be seen as an element of managerial tasks and involves the measurement and correction of the performance of the subordinates to make sure that the objectives of the enterprise and the plans devised to attain them are accomplished efficiently and economically. It is also a process of checking or monitoring and correcting the actual performance of the subordinates so as to conform to standard performance. Control consists of verifying whether everything occurs in conformity with the plan adopted, the instructions issued and principles established. Its objective is to point out weaknesses and errors in order to rectify them and prevent reoccurrence.

Controlling is the point at which the carefully made plan can collapse unless something is done to ensure that the firm is moving toward its goals. If it is not, there should be some way to recognize that fact soon, so that you can pinpoint the problem and correct it. At the end of each month you will need to check the progress of each business plan against actual work done. Without a monitoring system, progress will be nonexistent.

Most successful large and growing forms have a closely monitored and controlled goal.

It is important to recognize that control is especially crucial to a small business because the margin to cover mistakes is so narrow. You just cannot afford to take the chances a large business can afford. For example, with the high cost of money today, the need for inventory control is essential. If you do not have a system that tells you quickly and accurately how much materials you are supposed to have at hand, how will you know whether there has been loss, waste, or worse pilferage?

Controlling should not be done in a way that will suggest that you do not trust your people, even if in fact you do not. Controlling operates on everything, things, people and actions. It is thus the function of every manager, irrespective of the size of the business organization. Some managers particularly at lower levels forget that the primary responsibility for the execution of plans, and control is, therefore, an essential managerial function at every level.

Planning and controlling are basic but closely related parts of the management process. Managers plot their future course through planning and the standards of performance which is used in the controlling process are determined during planning. But even the most carefully prepared plan is not guarantee of success. Therefore, managers need to take definite step to keep things headed in the right direction.

Controlling does this and complements planning by introducing corrective action as the plans are being implemented.

Management function of controlling is closely related to other functions of management. For instance, effective control requires organization structure which is a phase in organizing. Also, controlling invariably requires some form of communication, and frequently there is decision making as well. This is to say that controlling does not exist without the other functions of management. This is why the management functions are described as process. The base of control is the fact that the outcome of plans depend on the people who carry them out. For instance, a poor education system cannot be controlled by criticizing its products, the unfortunate graduate; a factory turning out inferior products cannot be controlled by their consignment to the scrap heap; and a firm plagued with customer complaints cannot be controlled by ignoring. Responsibility for controllable deviations lies whoever has made unfortunate decisions. Any hope of abolishing unsatisfactory results lies with in changing the future actions of the responsible person, through additional training, modification of procedures, or new policy. This is the crux of controlling the quality of management.

There are two ways of seeing to it that the responsible people modify action. The normal procedure is to trace the cause of unsatisfactory results back to the persons responsible for it and get them to correct their practices. This may be called indirect control. In every enterprise, hundreds, and even thousands, of standards are developed to compare the actual output of goods or services, in terms of quantity, quality, time and cost with plans. A negative deviation indicates, in terms of goal achievement cost, price, personnel, labour-hours, or machine-hours, that performance is less than good or normal or standard and that results are not conforming to plans.

The alternative in the area of management is to develop better managers who will skillfully apply concepts, techniques, and principles and who will look at managing and managerial problems from a system point of view, thus eliminating undesirable results caused by poor management.

This may be referred to as “direct control”. The principle of direct control embraces the idea that much of the responsibility for negative deviations from standards can be fixed by applying fundamentals of management. It draws a sharp distinction between performance reports, essential in any case, and determining whether managers act in accordance with established principles in carrying out their responsibilities. The principle of direct control, then may be stated as the higher the quality of managers and their subordinates, the less the need for indirect controls.

The extensive adoption of direct control must await a wider understanding of managerial principles, functions and techniques as management philosophy. Moreover, as progress is made in rising, managers as manager, we can expect direct control to be more practical in meaning and effectiveness. Because of the importance of control to small business management we shall discuss control in details.

3.2 Requirements of an Effective Control System

To maintain effective control, certain principles or requirements must be adhered to. Koontz et al (1980:721) and Appleby (1981:138-139), discuss the principles of effective control. A review of such discussions show the requirements of an effective control system to include the following

3.2.1 Controls Require Plans

It is obvious that before a control technique can be used or a system devised, controls must be based on plans, and that the clearer, more complete, and more integrated plans are, the more effective controls can

be. It is as simple as this: There is no way managers can determine whether their organizational unit is accomplishing, what is defined and expected unless they first know what is expected.

Controls are the reverse side of the coin of planning. First, managers plan; then become the standards by which desired actions are measured.

This simple truth means several things in practice. One is that all meaningful control techniques are in the first instance, planning techniques. Another is that it is fruitless to try to design control without first taking into account plans and how well they are made. This simple truth is nowhere better illustrated than in the plan of budgeting. As will be recalled from the earlier discussion, planning budgets were identified as a type of plan that numberized plans. To look on budgeting only as a form of costing trends makes it meaningless and ineffective. Yet, even today, some businesses and many government agencies and other kinds of organizations appear to view budgeting thus (Koontze et al 1980:721-722).

3.2.2 Controls Requires Organization Structure

Since the purpose of control is to measure activities and take action to ensure that plans are being accomplished, we must also know where in an enterprise the responsibility of deviating from plans and taking action to make corrections lie. But we cannot know where the responsibility is clear and definite. Therefore, a major pre-requisite of control is the existence of organization structure and as in the case of plans, the clearer, more complete, and more integrated this structure is, the more effective control action can be.

One of the most frustrating situation managers can find themselves in is knowing that something is going wrong in their company, agency, or department and not knowing exactly where the responsibility for the trouble lies. If costs are too high, a promised contract is late, or inventory is beyond desired limits, but managers do not know where the responsibility for the deviation lies, those in charge of an operation are powerless to do anything about situation.

In a company, for example, reports show that inventory was millions of naira above the level deemed necessary. When inquiry was made about who was responsible for inventory planning and control, it was disclosed that no one below the president of the company had this responsibility, and that, because of his other demanding duties, he could not personally control inventories. Complete adherence of a control system to organizational structure therefore, helps to identify:

1. individual authority and responsibility;
2. who reports to who;
3. the manager in the organization structure responsible for the control of an activity or activities

3.2.3 Controls should be Flexible

A control system should have a built-in flexibility to adjust to new situation. Thus, when organizational environment changes, control will change also, for instance, the budgetary control system as a method of control. Typically, the amount of expenses allowed in a sales department is based on expected sales in the coming period. If, however, the sales within the period double, the manager cannot be expected to stay within his allotted budget. There must be some flexibility built into the system so that he can cover the added expense resulting from this substantially increased amount of business.

3.2.4 Control should be Economical in Operation

A system of control should not cost more than it is worth. Before adopting a particular control system, it is necessary to ascertain the contributions the control system would make to the organization and the consequences of not having it. Therefore, a control system should be cost effective and worth the expenses involved.

3.2.5 Controls should be Understandable

How control works and what standards are should be understood by the managers. Also, how control works and the standards used should become less complex as it extends further down into management hierarchy. Therefore, presentation of control information in a way management can understand is vital. Some controls that are mathematical in nature, such as complex break-even charts, are not understood by many managers. In this connection, managerial training schemes are important to familiarize management with these techniques.

Some people, such as certain statisticians and accountants, like their information in forms of complex tables of data too voluminous for computer printout. In such cases, let them have it that way. Other people like their information in chart form; if so, it should be furnished this way. And a few people, such as scientists and mathematician, even like their information in mathematical model form; in this event it should be given to them that way. And it is sometimes said that if people will not understand the information they need in any other way, we might consider giving it to them in comic-book form. The important thing is that people get and understand the information they need.

Many are informed experts in statistical methods, computer technology, or exhaustive analyses, fail to communicate the meaning of their control data to the manager who must use them. "Control" staff and departments often develop information that will not be used by managers because it is not simple enough or adapted to the manager's understanding. This is, of course, one of the problems of data processing systems. Too often, the output consists of thousands of sheets of printout that many people cannot or will not understand and use.

What is said about tailoring information for understanding can be said also of control techniques. Even quite intelligent people may be "turned off" by some of the sophisticated techniques of the expert. There are highly sophisticated techniques of planning and control which may fail in practice simply because the systems either were not comprehensible to the people who had to use them or appeared to be too complex for them. Intelligent experts in these matters will not try to show others how proficient they are but will rather design a system at the level of easy comprehension so that people will use it. Such experts will realize that if they can get 8 percent of the benefit with a fairly crude system, this is far better than obtaining no benefit from a more perfect, but unworkable, system.

3.2.6 The Control System should fit the Organizational Climate

To be most effective, any control system or technique must fit the organizational climate. For example, a tight control system applied in an organization where people have been given considerable freedom and participation may go "against the grain" that it would be doomed to failure. On the other hand, if subordinates have been managed by a superior who allow little participation in decision making, to have a generalized and permissive control system would hardly succeed.

People with a low desire to participate, or who have not been accustomed to participating, are likely to want to have clear standards and measurement and be told what to do (Koontz et al, 1980).

3.2.7 Control should be Objective

Elimination of subjectivity lessons possible areas of conflict and keeps the manager's personality from affecting judgments on subordinate performance. Management necessarily contains many supplied decisions too late to be of immediate use, and can be used only for future planning. Computer and electronic accounting machines have speeded up data processing and this will mean more recent data will be available

3.2.8 Controls should show Exceptions at Selected Points

This is the principle of control. It is also called management by exception. This principle states that effectiveness of control demands that management should identify points of exception, i.e. small deviations from plan which are not very significant and can be overlooked. Note must be taken of the varying nature of exceptions, as small exceptions in certain areas may be of greater significance than larger exceptions elsewhere.

3.3 Steps in the Control Process

According to Koontz et al (1980:722), the basic control process involves three steps: establishing standards; measuring performance against these standards; and correcting deviations from standards and plans Akpala (1993:138) asserts that the controlling process is made up of four steps which must be applied regardless of the activity being managed and they are:

- i. establishment of standards which we said is done during planning function;
- ii. measuring of performances;
- iii. comparing of performance against the standards and ascertaining differences, if any
- iv. correcting unfavourable deviations from standards

Also Appleby (1981:137-138), asserted that the control process involves: setting standards, measuring performance against standards feedback of results, and correcting deviations from standards.

However, Mockier's (1984:2) definition of control points out as essential elements of the control process. According to him, management control is a systematic effort to set performance standards with planning objectives, to design information feedback systems, to compare actual performance with those pre-determined standards, to determine whether there are any deviations and to measure their significance, and to take any action required to assure that all corporate resources are being used in most effective and efficient way possible in achieving corporate objectives. Mockler's definition divides control into the four steps, namely,

- Establish standards and methods of measuring performance.
- Measure performance.
- Determine whether performance matches the standard.
- Take corrective action.

From the foregoing, we state that the steps in the controlling process are as follows:

- a) Establish standards of performance and methods of measuring actual performance.
- b) Measure the actual performance.
- c) Compare actual performance with standard performance.
- d) Correct deviations if any from standards of performance.

Let us discuss each of above steps

3.3.1 Establish Standards of Performance and Methods of Measuring Actual Performance

Standards are criteria against which actual results can be measured (Akpala 1993:138). Standards are by definition simply criteria of performance (Koontz et al, 1980: 723). They are the selected points in an entire planning programme where measures of performance are made so as to give managers signals as to how things are going without their having to watch every step in the execution of plans.

But the establishment of standards is actually a planning activity, whose operation spans between planning and controlling. And this is another indication of the closeness in the relationship between the functions of planning and control (Akpala, 1992:138).

Because plans are the yardsticks against which controls must be devised, it follows logically that the first step in the control process would be to establish plans. However, since plans vary in details and complexity and since managers cannot actually watch everything, special standards are established. Standards may be of many kinds. Among the best are verifiable goals or objectives, whether stated in quantitative or qualitative terms. Because end result for which people are responsible are the best measures of plan achievement, they furnish excellent standards of control. These goals or standards, as well as others, may be stated in physical terms, such as quantities of products, units of service, labour hours, speed, or volume of rejections may be expressed in monetary terms such as volume of sales, costs, capital expenditures, or profits. They may also be expressed in verifiable qualitative terms or in any other way that can give a clear indication of performance.

In service industries, standards and measurements might include the amount of time customers have to wait before a telephone is answered, or the number of new clients attracted by a revamped advertising campaign. In an industrial enterprise, standards and measurements could

include sales and production targets, work attendance goals, and safety records.

In a university, standards of performance might include the range of scores by students while examination serves as a method of measuring actual performance.

3.3.2 Measure the Actual Performance

Once standards of performance and methods of measuring actual performance are established, the next step in the control process is measurement of performance to see how much has been achieved. Like all aspects of control, this is an ongoing repetitive process, with the actual frequency of measurements being dependent on the type of activity being measured. Safe levels of gas particles in the air, for example, may be continuously monitored in a manufacturing plant, whereas progress on long-term expansion objectives may need to be reviewed by top management only once or twice a year.

Similarly, a bank manager might be required to examine customer waiting time on a continual basis. Still good managers avoid allowing extended periods to pass between performance measurements.

If standards are appropriately drawn and if means are available for determining exactly what subordinates are doing, appraisal of actual or expected performance is fairly easy. But there are many activities in which it is difficult to develop accurate standards, and there are many that are hard to measure. It may be quite simple, especially with techniques of time and motion study, to establish labour hour standards for the production of a mass-produced item, and it may be equally simple to measure performance against these standards, but if the item is custom-made, the appraisal performance may be formidable tasks (Koontz et al, 1980:723).

However, Massive and Douglas (1973:316) say that all measurements are accurate only to limited degree. In spite of all these limitations, managers should make reasonable efforts to measure the actual performance of their subordinates. Because of the difficulty of performance measurement in certain activities, there is need for supervision. Supervision is an exercise that ensures that performance is in line with established plans. Akpala (193:140) says that supervision basically involves the superior having to observe the activities of his or her subordinates. It is much of the work performed by lower-level managers, but this depends on the nature of activity involved and the type of organization. Thus, supervision is very necessary when measuring the performance of students through examinations. It can be

seen that the exercise of supervision done in controlling is also what is involved in directing function. We can see from this the close relationship between the function of controlling and other functions of planning, organizing and directing. However, the amount of supervision necessary depends upon such factors as the expertise of the superior, the abilities and skills of the subordinates and the nature of the work environment (Akpala, 1993:140).

Measurement of performance also calls for feedback. Bringing the observed performance to the notice of the management comes under the concept of feedback. Feedback here is information about the result of a set of actions passed back to the person in charge so that necessary actions can be taken. This feedback to the management on actual results help managers to move to the next step in the controlling process which is comparing actual performance with standard performance.

3.3.3 Compare Actual Performance with Standard Performance

This step has to do with determining the amount of agreement between established standards and actual results. The analysis of comparison can take place at or away from the point of operation and its purpose is to determine whether deviation from established performance standards has occurred and whether these conditions should be brought to management's attention (Akpala, 1993:14). Thus, if the actual results from operations conform to standards set previously, nothing happens, although it is recommended the managers should commend their subordinates for meeting established organizational standards. However, if the actual performance shows significant deviations from established standards, this calls for corrective action.

3.3.4 Correct Deviations from Standards of Performance

This has to do with taking corrective action. Basically, corrective action is concerned with either correcting unfavourable deviations from standard performance or altering future standard performance criteria.

However, in order to undertake corrective action, the manager must identify the real problems causing the deviations. He must therefore, develop, analyse and choose among alternative approaches to overcome these deviations (Akpala, 1993:141). Corrective action may involve a change in one or more activities of the organizations, or it may involve a change in the standards originally established. For example, the bank manager may discover that more counter-workers are needed to meet the five minute customer-waiting standard set by the bank. In order cases, control can (and often do) reveal inappropriate (too high or too low)

standards. Under these circumstances, the corrective action may involve a change in the original standards.

In summary, a manager may correct by redrawing his plans or by modifying his goal. Or he may correct organizing function through reassignment or re-clarification of duty, by additional staffing, better selection and training of subordinates or by ultimate nationalization of staff. He may correct through better directing, fuller explanation of jobs, change of factors or through different leadership style. All these show the interrelatedness of the management functions, (Akpala, 1993:142).

A corrective action can be immediate and basic. This means correcting or rectifying the situation now and returning to a position of normality. After then, the manager will be concerned with the cause of the deviation, and method of avoiding future occurrence

Another important element in the corrective action process is disciplinary action, which involves application of some form of venality in order to improve future behaviour. This is the stick aspect of the corrective action. It may also take the form of carrot. This therefore, highlights the close relationship between directing especially motivation and the controlling function.

3.4 Subordinates Reaction to Supervisory Control

We have seen that controlling requires supervision, which is overseeing the activities of the subordinates. Therefore, subordinates' reaction to supervisory control include the following:

3.4.1 Compliance

Workers comply willingly since the area accustomed with the imposition of controls.

3.4.2 Purposeful/Deviation

Subordinates devise innovative method of deviation and also keep the deviation from being discovered. But this depends on the skill, knowledge and experience of the manger.

3.4.3 Aggressive Attack

Workers can aggressively sabotage the control system, make the accountability to be shifted from one group to another, etc.

3.4.4 Absenteeism

Individuals can increase the rate of absence from the work place so as to escape supervisory control temporality.

3.4.5 Resignation

Workers leave the organization permanently.

3.4.6 Apathy

Subordinates can develop an attitude of indifference towards present and future conflicts over control.

3.4.7 Transfer

Individuals can transfer to other departments where control requirements are not so stringent.

3.4.8 Join Informal Groups

Subordinates can establish or join informal groups to offset the pressures generated by controls.

3.4.9 Join Labour Union

Workers can join informal labour union if the informal groups are not adequate to offset pressures generated by controls.

3.5 Critical-Point, Standards and Their Types

As indicated above, the establishment of standards furnishes the yardstick against which actual or expected performance is measured. In a simple operation, a manager might control through careful personal observation of the work being done. However, in most operations, this is not possible because of the complexity of the operations and the fact that a manager has far more to do than personally observe performance. A manager must then choose points for special attention and then watch them to be sure that the whole operation is proceeding as planned. The point selected for control should be critical, in the sense either of being limiting factors in the operation or showing better than other factors whether plans are working out. With such standards, managers can handle a larger group of subordinates and thereby increase their span of management, with resulting cost savings and improvement of communication.

The ability to select critical points of control is one of the arts of management, since sound control depends on them. In this connection, managers must ask themselves such questions as, what best reflect the goals of any department? What will best show me that these goals are not being met? What will best measure critical operations? What will inform me as to who is responsible for any future? What standards will cost the least? For what standards is information economically available? Every objective, every goal of many planning programmes, every activity of these programmes, every policy, every procedure, and every budget become standards against which actual or expected performance might be measured. In practice, however, standards tend to be of the following types

3.5.1 Physical Standards

These deal with non-monetary measurements and are common at the operating level where materials are used, labour employed, services rendered, and goods produced. They may reflect quantitative performance such as labour hours per unit of output, sounds of fuel per horsepower produced, tonne-miles of freight traffic carried, units of production per machine-hour, or feet of wire per ton of copper. Physical standards may also reflect quality, such as hardness of bearings, closeness of tolerance, rate of climb of an airplane, durability of a fabric or fastness of a colour. These standards are the building blocks of planning, since whether management must choose between alternative policies, organizational configuration, procedures, or resources, it must always analyze the rival programmes in terms of their physical elements, determine the financial implications of these elements, integrate or synthesize the elements into programmes and select the best programmes it can devise. To the extent that physical standards can be the building blocks of planning, they are also the fundamental standard for control.

3.5.2 Cost Standards

These deals with monetary measurement and, like physical standards, are common at the operating level. They attach more values to the costs of operations. Illustrative of cost standard, such widely used measures as direct and indirect cost per unit produced, labour cost per unit or per hour, material cost per unit machine-hour costs, cost per plane reservation, selling cost per unit or unit of sales, and cost per foot of well drilled.

3.5.3 Capital Standards

These are varieties of cost standards, arising from the application of monetary measurement to physical items. But they have to do with the capital invested in the firm rather than with operating costs and are therefore, related to the balance sheet rather than the income statement.

Perhaps, the most widely used standard for new investment, as well as for overall control, is return on investment. The typical balance sheet will disclose other capital liabilities, debt to net worth, fixed investment to total investment, cash and receivable to payables, notes or bonds to stock, and the size and turnover of inventories.

3.5.4 Revenue Standards

These arise from attaching monetary values to sales. They may vary from such standards as revenue per bus passenger to average sales per customer and sales per capita in a given market area.

3.5.5 Programme Standards

A manager may be assigned to install a variable budget programme, a programme for formally following the development of new products, or a program for improving the quality of a sales force.

3.5.6 Intangible Standards

More difficult to set are standards not expressed in either.

3.5.7 Goals as Standards

However, with the present tendency for better-managed enterprises to establish an entire network of verifiable qualitative or quantitative goals at every level of management, the use of intangible standards, while still important, is diminishing. In complex programme operations as well as in the performance of managers themselves, modern managers are finding that through research and thinking, it is possible to define goals that can be used as performance standards. While the quantitative goals are likely to take the form of qualitative goals, quantitative goal represents a new development in the area of standard, for example, if the programme of a district sales office is spelled out to include such elements as training sales people in accordance with a plan with specific characteristics. The very fact of plan and its characteristics furnish standards which tend to become objective and, therefore, tangible.

To Monitor Progress and Correct Mistakes

One reason control is needed, is to monitor progress and check mistakes. This is because control operates through established standards set as part of the planning, compares actual performance against standards and corrects deviations from standards (Akpala, 1993:138).

To Cope with Change

The one variable that is constant in this world is change. Therefore, change is an inevitable part of any organization's environment.

To create Faster Cycle

Control is needed so as to speed up the order-to delivery cycle. It is one thing to recognize a customer demand for an improved design quality or delivery time. It is another to speed up the cycle involved in creating and delivering these new product and services to customers. In fact, today speed will be the standard, especially the speed with which orders are filled. Therefore, effective control is essential to this process since it allows managers to monitor quality delivery speed, order processing and most important of all, whether customers are getting what they want when they it.

To Add Delivery

Speedy cycle times are ways to gain competitive edge. Adding value is another. According to Ahmae (1988:1449-156), an organization's true objective should be to add value to its product or services so that customers will buy it in preference to its product or competitor's offering. Most often, this added value takes the form of above average quality achieved through exacting control procedures. Some companies can add value by increasing quality and offering additional safety feature.

To Unite Workers from Different Backgrounds and Cultures

Control procedure helps to focus the efforts of managers, and employees without regards for their educational or cultural backgrounds. In fact, the clear trend is toward participative, consultative approach to management functions, including control. Under this approach, every employee shares responsibility for control. Historically, US firms have used fairly rigid, autocratic control to manage workers and subordinates. Today, though, even the word subordinate sounds strange to many organization members. So does the idea that a manager is a superior (Stoner and Freeman, 1992:603). Given the better educated work force of today,

most managers believe that rigid functional controls and hierarchical structures dampen, rather than enhance workers' motivation and productivity. Furthermore, enlightened managers respect the diversity of today's work force, which takes in men and women from a variety of cultural backgrounds (Stoner and freeman, 1993:603).

To Facilitate Delegation and Teamwork

The trend toward participative management also increases the need to delegate authority and encourage employees to work together as teams. This does not reduce the manager's ultimate responsibility, of course. Rather, it changes the nature of the control process. Under the old fashioned, automatic system, the manager would specify both the standard for performance and the methods for achieving them. Under the new, participative system, managers communicate the standards, but then let employees either as individuals or as teams, use their own creativity to decide how to solve certain work employees; progress without hampering their creativity or involvement with the work.

SELF ASSESSMENT EXERCISE

Discuss the requirement of an effective control system.

3.6 Types of Control

There are four types of management control. Let us explain briefly what each of them meant.

3.6.1 Pre-Action Controls

Pre-action controls (sometimes called pre-controls) ensure that the necessary human, material, and financial sources are set aside before an action is undertaken. Financial budgets (to be discussed later in this chapter) are the most common type of pre-action control, since hiring, the training, new products and services all require money. Schedules are another important type of pre-action control, since these preliminary activities also require an investment of time, a resource sometimes as money.

The idea common to all pre-controls is to prevent problems from occurring rather than to fix them after they happen. Thus, a budget helps an organization anticipate expenses and then sets aside adequate funds for a project. A schedule helps managers identify tasks and then estimate the amount of time needed for their completion, with some extra time allowed for unforeseen events and complications.

3.6.2 Steering Controls

Steering controls, also known as cybernetic or feed-forward controls, are designed to detect deviations from some standard or goal and to allow corrections to be made before a particular sequence of actions is completed. The term steering controls is a simple metaphor derived from driving an automobile. The driver steers the car to prevent it from going off the road or in the wrong direction. Steering controls are effective only if the managers can obtain timely and accurate information about changes in the environment or about progress toward the desired goals.

3.6.3 Yes/No Screening Controls

Yes/No controls, or go/no go controls, provide a screening process in which specific aspects of a procedure must be approved or specific conditions not before operations may continue. Today, many organizations give this type of control authority to line workers as well as managers and supervisors. Another screening control occurs in banking where large customer withdrawals must be approved by a senior teller and one other bank officer.

3.6.4 Post-Action Controls

As the term suggests, post-action, the cause of any deviation from the plan or standards are determined and the findings are applied to similar future activities. Post-action controls are also used as a basis for rewarding or encouraging service employee (for example, meeting a standard may result in a future bonus).

It should be noted that the four types of control, namely, pre-action, steering, screening and post-action are not alternatives. Rather, they complement one another. Fast and accurate information flows are vital in these types of control since the sooner deviations are detected, the sooner they can be corrected. In most modern organizations, this information is provided by computerized information systems. Because steering controls provide a means for taking corrective action while a project is still viable, they are usually more widely used than other types of control. As a bonus, steering controls let managers take advantage of deviations from plans that represent opportunities for new sources of profit. Steering controls are rarely perfect, however. As a result, yes/no controls provide an extra margin of security when safety is a key factor, as in aircraft design, or where large expenditures are involved, as in construction programmes.

4.0 CONCLUSION

This unit has discussed controlling as a management function. Controlling ensures that everything is in conformity with the plan. This is necessary for the business organization to grow. Meanwhile, the cooperation of every one is required to ensure that the objectives of the business are achieved.

5.0 SUMMARY

This unit explains the requirement of an effective control system. The steps involved in control process has also been discussed. The reader, in addition to the concept of management, should have knowledge of controlling as part of management function.

6.0 TUTOR-MARKED ASSIGNMENT

Discuss controlling as a management function in agribusiness enterprises.

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UNIT 2 COORDINATING AS A MANAGEMENT FUNCTION IN AGRO-BUSINESS ENTERPRISES

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 The Nature of Coordinating
 - 3.2 Approaches to Achieving Effective Co-ordination
 - 3.2.1 Use of Committees and Task Forces
 - 3.2.2 Staff Meeting
 - 3.2.3 Conferences Group
 - 3.2.4 Programmes
 - 3.2.5 Use of Basic Management Techniques
 - 3.2.6 Use of Effective Communication
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Readings

1.0 INTRODUCTION

In any business organization, the activities carried out are coordinated in a way that the objectives will be achieved. The scope of coordinating as a function will depend on the size of the business. Most established businesses, have different units and therefore the activities of these units are coordinated effectively to ensure that the objectives of the organizations are achieved. The reader should be in a position to distinguish between coordinating in other forms of business organizations.

2.0 OBJECTIVES

At the end of this unit, you should be able to:

- explain the concept of nature of coordinating
- approaches to achieve effective co-ordination.

3.0 MAIN CONTENT

3.1 The Nature of Coordinating

Coordinating involves the harmonization of the individual and group efforts so as to achieve the organizational objectives (Ile, 1999:178). It is the process whereby the effort of a group is synchronized or integrated so that the desired goal is obtained. Co-ordination, according to Stoner, is the process of integrating the objectives and activities of separate work unit in order to effectively realize the organizational goals. Akpala (1996:30-31) says that to co-ordinate is to develop unity of action in common purposes by orderly arrangement of group effort towards a unified integrated achievement of objectives. It is also defined as the orderly arrangement of group effort so as to provide unity of action in the pursuit of a common purpose (Mooney, 1947:5).

From the foregoing, we therefore, state that co-ordination involves seeing that all groups and persons in an organization work efficiently, effectively and economically in harmony towards the achievement of the common objectives. Without co-ordination, people and units or departments would lose sight of their roles within the organization and be tempted to pursue their own special interests, often at the expenses of organizational goals.

The necessity for synchronizing individual action arises out of differences in opinions as to how group goals can be reached or how individuals and group objectives can be harmonized. Even in the case of a church or a fraternal organization, individuals often interpret similar interests in different ways and their efforts towards mutual goals do not automatically mesh with the efforts of others. It thus becomes the task of the manager to reconcile difference in approach, timing, effort or interest and to harmonize co-operative and individual goals.

3.2 Approaches to Achieving Effective Co-ordination

Some approaches to achieving effective co-ordination include:

3.2.1 Use of Committees and Task Forces

The use of committees is a well-known technique for co-ordination in organizaions. Akpala (1993:83), citing Trewatha (1975:5-1) defines committee as a group of organizational members charged with responsibility for solving a specific problem or accomplishing a specific task. One of the most ubiquitous and controversial devices of organization is the committee. Whether it is referred to as a “board”, “commission”, “task force” or “team”, its essential natures is the same,

for the committee is a group of persons to whom, as a group some matter is committed. It is this characteristic of group action that sets the committee apart from other organization devices, though, as well will see, not all committee involves group decision making. Committees are a fact of organizational life. Although committees are widely criticized, properly conducted committee meetings used for the right purpose can result in greater motivation, improved problem solving, and increased output. Because of variation in authority assigned to committees, much confusion has resulted as to their nature.

Some committees undertake managerial functions, and others do not. Some make decisions, others merely deliberate on problems without authority to decide. Some have authority to make recommendations to a manager, who may or may not accept them while others are formed purely to receive information, without making recommendations or decisions committee may be either line or staff, depending upon its authority. If its authority involves decision making affecting subordinates responsible to it, it is a plural executive and a line committee; if its authority relationship to a superior is advisory, then it is a staff committee.

Committees may also be formal or informal. If established as part of the organization structure, with specifically delegated duties and authority, they are formal. Most committees with any permanence or standing fall into this class. Or they may be informal, i.e., organized without specific delegation of authority and usually by some persons desiring group thinking or group decision on a particular problem. Thus, managers may have a problem on which they need advice from other managers or specialists outside their department and may call a special meeting for the purpose. Indeed, this kind of motivation, plus the occasional need for gathering together in one room all the authority available to deal with an unusual problem, gives rise to many of the numerous conferences in organizational life.

Moreover, committees may be relatively permanent, or they may be temporary. One would expect the formal committees to be more permanent than the informal, although this is not necessarily so. A formal committee might be established by order of a company resident, with appropriate provision in the organization structure, for the sole purpose of studying the advisability of building a new factory and be disbanded immediately upon completion of its task. And an informal committee set up by the factory manager to advise upon the improvement of product quality or to help co-ordinate delivery dates with sales commitments might continue indefinitely.

However, the executive who merely calls assistants into the office or confers with department heads is not creating a committee. It is sometimes difficult to draw a sharp distinction between committees and other group meetings. The essential characteristic of the committee is that it is a group charged with dealing with a specific problem. The committee is in wide use in all types of organizations. In government, one finds a large number of standing and special committees of every legislative body; indeed, state and national legislatures are committees, as are the cabinets of the chief executives of the federal and state governments. Committees manage many government agencies. In education, faculties of great universities, jealous of academic freedom and distrustful of administrative rights, traditionally circumscribe the authority of vice-chancellors and deans with myriad committees. In most universities, various standing committees share in administration or advise on policy, ranging from the academic senate and the budget committees to committees on committees, coordinating committees, and committees on alumni records, university welfare, and maintenance of order during examinations.

Religious institutions likewise lean heavily on committees, partly to encourage active participation by members and partly to delimit the authority of leaders. Although their authority may vary widely, depending upon the traditions of the sect, committees, ranging from the church board to the committee in charge of a church upper, are even present. Committees are also prevalent in business. A board of directors is a committee, as are its various constituent groups, such as the executive committee, the finance committee, the audit committee, and the bonus committee. Occasionally, one finds a business managed by a management committee instead of a president. And almost invariably under the president there will be a variety of management or policy committees, planning committees wage and salary review committees, grievance committees, task forces for particular projects, and numerous other standing and special committees. Moreover, at each level of the organization structure, one or more committees are likely to be found.

Therefore, committee aids co-ordination in that they:

- a) pool resources to solve problem;
- b) co-ordinate overlapping and conflicting functions;
- c) ensure prior consultation and lead to greater acceptance of decisions; and
- d) enable executive to be trained

Thus, through the use of committee, the small business owner manager will be able to solve many problems affecting the positive performance of small business.

SELF ASSESSMENT EXERCISE

Explain the concept of nature of coordination in agri-business organization.

3.2.2 Staff Meeting

Staff meetings are useful, particularly if they are informal. An agenda is preferable and these meetings should: give a sense of unity to the work of the organization; provide an opportunity for subordinates to question superiors and provide a forum for discussion; inform staff of new developments and problems

3.2.3 Conferences

These are another method of making group decision. They aid free discussion and help to improve understanding of company matters and this face to face communication is an important factor in effective communication.

3.2.4 Programmes

Programmes such as time table, a production programme are instruments of co-ordination. The programmes enable results to be compared with standards and actions to be taken where necessary.

3.2.5 Use of Basic Management Techniques

Relatively modest co-ordination requirements can often be met through basic management mechanisms. One of such mechanism is the organization's chain of command, which specifies relationships among members and units, thereby facilitating the flow of information. Another useful tool is the body of rules and procedures designed to let employees handle routine co-ordination tasks quickly and independently. In addition, the co-ordination of strategic and operational plans can be achieved by ensuring that all units are working towards the same broad goals.

3.2.6 Use of Effective Communication

The best co-ordination occurs when individuals see how their jobs contribute to the dominate goals of the enterprise. This implies knowledge and understanding of enterprise objectives not just on the part of a few at the top, but by everyone throughout the enterprise. If, for example, managers are not sure whether the basic goal of their firm is

profit, quality, advanced techniques or customer service, they cannot coordinate their efforts to achieve true objectives. Each would be guided by his or her own ideas of what is in the interest of the firm or without any such conviction, work for self-aggrandizement. To avoid such splintering of efforts, the dominate goal of the enterprise should be clearly defined and communicated to everyone concerned.

According to Stoner and Freeman (1992) communication is the key to effective co-ordination. Co-ordination is directly dependent on the acquisition, transmission and processing of information. This also shows the relationship between co-ordinating and directing functions.

4.0 CONCLUSION

There is need to coordinate activities of the Agro-business to avoid duplication of efforts. The resources should be effectively utilized to guarantee cost effectiveness.

5.0 SUMMARY

This unit considers the nature of co-ordination, and also the approach to achieving effective co-ordination. The entrepreneurs should handle this aspect of management to ensure that profit is maximized.

6.0 TUTOR-MARKED ASSIGNMENT

Discuss the various approaches for achieving effective coordination in Agro-business enterprise.

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UNIT 3 FINANCIAL ANALYSIS OF AGRO-BUSINESS

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 Concept of Financial analysis
 - 3.2 Concept of Financial Ratios
 - 3.2.1 Solvency Ratios
 - 3.2.2 Asset Management Ratio
 - 3.2.3 Debt Management Ratio
 - 3.2.4 Profitability Ratio
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Readings

1.0 INTRODUCTION

You must be introduced to financial analysis regarding the Agro-business. Financial analysis is an important aspect of management. The use of financial ratios will assist the entrepreneur determine the overall performance of the business. Even where the owner of the business is seeking for loan, the financier will like to ascertain the performance of the business and this done by looking at the financial records. Using financial ratios, areas of weaknesses are easily detected out. The owner of the business should be in a position to work out the ratios using the record kept.

2.0 OBJECTIVES

At the end of this unit, you should be able to:

- explain the concept of financial ratios analysis
- explain the concept of financial ratios
- study the two statements, balance sheet and income state.

3.0 MAIN CONTENT

3.1 Concept of Financial Analysis

Financial analysis involves quantitative statement expressed to determine the soundness of a business organization. In other words, it determines the strength and weaknesses of the business. It is also the

process of identifying the financial strength and weakness of an organization by properly establishing relationship between the items of the balance sheet and the profit and loss account. By implication, it guides the management or the manager in taking relevant and viable decision. Different managers may wish to adopt different methods in carrying out the financial analysis of their business.

However, in ensuring that results represent the true financial status of the businesses, the author may wish to emphasize here that there are known and specific methods of carrying out analysis.

3.2 Concept of Financial Ratios

Ratios are important aspects of financial analysis as they are the easiest and simplest index to reveal the ability of the business to raise funds to meet near future expenditure requirements. They are mathematical expressions, which depict the relationship between one variable and the other. Ratios become clearer and properly understood if the financial interpretation is given based on the result. They give a true picture of the financial status of a business.

The financial ratios include **Solvency** (liquidity), **Asset** (Activity) management, **Debt** (leverage) management and Profitability ratio.

3.2.1 Solvency Ratios

Solvency is the ability of the business to pay up debt and meet its obligations as they fall due. Any business that goes insolvent cannot continue to function and its creditors would be very unwilling to lend more money. The business organization should have enough cash or near cash securities to pay its short-term debts otherwise it runs the risk of foreclosure. It is necessary to pay off short-term obligations with current assets. At any point in time the business should have current assets equal in value to its current liabilities. In other words, the current assets should be more than the current liabilities to be on the safe side.

The current ratio measures the extent to which the short-term assets cover short-term claims. It measures short term solvency and it is given by

$$\frac{\text{Total Current Asset}}{\text{Total Current Liabilities}}$$

If the ratio is low, it reveals weakness but if it is too high it is an indication of poor management, showing that much raw cash or near cash items are kept. This can be bad especially during inflationary

period. As a rule of the thumb the current ratio should not be more than 2:1 and must not be less than 1:1. It represents a margin of safety for creditors. The higher the current ratio, the greater the margin of safety, the larger the amount of current assets in relation to current liabilities, the more the firm's ability to meet its current obligations.

Quick/Acid Test Ratio

The acid test measures the ability of the business to pay off short-term obligations without depending on the sale of inventories. It is given by

$$\text{Quick ratio} = \frac{\text{Total current Assets} - \text{Inventories}}{\text{Total current liabilities}}$$

Business with a high value of quick ratio can suffer from the shortage of funds. Business with low value of quick ratio may really be prospering and paying its current obligation in time if it has been turning over its inventories efficiently.

3.2.2 Asset Management Ratio

Asset management ratio measure the level of effectiveness of a firm in handling or managing its assets and whether or not the level of these assets is properly related to the level of operations as measured by sales. It reflects the efficiency of the business in utilizing asset. The asset management ratio includes:

$$\text{Inventory turnover} = \frac{\text{sales}}{\text{Average inventory}}$$

$$\text{Total Asset Turnover} = \frac{\text{sales}}{\text{Total Asset}}$$

This measures efficiency in utilizing assets.

3.2.3 Debt Management Ratio

Debts, which is also called liability, is an amount standing against the business. Management ratio, therefore, measures fund supplied by the owners when compared to the financing provided by the firm's lender or creditor. It shows the proportions of debts and equity in financing business assets. It measures the riskiness of the business in term of its debt obligations.

$$\text{Debt ratio} = \frac{\text{Total debt (liability)}}{\text{Total assets}}$$

A low debt ratio is required by the creditor because it indicates some protection for their business. Generally, leverage ratio measures the ability of the business to meet both long and short term debt obligations. Ownership credit ratio is given by:

$$\frac{\text{Total Net worth}}{\text{Total liability}}$$

The larger the ratio the better for the lender. It depicts that solvency is high and assumes less risk.

3.2.4 Profitability Ratio

The profitability ratios have direct bearing with the profitability of the business. It measures overall performance and effectiveness of the business and they include:

$$\text{Profit margin} = \frac{\text{Net profit after taxes}}{\text{Sales}}$$

Profit margin measures the profitability of the business relative to sales after tax

Gross profit margin measures the extent to which profits are generated, netting out cost of sales from turnover:

$$= \frac{\text{Sales} - \text{Cost of Goods Sold}}{\text{Sales}}$$

SELF ASSESSMENT EXERCISE

State the importance of knowing the profitability ratio and Debt Equity ratio in Agro-business.

4.0 CONCLUSION

The author has dealt with the financial analysis of Agro-business. There is every need for the entrepreneur to carry out financial analysis of the business. This will assist in determining the profitability of the business.

You are therefore to should be conversant with the financial ratios to be able to carry out financial analysis as required.

5.0 SUMMARY

The unit has dealt with the various financial ratios that can be used in ascertaining profitability of the business. The ratio to be used will depend on the type of information needed.

6.0 TUTOR-MARKED ASSIGNMENT

Discuss the relevance of financial ratios in business organizations.

7.0 REFERENCES/FURTHER READINGS

Umehali, E.E (2004). *Agribusiness and Financial Analysis*. Lagos: Computer Edge Publishers.

UNIT 4 BUDGETS AND BUDGET CONTROL FOR AGRO-BUSINESS

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 Concept of Budget
 - 3.2 Budget Control
 - 3.3 Types of Budgets
 - 3.3.1 Operating Budget
 - 3.3.2 Financial Budgets
 - 3.4 Financial Control Method
 - 3.4.1 Financial Statements
 - 3.4.2 Balance Sheet
 - 3.4.3 Income Statement
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Readings

1.0 INTRODUCTION

Budget is one of the control measures in a business organization. Budget shows at a glance the expected expenditure and income. Indeed, it is an aspect of planning. There is a need, therefore, for the reader to understand the concept of budget and its control. Business organizations are required to prepare budgets either for the overall business or part of it.

2.0 OBJECTIVES

At the end of this unit, you should be able to:

- explain the concept of budget
- explain the concept of budget control
- study the types of budget.

3.0 MAIN CONTENT

3.1 Concept of Budget

Budgets can be defined as statements of anticipated results stated in financial terms such as in revenue and expense and capital budgets or in non-financial terms such as in budgets of direct-labour-hours, materials,

physical sales volume or units of production, Kootz et al (1980). It can also be defined as a plan quantified in monetary terms prepared and approved prior to a defined period of time, usually showing planned income to be generated and or expenditure to be incurred during that period and the capital to be employed to attain a given objectives.

Budgets are formal, quantitative statements of the resources set aside for carrying out planned activities over given periods of time.

Based on the foregoing, budgets are plans for a given future period of time, expressed in quantitative and financial terms. Budget can be stated in financial terms such as capital, revenue and expenditure budgets or in non-financial terms such as materials, sales in units and units of production. It has some features and they include:

- 1) It is a plan of action.
- 2) It is stated in quantitative or financial terms of both.
- 3) It is prepared prior to a defined period of time for the control of performance within the period.
- 4) It states performance expectation over a defined period of time, in the different phases of business operation-sales, production marketing, cash, etc.
- 5) It integrates the resources and costs of an organization to plan for anticipated level of performance.
- 6) It is aimed at the attainment of organization objectives

3.2 Budget Control

Once the appropriate set to budgets has been chosen, they will be used as a means of locating responsibilities and thereby through the use of statements and reports, help in controlling performance and costs. This entire process is known as budgetary control. Budgetary control is the use of budgets for assigning responsibilities, planning and controlling performance and guiding managerial and other activities towards the achievement of organizational objectives. It involves.

- i. Setting out clearly defined targets of output, income and expenditure for each section of the business.
- ii. Embodying these targets of performance in sectional divisional and departmental budget.
- iii. Comparing these budgets standard with actual performance.
- iv. Identifying deviations or variance from the budget.
- v. Taking corrective action to bring performance in line with budgeted target.

A budget control system has the following objectives:

- 1) Forecasting and planning future business activities within the budget period.
- 2) Locating responsibilities to various executives and operatives.
- 3) Maintaining control over performance and cost.
- 4) Coordinating all functions to ensure harmony.
- 5) Guiding management and the entire organization towards the attainment of common objectives.

3.3 Types of Budgets

They include operating budget, financial budget. Others

3.3.1 Operating Budget

The operating budgets indicate the goods and services the organization expects to consume in the budget period. This requires listing of both the physical quantities such as barrels of oil and cost figures. The most common types of operating budgets are

Expense Budget

This budget may deal with individual items of expense, such as direct labour, materials, supervision, clerical, rent, heat power, travel.

Revenue Budget

This type measures marketing and sales effectiveness by multiplying the unit price of each product by the predicted sales quantity. It is the most critical part of a profit budget. Yet it is also one of the most uncertain because it is based on projected future sales.

Profit Budget

This combines cost and revenue budgets in on statement. It is used by managers who have responsibility for both the expenses and revenues of their units.

3.3.2 Financial Budgets

This type spells out, in detail, the money the organization intends to spend in the same period and where that money will come from. The common types include:

- Capital Expenditure budget which indicates future investments.

- Cash budget which brings together the estimates for revenue expenses and new capital expenditure. It reveals the level of fund flowing through the organization.

Financing budget is developed to assure the organization of the availability of funds to meet the shortfalls of revenues relative to expenses in the short run and to schedule medium and longer-term borrowing or financing.

3.4 Financial Control Method

Financial control methods refer to financial statements and methods which help to determine business performance. They have special prominence, since money is easy to measure and tally. The two main types of financial control methods are financial statements and financial ratio-treated in one of the units.

3.4.1 Financial Statements

Financial statements are used to record the flow of monetary value of goods and services into and out of the organization. They provide a means for monitoring three major financial conditions of a business.

Liquidity is the ability to convert assets into cash in order to meet current financial needs and obligations.

General financial condition is the long-term balance between debt and equity, the assets left after liabilities are deducted.

Profitability is the ability to earn profits steadily and over an extended period to term. The financial statements include balance sheet and income statement.

3.4.2 Balance Sheet

Balance sheet shows the financial position of an organization at a particular point in time. The message of balance sheet is to show how the business stands financially at this particular point in time. It describes the levels of asset, liabilities and net worth. The equation is:

Asset = liability + net worth.

3.4.3 Income Statement

Income statements are also called trading profit and loss account. It attempts to determine the wealth created for the owners of capital in a given period of time. Furthermore, it summarizes the business financial

performance over a given interval of time. It gives information on the expenditure and income, showing profit.

SELF ASSESSMENT EXERCISE

Explain the role of budget and budgetary control in agribusiness enterprise.

4.0 CONCLUSION

The operators of the Agro-business should also prepare the required budget in order to have good control over the business financially. The budget prepared should be strictly adhered to avoid a mixed up.

5.0 SUMMARY

This unit has discussed budgets and its control in discussing Agro-business management. The reader must have some exposure in budget as the entrepreneur needs to prepare budget. It is a major instrument in controlling the flow in and out of fund. This unit also discussed the income and balance sheet statements. The statements show the financial position of the business.

6.0 TUTOR-MARKED ASSIGNMENT

1. Discuss the different types of budgets.
2. Differentiate between income and balance sheet statements.

7.0 REFERENCES/FURTHER READINGS

Ile. N.M (2001). *Small Business Management: An Integrated Approach*. Enugu: Otuson Nigeria Limited.

Kootz, H and O Donnell C (1972). *Principles of Management An Analysis of Managerial Functions* 5th Edition. New York: McGraw Hill Book.

the consumer irrespective of where they reside. The parties strike a balance, as the producer tries to maximize profit, which the consumer tries to maximize satisfaction. It is the responsibility of the producer to locate areas where the products are in short supply and transfer the products to areas of deficiency.

The approaches to marketing include: managerial, institutional, functional, commodity, scientific and social. There is need for the entrepreneur of segment the market based on certain criteria to determine the target group. There is also the need for market research information. This involves the collection of data and analysing them to make deductions. Mention has to be made that there is the need to achieve perfectly competitive market in which the following conditions will be achieve:

1. Large number of sellers and buyers
2. The products should look alike
3. Perfect knowledge/free flow of information
4. Free exist and entry
5. Minimal transportation cost

If these conditions do not exist then, it is imperfect market.

3.2 Marketing Mix

Marketing mix involves the combination of products price place and promotion.

3.4.4 Products

The organization must strive to offer products that will yield maximum satisfaction to consumer and this is to say that design, presentation, packaging, brand image and all the attributes which give the customer the satisfactions he is paying for must be in place. A major peculiarity of products is the cycle they undergo. The first stage is the development phase characterized by undertaking market research with sales growth being slow. The second stage is the growth phase with the enhancement of sales, resulting in increased profit. The third stage is the saturation of market: market is flooded and the profit is adversely affected. The fourth stage is the recession of market during which profit declines. Different marketing programmes are required at each stage of the cycle. The size, package display and presentation are important in the products marketing.

3.2.2 Price

Price is what the consumer offers to the seller in exchange for the commodity. It determines the value of the product. Prices should be competitive and can change as a result of:

- Significant changes in cost
- Reduction in output, resulting from limited raw materials
- Sudden increase in demand
- Decision of competitors
- Prices of the products can be changed deliberately

3.2.3 Place

Products can be delivered to the customers in his place instead of working or taxing down to the premises. However, this is determined by whether the producer wants to deal with the consumer directly. The products pass through the middlemen-wholesaler, retailer and the consumer. The producer sells the product to the wholesaler who in turn sells to the retailer who sells to the consumers.

3.2.4 Promotion

This involves informing and educating the consumers on the products. The strategies used include: advertisement, personal selling, publicity and sales promotion. Using advertisement will involve radio, television, newspaper, etc. Selling publicity, requires personal touch. Publicity is useful for promoting the image of the business and for communication information about new products in the electronic or print media. However, it is not enough. Sales promotion refers to those marketing activities involving shows and exhibitions, etc.

3.3 Marketing Functions

In order to carry out efficient marketing, the following are important;

1. Transportation of the products
2. Proper storage of the product and preserving them
3. Grading and standardization
4. Packing and sealing
5. Bringing both sellers and buyers together
6. Financing the marketing
7. Market information
8. Risk bearing

SELF ASSESSMENT EXERCISE

Marketing mix is a necessary tool to actualize Agro-business. Explain.

4.0 CONCLUSION

This unit has discussed marketing strategies for the Agro-business products. The products have to be marketed in order to obtain returns.

5.0 SUMMARY

The products produced must be marketed in order to attract revenue. The quality of the product should not be in doubt and sold at competitive price.

6.0 TUTOR-MARKED ASSIGNMENT

Discuss the marketing of Agro-business Products in Nigeria.

7.0 REFERENCES/FURTHER READINGS

Adekanye, T.O (ed) (1988). *Readings in Agricultural Marketing*. Lagos: Longman Publishers.

Arene, C.J (1998). *Introduction to Agricultural Marketing Analysis for Developing Economics*. Nsukka: Fulladu Publishing Company.