COURSE GUIDE

ENT 205 ENTREPRENEURIAL MARKETING

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COURSE GUIDE

INTRODUCTION

This course guide tells you the nature of the course materials you are going to use and how you are expected to use them for meaningful benefits. It is expected that at least two hours should be devoted to the study of every unit. For each course units there are exercises. You are encouraged to do them. They serve as points of reflections, which are necessary for proper understanding of the facts.

At the end of each unit, there are tutor-marked assignments, which you are expected to answer. They serve as revision and continuous assessment. Tutorial lectures will be provided. This is the opportunity you have for a face-to-face contact with your facilitator. Any area you did not understand will be explained during the tutorial classes.

COURSE AIMS

The course aims at exposing you (students) to the necessary information that will add to the student's knowledge on Entrepreneurial Marketing. The aim of the course shall be achieved by:

Defining and explaining marketing in clear terms
Examining the conceptual framework of marketing
Discussing product marketing concept
Explaining selling marketing concept
Examining the corporate based strategy
Distinguishing between a product and service
Defining and explaining market strategy
Itemising the various types of markets
Highlighting the core marketing functions
Some of the entities that are being marketed
Identifying the forms of business organization
Assessing the conditions for effective Entrepreneurial Marketing

COURSE OBJECTIVES

Upon successful completion of this course, you should be able to:

UNIT 1

Ш	Define and explain marketing in clear terms
	Examine the conceptual framework of marketing
	Discuss product marketing concept
	Explain selling marketing concept
	Examine the societal marketing concept
	Distinguish between a product and service
	Define and explain market
	Itemise the various types of markets
	Highlight the core marketing functions
	Discuss sales force management skills, and
	Some of the entities that are being marketed
	Identify ferbar"s fundamental Customer Rights

UNIT2

- Definition and Meaning of Service
- Characteristics of services
- Intangibility
- Heterogeneity
- Inseparability
- Perishability
- Explain the meaning of financial services
- Examine the Categorization of financial institutions
- Analyse the Oligopolistic nature of financial institutions
- Need for marketing in the financial services industry
- Characteristics (Features) of financial services
- Conditions for effective marketing of financial services
- A high level of literacy rate
- A fair good banking habit
- Existence of good legal or statutory stipulation

- Availability of Varied bank
- Enhancement of quality Service

UNIT 3

Define and explain service market segmentation
Identify and explain some of the market segmentation strategy adopted
Examine product market/product differentiation marketing
Discuss the various characteristics of effective market segmentation
Compare and contrast the bases for market segmentation
Elucidate the benefits of market segmentation
Highlight the various steps in market segmentation
Analyze the justification of market segmentation

UNIT 4

- Define and explain the meaning of marketing mix strategies
- The traditional 4Ps
- Product Planning
- Product planning
- Pricing of Services
- Service promotion
- Place or Distribution Strategy
- Pricing Policies
- Skimming price policy
- Penetration Pricing policy
- Stable pricing policy
- Going Rate of Market Price
- Competitive Pricing
- Promotion

UNIT 5

Definition and Meaning of Marketing Planning
The Need for Marketing Planning
Qualities of a Good Marketing Plan
o Flexibility
o Brevity

		o Comprehensiveness
		o Clarity
		Constraints to Marketing Plan
		o Action of Government/Regulatory Authorities
		o Economic Depression
		o Civil Strife/Social Upheavals
		o Man power Needs
		o Political Upheavals
		o Inflation
		o Cost of Operating Facilities
		Marketing Plan Content
UN	ΝΙΤ	6
	Di	iscuss some of the major strategies for marketing bank products and services
	Co	empare and contrast product strategy and pricing strategy
	En	umerate the marketing approaches to banking services
	Ex	plain the challenges of bank marketing
	Hi	ghlight the possible effect of technology, untrained staff as the major challenges of bank
	ma	arketing
	Fu	rther buttress the comprehensive strategy for the enhancement of bank marketing
	Dis	scuss the matching of corporate strategy alternatives to fit the bank industry circumstances
IJN	۱IT	7
		Defined and explain relationship marketing
		Examine some of the established factors about a customer
		Deduce some of the reasons for relationship marketing
		Enumerate the key methods employed in building relationship marketing
		Compare technical Support and Resource Support as method of building relationship
		Highlight the most needed qualities of a good relationship marketer
		Discuss with the aid of a labeled diagram the growth in banking services
		Explain the key steps in relationship marketing via-a-vis management of bank customer

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UNIT 8	
	Differentiate a product from service
	Discuss the new product development aims
	Identify and discuss the various stages of new product development
	Explain the concept of idea screening in a new product development stage
	Highlight the general purpose of test marketing
	Explain the concept of commercialization
	Identify the key decision areas when launching a new product
	Examine the failures of newly launched products in the markets
UNIT 9	
	Defining entrepreneurship
	Discussing the nature of entrepreneurship
	dentify the forms of entrepreneurship
• E	Examining the concept of entrepreneurship
	analyzing entrepreneurship as business activity
•]	Discuss certain key concepts as they relate to entrepreneurship development and how
e	ntrepreneurship development contributes to the national economy etc.
UNIT 10	
	□□□□ History of entrepreneurship
• F	lighlighting how entrepreneurship started in Nigeria
• Io	dentify the entrepreneurship development in Nigeria
• A	analyzing forms of entrepreneurship ad leadership
UNIT 11	
	□□□□ Review of discussion on entrepreneurship
• E	Examine the entrepreneurial process
• Io	dentify the factors of entrepreneurship
• A	Analyzing the role of entrepreneurship in an economy
UNIT 12	
	□□□□ Identifying Risk Bearing o

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- Evaluate management decision making
- Highlighting strategic planning
- Aanalyzing marketing management

UNIT 13

□□□□□□□ Identifying Risk Bearing

- Evaluate management decision making
- Highlighting strategic planning
- Aanalyzing marketing management

UNIT 14

- ☐ Examining the features of sole proprietorships
- ☐ Discussing the sources of fund of sole business
- ☐ Identify the forms of business ownership
- ☐ Analyzing forms of Partnership
- Discuss the sources of funds of partnership.

COURSE MATERIALS

- 1. Course Guide
- 2. Study Units
- 3. Textbooks
- 4. Assignment File
- 5. Tutorials

STUDY UNITS

There are sixteen study units as shown below:

UNIT ONE: GENERAL OVERVIEW OF MARKETING

UNIT TWO: APPLICATION OF FUNDAMENTAL CONCEPTS AND

PRINCIPLES IN ENTREPRENEURIAL MARKETING

UNIT THREE: MARKET SEGMENTATION

UNIT FOUR: FINANCIAL SERVICES MARKETING MIX STRATEGIES

UNIT FIVE: MARKETING PLANNING IN FINANCIAL SERVICE

UNIT SIX: STRATEGIES FOR MARKETING BANK PRODUCTS AND

SERVICES

UNIT SEVEN: RELATIONSHIP MARKETING

UNIT EIGHT: NEW PRODUCT DEVELOPMENT IN THE FINANCIAL

SERVICES

ENTREPRENEURIAL MARKETING

UNITE NINE: MARKETING OF INSURANCE SERVICES IN NIGERIA

UNIT TEN: ENVIRONMENTAL FOR FINANCIAL SERVICES MARKETING

UNIT ELEVEN: INTERNET SYSTEM IN FINANCIAL SERVICES

For each study unit, which you are expected to spend at least three hours, there are specific objectives. At the end of each unit, measure what you have learnt against the objectives. If there is any deviation go back to the contents of the unit. There are textbooks, which you may go for additional information.

The exercise in each unit has to be attempted to ensure that you are following the ideas being presented. In addition, there are tutor-marked assignments. You are entreated to attempt them, as some of them will form part of the continuous assessment.

ASSIGNMENT FILE

There will be nine (16) assignments, which will cover the following areas:

the conceptual framework of marketing, product marketing concept, selling marketing concept, the societal marketing concept, distinction between a product and service, the major issues in international services marketing management, marketing programme for foreign markets, products and promotion decisions such as maintaining a uniform product and promotion worldwide and retaining a uniform service formulation but adopt promotion, the pricing decisions in service marketing major market entry strategies etc.

PRESENTATION SCHEDULE

This concerns date for tutorials, submission of assignment to be sent to you in due course.

ASSESSMENT

This will be in two forms:

- 1. The continuous assessment which will be based on 30%.
- 2. The final semester examinations after you have completed the material 70%.

TUTOR-MARKED ASSIGNMENTS

There is TMA at the end of each unit and you are to submit the nine. Each of them is 10%.

As soon as you complete your assignment, sent it immediately to the tutor. The best three (3) will be

ENT 205 selected for continuous assessment purpose.

FINAL EXAMINATION AND GRADING

The final examination of ENT 227 will be of two-hour duration and have a value of 70% of the total course grade. The examination will consist of questions which reflect the type of self-testing, practice exercises and tutor-marked problems you have come across. All areas of the course will be assessed. You are advised to revise the entire course after studying the last unit before you sit for the examination. You will find it useful to review your tutor-marked assignments and the comments of your tutor on them before the final examination.

COURSE REVIEW

This table brings together the units, the number of weeks you should take to complete them, and the assignments that follow them.

	TITLE OF THE WORK	WEEKS	ASSESSMENT
		ACTIVITY	
UNIT			END OF UNIT

ENTREPRENEURIAL MARKETING

		RENEURIAL MAR	
ONE	GENERAL OVERVIEW OF MARKETING	1	1 ST
			Assignment
TWO	APPLICATION OF FUNDAMENTAL CONCEPTS AND PRINCIPLES IN ENTREPRENEURIAL MARKETING	1	2 ND Assignment
THREE	MARKET SEGMENTATION	1	d
			3 rd
			Assignment
		1	4 th
FOUR FIVE	FINANCIAL SERVICES MARKETING MIX STRATEGIES		Assignment
SIX SEVEN	MARKETING PLANNING IN FINANCIAL SERVICE	1	Assignment
EIGHT	STRATEGIES FOR MARKETING BANK		5 th
NINE	PRODUCTS AND SERVICES RELATIONSHIP MARKETING		Assignment
	NEW PRODUCT DEVELOPMENT IN THE FINANCIAL SERVICES		
	MARKETING OF INSURANCE SERVICES IN NIGERIA	1	6 th Assignment

TEN		1	10 th
	ENVIRONMENTAL FOR FINANCIAL SERVICES MARKETING		ASSIGNM ENT
ELEVEN TWELVE	INTERNET SYSTEM IN FINANCIAL SERVICES	1	
			11 th
THIRTEEN	MARKETING AUDIT AND CONTROL IN FINANCIAL SERVICE	1	ASSIGNM ENT
			12 th
	MARKETING ACTIVITIES IN THE CAPITAL MARKET	1	ASSIGNM ENT
FOURTEEN FIFTEEN			13 th
SIXTEEN	ETHICAL ISSUES IN FINANCIAL SERVICES MARKETING	1	ASSIGNM ENT
	SERVICE TARGETING AND POSITIONING		
	INTERNATIONAL MARKETING MANAGEMENT	1	14 th
	MANAGEMENT		ASSIGNM ENT
		1	
			15 th
			ASSIGNM ENT
			16 th
		16	ASSIGNM ENT

How to get the most from this course

In distance learning the study units replace the university lecturer. This is one of the greatest advantages of distance learning; you can read and work through specially designed study materials at your pace, and at a time and place that suit you best.

Think of it as reading the lecture instead of listening to a lecturer. In the same way that a lecturer might set you some reading to do, the study units tell you when to read your set books or other material.

Just as a lecturer might give you an in-class exercise, your study units provides exercises for you to do at appropriate points.

Each of the study units follows a common format. The first item is an introduction to the subject matter of the unit and how a particular unit is integrated with the other units and the course as a whole. Next is a set of learning objectives. These objectives let you know what you should be able to do by the time you have completed the unit. You should use these objectives to guide your study. When you have finished the units you must go back and check whether you have achieved the objectives. These objectives let you know what you should be able to do by the time you have completed the unit. You should use these objectives to guide your study. When you have finished the units you must go back and check whether you have achieved the objectives. If you make a habit of doing this you will insignificantly improve your changes of passing the course. The main body of the unit guides you through the required reading from other sources.

READING SECTION

Remember that your tutor"s job is to help you. When you need help, don"t hesitate to call and ask your tutor to provide it.

- 1. Read this course guide thoroughly.
- 2. Organize a study schedule. Refer to the "Course overview" for more details. Note the time you are expected to spend on each unit and how the assignments relate to the units. Whatever method you choose to use, you should decide on and write in your own dates for working on each unit.
- 3. Once you have created your own study schedule, do everything you can to stick to it. The major reason that students fail is that they get behind with their course work. If you get into difficulties with your schedule, please let your tutor know before it is too late for help.
- 4. Turn to unit 1 and read the introduction and the objectives for the unit.
- 5. Assemble the study materials. Information about what you need for a unit is given the "Overview" at the beginning of each unit. You will always need both the study unit you are working on and one of your set books on your desk at the same time.

- 6. Work through the unit. The content of the unit itself has been arranged to provide a sequence for you to follow. As you work through the unit you will be instructed to read sections from your set books or other articles. Use the unit to guide your reading.
- 7. Review the objectives for each study unit to confirm that you have achieved them. If you feel unsure about any of the objectives, review the study material or consult your tutor.
- 8. When you are confident that you have achieved a units objectives, you can start on the next unit. Proceed unit by unit through the course and try to space your study so that you keep yourself on schedule.
- 9. When you have submitted an assignment to your tutor for marking, do not wait for its return before starting on the next unit. Keep to your schedule. When the assignment is returned, pay particular attention to your tutor scomments. Consult your tutor as soon as possible if you have any questions or problems.
- 10. After completing the last unit, review the course and prepare yourself for the final examination. Check that you have achieved the unit objectives (listed at the beginning of each unit) and the course objective (listed in the course guide).

TUTOR AND TUTORIALS

There are 8 hours of tutorials provided in support of this course. You will be notified of the dates, times and location of these tutorials, together with the name and phone number of your tutor, as soon as you are allocated a tutorial group.

Your tutor will mark and comment on your assignment, keep a close on your progress and on any difficulties you might encounter and provide assistance to you during the course.

You must mail your tutor- marked assignments to your tutor well before the due date (at least two working days are required). They will be marked by your tutor and returned to you as soon as possible. Do not hesitate to contact your tutor by telephone, e-mail, or discussion board if you need help. The following might be circumstances in which you would find help necessary.

Contact your tutor if:

- 1) You do not understand any part of the study units or the assigned readings.
- 2) You have difficulty with the self-tests or exercises.
- 3) You have a question or problem with an assignment, with your tutor's comments on an assignment or with the grading of an assignment.

You should try your best to attend the tutorials. This is the only chance to have face-to-face contact with your tutor and to ask questions which are answered instantly. You can raise any problem encountered in the course of your study. To gain the maximum benefit from course tutorials, prepare a question list before attending them. You will gain a lot from participating in discussion actively.

MAIN CONTENT

MODULE 1

Unit One: General Overview of Marketing

Unit Two: Application of Fundamental Concepts and Principles in Entrepreneurial Marketing

Unit Three: Market Segmentation

Unit Four: Financial Services Marketing Mix Strategies

MODULE 2

Unit Five: Marketing Planning in Financial Service

Unit Six: Strategies for Marketing Bank Products and Services

Unit Seven: Relationship Marketing

Unit Eight: New Product Development in the Financial Services

MODULE 3

Unit Nine: Marketing of Insurance Services in Nigeria

Unit Ten: Environmental for Financial Services Marketing

Unit Eleven: Internet System in Financial Services

Unit Twelve:

UNIT 1: GENERAL OVERVIEW OF MARKETING CONTENT

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
- 3.1 Definition and Meaning of Marketing
- 3.2 Entities that are Generally Marketed
 - 3.2.1 Distinction between Product and Services in Service Marketing
- 3.3 Conceptual Frame Work of Marketing
 - 3.3.1 The Production Concept
 - 3.3.2 The Production Concept
 - 3.3.3 The Selling Concept
 - 3.3.4 The Marketing Concept
 - 3.3.5 The Social Marketing Concept
- 3.4 Market
 - 3.4.1 Various Types of Markets
- 3.5 Core Functions of Marketing
- 3.6 Sales Force Management Skills
- 3.7 Basic Marketing Process
- 3.8 Farber"s Fundamental Customer Rights
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor Marked Assignment
- 7.0 Reference/Further Reading

ENTRPRENEURIAL MARKETING

ENT 205 **1.0 INTRODUCTION**

includes activities such as:

Marketing is an activity. Marketing activities and strategies resulting in making products available that satisfy customers while making profits for the companies that offer those products. Marketing activities are numerous and varied because they basically include everything needed to get a product off the drawing board and into the hands of the customer. The board field of the marketing

Designing the product and services so it will be desirable to customer by using tools such as
marketing research and pricing
Promoting the product so people will know about it by using tools such as public relations
advertising, and marketing communications
Selling a price and letting potential customers know about you product or service and
making it available to them.

Marketing is the creation, development and delivery of products and services that satisfy the needs and wants of the customer, at a profit (Madsen J. and Tan B. 2005).

Marketing should be an organization wide practice. It must be focused on the customer, product and services and work with the segmentation of the markets in the most productive and cost- efficient manner to derive profitability. The fundamental marketing goal is to capture and retain customer profitability. The fundamental marketing goal is to capture and retain customers profitably.

Marketing has moved from customer acquisition (winning new customers); through customer retention (keeping existing customers for life); through customer selection (be selective in choosing customer-priority for the profitable ones). If customers are wrongly selected they might end up as bargain hunters only who exploit sales promotion and move on and on. Keep loyal and profitable customers. Selling to them is more profitable than winning the new ones. Lifetime customer with lifetime value against one-off sales syndrome.

2.0 OBJECTIVES

At the end	of this	s unit.	you s	hould	i be	abl	e to:
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Define marketing and market.
Explain selling, product and societal marketing concept
Distinguish between a product and service marketing

ENT 205	ENTRPRENEURIAL MARKETING
Itemise the various types of markets	
Explain the core marketing functions	
Identify ferbar"s fundamental Customer Rights	

3.0 MAIN CONTENT

3.1 DEFINITION AND MEANING OF MARKETING.

Marketing is the creation, development and delivery of products and services that satisfy the needs and wants of the customer, at a profit. For a definition and clear meaning of market, let us examine the following terms:

Market – the business of selling and buying commodities (products and services). It is no	t
confined to space, locally and time.	

institute of marketing.

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□ Marketing – a person who promotes sales.
 □ Market economy – less interventions from authorities
 □ Marketable – commodities fit to be offered for sale. Services from the business of moving goods and services from the producer to the customer. It involves the act of promoting sales of commodities, including research, advertising and packaging. A universally

The internet enables market to be in cyber space, 24 hours a day (interactive online marketing)

McCarthy (1975) defines marketing as the performance of business activities that direct the flow of goods and services from the producer to the consumer or user in order to satisfy the customer and accomplish the company"s objectives.

accepted definition of marketing: "marketing is the management process responsible for

identifying, anticipation and satisfying customer requirements profitably" - The character

An analysis of this definition reveals two characteristics of marketing.

□ It is a business activities undertaken for profit objectives and,
 □ The activity takes place after the goods or services are already in existence.

Marketing is the performance of business activities that direct the flow of goods and services from producer to consumer or user (American marketing Association, 1960).

These definitions and others were often criticized for their product orientation. It means that all that marketing has to do is to find customers for the output of a production establishment. The important business activity to which attention was devised to was productions. Producers can spend their time and resources making "good" products.

But it is as well important that such goods are those wanted by their potential customer. This was the traditional view of marketing.

Also marketing involves identifying and anticipating consumers" wants and needs.

Onuigbo (2004) defines marketing as the process of determining consumer demand for a product or service, motivating its sale and distributing it into ultimate consumption at a profit.

3.2 ENTITIES THAT ARE GENERALLY MARKETED

Goods: Any physically product
Services: All professional services provided by professionals or organizations
Events: Trade shows, contracts, sports etc
Organizations: Corporate, Business Concerns, Universities, Museums etc.
Places: Countries, States, Cities etc
Properties: Real Estate, Stocks etc
Persons: Celebrity marketing
Experiences: Theme parks, theme hotels, amusement parks, water parks etc
Information: Information about every possible aspect
Ideas: Family planning, AIDS awareness, prevention of drugs, smoking and drinking etc

3.2.1 DISTINCTION BETWEEN PRODUCTS AND SERVICES

Distinction between products and services in a product is defined as "Anything that has the capacity to produce the satisfaction use or perhaps, the profit desired by the customer". Product and services are the word used interchangeably in banking, Accounting, Insurance, Parlances. The financial service produces are deposit, borrowing or other products like credit card or foreign exchange transaction which tangible and measurable whereas services can be such products plus the way/manner in which they are offered that can be expressed but cannot be measured i.e. intangibles. Better service is more important than just a good product in the marketing of banking, insurance, accounting and financial market services, so the focus should be on the want and need of satisfying that product or service.

3.3 CONCEPTUAL FRAMEWORK OF MARKETING

A marketing framework is a visual representation or logical flow of your marketing plan. It contains several components that work together as a whole to bring your marketing vision to reality. By taking the time write a marketing framework, your options for marketing your business, products and services can become clearer and you can create an actionable plan for promoting your products or services. While

The pragmatic marketing framework provides a standard language for your entire product/service team and a blue print of the key activities needed to bring profitable, problem-oriented products to market. The marketing Exchange is the act of obtaining a desired object from someone by offering of value in return.

Several marketing concepts with management orientations have been articulated by marketing experts under whom organizations can conduct their marketing activity. These include the production concept, the product concept, the selling concept and the marketing and societal marketing concept.

3.3.1 THE PRODUCTION CONCEPT

Is one of the oldest concepts guiding sellers? It is a management orientation that assumes that consumers will favour those productions which are available and affordable, and that the major task of management is the pursuance of improved production and distribution efficiency. The implicit presumes of this concept to the organizations are:

ENTRPRENEURIAL MARKETING

☐ Consumers are primarily interested in product availability and low
--

□ Consumers" are know the price of the competing brands, and the organization"s task is to keep improving production and distribution efficiency and lowering costs as the key to attracting and holding customers. Organizations should therefore focus their main energy on achieving work efficiency without introduction of impersonality and consumer insensitivity.

3.3.2 THE PRODUCT CONCEPT

Assumes offer the most customer will favour those products that offer the most quality for the price, and therefore the organization should devout its energy to improving product/service quality.

The concept indicates that consumers are primarily interested in product quality, and know the quality and feature differences amongst the competing products. Products are chosen on the basis of obtaining the most quality for their money. Organization should not operate solely on a product concept because consumers do not automatically learn about new or improved products, believing that they are really superior or show a willingness to pay a higher price. The organization with a better product will not progress unless it takes positive steps to design, package, and price the new product attractively, place it into convenient distribution channels, and bring it to the attraction of the customers concerned.

The organization should have first determined whether the new product was needed to solve this problem effectively.

3.3.3 THE SELLING CONCEPT

Assumes that customers will either not buy or not buy enough of the organizational products unless the organization kames substantial efforts to stimulate their interest in its products are:

Consumers can be induced to buy more through various sales stimulating devices
 Consumers tend to resist buying most things that are not essential.

Management's task here is to have a strong sale-oriented department as a key to attracting and holding customers.

Organizations practicing this concept often assume that their products are "sold" not "bought".

Potential customer are sought out and hardly-sold the benefits of the product.

Great risks abound in practicing the selling concepts especially in its hard driving form, where customer"s satisfaction is considered secondary to obtaining a sale. This eventuality spoils the market of the seller, in the long run there is no repeat business by a customer.

3.3.4 THE MARKETING CONCEPT

This is a business philosophy that challenges the above three business orientations. Its central tenets crystallized in the 1950s. I holds (goals of the selling company) consists of the company being effective that competitors in creating, delivery, and communicating customer value to its selected target customers. The marketing concept rest on four pillars: target market, customer needs integrated marketing and profitability.

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Distinctions between the sales concept and the marketing concept:

The sales concept focuses on the needs of the seller. The concept focuses on the needs of the
buyer.
The sales concept is preoccupied with the seller"s need to convert his/her product into
cash. The marketing concept is preoccupied with the idea of satisfying the needs of the
customer by means of the product as a solution to the customer"s problem (needs).

The marketing concepts represent the major change in today"s company orientation that provides the foundation to achieve competitive advantage. This philosophy is the foundation of consultative selling.

The marketing concept has evolved into a fifth and more refined company orientation. This concept is more theoretical and will undoubtedly influence future forms of marketing and selling approaches.

3.3.5 THE SOCIETAL MARKETING CONCEPT

While marketing concept lays emphasis on consumer satisfaction, this concept argues for an extension of the focus of marketing. A call on organizations to focus more on consumer well-being which his satisfaction may not accommodate. Organizations are exhorted by this concept to look beyond extant consumer satisfaction to his long-run well-being and the well-being of the larger society. Organizations should not strive to satisfy their at the expense of the society. In furtherance of the aspiration, organizations are to reconcile consumer satisfaction and their own objective with social and environmental considerations.

3.4 THE MARKET

Kotler (1994) defined a market as consisting of all potential customers sharing a particular need or want who might be willing and able to engage in exchange to satisfy that need or want. Achumba (1996) defined a market as consisting of people with purchasing power who are willing to spend money on their needs and wants. Certainly, there must be a group of people with buying power and who have needs and wants to be satisfying for a market to exist.

The business of selling and buying commodities (products and services). It is not confined to space, locality and time. The internet enables market to be in cyber space, 24 hours a day (interactively online marketing).

3.4.1 VARIOUS TYPES OF MARKET

\Box Consumer markets: \Box	Marketing goods and Services of mass conception. Business Markets: Marketing goods and services which are
	used by the business to make other products and services in
☐ Global markets:	Marketing of goods and services in global market place
	Non profit government markets: Marketing of goods and services
	to nonprofit organizations and governments with carefully
	decided lower prices

3.5 CORE FUNCTIONS OF MARKETING

The fundamental marketing goal is to capture and retain customers" profitability. Marketing has the following functions:

Marketing research establishes the needs and wants and the target market
Product development creates the specifications to satisfy the target market.
Manufacturing makes the products in accordance with specifications
Branding attaches an identity that differentiates the products from competitors
Advertising communicates brand value and benefits
Promotion stimulates consumer demand and repeatedly purchases
Sales and distribution ensures products are mad available at retail outlets.
Logistics delivers the products cost-efficiency on a timely basis

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- ☐ Merchandising maintains products quality and freshness at the retail outlets
- ☐ Consumer service provides support for the products to reinforce customer value

3.6 SALES FORCE MANAGEMENT SKILLS

The following skills are demanded of market professionals:

- ☐ Selling and Sales management, including the collection of payments
- ☐ Advertising Creative way with less expenditures
- ☐ Sales promotion good communications skill
- □ Publicity
- ☐ Public relations
- ☐ Exhibitions and other event management
- ☐ Packaging and branding
- ☐ Corporate identity and image
- ☐ Market research
- ☐ Encourage word of mouth

Above all, a marketing professional must master the art of persuasion (influencing and negotiating) and be patient, passionate and able to persevere at all times. He or she must accept the fact that the customer is always the king. He or she must aim to inform and educate the customer and satisfy his/her needs, provide good backup service, maintain relationship and make sure that the customer pay the bills.

3.7 BASIC MARKETING PROCESS

Under the marketing concept, the firm must find a way to discover unfulfilled customer needs and bring to market products that satisfy those needs. The process of doing so can be modeled in a sequence of steps the situation is analyzed to identify opportunities, the strategy is formulated for a value proposition, tactical decision are made, the plan is implemented and the results are monitored.

The Marketing Process

Situation Anal sis Marketing

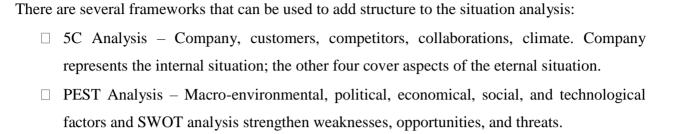
Strategy Marketing Mix

30

ENTRPRENEURIAL MARKETING

Decision Implementation and

Control



The marketing strategy involves, segmentation, target market selection, product positing within the target market and value proposition to the target market.

Marketing Mix Decisions means detailed tactical decisions ten are made for the controllable parameters of the marketing mix.

The ac	tion items include:
	Product development – specifying designing, and producing the first units of the product.
	Pricing decisions
	Distribution contracts
	Promotional campaign development
3.8 FA	RBER"S CAMPAIGN CUSTOMER RIGHTS
Farber	(2005 P.155) list down the followings:
	The customer has the right to be told the truth
	The customer has the right to expect the salesperson to have expert knowledge
	The customer has the right to expect that all promises and commitments will be kept
	The customer has the right to be treated with dignity and respect
	The customer has the right to expect satisfaction from the product or service
	The customer has the right to a breakdown of cost and fees
	The customer has the right to service and support
	The customer has the right have calls returned promptly even when he or she may be
	calling with a problem or to complain

STUDENT ASSESSMENT EXERCISE

Itemize some of the core marketing functions you know

4.0 CONCLUSION

In this unit, you have gone through the general over view of marketing in the light of its definition, conceptual framework, the production concepts, societal marketing concepts, sales concepts and the products concepts. You have also studied the various types of markets and core functions of marketing. In this unit, you have learnt about those entities that are generally marketed, the basic marketing processes as well as Farber Customers Fundamental Rights.

ENTRPRENEURIAL MARKETING

ENT 205 **5.0 SUMMARY**

Marketing refers to the social management processes by which products, or groups" needs and wants. These processes include, but are not limited to advertising, (12 promotion, distribution, and sales).

Everyone markets something without even realizing it throughout his or her life. Marketing is not mere selling. But selling is at the heart of marketing. Like it or not, marketing has been, is and will certainly be part and parcel our life. If you are looking for a suitable job, you must know how to market yourself. If you want to win a competition, you must understand and practice the art of marketing, more soon the ability to communicate and influence your target audience efficiently and master the ways to develop a salable brand out of you or your products and services. Learning marketing formally from experts will definitely help you to understand and put to practice the proven ways of doing marketing.

6.0 TUTOR MARKED ASSIGNMENT (TMA)

☐ Critically examine the basic marketing process.

ANSWERS TO STUDENT ASSESSMENT EXERCISE

Marketing has the following core functions:

□ Marketing research establishes the needs and wants and the target market
 □ Product development creates the specifications to satisfy the target market.
 □ Manufacturing makes the products in accordance with specifications
 □ Branding attaches an identity that differentiates the products from competitors
 □ Advertising communicates brand value and benefits
 □ Promotion stimulates consumer demand and repeatedly purchases
 □ Sales and distribution ensures products are mad available at retail outlets.
 □ Logistics delivers the products cost-efficiency on a timely basis
 □ Merchandising maintains products quality and freshness at the retail outlets

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☐ Consumer service provides support for the products to reinforce customer value

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UNIT 2: FUNDAMENTAL CONCEPTS AND PRINCIPLES OF ENTREPRENEURIAL MARKETING

CONTENT
1.0 Introduction
2.0 Objectives
3.0 Main Content
3.1 Definition and Meaning of Service
3.2 Characteristics of services
3.2.1 Intangibility
3.2.2 Heterogeneity
3.2.3 Inseparability
3.2.4 Perishability
3.3 The meaning of financial services
3.3.1 Categorization of financial institutions
3.3.2 The Oligopolistic nature of financial institutions
3.3.3 Need for marketing in the financial services industry

3.5 Conditions for effective ENTREPRENEURIAL MARKETING

- 3.5.1 A high level of literacy rate
- 3.5.2 A fair good banking habit
- 3.5.3 Existence of good legal or statutory stipulation
- 3.5.4 Availability of Varied bank
- 3.5.5 Enhancement of quality Service
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor Marked Assignment (TMA)
- 7.0 Reference/Further Reading

1.0 INTRODUCTION

Financial services are the economic services providers by the financial industry, which encompasses a broad range of organizations that manage money, including credit unions, banks credit card companies, insurance companies, accountancy companies, consumer finance companies, stock brokerages, investment funds and some government sponsored enterprises.

As of 2004, the financial services industry represented 20% of the market capitalization.

The term "financial services" become more prevalent in the united states partly as a result of the Gramm Leach-Bliley Act of the late 1990s, which enabled different types of companies operating in the U.S financial services industry at that time to merge.

Companies usually have two distinct approaches to this new type of businesses. One approach would be a bank which simply buys an insurance company or an investment bank, keeps the original brands of the acquired firm, and adds the acquisition to its holding company simply to diversify its earnings marketing financial services provides a thorough immersion in marketing concepts and activities related to the special requirements of the ENTREPRENEURIAL MARKETING.

As with most concepts of services has no one universally accepted definition which we shall be looking at as the study progresses.

2.0 OBJECTIVES

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

Ш	Explain service and financial services
	Ascertain the general characteristics of service

☐ Explain the various categories of financial institutions

 $\hfill \square$ Identify the need for marketing in the financial services industry

 $\hfill \Box$ Identify the features of financial services

☐ Assess the conditions for effective ENTREPRENEURIAL MARKETING

3.0 MAIN CONTENT

3.1 DEFINITION AND MEANING OF SERVICE

According to (Kotler), a service is "any act or performance that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product" (Okeke, 2000 P.166).

The American Marketing Association (AMA) also defined services as those "activities", benefits, or satisfactions which are offered services for sale, or are provided in connection with the sales of goods. Industries that are engaged in the provision of services are many and divergent. For instance, in the non-business or government sector, we have such services as the hospital, postal, military and policy services.

In business sector, on the other hand, we have examples in the airlines, banks, insurance, hotel and tourism, to maintain just a few. The focus of this unit is however the general marketing principles and fundamental concepts in the service organizations

In the evolution of the services marketing literature, there have been arguement about the context to which services should be considered a distinctive area of study in marketing. On the other hand, some have argued that a service contains many important elements common to goods, which makes services marketing obsoletes as a separate discipline.

Thus Levitt (1972) observed; there is no such thing as service industries. There are only industries where service components are greater or less that those of the other industries.

3.2 CHARACTERISTICS OF SERVICES

These are the characteristics of services which create special marketing opportunities and challenges and result in marketing programmes substantially deferent from those in the marketing.

3.2.1 INTANGIBILITY

Unlike physical products, they cannot be seen, felt, tasted, heard or even smelt before they are bought. E.g. when a service such as entertainment or travel is purchase, the buyer has nothing to show for it.

Thus, it can be concluded that the consumer is only buying a performance offered by the seller. The intangibility of services makes promotion more difficult than for tangible products. To solve these problems, modern marketing has now suggested intensive use of sales force and advertising which should emphasis more on the level of tangibility present in the services.

The level of tangibility present in the service offered derives from three principal sources:

Ш	langible goods: which are included in the service offer and consumed by the user.
	The physical environment in which the service production/consumption process takes
	place, and
	Tangible evidence of service performance

Intangibility of service
Leads to Customers:
☐ Having difficult in evaluating competing service
☐ Perceiving high level of risk
☐ Placing great emphasis of personal information sources
☐ Using price as a basis for assessing quality
☐ Leads to Customers:
☐ Having difficult in evaluating competing service
□ Perceiving high level of risk
☐ Placing great emphasis on personal information sources
☐ Using price as a basis for assessing quality
☐ Resulting in Management Response through:
☐ Reducing Services Complexity
☐ Stressing tangible cues
☐ Facilitating word-of-mouth recommendation
☐ Focusing on services quality

Some implications of service intangibility

3.2.2 HETEROGENEITY

It is difficult to standardize output among many providers or sellers of the same service. An actor or a medical doctor might be superb in one performance but mediocre in another. A customer of bank 40

may observe that cashers are helpful and courteous in one trip, but rude in another. Car repairs by a motor mechanics do not give the same quality of service. Complicating this is the difficulty in evaluating the quality of service.

3.2.3 INSEPARABILITY

Services often cannot be separated from their providers. This means that some services are produced or created and consume or dispensed simultaneously. E.g. a barber almost creates and dispenses his service at the same time. In air transportation business, a consumer produces a flight ticket first. The service is produced as the air craft takes off, and consumption occurs because the consumer is on board, it is a constrain that a seller services cannot be sold in many markets at the same time E.g. A doctor can only treat a few patients daily.

3.2.4 PERISHABILITY

Services cannot be stored hence, they are highly perishable. If services are not utilized when produced, they go to waste. An empty aircraft, empty seats in a theatre and idle barbers in a shop all constitute business that is lost forever. Markets for some services fluctuate considerably by seasons, by days of the week; by hours of the day etc. these features combined offer executives in service organizations challenges and opportunities for a profitably planning, pricing and promotion. They might look or search for new uses of the idle periods during off-seasons.

3.3 THE MEANING OF FINANCIAL SERVICES

These are services being rendered by financial institutions such as Banks, Insurance Companies, Finance Houses, Pension Funds, Stock Dealer and brokers etc.

Financial institutions most especially the banks are economic decision units established for providing financial service to its target markets with the main objective of making adequate retunes or profits on the funds invested and being socially responsible to the society.

3.3.1 CATEGORIZATION OF FINANCIAL INSTITUTIONS

Financial institutions can be broadly classifies into two: Bank or bank financial institutions in the banking sector, and non bank financial institutions. Central Bank, Commercial Merchant or Micro finance Banks and Development banks are institutions in banking sector, while building societies, Hire-purchase companies, insurance companies, pension funds, investment and unit trust and finance

Houses are non-bank financial institutions.

For overall cooperate objectives of prosperity, growth and continued life of business, financial institutions need to consciously structure their services in a way that caters for the financial needs of not only their present customers but also the prospective ones. It is in the long-term interest of the banks to increase the customer confidence. Thus, the need for this makes marketing increasingly important and necessary in today"s financial competitive environment and to pay great attention to relevant marketing techniques.

Marketing financial services could be defined as an act of creating awareness for service products and make same available at affordable prices to potential buyers. The financial services being discussed are those offered by the banks.

3.3.2 THE OLIGOPOLISTIC NATURE OF FINANCIAL INSTITUTIONS

Financial industry is typically oligopolistic in nature a special characteristic of this market is that it is of the perfect type in which homogeneous financial products are being sold by the various financial institutions to the customers. Under this circumstance, it is the quality of the service for sale and other non-price factors that would determine whether a customer prefers one financial institution to another while aware that all financial institution"s nature of business is the same. This implies that our financial institutions should be creative and responsive to their market needs so as to tailor their financial products to the customers" specific needs.

Marketing came into Nigeria banks after mid-80s inform of application of the marketing concepts but inform of advertising and after promotional concepts. During this period, banks and other financial institutions were experiencing increased competition among each other.

3.3.3 NEED FOR MARKETING IN THE FINANCIAL SERVICE INDUSTRY

☐ The nature of the products-intangibility-makes it imperative that marketing techniques be used to inform or tell customers exactly what they are buying and what range of the services are available or anticipated customers must be shown the benefits of the service/products.

□ Competition in the industry has become so intense, aggressive and sustained or persistent that

EN	ENTRPRENEURIAL MARKETING unless an actor employers the marketing techniques at his disposal, the actor will sooner than later suffer shrinkage in marketing share.
	Nigerian consumers and customers are fast becoming more educated, more enlightened and more sophisticated and therefore more selective and discriminatory in their choice of bank services. This has necessitated a more professional and systemic approach to the marketing of bank.
	The fiduciary of banking services (i.e. based on trust) requires that persuasion be extensively used persuasion, we have seen, is marketing and its use in marketing services cannot be over-emphasized in the service industry.
	The rate at which new products emerge in the financial services industry is alarming. This is in keeping with the increasing sophistication of the world economy and the financial needs of bank customers. Marketing is therefore required not only to create awareness of the new products but also to enable innovative organizations reap maximum benefits from the marketing research or efforts before the product dies off or is overtaken by new development.
	To promote the bank's image and sell more and more services to customers
3.4 FE	ATURES OF FINANCIAL SERVICES
	Products of financial services industry are intangible and therefore cannot decay, deteriorate, depreciate in value or in form
	Financial services cannot be inventored just as physical goods can.

☐ Financial services marketing is highly personal or face to face

changes

 $\hfill \square$ In the financial services sector, customer satisfaction is paramount 43

 \square Prices of financial services are more often than not controlled or fixed by political

authorities e.g. credit ceilings pegging of interest rates, exchange rates, CBN tariff for banks

Attracting	deposit,	marketing	of	financial	services	especial	ly in	the	banks	is	unique
because of t	the invol	vement of r	narke	eting, not	only in tl	ne provisio	ons of	fund	s to cus	tome	ers, but
also in the	procuren	nent or mo	biliz	ation of o	deposits	on which	most	of th	e servi	ces	will be
based.											
Confidentia	lity and	Honestly.	More	than any	other fi	nancial so	ervices	, bar	nking re	equir	res and

customers expect a high degree of confidentiality and honesty on the part of the bank.

3.5 CONDITIONS FOR EFFECTIVE ENTREPRENEURIAL MARKETING.

The conditions necessary for effective ENTREPRENEURIAL MARKETING are:

3.5.1 A high level of Literacy rate

Banking transactions demand possession of a certain tolerable level of literacy by the customer.

An illiterate customer cannot fill bank vouchers, nor can her/she understand when one fills on him/her behalf. The higher the level of literacy coupled with purchasing power, the higher the use of banking

services, all other things considered.

3.5.2 A fairly good banking habit

This is implied on the first condition because banking habit is usually formed when people are capable of reading and knowing the services available from banks.

3.5.3 Existence of good legal or statutory stipulations

A good banking law and regulatory measures designed to ensure healthy competition, level playing field, opportunities for innovation, entry and exit etc. promote effective marketing of banking services.

3.5.4 Availability of varied banking services

There must be on ground enough and varied banking services designed to cater for the various needs of customers, and these must be at prices or charges affordable to the various categories of bank customers.

Prohibitive charges will scare customers or compel them to switch their patronage to banks that have moderate charges.

3.5.5 Enhancement of quality services

This is about the most effective condition of effective bank marketing. Quality service can be defined as technical or professional terms that are the manner in which the services are rendered (the physical/human dimension). Professionally, quality services in banking must meet three basic requirements, namely.

- a) Competence i.e. Knowing one s job well
- b) Reliability i.e. The banker"s word should be his/her bond
- c) Credibility i.e. The banker should not make claims of what he/she cannot offer customers

STUDENT ASSESSMENT EXERCISE

Financial institutions are most often described as being oligopolistic in nature. Discuss.

4.0 CONCLUSION

This unit has added immensely to the buildup of your vocabulary and knowledge in marketing so far. You have learnt about services marketing and ENTREPRENEURIAL MARKETING in terms of their definitions and meaning. You have also studied the various characteristics/features of financial services. The unit examines critically some of the conditions for effective ENTREPRENEURIAL MARKETING.

5.0 SUMMARY

Services has been defined as any act or performance that one party can offer to another that is essentially and does not result in the ownership of anything. Services are characterized by – intangibility, heterogeneity, inseparability and perishability. Financial institutions are economic decision units established for providing financial services to its target markets with the main objective of making adequate returns or profits on the funds invested and being socially responsible to the society.

6.0 TUTOR MARKED ASSIGNMENT (TMA)

Clearly discuss some of the conditions required for effective ENTREPRENEURIAL MARKETING.

ANSWER TO STUDENT ASSESSMENT EXERCISE.

Financial industry is typically oligopolistic in nature a special characteristic of this market is that it is of the perfect type in which homogeneous financial products are being sold by the various financial institutions to the customers. Under this circumstance, it is the quality of the service for sale and other non-price factors that would determine whether a customer prefers one financial institution to another while aware that all financial institution"s nature of business is the same. This implies that our financial institutions should be creative and responsive to their market needs so as to tailor their financial products to the customers" specific needs.

Marketing came into Nigeria banks after mid-80s inform of application of the marketing concepts but inform of advertising and after promotional concepts. During this period, banks and other financial institutions were experiencing increased competition among each other.

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UNIT 3: MARKET SEGMENTATION

CONTENT

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- 2.0 Objectives
- 3.0 Main Content
- 3.1 Definition and Meaning of Market Segmentation
- 3.2 Service Market Segmentation Strategies
 - 3.2.1 Mass Marketing/Differentiated Marketing
 - 3.2.2 Product Variation/Product Differentiated Marketing
 - 3.2.3 Target Marketing
- 3.3 Characteristics of Effective Market Segmentation
- 3.4 Bases for Market Segmentation
 - 3.4.1 Demographic Segmentation
 - 3.4.2 Geographic Segmentation
 - 3.4.3 Psychographic Segmentation
 - 3.4.4 Behavoural Segmentation
- 3.5 Benefits of Segmentation
- 3.6 Steps in Market Segmentation

- 3.6.1 Identify the current and potential wants that exist within a market
- 3.6.2 Identify Characteristics that Distinguish among the Segments
- 3.6.3 Determine the size of the Segments and how well they are being satisfied
- 3.7 Justification for Market Segmentation
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor Marked Assignment
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1.0 INTRODUCTION

Market segmentation is defined as the subdivision of a market into homogeneous subset of customer, where any subset may conceivably be selected as a market target to be reached with a distinct marketing mix. Marketers have the task of managing markets and demand. A market in this sense will refer to the population of present and potential buyers of a product. This task is by no means easy. For practical purposes at the disposal of an organizations to satisfy the needs of customers at profit to the organization.

There are many marketing segments or concepts that marketers can adopt.

To satisfy somebody, you need to know him (not just a nodding acquaintance, markets needs to know their customers better), understand their needs/wants, reach them and interact or reason with them. Market segmentation is a concept in marketing that helps marketers to achieve this, proper market segmentation is not just a necessary condition, it is indeed one of the sufficient conditions.

2.0 OBJECTIVES

At	the end of this unit, you should be able to:
	Explain service market segmentation and their strategies
	Examine product market/product differentiation marketing
	Discuss the various characteristics of effective market segmentation
	Compare and contrast the bases for market segmentation
	Elucidate the benefits of market segmentation
	Analyze the justification of market segmentation and the various steps in market
	segmentation

3.1 DEFINITION AND MEANING OF MARKET SEGMENTATION

Market segmentation is defined as the identification and aggregation of individual consumers coming from a heterogeneous population into groups or segments where the members of the group or segment are relatively alike, yet different from other groups. Market segmentation is also defined as the subdivision of a market into homogeneous subsets of customer, where any - subset may conceivably be selected as a market target to be reached with a distinct marketing mix.

It also depend on the partitioning of potential customers into groups of differentiated sub-

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markets. Since no company can operate in every market and satisfy every need, there is need for market segmentation, a very important marketing technique whereby an organization define the boundaries of its markets carefully before designing appropriate marketing programmes for each target market.

Competition arising from the deregulation of the Nigerian banking sector has made the need of market segmentation strategy a necessity in the industry. Instead of the banks trying to serve in all segments of the markets, they can for effectiveness and efficiency choose those segments in which they can serve well based on the available resources and competence.

3.2 SERVICE MARKET SEGMENTATION STRATEGY

Three strategic options are open to marketers indeed organizations, in choosing markets and products to use in serving the markets. These are mass marketing/undifferentiated marketing, product variety/product differentiation marketing and target marketing.

3.2.1 Mass Marketing/ Undifferentiated Marketing

Here the marketer is either ignorant of differences among the population of buyers or is aware of the differences but prefers to presume that the population of buyers can be served with one product. In mass marketing, or what is alternatively called undifferentiated marketing, the marketer offers one product or uses one blend of marketing mix to serve the whole market. This marketing operation is characterized by mass production, mass distribution and mass promotion of one product, obviously at a low price on account of economies of scale.

This marketing strategy was attractive and perhaps still is commendable in shortage and scarce economies where emphasis may rightly be on increasing production of products and making them affordable.

In competitive markets however, its ability to sustain profitable operations for organizations is to say the least, doubtful. Over time buyers have developed sharply different tastes, are more informed, critical and discriminatory, and will not settle for just any product simply because it is cheap. Consumers now want their requirements and specifications roundly met in product offerings before they buy.

Undifferentiated marketing, it seems to us, has ceased to be a potent strategy in modem marketing and markets are increasingly being flooded with deep assortment of product brands. Organizations are daily challenged these days to justify their continued existence and their positions are equally threatened by innovative and aggressively combative competitors and even upstarts striving to carve out niches for themselves.

3.2.2 Product Variation/Product Differentiation Marketing

Perhaps in recognition of the inadequacy of undifferentiated marketing to serve organizations in

attracting and maintaining sufficient customer patronage in developed and developing marketing systems, marketers in the recent past are increasingly turning to product differentiation marketing. Simply put, this strategy suggests that differences in the taste and buying needs and behaviour of consumers can be addressed if varieties of a product are pushed into the market. The assumption being that each brand will appeal to a group of buyers in the consuming population, and ultimately the different brands put together will meet the different wants of buyers.

In this strategy, each company offers different product offerings or marketing mixes to expectedly serve various market segments. Product differentiation can be achieved by varying the features, styles, qualities, package, sizes and colours of products. PAN (Peugeot Automobile of Nigeria) is a good example of a company that differentiates its products. Peugeot 504 lies many varieties or models GR, GL, L etc.

The attempt at product differentiation is usually supported by advertising. Advertising will emphasize the features which differentiate or distinguish one product from others in the same category. This strategy is often adopted when a company is faced with competition. So product

differentiation marketing is merely a company's answer to competition and not a deliberate effort by the company to identify customer needs/wants and satisfy them. However, this attempt to meet competition by product differentiation has contributed greatly to progress in product development. It has led to actual product improvement.

3.2.3 Target Marketing

In this strategy, marketers are aware that a given customer population comprises heterogeneous units that can be grouped into somewhat homogenous groups or segments, each segment expected to respond in the same way to given marketing stimuli (ie. blend of marketing mix). The acceptance of the heterogeneity of the general market or mass market supports the proposition that different blends of marketing mixes be developed for the different segments of the market.

Target or differentiated marketing therefore aims at dividing a large heterogeneous market into homogenous groups or segments, and developing a marketing mix that will appeal directly and efficiently to buyers in each. Alternatively, a market can select two or more market segments and develop distinct marketing mix for each. other option will be to develop as many market mixes as there are market segments in each market You will notice that in target marketing, marketing planning starts with the effort to know who the customers are, what their needs/wants are, and how best they can be satisfied.

Target marketing according to Adirika (1993) requires four major steps - market segmentation, market targeting, market penetration and product positioning.

3.3 CHARACTERISTICS OF EFFECTIVE MARKET SEGMENTATION

The conditions for effective market segmentation are:

- 1.Measurable: There must be some ways of measuring the size and purchasing power of the segments.
- 2.Accessible: The firm (Bank) should be able to reach the segments. They should be able to locate the segments at designated places or reach by certain media.
- 3. Sustainability: The segments should be of a sufficient size and value to be profitable.

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- 4.Differentiable: The segments are conceptually distinguishable and respond differently to different marketing mix elements and program.
- 5.Predictable: The segment can only be of value to the marketer, if he can predict its future behaviour with some confidence.
- 6. Profitability: The market must be serviced at a profit, not at a loss.
- 7.Identifiable: This is the degree to which a marketer is able to identify the specific requirements of the market of interest.

3.4 BASES FOR MARKET SEGMENTATION

The bases for market segmentation are:

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- **3.4.1 Demographic segmentation:** Here, consumers are grouped according to variables such as age, sex, marital status, income, education, occupation, race, religion. These variables greatly affect the purchase decisions of consumers, for example, young consumers. For example young consumers cherish drinks, stereo equipment and personal computers, while old consumers sometimes pay more attention to investments and retirement issues.
- **3.4.2 Geographic Segmentation:** This method is useful where there are geographic locational difference in consumption patterns and preferences based on regions/zones, states, local government areas, areas of a town or city on climatic factors.
- **3.4.3 Psychographic segmentation:** This was developed to overcome the inadequacies of demographics in the identification of attitudes and life styles.' Variables under this heading are:
- a. Lifestyle: Lifestyle is a pattern of living adopted by an individual. It has proven to be a more useful segmentation base than personality. If there is evidence that consumers buy a product to express or carry out their lifestyle, the marketer can use lifestyle as a segmentation base e.g. Guider for successful men, rock for labourers, Ajegunle for lower class, Surulere for the middle class, Ikoyi for the upper rich class.
- b. Social class e.g. Okada for the lower income, Peugeot for the middle men, Lexus for the higher income.
- c. Personality: They assign personality characteristics to products just like the

consumer personality characteristics e.g. Exclusive restaurants for the gregarious consumers.

3.4.4 Behavioural segmentation: In this approach, consumers are grouped by their purchase. For example, the detergent market might be segmented by those consumers who buy detergent solutions, detergent powders or detergent soaps. The demographic and lifestyle characteristics of each segment would then be determined by marketers. Appropriate marketing strategies will be employed to satisfy the needs of each market-segment. Furthermore, in behavioural segmentation, markets can be segmented by identifying users of a product usage and usage situations heavy users, light users and non users. Product choice is party dependent upon the occasion for which the product will be used.

3.5 BENEFITS OF SEGMENTATION

Both the marketing firm and its customers derive benefits from market segmentation.

- 1. Effective segmentation should result in improved allocation of marketing resources.
- 2. Segmentation enables the producer to design products and market appeals to satisfy tile needs of the target groups
- 3. Segmentation allows for greater consumer satisfaction
- 4. Effective segmentation results in greater sales volume and profitability.
- 5. Segmentation makes for better competitive position for existing brands in the market place
- 6. Segmentation should result in better identification of marketing opportunity.
- 7. Promotional appeals and media campaigns can be focused on the target market.
- 8. It assists small banks with limited resources in streamlining their operational activities

3.6 STEPS IN MARKET SEGMENTATION

The steps involved in segmenting market into an organized fashion.

3.6.1 Identify the current and potential wants· that, exist within a market: The marketer carefully examines the market to determine the specific needs being satisfied by current offerings, the needs current offerings fail to adequately satisfy, and the needs that may not be yet recognized. It might involve interviewing/observing consumers or firms to determine their behaviour, levels of satisfaction, and frustrations.

3.6.2 Identify characteristics that distinguish among the segments: In this step, the focus is on what prospects who share a particular want have in common to distinguish them from other segments in the market that have different wants. Among business firms, it could be size or location, for consumers it might be an attitude or a behaviour pattern. From the results of this step, potential marketing mixes (including product ideas) for the various segments can be designed.

3.6.3 Determine the size of the segments and how well they are being satisfied: The .final step is to estimate how much demand (or potential sales) each segment represents and the strength of the competition. These forecasts will determine which segments are worth pursuing.

3.7 JUSTIFICATION FOR MARKET SEGMENTATION

A basic justification for segmenting of markets is the fact that markets are often heterogeneous and therefore the needs/wants of major segments of the market cannot be satisfied with one marketing mix. Ensuring that the different needs/wants of the elements that make up the consuming population for any product are satisfied becomes the laison d'être of market segmentation and by extension target marketing.

Segmenting a market however is not an end in itself. It is only a means to an end. Having ascertained the marked off segments of a market, the marketer should go ahead to select the segment or segments to serve, being conscious of the needs/wants of the segment(s), the principal resources of his company and its special competencies vis-a-vis those of competitors. The question reduces to which of the segments can the marketer or his company profitably serves?

Student Assessment Exercise

Distinguish between demographic segmentation and Geographic segmentation.

4.0 CONCLUSION

In this unit so far, you have learnt what market segmentation is, service market segmentation strategies, mass marketing and differentiated marketing. You have also learnt the bases for market segmentation, the benefits of market segmentation and the steps involved in market segmentation. The unit also discusses the justification for market segmentation.

5.0 SUMMARY

Market segmentation is a market strategy that involves dividing a broad target market into subsets of consumers, who have common needs, and then designing and implementing strategies to target their needs and desire using media channels and other touch points that best allow reaching them.

Market segments allow companies to create product differentiation strategies to target them. An ideal market segment meets the criteria of being possible to measure, being large enough to earn profit, stable, reach potential organizations, homogeneity, responding to market stimulus, aid marketing mix discussions.

Consumer markets are often segmented through geographic segment, behavoural segment, and segmentation by occasions etc.Market segmentations are often used in customer retention. The basic approach to retention based segmentation is that a company tags each of its active customers with three values.

6.0 TUTOR MARKED ASSIGNMENT (TMA)

Discuss the basic characteristics of market segmentation in financial services.

Answer to student Assessment Exercise

Geographic Segmentation: This method is useful where there are geographic locational difference in consumption patterns and preferences based on regions/zones, states, local government areas, areas of a town or city on climatic factors.

Psychographic segmentation: This was developed to overcome the inadequacies of demographics in the identification of attitudes and life styles.' Variables under this heading are:

b. Lifestyle: Lifestyle is a pattern of living adopted by an individual. It has proven to be a more useful segmentation base than personality. If there is evidence that consumers buy a product to express or carry out their lifestyle, the marketer can use lifestyle as a segmentation base e.g. Guider for successful men, rock for laborers, Ajegunle for lower class, Surulere for the middle class, Ikoyi for the upper rich.

- d. Social class e.g. Okada for the lower income, Peugeot for the middle men and Lexus for the higher income.
- e. Personality: They assign personality characteristics to products just like the

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ENT 205 consumer personality characteristics e.g. Exclusive restaurants for the gregarious consumers.

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UNIT 4: FINANCIAL SERVICES MARKETING MIX STRATEGIES

CONTENT
1.0 Introduction
2.0 Learning Objective
3.0 Main Content
3.1 Definition and meaning of marketing mix strategies
3.2 The traditional 4Ps
3.2.1 Product Planning
3.2.2 Pricing of Services
3.2.3 Service promotion
3.2.4 Place or Distribution Strategy
3.3 Pricing Policies
3.3.1 Skimming price policy
3.3.2 Penetration Pricing policy
3.3.3 Stable pricing policy

3.3.4 Going Rate of Market Price

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- 3.3.5 Competitive Pricing
- 3.3.6 Promotion
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor Marked Assignment
- 7.0 Reference/Further Reading

1.0 INTRODUCTION

The marketing mix for products equally applies to services, that is, the traditional 4Ps, namely: Products, Price, Promotion and place (or distribution) and more recently the 5th P i.e. the person. Given the unique features of services as enumerated above, it becomes imperative for marketing executives to evolve the appropriate marketing mix policies and strategies that will effectively and efficiently market the service to the different target segments and equally achieve their set goals.

Product planning involves ensuring that the total services packaged are such as to meet the needs of the different consumers. In planning, the marketer will have to consider such issues as the type of services to be offered, need for expansion or diversification and what needs to be done in terms of service attributes like making provision for guarantees. Pricing strategy calls for managerial creatively and skill designed to increase profits as well as encourage customers to call again.

2.0 OBJECTIVES

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

Define the service marketing mix strategies
Explain the product planning of marketing mix strategies
Explain the elements of financial services marketing mix
Management of the financial marketing mix strategy
Examine the financial services going rate of market price
Discuss promotion mix strategy

3.0 MAIN CONTENT

3.1 Definition and meaning of marketing mix strategies in financial services.

The main objective of market segmentation is to enable a financial marketer develop appropriate marketing mix that will be able to satisfy the need of target market more than competitors. The success or failure of products depends on the manner in which a number of marketing elements or variables called the marketing mix are blended to serve different market targets. The elements of the marketing mix are the 4Ps (product, price, place and promotion).

Application of marketing strategy involves manipulating the marketing mix namely the product (or

service) the price, the promotion and the place (or distribution). If the mix is right, people will decide to buy and there is no need for further persuasion

3.2 The traditional 4ps of marketing mix strategies in financial services marketing.

3.2.1 Product: In the modern world, the consumer oriented manufacturer starts by ascertaining what consumers want (as opposed to what Ile chooses to produce) and what they are prepared to pay for it. He would then arrange to produce a range of products to meet those specifications. This means it is the consumer who nowadays decides what the manufacturer has to produce and (decides) whether the organization will flourish or collapse through non-patronage of its products/service. Products must be constantly modified in the light of changing consumer needs and environmental development. However, as service is intangible, the features and benefits consumers stand to derive should be used in marketing service. These features and benefits determine price, promotion and distribution strategies.

3.2.2 Price: The amount of money a customer pays in exchange for a product is known as the price. It is a key element of the marketing mix as it produces revenue to the firm. Pricing will always remain the art of marketing. The pricing of a service should be realistic - not too high and not too low below the mean otherwise the producer will respectively either price himself out or bankruptcy occasioned by low profit. The determinants of price are many but two are of the utmost important, namely (a) products are determined with the following in mind.

- 1. Survival of the firm
- 2. Return on investment (ROI)
- 3. Market share
- 4. Product quality

Pricing policies are the basic philosophies on which sellers or providers of financial services base their prices. In the real

3.2.3 Service promotion: Advertising is the most widely used fom1 of promotion in the marketing of services. One reason for this is that when a new service is being introduced, there is the need for advancement to introduce it to the general public. Secondly, advertising helps to acquaint the .consumer with the value or benefits of a service and this can help widen the market for that particular service.

Service firms like the banks also try to participate actively in community affairs as a means of getting their names across to the public. United Bank for Africa's involvement in Women's Forum and the provision of easy credit facilities for peasant fanners under its Joint Liability Credit Scheme are good examples of community participation.

Finally, advertising helps to emphasize the courteous, friendly and efficient service rendered by a firm.

Other forms of promotional strategy include personal selling, publicity, and sales promotion. Personal selling becomes very important when trying to develop a close relationship between the buyer and the seller. Free publicity of television progran1ffies by some banks also helps in service promotion.

3.2.4 Place Distribution:

Production is not said to be complete until goods get to the final consumers. Products/services need to be available in adequate quantities, in convenient locations and at times when customers want to buy them. Place as a marketing mix tool refers to the activities an organization undertakes to ensure that its products/services are easily accessible to its target customers.

3.3 PRICING POLICIES

Pricing policies are the philosophies on which sellers or providers of financial services base their prices. In the real goods market, there appear to be the following main pricing policies.

3.3.1 Skimming Pricing Policy: This type of policy is used when a new product is -introduced into a market in which there are no competitors. Skimming policy means that the price is set high relative to the cost of the product, this result in a high gross profit. As competitors enter the market, the firm is forced to reduce its price.

- **3.3.2 Penetration Pricing Policy:** A firm that uses penetration policy sets a price only slightly higher than the cost of the product. It is a price below prices of other competing brands in the market. It is usually used if the market is regarded as a price sensitive market. It is used to gain a large share of the market.
- **3.3.3 Stable Pricing Policy:** This exists where prices, once established tent to remain constant for long periods of time, irrespective of the fluctuations in the cost of making and procuring the goods. This pricing policy is followed in many services institutions where prices are mostly regulated.
- **3.3.4 Going Rate of Market Price:** This involves fixing prices which match others in the market place. It is a defensive measure to protect existing business.
- **3.3.5 Competitive Pricing Policy:** An arbitrary price is set to match competitive pressure, but this price should be at a level which will cover cost and allow a margin of profit.
- **3.3.6 Promotion**: Promotion encompasses all communication efforts aimed at generating sales or building a favourable attitude to a company's product. This would include adverting, sales promotion, public relations, publicity and personal selling.
 - 1. Advertising: It is a non personal presentation of goods, services or ideas that is paid for by an identified sponsor. It is any paid form of non-personal communication of ideas in the prime media i.e. television, the press, posters radio, cinema.
 - **2.** Personal selling: Oral communication with prospective purchasers with the intention of making a sale.
 - **3.** Sales Promotion: Incentives or fit schemes to consumers that are designed to stimulate purchases
 - 4. Publicity: It is a free space in the press which is achieved by packaging the message in a way

that is newsworthy so that the media will pick it up.

Student Assessment Exercise

Differentiate between skimming pricing policy and penetration pricing policy.

4.0 CONCLUSION

In this unit, you have been able to define financial services marketing mix strategies, examine the traditional 4Ps marketing mix strategies. You have learnt about product planning and pricing of services in-depth, skimming pricing policy and penetration pricing policy. In modern services marketing, a 5th publication has been added to the mix and that is the person marketing the services (Okeke, 2000).

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5.0 SUMMARY

The marketing mix for products equally applies to services, that is, the traditional 4Ps: products, price, promotion and place (or distribution) and more recently the 5th P i.e. the person.

For instance, the banks may decide to expand their mix by working jointly with some supermarkets where majority of its customers do business by maintaining a kind of standing order to settle customer bills rather than the customers taking the trouble to do that which is a way of encouraging good customer relationship.

High interest s rate on deposits or reduction rates on loans and advances are good examples of pricing strategies.

Advertising (service promotion) is the most widely used form of promotion in the marketing of services.

Place strategies are concerned with ensuring the prompt delivery of the services to the target market. The person must be responsible, his total carriage and disposition is very important to the buyers of the services.

6.0 TUTOR MARKED ASSIGNMENT (TMA)

□ Promotion encompasses all communication efforts aimed at generating sales or building a favourable attitude to a company's product. Discuss.

Answer to Student assessment exercise.

Skimming Pricing Policy: This type of policy is used when a new product is -introduced into a market in which there are no competitors. Skimming policy means that the price is set high relative to the cost of the product, this result in a high gross profit. As competitors enter the market, the firm is forced to reduce its price.

□ Penetration Pricing Policy: A firm that uses penetration policy sets a price only slightly higher than the cost of the product. It is a price below prices of other competing brands in the

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market. It is usually used if the market is regarded as a price sensitive market. It is used to gain a large share of the market. Stable Pricing Policy: This exists where prices, once established tent to remain constant for long periods of time, irrespective of the fluctuations in the cost of making and procuring the goods. This pricing policy is followed in many services institutions where prices are mostly regulated.

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UNIT 5: MARKETING PLANNING IN FINANCIAL SERVICE

CONTENT

CONTENT
1.0 Introduction
2.0 Objectives
3.0 Main Content
3.1 Definition and Meaning of Marketing Planning
3.2 The Need for Marketing Planning
3.3 Qualities of a Good Marketing Plan
3.3.1 Flexibility
3.3.2 Brevity
3.3.3 Comprehensiveness
3.4.4 Clarity
3.4. Constraints to Marketing Plan
3.4.1 Action of Government/Regulatory Authorities
3.4.2 Economic Depression
3.4.3 Civil Strife/Social Upheavals
3.4.4 Man power Needs

3.4.5 Political Upheavals

- 3.4.6 Inflation
- 3.4.7 Cost of Operating Facilities
- 3.5 Marketing Plan Content
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor Marked Assignment (TMA)
- 7.0 Reference/Further Reading

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ENT 205 1.0 INTRODUCTION

A marketing plan may be part of an overall business plan. Solid marketing strategy is the foundation of a well written marketing plan. While marketing plan contains a list of actions, a marketing plan without a sound strategic foundation is of little use.

A marketing plan is a comprehensive blue print which outlines an organization's overall marketing efforts. A marketing process can be realized by the marketing mix, which is outlined in 4Ps. The last step in the process is the marketing controlling. The marketing plan can function from two points; Strategy and tactics (Kotler P, & Keller K.L, 2004). In most organizations, "Strategic Planning" is an annual process, typically covering just the year ahead.

Occasionally, a few organizations may look at a practical plan which stretches three or more years ahead.

2.0 OBJECTIVES

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

Define and explain marketing planning
Examine the qualities of a good marketing plan
Explain when a marketing plan is said to be comprehensive
Elucidate some of the constraints to marketing planning.
Itemize the major contents in a marketing plan

3.0 MAIN CONTENT

3.1 Marketing planning in financial service

Marketing planning is defined as the process by which marketing plans are developed for products. A marketing firm needs a plan for each of its products, specifying strategies that will be use as well as resources required.

The unplanned life is not worth living, so says Aristotle. In the same vein, the unplanned business or enterprise is not worth undertaking. In the past, competitive environment was less volatile and complex than it is now when it is characterized by the information technology revolution and globalization of world economies. Today, planning stands to provide the compass that directs

organizational management along routes and destinations that facilitate the achievement of organizational goals.

Marketing plan is defined as the process by which business analyze the environment and their capabilities, decide upon course of marketing and implement those decisions. The outcome of marketing planning is often a market plan.

The market plan is the written document or blueprint governing all of a firm"s marketing activities, including the implementation and control of these activities. Formulation of a marketing plan is always the responsibility of top management aided by inputs from the organizational departments including the marketing department.

Planning must always come first before other activities. Every manager plans even if he decides not to use a formal plan. Plan should be complete flexible. Every aspect of the marketing concepts compels close attention to planning.

Throu	gh marketing planning, banks can be assisted to:
	Formulate their marketing objectives more appropriately and more realistically
	Select best strategies and formulate appropriate programmes or action plans for its
	objectives while promoting the image and customer satisfaction
3.2 T	HE NEED FOR MAKING PLANNING.
The n	eed for marketing planning is as follows:
	Permits a firm to balance its resources and efforts with the potentials of the market. A
	marketing plan must be exactly on targeting market or markets for it to succeed.
	Enables marketing management to identify marketing opportunities and limitations better.
	A marketing plan based on adequate information from the marketing environment places a
	marketing manager in a better position to achieve an organization's objectives.
	Specifies how resources are to be allocated.
	Assign reanancibilities tasks and timing
	Assign responsibilities, tasks and timing.
	Inform few participants in the, plan of their role and function.
	It provides a yardstick against which progress can be measured with provision for
	appropriate action if achievement is seriously above or below target.
	It facilitates integration of efforts. It not only integrates and coordinates the activities to the
	4Ps of marketing mix but also of the other functional activities into the marketing effort
	aimed at achieving customer satisfaction. Marketing plan is the proper place to integrate
	marketing with other functions like finance, personnel, production etc.
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☐ It provides a clear statement of 91arketing objectives to which every department of the organization that has endorsed or accepted the plan is committed.

3.3 QUALITIES OF A GOOD MARKETING PLAN

A good marketing plan should have the following qualities

- **3.3.1 Flexibility:** It should be able to accommodate changes or modifications occasioned by unanticipated events in the macro-economy e.g. the use or application of technology.
- **3.3.2 Brevity**: It should allow for ease of comprehension by managers most of whom are too busy to read lengthy and wordy treatises.
- **3.3.3 Comprehensiveness:** The plan should cover all departments and activities of the business organization. Marketing plans should be brief enough to be interesting but still cover the subject adequately.

3.4 CONSTRAINTS TO MARKETING PLAN

Numerous factors conspire to impede individual and corporate planning, especially strategic or long-term planning:

3.4.1 Action of government/regulatory authorities:

Actions of government destabilizes or distort corporate plans e.g. the raising of paid-up capital base of bank and insurance companies, transfer of accounts of parastatals from banks to CBN 1989.

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- **3.4.2 Economic Depression:** Under a depressed economic condition, savings are low, purchasing power is generally weakened both leading to shrinkage of the volume of banks deposits, thereby affecting issuance of loans and advances to customers.
- **3.4.3 Civil Strife/Social Upheaval**: Areas prone to civil strife and social upheavals delay location of planned or potential branch offices and even limit expansion of existing branches.
- **3.4.4 Manpower Needs**: Shortage of manpower, in terms of qualified and experienced personnel can constrain bank branch expansion. Banks normally look for competent staff who can deliver the goods.
- **3.4.5 Political Upheavals:** Political upheavals such as coups, riotous elections (and even religious disturbances) affect planning.
- **3.4.6 Inflation**: Inflation distorts planned lending levels and deposit rates of banks. It leads to upward adjustment of these rates thereby affecting the volumes of loans.
- **3.4.7 Cost of operating facilities:** Rising technological equipment, computers, and communication equipment affects the operation of banks.

3.5 MARKETING PLAN CONTENT

The bank's marketing plan should include proper identification of what really motivates the customer. The factors or attributes that a good plan should consider and include are:

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- 1. Bank's reputation
- 2. Bank's location
- 3. Availability of credit
- 4. Friendliness (to customers and the general public)
- 5. Service charges
- 6. Full services offering
- 7. Special services
- 8. Parking space
- 9. Convenient balls
- 10. Premium/gifts at Christmas, Salah
- 11. Conveniences of service
- 12. Speed of services

Student Assessment Exercise

Critically itemize some of the contents in a good marketing plan.

4.0 CONCLUSION

In this unit, you can somewhat see, that marketing planning is a game plan by which marketing objectives will be achieved and, in the framework that we have chosen to use, are generally concerned with the 8Ps.

In this unit, you have also learnt about the need for marketing planning in financial services, the qualities of marketing planning in financial services and the major constraint of marketing planning in financial planning.

5.0 SUMMARY

Behind the corporate objectives, which in themselves offer the main content for the marketing plan, will lie the "Corporate mission", which in turn provides the context for these corporate objectives. In a sales-oriented organization, the marketing planning function designs incentive play plans to not only motivate and reward frontline staff fairly but also to a to align marketing activities with corporate mission. The marketing plan basically aims to make the business provide the solution with the awareness with the expected customers

This corporate mission can be thought of as a definition of what the organization is, or what it does: "our business is". This definition should not be too narrow, or it will constrict the development of the organization; a too rigorous concentration on the view that "we are in the business of marketing meat-scales," as the bank services were during the early years 2007 after the bank consolidation, might have limited its subsequent development into other areas. On the other hand, it should not be too wide or it will become meaningless; "we want to make a profit" is not too helpful in developing specific plan.

Perhaps the most important factor in successful marketing is the "Corporate Vision" surprisingly; it is largely neglected by marketing textbooks, although not by popular exponents of corporate strategy.

Here, "garbage in, garbage out" applies with a vengeance portfolio planning 80:20 rule: to achieve the maximum impact, the marketing plan must be clear, concise and simple. It needs to be concentrated on the other 20% of product or services and on the 20 percent of customer, which will account for 80% of the volume and 80% of the profit.

6.0 TUTOR MARKED ASSIGNMENT (TMA)

Examine any five constraints to marketing plan you know.

Answer to student assessment exercise	
	Bank's reputation
	Bank's location
	Availability of credit
	Friendliness (to customers and the general public)
	Service charges

Full services offering
Special services
Parking space
Convenient balls
Premium/gifts at Christmas, Salah
Conveniences of service
Speed of services

7.0 REFERENCE/FURTHER READING

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UNIT 6: STRATEGIES FOR MARKETING BANK SERVICES

3.3.5 Customer"s Awareness

- 3.4 Strategies for the Enhancement of Bank Marketing
- 3.5 Matching Corporate Strategy Alternatives to fit |Firms Circumstances (The banking Industry)
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor Marked Assignment (TMA)
- 7.0 Reference/Further Reading

1.0 INTRODUCTION

Human being is a social being. Throughout the life, all we do is try our best to fulfill our needs.

The place where things are exchanged or say mutual needs are satisfied, is called the market and the efforts to make people aware of your offerings encouraging them to deal with you and let them believe that in doing so, they are satisfying their needs at its best is called marketing. After the banking sector reforms, marketing has developed as a more integrated function within financial service organizations like banks largely as a result of rapid changes in the operating environment. Banks Marketing is defined as an aggregate of function directed at providing service to satisfy customer's financial needs and wants, more effectively than the competition keeping in view the organizational objective of the bank. The bank marketing has become a very complex yet interesting subject as it requires the knowledge of economics, sociology, psychology, banking and also core marketing concept. In marketing, it is the customer who has upper hand. The mantra of effective marketing bank products lies in the systematic and professional approach towards satisfying customers needs (Ojha, V.K. p. 19). Thus, banks have to set up "Research and Market Intelligence" wings so as to remain innovative to ensure customer satisfaction and to keep abreast of market development.

Product and Service: A product is defined as "Anything that has the capacity to provide the satisfaction use or perhaps, the profit desired by the customer". Product and service are the words used interchangeably in banking parlance. The bank products are deposit, borrowing or other product like credit card or foreign exchange transaction which are tangible and measurable whereas service can be such products plus the way/manner in which they are offered that can be expressed but cannot be measured i.e. intangibles. Better service is more important than just a good product in the marketing of banking service, so the focus should be on the want and need of satisfying that product or service.

Different Products and Services:

Deposits - Banks accept the deposits of the public. In order to attract the savings of the people, the bank provides every sort of facility and inspiration to them and collects the scattered savings of the society. The bank opens an account of those people who deposit their savings with the bank. These deposit accounts can mainly be of three types and people can open any of these three types of accounts according to their wish. These accounts are current account, saving bank account, fixed deposit account.

Loans - The bank just don't keep with themselves the deposited amount of the people, rather they advance them in the form of loans to the businessman and entrepreneurs, just to earn profits for their partners. The loan keeps some gold, silver, fixed and variable assets in the form of security with the bank. The bank can advance loan to their customers in three ways: overdrafts, money at call, discounting bills of exchange.

2.0 OBJECTIVES

At the	e end of this unit, you should be able to:
	Identify the major strategies for marketing bank products and services
	Compare and contrast product strategy and pricing strategy
	Enumerate the marketing approaches to banking services
	Explain the challenges of bank marketing

Highlight the possible effect of technology, untrained staff as the major challenges of bank
marketing
Further buttress the comprehensive strategy for the enhancement of bank marketing
Discuss the matching of corporate strategy alternatives to fit the bank industry
circumstances

3.0 MAIN CONTENT

3.1 STRATEGIES FOR MARKETING BANK SERVICES

A bank's strategy encompasses the elements of the traditional marketing mix-product, price, promotion and place (i.e. distribution), and seek to attract the target audience.

The target market selection process identifies potentially profitable market segments, each of which has relatively homogenous needs that can be satisfied by suing appropriate marketing mix. Which particular marketing mix is developed to suit a targeted market segment is determined by the distinctive needs of the groups.

Although each element of the marketing mix is important in itself, it is how well each element is blended and coordinated with other elements that ultimately determines whether a marketing strategy successful (Ugoji 1995)

3.1.1 Product Strategy: The product is the means to an end for the target market. It is the benefit provider - a way of directly satisfying existing or latent needs. The success of anyone product is a function of how well it solves the target markets needs or wants relative to the competitors products. Banks that excel, as far as product strategy is concerned, develop and offer products designed specifically to solve the problems of their target markets. Certain questions are often asked while formulating product strategy e.g. are there customers who need some services that are not currently being provided by existing banks? What are the products currently offered in the market etc.

3.1.2 Pricing Strategy: Selling a product at a price that the target market sees as commensurate with the product's perceived benefits is the key to success.

Before the policy of deregulation was introduced, banks were constrained in their use of pricing strategies by regulations governing interest rates n deposits and loans. It was after the deregulation policy was introduced that banks were given the opportunity to select a deposit pricing strategy.

Some banks choose to pay consistently high rates for deposits brought to them by their customers while others pay less believing that their target market is less responsive to interest rates and more responsive to superior services or safety of funds.

Banks should always put some question~ into considerations regarding competitors in their pricing strategies.

3.1.3 Promotion Strategy: This strategy focuses on communicating the availability of products or services to the target markets. Advertising campaigns, sales promotion activities, direct marketing and product publicity are the main elements of the promotion of a bank's products.

The development and implementation of attention getting, information and persuasive communication techniques is vital to market awareness of a bank's should always put the activities of competitors into consideration.

3.1.4 Distribution Strategy: This strategy is concerned principally with making the product available at the desired time and place. Product must always be made available when and where consumers want it.

An important element of distribution strategy for banks is site location. A bank might have superior services and products, but if it is located in an areas where potential customers must pass by several other financial institutions on the way, its ability to attract those customers will be greatly hampered.

In the light of this, many banks are responding by introducing automated teller networks to maximize the number of locations where customers can access their accounts.

3.2 MARKETING APPROACH TO BANKING SERVICES

Identifying the customer's financial needs and wants.
Develop appropriate banking products and services to meet customer's needs.
Determine the prices for the products/services developed.
Advertise and promote the product to existing and potential customer of financial services.
Set up suitable distribution channels and bank branches.
Forecasting and research of future market needs.

From the above discussion of bank marketing, it can be understood that the existence of the bank has little value without the existence of the customer. The key task of the bank is not only to create and win more and more customers but also to retain them through effective customer service. Customers are attracted through promises and are retained through satisfaction of expectations, needs and wants. Marketing as related to banking is to define an appropriate promise to a customer through a range of services (products) and also to ensure effective delivery through satisfaction. The actual satisfaction delivered to a customer depends upon how the customer is interacted with. It goes on to emphasize that every employee from the topmost executive to the junior most employee of the bank is market. Due to the introduction of capitalization of 2004 the scope of the market has

enhanced. Customer's expectations are high from the service industry like a banking industry. Only those banks will survive who will provide efficient and customer desired services.

The smooth development and functioning of any business organization. Finance objectives like value maximization to shareholders are integral parts of any new strategy adopted by the organization. But this objective seems to have been lost amidst the flurry of marketing activities focusing on market share. Conscious efforts must be taken to avoid the missing core objective and for sales growth. Dixit, V.C. (2004) concludes that for successful marketing and to make it more effective, 'identify the customer needs by way of designing new products to suit the customers. The staff should be well equipped with adequate knowledge to fulfill the customer's needs. We should adopt long-term strategies to convert the entire organization into a customer-oriented one.

Gupta, 0. (1997) described the emergence of services sector and banks experience in service marketing. He emphasized customer satisfaction as the key to success and suggested a few measures to meet the needs and expectations of the customers. Gurumurthy, N. (2004) asserts that

technology today is claimed to be a 'leveler' and not a 'differentiator'. After the 'wow' feelings die down, technology would become a must for most clients. Banking products can be easily copied and replicated by competitors unlike manufactured products. It is also not a viable model for marketers I1on price. The solution, therefore, would lie in effective application of marketing strategies. Iyanlla (1999) described that marketer has to know that each and every country is having various marketing environment. Comparatively, it has to be very clear that the international marketer is bound to hold on the reorganization that every marketing environment differs from place to place as well as nation to nation than that of the same country state.

3.3 CHALLENGES OF BANK MARKETING

3.3.1 Technology

Marketing by private sector banks and foreign banks is more effective than public sector banks because these banks are IT oriented. Private sector banks and foreign banks are attracting more customers by providing e-services. Thus, technology has become a challenge before the public sector banks.

3.3.2 Untrained Staff

Often it happens that when a prospective customer approaches the branch, the employees seem to have very little knowledge about the scheme. This reflects an ugly picture of our bank's image. Banks are not losing one prospective customer but 10 more customers who would be touch of this man. Attitude of the employees towards customers is also not very well. Thus, it is a need of time to reorient the staff.

3.3.3 Rural Marketing

This is a big challenge before the Indian banks to enhance rural marketing to increase their customers. Banks should open their branches not only in the urban and semi-urban areas but also in the rural areas.

3.3.4 Customers" trust

Marketing can be enhanced only by increasing the number of customers accessing your services.

Customers can be increased or attracted only by winning the trust of the customers.

3.3.5 Customer"s Awareness

Customer awareness is also a challenge before the banks. Bank can market their products and services by giving the proper knowledge about the product to customer or by awarding the customer about the products. Bank should literate the customers.

3.4 STRATEGIES FOR THE ENHANCEMENT OF BANK MARKETING

In the fierce competitive market, needs of customer keep changing. Hence, our marketing strategy must be dynamic and flexible to meet the changing scenario. Here are steps that form successful and effective marketing strategy for bank products.

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$\mathbf{L}_{\mathbf{H}\mathbf{H}}$	masis	OH	שע	posits

Emphasis, though in a discrete manner, should be given to mobilize more of term deposits as they are more profitable for the bank in comparison to demand. Introduction of products comparable to

"Kisan Vikas Patra" of post office and product with the facility of tax rebate under section 88 of Income Tax Act will of much help in this regard.

☐ Form a Saleable Product Scheme

Bank should form a scheme that meets the needs of customers.

A bunch of such schemes can also form a product. A bank product may include deposit scheme, an account offering more flexibilities, technically sound banking, tele/mobile/net banking, an innovative scheme targeted to special group of customers like children, females, old aged persons, businessman etc. In short, a bank product may consist of anything that you offer to customers.

☐ Effective Branding

Man is a bundle of sentiments and emotions. This can effectively be helpful in branding our products. Considering the features of products and target group of customers, the product can be effectively branded so as to sound it catchy and appealing. Some proven examples are Apna Ghar, Dhan Laxmi, Kuber, Flexi Deposit, Smart Kid, Sapney, Vidya etc.

The branding should be done in such a way that the brand name must attract the attention of customers. It should be easy to remember. The target group and the silent feature of the product should resemble brand name. This will help a lot in making the brand successful. All employees and all our campaigns should refer the product by its brand name only so that to strike the same in the customer's mind.

☐ Products for Women

The national perspective plan for women states that 94 pc of women workers are engaged in the unorganized sector and 83 pc of these in agriculture and allied activities like dairy, animal husbandry, sericulture, handloom, handcrafts and forestry. Banks should do something to improve their access to credit which they require.

☐ Customer Awareness

There is a need to educate the customers on bank products. Efforts should be made to widen and deepen the process of information flow for the benefit and education of Indian customers. Today, the

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ENTREPRENEURIAL MARKETING

customers do not have any idea as to how much time is required for any type of banking service. The rural customers are not aware for what purpose the loans are available and how they can be availed.

Customers do not know the complete rules, regulations and procedures of the bank and bankers preserve them for themselves and do not take interest in educating the customers. It is a need to educate the customers from the grassroots of banking. It is time that each bank branch takes steps to educate the customers on all banking function, which will facilitate growth of banking on healthy lines both qualitatively and quantitatively.

☐ Advertisement

Advertisement is an eminent part of marketing of bank products. Advertisement should be such that appeals to people. It should not follow the orthodox pattern of narrating a product. For effective advertisement, bank should understand people"s taste and choices.

☐ Selling Products in Rural Areas

For enhancing the marketing of their product, bank should sell their products in rural areas. For it, there is a need to open branches in the rural areas.

☐ Informing Customers About Products

The bank should embark upon aggressive marketing of its products, particularly at the time of launching a new product, which will inform the perspective customers regarding product and at the same time relieve staff at branch level from explaining the product to all customers.

☐ Customer Convenience

In a service industry like banking where product differential is hard to maintain and quality of service depends upon the service provider, from whom it cannot be separated. So the bank employees have to render services to the satisfaction of the customer, not as per their own conveniences or whims.

☐ Re-orient Staff

Sincerity of efforts in implementation of the measures is lacking among the bank staff. It is a fact that its employees are not able to rise up to the expectations of its customers. They lack in their behaviour, attitude and efficiency. The phenomenon is glaring at urban centers. Therefore, it calls for an immediate attention which is missing link in the entire process of marketing, and the bank should undertake all such steps to motivate and reorient its staff.

☐ Sale of Products and Services through E-delivery Channels

After the Information Technology Act, many new e-delivery products have been introduced. These delivery channels are very helpful in enhancing the marketing of various products and services. Thus Indian banks should sale the products and services through e-delivery channels.

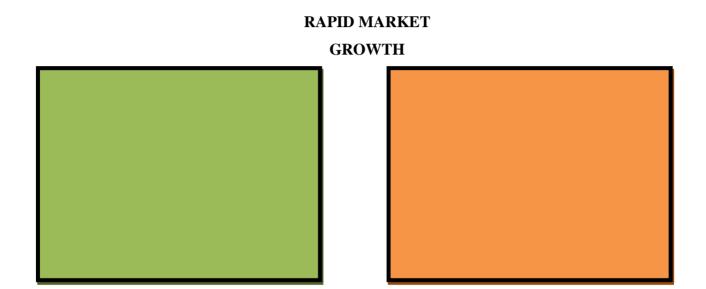
☐ Sale of Products and Services through Web-sites

Internet is a network of network which connects the world. Thus, banks should sale their products through web-site. This will enhance the marketing of the products not only at the national but also at the international level.

☐ Implication

Thus the study implies that for a successful and effective banking marketing of bank products is a necessary condition. This condition can only be fulfilling only by attracting the more and more customers. Thus, bank should make only policies which are helpful in fulfilling the needs of customers.

3.5 MATCHING CORPORATE STRATEGY ALTERNATIVES TO FIT A FIRM"S CIRCUMSTANCES (THE BANKING SECTOR)



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QUADRANT 1

Strategies (In order of probable attractiveness)

- 1) Concentration
- 2) Vertical Integration
- 3) Concentric Diversification

ENTREPRENEURIAL MARKETING **QUADRANT 2**

Strategies

- Reformulation of concentration strategies
- 2) Merger with another firm in some business
- 3) Divestiture
- 4) Liquidation

QUADRANT 3

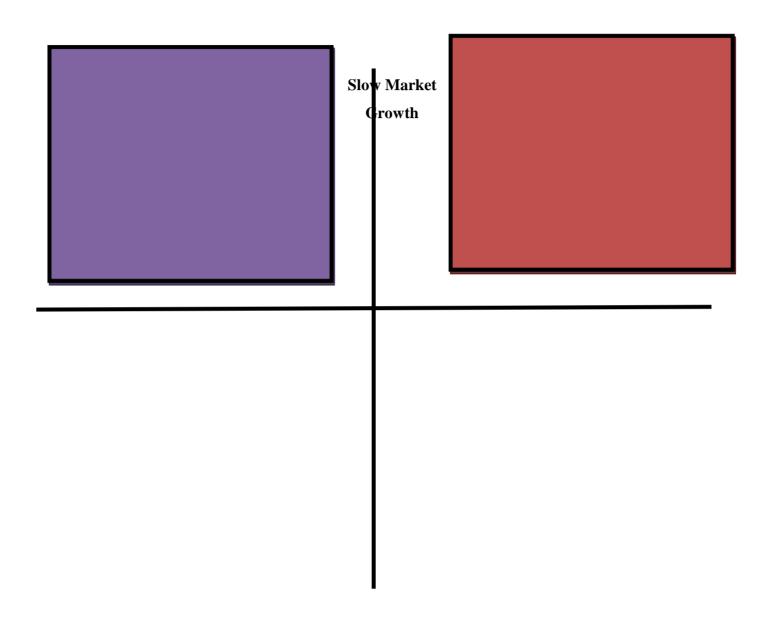
Strategies (Based on probable attractiveness)

- 1) Retrenchment
- 2) Diversification
- 3) Divestiture
- 4) Liquidation

QUADRANT 4

Strong Competitiveness Position

- 1) Concentric Diversification
- 2) Conglomerate Diversification
- 3) Joint Venture into new Area



In illustrating the effective use of corporate strategy, Roland (1976) presented the graph above to explain market share and growth potential of a product. He maintained that it makes sense for firms in quadrant to push hard to maintain or increase their market shares, to develop further their distinctive competencies, and to make whatever capital investments necessary to continue in a leadership position.

Student Assessment Exercise

Critically examine the major prevailing challenges of bank marketing in Nigeria.

4.0 CONCLUSION

It is indeed axiomatic having been taken through this interesting unit in which many have little or no knowledge about.

This unit examines holistically the strategies for marketing bank products and services, product strategy, pricing strategy, promotion strategy and the distribution strategy. This unit also addressed the marketing approaches to banking services, the challenges of bank marketing and matching a corporate strategy alternative to fit the bank circumstances.

5.0 SUMMARY

Banking sector reforms have changed the traditional way of doing banking business. Mainly technology is the outcome of banking reforms. Customer is now the king and customer focus or satisfaction of customer is the main aim of the banks. With the introduction of new products and services competition has grown up among the banks. Only those will survive who face the competition with the effective ways of marketing.

6.0 TUTOR MARKED ASSIGNMENT (TMA)

Efforts are made to widen and deepen the process of information flow for the benefit and education of Nigerian customers. Explain some of these efforts put forth.

Answer to Student Assessment Exercise.

Technology
Untrained Staff
Rural Marketing
Customers" trust
Customer"s Awareness

ENT 205 7.0 REFERENCE/FURTHER READING.

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UNIT 7: RELATIONSHIP MARKETING

CONTENTS 1.0 Introduction
2.0 Objectives of the unit
3.0 Main content
5.0 Main content
3.1 Definition and meaning of Relationship marketing
3.2 Some of the key factors for Relationship marketing
3.3 Reasons for Relationship Marketing
3.4 Methods employed in building a relationship
3.4.1 Technical Support
3.4.2 Expertise
3.4.3 Resource Support
3.4.4 Service levels
3.4.5 Risk Reduction
3.5 Attributes of a relationship marketer
3.6 How banks can grow its business

3.6.1 Product development process

3.7 Major steps in relationship marketing

- 3.7.1 Identify your customer
- 3.7.2 Differentiating Customers
- 3.7.3 Interacting with the customers
- 3.7.4 Customizing your bank"s behaviour
- 3.8 Management of Bank Customer-Relationship
 - 3.8.1 Improvement on what the customer can see physically
 - 3.8.2 Improvement of the service delivery system
 - 3.8.3 Improvement of the knowledge, attitude and services delivery capacity of personnel
 - 3.8.4 Increase trust and confidentially
 - 3.8.5 Improvement of the bank"s image
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor Marked Assignment (TMA)
- 7.0 Reference/Further Studies

ENT 205 ENTREPRENEURIAL MARKETING

1.0 INTRODUCTION

Relationship marketing is an old idea but a new focus now at the forefront of services marketing

practice and academic research.

The impetus for its development has conform the maturing of services marketing with the emphasis on

quality, increased recognition of potential benefits for the firm and the customer, and technological

services.

Accelerating interest and active research are extending the concept to incorporate newer, more

sophisticated view points. Emerging perspectives explored here include targeting profitable customers,

using the strongest possible strategies for customer bonding, marketing to employees and other

stakeholders, and building trust as a marketing tool. Although relationship marketing is developing,

more research is needed before it reaches maturity.

Development: Relationship marketing refers to a short-term arrangement where both the buyer and

seller have an interest in providing a more satisfying exchange. This approach tries to disambiguiously

transcend the simple post purchase-exchange process with a customer to make more truthful and

richer contact by providing a more holistic, personalized purchase, and uses the experience to create

stronger ties.

2.0 OBJECTIVES

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

☐ Defined relationship marketing

☐ Explain some of the reasons for relationship marketing

☐ Identify the key methods employed in building relationship marketing

☐ Distinguish between technical Support and Resource Support as method of building

relationship

☐ Explain with the aid of a labeled diagram, the growth in banking services

☐ Explain the steps in relationship marketing via-a-vis management of bank customer

relationship

3.0 MAIN CONTENT

3.1 DEFINITION AND MEANING OF RELATIONSHIP MARKETING

According to Aigbirenmolen (2004), the purpose of business is to create and keep customers as well as ensure cost effectiveness. Companies often fail because their products fail, and products fail because customers reject them.

Relationship marketing concerns the shifting from activities of attracting customers to activities concerned with current customers and how to retain them. At its core is the maintenance of relations between a company and as suppliers, channel distribution intermediaries, the public and its customers. The key idea is to create customer loyalty so that a stable, mutually profitable and long-term relationship is developed. The idea of relationship marketing implies at least two essential conditions. First, a relationship is a mutuality rewarding connection between the parties so that they expect to benefits from it. Second, the parties have a commitment to the relationship over time and are, therefore, willing to make adaptations to their own behaviour to maintain its continuity.

Kotler (1997) defines relationship marketing as the practice of building long-term, satisfying relations with key parties' customers, suppliers, and distributors in order to retain their long-term preference and business. Good marketers build up long-term win-win relationships by delivering high quality goods, service and fair prices to other parties over time. More banks today are shifting emphasis from "transaction marketing to relationship marketing".

3.2 SOME OF THE KEY FACTORS FOR RELATIONSHIP MARKETING.

- 1. The customer is not a competitor
- 2. You need the customer; the customer does not need you
- 3. The customer has feelings
- 4. The customer can choose you or somebody else
- 5. You need to manage the relationship with an existing customer because it is more difficult and costly to establish a new relationship than to manage an existing one.
- 6. A strong relationship translates into greater business volume via repeat purchases and new introductions.

3.3 REASONS FOR RELATIONSHIP MARKETING

- 1. The market place has been transformed in recent times and you have to change with time and get close to your customers.
- 2. The customer has a basket of competing products to choose from. He has a choice.
- 3. Most business activities are now market driven and only good relationship marketing can grow volume and enhance profitability.
- 4. Relationship marketing will enable you hold on to your existing customers whist you try to snatch some customers away from your competitors.

3.4 METHODS EMPLOYED IN BUILDING A RELATIONSHIPS MARKETING.

As there are lots of competitors in the banking industry, there is need for banks to be customer focused by providing superior service to customers who are themselves exposed to wide choices. A key method of building relationship and goodwill is the provision of customer service. Ways of building relationships are:

3.4.1 Technical Support: Research and development cooperation, before sales or after sales service, and providing training to the customer's staff. The supplier is thus enhancing the customer's know how

ENT 205 and productivity.

- **3.4.2 Expertise:** Suppliers can provide expertise to their customers e.g. the offer of design and engineering consultancies and dual selling where the customer's sales force is complemented by the supplier.
- **3.4.3 Resource Support:** Suppliers can support tile resource base of customers by extending credit facilities•, giving low interest loan, agreeing to cooperative promotion.
- **3.4.4 Service Levels:** Suppliers can improve their relationships with customers by improving the level of services offered to them. This involves providing more reliable delivery, fast or just-in-time delivery.

3.4.5 Risk Reduction: It involves free demonstrative preventative maintenance contracts, product and delivery guarantees etc.

3.5 ATTRIBUTES OF RELATIONSHIP MARKETER

Cheerful and should have an inexhaustible sense of humour
Intelligent and knowledgeable. He must apart from knowing his products also know
the customer's business.
Willingness to fish for and store information for future use to the benefits of
the organization.

3.6 HOW A BANK CAN GROW ITS BUSINESS

Attract new customers
Increase revenue by differentiating its service and charging more
Increase its share of preferred customers through exceptional service delivery
Generate more orders from existing customers (i.e. good relationship management).

3.6.1 Product development process

The product life cycle shows the following stages in product development process

Concept	Planning	Case	Pre-	Testing	Launch	Post
Development	Scoping	Business	Launch			Launch
			Prototype			
Idea	Through	Define	Product	Final	Commercialization	Full
generation	and	product	prototype	validation		Evaluation
and initial	precise	Business		and		of product
screening	product	justification		justification		launch
	and	and plan of		for launch		and next
	project	action				step
	definition					

3.7 MAJOR STEPS IN RELATIONSHIP MARKETING

Some of the major steps relationship marketing is being discussed below:

- **3.7.1 Identify your Customer**: This can be done by collecting and entering more customer names into the existing database and by collecting additional information about your existing customers. Furthermore, you can verify and/or update customer data and delete updated information.
- 3.7.2 Differentiating your Customers: This can be done by ranking customers into A, Band C

categories based on their value to your bank and deploying your resources (human and material) to satisfy them appropriately with a view to growing the bottom line.

3.7.3 Interacting with your Customers: This can be done by calling and interacting with the top 3 persons at your top 5% of customers if your focus is corporate customers. It can also be done through interacting with high net worth individual customers that can add value to the bottom line of the bank.

3.7.4 Customizing your bank's behaviour: This can be done by branding and personalizing your banks products or service and by involving top management in customer relations.

3.8 MANAGEMENT OF BANK-CUSTOMER RELATIONSHIP

The following are activities banks can use to effectively manage their relationship with customers.

- **3.8.1Improvement on what the customer can see physically:** Here the bank should keep on improving the physical structures which the customers can see, to assess the quality of their services e.g. branch locations, buildings parking space, service delivery, waiting rooms etc Attention should be paid to neatness.
- **3.8.2 Improvement of the service delivery system:** Equipment should be introduced to perform some operations and as much as possible, separating the customer from the service delivery system.
- **3.8.3** Improvement of the knowledge, attitude and service delivery capacity of banks personnel through training: There should be regular training programes for bank personnel to improve their knowledge and skills for attending to individual customers and to maintain effective interactions with them.
- **3.8.4 Increase trust and confidentiality:** There should be increased trust and confidentiality relationship between the banks and customers via promotion of professionalism among staff and appropriate adverts and publicity. Fraud and other sharp practices by banks staff should be reduced barest minimum.
- **3.8.5 Improvement of the bank's image:** The image of the bank can be regularly improved through advertising; direct positive face-to-face communication by bank staff enhances customer perception of the image of the bank.

Student Assessment Exercise

What is relationship marketing?

4.0 CONCLUSION

This unit being as elaborated as it is has been able to address key issues in relationship marketing. You have learnt about the definition and meaning of relationship marketing, the major reasons for relationship marketing, the methods employed in building a good relationship.

You have also learnt about the relevant qualities of a relationship marketer and how banks can grow its business with the aid of the product life cycle. In the end, the unit also examines the key steps to be taken in a relationship marketing vis-à-vis management of bank relationship.

5.0 SUMMARY

Relationship marketing was first defined as a firm of marketing deployed from direct response marketing campaigns which emphasis customer relation and satisfaction, rather than a dominant focus on sales transactions.

As a practice, relationship marketing differs from other forms of marketing in that it recognizes the long term value of customer relationships and extends communications beyond intrusive advertizing and sales promotional messages.

With the growth of the internet and mobile platforms, relationship marketing has continued to evolve and move forward as technology opens more collaborative and social communication channels. This includes tools for managing relationships with customers that go beyond simple demographic and customer service data. Relationship marketing extends to include inbound marketing efforts, (a combination of search optimization and strategic content), public relations, media and application development.

From a social anthological perspective, we can interpret relationship marketing theories and practices as commodity exchanges that instrumentalise features of gift exchange. It seems that marketers consciously or intuitively are recognizing the power contained in "pre-modern" forms of exchange and have begun to use it. This particular perspective in marketing opens up fertile ground for future research, where marketing theory and practice can greatly benefit from in-depth research of the principles governing gift exchange.

6.0 TUTOR MARKED ASSESSMENT (TMA)

Capacity building and man power development is a panacea to effective bank services deliver y system. Discuss.

Answer to student Assessment Exercise

Relationship marketing concerns the shifting from activities of attracting customers to activities concerned with current customers and how to retain them. At its core is the maintenance of relations between a company and as suppliers, channel distribution intermediaries, the public and its customers. The key idea is to create customer loyalty so that a stable, mutually profitable and long-term relationship is developed.

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UNIT 8: NEW PRODUCT DEVELOPMENT CONTENT

- 1.0 Introduction
- 2.0 Objectives of the unit
- 3.0 Main content
- 3.1 Definition and meaning of the product
 - 3.1.1 Differentiating a product from service
- 3.2 New product development
- 3.3 Stages of new product development
 - 3.3.1 Idea generation
 - 3.3.2 Idea screening
 - 3.3.3 The concept testing
 - 3.3.4 Business Analysis
 - 3.3.5 Product development
- 3.4 Test Marketing
- 3.5 General purpose of test marketing
- 3.6 Concept of communication in new product development
 - 3.6.1 Decisions area in launching a new development
- 3.7 Criteria for enhancing new product development
- 3.8 Failure of new products
- 3.9 Financial/Evaluation of new product potential
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor marked Assignment (TMA)
- 7.0 Reference/further reading

1.0 INTRODUCTION

In financial service industry, new product launches are all too often not successful. Rapid market changes combined with the challenges of changing internal systems to support new offerings make launching new product risky.

Because of the high number of failures, firms must screen product and services concepts to project markets share penetration and guard against cannibalizing existing offerings. Yet shorter product lifecycles are during accelerated product launch processes and giving firms less time to prepare for launch. Financial services firms must maximize the return and minimize the risk of new product/service introductions.

Increasing new produc	t success:	
The launch challenges	can be approached from one of three perspectives:	

☐ The firm may be concerned with launching a single product; the firm acknowledges the need for underlying process to enable successful product launches.

2.0 OBJECTIVES

At the en	d of this	unit, y	ou shoul	ld be a	able to:
	Differen	itiate a	product	from	service

z minimum w p.		. 100
Explain the new	product develop	pment aims

- ☐ Identify the various stages of new product development
- ☐ Explain the concept of idea screening in a new product development stage
- ☐ Explain the concept of commercialization and the purpose of test marketing
- ☐ Identify the key decision areas when launching a new product
- ☐ Examine the failures of newly launched products in the markets

3.0 MAIN CONTENT

3.1 DEFINITION AND MEANING OF A PRODUCT

A product is anything that has value and satisfies human wants. Products are designed with a view to customer's satisfaction. The point is that in the end, it is the customers who decide whether the company or bank will flourish or collapse. The product range needs to be constantly modified in the light of changing customer needs and environmental development.

3.1.1 How is a product different from service?

A product is defined a "Anything that has the capacity to provide the satisfaction use or perhaps, the profit desired by the consumer" product and services are the word used interchangeably in financial service organizations. For example the bank products are deposit, borrowing or other products like credit card, POS (Point of Sales) or foreign exchange transactions which are tangibly and measurable whereas service can be such products the way and manner they are offered.

3.2 NEW PRODUCT DEVELOPMENT

New products are launched with the aims of attracting customers in a market and moreover to increase the level of sales in a market.

Presently, the fashion among Nigerian banks is the effort and desire to out-perform competitors in new products development in order to hold their ground in the field of operation.

Developing the right and desirable products, that can meet people"s needs and introduce profits to the organization is not easy as customers need and wants keep on changing, new can make it a good product today obsolete tomorrow.

To be able to meet these challenge, it would aim at producing new products, modifying existing products and eliminating obsolete products that have cease to pay their way (Onwuchuruba 1996).

The risk of market failure is ever present for a new product: most new products fail. New product development should not be judge in terms of percentage of failure. To do so could stifle the innovative spirit. Failure has to be tolerated; it is endemic in the whole process of developing new products.

3.3 STAGES OF NEW PRODUCTS DEVELOPMENT

The stages of new product development are:

- **3.3.1 Idea Generation:** New product development process starts with the search for ideas. New product development ideas can come from interacting with various groups and from using creativity generating techniques. The sources of new product ideas can be internal to the company e.g. scientists, engineer, marketers, salespeople and designers or external e.g. competitors, distributors or customers. It is good to keep in constant touch with customers who are innovators and market leaders.
- **3.3.2 Idea Screening:** Ideas have to be screened to evaluate their commercial worth. Ideas should be written down and reviewed each week by an idea committee. Selection should be made of the most attractive ones. Selection criteria see that the generated ideas are consistent and are within the philosophy and image of the organization/fit i.e. between the product and company objectives and the capability of the company.
- **3.3.3** Concept Testing: If accepted as worthy for further investigation, it can be formed into a specific concept for testing with potential customers. Group discussion can also be used to develop and test product concepts. Group discussion can lead to product refinement. The concept may be described verbally or pictorially so that the major features are understood. Potential customers can then state whether they perceive any benefits accruing from the features. Concept testing allows a relatively inexpensive judgment to be made by customers before embarking on a costly product development programme.
- **3.3.4 Business Analysis:** An evaluation is made of the product idea at this stage. Management reviews the future sales, costs and profit estimates to determine whether they satisfy the company's objectives. If they do, the product concept can be moved to the products development stage.
- **3.3.5 Product Development:** Product ideas that survive the screening and idea evaluating steps must now be analyzed further. Usually, this involves some research and development (R&D) and engineering to design and develop the physical part of the product. McCarthy (1990).

3.4 Test Marketing: The product is introduced in selected bank branches by distributing the brochures to potential users of the financial product so as to evaluate customer complaints and reactions. In other words, the new product is introduced into an authentic setting to learn how large the market is and how consumers and dealers react to handling, using and repurchasing the product (Kotler 2004).

3.5 THE GENERAL PURPOSE OF TEST MARKETING

Udeagha (1993) stated that the purposes of market testing are:

- a. To assess the product performance under practical market conditions
- b. To assess the compatibility of the product with the other elements of the marketing mix c. To reduce the risk of product failure in national or international market
- d. To provide the marketer with additional market information.

3.6 THE CONCEPT OF COMMERCIALIZATION

A product Idea that survives this far can finally be placed on the market. If the test-marketing results shows positive sings, then the product will finally be introduced to the market with a view to commercializing it. Appropriate strategy that provides a differential advantage is put in place (Jobber 1998). The new product — now starts its life cycle at the introduction stage.

It is only when all signals show reasonably good potentials does it normally make sense to launch the product fully. The potentials must be clearly indicated since mistakes made during this stage are frequently fatal and costly to rectify. Problems of poor timing, insufficient marketing efforts and initial product failings were major contributors to most of product failures and withdrawal after launch. White (1976) was of the opinion that "if you get the development process right, the national launch should be, you may feel, a mere formality" The failure rate of new product, even those for whom a rigorous development process has been conducted is sufficiently high to demonstrate the fallacy of this point of view. The introduction state of a new product is critical to the route of success or failure. It provides real indication of:

- a) The development of the brand in the market;
- b) The effect of marketing mix decision made;
- c) A scope for using market information to forecast the sales performance of the product and whether it will be a success

3.6.1 Decision area in launching a new products/service

In launching a new product, the company must take four decisions (Kotler, 1984).

Timing: The first decision is the right time to launch the new product, e.g. if the demand of the product is highly seasonal, the new product should not be introduced until the right season arrives.
Geographical strategy: The company must decide whether to launch the new product in a single locality, region, several regions, national market or international market.
Target Market Prospects: The Company must target its distribution and promotion to the prime prospects who are more often than not, the Early Adopters, heavy users, opinion leaders, etc.

Introductory Market Strategy: The company must develop an action plan for introducing the new product into the market and decide on the marketing budget and its allocation among the marketing mix elements.

3.7 CRITERIA FOR ENHANCING NEW PRODUCT DEVELOPMENT

However, there are some criteria which carefully observed, increase chances of successful new product development and launching. They include the following a.

There must be an adequate demand.

- b. The product must be compatible with the company's marketing experience and resources.
- c. The product should fit fairly, if not completely, into the company's present production pattern.
- d. The financial implications of launching the new product must be carefully thought through and appropriate arrangements made.
- e. Adequate management time must be devoted to new products. :
- f. There must be coherent policy for new product development and management; and g. Suitable organization for developing and handling new products.

To enhance the much needed success, King and Summers (1970) said that new product development function should have its base at no less than Top Management Level and advocate that considerable interest should be paid to new product development by management. Grunhaug (1976) consolidates this point in a survey of management attitudes in Scandinavian firms, concluding that "time devoted to product development by senior management was important to the success of a new product project.

It is therefore evident that management attitudes, amongst others, prevailing within the organization are of great importance to new product development.

3.8 FAILURE OF NEW PRODUCTS

Having gone through some of the major requirements a new product must meet before success can be assured, one will be puzzled to discover that in all works of life, high failure rates are still recorded for various ranges of new products.

In a famous study, Booz et.al (1967) put new product failure rate at 50% after the marketing stage. The same study also revealed that 58 new product ideas must be screened to find one good one, and that five out of six man-hours are spent on products that failed. O'Meara (1961) and Schour (1961) reported independently that between 40% and 90% of all new products fail commercially.

This high incidence of product failure had plagued many firms. While many have dared prescribing techniques aimed at remedying the problems, only very few have delved into the real analysis of the reasons for product failure.

Davidson (1979) blamed cause of new product failures on "Corporate Egocentricity". He said that "lack of objectivity can be brought about by unreal and petrified targets, a lack of courage, arrogance, over absorption and the existence of vested interests on the part of employees concerned with the development project".

King (1970) attributed failure to the excessive delegation of new product objective formulation, lack of attention to production criteria and the reluctance of management to commit to new products and the marketing concept.

NICB investigation (1964) sought opinions of managers about the reasons for product failure in their own firms. A variety of possible causes which were identified include inadequate market knowledge, technical defects in the product, bad timing and poor marketing. Closely related to the above was the result of Hlavack(1974) investigation, which include inadequate market size, distribution problems, internal conflicts, impatience and resistance, and bad marketing research.

Cooper (1976) gave a complete picture in an indept study of a large sample of products which failed after commercial introduction. He presented such reasons as general, specific and latent.

- 1) General Reasons: These were financially oriented and include examples of expected sales that never materialized, Poor sales, Poor profit margins, excessive development costs and excessive investment.
- 2) Specific Causes: These include causes of low sales, causes of low profit 'margins, causes of excessive development costs and excessive investment. The products prices were higher than the customer can pay. This pricing decision hurt sales.
- 3) Latent Causes: These were deficient activities and deficient resources. The firms failed to undertake an end-user market study. This was because the firms' marketing research departments were hopelessly under-staffed.

3.9 FINANCIAL EVALUATION OF NEW PRODUCT POTENTIAL

The measure of any business venture is its contribution financially to entire profitability of (lie firm. This section works at the profit yield of the proposed new product in advance.

The general approach to financial analysis is to compare alternative new product projects either with each other or with some company oriented standards.

As a result of the dynamic nature of the assumption made in forecasting, Andrews (1975) suggests that there is a real need to employ techniques which are quick to use, easy to understand and apply. Information required for capital investment appraisal include, volume sales with respect to time, investment required; cost of manufacturing and marketing and selling price. However, the reliability of these data is always a big problem since management must rely on forecasts result from Product Testing or Market Testing.

This difficulty notwithstanding White (1976) suggests that the under-listed methods of capital investment appraisal can suitably be applied to new product development.

- a) Pay-back period time required repaying the initial investment costs.
- b) Return on capital Percentage annual net profit to the net assets employed in the product.
- c) Discounted cash flow This technique takes into account time value of money and weighs die value of cash flows by an amount which depends upon when they occur in relation to the initial investment.

Student Assessment Exercise.

In a tabular form, discuss the stages in product development process.

4.0 CONCLUSION

In this unit, you have learnt about the meaning of a product, the decision between a product and service; you have also learnt about the different stages in new products development, the concept testing and the general purpose of test marketing. The unit also addressed areas in new product development.

5.0 SUMMARY

approa	ach for your business can yield significant benefits:
	Reducing time to market
	Attempting business value
	Minimize risk for product launch use rapid, repeatable process to gain competitive
	advantage

Opportunities for increasing new products success exist on multiple levels. Choosing the right

Each product launch may be unique, but share common success factors that should be managed through a product development lifecycle with a focus on best practices.

6.0 TUTOR MARKED ASSIGNMENT (TMA)

Philip Kotler (1984) enumerated four key decision taking areas when launching a new product. In the light of this, itemize and discuss those key decisions.

Answer to student Assessment Exercise.

The product life cycle shows the following stages in product development process

Concept	Planning	Case	Pre-	Testing	Launch	Post
Development	Scoping	Business	Launch			Launch
			Prototype			
Idea	Through	Define	Product	Final	Commercialization	Full
generation	and	product	prototype	validation		Evaluation
and initial	precise	Business		and		of product
screening	product	justification		justification		launch
	and	and plan of		for launch		and next
	project	action				step
	definition					

7.0 REFERENCE/FURTHER READING

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UNIT 9: DEFINITION OF ENTREPRENEURSHIP AS A BUSINESS ACTIVITY

CONTENT

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 Definition of Terms
 - 3.1.1 Definition of Entrepreneur
 - 3.1.2 Definition of Entrepreneurship
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 - 3.2 Entrepreneurship as a Business Activity
 - 3.3 The Entrepreneur as an Investor
 - 3.4 Concepts in Entrepreneurship
- 4.0 Conclusion
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- 7.0 References and Further Readings

1.0 INTRODUCTION

You are welcome to a new course; SMS303 (Entrepreneurship Development) is a first semester year four, three credit and 400 level core course. This is the first unit of the first module in this course.

In this unit, we shall define the terms 'entrepreneurship, development and entrepreneurship development, discuss entrepreneurship as a business activity, describe an entrepreneur as an investor, and explain certain key concepts as they relate to entrepreneurship development and how entrepreneurship contributes to GDP and GNP.

2.0 OBJECTIVES

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

define the terms: entrepreneur, entrepreneurship, development and entrepreneurship development;

describe entrepreneurship as a business activity;

discuss entrepreneur as an investor;

discuss certain key concepts as they relate to entrepreneurship development and how entrepreneurship development contributes to the national economy.

3.0 MAIN CONTENT

You would have learned in principles of economics, that there are four factors of production, namely: land, labour, capital and entrepreneur.

For ease of reference, we would define land as the surface of earth that is not sea and all natural resources or endowments, labour as the human beings (skilled and unskilled) workforce that would help work on the machines, equipment, etc. to transform the raw materials into finished products for consumption by the consumer. The entrepreneur is fourth and the most important of all the factors. This is because the entrepreneur harness all the human and material resources, provides the finance required, takes risk, initiate the ideas to transform into consumable product.

3.1 Definition of Terms

We shall define the terms 'entrepreneurship', 'entrepreneur', 'development', and 'entrepreneurship development' under separate sub-heads below.

3.1.1 Definition of Entrepreneur

The word entrepreneur originated from the French word, "entreprende" which means "to undertake" (Akanni, 2010). In business context, it means to start a business, identify a business opportunity, organise resources, manage and assume the risk of a business or an enterprise. It is also used to describe those who (took charge) lead a project, which would deliver valuable benefits and bring it to completion. In other words, those who can manage uncertainty and bring success in the face of daunting challenges that would destroy a less well-managed venture.

Hornby (2006) defined an entrepreneur as a person who makes money by starting or running businesses, especially when this involves taking financial risks. Drucker (1995, quoted in Jimngang, 2004) defined an entrepreneur as someone who shifts economic resources out of an area of lower and into an area of higher productivity and greater yield. This definition

has two aspects that deserve to be underlined. First, there are resources that undergo manipulation; second, the activity seeks to attain "higher productivity" and "greater yield".

In the science of economics, we learn how to optimize the factors of production and at the same time seek to attain equilibrium in the distribution of wealth. In other words, we strive to get the most out of the existing resources and to establish equilibrium. The entrepreneur is someone who sees change as normal and healthy. Usually, the entrepreneur does not bring about change. Rather, he "searches for change, responds to it, and exploits it as an opportunity.

Entrepreneurs are characterized by the need to be independent, to create value, to contribute to family and society, to become rich or, quite often, not to be unemployed. Potential entrepreneurs display initiative and ambition, have business sense and foresight, and are decisive. They are agents of change who accelerate the generation, application and spread of innovative ideas (UNDP, 2010).

UNIDO (1999) defined entrepreneurship as the process of using initiative to transform business concept to new venture, diversify existing venture or enterprise to high growing venture potentials.

The entrepreneur acts in a different way. The entrepreneur brings to light a differentiator, something unique, which represents *value* in the eyes of the buyer or consumer. The idea is that the person at the helm should consider the organisation as operating under a process designed to provide "value" to the consumer. When all aspects of the business are geared towards achieving this goal – that is, value to the customer or a perception of it – then, such an organisation is entrepreneurial or represents entrepreneurship.

The American human psychologist, Abraham Maslow, sees the entrepreneur as someone who can "discern change, enjoy it and improvise without being forewarned". According to him, the entrepreneur is a "here-now" creator, an improviser, who is not afraid of being viewed as operating in dissonance with general practice and belief (Stephens, 2000). To say it in another way, the entrepreneur is someone who perceives or senses opportunity where others fear rejection; he will not talk of obstacles but challenges. His mindset is tuned to success, and failure though he is aware of the possibility, does not preoccupy him.

3.1.2 Definition of Entrepreneurship

UNDP (2010) defined entrepreneurship as the process of using private initiative to transform a business concept into a new venture or to grow and diversify an existing venture or enterprise with high growth potential. Entrepreneurs identify an innovation to seize an opportunity, mobilize money and management skills, and take calculated risks to open markets for new products, processes and services. You will observe that entrepreneurship is a derivative word from entrepreneur. To Shane (2010), entrepreneurship is the act of being an entrepreneur, which can be defined as "one who undertakes innovations, finances and displays business acumen in an effort to transform innovations into economic goods". This may result in new organizations or may be part of revitalizing mature organizations in response to a perceived opportunity.

The most obvious form of entrepreneurship is that of starting new businesses (referred to as Startup Company); however, in recent years, the term has been extended to include

social and political forms of entrepreneurial activity. When entrepreneurship is describing activities within a firm or large organization, it is referred to as intra-preneurship and may include corporate venturing, when large entities spin-off organizations. Garba (2010) asserted that the term entrepreneurship means different things to different people and with varying conceptual perspectives. He stated that in spite of these differences, there are some common aspects such as risk taking, creativity, independence and rewards.

The concept of entrepreneurship has a wide range of meanings. It was first used in the early 18th century by an Irish man by name Rechard Cantillon who was then living in France. On the extreme, it is a term used broadly in connection within the innovation of modern industrial business leader, which describe an originator of a profitable business idea (Akanni, 2010). According to Joseph Scheumpeter, an Australian economist, the single function which constitute entrepreneurship concept is innovation, such as: new products, new production method, new market and new forms of organisation. Wealth is created when such innovation results in new demand. Entrepreneurship is therefore a process which involves the creation of an innovative economic organisation for the purpose of gain or growth under condition of risk and uncertainty (Dollinger, 2001 quoted in Akanni, 2010).

Vanderwerf and Brush (1989 quoted in Akanni, 2010), after reviewing twenty-five definitions, concluded that entrepreneurship is a business activity consisting of some intersections of the following behaviours: creativity, innovation, general management, risk bearing and intention to realize high levels of growth. Hisrich and Peters (1992) state that entrepreneurship is a continuous process of creating something different that has value to the users.

3.1.3 Definition of Development

Abianga (2010) defined development as the act or process of growth, progress and improvement within a physical setting. Hornby (2006) similarly defined development as the gradual growth of something so that it becomes more advanced and stronger.

3.1.4 Definition of Entrepreneurship Development (ED)

A worldwide consensus on the critical role of competitive markets and entrepreneurs in economic development has emerged in the last decade. In developing countries, the primary barrier to economic growth is often not so much with a scarcity of capital, labour or land, but it is the scarcity of both the dynamic entrepreneurs that can bring these together and the markets and mechanisms that can facilitate them in this task.

Relating all the earlier three definitions of an entrepreneur, entrepreneurship and development, UNDP (2010) then defined entrepreneurship development as referring to the process of enhancing entrepreneurial skills and knowledge through structured training and institution-building programmes. According to UNDP, ED aims to enlarge the base of entrepreneurs in order to hasten the pace at which new ventures are created. This accelerates employment generation and economic development. Entrepreneurship development focuses on the *individual* who wishes to start or expand a business. Furthermore, entrepreneurship development concentrates more on growth potential and innovation.

The Federal Government of Nigeria recognized the role entrepreneurship could play in jumpstarting the growth and development of the economy decided on two things in 2009, one, that entrepreneurship education should be made a general studies course for

all undergraduates of the tertiary institutions. The second was that a centre for entrepreneurial development be established in each of the tertiary institutions where different skills would be taught. At the end of their programme of study, graduates of the tertiary institutions would be able to set up their own businesses with a view to contributing to the economy.

3.1.5 Characteristics of an Entrepreneur

Brown and Clow (1997, quoted in Koce, 2009) see an entrepreneur as a person who recognizes a business opportunity and who organizes, manages, and assumes the risk of a business enterprise focusing on that business opportunity.

According to the authors, an entrepreneur has the following

characteristics: Desire for independence;

Self confidence;

Willingness to take risk;

Ability to recognize opportunity.

Desire for Independence – One of the consistent characteristics of an entrepreneur is his desire for independence. What it means is that an entrepreneur would want to work for himself/herself rather than work for others. They want to take decisions on their own. There is that believe that when you are fired from your former organization, you are likely to become a better entrepreneur. Because of this, you are in a better position to take decision. A lot of people have resigned their position in organizations, to set up their own business. What they mostly tell you is that 'I can wake at anytime to go to work'. It means that it is independence they require.

Self Confidence – There are two characteristic of an entrepreneur that leads him into having self confidence.

- (a) Self Motivation Entrepreneur set their own goals rather than having them set by their bosses. Since these goals are set by entrepreneurs, it means that they will be motivated to achieve those goals.
- **Self Discipline** Every entrepreneur has self discipline, if not, the business will fail, Brown (1997) say. "They correct errors and improve on their own performance without any prompting from someone else. These are confident people who believe in what they are doing and believe that the job is worth doing.

Willingness to Take Risk – Any entrepreneur is a risk taker; they take calculated risks whether formally or informally. Mostly they take risk informally because they make calculation within their brain on what to buy, keep and sell latter. They equally try to figure out the probability of success of their business once they are convince that it is high, they will go into such business, which means they take risk. Marketing research is undertaken by entrepreneur consciously and unconsciously. If this research is carried out, they venture into such businesses. Entrepreneurs are not tired of trying. If they invest in a business and they fail, they still try another business so that they can succeed. Brown 1997 say: an entrepreneur has what he call calculating risks.

- (i) Is the goal worth the risk?
- (ii) How can I maximize the risk?
- (iii) What information do I need before I take the risk?
- (iv) Why is this risk important?
- (v) Am I willing to try my best to achieve the goal?
- (vi) What preparation do I need to make before I take the risk?
- (vii) What are the biggest obstacles to achieving my goal?

Ability to Recognize Opportunity – Brown (1997) says entrepreneurs try their hand on opportunities that are by-pass by others; these opportunities may include:

- Meeting the demand that is not currently met.
- Pushing up a product that is much better than what is currently in the market. Solving a problem or annoyance that consumers have.

Entrepreneurs recognize opportunities where they are and they utilize them by producing product or services that will fill the vacuum identified.

Self Assessment Exercise 1.1

- 1. Briefly define the terms 'entrepreneur', 'entrepreneurship' and 'entrepreneurship development'.
- 2. If you are to be an entrepreneur, state about five reasons that will engineer you into it.

3.2 Entrepreneurship as a Business Activity

We had earlier on described entrepreneurship as the activities of the entrepreneur geared towards identifying an innovative idea, to seize an opportunity, mobilize money and management skills, and take calculated risks to open markets for new products, processes and services.

Brown et al (1997, quoted in Koce, 2009) state that business is all of the activities of an individual or group of individuals in producing and distributing goods and services to customers. According to them, an entrepreneur or a business wants to identify the needs, wants, goals, values etc. of the potential and prospective buyer or consumer with a view to developing a product or service that would be tailored to satisfying these needs, wants, goals, values etc. The business of an entrepreneur therefore involves the following activities.

3.2.1 Producing Goods and Services

Business provides goods and services to you. In today's business goods and services are many. Examples of goods are: handset, cloth, computer, radio, house etc. The examples of services include education, offering consultancy in a clinic or hospital, serving as travel agency, or providing accommodation and a hotel or guest house.

3.2.2 Activities that Add Value to the Goods and Services

A lot of activities happen before goods and services get to your door step. A product is not just made in a day and finds its way to the store. These are some of the activities that are performed by business. They include organizing, managing, producing and marketing.

Organizing – within a company someone will be in charge to organize human and material resources to provide products.

Manage – if there is no one to manage finance, human resources and production, the company can't go on smoothly.

Production – it is the responsibility of a business to produce those physical item you are using i.e. radio, wrist watches etc.

Marketing – business is involved in advertising, distributing and selling those products produced.

3.2.3 Resources Used by the Business

Companies use resources to be able to perform those functions listed above. These resources that business will use include:

- 1. **Human Resources** salesmen, accountants, manager.
- 2. **Materials** building offices, stores, raw materials for production. Business decides on choices of how to combine their resources and many more everyday at what cost to achieve their aim.

3.2.4 Characteristics of Business

Business has some or all of these characteristics:

- 1. Exchange sale or transfer of goods and services. For every business there must be exchange of goods and services for money.
- 2. Profit motive. For every business activities undertaken, it is for profit making motive. However, profitable organizations and some corporations are established to provide services.
- 3. Dealing in goods and services. For every organization that is business oriented, it must produce goods and services.
- 4. Uncertainty and risk bearing. Every business undertaking must take risk and there is always uncertainty. Uncertainty may arise as a result of competition, wrong decisions unethical.
- 5. Continuity and regularity. A business undertaking must always be in business and not on and off.

3.2.5 Objectives of Business

The objectives of a business are as follows:

- 1. Profit –The aim of an organization is to make profit;
- 2. Survival Every business must have as a goal to continue to survive or exist;
- 3. Growth A business must not only survive, but it must have as goal to be the biggest;
- 4. Market share Every business concern must be able to carry out its market share to control in terms of market coverage and patronage of its products and services;
- 5. Productivity It must continue to produce;
- 6. Innovation Business must try to see that it's the first and best to bring up new ideas;

- 7. Employee's welfare Business must maximally want to take care of its workers;
- 8. Service to consumer Consumers are well satisfy as another objective of any business concern; and
- 9. Social responsibility. Apart from doing 1-8 it must do to other things that people around the business must benefit.

Brown et al (1997, quoted in Koce, 2009) concluded that business plays an important role in your life today and will play an increasingly important role in the future. Likewise, you affect what business does now and will do in the future. Its important to know business tricks and how you can relate to the business world. Businesses owners are proud to be there own owners of business i.e. there is satisfaction of being their own boss. Income comes into the business owner's hands. There is equally an opportunity to grow.

1.2 Self Assessment Exercise

- 1. List five characteristics of a business
- 2. List five objectives or goals of a business.

3.3 Entrepreneur as an Investor

Hornby (2006) defines an investor as someone who spends his energy, time, efforts, financial resources, etc. on something he considers to be good or useful in anticipation that it will yield benefits.

Finance is a fundamental issue in the development of an entrepreneurship. An entrepreneur relies heavily personal savings, contributions from friends, relations and business partners as well as loan from the banks. Ejiofor (1989, quoted in Babalola, 1999) states that modern businesses derive their finances from two sources which include owned capital and loan capital.

3.3.1 Owned Capital

The owned capital available to an entrepreneur is made up of the personal savings, contributions from family, friends and relations. It also includes support from business partners.

- (i) **Personal Savings** Many individuals during their working life he decided to save and that is the money he used in setting up his business. We have a lot of sole traders who got money from this method to setup their business.
- (ii) **Borrowing particularly from Friends and Relatives** It is common, among the Igbo business traders that once their brothers are willing to do business, they give him a helping hand by borrowing him some amount of money to start his business, when he and relatives equally help out in this situation for people to start up a one man business.
- (iii) Credit Purchase from Manufactures or Wholesalers Sole traders get financed through credit buying from the manufactures or a wholesaler by selling goods to sole traders at credit the wholesalers are financing a sole trader.
- (iv) **Donations from Friends and Relatives** Friends and relatives can dash you

money purposely to help you continue with your business.

Advantages:

- 1. It requires small capital. Can be established quickly and easily with small cash, there are no organization fees and the services of lawyers to draw up terms are not generally required. It is the commonest and the cheapest form of business organization.
- 2. Easy to establish: This is because it requires no formalities and legal processes attached to establishing the business and is subject to very few government regulations as no business of balance sheet to the registrar of companies is required.
- 3. Ownership of all profit: The sole trader does not share profit of the business with any one.
- 4. Quick decision-making: The sole trader can take quick decisions since he has no parties to consult or a boss whose permission he must get. He takes action as soon as circumstances arise or as soon as he conceives an idea, such flexibility could be very vital to his success.
- 5. Easy to withdraw his assets: Proprietorship can be liquidated as easily as it is begun. All what he needs to do is to stop doing business. All his assets, liabilities and receivable are still his.
- 6. Single handedly formulates all policies: He determines the firms' policies and goals that guides the business internally and externally and works towards them. He enjoys the advantage of independence of actions and personal freedom in directing their own affairs.
- 7. Boss: He is free and literally his own boss but at the same time continues to satisfy his own customers.
- 8. It is flexible: The owner can combine two or more types of occupation as a result of the flexibility of his business e.g. a barber can also be selling mineral and musical records.
- 9. Personal Satisfaction: There is a great joy in knowing that a person is his own master. The sole trader has a great deal of that. He also knew that the success and failure of the business completely lies with him. This gives him the incentive to make his business as efficient as possible.
- 10. Cordial Relationship, with workers and customers: Because the sole trader is usually small, the owner can have a very close relationship with his workers to the extent that
 - customers what their wants are. It also enables him to know which of the customer's credits are worthy. This kind of relationship is usually beneficial to all the parties.
- 11. Tax saving: Unlike in companies the profits of the sole trader are not taxed, the owner only pays his income tax.
- 12. Privacy: The sole trader is not under any legal obligation to publish his accounts for public consumption as in joint stock companies.

3.3.2 Short-term Loan Capital

Loan capitals otherwise called borrowed facility consist of loan from the commercial bank, government agencies set up to provide needed support to the entrepreneurs.

Its advantages are that it is a source of capital required for take off, provides guaranteed funds for

the entrepreneurship business and it is instrumental to business growth and expansion.

However, bank loan attracts high rates of interest and has tough and stringent conditionalities attached to it. Loans from commercial banks are short term in nature

3.3.3 Long-term Loan Capital

Long-term loan is usually made available to limited liability companies (whether private or public) from the following sources:

New issues of equity shares, preference shares, loans stock or bonds; Retained profits; Medium term borrowing from banks.

These sources of finance are for long term period and gives adequate gestation period to enable the business to effectively put same to use in the business for profitability.

3.4 Key Concepts in Entrepreneurship

We shall briefly discuss the following key concepts as they relate to entrepreneurship.

Goods and Services

Money Income and Real Income
Gross Domestic Product (GDP)
Gross National Product (GNP)
How Entrepreneurship Contributes to GDP and GNP

3.4.1 Goods and Services

We had earlier referred to goods and services as consumable items by the prospective or potential buyers or consumers. Examples of goods are: handset, cloth, computer, radio, house etc. The examples of services include education, offering consultancy in a clinic or hospital, serving as travel agency, or providing accommodation and a hotel or guest house, and by so doing, creating wealth, generating employment opportunity, etc.

3.4.2 Money Income and Real Income

Money income is the sum total of income earned from the banking system e.g. the Central Bank of Nigeria, Commercial Banks, Merchant Banks, Development Banks, Microfinance Banks, etc. However, real income is income earned from the agricultural sector, mortgage banks, manufacturing, technical and technology, entrepreneurship within a given period usually year.

3.4.3 Gross Domestic Product (GDP)

This is defined as the market value of all goods and services produced in an economy within a given period usually one year plus income earned locally.

3.4.4 Gross National Product (GNP)

This is defined as the value of all final goods and services produced in specific period within a year, including incomes earned from abroad.

3.4.5 How Entrepreneurship Contributes to GDP and GNP

The entrepreneurship contributes to the economy through the goods or services produced for which they are paid for by consumers, through generation of economic activities such as buying, selling, marketing, payment of taxes to the government, undertaking corporate social responsibility to the various stakeholders within the community in which the enterprise is operated.

3.5 Psychological prerequisites of an Entrepreneur

Jimngang (2004) describes the entrepreneur as one who can move an idea into a viable and profitable commercial deal – new product, new market, or new industry. In order to achieve this, he needs the right frame of mind and the ensuing success starts building up from this mindset. He states further that, for an entrepreneur, getting to the state of mental preparedness requires the following psychological traits:

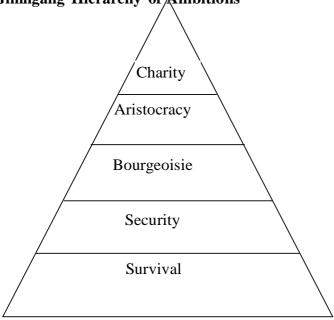
3.5.1 Think Positively

There is uncertainty at the core of all human activities; nevertheless, we should not be discouraged. To be successful as an entrepreneur, we need to think success. Success starts forming long before it is achieved. As humans, we need to wear the conviction that we are capable of getting to heights and places. The first step to success lies in conceiving it deep within self by inwardly envisioning self, dreaming it. We should not be afraid or negatively affected when our close friends and relatives call us dreamers because we have an "unattainable" plan. It should be noted that great spirits have always encountered violent opposition from mediocre minds, hence, the need to have belief and while in action; the mind, the brain, and the surrounding circumstances interact in ways and means that usually and surprisingly convert dreams to realities. We should therefore think positively, have self-confidence and be ready not to relent any effort required before attaining our goal.

3.5.2 Be Ambitious

By ambition, we refer to a long-term plan. It is stratified, thus stretching through midway between ambitions or objectives. These midway objectives are like a stairway up to the top floor of a tall building ever stated. To that extent, for a deed or achievement to be worthwhile or significant, it must not necessarily be grand in volume or colossal in amount. It may even be intangible, but still very valuable. Below is a hierarchy of ambitions as postulated by Jimngang (2004) from which you discover that ambitions could obey the following classification: *survival*, *security*, *bourgeoisie*, *aristocracy*, and *charity*.

Figure 2.1 Jimngang Hierarchy of Ambitions



Source: Jimngang, G.Y. (2004). The Culture of Entrepreneurship. Douala: Treasure Books Company Limited, Cameroon, pg. 38.

"Survival" ambition – This level of ambition is basic. The things, acts and income that result can barely afford the basics to spare one's life and the lives of those under one's care and charge. Ambition is, here, limited to a battle to exist as a creature or an animal. Food, water, shelter, clothing, and a few other things necessary for living constitute the ultimate acquisitions of this level of ambition. This level corresponds to the "gatherer/hunter/fighter" age in history.

Another example of this ambition was that of a woman who ran a home-based restaurant selling a local, but coveted meal — "amala". She prepared it so well that there were jams at her home during lunchtime. Regularly customers would stand and wait outside her home for seats to be liberated in her sitting room that had a very small capacity. When customers counseled her to expand the business, she retorted that she would abandon the trade the moment she got a husband. She was clearly unenthusiastic and did the selling just to have enough to make afforded to make ends meet. The truth was that it was not a trade for her but a pastime and not even a favourite one.

Around the same period, she trained another lady, who later set up shop in another area of the town. This second lady modernized the whole cooking and selling process — she represented entrepreneurship. It did not take long for her to be a household name in town. Even though the second lady was more expensive than the first, the second lady's business witnessed growth in staff, logistics, income and profits. In short, she converted a local staple meal into a sought-after delicacy. Within a short period, her restaurant became an outing and a tourist attraction.

From the story of the two women just narrated, there are many remarks that can be drawn. These remarks relate to the credentials of the entrepreneur and the situation where there is competition.

"Security" Ambition

This level of ambition is, of course, higher than survival in that the elements are more, in quality and quantity. Life seems brighter and more hopeful. The great majority of workers in both the public and private sectors fall within this category. The items mentioned above at the level of "survival" ambition are affordable, and even in decent quality. However, the income earned at this level leaves the earner with nothing or very little as savings; such savings ought to serve to upset the heavy bills of old age.

Upon retirement, the income at the disposal of the then worker, even if insurance and mutual fund benefits were to be added, does not permit the worker to settle, conveniently, the increasing flow of bills. Inflation alone that has built up within the years eats up a good portion of the book value of any benefits or savings. Worse off, institutions such as banks and insurance firms, where the hard-earned deposits and premiums were kept, could have the awkward predicament of going into liquidation before the beneficiaries mature to claim or receive the sweat of their labour.

The recommendation, here, is to strive to attain an even higher level of ambition.

"Bourgeoisie" Ambition

This level of ambition consolidates the elements of the level of "security" which already incorporates those of the "survival" ambition. Furthermore, there are extra aspects and acquisitions that permit the individual to lead an enjoyable lifestyle. These aspects and acquisitions include the ownership of a good home, a car, and other Some other pleasures that could be afforded are holiday abroad, weekend picnics, cell phones, parties, outdoor dining, and others. Actually, there is comfort, both psychological and material, in and around such individuals. Some of the items at this level, however, may be acquired through a mortgage or higher purchase or some other form of credit facility. In some cases, there could be some savings and insurance policies to cater for some contingencies. Nonetheless, there is a big limitation with regard to ownership and The fine valuables of life are not affordable. Many things can exemplify this limitation: a good house located outside the prime residential haven of town; a car with just the regular features; flying economy class; acts of generosity and charity are in bits and pieces.

"Aristocracy" Ambition

It is a level with wealth in abundance. Acquisitions pile up, immensely. The money that was initially sought after has grown and is now working for the master. Real estates, securities (shares, stocks and bonds) and other acquisitions such as banks and insurance companies constitute some of the items aboard the bandwagon of portfolios. Spending, do not be shocked, often poses a problem. Acquisition of items of lifestyle tends towards products of the high top- end of the market, which symbolizes "arrival" The car is not anything with a motor, but a mark with a prestigious name; the home is not just a house, but a castle singularly perched; the clothes are unique, hand-made or custom-made by famous designers. These items are generally intended to convey a myth in the eyes of the public or on-lookers. Just add that parties, travels, concerts, positions, during social gathers and titles are part of the paraphernalia for the spicing of the intended image.

"Charity" Ambition

This is the peak of the hierarchy. At this level, there is no doubt that the wealth is vast, with the addition or alternative of being fulfilling. This awareness urges the owner to take pity on the less endowed in the society. In the process, he wants to leave a mark as a real generous person. In reality, many motives lie behind such acts of generosity. Nonetheless, the undertakings of generosity evoked here are not intended to yield any monetary or material rewards to the donor. Rather the donor wants, primarily, to be recognized, even stand out, and to be remembered as a charitable or philanthropic personality. Such acts of donation may fall in one or more of the following areas: education, health, famine, poverty alleviation, peace brokerage, or other acts in line with the promotion of human dignity. Leading figures in this example are, George Soros (a Hungarian-born American), Henry Ford, John Rockefeller, computer whiz, Bill Gates etc. Back home in Nigeria, we can mention the likes of Aliko Dangote, Mike Adenuga, Mobolaji Bank-Anthony (of blessed memory), etc.

In conclusion, in order to get to the top of the ambition so designed, we need unshakable attachment to our ambition as well as boldness to master fear.

3.5.3 Be of Strong Consistency

In every aspect of life, be it sports, politics, or research as in business, we need to show full determination. There is need to resolve not to relent until the point of victory, this being the ultimate objective. This desire to forge ahead must be strong, recurrent, resolute, ardent and unbending. It must also be long lasting, that is staying power, because the road is generally long, narrow and dreary; yet at the end of it all lie happiness, joy, fame, self-satisfaction, glory and honour, and even the possibility to be charitable to society.

It is noteworthy that there are trials and temptations along the way. Some situations are difficult and complex that we are or may be tempted to give up. Oftentimes, there will be a way out provided we are patient and perseverant. We need effort to progress and usually the effort required is highly demanding and strenuous. We need to think, to work hard, to go out, and to meet people, to be ready to face humiliation, and somehow, like a miracle, find a solution. Time can itself be the solution, so waiting should be considered.

One could learn from the popular Chinese saying that: "Lack of patience can disrupt even the best plan". The highly admired wartime British Prime Minister, Winston Churchill, had this to say about success: "Success is the ability to go from one failure to another with no loss of enthusiasm". It will interest you to note that life is like a wave moment of ups and downs. Sometimes, it is very jerky, sometimes it is very calm. Therefore, keep on fighting and struggling. Expect in all circumstances to have troubles and disturbances of all sorts resulting from emotional feelings and physical pains incurred through the various efforts to break through.

3.5.4 Fear

Mariz Arza (quoted in Giovagnoli, 1998) expressed that "courage is not about doing something without fear, but about taking any strength you have – even if it is just a grain of courage – and channeling to strike out ... when you know what you're doing is morally and ethically right".

Fear is horrific and, if allowed, can act like a canterworm that gnaws at the fruits of human

plan and endeavour. It is that anxious feeling that manifests in us because of our awareness of the risk of failure of an operation. This sign is normal and an indication that our mental faculty is functionally normally. As a human being, it is natural to have the sense of fear. This sense has to be understood, domesticated, controlled, and well channeled. Fear should not be so strong as to overcome our other senses. It should not be exaggerated to the point of making us cancel a well-planned project or cherished ambition.

Such a reaction to fear would be unfortunate weakness. Learn to dominate fear. Everybody fears. Chu Chin-Ning (1994, quoted in Jimngang, 2004) says: "The bravest, strongest are also the greatest cowards. The winner takes courage to dominate fear and gets victory over the opponent psychologically first, and then physically".

Fear is not intended to be bad or destructive. It arouses the emotions that help guide the ambitious. In this way, it helps guide the ambitious in shaping and reshaping, moulding and re- moulding the ways and means of getting through to success. In reality, one cannot be afraid nor have fear until one knows the danger or the imminence of danger. Even though the consequences of failure could be catastrophic or disastrous, one should still show courage and be spurred more by the potential gains and benefits of success.

The recommendation is that one should practice to balance, one the one hand, the wisdom of Chu Chin-Ning that "an ignored guest often departs unannounced", and, on the other hand, the realism by Mark Twain that courage is "resistance to fear, mastery of fear – not absence of fear".

3.6 Concepts of Innovation and Entrepreneurship Process

Esiomo (2010) states that, fundamentally, innovation has to do with changes leading to improvement in the quality and quantity of products as well as techniques of doing things. Innovation is dynamic and creates new things out of existing ones. Through innovation, the entrepreneur introduces new production techniques, new commodities, improve on existing ones, open up new markets, explore new source of raw materials and design new techniques of management. Research and Development Programs are formal avenues of introducing or inculcating innovative skills in the entrepreneur. These skills are what the entrepreneur translates into business establishment and development.

The process of entrepreneurship starts from the generation of business idea, through implementation to the realization of output and profit.

(a) Business ideas

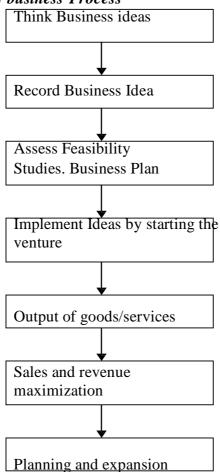
Business ideas and opportunities come from a variety of ways according to Hisrich and Peters (2002). These include:

- i. Consumers: Opinions, information and complaints of consumers can be useful source of information as to what the consumer wants. The entrepreneur can obtain this from market survey of preferences, discussion, age, socio-cultural background, biological and wealth status of the consumers etc. The entrepreneur can map out critical areas of consumer's need, deficiency and inefficiency and exploit it.
- ii. **Existing business:** Entrepreneurs and intrapreneurs can get business clues by constantly monitoring and evaluating market performance of products and services of existing businesses.
- iii. Research and development: The entrepreneur as an agent of change, should constantly explores and gets involved in research to develop new products, improving on

existing ones or establish new ways of production.

- iv. **Distributive channels:** Distributive trade both at local and international levels provide opportunities for ancillary industries to spring up.
- v. **Governmental activities:** Governmental activities such as registration of business, patent right and government agencies provide opportunity for business. Also government programmes of economic, social and community development provides opportunities for business/entrepreneur.
- vi. **Adverts:** Advertisement in News print and radios/TV, bill boards are a source of new line of business to the entrepreneur.
- vii. **Sundry activities:** The entrepreneur can lean about things needed by the consumers but which are not supplied from activities such as marketing, seminars/symposia, marriages, burial ceremonies, picnic centers, traveling, sporting activities, catalogues etc.

Figure 1: Flow of business Process



Source: Esiomo, S.S. (2010). Eshiobo, S.S. (2010). Entrepreneurship in Innovation, Phenomena Growth of Enterprises and Industrial Organisations in Nigeria.

(b) Developing a Business Idea

The translation of business idea into a business venture takes the following process. When a business idea struck an entrepreneur, the first thing is to write it down to avoid forgetting. The various ideas that have been so recorded are then screened and the feasible or plausible and more profit-oriented ones selected for implementation. A good feasibility or business plan must be systematic and integrates market, finance, production and human resources. It should have (Esiomo, 2010):

- (1) A clear *mission statement* of the business line to be involved.
- (2) A design of *production*, *process*, *detail logistic and operational activity plan* of a complete business circle.
- (3) A detail *marketing* and sales plan. Forecasting sales and identifying Consumers problems
 - with existing products.
- (4) An *organizational plan of administrative relations*, legal relations, duty schedule, customer service etc.
- (5) A detail *financial record plan* projected for a 3-year period, explaining income, expenses and profit.
- (6) Evaluation of business operations and objectives.
- (7) Provision for *minimizing risk and uncertainty* e.g. starting a business that the entrepreneur is familiar with or that has been tested in that environment of operation.

(c) Converting Business Dream to Reality

Just as it could be difficult choosing the best business to pursue, so also is the difficulty to get it started! It may take many years to get off the ground a business plan. The entrepreneur needs to struggle to obtain the basic and necessary facilities to get the new business off the ground. He should not spend the whole time planning but review his initial plan, jump in and get started. He should stop talking about the business instead of starting it up because action speaks louder than voice.

Execute your business with excellence focusing on customers' needs/satisfaction. Try to avoid mistakes and when you make one quickly correct it. Do not jump into cut throat competition especially with older successful entrepreneurs or business persons but instead involve in a life time friendship and a possible franchise.

Explore and access government's policies and infrastructural supports that will help you translate your innovative dreams into reality so as not to remain a mere dreamer. Constantly search for new, competitive and innovative ideas to remain relevant in your business and do not go into huge debt to start a business.

4.0 CONCLUSION

We have defined the definitions of terms such as entrepreneur, entrepreneurship, development as well as entrepreneurship development. We briefly discussed the traits of an entrepreneur to include desire for independence, self confidence, willingness to take risk and ability to recognize opportunity. We described entrepreneurship as a business activity, the various activities involved in by an entrepreneur and the role of an entrepreneur as an investor. Furthermore, we defined and explained key concepts which relate to entrepreneurship development. Finally, we listed and described the psychological pre-requisite of an entrepreneur.

5.0 SUMMARY

In this unit, we have: defined the terms: entrepreneur, entrepreneurship, development and entrepreneurship development; described entrepreneurship as a business activity; discussed entrepreneur as an investor; discussed certain key concepts as they relate to entrepreneurship development and how entrepreneurship development contributed to national economy; listed and discussed the psychological pre-requisite of an entrepreneur.

In the next unit, we shall examine the history of entrepreneurship globally in general and in Nigeria in particular.

6.0 TUTOR MARKED ASSIGNMENT

- 1. What the key concepts of entrepreneurship development and how has ED contributed to national economy?
- 2. What are the psychological pre-requisites of an entrepreneur? List and discuss them.
- 3. Is an entrepreneur an investor? Discuss the role of an entrepreneur.
- 4. Discuss briefly the concept of innovation and entrepreneurial process. What are the flows of business process? With the aid of a diagram, list and explain them.

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UNIT10: HISTORY OF ENTREPRENEURSHIP IN NIGERIA CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
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1.0 INTRODUCTION

In the last unit, we defined the terms: entrepreneur, entrepreneurship, development and entrepreneurship development, described entrepreneurship as a business activity, discussed entrepreneur as an investor, discussed certain key concepts as they relate to entrepreneurship development and how entrepreneurship development contributed to the national economy. In this unit, we shall be looking at the history of entrepreneurship globally in general and in Nigeria in particular. This will lead to discussion of the various trends recorded in the evolution of entrepreneurship until the present day.

2.0 OBJECTIVES

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

trace the history of entrepreneurship;

list and explain the role of authors and practitioners in the evolution of entrepreneurship; and trace the different stages of the history of entrepreneurship in Nigeria;

discuss entrepreneurship and leadership in Nigeria especially as it affects youth empowerment.

3.0 MAIN CONTENT

3.1 History of Entrepreneurship

Entrepreneurial activities are substantially different depending on the type of organization and creativity involved. Entrepreneurship ranges in scale from solo projects (even involving the entrepreneur only part-time) to major undertakings creating many job opportunities. Many "high value" entrepreneurial ventures seek venture capital or angel funding (seed money) in order to raise capital to build the business. Many kinds of organizations now exist to support would-be entrepreneurs including specialized government agencies, business incubators, science parks, and some NGOs. In more recent times, the term entrepreneurship has been extended to include elements not related necessarily to business formation activity such as conceptualizations of entrepreneurship as a specific mindset (see also entrepreneurial mindset) resulting in entrepreneurial initiatives e.g. in the form of social entrepreneurship, political entrepreneurship, or knowledge entrepreneurship have emerged.

The entrepreneur is a factor in microeconomics, and the study of entrepreneurship dates back to the work of Richard Cantillon and Adam Smith in the late 17th and early 18th centuries, but was largely ignored theoretically until the late 19th and early 20th centuries and empirically until a profound resurgence in business and economics in the last 40 years.

In the 20th century, the understanding of entrepreneurship owes much to the work of economist Joseph Schumpeter in the 1930s and other Austrian economists such as Carl Menger, Ludwig von Mises and Friedrich von Hayek. In Schumpeter, an entrepreneur is a person who is willing and able to convert a new idea or invention into a successful innovation. Entrepreneurship employs what Schumpeter called "the gale of creative destruction" to replace in whole or in part inferior innovations across markets and industries, simultaneously creating new products including new business models. In this way, creative destruction is largely responsible for the dynamism of industries and long-run economic growth. The supposition that entrepreneurship leads to economic growth is an interpretation of the residual in endogenous growth theory and as such is hotly debated in academic economics. An alternate description posited by Israel Kirzner suggests that the majority of innovations may be much more incremental improvements such as the replacement of paper with plastic in the construction of a drinking straw.

For Schumpeter, entrepreneurship resulted in new industries but also in new combinations of currently existing inputs. Schumpeter's initial example of this was the combination of a steam engine and then current wagon making technologies to produce the horseless carriage. In this case the innovation, the car, was transformational but did not require the development of a new technology, merely the application of existing technologies in a novel manner. It did not immediately replace the horse drawn carriage, but in time, incremental improvements which reduced the cost and improved the technology led to the complete practical replacement of beast drawn vehicles in modern transportation. Despite Schumpeter's early 20th-century contributions, traditional microeconomic theory did not formally consider the entrepreneur in its theoretical frameworks (instead assuming that resources would find each other through a price system). In this treatment the entrepreneur was an implied but unspecified actor, but it is consistent with the concept of the entrepreneur being the agent of x-efficiency.

Different scholars have described entrepreneurs as, among other things, bearing risk. For Schumpeter, the entrepreneur did not bear risk: the capitalist did.

3.1.1 Authors and Practitioners in Entrepreneurship

Listed below are some notable persons and their works in entrepreneurship history:

For Frank H. Knight (1921) and Peter Drucker (1970) entrepreneurship is about taking risk. The behavior of the entrepreneur reflects a kind of person willing to put his or her career and financial security on the line and take risks in the name of an idea, spending much time as well as capital on an uncertain venture. Knight classified three types of uncertainty.

Risk, which is measurable statistically (such as the probability of drawing a red color ball from a jar containing 5 red balls and 5 white balls).

Ambiguity, which is hard to measure statistically (such as the probability of drawing a red ball from a jar containing 5 red balls but with an unknown number of white balls).

True Uncertainty or Knightian Uncertainty, which is impossible to estimate or predict statistically (such as the probability of drawing a red ball from a jar whose number of red balls is unknown as well as the number of other colored balls).

The acts of entrepreneurship are often associated with true uncertainty, particularly when it involves bringing something really novel to the world, whose market never exists. However, even if a market already exists, there is no guarantee that a market exists for a particular new player

in the cola category.

The place of the disharmony-creating and idiosyncratic entrepreneur in traditional economic theory (which describes many efficiency-based ratios assuming uniform outputs) presents theoretic quandaries. William Baumol has added greatly to this area of economic theory and was recently honored for it at the 2006 annual meeting of the American Economic Association. [6]

The entrepreneur is widely regarded as an integral player in the business culture of American life, and particularly as an engine for job creation and economic growth. Robert Sobel published *The Entrepreneurs: Explorations Within the American Business Tradition* in 1974. Zoltan Acs and David Audretsch have produced an edited volume surveying Entrepreneurship as an academic field of research, and more than a hundred scholars around the world track entrepreneurial activity, policy and social influences as part of the Global Entrepreneurship Monitor (GEM) and its associated reports.

3.1.2 Concept

It has assumed super importance for accelerating economic growth both in developed and developing countries. It promotes capital formation and creates wealth in country. It is hope and dreams of millions of individuals around the world. It reduces unemployment and poverty and it is a pathway to prosper. Entrepreneurship is the process of exploring the opportunities in the market place and arranging resources required to exploit these opportunities for long term gain. It is the process of planning, organising, opportunities and assuming. Thus it is a risk of business enterprise. It may be distinguished as an ability to take risk independently to make utmost earnings in the market. It is a creative and innovative skill and adapting response to environment.

3.1.3 Promotion

Given entrepreneurship's potential to support economic growth, it is the policy goal of many governments to develop a culture of entrepreneurial thinking. This can be done in a number of ways: by integrating entrepreneurship into education systems, legislating to encourage risk-taking, and national campaigns.

3.2 How Entrepreneurship all started in Nigeria.

The history of entrepreneurship in Nigeria can be classified under the following stages: (1) early stage; and

(2) modern stage.

3.2.1 The Early Stage

Entrepreneurship started when people produced more products than they needed, as such, they had to exchange these surpluses. For instance, if a blacksmith produced more hoes than he needed, he exchanges the surplus he had with what he had not but needed; maybe he needed some yams or goat etc, he would look for someone who needed his products to exchange with. By this way, producers came to realize that they can concentrate in their areas of production to produce more and then exchange with what they needed.

So through this exchange of products, entrepreneurship started. A typical Nigerian entrepreneur is a self made man who might be said to have strong will to succeed, he might engage the services of others like; friends, mates, in-laws etc to help him in his work or production. Through this way, Nigerians in the olden days were engaged in entrepreneurship. Early entrepreneurship is characterized with production or manufacturing ⁴⁵ which case the producer most often started with

a small capital, most of it from his own savings. Early entrepreneurship stared with trade by barter even before the advent of any form of money.

3.2.2 The Modern Stage

Modern entrepreneurship in Nigeria started with the coming of the colonial masters, who brought in their wears and made Nigerians their middle men. In this way, modern entrepreneurship was conceived. Most of the modern entrepreneurs were engaged in retail trade or sole proprietorship.

One of the major factors that have in many ways discouraged this flow of entrepreneurship development in Nigeria is the value system brought about by formal education. For many decades, formal education has been the preserve of the privilege. With formal education people had the opportunity of being employed in the civil service, because in those days the economy was large enough to absorb into the prestigious occupation all Nigerians their goods. As such, the system made Nigerians to be dependent on the colonial masters.

Again the contrast between Nigerian and foreign entrepreneurs during the colonial era was very detrimental and the competitive business strategy of the foreign entrepreneurs was ruinous and against moral standards established by society. They did not adhere to the theory of "live and let's live". For instance, the United African Company (UAC) that was responsible for a substantial percentage of the import and export trade of Nigeria, had the policy of dealing directly with producers and refused to make use of the services of Nigerian entrepreneurs. The refusal of the expatriates to utilize the services of local businessmen inhibited their expansion and acquisition of necessary skills and attitude. Because of this, many eventually folded up. Those that folded up built up resentment against business which became very demoralizing to other prospective entrepreneurs. As a result, the flow of entrepreneurship in the country was slowed down. But, with more people being educated and the fact that government could no longer employ most school leavers, economic programs to encourage individuals to go into private business and be self reliant were initiated.

Such economic policy programs that are geared towards self reliance for individuals are programs as Open Apprenticeship Scheme, Graduate Employment Programs etc and other policies that encourage or make it easy for entrepreneurs to acquire the needed funds e.g.; Peoples Bank of Nigeria, Funds for Small-Scale Industries(FUSSI), co-operative societies etc were established to assist entrepreneurs in Nigeria.

3.3 Entrepreneurial Development in Nigeria

While these statistics bide well for the country's economic prospects, they also serve to reaffirm the vital importance of entrepreneurial development in achieving that potential.

3.3.1 Past Entrepreneurship Developments

According to Osalor (2008), people of the Ibo community in Nigeria are considered one of the oldest entrepreneurs in history, their expertise stretching back to times before modern currency and trade models had developed elsewhere on the planet. In the more recent past, Nigerians adapted their natural talents to evolve traditional businesses and crafts that have sustained most of the country's rural and urban poor for the better part of the last half century. While the oil boom of the '70s brought in billions of petrodollars, most of the country's population remained untouched by the new-found prosperity, thanks to widespread political corruption and catastrophic economic mismanagement. Because of these 46d other factors, the World Bank estimates that

80% of oil revenues benefited just 1% of the population.

Most of Nigeria's current woes trace back to a historic overdependence on oil to the negligence of all other sectors, including customary trades and agriculture. Decades of non-inclusive policies alienated the vast majority of Nigerians, plunging the country into a miasma of extreme poverty and ravaging civil and political strife. The climate of economic stagnation spawned a mammoth informal economy that continues to sustain the bulk of Nigeria's 148 million people. It is a measure of Nigeria's inherent entrepreneurial capacity that this informal, unorganised sector presently accounts for 65% of Gross National Product and accounts for 90% of all new jobs.

All these factors have tremendous relevance for Nigeria's future prospects, even more so considering the extent of official neglect and lack of assistance and infrastructure that the country's indigenous entrepreneurs have had to overcome. Harnessing the informal economy and leveraging its full potential is a prerequisite for Nigeria to emerge from the shackles of its Third World legacy.

3.3.2 The Future of Entrepreneurial Development in Nigeria

It is not as if Nigeria's hopes of economic superiority rest on individual optimism and enterprise alone. Right after the reinstatement of democracy in 1999, the government of former president Olusegun Obsanjo unveiled ambitious plans to take the sub-Saharan nation to the top 20 world economies by 2020. Abuja is also a signatory to the UN Millennial Declaration of 2000 for the achievement of universal basic human rights - relating to health, education, shelter and security - in a time bound manner by 2015. Both objectives present mammoth challenges for Nigeria in terms of reversing past trends and evolving innovative strategy for sustainable and inclusive growth.

The primary focus of Obasanjo's policies centred on accelerated development through entrepreneurial education (which he made mandatory for college students of all disciplines) and the creation of conditions favourable to a new business regime built on innovation and adaptability. The federal government has since initiated successive programmes aimed at promoting enterprises through widespread use of technology and socially relevant business models. The extent of success of these and other measures, however, is still a matter of debate.

According to the 2007 Gallup poll, 69% of respondents planning new businesses had no intention of registering their operations, indicating they would still prefer to be part of the informal economy. In light of Nigeria's long-term goals, this is certainly bad news.

3.3.3 Obstacles to Enterprise Development

Osalor (2008) states that disinterest in the formal economy reflects the status of Nigeria's policies and tax regime, which have long been deemed detrimental to the growth of viable enterprises. Even more disturbing is the fact that this continues to be the case despite the energetic reforms process initiated after the return of democracy. It is more than evident that piecemeal measures are unequal to meeting the challenges that Nigeria has set itself up to.

The following are the most important obstacles facing rapid entrepreneurial development: Absence of a pro-active regulatory environment that encourages innovative enterprise development at the grassroots level.

Significant infrastructural deficits (especially, with regards to roads and electricity) and

systemic irregularities inimical to small businesses.

The presence of administrative and trade barriers that curtail capacity building and inhibit access to technical support.

Absence of regulatory mechanisms for effective oversight of enterprise development initiatives, especially those in the MSME space.

Poor access to vocational and skills-development training for rural and urban youths involved in the informal economy.

Rampant political and bureaucratic corruption, together with the absence of social consensus on important macroeconomic policy issues.

More than 73% of Nigerians featuring in the Gallup survey conceded access to finance was the single-most important hurdle in the way to setting up successful enterprises. More telling is the fact that about 60% of respondents claimed that current policies, despite the government's focus on enterprise development, do not make it easy to start a business in Nigeria.

3.3.4 Some Additional Factors to Consider

Forbes Magazine recently sat down with Lagos Business School's Peter Bamkole to discuss the current obstacles facing aspiring Nigerian entrepreneurs. The interview outlines three major problems:

Constrained access to local and international markets that stunt entrepreneurial expansion and proliferation.

Severe infrastructure deficits (mainly of power and electricity) that hamstring both new and existing businesses.

Inadequate access to finance and the absence of a credit policy that addresses the specific needs of enterprises.

The road to Nigeria's emergence as an economic superpower is muddy and treacherous. More than just optimism, it calls for clever economic maneuvering that will help turn the country's fortunes around for good.

3.4 Entrepreneurship and Leadership

Onwubiko (2011) states that Nigeria is a country with numerous business and investment potentials due to the abundant, vibrant and dynamic human and natural resources it possesses. According to her, tapping these abundant and valuable resources require the ability to identify potentially useful and economically viable fields of endeavors. Nigerians are an enterprising people and citizens have made their mark in diverse fields such as science, technology, academics, business and entertainment.

Following a series of policy initiatives in the financial sectors of the economy Nigerians believe that the future indeed looks bright. As good as the foregoing sounds, Nigeria continues to experience its share of social, economic and political upheavals which have often stunted its growth and development into the regional economic power that it strives to attain. Nigeria has a

relative high rate of violent crimes. The Niger Delta which produces over ninety per cent of the nation's oil has become a nightmare in the last one year due to incessant kidnappings by militants demanding for a fairer share of the resources derived from oil exploitation. Armed robbery is on the increase due to unavailability of jobs. Power supply is almost non-existent thereby putting a sizeable number of enterprises out of business.

The political landscape is often volatile. A general election held in the month of April, 2011 is still causing apprehension due to the massive irregularities attested to by both local and foreign observers. Above all, there is a high incident of corruption in government which has affected the level of development of the country. But the story is not all bad as the country enjoys a level of respect for human rights and a virile judiciary which has always stood up in upholding the rule of law and defending democracy which was won after a long period of military dictatorship spanning over three decades.

Although Nigeria is endowed with human and natural resources, it is still one of the poorest countries in the world primarily due to corruption in government. Today, the education sector is in shambles, with the government doing little to address the problems of decaying facilities, student cultism and teachers' strikes. The health sector has faced its greatest challenge in the last few years with unchecked flight of personnel due to inadequate working environment and incentives as well as deteriorating infrastructures. In spite of this sad and deplorable situation, the government has done little to reduce the misery and frustrations of the citizenry as shown in the just concluded elections where the results did not portray the desires of the people. This has foisted a state of hopelessness on majority of young people who have resorted to any means including vice to succeed in life. For instance, youth in the Niger Delta have resorted to kidnapping of foreigners who have to pay heavy ransom to effect their release. This has worsened the security situation in the very volatile Niger Delta as illegal arms are amassed by these militants in their fight for justice. The downside of their activities is that the Nigerian economy suffers the more as oil output is disrupted by blown installations while scarce resources is deployed for security operations in the area.

3.5.1 Nigeria, Youth and Entrepreneurship

The development process of any country is determined by the way the production forces in and around the economy is organized (Onwubiko, 2011). For most countries, the development of industry had depended a great deal on the role of the private sector. Entrepreneurship has played a major role in this regard. Entrepreneurship is known as the capacity and attitude of a person or group of persons to undertake ventures with the probability of success or failures. Entrepreneurship demands that the individual should be prepared to assume a reasonable degree of risks, be a good leader in addition to being highly innovative. Since entrepreneurship has to deal with leadership, leadership ability always determines a person's level of effectiveness. The personal and organizational effectiveness is proportionate to the strength of leadership and there is no success in any entrepreneurship venture without leadership.

Entrepreneurship in business management is regarded as the "prime mover" of a successful enterprise just as a leader in any organization must be the environmental change agents. Many young Nigerians aspire to be successful entrepreneurs. But due to certain constraints, the ability of many prospective youth to find avenues to utilize their opportunities and skills has proved futile. Entrepreneurship in Nigeria is perceived as a major avenue to increase the rate of economic growth, create job opportunities, reduce import of manufactured goods and decrease

the trade deficits that result from such imports. Two approaches have been used for entrepreneurship development in Nigeria. One of the approaches is concerned with the provision of generous credit facilities for small – scale industrialist. The aim of this scheme was to give the entrepreneur seed money. The second approach was the establishment of the training centre known as Industrial Development Centre (IDC). The idea of this Centre was to provide facilities for on-the-job training of entrepreneurs especially those in the informal sector which include petty traders, artisans, peasant farmers, etc, and to train them in various aspects of industrial management. Unfortunately due to certain factors which shall be explained under, these and some other initiatives did not achieve the desired results.

3.5.2 Hindrances to Youth Empowerment

Irrespective of the benefits associated with entrepreneurship, there are a lot of barriers that have prevented youth from fully realizing their potentials and assuming leadership position in the society. Due to the interrelationship between these factors, we shall discuss the major barriers identified under the following heads (Onwubiko, 2011):

Absence of Infrastructural Facilities - It is a universal belief that certain basic (i) infrastructural facilities aid the development of the mind and body and assist productivity in any environment. These facilities have been identified as good roads, good water supply, constant power, access to information and communication technology and other tools of trade. A case where these are lacking in a country, the growth of the economy will be adversely affected. In Nigeria, these basic work tools as well as the enabling environment is lacking. This state of affairs has frustrated a lot of young people with bright ideas and the corresponding spirit to effect a change in some areas of our national life. For instance, the power sector has proven the greatest challenge to any aspiring entrepreneur in Nigeria. Power supply is epileptic and most times businesses have to be run on generators. The cost of this alternative source of power most often erodes whatever profit or capital an entrepreneur has put aside for his enterprise. In times of energy crisis when there is shortage of fuel supply, businesses are almost grounded due to unavailability of petrol or gas to power generators. This avoidable factor adds immensely to overhead costs and unnecessarily makes the cost of production very high. Due to this, investment in manufacturing and entrepreneurial activities is made uninteresting.

Another factor dissuading young people from going into entrepreneurship is the bad state of the roads in Nigeria and the lack of adequate and alternative means of transportation. Air transport in Nigeria is expensive and rail is almost non existent. Since road is the most affordable means, most people prefer to travel by road which is often a harrowing experience for many. The transportation system is unorganized and the dilapidated roads connecting the states and intractable traffic snarls in the commercial cities are often a nightmare for businessmen. Telecommunication before now was a major issue for any entrepreneur but with the liberalization of the sector in the last few years, the problems associated with this all important factor in business has to a certain degree being solved. What most people complain about is the enormous cost of the services rendered by the companies which is seen as the costliest anywhere in the world. This cost of course has a domino effect on other services associated with telecommunications such as the internet.

One other critical factor is the lack of adequate security for lives and property and the helplessness fostered on the citizens by a police that has most often than not proved

incapable of addressing the urgent and constant security challenges over the years. Enterprises serious about doing business have to put in place their own security structures. The process of employing these private security personnel puts a big hole in the pockets of the business entrepreneur. It is believed that the heavy costs expended on these vital services have made entrepreneurship quite challenging in Nigeria. All these put together have made entrepreneurial activities unprofitable and uninteresting thereby dissuading the youth from assuming entrepreneurial or leadership positions.

- (ii) Inadequate Working Capital – The availability of capital is central to the establishment and continued existence of any enterprise irrespective of the size, focus and objective. It has been observed that for an entrepreneur in Nigeria to start a business, he must have adequate funds. In a situation where the working capital is inadequate or unavailable, it becomes a problem. This is one of the major problems that young people encounter when opening a business or preparing to assume a leadership position. Banks have before now being reluctant to give out loans to intending entrepreneurs especially when they are young people. The procedures for accessing such credits are often rigorous and dependent on the provision of collaterals which the potential entrepreneur may not Furthermore. the financial institutions charge outrageous interest rates sometimes as high as 21% depending on the bargaining power of the applicant. With this situation, one would have thought that the government would put in place practical programmes and policies for assisting such people in need of start-up funds but the reverse is often the case. Where such funds are provided, they are distributed to relatives of those in government who misapply them and eventually fail to pay up at the maturity time thereby further creating the notion that young people are lazy and bereft of managerial abilities and ideas. Under these state of affairs, intending entrepreneurs often fall back on their personal savings or on loans from family members and friends. Considering the very high cost of establishing business and the environmental factors considered above, this option becomes unappealing thereby terminating an idea that was ready to fly. Moreover, the business entrepreneur misses an opportunity of being guided by an institution such as a bank that would ordinarily offer advice to an enterprise they have invested in.
- (iii) Low Standard of Education – There is no gainsaying the fact that education is the key to knowledge and that it plays a strong role in forming the burgeoning entrepreneur. The world today is a global village and since an intending entrepreneur must be conversant and in tune with events around and about him, education becomes a critical factor in and empowering the entrepreneur with the qualities required Unfortunately, the role of education in forming young people to become change agents it seems, have been ignored. Year after year, the quality of education in the Nigerian institutions has gradually been on the decline. Due to lack of incentives for teachers, there has been a mass exodus over the years by qualified teachers. Those stuck in the system are there due to unavailability of alternative jobs. Government policy or lack of one has been a major bane of education in Nigeria. The schools are not adequately funded, equipped and managed to bring out their optimum potentials. Most times students are home due to strikes called by teachers. Most people in government send their ward abroad for their education thereby preventing the will to address the urgent need for the sector. The result is a half-baked workforce who are lacking in personal confidence and desire to look within and make a mark in an area of human endeavour.

- Lack of Adequate Training A regrettable consequence of the immediate foregoing (iv) is the absence of adequate training for students such as will enable them meet the challenges of the future as leaders of business and change agents. It has been observed that the educational curriculum in Nigeria focuses more on the without a corresponding practical approach. Most employers are always theoretical compelled to retrain their employees due to lack of knowledge of basic work ideas or familiarity with the area of study of the employee. Technology has been used to improve the quality of life through the use of the computers and other technological discoveries such as the internet. Where the youth does not have the knowledge or skill of the latest technology, it affects their outlook to life. It is surprising that in this age and time when the computer and the internet are taken for granted in so many parts of the world, the reverse is the case in Nigeria. Except for the cities, the internet and other ICT are not available in the rural areas where majority of the Nigerian youth are located. This situation denies these people an alternative means of skill acquisition, information gathering and other advantages associated with the World Wide Web. This has resulted in a situation where employers prefer to take people with on-the-job experience and required skills thereby making it impossible for the young persons to gather the much needed experience, skill, familiarity with a work environment and basic contacts and network to pioneer a successful enterprise of a business or non-business nature. Where some of these basic trainings are offered, they are usually directed at the employees of big businesses considering the exorbitant fees charged by the institutions or bodies providing same. With little or no money to spare, young people often miss these opportunities to equip themselves mentally and otherwise for the assumption of leadership roles. This also results in low morale, inefficiency and lack of confidence.
- Other Economic, Social and Political Factor Aside from the factors listed above, (v) there are other major dynamics which play a role in stifling the dreams and aspirations of the youth towards assuming leadership positions. Economic factors such as policy reversals, high and double taxations, difficulty in procuring business approvals, high inflation and unstable exchange rates are some of the areas of concern for the potential entrepreneur who is in most cases a greenhorn. The cost and procedure for establishing a company is rather prohibitive as the intending entrepreneur must engage a solicitor and accountant to take care of the legal and financial aspects. Politically, some of government's policies it seems are made to favour friends and associates. Even when it comes to award of contracts and other government patronages, cronyism is the word. This creates a situation of uneven advantage to certain people while others are meant to look like mediocre irrespective of pedigree, ability and expertise. One cannot complete this without mentioning the social malaise of systemic corruption which dissuades most people from venturing into enterprises. It seems most times that whatever one needs to do must be coupled with some kind of favour to the person or authority granting the approval. This situation is almost frustrating and has kept many away from entrepreneurship with many youth preferring to be engaged in paid employments where they will be certain of picking their pay packages at the end of every month without the worries associated with running a business.

3.5.3 Skills Required of Youth for Leadership

One requires skills to be successful in any endeavor. Leadership develops daily and it develops from the inside out. Everything rises and falls on leadership. For every business there is no future but the future lies in the person who holds the business and some one with a vision. The skills required of the youth for starting and managing a successful enterprise amongst others is:

Communications: Developing excellent communication skills is absolutely essential to a successful business. The entrepreneur requires this to communicate his ideas across to his audience. Such ideas must be expressed and conveyed in clear and lucid manner in order to create no room for ambiguity. The budding entrepreneur must always give the people something to feel, something to remember and something to do. Doing so will increase his ability to lead and drive a successful business.

Initiative: An entrepreneur should always possess the initiative and resourcefulness to achieve objectives. Naturally, young people are initiators of ideas. The budding entrepreneur must be bold, daring and willing to sacrifice his time and energy to meet goals. The fear of failure should not be a deterrent to putting initiatives into practice. He must work against all odds. He must be ingenious and alert to opportunities in order to take action. Success is sometimes connected with actions. When mistakes are made, the young leader should not quit but should device alternative means to achieve his objective. The youth must be willing to takes risks.

Responsibility: The youth as a future leader must be willing to take responsibility for his actions. He should also learn to admit his failures as well as the failures of those under him. Leadership comes with doing things the way one wants others to do them. As such, the leader must lead by example. He must be honest, transparent, fair and just to his subordinates. He must learn to trust those under him and give them a sense of belonging. A leader must always be capable of building confidence in people so that they can believe in him as well as believe in themselves. An entrepreneur should always be a motivating factor to people around him.

Vision: A good entrepreneur must be a visionary and must know that the future belongs to those who see possibilities before them. Vision is everything for a leader. It is utterly indispensable and vision leads the leader. As such any leader must possess the ability to infuse hope and courage amongst his team. Hope is built from seeing the potentials in people and in situations. The leader must always be optimistic and possess a positive attitude at all times in spite of the situation. It is the vision of the leader that drives him. Without a vision, there will be no mission to accomplish. The vision gives a leader the drive to seek to achieve results. Through the vision, he establishes the ways and means of achieving same. He knows when he deviates from the objective. And he knows when he succeeds.

3.5.4 How Skills can be Acquired

It is said that the youth are the future and leaders of tomorrow. The realization of this fact is often the beginning of the desire to institute policies and programmes both from the public and private sectors of the nation to achieving the objectives. The Nigerian government has realized that its full co-operation and determination will ensure success of entrepreneurial activities in order to achieve the long term growth of the economy. Having

noted the importance of entrepreneurship, the government has initiated some policies like the National Directorate of Employment scheme, establishment of the Bank of Industry, promotion of the Small and Medium Enterprises Development Agency of Nigeria, (SMEDAN), and the Small and Medium Industries Equity Investment Scheme (SMIEIS). Unfortunately, most of these programmes have not had the desired result in addressing the policies for which they were promoted. Moreover, these programmes are not specifically targeted at the youth or young persons and the awareness about the programmes are lacking. Consequently, the youth have not derived full benefit from them.

In this wise, it is imperative for the government in order to empower the youth to introduce leadership programmes in the educational syllabus from primary school to the tertiary levels. This sort of instruction will inculcate in the students from an early stage in life the qualities required of them as well as train them for positions of responsibility whether in the formal or informal sectors of the economy. The present school curriculum requires a total overhaul because it stresses more on training for employment purposes as against training for entrepreneurial purposes.

Secondly, the youth should be encouraged into assuming positions of authority and leadership because there is nothing that can surpass the effectiveness of an on-the-job training. Often times, those in leadership authorities do not see the youth as qualified to take challenging roles whether in or out of government. This could be as a result of the cultural notion which perceives older people as wiser. It should not be so. Records and research have proven that young men harbour fresh ideas and ingenuity which often make the difference wherever they go. Putting the youth into leadership positions is bound to build confidence, resourcefulness and experience for them early in life. Through such, they can begin to change society.

Thirdly, capital is a necessary requirement for any venture. Lack of capital or its inadequacy is usually a stumbling block to novel ideas and initiatives. This factor has proven a problem for young people with entrepreneurial ideas. To address this problem, the public and private sectors of the economy should create and implement policies through which young persons can access loans and other financial services at minimal charges. Such services can be conditioned on the presentation of plans with certain criteria which must be met before extension of credits. The over emphasis currently placed on the provision of collaterals is unduly stifling the entrepreneurial spirit of young people.

Fourthly, there needs to be a constant reaching out to young people, and an involvement in whatever concerns them. The government, its agencies, non governmental organizations and corporate institutions should be seen as showing interest in the affairs of the youth. Policies that will incorporate the youth as partners in progress should always be initiated, adopted and supported. There should be a continuous interflow of ideas between these bodies and the youth. These could be done by involving the youth in corporate workshops, seminars, lectures, road shows, trainings and other activities organized by these institutions especially in areas where the interest of the youth is concerned. The youth should be encouraged to participate actively in such programmes so as to build capacity, network and skills required to pursue their immediate or future endeavors.

Fifthly, since majority of young people in Nigeria live in the rural areas, and since the government is often concerned about rural to urban migration by young people, a lot more attention need to be focused on the youth in those areas. Through vocational, managerial and skill acquisition trainings focused on these people, they will surely take their future in their hands by becoming experts in their various areas of choice professions or trade. More so, the allure of migrating to the cities will dissipate if the rural youth can become an entrepreneur. She will use her skills to further train others thereby reducing the trend of movement to the cities. This can be achieved by willingness on the part of government to initiate and implement policies geared toward the creation of awareness and reorientation of rural dwellers on the gains of entrepreneurship as well as the provision of the basic amenities and facilities required for such education. The role of information and communication technology and its provision and accessibility in this regard can not be overemphasized.

Onwubiko (2011) concluded that there is a need to enthrone a regime of secure and poverty free nation for the youth to become influential members of society. Poverty, hunger, homelessness, lack of security and sickness are paramount issues that require immediate attention of the government if young people are expected to become leaders and persons of influence. For many, these factors are daily challenges staring them in the face. It therefore becomes a distraction to the realization of a youth's full potential if he cannot feed cloth or shelter himself or his immediate family. Because the need for survival is an overriding one, a good number of young people have fallen victims to pressures and many have ended up as armed robbers, prostitutes, scammers and militants fighting for whatever cause that catches their fancy. Research has proven that the failure of government to provide the conducive environment as well as the basic needs of life as enumerated above has largely created these societal problems. It is imperative therefore that policy that will address these issues have become essential for the improvement and empowerment of the youth.

4.0 CONCLUSION

Entrepreneurship evolved over a period of time. We mentioned some of the authors and practitioners who contributed to the evolution of entrepreneurship. We also traced and discussed the history of entrepreneurship in Nigeria over two different stages.

5.0 SUMMARY

In this unit, we

traced global history of entrepreneurship;

listed and extolled the contributions of the authors and practitioners during the evolution of entrepreneurship;

traced the history and development of entrepreneurship over two stages. In the

next unit, we shall discuss the role of entrepreneurship in an economy.

6.0 TUTOR MARKED ASSIGNMENT

- 1. Does entrepreneurship have any history? Briefly trace the history of this phenomenon.
- 2. How did Entrepreneurship developed in Nigeria? Briefly discuss.
- 3. What are the challenges of entrepreneurship development in Nigeria? How do you see the prospects of ED in Nigeria?
- 4. What are the hindrances to youth empowerment?
- 5. What are the skills required of youth for leadership? How can these skills be acquired? List and discuss.

7.0 REFERENCES AND FURTHER READINGS

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UNIT 11: THE ROLE OF ENTREPRENEURSHIP

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 Review of Discussion on Entrepreneurship
 - 3.2 The Entrepreneurial Process
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- 4.0 Conclusion
- 5.0 Summary
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1.0 INTRODUCTION

In the last unit, we traced global history of entrepreneurship, listed and extolled the contributions of the authors and practitioners during the evolution of entrepreneurship, traced the history and development of entrepreneurship over two stages.

In this unit, we shall examine the role of entrepreneurship in an economy.

2.0 OBJECTIVES

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

define entrepreneurship and many different ways;

discuss the process of entrepreneurship and the factors contributing to it;

list and briefly explain the advantages and disadvantages of entrepreneurship;

state the roles of entrepreneurship in an economy.

3.0 MAIN CONTENT

3.1 Review of Discussion on Entrepreneurship

We have variously defined entrepreneurship. We shall examine some other definitions by other authors. Morris (1994) noted that early definitions of entrepreneurs were developed by economists. According to him, these definitions emphasised factors such as risk and financial capital. To Catillon's (1734, quoted in Sharma and Chisman, 1999), reference was made of entrepreneurship as self employment with an uncertain return. An entrepreneur was therefore seen as a person who carries out new combinations, which may take the form of new products, processes, markets, or of creative destruction. This creative destruction states that entrepreneurs are a force for change and make existing products obsolete (Morris, 1994).

From the above discussion, one is tempted to agree with Morris' definition of entrepreneurship as" a process activity. It generally involves the following inputs: an opportunity; one or more proactive individuals; an organisation context; risk, innovation; and resources. It can produce the following outcomes: a new venture or enterprise; value; new products or processes, profit or personal benefit; and growth".

3.2 The Entrepreneurial Process

Reynolds (1994) reveals that one common phenomenon in the United States is entrepreneurial process in which, on yearly basis, 4 percent of the adult population is actively involved in trying to start a new business, either on full-time or on part-time basis, or that they are already running another business and do not devote themselves full time to the new venture until it is a going concern. Gendron (1994) observed that one out of every two adults in the US has tried to start a new business at some time in his or her life. According to him, the general public perception about entrepreneurs is always that they are "flash of genius". He states that flash of genius are rare given the fact that some of the companies considered great today did not start out with a compelling idea for a product or service.

Collins (1993) traced that in 1945, Masaru Ibuka and seven employees started a company in a bombed-out department stone in Tokyo. However, they did not have an idea of what the business would do. For weeks, they tried to figure out what business the company could enter without a clue. However, today, that company is known as Sony Corporation. Collins also revealed that Bill Hewlett and Dave Packard founded Hewlett-

Packard; they had no specific idea to pursue. Although the business was vaguely defined as electronic engineering, the owners did not have any formative plans. Hewlett explains, "We did everything that would bring in a nickel.... Here we were with about \$500 in capital trying whatever someone thought we might be able to do.

In his opinion, Collins states that identifying a specific idea may actually be detrimental, because if you equate the success of your company with the success of a specific idea, then you're more likely to give up if that idea fails. If instead you consider the business the ultimate product, it is more likely to survive if the first product concept fails. Thus, for the person who has thought of being an entrepreneur but has not had a flash of inspiration or a unique idea, business ownership is still quite possible.

Collins identifies several types of entrepreneurial activities but felt that not everyone would classify the individual involved in each case an entrepreneur. Look at the underlisted examples:

New concept/new business – The classic entrepreneur develops a new product or a new idea and builds a business around the new concept. This requires a substantial amount of creativity and an ability to see patterns and trends before they are evident to the general public. The business concept may be so new and revolutionary that it may create an entirely new industry. Examples of creative entrepreneurs include Steven Jobs, one of the founders of Apple Computer and NEXT, and Bill Gates, founder of Microsoft. Most people would agree that these innovative businesspeople are true entrepreneurs.

Existing concept/new business — Some individuals start new businesses based on old concepts. For example, if someone opens a convenience food store, the idea is not new and the founder may not be described as innovative, but the business still represents a financial risk to the owner, and the person is developing something where nothing previously existed. Most people would consider this person an entrepreneur, although others may disagree because of the lack of creativity and innovation involved. It should be pointed out, however, that individuals who engage in this type of activity seldom do so without introducing some change. The likelihood of a business succeeding if it is patterned exactly after one that already exists is remote. Therefore, most entrepreneurs who start a business to compete with those that already exist do so in the hope that theirs will offer something new or better. The additional something is born of creativity.

Existing concept/existing business – Even less innovative is the person who buys an existing business without many plans to change the company operations. There is little need for creativity or innovation, but the individual is still taking a personal and financial risk. Therefore, many people describe this person as an entrepreneur.

3.3 Factors of Entrepreneurship

From the above discussion, one would discover that there is more than one factor to consider when studying entrepreneurs. There is no agreement as to why some people choose self- employment and others choose to work for someone else. One recent study by Leo-Paul

(1997) has identified four spheres of influence in determining entrepreneurial behaviour: the individual, the enthocultural environment, the circumstances in society; and a combination of these. These factors are discussed below.

3.3.1 The Individual

Despite the fact that personality traits have not been found to be reliable predictors of future behaviour, Boyz and Vozikis (1994, quoted in Lambing and Kuehl, 2007) opined that many studies still focus on the entrepreneur's personality. Some people, such as Peter Drucker, do not believe that traits are a deciding factor, and believe that anyone can be taught to be an entrepreneur. According to a Goodman (1994, quoted in Lambing and Kuehl, 2007),

"For every risk seeker, I'll show you someone who's risk averse. For every first-born child who is a successful entrepreneur, there's a successful last-born or only child. For every entrepreneur who grew up listening to tales of entrepreneurial success at the dinner table [had entrepreneurial parents] there are those whose parents were military or corporate or absent".

There is also concern as to cause and effect. Since many studies of entrepreneurs are completed once the person is a successful business owner, it is possible that the experience of entrepreneurship affects the individual's personally. Morris (2002, quoted in Lambing and Kuehl, 2007) points out that the psychology and behaviour of the entrepreneur may change as the business evolves. However, many believe that entrepreneurs have a special personality and that these traits cannot be taught. Oneal (1993, quoted in Lambing and Kuehl, 2007) states,

"While [Drucker's] probably right that the nuts and bolts of entrepreneurship can be studied and learned, the soul of an entrepreneur is something else altogether. An entrepreneur can be a professional manager, but not every manager can be an entrepreneur".

Whether entrepreneurial tendencies exist at birth or are developed as a person matures, certain traits are usually evident in those who enjoy success. Many of these traits have been found in successful managers as well as entrepreneurs. Let us examine some of these traits:

- 1. Passion for the Business The entrepreneur must have more than a casual interest in the business because he or she must overcome many hurdles and obstacles. If there is no passion or consuming interest, the business will not succeed. "Burning passion? Absolutely", says Quinn (2002, quoted in Lambing and Kuehl, 2007).
- 2. Tenacity despite failure Because of the hurdles and obstacles that must be overcome, the entrepreneur must be consistently persistent. Many successful entrepreneurs succeeded only after they had failed several times. It has been stated that "Successful entrepreneurs don't have failures. They have learning experiences" (Goodman, 1994, quoted in Lambing and Kuehl, 2007).
- **3. Confidence** Entrepreneurs are confident in their abilities and the business concept. They believe they have the ability to accomplish whatever they set out to do (Lambing and Kuehl,

- 2007). This confidence is not unfounded, however. Often they have an in-depth knowledge of the market and the industry, and they have conducted months (and sometimes years) of investigation. It is common for entrepreneurs to learn an industry while working for someone else. This allows them to gain knowledge and make mistakes before striking out on their own.
- **4. Self-determination** Nearly every authority on entrepreneurship recognizes the importance of self-motivation and self-determination for entrepreneurial success. Goodman states that self-determination is a crucial sign of a successful entrepreneur because successful entrepreneurs act out of choice; they are never victims of fate. They believe that their success or failure depends on their own actions. This quality is known as an **internal locus of control**.
- 5. Management of risk Risk is at the very heart of running your own business, and the ability to manage risk is one of the qualities of any successful entrepreneur (Dorsey, 2003, quoted in Lambing and Kuehl, 2007). The general public often believes that entrepreneurs take high risks; however, that is usually not true. First, more than two-thirds of those trying to get a business started have a full or part time job or they are running another business. They do not put all of their resources and time into the venture until it appears to be viable. Entrepreneurs often define the risks early in the process and minimize them to the extent possible.
- **6. Seeing changes as opportunities** To the general public, change is often frightening and is something to be avoided. Entrepreneurs, however, see change as normal and necessary. They search for change, respond to it, and exploit it as an opportunity, which is the basis of innovation (Lambing and Kuehl, 2007).
- 7. Tolerance for ambiguity The life of an entrepreneur is unstructured. No one is setting schedules or step-by-step processes for the entrepreneur to follow. There is no guarantee of success. Uncontrollable factors such as the economy, the weather, and changes in consumer tastes often have a dramatic effect on a business. An entrepreneur's life has been described as a professional life riddled with ambiguity a consistent lack of clarity. The successful entrepreneur feels comfortable with this uncertainty" (Oneal, 1993, quoted in Lambing and Kuehl, 2007).
- 8. Initiative and a need for achievement Almost everyone agrees that successful entrepreneurs take the initiative in situations where others may not. Their willingness to act on their ideas often distinguishes them from those who are not entrepreneurs. Many people have good ideas, but these ideas are not converted into action. Entrepreneurs act on their ideas because they have a high need for achievement, shown in many studies to be higher than that of the general population. That achievement motive is converted into drive and initiative that results in accomplishments.
- **9. Detail orientation and perfectionism** Entrepreneurs are often perfectionists, and striving for excellence, or "perfection", helps make the business successful. Attention to detail and the need for perfection results in a quality product or service. However, this often becomes a source of frustration for employees, who may not be perfectionists

themselves. Because of this, the employees may perceive the entrepreneur as a difficult employer. For instance, I know of an entrepreneur who is into printing and has magnificent printing press in the heart of Abuja, Nigeria. There is virtually no human being, no matter how good you are, that this man would not abuse, dress down or embarrass. Such is the trait in an entrepreneur. For an employee who wants to make a career in that enterprise, he must be tolerant and pretend that nothing happened.

- **10. Perception of passing time** Entrepreneurs are aware that time is passing quickly, and they therefore often appear to be impatient. Because of this time orientation, nothing is ever done soon enough and everything is a crisis (Lambing and Kuehl, 2007).
- 11. Creativity One of the reasons entrepreneurs are successful is that they have imaginative and can environ alternative scenarios (Goodman quoted in Lambing and Kuehl, 2007). They have the ability to recognize opportunities that other people do not see. Nolan Busnell, who created the first home video game and the Chuck E. Cheese character, believes the act of creation is nothing more than taking something standard in one business and applying it to another.
- **12. Ability to see the big picture** Entrepreneurs often se things in a holistic sense; they can see the "big picture" when others see only the parts (Lambing and Kuehl, 2007). One study found that successful owners of manufacturing firms gathered more information about the business environment, and more often, than those who were less successful. This process, known as **scanning the environment**, allows the entrepreneur to see the entire business environment and the industry and helps to formulate the larger picture of the business activity. This is an important step in determining how the company will compete (Box, 1993, quoted in Lambing and Kuehl, 2007).
- **13. Motivating factors** Although many people believe that entrepreneurs are motivated by money, other factors are actually more important. The need for achievement, mentioned earlier, and a desire for independence are more important than money. Entrepreneurs often decide to start their own businesses in order to avoid having a boss. Many are self-employed for less pay than they would receive if they worked for someone else.

Oneal (1993), who studied approximately 3000 entrepreneurs identified the following factors as "very important" reasons for being self-employed:

- To use personal skills and abilities;
- To gain control over his or her life;
- To build something for the family;
- Because he or she liked the challenge;
- To live how and where he or she chooses".

Other studies have identified other motivating factors, such as the need for recognition, a need for tangible and meaningful rewards, and a need to satisfy expectations (Lambing and Kuehl, 2007).

14. Self-efficacy – A recent study has suggested that the concept of self-efficacy

influences a person's entrepreneurial intentions Boyz and Vozikis (quoted in Lambing and Kuehl, 2007). Self-efficacy has been defined as a person's belief in his or her capability to perform a task. One study found that a sense of personal efficacy that is both accurate and strong is essential to the initiation and persistence of performance in all aspects of human development (Lent and Hackett, quoted in Lambing and Kuehl, 2007).

A separate study looked at the concept of thought self-leadership (TSL) and self-efficacy. TSL states that people develop functional and dysfunctional habits in the ways they think. This in turn influences their "perceptions, the way they process information and the choices they made". Thus, entrepreneurs may develop a habit of "opportunity thinking", a functional habit that focuses on opportunities and positive ways of handling challenging situations.

The dysfunctional way of thinking, known as "obstacle thinking", focuses on negative aspects of a problem and would most likely result in giving up. These thought patterns affect self-efficacy since an entrepreneur who engages in functional, opportunity thinking is likely to seen an increase in self-efficacy (Neck, Neck, Manz and Goodwin, 1999, quoted in Lambing and Kuehl, 2007). Thus, a habit of opportunity thinking makes a person more likely to pursue entrepreneurship.

3.3.2 Cultural Factors

A common finding is that ethnic enterprise is often overrepresented in the small business sector; that is, members of some ethnocultural groups typically have a higher rate of business formation and ownership than do others. However, the effect of culture on entrepreneurial tendencies is not completely clear, because individuals from different cultural groups do not all become entrepreneurs for the same reason (Dana, 1997, quoted in Lambing and Kuehl, 2007). The effect of culture and traits may be intertwined, since some studies have shown that different cultures have varying values and beliefs. to have an achievement-oriented Japanese have been known culture that helps entrepreneurs persist until they succeed. Another potentially important factor is whether a culture generally has an internal locus of control. For example, US culture tends to support a internal locus of control, whereas the Russian culture does not. Individuals from a culture with an internal locus of control may be more predisposed to believe they have a chance of succeeding as entrepreneurs (Dana, 1997, quoted in Lambing and Kuehl, 2007).

3.3.3 Circumstances in Society

In all societies, there are those who had not planned to be entrepreneurs but who find at some point that they are pushed toward self-employment. Workers in the Nigerian banks who have been affected by downsizing carried out by their employers might be included in this group. The decision to become an entrepreneur was precipitated by the changes in the marketplace. This is therefore considered **adaptive-response behaviour**. One study of ethnocultural factors found that although some people do not come from an ethnocultural group that values entrepreneurship, they chose entrepreneurship as an adaptive response to marginality and a means to social integration (Dana, 1997, quoted in Lambing and Kuehl, 2007)..

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3.3.4 A Combination of Factors

Whether a person becomes an entrepreneur or decides to be an employee is therefore the result of many factors, including the three we have just discussed above. Because such tendencies might be enhanced under the right set of circumstances, some people suggest that we should concentrate on nurturing the entrepreneurial spirit in young children. One study of kindergarten children indicated that one of every four children showed entrepreneurial tendencies. By high school age, however, only 3 percent of students still retained that spark. The current educational system does not encourage entrepreneurship and, in fact, teaches conformity rather than individuality. The creative abilities of young children are discouraged, although creativity is necessary for most entrepreneurs (Gutner, 1994, quoted in Lambing and Kuehl, 2007).

3.4 Advantages and Disadvantages of Entrepreneurship

There are many advantages and disadvantages to self-employment as could be shown on figure 3.1 below.

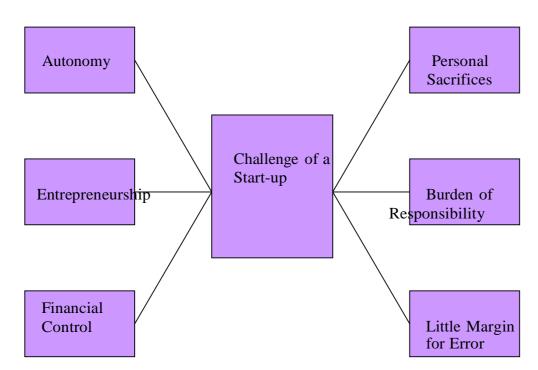


Figure 3.1 Advantages and Disadvantages of Entrepreneurship

Source: Lambing, P.A. and Kuehi, C.R. (2007). Entrepreneurship (Fourth Edition), USA: Pearson Education, Inc. Prentice-Hall, Upper Saddle River, pg. 23.

3.4.1 Advantages

Autonomy – The need for independence and the freedom to make decisions is one of the

major advantages. The feeling of being your own boss is very satisfying for many entrepreneurs. **Challenge of a start-up/feeling of achievement** — For many entrepreneurs, the challenge of a start-up is exhilarating. The opportunity to develop a concept into a profitable business provides a significant feeling of achievement, and the entrepreneur knows that he or she is solely responsible for the success of the idea.

Financial control – Because it is often stated that entrepreneurs have financial independence, one might get the impression that they are wealthy. Many are not necessarily seeking great wealth, but they do want more control over their financial situation. They do not want a boss who can unexpectedly announce a layoff after they have dedicated years of work to a company.

3.4.2 Disadvantages

If self-employment were easy, the number of self-employed people would be much higher. In fact, it is one of the most difficult careers one can choose. A few of the disadvantages are described below:

Personal sacrifices – Especially in the early years of a business, the entrepreneur often works extremely long hours, possibly six or seven days each week. This leaves almost no time for recreation, family life, or personal reflection.

The business consumes the entrepreneur's life. This often results in a strain on family relationships and a high level of stress. The entrepreneur must ask how much he or she is willing to sacrifice to make the business successful.

Burden of responsibility/jack-of-all-trades — The entrepreneur has a burden of responsibility unlike that of corporate workers. In corporations, employees are usually surrounded by other people at the same level with the same concerns. It is possible to share information at lunch or after work, to have a sense of companionship. The entrepreneur, however, knows that it is lonely at the top. No one else in the company has invested his or her life savings; no one else must ensure that enough money is available to meet the payroll at the end of the month.

The entrepreneur must also be jack of all trades. While corporate workers usually specialise in specific areas such as marketing, finance, or personnel, entrepreneurs must manage all of these functions until the business is profitable enough to hire employees with necessary expertise. The need to be an expert in many areas is an enormous burden.

Little margin for error – Large corporations often make decisions that prove to be unprofitable. They introduce products that are not well accepted and they open stores in unprofitable locations. Many large corporations will usually survive because they have adequate financial resources to pay for the losses.

Small businesses, however, operate on a thin financial cushion because the only financial resources available are those of the entrepreneur. Even after years of successful operation, one wrong decision or weakness in management can result in the end of the business.

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3.5 The Role of Entrepreneurship in an Economy

Entrepreneurship has been recognized as an important aspect and functioning of organization and economies (Dickson et al, 2008). It contributes in an immeasurable ways toward creating new job, wealth creation, poverty reduction, and income generating for both government and individuals. Schumpeter in 1934 argued that entrepreneurship is very significant to the growth and development of economies (Keister, 2005, quoted in Garba, 2010).

Entrepreneurship leads to poverty reduction. For instance, the Federal Government had since 1999 been injecting funds into different skills acquisition programmes, small businesses, support for the informal sector through provision of credit facilities for boisterous economic activities at the rural community level. This is a decision in the direct direction as majority of the population live in the rural areas and an improvement in the quality of life would prevent migration of the residents of the rural communities to the urban centres. The implication of this is that it will create employment opportunities thus leading to greater reduction in social maladies or vices.

The wide spread and acceptance of entrepreneurship education is a clear indication of its usefulness and importance in the present realities. The development of entrepreneurship will go a long way in providing the necessary impetus for economic growth and development. It will be crucial in boasting productivity, increasing competition and innovation, creating employment and prosperity and revitalizing economies (SBS, 2002, in Ritche and Lam, 2006).

Koce (2009) defined social responsibility as the obligation (of managers) to pursue the policies, to make decisions, or to follow lines of action which are desirable in terms of objectives and values of our society. The social responsibility of economic enterprises is in the efficient use of resources, to produce economic wealth (production of goods and services to satisfy people's material wants). In the production of goods and services, a business enterprise is socially responsible in such a way, that no restriction is placed upon the legitimate rights and interests of any person. To observe by word and deed the ethical standards of society, business enterprises discharge their obligations to employees by giving them better-than-competitive wage and fringe benefits, economical prices and quality merchandise to consumers, gifts and scholarships to educational institutions in their vicinity in terms of education and research which have a direct relationship to the future of the business by making available better trained human resources or advanced knowledge which will be beneficial to the business, donations, provision of social infrastructures e.g., clinic, good roads, etc to the community where the enterprise is situated, donating services and maintaining uneconomical operations, job generation for people of the community and free tax collections and donations of services for gifted managers to the government.

4.0 CONCLUSION

We reviewed the earlier definitions of entrepreneurship and considered some other ones for a better comprehension of the topic. We described the entrepreneurial process and the factors that contribute to entrepreneurship. We enumerated and explained the advantages and disadvantages of entrepreneurship while discussing the role of entrepreneurship in an economy.

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5.0 SUMMARY

In this unit, we defined entrepreneurship in many different ways, discussed the process of entrepreneurship and the factors contributing to it, listed and briefly explain the advantages and disadvantages of entrepreneurship and stated and briefly explained the roles of entrepreneurship in an economy.

In the next unit, we shall consider another topic, the functions of entrepreneurship.

6.0 TUTOR MARKED ASSIGNMENT

- 1. Passion for the business (as an individual factor) must be a priority to an entrepreneur if the entrepreneurship business is to succeed. Do you agreed with this statement? What are the other factors do you consider necessary to ensure that an entrepreneurship business is successful?
- 2. List the advantages and disadvantages of entrepreneurship that you know and explain them briefly.
- 3. What is the role of entrepreneurship to a developing economy like that of Nigeria?

7.0 REFERENCES AND FURTHER READINGS

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UNIT 12: FUNCTIONS OF AN ENTREPRENEUR CONTENTS

- Introduction 1.0
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- 3.0 Main Content
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 - Marketing Management 3.5
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1.0 INTRODUCTION

In this last unit, we defined entrepreneurship in many different ways, discussed the process of entrepreneurship and the factors contributing to it, listed and briefly explain the advantages and disadvantages of entrepreneurship and stated and briefly explained the roles of entrepreneurship in an economy.

In this unit, we shall examine the major functions of an entrepreneur.

2.0 OBJECTIVES

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

describe the role of an entrepreneur as a risk bearer; discuss the management decision making function of an entrepreneur, explain the production function of an entrepreneur; discuss the strategic planning function of an entrepreneur; explain the marketing management function of the entrepreneur.

3.0 MAIN CONTENT

3.1 Risk Taking

In the last unit, we had identified that willingness to take risk was one of the characteristics of an entrepreneur. This characteristic stands an entrepreneur out from among the people just as it is one of the important functions performed by him. Any entrepreneur is a risk taker; they take calculated risks whether formally or informally. Mostly they take risk informally because they make calculation within their brain on what to buy, keep and sell latter. They equally try to figure out the probability of success of their business once they are convince that it is high, they will go into such business, which means they take risk. Marketing research is undertaken by entrepreneur consciously and unconsciously. If this research is carried out, they venture into such businesses. Entrepreneurs are not tired of trying. If they invest in a business and they fail, they still try another business so that they can succeed. Brown 1997 say: an entrepreneur has what he call calculating risks.

- (1) Is the goal worth the risk?
- (2) How can I maximize the risk?
- (3) What information do I need before I take the risk?
- (4) Why is this risk important?
- (5) Am I willing to try my best to achieve the goal?
- (6) What preparation do I need to make before I take the risk?
- (7) What are the biggest obstacles to achieving my goal?

The goal of every manager is to create a surplus (in business organisations, this means profit). Clear and verifiable objectives facilitate measurement of the surplus as well as the effectiveness and efficiency of managerial actions.

3.2 Management Decision Making/Taking

Under this section are listed all the management functions, namely: planning, organizing, decision making, staffing, leading, motivating, communicating, and controlling.

3.2.1 Planning Function

In your course on ENT 313, we considered planning very extensively. We noted that planning is a must for every business enterprise operating in a dynamic environment where today's world is a global village. We also noted that the most important aspect of this changing environment is change in technology, government policy and activities, social norms, among others and that planning proves direction and sense of purpose, provides a unifying framework within which such organisation are guided, reveal future opportunities and threats, means of minimizing risks, provides performance standard, and so on.

1. Definition of Planning

Weihrich and Koontz (2005) state that planning involves selecting missions and objectives and deciding on the actions to achieve them; it also requires decision making, that is, choosing a course of action from among alternatives. According to them, plans thus provide a rational approach to achieving pre-selected objectives.

Awujo (1992 quoted in Ikharehom, 2006) defined planning as the activity by which managers analyze present conditions to determine ways of reaching a desired future state. Planning encompasses defining an organisation's goals, establishing an overall strategy for achieving those goals, and developing a comprehensive hierarchy of plans to integrate and coordinate activities. It is concerned, then with the ends (what is to be done) as well as means (how it is to be done).

Robbins and Coulter (1998) define planning as involving defining the organisation's objectives or goals, establishing an overall strategy for achieving those goals, and developing a comprehensive hierarchy of plans to integrate and coordinate activities. It can further be defined in terms whether it's informal or formal.

In informal planning, nothing is written down, and there is little or no sharing of objectives with others in the organisation. This type of planning is done in small businesses; the owner-manager has a vision of where he or she wants to go and how to get there. The planning is general and lacks continuity. It exists in some large organisations too, and some small businesses have very sophisticated formal plans.

As regards a formal planning, the objectives covering a period of years are defined. These objectives are written and made available to organisational members. Finally, specific action programs exist for the achievement of the objectives; that is, managers clearly define the path they want to take or follow to get the organisation from where it is to where they want it to be.

2. Features of Planning

Planning is characterized by the following features:

It must be realistic and capable of implementation; It must be comprehensive;

It must have clearly defined objectives in terms of scope, accuracy, clarity and definitiveness;

It must be flexible:

It must be futuristic:

It must relate to conditions of relative certainty and uncertainty; and

It must be a continuous process.

3. Purposes of Planning

Why should managers plan? Weihrich and Koontz (2005) state at least four reasons. According to

them, it gives direction, reduces the impact of change, minimizes waste and redundancy, and sets the standards used in controlling.

Planning establishes coordinated effort. It gives direction to managers and non-managers alike. When employees know where the organisation is going and what they must contribute to reach the objective, they can coordinate their activities, cooperate with each other, and work in teams. Without planning, departments might work at cross purposes, preventing the organisation from moving efficiently toward its objectives.

Planning reduces uncertainty by forcing managers to look ahead, anticipate change, consider the impact of change, and develop appropriate responses. It also clarifies the consequences of actions managers might take in response to change.

In addition, planning reduces overlapping and wasteful activities. Coordination before the fact is likely to pinpoint waste and redundancy. Furthermore, hen means and ends are clear; inefficiencies become obvious and can be corrected and eliminated.

Finally, planning establishes objectives or standards that are used in controlling. If we're unsure of what we're trying to achieve, how can we determine whether we have actually achieved it? In planning, we develop the objectives, identify any significant deviations, and take the necessary corrective action. Without planning, there would be no way to control.

4. Forecasting

Planning cannot be divorced from forecasting, for what is feasible depends, to a large extent, on events in the external world. The actual planning starts with goal setting, but any member of contingencies in the environment will have a major effect on the extent to which various goals may be feasible.

Hornby (2006) defines forecasting as a statement about what will happen in the future based on information that is available now. Ikharehon (2006) divides forecasts into two, namely: economic forecasts; technology forecasts and forecasts of changes in public taste and public opinion.

Economic Forecasts – These are basic for every company's sales depending on how much money is available for purchase. With few exceptions, sales are bound to drop during a period recession.

Technological Forecasts – What new inventions or new technical developments are probable, and when they are likely to come on the market? The answer to this question is important for new developments can make a company's products obsolete, or at least reduce the market for them drastically.

Forecasts of changes in Public Taste and Public Opinion — Changes in public taste affect not only products or services designed for the ultimate consumer, but sales to industry as well. For instance, if sales of a product drop, the companies that produce it will contain their operations and buy less from their suppliers. Changes in public opinion may produce new laws that necessitate changes in plans or perhaps give rise to boycotts of some products.

In forecasting, a company should be able to decide the following questions as:

- a. What product(s) or services will be provided?
- b. To whom will we sell? That is, what is our market share?
- c. What methods or means will be used to sell these product(s)? Is it through direct sales, or advertising, or both?
- d. What plant, equipment, and personnel will be needed?

5. Planning Process

Planning process has to do with a logical set of steps a manager must take in order to find ways of reaching desired future objectives. Meanwhile, in planning process, the first step to consider is the identification of goals of the organisation upon which the plans will be built. In other words, management must have an overall goal in mind before the organisation even comes into existence. This and subsequent specific goals help determine the organisational structure.

The second step of planning process involves a search for opportunities. This is where the manager opens his mind to new ideas, rather than fixing his mind.

The third stage involves the translation of opportunities into selected courses of action. The managerial job at this time is to evaluate the alternatives and compare each alternative to factors like the organisation's strengths and weaknesses, and to forecast economic activity.

Furthermore, the next step involves setting specific targets. Here, the plan becomes a budget or some other specific statement of targets.

Finally, the planning process must be continuously reviewed and revised where necessary. This will be fully discussed in subsequent unit.

3.2.2 Organising Function

Organizing draws particular attention to the processes of function and structure in an enterprise, to the uncertainties that accompany the day-to-day life in an enterprise and to the fundamental point that an enterprise is not fixed/unchanging entities. An enterprise should be viewed as a result of the processes of organizing. It is commonly known that most of our lives are spent in association with other enterprises and organisations. Organisations are man-made, thus, they are simply social units or human grouping deliberately constructed to carry out specific task. Organisations vary in size from the sole trader outfit to the large multinational business, employing thousands and their tasks will cover the whole spheres of human needs and wants. As organisations are artificial constructs, they, in theory change their form, as human needs change or disappear altogether as people get their wants and needs satisfied in cheaper or better ways by alternative organisations.

Organizing involves the establishment of an intentional structure of roles through determination of the activities required to achieve the goals of an enterprise and each part of it, the grouping of these activities, the assignment of such groups of activities to an entrepreneur, the delegation of authority to carry them out, and provision for coordination of authority and informational relationships horizontally and vertically in the organisation structure. Ikharehon (2006) is therefore defined as the process through which the structure of an organisation or enterprise is created and maintained. Organizing draw particular attention to the processes of function and structure in an organisation to the uncertainties that accompany the day-to-day life of the enterprise and to the functional point that enterprise are not fixed entities.

1. Types of Organisation

Basically, we have two types of organisations, namely: formal and informal organisations.

A formal organisation is an institution or a functional group, which exist to achieve a predetermined goal. Formal organisation clearly defined structures, its members are made up of officials and authorised relationships, it has clearly defined organisational goals, and its operations are governed by rules and regulations. Examples of formal organisation are schools, churches, government agencies, hospitals, among others.

An informal organisation, on the other hand, usually referred to as shadow organisation, since they exist within a formal organisation and its members are not easily identifiable. This organisation does not have specific goals or purposes, rather, its activities tend to be loosely organised, and flexible and ill-defined. The existence of information groups cannot be totally ruled out in any vibrant entrepreneurial setting, they also have a way of contributing to the well being of an enterprise. Their existence becomes threat only and only if members are insubordinate to the constituted authority. Examples of informal organisations are peer groups, nocturnal organisations among others.

2. **Organisation Structure**

Management function of organizing involves identifying jobs, which must e performed, and staffing these jobs with qualified people. It also includes establishing the authority relationships among organisational members. In the formal organisation, each person has a clearly defined job, and he has authority and responsibility to perform it. A job tells the employee what he must do and the relationship between his job and those of others. Hence, a good job design is important to avoid the overlapping of authority and responsibility.

In a nutshell, organisation structure is the framework through which the activities of an organisation are coordinated. An organisation chart defines this framework, which is a diagram of positions in an organisation and their relationships. It is also a formal set up of a system, which direct the activities of members of the enterprise. In charting the organisation structure, solid vertical lines connecting boxes define lines of authority, while the lateral or horizontal lines shows the relationships between managers and foreman at the same level who have to exchange information or pass work from one to another.

3. Types of Organisation Structure

Line or direct organisation is the type of structure much pronounced in the military organisation where scalar principle is practiced. It indicates the immediate and ultimate superior and subordinate and the authority bestowed on each others. The line or direct authority has some benefits, namely: line of authority is clear and well understood, discipline is easier to enforce, officers have power and duty to act; and it makes for stability. On the other hand, its disadvantages include: it does not make provision for use of initiative by a resourceful subordinate, power can be automatic and it can be too rigid.

Functional Organisation Staff – This is an organisation where some specialist functions have developed. Such functional experts are referred to as functional managers. The functional managers have some responsibilities in their expert fields to offer advice to those who have direct

responsibilities for carrying the main operations, e.g. cost accountant, among others, has a functional responsibility for offering expert advice to the production manager, so also the quality controller may pass instruction directly to the production workers without necessarily passing through the production manager.

The advantages are: it enhances a positive relationship for efficiency of operation between expert and the non-expert staff and it makes available expert knowledge to the knowledge. The disadvantages are: the junior staff may be confused due to the broken chain of command, there may be too many bosses for the junior staff and a conflict of authority may arise between the expert and the non-expert managers.

Line and Staff Organisation Structure – This is the blending together of both the line and the staff relationships. Thus, the line allows for the use of specialists, the functional managers by the line managers. For instance, the personnel manager will recruit and train for other departments who will maintain control over such staff. The line and staff relations typifying the real life situation in an enterprise.

The merits of this structure is that each expert at any level has only one boss, the use of experts by the line managers becomes acceptable in the enterprise and it obviates the problems of giving too many authority to one superior as in the line type. The only demerit is that the staff has no authority over the employee.

Features of Organisational Structure – the features of organisation structure are fourteen as listed by Henri Fayol include division of work, authority and responsibility, discipline, unity of command, unity of direction, subordination of individual to general interest, remuneration, centralization, scalar chain, order, equity, stability of tenure, initiative, and espirit de corps.

3.2.3 Decision making

Cornell (1980 quoted in Ikharehon, 2006) defines a decision first of all as an act, but an act requiring judgement. He also went further to explain that a judgement requires a choice to become a decision and that where alternatives exist, that the act of decision making becomes meaningful. An entrepreneur plays series of roles including interpersonal, informational and decisional roles. The authority an incumbent has is derived from the position he occupies and so a status is established. The status causes all managers to be involved in the interpersonal relationships with subordinates, peers and superiors, who in turn provide managers with the information needed to make decisions. Managers need information to make intelligent decisions and the other members of the enterprise depend on such information received from or transmitted through managers. Information is therefore the basic input to decision making. Interpersonal and informational roles are facilitators to the process of decision making while decision roles are an end on their own.

Decision-making requires analytical and conceptual thought. Stoner and Freeman (1992, quoted in Ikharehon, 2006) assert that analytical thinking involves breaking a problem down into its components, and then coming up with a feasible solution. Even more important is the ability to think conceptually, which means viewing the entire tasks in the abstract and relating it to other tasks.

Components of Decision-making

Decision-making is made up of several components, namely: the decision maker, the environment in which decision is made, goals and ends to be served by taking the decision, relevant alternatives from which a choice will be made, a relation who produces an ordering of alternatives based on an acceptable criterion, and choice of the most preferred alternatives.

Decision is classified into programmed and non-programmed categories. Programmed decisions are relatively structured decisions within a clearly defined area. The rules are known and frequent. They are decisions a manager is called upon to make almost everyday and he often makes them relying on either judgements or past experiences or on precedents or applying a standing rule or policy of the enterprise established in some time past. No systematic prior analysis takes place before a decision is made.

On the other hand, non-programmed decisions are decision-making exercise where decision rules and procedures cannot be devised. They are non-repetitive decisions involving many external and internal factors, frequent with high levels of risk and requiring information from a variety of sources. They are those incorporating a conscious effort at analyzing the decision need, the decision environment, and probable outcomes of the decision.

Decision making Process

There are five steps in decision-making model, they are: identification and definition of the problem, determination of the outcomes of the solutions, search for alternative solutions to the problem, evaluation of each solution in form of some criterion, and making a choice.

3.2.4 Staffing

Staffing involves filling and keeping filled, the positions provided for by the enterprise structure. It thus necessitates defining workforce requirements for the job to be done, and it includes inventorying, appraising, and selecting candidates for positions; compensating and training or otherwise developing both candidates for positions; compensating and training position holders to do their tasks effectively. To function effectively and efficiently, enterprises need the unavoidable service of human beings. Since the enterprise work or function with human efforts, it need not be stressed therefore that the human component is the most important and the pivot on which other parts of the enterprise revolve. To that extent, unless there is the right number and kind of people with the right levels of skills, in the right jobs at the right time and carrying out the right responsibilities, it may not be possible to achieve the pre-determined goals.

The entrepreneur's function of planning, organizing and controlling can be viewed as essentially objective tasks which may even have some important mechanistic features. On the other hand, the functions of staffing and leading concerned almost exclusively with people. Thus, uncertainties in the selection and direction of people may lead to frustration of the managers who know the importance of staffing and, at the same time recognize the limitations of the tools available for carrying out this function effectively.

For staffing to be effectively carried out, there is need for job analysis, job description, and job specification. Job analysis is the cornerstone of all human resource functions. Specially, data obtained from the analysis form the basis for a variety of human resource activities. These activities include: job definition, job re-design, recruitment, selection and placement, orientation, training, career counselling, employee safety, performance appraisal and compensation. Job description

involves not only analyzing job content but also reporting the results of the analysis. These results are normally presented in the form of a job description and a job specification.

Job description concentrates on describing the job as it is currently being performed. It explains, in written form, what the job is called, what is to be done, where it is to be done, and how it is to be done. While the formats for job descriptions vary somewhat, most job descriptions contain sections that include the following: the job name, a brief summary description of the job, a listing of job duties and responsibilities, and an explanation of some relationships pertinent to the job. Its benefits are: it makes the duties tasks and responsibilities of the job known to the job holder thereby eliminating misunderstanding between him and his boss, it serves as the basis for performance evaluation and for promotion, it is useful in designing training programmes; it forms the basis for developing job specifications, and it is useful in setting standards of performance.

Job specification concentrates on the characteristics needed to perform the job. It describes the competency, educational qualifications and experience the incumbent must possess to perform the job. A job specification may be prepared as a separate document or as is more often the case, as the concluding section of a ob description.

3.2.5 Leading

Leadership is the notion that leaders are individuals who, by their actions, facilitate the movement of a group of people toward a common or share goal (House and Podsakoff, 1994 Ikharehon, 2006). Since leadership implies followership and people tend to follow those in whom they see as a means of satisfying their own needs, wishes and desires, it is understandable that this area of management involves motivation, leadership styles and approaches and effective communication.

The distinction between leader and leadership is important, but potentially confusing. The leader is the individual; leadership is the function or activity the individual performs. The following key variables may be used to understand leadership: leadership characteristics and style; follower characteristics; leader behaviour and leadership context.

The following factors can enhance leadership, they are: respect for individual, delegate authority and responsibility, excellence, build workers self esteem, inform employees, apply the reinforce principle, be an active listener. Leaders are individuals who have developed their personal styles of leadership. Leaders are those who posses ideals and broad visions, which they impress on their supporter and voluntary assistants. In their internal organisations, they are leaders rather than drivers. To be an effective leader, one must try to see things through the eyes of those he is leading.

3.2.6 Motivating

Ikharehon (2006) opines that since managing involves the creation and maintenance of an environment for the performance of individuals working together in groups toward the accomplishment of a common objective, it is obvious that a manager cannot do this job without knowledge of motivation. Motivation is defined by Hornby (2006) as the process or stimulating the interest of people to do something. Bernard and Garry (1964 quoted in Ikharehon, 2006) sees motivate as an inner state that energises, activates or moves, directs or channels behaviour

toward goals. Motivated behaviour has three characteristics, namely: it is sustained and maintained for a long time until satisfied; it is goal-directed and seeks to achieve an objective, and it results from a felt need. For every enterprise to motivate an employee, there must be: needs that the employee wishes to satisfy, the motivating factor must be one that needs the desire or aspiration of the employee, the goal must be perceived as being available, and that the goal must be attainable by the employee.

Types of Motivation

The types of motivation are intrinsic and extrinsic motivation, while theories of motivation include: Maslow's hierarchy of needs (made up of physiological, safety or security, social affiliation, esteem and self actualization needs), Herzberg two-factor theory (made up of motivator factors and hygiene factors), Douglas McGregor's theory X and theory Y of motivation, Adam's equity theory, Victor Vroom's Expectancy theory, and Alderfer's ERG theory respectively.

3.2.7 Communicating

Enterprises exist through communication and without communication there would be no organisations. In modern enterprise, communication is the foundation upon which all other functions rest. This is because when communication fails no activity prevails. Organisation communication is the process by which managers develop a system to give information and transmit meaning to large numbers of people within the organisation and to relevant individuals and institutions outside it. In other words, communication is the transfer of information from the sender through the communication channel to the receiver with the information being understood by the receiver.

The process of communication includes encoding (who is the originator of the message in spoken or written form), channel (is the means by which the information gets to the decoder), and decoder (is the receiver of the information sent by the encoder). Characteristics of information refer to that which creates value for information. These are: relevance, accuracy, completeness, confidence, communication to the right person, timeliness, detail and communicated by an appropriate channel of communication.

The functions of communication are to enable employees to express themselves, to motivate the activities of subordinates, serves as vital function for managerial decision making. It is therefore the vehicle through which the basic management functions are carried out. Organisation attempt to control the activities of individuals through the design and use for formal communication channels. In other words, it is used to control and evaluate the performance of organisational members.

The purpose served by communication in an organisation include: serves as lubricant to foster the smooth operation of the management progress, it is the vehicle through which basic management are carried.

3.2.8 Controlling

Control means to check or verify, to regulate, to compare with a standard, top exercise authority over, or to curb or restrain. Controlling is the process of measuring performance against

standard. It is the process of measuring and correcting individual and organisational performance to ensure that event conform to plan. It shows where deviation from standard exists, and helps to correct them. Ejiogu (1995, quoted in Ikharehon, 2006) sees managerial control as the monitoring and adjusting of organisational activities towards effective and efficient goal attainment. He further stated that through his/her control activities, a manager ensures that all organisational actions and behaviours are in consonance with expected desired results. In essence, the essential purpose of control is to ensure that actions do indeed conform to plans and contribute towards the accomplishment of goals, which is to say that, through a well coordinated control system individual managers are enabled to meet their accountability.

The steps in a control process include establishment of standards, assessment of performance, comparing performance against standards, evaluation and adjustment. The reasons for controlling function is to check actual performance against set standard, to ensure that the objective of the organisation is achieved, to sought out deviations and mistakes in the system, to ensure proper functioning of the enterprise and to ensure the steering and guiding of the enterprise in the right direction.

There are four basic areas where control is necessary, they include: financial resources, physical resources, human resources and information resources. The attributes of a good control process are: flexibility, objectivity, economy, accuracy, correctiveness and integration. Sometimes controls are resisted due to the following reasons: unnecessary bossing, over control, non-seriousness, rewarding inefficiency and mediocrity and accountability.

3.3 Producing

The production is the transformation of inputs such as raw materials through the transformation processes to produce outputs such as finished products that are available and highly affordable. The duty of the entrepreneur is to harness all human and material resources with a view to improving production and distribution efficiency such that the goods get to the final consumers. The entrepreneur ensures that necessary funds are provided from time to time to source for the needed raw materials at the right quantity and quality, right price and specification to produce the products desired by the consumers. He will also ensure proper inventory management so as to minimise, in total, the costs associated with stock.

Over-stocking are stocks which are excess to current needs and it results in capital being tied up and increased costs of storage and obsolescence. Under-stocking may result in costly production hold-ups, which may mean increased costs of goods. It also interrupts production, making machines and men idle and causing sales loss. However, there are benefits to be derived by an entrepreneur when a proper stock management is in place, and these include:

- 1. ensuring proper execution of policies covering procurement and use of materials and make possible rapid shifts in business to meet changes in market conditions.
- 2. obtaining economics through a reduction in needless variety of items carried in stock
- 3. helping to eliminate delays in production caused by non-availability of required materials and tools.

- 4. avoiding over accumulation of inventories and tools and thereby maintain the minimum investment consistent with production needs and procurement policies.
- 5. reducing inventory losses caused by inadequate inspection of incoming materials, damaged, deterioration, obsolescence, waste or theft.
- 6. providing balance stores records to serve as a reliable basis for effective production planning, economical procurement, cost accounting and preparation of financial reports.

3.4 Strategic Planning

Aghedo (2010) defines strategic planning as a disciplined effort to produce fundamental decisions and actions that shape and guide what an organization is, what it does, and why it does it, with a focus on the future. A word by word dissection of this definition provides the key elements that underlie the meaning and success of a strategic planning process: The process is strategic because it involves preparing the best way to respond to the circumstances of the organization's environment, whether or not its circumstances are known in advance; nonprofits often must respond to dynamic and even hostile environments.

Core Areas of Strategy

Three core areas of corporate strategy are strategic analysis, strategic development and strategy implementation.

- 1. Strategic analysis. The organisation, its mission and objectives have to be examined and analysed. Corporate strategy provides value for the people involved in the organisation its stakeholders but it is often the senior managers who develop the view of the organisation's overall objectives in the broadest possible terms. They conduct an examination of the objectives and the organisation's relationship with its environment. They will also analyse the resources of the organisation.
- 2. Strategy development. The strategy options have to be developed and then selected. To be successful, the strategy is likely to be built on the particular skills of the organisation and the special relationships that it has or can develop with those outside suppliers, customers, distributors and government. For many organisations, this will mean developing advantages over competitors that a sustainable over time. There are usually many options available and one or more will have to be selected.
- 3. Strategy implementation. The selected options now have to be implemented. There may be major difficulties in terms of motivation, power relationships, government negotiations, company acquisitions and many other matters. A strategy that cannot be implemented is not worth the paper it is written on.

Process, Content and Context

Research (Pettigrew and Whipp, 1991) has shown that in most situations, corporate strategy is not simply a matter of taking a strategic decision and then implementing it. It often takes a considerable time to make the decision itself and then another delay before it comes into effect. There are two reasons for this. First, people are involved – managers, employees, suppliers and customers for example. Any of these people may choose to apply their own business judgement to the chosen corporate strategy. They may influence both the initial decision and the subsequent actions that will implement it. Second, the environment may change radically as the strategy is

being implemented. This will invalidate the chosen strategy and mean that the process of strategy development needs to start again. For these reasons, an important distinction needs to be drawn in strategy development between process, content and context.

Every strategic decision involves:

- 1. *Context* the environment within which the strategy operates and is developed. In the IBM case during the 1980s the context was the fast-changing technological development in personal computers.
- 2. *Content* the main actions of the proposed strategy. The content of the IBM strategy was the decision to launch the new PC and its subsequent performance in the market place.
- 3. *Process* how the actions link together or interact with each other as the strategy unfolds against what may be a changing environment. The process in the IBM case was the delay in tackling the PC market, the slow reaction to competitive actions and the interactions between the various parts of the company as it attempted to respond to competition actions. Process is thus the means by which the strategy will be developed and achieved.

Two approaches to the process are: prescriptive and emergent. A prescriptive corporate strategy is one whose objective has been defined in advance and whose main elements have been developed before the strategy commences.

Emergent corporate strategy, on the other hand, is a strategy whose final objective is unclear and whose elements are developed during the course of its life, as the strategy proceeds. Mintzberg (1987) sees merit in both approaches. According to him, in many respects, they can be said to be like the human brain, which has both a rational left side and an emotional right side. Both sides are needed for the brain to function properly. It can be argued that the same is true in corporate strategy.

What makes 'Good' Strategy?

Given the lack of agreement on a definition of corporate strategy and the difficulty of developing it successfully, it is relevant to explore what makes 'good' corporate strategy. To some, it might appear that there is one obvious answer: 'good' strategy delivers the purpose set out for the strategy in the beginning. However, this begs several important questions:

- 1. Was the purpose itself reasonable? For example, perhaps the purpose was so easy tat any old strategy would be successful.
- 2. What do we do when it is difficult to define the purpose clearly, beyond some general objective of survival or growth? Such vagueness may make it difficult to test whether a 'good' strategy has been developed.
- 3. Since the whole purpose of strategy is to explore what we do in the future, can we afford to wait until it has been achieved before we test whether it is good?

Essentially, we need some more robust tests of good strategy. These lie in two areas, first, those related to the real world of the organisation and its activities: application-related. Second, those that rely on the disciplines associated with the basic principles of academic rigour, originality, logical thought and scientific method. It might be argued that academic rigour has no relevance to

the real world, but this would be wrong. All organisations should be able to apply these basic principles to the process of strategy development.

- (a) Tests of good strategy: application-related at least three tests are available that provide some means of assessing whether a strategy is good:
 - 1. *The value-added test*. A good strategy will deliver increased value added in the market place. This might show itself in increased profitability, but might also be visible in gains in longer-term measures of business performance such as market share, innovative ability and satisfaction for employees.
 - 2. The consistency test. A good strategy will be consistent with the circumstances that surround a business at any point in time. It will take into account its ability to use the resources efficiently, its environment, which may be changing fast or slowly, and its organisational ability to cope with the circumstances of that time.
 - 3. The competitive advantage test. For most organisations, a good strategy will increase the sustainable competitive advantage of the organisation. Even those organisations that traditionally may not be seen as competing in the market place such as charities or government institutions can be considered as competing for resources. Charities compete with others for new funds, government departments compete with each other for a share of the available government funds.
- (b) Tests of good strategy: academic-related another five tests might also be employed that relate to the above but are more fundamental to the basic principles of originality, logical thought and scientific method:
 - 1. *The originality test*. The best strategy often derives from doing something totally different. One test that has academic validity is therefore that of originality. However, this needs to be used with considerable caution or it becomes just another

excuse for wild and illogical ideas that have no grounding in the topic.

- 2. The purpose test. Even if there are difficulties in defining purpose, it is logical and appropriate to examine whether the strategies that are being proposed make some attempts to address whatever purpose has been identified for the organisation. Such a definition of purpose might be taken to include the aspirations and ambitions of the leaders of the organisation, along with its stakeholders.
- 3. *The logical consistency*. Do the recommendations flow in a clear and logical way from the evidence used? And what confidence do we have in the evidence used? Do we trust such evidence? Might it be unreliable because it has come from a competitor?
- 4. The risk and resources test. Are the risks and resources associated with the strategies sensible in relation to the organisation? They might be consistent with the overall purpose, require resources that are substantially beyond those available to the organisation not just finance, but perhaps people and skills.
- 5. *The flexibility test*. Do the proposed strategies lock the organisation into the future regardless of the way the environment and the resources might change? Or do they allow some flexibility, depending on the way that competition, the economy, the management and employees and other material factors develop?

Objectives of Strategic Planning

The basic purpose of strategic planning, according to Aghedo (2010), is to improve strategic decision-making in the organisation so that resources and talents or skills are applied to the most profitable uses. It is therefore targeted at enhancing the corporate performance. Corporate planning serves the following objectives:

It assists in the fair and reasonable allocation of resources among divisions and units.

It helps top management level in the analysis and consideration of alternative course of action so new opportunities are identified and exploited.

It ensures that organisations adjust to environment opportunities and threats thereby ensuring a better fit between the business and its environment.

It makes it easy for the objectives set, strategy and tactics to be appraised regularly. It encourages internal examination of the firm's internal strengths and weaknesses. It equally develops futuristic outlook for the organisation.

Benefits of Strategic Planning

Several benefits accrue from a sound and effective strategic planning. They are as follows:

- It provides a comprehensive view of the company.
- It creates clarity of purpose and better awareness of corporate goals and problems.
- It improves the ability of a firm to cope with changes and uncertainties.
- It encourages innovative thought and creativity thereby introducing a spirit of dynamism in the organisation.
- It helps to improve communication at all levels of the organisation.
- It helps to take risks and think ahead.
- It helps to improve the motivation, morale and job satisfaction of employees.
- It also improves the quality of managerial decisions.
- It provides a new way of controlling the business.

Limitations of Strategic Planning

The limitations of strategic planning (Aghedo, 2010) include: It is

time-consuming and expensive.

It is not useful in a dying company.

It does not guarantee that the company will not be affected by adverse circumstances. It involves a measure of judgement.

It is subjective and subject to errors.

It cannot produce results – timely and appropriate actions are required for success. The programme cannot be suddenly started and expected to be an overnight success.

Why Strategic Planning Fail

Several reasons abound why strategic planning fails. They include: Lack

of support from top management.

Narrow outlook to issues coming from a unit or department.

Inability to recognize the multiplicity of objectives. The

rules of bureaucracy.

Overemphasis on short-term results to the neglect of long-term goals. Poor and ineffective communication system.

Failure to devote sufficient resources.

Failure to allow the planning organisation to grow to maturity. Too much reliance on committees.

Faulty implementation of the plans.

3.5 Marketing Management

Marketing management is the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods and services to create exchanges that satisfy individual and organizational goals. Marketing management is also defined as the analysis, planning, implementation, and control of programs designed to create, build and maintain beneficial exchanges with target buyers for the purpose of achieving organizational objectives. People think of marketing management as finding enough customers for the company's current output, but this is too limited a view.

From these definitions the following terms: needs, wants, demands, products, exchange, and some others are useful.

Some of the basic concepts underlying marketing are explained below:

Needs – The most basic concept underlying marketing is that of human needs. Human needs are states of felt deprivation. These needs include basic physical needs for food, clothing, shelter and safety; social needs for belonging and affection; and individual needs for knowledge and self-expression. The needs are in-built in human nature itself. It is not invented by marketers.

Wants – Human wants are desires for specific satisfaction of deeper needs. For example, a man in the village needs rain and food and wants fertilizer. Also, a man may want yam, rice, body cream, a bag, a wrist-watch, etc. but needs money. Human needs may be few, but their wants are numerous. These wants are continually shaped and re-shaped by social forces and institutions such as families, church, schools and business corporations. Marketers do not create needs; needs pre-exist in marketing. Marketers, along with other operatives in society, influence wants. They suggest and inform consumers about certain products and persuade them to purchase, stressing the benefits of such products.

Demands – People have almost unlimited wants but limited resources. They want to choose products that provide the most value and satisfaction for their money. When backed by purchasing power, wants become demand. That is, demand want for specific products that backed up by an ability and willingness to buy them. For example, many desire a car such as Mercedes Benz, Toyota, BMW, Honda etc. but only a few are really willing and able to buy one. It is therefore important for marketing executives to measure not only how many people want their company's products, but also measure how many of them would actually be willing and able to buy them.

Products – People normally satisfy their wants and needs with products offered in the market.

Broadly, a product can be defined as anything that can be offered to someone to satisfy a need or want. Specifically, a product can be defined as an object, service, activity, person, place, organization or idea. It should be noted that people do not buy physical objects for their own sake. For example a lipstick is bought to supply service (beautify); toothpaste for whiter teeth – prevent germs or give fresh breath or sex appeal. The marketer's job is to sell the service packages built into physical products. If one critically looks at physical products, one realizes that their importance lies not so much in owning them as in using them to satisfy our wants. For example, we do not buy a bed just to admire it, but because it aids resting better.

Exchange – Marketing takes place when people decide to satisfy needs and wants through exchange. Exchange is therefore the act of obtaining a desired object from someone by offering something in return. Exchange is only one of the many ways people can obtain a desired object. For example, hungry people can find food by hunting, fishing or gathering fruits. They could offer money, another food or a service in return for food. Marketing focuses on this last option. As a means of satisfying needs, exchange has much in its favour, people do not have to depend on others, nor must they possess the skills to produce every necessity for themselves. They can concentrate on making things they are good at in exchange for the needed items made by others. Thus, exchange allows a society to produce much more than it would. However, Kotler (1984) states that for exchange to take place, it must satisfy five conditions, namely:

There are at least two parties;

Each party has something that might be of value to the other party; Each party is capable of communication and delivery;

Each party is free to accept or reject the offer;

Each party believes it is appropriate or desirable to deal with the other party.

These five conditions make exchange possible. Whether exchange actually takes place, however depends on the parties coming to an agreement. It is often concluded that the act of exchange has left both of them better off, or at least not worse off. Hence, exchange creates value just as production creates value. It gives people more consumption possibilities.

Relationship Marketing – Relationship marketing is a process of creating, maintaining and enhancing strong value added relationships with customers and other stockholders.

Markets – A market is defined as a set of all actual and potential buyers of a product and service. These buyers share particular needs or wants that can be satisfied through exchange. The size of a market depends on the need of people with common needs and that has resources to engage in exchange, and is willing to offer these resources in exchange for what they want. Originally, the term 'market' stood for the place where buyers and sellers gathered to exchange their goods, such as a village square. However, Economists often use the term to refer to a collection of buyers and sellers who transact in a particular product class, such as clothing market electronic market, cattle market, etc.

Functions of Marketing – The functions of marketing can be classified into three: namely merchandising function, physical distribution and auxiliary function.

Merchandising Function

- 1. Product Planning and Development: Product planning starts with idea generation, idea screening and development of a prototype product. It also takes into consideration the purchasing power of the consumers, taste and market segmentation. Research and development is established for the analyses of ideas generated.
- 2. Standardization and Grading: This is concerned with setting certain standards/levels to accomplish the produced goods. This is carried out by the production department and regulated by some government agencies, such as Standards Organization of Nigeria. For example, Sprite is 30 cl, Coke is 35 cl, etc.
- 3. Buying and Assembling: Here, we are concerned with the marketing institutions that purchase goods or services at cheaper prices in order to resell at minimum prices to the end-users. These marketing institutions include the wholesalers, retailers and agents.
- 4. Selling: This is concerned with selling of the finished goods to the end-users either through the manufacturers or the marketing channels. In order to get the attention of their target consumers, they embark on various promotional strategies, such as discounts, promo tools, bundle sales, bonuses, etc.

Physical Distribution

- 1. Storage: Storing of goods to meet future demands and for time and other utilities.
- 2. Transportation: The movement of goods from the manufacturer down to the target consumers. This includes material handling, warehousing, etc.

Auxiliary Function

- 1. Marketing Finance: That is, allowing credits to customers and as well as obtaining credit from customers, such as Banks, individuals etc.
- 2. Risk-Bearing: Risk means 'uncertainty'. Entering into a business entails risks, such as loss of items, road attack, weather risk, etc.
- 3. Market Information: Gathering necessary information about the markets, the target consumers in terms of their purchasing power, taste, colour, choices, competition, and their products.

The Role of Marketing

1. The first and foremost role is that it stimulates potential aggregate demand and thus enlarges the size of the market. You might ask how does it help in the economic growth of a country?. The answer is that through stimulation of demand people are motivated to work harder and earn additional money (income) to buy the various ideas, goods and services being marketed. An additional advantage which accrues in the above context is that it

accelerates the process of monetizing the economy, which in turn facilitates the transfer of investible resources.

- 2. Another important role which marketing plays is that it helps in the discovery of entrepreneurial talent. Peter Drucker, a celebrated writer in the field of Management, makes this point very succinctly when he observes that marketing is a multiplier of managers and entrepreneurs.
- 3. It helps in sustaining and improving the existing levels of employment. You may ask, how does it happen? The answer is that when a country advances economically, it takes more and more people to distribute goods and proportionately a lesser number to make them. That is, from the employment point of view, production becomes relatively less significant than marketing and the related services of transportation, finance, communication, insurance, etc. which spring around it.

Marketing Management philosophies

Marketing management has been described as carrying out tasks to achieve desired exchange with target markets. But then what philosophy should guide these activities. What weight should be given to the interests of the organization, customers and society that carry out these activities? This section examined five philosophies that underlie marketing activities.

- 1. **Production Concept** The production concept holds that consumers would favour products that are available and highly affordable. Management therefore should focus on improving production and distribution efficiency. This concept is one of the oldest philosophies that guide sellers. The production concept is a useful philosophy which applies to:
 - a) When the demand for a product exceeds the supply. This is very common to most of goods/services available in Nigeria markets. Examples of these are petroleum products, food stuffs, and educational books. It therefore implies that management should look for ways of increasing production of such products.
 - b) When the product's cost is too high and improved productivity is needed to bring it down. For example, Henry Ford's whole philosophy was to perfect the production of the model 'T' so that its cost could be reduced and more people could afford it. Another example is the cost of earlier Mobile Phones and their accessories. They were very costly and access was limited to only few privilege individuals in Nigeria as compared to present situation whereby an average individual has one. In order to maintain the market turnover, it thus implies that management should endeavour to improve facilities and reduce prices of their products/services.
- 2. The Product Concept The product concept holds that 'consumers will favour products that offer the most quality, performance, and innovative features, and that an organization should thus devote energy to making continuous product improvements'. In modern marketing, the product concept plays an important role. This is because; consumers are diverse in their needs and wants and sparsely distributed. Thus, they need to be served

base on their peculiarity of needs and environmental consideration. For example, the Toyota and Honda companies adopt this concept for their brands of cars for Nigeria markets. In hospitality industry, services are provided base on the expectation of the guests. This is why rooms in the same hotel are not charged equally. However, marketing executives should be careful in applying this concept. Quality and innovative features may involve additional production costs, which in the long-run; the consumers might be compelled to bear the burden. Thus, income of the consumers and their willingness to pay for these new features should be sought. Otherwise, the product concept can lead to 'market myopia'.

- 3. The Selling Concept The selling concept or sales concept is another common approach adopted by some firms in penetrating their target markets. The selling concept holds that consumers, if left alone will ordinarily not buy enough of the organization's products. The organization must therefore undertake an aggressive selling and promotion effort. The concept assumes that consumers having show buying inertia or resistance and has to be coaxed into buying more, and that the company has various strategies of effective selling and promotion tools to stimulate more buying. This selling concept is being practiced by both profit and non-profit making organizations. For instance, in an insurance industry, the selling concept is practiced aggressively with 'unsought goods'. These are goods that buyers normally do not think of buying, such as insurance policies. Thus, various sales techniques are used to locate potential and prospective buyers.
- 4. The Marketing Concept The marketing concept is a business philosophy that arose to challenge the previous concepts. The marketing concept holds that the key achieving organizational goals consists in determining the needs and wants of target markets and delivering the desired satisfactions more effectively and efficiently than competitors. This concept concern it with:

Find wants and fill then
Make what will sell instead of trying to sell what you can make
Love the customer and not the product, etc

The selling and marketing concepts contrasted. Selling focuses on the needs of the sellers; marketing focus on the needs of the buyers. Selling is pre-occupied with the sellers' need to convert his product into cash; marketing concerned itself with idea of satisfying the needs of the customers by means of the product and whole cluster of things associated with creating, delivery and finally consuming it. In selling, management is sales-volume oriented; while in marketing, management is profit oriented. In selling, planning is short-run oriented in terms of today's products and markets. However, in marketing, planning is long-run oriented in terms of new products, tomorrow's markets and future growth. (That is, the marketing concept is a philosophy of business that states that the customers' want-satisfaction is the economic and social justification for a firm's existence). This thus implies that all company's activities must be devoted to finding out what the customers want and then satisfying those wants, while making profits in the long-run.

The marketing concept rests on four main pillars, namely: A market focus

Customer orientation Coordinated marketing and Profitability

4.0 CONCLUSION

We note from the unit that the entrepreneur's major function is that of risk taking. We also discussed extensively the management decision making functions of an entrepreneur ranging from planning, organizing, controlling, decision-making, communicating, staffing, leading etc. The production function of an entrepreneur was explicitly dealt with while not leaving out the role of an entrepreneur as a strategic planner. Finally, we examined and discussed the marketing management function of the entrepreneur.

5.0 SUMMARY

In this unit, we have, described the role of an entrepreneur as a risk bearer; discussed the management decision making function of an entrepreneur, explained production function of an entrepreneur; discussed the strategic planning function of an entrepreneur; explained marketing management function of the entrepreneur.

6.0 TUTOR MARKED ASSIGNMENT

- 1. Describe briefly the risk taking function of an entrepreneur.
- 2. Why does an entrepreneur have to take decisions? What type of decisions are taken by an entrepreneur? List and explain four of them.
- 3. Compare and contrast the Production and Marketing Management functions of an entrepreneur.
- 4. Write short notes on the following: production concept, product concept, selling concept and marketing concept.

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UNIT 13: ENTREPRENEURSHIP AND FORMS OF BUSINESS OWNERSHIP

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 Forms of Business Ownership
 - 3.2 Sole Proprietorship
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- 4.0 Conclusion
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1.0 INTRODUCTION

In the last unit, we described the role of an entrepreneur as a risk bearer; discussed the management decision making function of an entrepreneur; explained production function of an entrepreneur; discussed the strategic planning function of an entrepreneur; explained marketing management function of the entrepreneur.

In this unit, we shall examine various forms business ownership and their distinguishing characteristics.

2.0 OBJECTIVES

At the end of this unit, you should be able to discuss the various forms of business ownership that entrepreneurs could embark on. You should also be able to discuss the features, objectives, capital available, advantages and disadvantages of each form of business ownership.

3.0 MAIN CONTENT

3.1 Forms of Business Ownership

Brown and Dow (1997) say define business as all of the activities of an individual or group of individuals in producing and distributing goods and services to customers. Business wants to know the needs, wants, goals, values etc. of prospective and potential consumer before they can sell their goods to them. Business therefore is involved in the production of goods and services, undertake organizing, managing, and marketing. The resources used by the businesses include human, material and financial resources. Business, no matter the type or form, has certain characteristics such as involvement in the exchange / sale or transfer of goods and services, profit motive, production of goods and services and bearing risks and uncertainties.

As mentioned earlier in the unit, we mentioned objectives of a business to include:

- (i) profit maximisation;
- (ii) survival and continuity;
- (iii) growth;
- (iv) control of a fair share of the market;
- (v) improvement in productivity;
- (vi) initiating innovative ideas for quality product;
- (vii) employee welfare;
- (viii) service to consumers; and
- (ix) social responsibility to the community that hosts the enterprise.

We list below the forms of business ownership to include sole All these business proprietorship, partnership, business name, cooperative society. ownership whether individuals or group of individuals or corporation are all referred to as entrepreneurs. These forms of business ownership listed will be discussed separately in subsequent sections of this unit.

3.2 Forms of Business (1) - The Sole Trade

The definitions of a sole trader are almost the same depending on the different authors consulted. A sole trader is a person who enters business working for him/herself. He/she puts in the capitals to start the enterprise, works either on his/her own or with employees and, as a

reward receives the profit. A sole trader is a form of business enterprise in which one man owns and manages the business (Denedo, 2004:2). A sole trader goes with other names as "one-man business", "sole proprietor". Sole trading is mostly found in retailing business. This type of business is the oldest type of business in Nigeria. Up to 19th century, most production companies were owned by individuals. In Nigeria it is one of the commonest types of business you see around. You see them around the cities and villages.

The sole trader starts his business with his own capital and labour (sometimes he may borrow money from friends or relatives assisted with labour by same people). He organizes the business himself and takes all the profit or loss that arises. The sole trader therefore represents many things at the same time. He is a capitalist because he alone owns the business and receives the profit. He is a labourer because he performs most or all the work in the business; he is an entrepreneur because he takes on his stride the risk of financial loss. He is also a manager because he takes decisions and controls the operation of the business.

Features of a Sole Trader

Ownership: A sole trader as the name implies is own by one person.

Liability: The liability of the one man business in unlimited. i.e., if the owner is indebted, both, the business asset and his personal asset can be sold to offset the debt.

Sources of Capital or Finance: The capital outlay is provided by the owner. This source of fund could be through: Personal saving, Intended capital, Credit, Borrowing from relatives and Banks etc.

Legal Entity: It is not a legal entity. By law the business and the owner are regarded as one person. They are not different, unlike corporate business; a company is a legal entity, different from the owners.

Motive: It is believe, that a sole trader is into business to make profit.

Method of Withdrawing Capital: The owner can withdraw his capital anytime from the business without consulting with anybody.

No Board of Director: Because he is the owner, no board of directors that is why he does what is in (vi).

Its Nature: It is a simplest and the commonest type of business unit you can think of.

Sources of Funds of a Sole Trader

(i) Personal Savings

Many individuals or group of individuals raise money from their personal savings to set up business.

(ii) Borrowing particularly from Friends and Relatives

It is common, among the Igbo business traders that once their brothers are willing to do business, they give him a helping hand by borrowing him some amount of money to start his business, when he starts making profit, he will pay. This borrowing is not limited to brothers alone; friends and relatives equally help out in this situation for people to start up a one man business.

(iii) Credit Purchase from Manufacturers or Wholesalers

Sole traders get financed through credit buying from the manufactures or a wholesaler by selling goods to sole traders at credit the wholesalers are financing a sole trader.

(iv) Donations from Friends and Relatives

Friends and relatives can dash you money purposely to help you continue with your

Advantages of a Sole Trader

Sole trader is the earliest form of business ownership. The advantages of this form of business ownership are as stated below:

- (i) It requires small capital. Can be established quickly and easily with small cash, there are no organization fees and the services of lawyers to draw up terms are not generally required. It is the commonest and the cheapest form of business organization.
- (ii) Easy to establish: This is because it requires no formalities and legal processes attached to establishing the business and is subject to very few government regulations as no business of balance sheet to the registrar of companies is required.
- (iii) Ownership of all profit: The sole trader does not share profit of the business with any one.
- (iv) Quick decision-making: The sole trader can take quick decisions since he has no parties to consult or a boss whose permission he must get. He takes action as soon as circumstances arise or as soon as he conceives an idea, such flexibility could be very vital to his success.
- (v) Easy to withdraw his assets: Proprietorship can be liquidated as easily as it is begun. All what he needs to do is to stop doing business. All his assets, liabilities and receivable are still his.
- (vi) Single handedly formulates all policies: He determines the firms' policies and goals that guides the business internally and externally and works towards them. He enjoys the advantage of independence of actions and personal freedom in directing their own affairs.
- (vii) Boss: He is free and literally his own boss but at the same time continues to satisfy his own customers.
- (viii) It is flexible: The owner can combine two or more types of occupation as a result of the flexibility of his business e.g. a barber can also be selling mineral and musical records.
- (ix) Personal Satisfaction: There is a great joy in knowing that a person is his own master. The sole trader has a great deal of that. He also knew that the success and failure of the business completely lies with him. This gives him the incentive to make his business as efficient as possible.

- (x) Cordial Relationship, with workers and customers: Because the sole trader is usually small, the owner can have a very close relationship with his workers to the extent that domestic/personal issues can be discussed and addressed. He also knows first hand from customers what their wants are. It also enables him to know which of the customer's credits are worthy. This kind of relationship is usually beneficial to all the parties.
- (xi) Tax saving: Unlike in companies the profits of the sole trader are not taxed, the owner only pays his income tax.
- (xii) Privacy: The sole trader is not under any legal obligation to publish his accounts for public consumption as in joint stock companies.

Disadvantages of a Sole Trader

The disadvantages of this form of business ownership include:

- (i) **Bear All Losses and Risks Alone -** Business is full of risks and uncertainties and unlike other forms of business organizations where risks and losses are shared among partners, the owner of one-man business does not share these risks and losses with any body as it does not share the profits of the business with anybody.
- (ii) **Limited Financial Resources -** The greatest single cause for the abandonment of one- man business form is the desire for expansion and the resultant need for additional capital which is not forthcoming because the capital used in running the business comes from only one-man and is limited to the extent of his own personal fortune. His inability to raise more capital limits its plan of expansion.
- (iii) **Unlimited Liability** Unlimited liability means that in the event of failure of the business, the personal assets of a person can be claimed to pay debts of the business. For a sole trader, it means that everything he owns is subject to liquidation for the purpose of setting the ability of the business if the business fails.
- (iv) Lack of Continuity When the sole proprietors retires or dies, the business may end like that. Though his children or relatives may attempt to continue with the business, most often than not they lack the zeal, and or, the ability to operate efficiently. The imprisonment or bankruptcy of the sole proprietor spells similar doom for the business.
- (v) **Absence of Specialization** As stated earlier the sole proprietor does so many things by himself. As a result of this, he may not handle aspects of the work efficiently. This negatively affects the prospects of the business.
- (vi) **Limitation on Expansion** Because of limited capital, the sole proprietor may not be able to increase the size of his business no matter how ingénue he is. As enumerated earlier, the sole proprietor has few source of capital. Except for banks, he may not get any substantial capital for expansion frantically; his ability to borrow from banks depends on his collateral which may not be enough for bank finding.

3.3 Forms of Business (2) - Partnership

Denedo (2004) says partnership is an association of two to twenty persons carrying on a business in common with the view of making profit. The partners contribute both funds and efforts to set up and manage the business sharing profit (or loss) on an agreed basis. Partnership can also be define as the relationship that exist when two or more persons who contribute small money or moneys worth in order to establish, own and manage business organization with the sole aim of making profit. Partnership is an association of 2-20 persons or 2-10 persons as in case of a bank to carry on as co-owners of business for profit. They also share the losses that arise from such businesses.

Features of Partnership

Following are the features of a partnership form of business ownership:

Ownership: It is formed by between 2-10 people and between 2-10 people in case of banks.

Capital: The initial capital is contributed by partners.

Liability: Their liability is unlimited except for limited partner.

Formation motives: They are formed for profit reasons.

Sources of capital: contribution from the partners ploughing back profit, loans from banks.

Method of withdrawing capital must be approved by other partners as laid down in their partnership deed.

It has no separate legal entity. It has no board of directors.

Types of Partnership

We have principally two types of partnership namely; ordinary and limited partnership.

Ordinary Partnership - All members or partner take active part in the management of the business and are generally liable to any loss or risk. All partners have equal responsibility and bear all the risks of the business equally. All the partners have equal powers, unlimited liabilities, take active part and profits are shared equally.

Limited Partnership - Any members in this category, his debts are restricted to the amount of money contributed in running the business. Not all partners take equal part in the management of their business. But there must be a member who bears the risk and also takes active part in the business activities. In other words, in limited partnership, there is at least one ordinary partner who has unlimited liability.

Kinds of Partners

We have five types of partners and they include:

Active Partner: This is the partner(s) who take active part in the formation, financing and management of the business. They receive salary for the role they play as a manager or managing director or director of the business as spelt out in the partnership deed.

Dormant/Sleeping Partner: This partner contributes only the money needed for formation of the business or for running of the business. He is not involve in managing of the business and doesn't receive salary. He is only entitled to profit sharing and losses as it is agreed upon before formation.

Normal/Passive Partner: A normal partner is one who is not actually a partner but who allows his name to be used in the partnership or who gives the public the impression

that he is a partner even though he may not share in the profit of the business. This is a partner appointed because of his experience, fame or wealthy position. These members may be men and women of substance whose name are greater than silver and gold like retired army generals, politicians, civil servants, successful business men.

Silent Partners: A silent partner is an individual who is known to the public as a partner but who does not take active part in the management of the firm.

Secret Partner: A secret partner is that who is active in the affairs of the business but not known to the public as a partner.

Sources of Funds for Partnership

The following method could be used by partner to fund their business. (i)

Contribution from members

- (ii) Ploughing back profits
- (iii) Borrowing from the bank
- (iv) Enjoying credit facilities

Article of Partnership or Deed of Partnership

This is the document that regulates the activities of the partnership business. It is the "constitution of the partnership business aimed at guiding against, or resolving disagreements. It is normally drawn by a solicitor for the partners. The partners agree and sign the document. The deed of partnership is not legally required. It is very essential. The style and contents of the deed of partnership vary from partnership to partnership. They include all or some of the following:

- Name of the firm
- Name of the partners
- The place of business
- The description of the nature of business
- The amount of capital that each part is to contribute
- The role of each partner in the business
- The method of profits and losses sharing
- The compensation, if any, the partners are to receive for services rendered to the business
- The right of partners in the business
- How long the business shall last
- Partner's rights in the business
- How matters shall be determined either by majority vote or not
- Provision for the admission of new members
- The arrangements concerning withdrawals or additional investment
- Arrangement for the dissolution of the firm in the event of death, incompetence or other causes of withdrawal of one or more of its members.

Once each partner agrees to sign this document, it becomes a legal document that is enforceable in a court of law.

Advantages of Partnership

The following, are the advantages of partnership:

- (i) **Greater Financial Resources:** Unlike a one-man, business between two and twenty persons forms the partnership. It translates into more capital for such business compare to the one-man business. By so doing ability to borrow i.e. from bank and be approved is higher and better compare to one-man. Benefits of expansion are higher because more funds are available.
- (ii) Combined Abilities and Skills: In partnership, there are various partners, with various ideas, i.e. accountants, marketers, bankers, historians, managers etc. may come to together to form a business. They will put into use various talent which may advance the company more compare to a one-man business, who is the only talent.
- (iii) **Greater Continuity:** Relative to the sole proprietorship, the partnership has a very great tendency of continuity even in death. The death of a partner may bring about a re-organization of the partnership, but the remaining members are likely to have some knowledge that will enable them to continue with the business.
- (iv) **Ease of Formation:** Like-one-man business, the partnership is fairly easy to organize as there are few governmental regulations, governing the formation of partnerships. The investments duties, privileges, liabilities and other relationships of the partners are mutually agreed upon, and as soon as the new members and materials have been brought together, the business is ready to function.
- (v) **Joint and Better Decision:** That two good heads are better than one and this is applicable to partnership business where joint and better decisions are taken.
- (vi) Creation of Employment Opportunities: The large size partnership is in a vantage position to employ more in their business because of its huge financial resources.
- (vii) **Employment of Valued Employees:** In order to secure the advice and experience of esteemed employees. They are made partners in the firm. This is a way of enhancing their personal work as well as that of the firm.
- (viii) **Tax Advantage:** Partnership enjoys tax advantage. Taxes are therefore, levied upon the individual owners rather than upon the firm as it are not recognized as a legal entity.
- (ix) **Application of Division of Labour:** This is applicable in its managerial and administrative hierarchy.
- (x) **Privacy:** Like the sole proprietorship, partnerships are not under any legal obligation to publish their books of accounts for public consumption.

Disadvantages of Partnership

The disadvantages of partnership form of business ownership are:

- (i) **Unlimited Liability:** If the business fails in the process, assets will be sold to offset their liabilities. In a situation where the assets can not pay for the debt, the owners' personal belongings could be sold to offset such debts.
- (ii) The Business is not a Legal Entity: Most of the partnership business has no legal backing.
- (iii) **Disagreement and Resignation:** Death of a partner can lead to the death of a business especially the active partner. Most of the partnership ends with disagreement. Disagreements because of action or Opinion lead to resignation which could lead to total death.
- (iv) **Decline in Pride of Ownership:** Since the partnership is owned by at least two people the pride and joy associated with ownership is reduced. Unlike in sole proprietorship where the owner enjoys great pride in his business.
- (v) **Bureaucracy Leads to Slow Decision and Policy Making:** Meeting that require quorum, may not always be formed.
- (vi) **Risk of Mandatory Dissolution:** Where a member withdraw his membership or admission of a new partner becomes necessary, the partnership will be dissolve and another agreement reached to admit such member. The rigors involve in this is tedious, which may be a problem for such act.
- (vii) **Limited Capital:** This partnership can not get more capital through shares except through members.
- (viii) **Restriction on Sale of Interest:** There is a difficulty in affecting transfer of ownership. The interest of operation is not transferable without the consent of other partners.

3.4 Forms of Business (3) - Registered Business Name

Assuming that Hamza, Aliyu and Hamza, Bilikis intends to operate a business under a name 'Hakuri Maganin Duniya' Enterprises. The **Business Names Act 1961 and Companies and Allied Matters Act, 1990** states that "whether or not Hamza, Aliyu and Hamza, Bilikis incorporate or form a partnership, since they wish to trade under the name of 'Hakuri Maganin Duniya' Enterprises, it will be necessary for them to register the business name under the *Business Names Act/CAMA*.

Registration would not be required if Hamza, Aliyu and Hamza, Bilikis are in partnership, traded under their individual names or if after incorporation the company, traded under its incorporated name. It is only where a person trades under a name other than his/her own that registration is required.

The registration of business name is undertaken at the Corporate Affairs Commission (CAC) in Abuja. As soon as the registration certificate is issued, the business name now becomes the basis of identification of the business concerned. The certificate of registration is issued by CAC upon payment of requisite fees.

3.5 Forms of Business (4) - Cooperative Society

Cooperative is a word derived from two Latin words meaning — "Working together". The dictionary meaning of cooperative also implies "working or acting together for a common purpose". Cooperation, on the other hand, literally means the will to cooperate. According to Ejiofor (1989, quoted in Ige, 2011), some writers have defined cooperative as "an association of persons faced by the same problem, having resources on the basis of equality, through joint effort and mutual participation to remedy their plight". Others define cooperative as a society, a group of person who pool their resources to produce, buy or sell goods among themselves for mutual benefit.

Coady International Institute, however, defines cooperative as a "free association of persons legally constituted for the purpose of conducting an economic enterprise or business which they control and administer democratically according to established principles and technique". Each of the definitions stated above emphasises three main issues. The first is the voluntary nature of the association, secondly, the collective efforts of the people, which imply that people's endeavours are geared towards the success and betterment of the cooperators. The third factor is the issue of collective control. This, by implication, means that if there is any benefit or problem accruing to the society, such benefit or problem belongs to all the members.

Calvert in his book – "The Law and Principles of Cooperation" define cooperative as a form of organisation wherein persons voluntarily associate together as human being on a basis of equality for the promotion of the economic interest of themselves". In Calvert's definition, the points emphasised here are that cooperative is a means to an end and an end in itself. It is never a goal but an excellent way of reaching the goal. The word "Voluntarily" implies that any association that springs from compulsion as against a freewill, cannot be genuinely said to be cooperative in the orthodox sense of the term.

A member's influence and voice in a cooperative society should entirely depend not on his wealth or his political or social position, but purely on his human qualities such as honesty, intelligence and tact. This is the origin of the cooperative principles, which borders on equality of human beings. Similarly, the phrase "economic interest" as contained in Calvert's definition has been stretched to cover other spheres of action and not mainly the attainment and the use of wealth.

Although, the greatest service rendered by the cooperative have been most entirely in the purely economic sphere, the cooperative society is not a philanthropic institution as it exists to help its own member and not other people. If a cooperative is to succeed, it must meet a definite need felt by its members and must be capable of meeting such need more effectively than the individual effort of members could do.

The phrase "self help through mutual help" therefore, correctly summarises the general meaning and purpose of cooperative societies.

Historical Development of Cooperative in Nigeria

Cooperative or cooperation is as old as humanity. Before the advent of the colonial masters, our parents practiced cooperation in their own primitive style. They had "Owe" (Communal assistance given to a member of a group during the time of need) or "Aaro" (Rotational assistance made by a group of people for the benefits of its members).

"Owe" and "Aaro" were introduced to reduce labour and cost used in development of firms and building projects while "Esusu" or "Ajo" was introduced to create lively economic machinery to improve their trades. Although there is a slight difference between the two, the marketing of cocoa — the only economic crop of Nigeria as at that time, was exclusively dominated and controlled by the middlemen. This consequently gave rise to the formation of some brand of cooperatives in Nigeria for cocoa farmers in the then Western Nigeria. they were mainly the thrift and loan societies designed to protect farmers from exploitation by money-lenders during the difficult period of the world trade depression.

Further attempt was made by the Nigerian Government to import that type of modern cooperation by sending an expatriate administrative officer, Mr. C. F. Strickland to study cooperative as practiced in India where people had accepted the British pattern of cooperative hook, line and sinker. The report submitted on the Introduction of Cooperative to Nigeria by Strickland, and having been accepted by the Nigeria Government, paved way to the enactment of cooperative law by the Nigeria's legislative council in the thirties.

By 1935, Mr. E.F.G. Haig was appointed the first Registrar of Cooperative Societies. With this appointment, Government went further to appoint some African staff and thus, the control of cooperative was gradually transferred to Nigerians through the newly created cooperative department. According to Ejiofor (1989), the first registered Cooperative Marketing Primary Marketing Society (G.P.M.S. Ltd.) named after one village near Ibadan. This was followed by the formation of cooperative societies in the old Ife, Ilesa, Ijebu and Abeokuta provinces.

In the then Eastern Nigeria, the first marketing cooperative was established in 1936 to purchase and transport palm produce. Other primary marketing societies were formed in Ikom, Umuahia and Edo mainly to purchase cocoa, while Rubber Marketing Cooperative Societies were formed in Ade and Eket areas respectively. The awareness was not all encouraging in the northern part of Nigeria as the Local Government had taken the initiative directly by providing credit for farmers. They saw no pressing need for cooperative societies until recently when the wind of cooperation had started to blow towards the North.

Distinction between Cooperative Thrift and Credit Society (CTCS) and Traditional Ajo or Esusu

We will now detail the distinguishing features of the Modern Cooperative Society (CTCS) and the traditional "Ajo" or "Esusu" as a means of saving or obtaining financial assistance by their respective members.

CTCS	'AJO' or 'ESUSU'
1. The membership of CTCS is	1. Membership is limited or restricted.
unlimited or	2. Life terminates when the last member
unrestricted.	takes his turn.
2. Life of CTCS is perpetual as a	3. Credits are made available at certain
corporate body.	times
3. Credits are made available at all times.	only.
4. Loans are usually given out on merit.	4. There is favouritism and bias in
5. Inspection or periodic auditing is	granting loans.
allowed.	5. No inspection or periodic
6. Capital is kept revolving.	auditing is allowed.
7. Many members enjoy social and	6. Capital is tied down unnecessarily.
economic benefits.	7. Very few privileged members
8. Modern scientific method of	enjoy its social and economic benefits.
operation is involved.	8. Traditional or unscientific method of
	operation is involved.

Cooperative Principles

Cooperative principles are usually associated with Rochdale Pioneers who are referred to as the founding fathers of the modern cooperative societies. These principles are coined from the stipulation of the cooperative laws but varied to suit the type of society being formed by a group.

The number of these principles is either increased or reduced depending on the taste of such group or body that owns the cooperative..... Regardless of the number, however, these principles still forms the basis of the universal principles of modern cooperative as recommended by the International Cooperative Alliance (ICA). Among the basic principles as observed by this body are:

- (i) Open and voluntary membership.
- (ii) Democratic control and equality of members.
- (iii) Limited returns on capital.
- (iv) Patronage rebate or dividend sharing to members.
- (v) Political and religious neutrality.
- (vi) Strictly, cash trading.
- (vii) Sale at market prices.
- (viii) Continuous education for members, officers, employees and general public.
- (ix) Cooperation among national and international cooperatives.

(i) Open and voluntary membership.

Open membership means that the society is not exclusive. It must be open to everyone to whom it can be of service. Without this principle, societies would lose their cooperative and degenerate into profit-making enterprises. Membership is open to all people irrespective of race, creed, religion or status considerations.

A corollary to open membership is the issue of voluntary membership. Individual

freedom is necessary to the improvement of character, which has always been regarded as the ultimate goal of cooperation. Voluntary cooperation makes it possible to enjoy the benefits of associated efforts.

Thus, a cooperative society is "an organisation for men to join freely or quit freely and an organisation independent of and free from state or political control".

(ii) Democratic control and equality of members.

Cooperative societies are democratic organisations whose affairs are administered by persons elected or appointed in a manner agreed upon by the members.

Members enjoy equal rights of voting, that is, one member one vote. They also enjoy equal participation in decision affecting their societies. The one-man-one-vote principle prevents a few powerful members to dominate the rest of the members.

To attain meaningful democracy, however, there must be educated membership, adequate provision of information, regular meeting attendance and meaningful discussion of the society affairs with its management. Without all the above, the tyranny of democracy will definitely surface.

(iii) Limited returns on capital.

The principle of limited interest on capital would be better stated as rate of interest on capital fixed by the rule of the society. There is the recognition of the value of the service performed by the provision of capital and this is paid for, by a fixed rate of interest sufficiently high enough to attract an adequate amount of capital has no further claims on any surplus.

If, however, the amount of capital is to be increased or decreased, the rule of fixing the rate of interest may be altered although with the constant agreement of the members. This principle exists in order to provide services to members at the least cost without generating large returns from the capital.

(iv) Patronage rebate or dividend sharing to members.

This is an important principle of the cooperative, which involves the division of surplus in proportion to members' contribution to the society in terms of patronage, or transactions made to the society within a given period. The principle enables the society to operate in a way within which no members make profit out of the rest. The early cooperators were opposed to profit making and thus regarded it as a possible source of economic, social and moral evils. Rebate or dividend arise from the fact that price charged by the society to its members were in excess of cost price.

In practice, the societies fixed a price for its members, which left a reasonable margin to meet the cost of distribution. If at the end of the day, a surplus is realized, this surplus will be divided among the members on the basis of each member's patronage or transaction with the society. This dividend is not a profit per-se but a surplus in excess of the actual cost price previously contributed. The returns thus generated are shared amongst members according to the volume of their patronage.

(v) Political and religious neutrality.

The principles of political and religious neutrality emerged in the British Cooperative Movement so as not to infringe on the principles of open membership and democratic control. These principles allow the society to influence the running of the society with their religious or political inclination. Nobody questions the validity on the principles of neutral questions and the validity on the principles of neutrality. There is no discrimination on the grounds of politics, religion or race in the race in the admission of anyone into a cooperative society.

(vi) Strictly, cash trading.

Cooperatives are disciplined organisations. It is therefore mandatory that members should adhere to the principle of strict cash trading. There is a common belief that the principle of cash trading was practiced partly to ensure the adequacy of financial resources and partly to avoid bankruptcy of the business. The failure of many societies was due to lavish and indiscriminate granting of credit facilities. Similarly, indebtedness is against the spirit of cooperation.

On the other hand, modern cooperatives do not regard credit as a social evil. For instance, if granted prudently, it would make the debtor member economically viable. Thus, as long as credit is dynamic and not static, the purpose of cooperation is fulfilled.

Regardless of the merit of credit granting, however, trading strictly on a cash basis will definitely eliminate the problems, which usually attend credit transactions. It is therefore mandatory for members of cooperative to adhere strictly to this principle.

(vii) Sale at market prices.

Sale at current market prices was held as a wise and prudent principle because every organisation must sell at current prices. While agreeing that cooperative societies have a duty to try and keep the price down, sale at current market prices is perhaps of more significance than what modern writers have assumed. To sell below market prices would be to invite the determined opposition of private traders, which could lead to cut-throat competition that may ruin the societies. Some schools of thought, however, strongly believe that unless cooperative societies dominate the whole economy, it is doubtful if they could influence the general level of prices as many of the factors and circumstances affecting prices of goods are outside the societies' control.

Cooperative societies do sometimes ell below the prevailing market prices when they believe that prices are artificially too high. In such cases, cooperatives sell at what they know to be a reasonable price in order to break the monopolistic control or exploitation. When prices are dropped to a reasonable level, cooperative societies will then resume their normal policy of selling at current market prices.

(viii) Continuous education for members, officers, employees and general public.

Cooperatives should follow a continuous programme of education in the principles, practices and objective of cooperation. In order to be able to compete ideologically, operate correctly, genuinely, purposefully and effectively, the existing members, prospective members, officers, staff and employers of cooperative should be given sound

knowledge, skills necessary information on the workings of the principles, ideals and philosophy of cooperatives.

Education and training of members on cooperative business issues are crucial to the smooth operation of the cooperative. It would also afford the members the opportunity to make intelligent decisions on matters of policy that may affect the destiny of the venture. The Rochdale Pioneers experiment would not have been successful without education. Hence, the promotion of education among the members, staff of cooperative societies and indeed, the general public in the principles, practices and techniques of cooperation becomes imperative.

(ix) Cooperation among national and international cooperatives.

This principle emphasises that all cooperative, home and abroad, should actively cooperate in every practical way with other cooperatives at Local, National and International levels. This becomes necessary partly because of the dare need to serve the interest of their members and the communities they represent and partly to avoid protracted disunity which bedeviled the cooperatives of the early thirties.

The Role of Cooperative Principles and its Universal Applicability

The cooperative principles have always had an impact on the smooth running of the cooperatives, especially where the principles are strictly adhered to. There is no doubt that the cooperative modern principles have contributed to the sustainable development in the cooperative movement throughout the world. The first three principles, that is, voluntary and open membership, democratic control and members' economic participation are the foundation on which the modern movement was built.

The principle which guarantees autonomy and independence from government and religion has been considered as a necessary ingredient in societies where government have formerly used cooperative to enforce their own economic development programmes and plans; often to the detriment of the cooperative values of self-help and responsibility.

Others like the principle of continuous education have been acknowledged as being of considerable importance not only for the cooperative members and elected representatives, managers and employees, but also for society at large; especially the opinion leaders and the world of cooperators. Also, the principle of cooperation among cooperatives is the potential strength of the international cooperative movement.

It is a principle, which is becoming increasingly important in the face of the contemporary global economic, social and political trends which societies every where are facing. The principle of cash trading was introduced as an antidote for financial problem. The fact is that where credit is indiscriminately granted, working capital will be drained off gradually and the association will run into bankruptcy. Cash trading is also considered to be a sound trading practice, which gives equal treatment to all and sundry.

Other principles of cooperatives, regardless of their shortcomings, are of tremendous importance to the growth and development of cooperative societies. Based upon the above, one can deduce

that cooperation is of universal applicability. It can be employed to solve any known human problems.

To embark on a poultry project, for instance, one needs capital, technology and marketing outlet, which may include transportation, storage etc. A single farmer may not be in a position to scale all these possible huddles in view of our low per capita income. But where he teams up with others and they pool their resources together in line with the cooperative principles, they will be able to perform this feat. Similarly, to solve the initial problem of capital, thrift and credit cooperative society is an indispensable agent in mobilising savings. The illustration give here in case of poultry project can also be adopted in respect of any other small-scale business set up anywhere in the world.

Golden Rules and Self Reliance of Cooperatives

Like any other business enterprises, cooperative also have their rules and operational methods, which any prospective member or promoter must strictly follow if he wants to succeed in his business.

Among these rules are:

- (1) The initiator of the cooperative must give necessary information and educate the members about the cooperative ideas, concepts, leadership and how best to achieve their aims.
- (2) Friendliness, love and solidarity must exist within the group making up the cooperatives.
- (3) Prospective members have the freedom to join or withdraw their membership.
- (4) The business of the cooperative is aimed at satisfying the economic interest of its members based on self-help and mutual assistance.
- (5) In cooperatives, principle of one man one vote is exercised and there is freedom of opinion.
- (6) Members own manage and patronise the business of the cooperative. This makes it distinct from other business enterprises.
- (7) Cooperative should operate according to the cooperative principles recognised by the International Cooperative Alliance (ICA).

Cooperative as a Self Reliant Venture

The self reliance of a cooperative implies that a cooperative venture should be self supporting, relying solely on its efforts for promotion, development, supervision, capital formation, training, research, expansion, management, control, auditing etc. without any governmental assistance from outside sources.

It is when a cooperative reaches this level that such a cooperative can truly be said to be self-reliant. For Nigeria cooperative to be self-reliant, drastic and positive change must occur. To ensure self-reliance and secure an independent posture, however, the following steps must be followed:

- (i) Establishment of primary cooperative based on the felt needs of the members. This will ensure members' loyalty and their active participation in the cooperative business.
- (ii) Securing financial self-sufficiency for the cooperative.
- (iii) Investing any surplus cash in viable project.
- (iv) Proper and good management training for the staff with adequate and commensurate remuneration for a better performance.
- (v) Adequate accounting, planning and budgetting system should be institutionalized for a better management.
- (vi) Cooperators should strive towards improved turnover, in cooperative organisations and in greater achievement in terms of growth, profitability and expansion.
- (vii) Establishment of the efficient strong and capable men and materials coupled with buoyant central financing capable enough to meet the financial needs and business volume of the various affiliated cooperatives.
- (viii) Reorganisation of the existing credit unions that will assist in the acceleration of the growth, better development and efficient services of the cooperatives.

Classification of Capital

Cooperative financing, like any other business organisation, can be regarded as the means through which the cooperative meet their financial requirements, in their day-to-day business operation.

In the practical sense, the economic survival of all cooperative ventures depends entirely on the availability of funds or finances.

According to Ejiofor (1989), modern cooperatives derive their finances from two sources which constitute the two major classification of cooperatives capital available to the cooperative concern. These classifications are:

- (1) owned capital, and
- (2) loan or borrowed capital.

1. Owned Capital

Owned capital is made up of the share contribution of members plus the reserves of all types, undistributed profits and the member's entrance fees. These are discussed below:

(a) Members' Shares

This is an important aspect of the owned capital subscribed by members in form of withdrawable or transferable shares. In Nigeria and in most countries, members' shares

are usually withdrawable in accordance with the provisions of the bye-laws. Each society has bye-laws, which determine the value of shares and the minimum and maximum number of shares to be held by each member.

The reason for fixing the limit of a member's shareholding is to prevent the financial domination of the society by a single member. To facilitate subscription, share may be paid up in full at once or by installments over a given period.

Advantages

- (i) It forms a capital base of the society.
- (ii) The liability of a member is limited in the event of the business liquidation.
- (iii) The stipulation in the bye-laws in respect of a member's share holding, prevents unnecessary financial domination by few minority.
- (iv) Shares are easily withdrawable as provided in the bye-laws.

Disadvantages

- (i) The share capital of a society can only be subscribed to by members only and does not extend to the public at large. As a result of this, there is no open market for shares.
- (ii) The share capital is often very slow to realise because the minimum share holding is not always paid up in at once but usually by installments.
- (iii) Members' shares are generally withdrawable, hence, this makes the shares fluctuate with the membership, thus making long-term planning difficult.

(b) Reserves

The building up of reserves is a survival strategy for the operation of a cooperative business. Reserves constitute the most important aspect of owned capital, which is built within a society from the surplus accrued as a result of the successful operation of a society. The greater bulk of the owned capital of cooperatives is held in form of reserves. There are rules in the bye-laws of every society in respect of the reserves of the business.

For instance, in Nigeria the law says that every society should build a statutory reserve not less than 25 percent of the yearly surplus. Besides, there are provisions for building other types of reserves such as general reserve, education fund, building fund, bad debt reserve and any other reserve in the interest of the society.

Advantages

- (i) They contribute to the successful operation of the cooperative.
- (ii) Reserves allow for long term planning and capital investment, thus strengthening the society.
- (iii) Reserve portrays the spirit of solidarity in a society because of their non-divisibility.

- (iv) They are the social capital of a society because of their neutrality and anonymity.
- (v) Unlike share capital, reserves are not withdrawable and do not fluctuate with the membership.
- (vi) They increase the borrowing power of the society.
- (vii) They act as a cushion for the protection of member's liability.

Demerits of Cooperative Reserves

- (i) Administration of reserves to generate surplus for the society is not easy to come by.
- (ii) Most members especially in the marketing union see the building up of reserves as an encroachment on their rights and the dwindling on the bonus on patronage.
- (iii) Hidden reserves (where value of the assets is understated) are often open to abuse by fraudulent managers.
- (iv) This source of financing faces the problem of mismanagement.

(c) Entrance Fees

Payment of entrance fees by new members is another source of the owned capital of a cooperative society. It is an important contributor to the working capital of the business especially during the formative period of the society.

Every society has in its bye-laws provisions for the payment of entrance fees. In the primary societies, for instance, the entrance fee per member is comparatively lower than that of the unions and apex organisations.

Generally, entrance fee share the same attributes of the 'Reserves' especially in its neutrality and anonymity posture. In most cases, the entrance fees are passed to the Reserve fund. Other sources under this category (owned capital), are: fines, special grants, special levies, just to mention but a few.

2. Loan Capital

Loan capital otherwise called borrowed capital consists of members' deposits, loan from cooperative banks, loan from government and trading credits etc.

(a) Members' Deposit

Every society usually makes provision for members' deposits in its bye-laws. A society should encourage members to make deposit; as such savings are a cheaper source of capital than borrowing from commercial banks. The rate of interest on such deposits is usually determined by the members themselves or it may be based on the prevailing bank rate on savings. Deposits may be made for a longer period payable at a fixed date. They

could also be voluntary or compulsory.

Merits

- (i) Deposit is a cheaper source of capital for the society.
- (ii) Deposit can be made for a long or short period and payable at such.
- (iii) In most cases, members decide on the rate of interest that suits them.

(b) Revolving Funds

This is a very good device of securing loan capital from members. It is the most popular device with the cooperatives in the United States of America. Revolving funds are generated partly from the bonus on patronage part of which is retained and partly from the deduction made on every unit of produce marketed through the society.

The amount contributed by each member is credited to the member and passed to the revolving fund, which is made payable to the member usually at the end of the third or fifth year.

Advantages

- (i) Revolving fund is a good source for the long-term capital investment.
- (ii) It is a good way of obtaining capital from members at a cheaper rate of interest.

Its Shortcomings

It is difficult to apply where members' returns are low.

(c) Loan from Cooperative Sources

The bulk of the cooperative members and indeed, cooperative societies generally possess very meagre means. This fact makes outside borrowing imperative. To preserve the solidarity of cooperative in general, a cooperative society should first turn to other cooperatives for borrowing. A usual source is the Cooperative Bank.

Advantages

- (i) It helps in boosting the financial base of the cooperatives.
- (ii) It promotes unity and relationship among cooperatives.
- (iii) It accelerates the capital investments of all cooperative societies.

(d) Loan from Commercial Banks

Cooperative societies do borrow from commercial banks, although in some cases, they are reluctant to give out long term loans. The financial weakness of cooperative societies makes loan from commercial banks almost indispensable.

Advantages

- (i) It is a source of capital.
- (ii) It provides guarantees fund for cooperatives.
- (iii) It is instrumental to business growth and expansion.

Disadvantages

- (i) Bank loan attracts high rates of interest.
- (ii) Bank loans always with tough and in some cases, unbearable conditionalities like production of collateral securities.
- (iii) Loans to farmers' cooperative, for instance, are by their nature risky and hazardous.

(e) Loan from the Government

Governments do give grants and loans to various cooperative societies for the successful execution of their programme. In most developing countries, government has often come directly or indirectly to give financial assistance to the cooperatives.

Loans from government are channelled through commercial banks, cooperatives financial agency, the Nigeria Agricultural and Cooperative Bank and some cooperative banks. All these loans are made available to cooperatives under some stipulated conditions.

Merits

- (i) It accelerates the attainment of the society's objectives.
- (ii) It is a source of capital necessary for the take off of the cooperative ventures.
- (iii) It nurtures the society to a degree of financial self-sufficiency.

Demerits

The shortcoming of this source is that, in some cases, overdependence of cooperatives on government assistance might not be in the initiative for self-sufficiency will be discouraged.

The process of taking loan from government is very slow and ineffective. In most cases, loan gets to the cooperative late. Most cooperatives do not keep to the terms of the loan agreement.

Another problem identified with this source is the discrimination or partiality involved in granting the loan to cooperatives by abuses charged with the disbursement of the loans. In most cases, loans through this channel have been opened to various abuses like injudicious spending, mismanagement and fraud.

(f) Trading Credits

Another source of loan capital is the trading credits. A trading credit is a credit granted to any business organisation with a view to defer payment for the goods received for a specific period of time.

Advantages

(i) It is a good source of loan capital. (ii) It is very easy to obtain.

Demerits

(i) It is a costly credit.

- (ii) Where it is granted, a society loses the advantage of a cash discount and a good bargaining.
- (iii) Trading discount may lead to indebtedness or bankruptcy, which may result in business liquidation.

While there may be other sources, it is pertinent to say that those sources listed above are never exhausted by many cooperative societies. Some factors, which usually impede capital accumulation by these societies, however, may range from size of the society, administrative problem to operational cost, to mention just a few.

Cooperative Capitalisation

According to Ejiofor (1989), capitalisation deals with the capital structure of a business in relation to the amount of equity, its composition and changes in it. The procedure for determining the value of a firm is known as the "capitalisation of income, method of valuation". It is a method of calculating the present value of a stream of earnings. The following terms are commonly used in the valuation process.

(i) Par Value

This is the face value at which shares are issued. It is usually static and not affected by business changes.

(ii) Market Value

This is the price at which shares are sold in the stock exchange or in any other organised stock market. It is affected by the vagaries of demand and supply in the market.

(iii) Book Value

The value at which the asset values of shares are carried in the company's account books. It is calculated by dividing the aggregate equity item by the number of outstanding shares.

(iv) Real Value

This is the capitalized value of earning, divided by the number of outstanding shares.

3.6 Forms of Business (5) - Joint Stock Company/Limited Liability Company

A company is an association of individuals who agreed to and jointly pool their capital together in order to establish and own a business venture distinct from others. You can define it again as an association of investors who buy or own shares in a company for the purpose of carrying on a business. Those who buy or own shares are known as shareholders. They are regarded as the owners of the company. A joint stock company could be a private limited company or a public limited company.

We have two kinds of companies:

(i) **Unlimited Liability Companies:** There liabilities do not end on the money contributed to the business, there personal belongings could be sold to recover money from them in case of a company's indebtedness.

- (ii) **Limited Liability Company by Guarantee:** This business is for promotion of science, religion, arts, education and not for profit making. They source their fund from members. Their liabilities are limited by promise or guarantee.
- (iii) **Limited Liability Companies by Shares:** Liability is limited to the amount they contributed for the formation and management of the company. If a company is liquidated, they loose only the shares they have in the company.

We have two types of limited liability companies, they are:

Private Limited Liability Company: This Company when formed has a minimum number of two people and a maximum of fifty. The number includes employees of the company.

Public Limited Liability Company: Minimum numbers of people that can form this company are seven while the maximum is not stated. The owners are shares holders, people are free to come in and free to sell-off their shared.

Methods of Formation

Formation of Joint Stock Company starts with preparation of documents that will be presented to the registrar of companies for his action and subsequent registration. The document use for registration includes:

Memorandum of Association

It states how the company will relate with the outside world. It will state the name, location and objectives of the company. Memorandum of association include:

- The name of the company with "limited" as the last word.
- Location of the company
- Objectives of the company
- Amount of the registered capital proposed
- Liability of the company's shareholders (statement).

Article of Association

It tells you to about the regulation that is laid down for the internal rules and regulations of the government organization, and management of the company. The may include:

- The duties rights and position of each member of the company
- The method of the appointment of the directors
- How dividends are to be shared
- How general meeting are to be held and the procedure
- Method of electing directors and the voting rights at such election
- Method of auditing the company's account.

The Prospectus

This is a document of notice, circular, advertisement or other invitation offering the public subscription or purchase of shares or debentures of a company.

Certificate of Incorporation

This certificate is issued by registrar of companies and cooperate affairs commission Abuja to show that a business is legally incorporated and recognize by government.

Certificate of Trading

It is issued to public limited liability company. He can start a business and exercises borrowing powers.

Features of a Private Company

Membership: a minimum of 2 and a maximum of 50

Issuance of Shares: cannot sell shares to the public

Transferability of Shares: can only be transferred with the consent of other shareholders

Quotation: private companies are not quoted on the floor of the stock exchange

Publication of Accounts: not required to publish annual account. However they must send a copy of their audited account to the registrar of companies each year.

Limited Liability: each shareholder possesses limited liability.

Features of a Public Company

- (i) **Membership:** a minimum of seven and no maximum, but article of association could specify maximum.
- (ii) **Issuance of Shares:** can sell share to the public.
- (iii) **Transferability of Shares:** shares can be transferred without the consent of other share holders.
- (iv) **Quotation as Public Companies:** are quoted on the floor of the stock exchange.
- (v) **Publication of Accounts:** required by law to publish account and to also send a copy of audited account to the registrar of companies each year.
- (vi) Limited Liability: each shareholder possess limited liability.

Advantages of a Private Company

The advantages of a private company are:

- i. **Limited Liability:** Liability is limited to the amount of money contributed into the business. In case of liquidation, your personal properties are not touched.
- ii. **Privacy:** Just like the public company, it is not compulsory to publish its account yearly as such the company has the advantage of keeping its secret.
- iii. **Continuity:** The minimum number of holder of a company is two and maximum is fifty. If for instance you have forty members and two dies the company will still continue, compare to a one man business
- iv. **More Capital:** Compare to partnership business, the chances of sourcing for funds to be granted i.e. from banks is higher.
- v. **Legal Entity:** The Company is a legal entity as such it can sue and be sued.

Disadvantages of a Private Company

The disadvantages are listed below:

i. **Taxes:** Most of these companies pay corporate tax compare to a sole trader or partnership that pays personal income tax, the tax may be so heavy that it may be a burden on the company.

- ii. **Share:** It is unfortunate that the companies share are not publicly subscribed, even in the exchange of shares, all member must be notify. A new member may be rejected.
- iii. The shares of private limited companies are not quoted on the floor of the stock exchange; hence they cannot be transferred without the consent of other share holders.

Advantages of Public Limited Company

The advantages of a public limited company are as follows:

- (i) Legal Entity: It is a corporate body; it can sue and be sued.
- (ii) **Limited Liability:** The liabilities of the owners is limited to the shares brought into the organization
- (iii) Ease of Raising Additional Capital: Because of the large numbers of the owners it makes it easy to raise fund from their contributors or selling of shares or bonds.
- (iv) **Expansion is Unlimited:** There is no limit to where the company can expand to provide the company has a large capital.
- (v) **Continuity:** This company life is long, even if hundred members die at a time the chances of its survival is still there. Even in a period of resignation, disability etc., the company is not threatened.
- (vi) **Adaptability:** It is adaptable to small medium and large scale companies according to the fund available to the firm.
- (vii) Capital Transfer: you can transfer your capital at will if you are not satisfy with the company.
- (viii) **Flexibility:** for the fact that we have many members as shareholders, members of board, managers etc with diverse experience and knowledge, the running of the company will be perfect using the verse of experience personnel thereby giving room for flexibility.
- (ix) **Enjoyment of Large Scale Production unlike the One-Man Business:** Because of the number of owners, finances, flexibility etc. a company has a better advantage of producing goods in a large quantity.
- (x) **Share Holders Interest is Safeguarded:** Because there is no secrecy, the shareholders have nothing to fear.
- (xi) **No Managerial Responsibility**: You can be a share holder and yet you are not part of the management. It means that others are managing the business for you.
- (xii) **Employees May become Co-owners:** Employee will become owner either by deliberate action of the management of the companies or by buying shares.
- (xiii) **Democratic Management:** The Company is run democratically; election of board of directors is by vote. In meeting, if no quorum is formed there will not be a meeting.

Disadvantages of the Public Limited Company

The disadvantages are:

- (i) **Double Taxation:** Most corporations are faced with double taxation. In Nigeria, federal, state and local government charge companies different taxes.
- (ii) **Hard to Establish:** Methods of establishment and finance needed for such kind of business is high and it require a large capital outlay which may scare out a lot of investors.
- (iii) **No Privacy:** Company and allied matter decree expect this type of company to publish its account annually, making it public affairs.
- (iv) Non-Flexibility: It is hard to switch business because the papers for registration state what they are to do. If you change condition, it means you are to form another

- company entirely.
- (v) Special performance must be sought from government to transact business outside the location in which you were registered.
- (vi) **Cooperation is Non Existence:** Most companies have problems of misunderstanding between both managers and managers or with workers; it may be because of the large nature.
- (vii) Owners are Separate from Managers: Therefore there is the tendency of the managers not running it well since they are not the owners.
- (viii) Huge capital is required for its formation, it therefore become more complex to manage compares to one-man business.
- (ix) Delay in policy and decision making. (x) Suppression of individual initiatives.

4.0 CONCLUSION

We have examined in a comprehensive manner, the various forms of business ownership that entrepreneurs could embark on.

We discussed the features, objectives, capital available, advantages and disadvantages of each form of business ownership.

5.0 SUMMARY

In this unit, we have discussed the various forms of business ownership that entrepreneurs could embark on. We also discussed the features, objectives, capital available, advantages and disadvantages of each form of business ownership.

6.0 TUTOR MARKED ASSIGNMENT

- 1. What is a joint stock company? Is there any difference between the processes involved in registering a joint stock company and a partnership business?
- 2. Differentiate between a cooperative society and sole proprietor.
- 3. What sources of capital are available to the five forms of business ownership? List and discuss the advantages and disadvantages of each of them.
- 4. Write short notes on the following: (a)

Deeds of Partnership

- (b) Registration of Business Name
- (c) Memorandum of Association
- (d) Articles of Association
- (e) Cooperative capitalisation

7.0 REFERENCES AND FURTHER READINGS

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