COURSE GUIDE

ENT 204
ENTREPRENEURSHIP AND CHANGE MANAGEMENT

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INTRODUCTION

ENT 204: Entrepreneurship and Change Management is a one-semester course for students offering Bsc course in Entrepreneurship. It is a 2 unit course consisting of 17 units. Each unit is expected to be covered in three (3) hours. This course guide explains briefly what the nature of the course is as well as the course material you will be using. It also tell you how to use the course materials, issues regarding timing for going through the units are explained. Activities and Tutor-Marked assignments are also explained.

What you will learn in this course

The overall aim of this course on Entrepreneurship and change management is to explore and explain the nature of entrepreneurship and management of organizational change. This is done in order to widen your knowledge of entrepreneurship in relation to organizational effectiveness.

During this course, you will learn about different aspects of entrepreneurship, transformational leadership, nature and types of organizational change amongst others.

Course Aims

As pointed out earlier, the aim of this course is to expose the students to the concept of entrepreneurship and management of organizational change. This will be achieved by:

- Explaining the concept of entrepreneurship
- Introducing to you the nature of corporate outlook in Nigeria - Examining transformation leadership and corporate growth. - Evaluating the dimensions of quality management for corporate growth.
- Exploring ways of improving organizational effectiveness.
- Appraising the nature of planned organizational change - Providing an overview on management of change.
- Having an overview of models of change
- Explaining reasons for resistance to change.

Course objectives

The overall objective is to enable you gain knowledge in the area of entrepreneurship and change management. To achieve this, each unit also has specific objectives. The unit objectives are included at the beginning of the unit. You are advised to refer to them as you study each unit both at the beginning of each unit. This will ensure that you check your progress and do what is expected of you by the unit.

Working through this course

In order to complete this course you are required to read the units thoroughly. You should also study the recommended textbooks and explore recent materials on the internet. Each of the unit contains exercise or activities to test your knowledge of the contents therein. At a point in the course of you study, you will be required to submit assignments for assessment purposes. At the end of the course, you will be required to sit for the final examination.

Below you will find listed all the components of the course. What is required of you is to allocate time to each in order to complete the course successfully on time.

Course Materials

The main components of the course are:

1. Course guide
2. Study units
3. Further readings
4. Learning Outcomes
5. A Possible Answers to Self-Assessment Exercise(s) within the content

Study Units

There are seventeen (17) units in this course. These are:

Module 1

Unit 1:	Introduction to entrepreneurship
Unit 2:	Understanding the modern concept of entrepreneurship
Unit 3:	Psychological Approach to Entrepreneurship
Unit 4:	Socio-Economic Approach to Entrepreneurship
Unit 5:	Business Expansion and the Changing Role of the Entrepreneur

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Unit 1:	Corporate outlook in Nigeria
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Unit 3:	Models of Effective Change
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Module 3

Unit 1:	Teamwork in a Dynamic Business Environment
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Unit 3:	The Views of Quality Gurus
Unit 4:	Quality Improvement for Positive Change

Module 4

Unit 1: Basic quality improvement tools and techniques

Unit 2: Management of change

Unit 3: Responses and Resistance to Change

Unit 4: Business Plan for Business Growth

Textbooks and References

Although there are no compulsory textbooks for this course. The frequency of appearance of some particular recommended textbooks at the end of each unit indicate the importance of the book to more than one (1) unit.

Assignment File

The major assignment required of you is the Self-Assessment Exercise(s) within the content.

Assessment

Your assessment for this course is made up of two components namely:

Tutor-Marked Assignment	40%
Final Examination	60%
Total	100%

The practice exercise (or activity) are not part of your final assessment, but is useful to complete them. If you practice the exercises, it will enhance your understanding of the topic or the subject matter and by extension your Tutor Marked assignment.

Conclusion

Entrepreneurship and change management is an interesting course.

Entrepreneurship is flourishing in many parts of the world. Here in Nigeria, new venture creation has been the chief source of economic vigor for the last decade. Change descends on all entrepreneurs. Change is inevitable and inescapable. It is often referred to as the only thing in life that is permanent.

MODULE 1

UNIT 1: INTRODUCTION TO ENTREPRENUERSHIP

CONTENTS

1.1 INTRODUCTION

In this unit effort is made to present the basic idea about entrepreneurship as well as the factors influencing entrepreneurship. You will need to understand these factors to be able to appreciate issues you will follow in the subsequent units.

1.2 Learning outcomes

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

i. Discuss the meaning of entrepreneurship.
ii. Understand three individual factors influencing entrepreneurship.
iii. Evaluate the ethno cultural factors in entrepreneurship.
iv. Analyze the impact of ethno-cultural factors on consumer behavior

1.3 Definitions and Conceptual Clarifications of Entrepreneurship

Scholars from different academic background or professions define the term entrepreneurship differently. There is no precise definition of the concept as different scholars define it differently. Gartner noted that there are as many definitions as there arc scholars. This notion was emphasized by Kilby (1967), when he noted that trying to define the concept is like trying to search for an animal called Heffalump. Many have tried to describe it but there is no commonly accepted description. This as Kilby (2003) observed, there is no precise or agreed definition of entrepreneurship.

Entrepreneurship is derived from the French term “entreprendre” which means to undertake, to pursue opportunities, to fulfill the needs and wants through innovation and starting businesses. Many scholars simply equate it with starting one’s own business. Schumpeter (1950) viewed entrepreneurship as an “established way of doing business are destroyed by the creation of new and better ways to do them. Most economists today agree that entrepreneurship is a necessary ingredient for stimulating economic growth and employment opportunities in all societies. In the developing world like Nigeria, successful small businesses are the primary engines for job creation, income growth and poverty reduction.

1.3.1 Concept of Entrepreneurship

Peter Drucker, an authority on management theory, noted that although the term entrepreneur has been used for over 200 years, “there has been total confusion over the definition. Substantial disagreement concerns the concept of entrepreneurship and the individual who is called an entrepreneur.

In an article published in the Advanced Management Journal, Michael Moms states that early definitions of entrepreneurs were developed by economists. These definitions emphasized factors such as risk and financial capital. Thus, one of the earliest references to the term entrepreneurship has been traced to Richard Cantillon’s work in the field of economics in 1734. To Cantillon, entrepreneurship was selfemployment with an uncertain return by the early 1900s, Joseph A. Schumpeter had described an entrepreneur as “a person who carries out new combinations, which may take the form of new products processes, markets, organizational forms, or sources of supply.” Schumpeter is known for his concept of “creative destruction,’ which states that entrepreneurs are a force for change and make existing products obsolete. This definition and others during this time period emphasized innovation.’ Research in the later 1990s often focused on personality traits of entrepreneurs, trying to determine if entrepreneurs had different personality traits than people who chose to work in corporations.

Michael Morris and his coauthors have tried to combine many of these varying concepts of entrepreneurship by developing the following definition:

Entrepreneurship is a process activity. It generally involves the following inputs, an opportunity; one or more proactive individuals; an organizational context; risk, innovation; and resource It can produce the following outcomes; a new venture or enterprise; value; hew products or processes; profit or personal benefit; and growth.

1.3.2 Factors Influencing Entrepreneurship

There is still no agreement on why some people choose self employment and others choose to work for someone else. One recent study has identified four spheres of influence in determining entrepreneurial behaviour; the individual, the ethno-cultural environment, the circumstances in society, and a combination of these.

Self-Assessment Exercises 1

> Question 1 : What is the significance of the varying definitions of entrepreneurship according to different scholars, and how do these definitions impact our understanding of the concept?
>
> Question 2: Why is there no precise or agreed definition of entrepreneurship, and how have different scholars conceptualized

1.4 The

future behaviour, many studies still focus on the entrepreneur 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.

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 personality. Michael Morris points out that the psychology and behavior of the entrepreneur may change as the business evolves.

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 personality. Michael Morris points out that the psychology and behaviour of the entrepreneur may change as the business evolves. As Stan Cromie noted in his article on entrepreneurship, many vocational counselors consider personality in helping people decide on a career choice. Factors that may be considered include basic values and beliefs, personality traits, personal needs, and the person’s self-concept. It is often argued that people choose jobs that fill their needs and are consistent with their self-image.

One recent study found that “personality is a core antecedent of entrepreneurship.” This study looked at how views on self-employment are related to personality. The study explored the “Big Five” personality characteristics and the impact of these on views of entrepreneurship. The Big Five characteristics include extraversion, conscientiousness, agreeableness, openness, and neuroticism. The study found that the characteristic of openness is an important factor for entrepreneurship. This is the “part of personality that fosters creativity, originality, and receptiveness to new experience.

1.4.1 Traits in Successful Entrepreneurs

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’s examine some of these traits.

- 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 succeed. This personal or emotional commitment was described by someone saying, “I couldn’t live without giving this a full try.

- 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.” They know that “difficulties are merely opportunities in work clothes.” Paul Goldin, CEO of Score Board Inc., says, “You can’t be afraid of failing. You may have to try seven or eight times.”

- 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. This confidence is not unfounded, however Often they have an indepth 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. One successful entrepreneur described this advantage by saying, “I’d rather learn how to ride a bike on somebody else bicycle than on my

- **Self Determination**

Nearly every authority on entrepreneurship recognizes the importance of self-motivation and self-determination for entrepreneurial success. Jon P. Goodman, director of the University of Southern California Entrepreneur Program, 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.33 Entrepreneurs believe that their success or failure depends on their own actions, This quality is known as an internal locus of control. A person who believes that fate, the economy, or other outside factors determine success has an external locus of control and is not likely to succeed as an entrepreneur.

- **Management of Risk**

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-time or part-time job or they are running another business. They do not put all of their resources and time auto the venture until it appears to be viable. Entrepreneurs often define the risks early in the process and minimize them to the extent possible.

- **Looking at 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.

- **Tolerance for ambiguity**

The life of an entrepreneur is unstructured. No one is sating 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 by ambiguity - a consistent lack of clarity. The successful entrepreneur feels comfortable with this uncertainty.

- **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.

- **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 result 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.

- **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. As with the tendency for perfectionism this hurry-up attitude may irritate employees who do not see the same urgency in all situations.

- **Creativity**

One of the reasons entrepreneurs are successful is that they have imagination and can envision alternative scenarios. They have the ability to recognize opportunities that other people do not see, Nolan Bushnell, who created the first home video game and the Chuck E, Cheese character, believes the act of creation is nothing mart than taking something standard in one business and applying it to another For example, Bushnell had worked in amusement parks while in college and was able to combine his knowledge of amusement with video technology to create a home video game. He believes that entrepreneurs must know what the customers want sometimes a little before they know they want it and before they know it's possible.

- **Ability to see the big picture**

Entrepreneurs often see things in a holistic sense; they can see the "big picture" when others see only the parts.' 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. The 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.

- **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.

- **Self Efficacy**

A recent study has suggested that the concept of self-efficacy influences a person entrepreneurial intention. 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 mi- nation and persistence of performance in all aspects of human development. Therefore, a person who believes he or she would be successful as an entrepreneur is more likely to pursue it as a career option.

1.4.2 Ethno Cultural Factors

A common finding Is that ethnic enterprise is often overrepresented in the small business sector; that is, members of some ethno-cultural 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. The effect of culture and traits may be intertwined since some studies have shown that different cultures have varying value and beliefs. For example, the Igbo's in Nigeria have been known to have an achievement-oriented 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, U.S. culture tends to support an 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.

Cultures also affect the image or status of entrepreneurs. One study of immigrant entrepreneurs in Canada found that those from India saw entrepreneurship as something positive while the Haitian respondents tended to view entrepreneurship as an occupation of low self-esteem. Cultural expectations were also an obstacle for one Puerto Rican woman in Washington, D.C. While she was thinking of starting a business, her brother was reminding her that she should be married.

Self-Assessment Exercises 2

Question 1:

How do personality traits influence the likelihood of becoming an entrepreneur, according to recent studies?

Question 2:

What are some key traits commonly found in successful entrepreneurs, and why are they important?

1.5 Impact of Ethno-Cultural Factors on Consumer Behavior

Ethno-cultural factors explore how cultural background, traditions, and ethnic identity influence consumer preferences, purchasing decisions, and brand loyalty. It could include case studies from various cultural contexts and examine the implications for marketing strategies.

1.5.1. Ethno-Cultural Influences on Organizational Dynamics and Workplace Diversity

Ethno-cultural diversity affects organizational behavior, team dynamics, and communication within the workplace. It could cover challenges and benefits of managing a culturally diverse workforce, best practices for promoting inclusivity, and the impact of cultural competence on organizational performance.

1.5.2 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 sell-employment. Workers in the United States who have been downsized might be included in this group. The decision to become an entrepreneur was precipitated by the changes in the marketplace. Immigrants in many countries follow this route if they find that their language and job skills do not meet the needs of employers. This is considered an adaptive-response behavior. One study of ethno-cultural factors found that although some people do not come from an ethnocultural group that values entrepreneurship, they those entrepreneurship as an adaptive response to marginality and a means to social integration.

Entrepreneurship is an interdisciplinary concept. Hence it contains various approaches that can be used to increase one’s understanding of the field. Theories pounded by various scholars include: psychological, sociological and economic.

Self-Assessment Exercises 3

Question 1: How do ethno-cultural factors impact consumer behavior, and what are the implications for marketing strategies?

Question 2:

What are the challenges and benefits of managing a culturally diverse workforce, and how can organizations promote inclusivity?

1.6 SUMMARY

Let us recall the major things that were discussed in this unit.

Entrepreneurship is derived from the French term “entrepredre” which means to undertake, to pursue opportunities, to fulfill needs and wants through innovation and business. Individual characteristics, ethnocultural and societal circumstances are factors influencing entrepreneurship.

1.7 REFERENCES/FURTHER READINGS/WEB RESOURCES

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1.8 POSSIBLE ANSWERS TO SELF-ASSESSMENT EXERCISE(S) WITHIN THE CONTENT

SAE 1

Question:

What is the significance of the varying definitions of entrepreneurship according to different scholars, and how do these definitions impact our understanding of the concept?

Answer:

The varying definitions of entrepreneurship underscore its multifaceted nature, as different scholars emphasize different aspects of the concept based on their academic backgrounds and professional perspectives. For instance, Schumpeter viewed entrepreneurship as a process of "creative destruction," where new and better ways of doing business replace established methods. This highlights the role of innovation and change in entrepreneurship. On the other hand, early economists like Cantillon focused on self-employment and risk-taking, emphasizing the economic aspects of entrepreneurship.

Peter Drucker and Michael Morris acknowledge the confusion and disagreement over the definition, with Morris proposing a comprehensive definition that combines various elements such as opportunity, risk, innovation, and resource management. This broader view considers entrepreneurship as a process that leads to new ventures, value creation, and economic growth.

Question:

Why is there no precise or agreed definition of entrepreneurship, and how have different scholars conceptualized it?

Answer:

There is no precise or agreed definition of entrepreneurship because scholars from different academic backgrounds and professions emphasize different aspects of the concept. As Gartner noted, the variety of definitions is as numerous as the scholars studying it. Kilby

(1967) likened the challenge of defining entrepreneurship to searching for an elusive animal called a Heffalump, highlighting the difficulty and lack of consensus.

The term entrepreneurship originates from the French word "entreprendre," meaning to undertake or pursue opportunities through innovation and starting businesses. Schumpeter (1950) viewed entrepreneurship as a process of "creative destruction," where new methods replace established ways of doing business, emphasizing innovation and change. Early economists like Richard Cantillon in 1734 defined it as self-employment with uncertain returns, focusing on risk and financial capital.

Peter Drucker pointed out the confusion and substantial disagreement over the concept of entrepreneurship and who qualifies as an entrepreneur. Michael Morris and his coauthors developed a comprehensive definition that combines various elements: opportunity, proactive individuals, organizational context, risk, innovation, and resources. This process-oriented view highlights outcomes such as new ventures, value creation, new products or processes, profit, personal benefit, and growth.

The diversity in definitions impacts our understanding of entrepreneurship by showcasing its multifaceted nature, from innovation and economic growth to individual traits and environmental influences. This recognition helps appreciate the complexity and crucial role of entrepreneurship in economic development, particularly in developing countries where small businesses are key drivers of job creation and poverty reduction.

SAE 2

Question 1:

How do personality traits influence the likelihood of becoming an entrepreneur, according to recent studies?

Answer 1:

Recent studies indicate that personality traits, particularly the "Big Five" characteristics (extraversion, conscientiousness, agreeableness, openness, and neuroticism), play a significant role in influencing entrepreneurial tendencies. Among these traits, openness is highlighted as especially important, as it fosters creativity, originality, and receptiveness to new experiences. This trait helps individuals recognize and seize entrepreneurial opportunities.

Question 2:

What are some key traits commonly found in successful entrepreneurs, and why are they important?

Answer 2:

Key traits commonly found in successful entrepreneurs include:

1. **Passion for the Business:** Essential for overcoming obstacles and maintaining commitment.
2. **Tenacity Despite Failure:** Persistence is crucial as many successful entrepreneurs face multiple failures before succeeding.
3. **Confidence:** Belief in their abilities and business concept, often backed by in-depth industry knowledge.
4. **Self-Determination:** Acting out of choice and believing in control over their success or failure.
5. **Management of Risk:** Defining and minimizing risks early in the process to ensure viability.
6. **Tolerance for Ambiguity:** Comfort with uncertainty and unstructured environments.
7. **Initiative and Need for Achievement:** Proactively acting on ideas and striving for excellence.
8. **Creativity:** Ability to envision alternative scenarios and recognize opportunities.

SAE 3

Question 1:

How do ethno-cultural factors impact consumer behavior, and what are the implications for marketing strategies?

Answer 1:

Ethno-cultural factors significantly impact consumer behavior by influencing preferences, purchasing decisions, and brand loyalty. Cultural background, traditions, and ethnic identity shape how consumers perceive and interact with products and brands. For example, consumers from different cultural contexts may have varying tastes, values, and buying habits. These insights are crucial for marketers to develop tailored strategies that resonate with specific cultural groups, ultimately enhancing engagement and loyalty. Marketing strategies need to consider these cultural nuances to effectively reach and appeal to diverse consumer segments.

Question 2:

What are the challenges and benefits of managing a culturally diverse workforce, and how can organizations promote inclusivity?

Answer 2:

Managing a culturally diverse workforce presents several challenges, including potential communication barriers, cultural misunderstandings, and conflicts arising from different work styles and values. However, it also offers significant benefits such as diverse perspectives, enhanced creativity, and better problem-solving abilities. Organizations can promote inclusivity by implementing best practices such as providing cultural competence training, fostering an inclusive organizational culture, encouraging open communication, and creating policies that support diversity. By embracing and effectively managing ethno-cultural diversity, organizations can improve team dynamics, enhance employee satisfaction, and boost overall performance.

UNIT 2:

UNDERSTANDING THE MODERN CONCEPT OF ENTREPRENUERSHIP

CONTENTS

2.1 INTRODUCTION

In this unit, attempt is made to explain the early references to the entrepreneur. You will also find the description of entrepreneurship by both earlier and modern scholars. Although entrepreneurship can be exciting, there are some challenges faced by entrepreneurs. This unit provides both the benefits and difficulties in entrepreneurship. Entrepreneurship is a dynamic process and as described by Schumpeter (1934), Entrepreneurship is a forced of "creative destruction" whereby established ways of doing things are destroyed by the creation of new and better ways to get things done.

2.2 Learning Outcomes

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

i. Discuss the early and modern views on entrepreneurship.
ii. Evaluate the modern concept of entrepreneurship.
iii. Examine the essential of successful entrepreneurs.
iv. Analyze the merits and challenges of entrepreneurship.

2.3 Early Concept of Entrepreneurship

Entrepreneurship is one of the four mainstream factors of production in economics, land, labour and capital being the others. The word entrepreneurship derived from 17th century French entreprendre; which refers to individuals that were "undertakers", that is, those who "undertook" the risk of the new enterprise. They were "contractors" who bore the risk of profit or loss. Many early entrepreneurs were soldiers of fortune, adventurers, builders, merchants and even funeral directors.

Early reference to the entrepreneur in the l4th century spoke about tax contractors and individuals who paid a forced sum of money to a government for the license to collect taxes in their region. In the 19th century, entrepreneurs were the “captains of industry”, the risk takers, decision makers, the individuals who aspired to wealth and who gathered and managed resources to create new enterprises-Schumpeter (1934). Notable early French, British and Austrian economists wrote enthusiastically about entrepreneurs as the “change agents” of progressive economies.

Richard Cantillon, a French economist, was credited with giving the concept of entrepreneurship a central role in economics. In his *Essaisur la nature du commerce en general*, Cantillon described an entrepreneur as a person who pays a certain price for a product to resell it at an uncertain price, thereby making decisions about obtaining and using resources while consequently assuming the risk of enterprise. A critical point in Cantillon’s argument was that entrepreneurs consciously make decisions about resource allocations O’neile (1989).

Adam Smith spoke of the “enterprise?’ in his 1776 Wealth of Nations as an individual who undertook the formation of an organization for commercial purposes. In Smith’s view, entrepreneurs reacted to economic change, thereby becoming the economic agent who transformed demand into supply. In 1848, British economist John Stuart Mill elaborated on the necessity of entrepreneurship in private enterprise. The term entrepreneur subsequently became common as a description of business founders, and the fourth factor of endeavour was entrenched in economic literature as encompassing the ultimate ownership of a commercial venture (Mintsberg 1990).

Joseph Schumpeter, Austrian economist revived the concept of entrepreneurship when he joined Harvard University and his work was published in United States in 1934. Schumpeter described entrepreneurship as a force of “creative destruction” whereby established ways of doing things are destroyed by the creation of new and better ways to get things done (Schumpeter 1934). In Schumpeter’s word, the entrepreneur seeks to reform or revolutionized the pattern of production by exploiting an invention or, more generally, an untied technological possibility for producing a new community or producing an old one in a new way, by opening up new source of supply of materials or a new outlet for products.. .Entrepreneurship, as defined, essentially consist in doing things that are not generally done in the ordinary course of business routine (Cunningham & Lischeron 1991). The revolution of the concept has generated many definitions, but perhaps the definition by writer Robert Rostad captures its essence. Rostad defines entrepreneurship as the dynamic process of creating incremental wealth. This wealth is created by individuals who assume the major risks in terms of equity, time, and/or career commitment of providing value for a product or service. The product or service itself may or may not be new or unique but value must somehow be infused by the entrepreneur by securing and allocating the necessary skills and resources. Inegbenebor (2006).

2.3.1 Modern Concept of Entrepreneurship

The concept of an entrepreneur is further refined when principles and terms from a business, managerial, and personal perspective are considered. In particular, the concept of entrepreneurship from a personal perspective has been thoroughly explored today. This exploration captures three key areas identified by Bailey (2003). According to Bailey, in almost all of the definitions of entrepreneurship, there is agreement that we are talking about a kind of behavior that includes: (1) initiative taking, (2) the organizing and reorganizing of social and economic mechanisms to turn resources and situations to practical account (3) the acceptance of risk or failure.

Although each of the different definitions views entrepreneurs from a slightly different perspective, they all contain similar notions, such as newness, organizing, creating wealth, and risk taking. Yet each definition is somewhat restrictive, since entrepreneurs are found in all professions education, medicine, research, law, architecture, engineering, social work, distribution and government (Kuratto & Hodgetts, 2004).

Entrepreneurship is the process of creating something new with value by devoting the necessary time and effort, assuming the accompanying financial, psychic, and social risks, and receiving the resulting rewards of monetary and personal satisfaction and independence. This definition stresses four basic aspects of being an entrepreneur regardless of the field. First, entrepreneurship involves the creation process-creating something new of value. The creation has to have value to the entrepreneur and value to the audience for which it is developed (Brockhaus & Howitz, 1986).

This audience can be (1) the market of organizational buyers for business innovation, (2) the hospital's administration for a new admitting procedure and software, (3) prospective students for a new course or even college of entrepreneurship, or (4) the IDP camp for a new service provided by an ENACTUS (Entrepreneurship Action in US) Team. Second, entrepreneurship requires the devotion of the necessary time and effort. Only those going through the entrepreneurial process appreciate the significant amount of time and efforts it takes to create something new and make it operational. As one new entrepreneur so succinctly stated, "while I may have worked as many hours in the office when I was in industry as an entrepreneur I never stop thinking about the business" (Bailey 2003).

Assuming the necessary risks is another important aspect of entrepreneurship. These risks take a variety of forms, depending on the field of effort of the entrepreneur, but usually, it center around financial, psychological, and social areas. The final part of the definition involves the rewards of being an entrepreneur. The concept of entrepreneurship involves the consideration of a number of opportunities to enhance living standards and business profits. The entrepreneur is expected to employ strategic planning to assess if the opportunities provided for growth are worthwhile and how they could be successfully exploited. Strategic planning is an essential part of the concept of entrepreneurship and effective application helps to ensure successful operation.

2.3.2 What it takes to be an Entrepreneur

Many people dream of running their own business. They would like to become entrepreneurs. Entrepreneurship can be exciting. But running your own business is difficult. In fact, many companies that are started by entrepreneurs go out of business few years after their establishment. These companies often fail because of poor planning or lack of business knowledge. They also may fail because the entrepreneur chooses the wrong business or does not have entrepreneurial characteristics.

An entrepreneur can be anyone who has a great idea that can 'be turned into a business reality. Ideas may come from hobbies or interests. They also may come from other work experience, such as a part time job. Entrepreneurs can be any age and from any educational background. They have good business ideas that meet the needs of customers. They also have the desire and drive to see their idea become a business.

Self-Assessment Exercises 1

1. **Question:** What is the historical origin of the term "entrepreneur," and how was it initially defined?

2. **Question:** How did Joseph Schumpeter contribute to the modern concept of entrepreneurship, and what is the essence of his definition?

2.4 Successful Businesses Started by Young Entrepreneurs

Examples of successful businesses started by young entrepreneurs are:

- Buketaria (restaurant)
- Car washing or detailing
- Shoe making
- Web site creation and design
- Photocopying centre
- Lawn mowing or landscaping
- Bakery and catering
- Video centre
- Internet café

These are only few of the kinds of business young entrepreneurs have started. Owners of these businesses saw their ideas as an opportunity and started their businesses.

Entrepreneurs also are customers, or consumers. As a customer, you know what you like. You know what you want to buy. For example, you may have a favorite restaurant. Maybe it's your favorite because it serves great food. Or, maybe it's your favorite because it has a video game arcade. Entrepreneurs can use this knowledge to their advantage. When thinking about starting a business. You can make a list of the things you like and dislike about similar companies or products. You can think about these likes and dislikes when starting your business. Then, you can offer products or services that will meet your customers needs better than those offered by competitors.

2.4. 1 Characteristics of Successful Entrepreneurs

Characteristics are qualities that make a person different from others. Researchers have found several characteristics that set successful entrepreneurs apart from those who fail.

1. Successful entrepreneurs are independent. They want to make their own decisions. They also want to do something they enjoy.

2. Successful entrepreneurs are self-confident. Entrepreneurs make all the decisions. They must have the confidence to make choices alone. They also must be able to bounce back if they make a poor decisions.

3. Successful entrepreneurs are determined. Entrepreneurs will keep trying even in hard times until goals are met.

4. Successful entrepreneurs are focused. They know what they want, and they focus on achieving it. They persevere positively.

5. Successful entrepreneurs set high standards for themselves. They constantly set challenging new goals. The pursue the right goals.
6. Successful entrepreneurs are creative. They think of new ways to promote their businesses. They are always looking for new and better solutions to problems. They think outside the box.

7. Successful entrepreneurs are able to act quickly. They are not afraid to make quick decisions. Acting quickly help them beat their competitors.

8. Successful entrepreneurs take calculated risks.

2.4.2 Advantages of Entrepreneurship

Entrepreneurship, the act of creating and managing a business venture, comes with its own set of advantages and disadvantages. These can vary depending on the individual, the industry, and the specific circumstances (Dana & Vorobeva,2021).

Advantages of Entrepreneurship:

Independence and Autonomy: Entrepreneurs have the freedom to make their own decisions and be their own boss. They can shape the direction of their business and have control over its operations.

Potential for High Rewards: Successful entrepreneurs can potentially earn substantial profits and financial rewards. The sky is the limit when it comes to income potential.

Creativity and Innovation: Entrepreneurs have the opportunity to bring their innovative ideas to life, solving problems and meeting market needs in unique ways.

Personal Fulfillment: Building and growing a business can be personally fulfilling, as it allows individuals to pursue their passions and create something they are passionate about.

Flexibility: Entrepreneurs often have more flexibility in terms of work hours and location. They can tailor their work-life balance to suit their needs.

Job Creation: Entrepreneurs contribute to job creation by hiring employees, which can have a positive impact on the local economy.

Self-Assessment Exercises 2

Question 1. What are some characteristics that researchers have identified as essential for successful entrepreneurs?

Question 2. What are some advantages of entrepreneurship that make it appealing to individuals?

2.5 Challenges of Entrepreneurship

Financial Risk: Entrepreneurship involves a significant financial risk. There is no guarantee of success, and many businesses fail, leading to financial losses.

Uncertainty and Stress: The entrepreneurial journey can be filled with uncertainty, and managing a business can be highly stressful. This can take a toll on an individual's mental and emotional well-being.

Long Hours and Hard Work: Entrepreneurs often work long hours, including evenings and weekends, especially in the early stages of their business. This can lead to burnout.

Lack of Stability: Entrepreneurship lacks the stability of a traditional job with a regular paycheck and benefits. Income can be inconsistent, and there may be periods of financial strain.

Responsibility and Accountability: Entrepreneurs are responsible for all aspects of their business, including finances, operations, marketing, and more. This level of responsibility can be overwhelming.

Market Competition: Entrepreneurs often face stiff competition in the market. They must continually adapt and innovate to stay ahead.

Legal and Regulatory Challenges: Navigating the legal and regulatory requirements of running a business can be complex and time-consuming.

2.5.1 Solution to the Challenges

Potential solutions to the challenges facing entrepreneurship in Nigeria:

1. Develop more microfinance institutions and cooperative societies.
2. Encourage government-backed loan schemes and grants.
3. Foster partnerships with international funding organizations.
4. Invest in improving road networks, electricity supply, and internet connectivity.
5. Encourage public-private partnerships for infrastructure development.
6. Promote the establishment of business parks and industrial zones.
7. Simplify business registration processes and reduce bureaucratic red tape.
8. Implement tax incentives and reliefs for startups and small businesses.
9. Ensure consistent enforcement of business-friendly policies.
10. Create platforms for local entrepreneurs to showcase their products/services.
11. Promote e-commerce and digital marketing skills.
12. Facilitate trade fairs, exhibitions, and networking events.
13. Enhance vocational training and entrepreneurship education in schools.
14. Establish mentorship programs and business incubators.
15. Offer continuous professional development and capacity-building workshops.

2.5.2 Case study of Entrepreneurship

As a high school student, Musa always had a talent of getting things done. He was class captain throughout his undergraduate school. He also helped plan and organize events like the prom and graduation. By taking part in these activities, Musa gained self-confidence. He learned that he had to stay focused to succeed. These experiences led him to open his own business centre. Today he owns and operates a success photo studio in Kaduna.

Self-Assessment Exercises 3

Question 1. What are some challenges faced by entrepreneurs, and how can they

impact an individual's well-being?

Question 2. What solutions can help mitigate the challenges of entrepreneurship in Nigeria?

2.6 SUMMARY

The concept of entrepreneurship is understood as a combination of creativity and innovation. It is a stance taken within the business applying inherent creativity as the act of thinking of new things. It involves coming up with innovative ideas and trying out new methods within the operations. The concept of entrepreneurship is also concerned with new ways of looking at opportunities and identifying a new approach towards solving problems. Entrepreneurship requires the entrepreneur to shift paradigms and do away with old assumptions and perspectives.

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2.8 POSSIBLE ANSWERS TO SELF-ASSESSMENT EXERCISE(S) WITHIN THE CONTENT

SAE 1

Question 1: What is the historical origin of the term "entrepreneur," and how was it initially defined?

Answer: The term "entrepreneur" originates from the 17th-century French word "entreprendre," meaning individuals who undertook the risk of new enterprises. Early entrepreneurs were considered "contractors" who bore the risk of profit or loss, and included various professions such as soldiers of fortune, adventurers, builders, merchants, and even funeral directors.

Question 2: How did Joseph Schumpeter contribute to the modern concept of entrepreneurship, and what is the essence of his definition?

Answer: Joseph Schumpeter contributed to the modern concept of entrepreneurship by describing it as a force of "creative destruction." According to Schumpeter, entrepreneurs are individuals who seek to reform or revolutionize the production process by exploiting new inventions or technological possibilities. They create new products or methods, open new supply sources, and find new outlets for products, thus continuously innovating and driving economic progress.

SAE2

Question: What are some characteristics that researchers have identified as essential for successful entrepreneurs?

Answer: Researchers have identified several key characteristics that set successful entrepreneurs apart from those who fail, including independence, self-confidence, determination, focus, setting high standards, creativity, the ability to act quickly, and taking calculated risks.

Question: What are some advantages of entrepreneurship that make it appealing to individuals?

Answer: Advantages of entrepreneurship include independence and autonomy, the potential for high rewards, opportunities for creativity and innovation, personal fulfillment, flexibility in work hours and location, and contributing to job creation, which positively impacts the local economy.

SAE3

Question: What are some challenges faced by entrepreneurs, and how can they impact an individual's well-being?

Answer: Entrepreneurs face challenges such as financial risk, uncertainty and stress, long hours and hard work, lack of stability, responsibility and accountability, market competition, and legal and regulatory challenges. These challenges can lead to financial losses, mental and emotional strain, burnout, inconsistent income, overwhelming responsibility, and the need to continually adapt to market conditions.

Question: What solutions can help mitigate the challenges of entrepreneurship in Nigeria?

Answer: Solutions to mitigate entrepreneurial challenges in Nigeria include developing more microfinance institutions and cooperative societies, encouraging government-backed loan schemes and grants, fostering partnerships with international funding organizations, investing in infrastructure improvements, promoting public-private partnerships, simplifying business registration processes, implementing tax incentives, ensuring enforcement of business-friendly policies, creating platforms for showcasing products/services, promoting e-commerce and digital marketing skills, facilitating trade fairs and networking events, enhancing vocational training and entrepreneurship education, establishing mentorship programs and business incubators, and offering continuous professional development workshops

UNIT 3: PSYCHOLOGICAL APPROACH TO ENTREPRENEURSHIP CONTENT

3.1 INTRODUCTION

In this unit an attempt would be made to explain the contributions of psychologists to the understanding of entrepreneurship. You would be exposed to those personal characteristics that distinguish entrepreneurs from others. You will also understand the criticisms of psychological approach.

3.2 Learning Outcomes

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

i. evaluate the personality traits of entrepreneurs.
ii. Discuss those characteristics that set the entrepreneurs apart from others.
iii. Analyze the need for achievement
iv. Explain the two types of locus of control

3.3 Personality of the Entrepreneur

There has been a very considerable contribution to the study entrepreneurship by psychologists. Prominent scholars who espoused this approach Schumpeter, McClelland, Hagen and Kunkel.

Much of it is focused on the personality of the entrepreneur and their characteristics. This revolves around the most commonly discussed personal characteristics, which have been identified that differentiate entrepreneurs from others. They include:

- High need for achievement
- Risk taker
- Internal locus of control and
- Autonomy

3.3.1 Need for Achievement (N-arch)

Desire to do well, not so much for the sake of social recognition or prestige, but for the sake of an inner feeling of personal accomplishment. McClelland (1961) proposes that people with high nArch have:

- Strong desire to solve problems on their own
- Enjoy setting goals and achieving them through their own efforts
- Like receiving feedback on how well they are doing
- Highly motivated
- Likely to take moderate risks
- Need for achievement is acquired during middle childhood family socialization.
- Emphasizes the importance of child rearing as the intrinsic determination of achievement motive.

3.3.2 Criticism of Need for Achievement Theory

Theories such as the Need for Achievement (nAch) and Risk-Taking Propensity have long been employed to explain entrepreneurial behavior and motivation. However, these theories have also been subject to significant criticism.

The Need for Achievement theory, popularized by David McClelland, posits that individuals with a high need for achievement are more likely to become successful entrepreneurs because they possess a strong desire to accomplish challenging goals and take responsibility for their outcomes. Critics argue that this theory oversimplifies the complexity of entrepreneurial motivation. One primary criticism is that it does not account for cultural and social differences. What is considered an achievement can vary significantly across cultures, making the application of this theory problematic in diverse contexts. Additionally, the theory assumes that achievement motivation is a stable trait, whereas in reality, an individual's motivation can fluctuate based on various factors such as life stage, personal experiences, and changing external conditions.

Another critique of the Need for Achievement theory is that it underestimates the role of external factors in entrepreneurial success. The theory tends to focus on internal psychological traits while neglecting the importance of external influences such as market conditions, access to capital, social networks, and luck. This narrow focus can lead to an incomplete understanding of what drives entrepreneurial success.

Self-Assessment Exercises 1

Q1: What are the key personality characteristics identified by psychologists that differentiate entrepreneurs from others?

Q2: What are the main criticisms of the Need for Achievement theory in explaining entrepreneurial behavior?

3.4 Risk-Taking Propensity

New venture creation is fraught with risk and financing of such ventures is referred to as risk capital. McClelland "ascribes the inculcation of" the achievement motive to child rearing practices which stress standard of excellence, maternal warmth, self-reliance training and a low father dominance".

3.4.1 Criticism of Risk taking propensity

Similarly, the Risk-Taking Propensity theory, which suggests that successful entrepreneurs are those willing to take calculated risks, faces substantial criticism. One of the main critiques is that the theory can romanticize risk-taking, potentially encouraging reckless behavior. The assumption that higher risk equates to higher reward does not always hold true in practice, as many high-risk ventures fail, leading to significant financial and personal losses.

Furthermore, this theory often fails to distinguish between calculated risks and mere gambles. Successful entrepreneurs are typically those who take informed risks based on careful analysis and strategic planning, rather than those who take risks impulsively.

Another criticism of the Risk-Taking Propensity theory is its lack of consideration for the diverse risk profiles of entrepreneurs. Entrepreneurs are not a homogenous group, and their willingness to take risks can vary widely based on factors such as their industry, experience, personal circumstances, and cultural background. By generalizing the risk-taking behavior of entrepreneurs, the theory overlooks the nuanced and context-dependent nature of risk-taking in entrepreneurship.

Moreover, both theories face the challenge of empirical validation. Measuring constructs like achievement motivation and risk propensity is inherently difficult, as these are subjective and can be influenced by numerous external factors. This makes it challenging to draw definitive conclusions about their impact on entrepreneurial success.

3.4.2 Types of risk taking propensity

Risk-taking propensity can be categorized into various types based on the nature and context of the risks involved. Here are some common types:

1. Financial Risk-Taking
2. Strategic Risk-Taking
3. Operational Risk-Taking
4. Market Risk-Taking
5. Technological Risk-Taking
6. Personal Risk-Taking

Self-Assessment Exercises 2

Q1: What are the main criticisms of the Risk-Taking Propensity theory in entrepreneurship?

Q2: What are some common types of risk-taking propensity in entrepreneurship?

3.5 Internal Locus of Control

Argues that there are two types of people: -

1. Externals: Those who believe that things that happen to them is a result of fate, change, luck, or forces beyond their control.
2. Internals: Those who believe that for the most part of the future is their control through their own effort.

3.5.1 Criticism of the Theory: Internal Locus of Control

The theory of Internal Locus of Control, which differentiates between 'externals' and 'internals,' has been a subject of debate. While the theory posits that internals believe their future is largely in their own hands, driven by their efforts, and externals attribute outcomes to fate, chance, or external forces, several criticisms have emerged:

1. Critics argue that the binary classification of individuals as either internals or externals is too simplistic. Human behavior and belief systems are complex and can vary across different contexts and situations.
2. The theory may reflect a Western-centric perspective, where individualism and personal control are highly valued. In collectivist cultures, external factors such as family, community, and societal norms play a significant role in shaping individuals' perceptions of control.

3. People's locus of control can change depending on the situation. For example, a person might feel in control in their professional life (internal) but feel that their personal life is influenced by external factors (external).
4. The theory has been criticized for not adequately addressing the interplay between determinism and free will. It implies that internals always have control, which may not account for systemic and structural constraints that limit individual agency.
5. Emphasizing an internal locus of control can sometimes lead to self-blame when individuals fail, as they might feel solely responsible for outcomes, ignoring external factors that might have influenced the results.
6. The theory tends to downplay the impact of external factors such as socioeconomic status, education, and social support, which can significantly affect an individual's ability to exert control over their life circumstances.

3.5.2 Criticism of Psychological Approach

- Failed to discuss competencies
- Ignores the influence of the external environment Robor Levine (1989) posited that:

• Socialization of children will be regulated by the type of status mobility system that prevails in that society.

• Where higher status is attained through outstanding performance in one's occupation role, parents will try to foster in their children initiative, industriousness, and foresight through self-reliance and achievement training.

McClelland (1961) revised his theory as a result of criticism and conceded that "it is the ideology and values that shape the modes of family socialization which in turn develop in entrepreneurial behaviour.

Self-Assessment Exercises 3

Question 1: What are the main criticisms of the binary classification in the Internal Locus of Control theory?

Question 2: How does the Internal Locus of Control theory potentially lead to self-blame, and what external factors does it tend to downplay?

3.6 SUMMARY

In a nutshell, the unit highlighted the psychological approach to the understanding of entrepreneurship and the criticisms of their approach.

This unit has attempted to explain the psychologist's perspective of entrepreneurship. There is also an insight into the various personal characteristics (traits) of a successful entrepreneur. Entrepreneurs are seen as those with high need for achievement (N-arch), calculated risk takers as well as those with internal locus of control. There is also a highlight of criticism of the psychologists perspective.

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3.8 POSSIBLE ANSWERS TO SELF-ASSESSMENT EXERCISE(S) WITHIN THE CONTENT

SAE 1

Q1: What are the key personality characteristics identified by psychologists that differentiate entrepreneurs from others?

A1: Psychologists, including prominent scholars like Schumpeter, McClelland, Hagen, and Kunkel, have identified several key personality characteristics that differentiate entrepreneurs from others. These characteristics include a high need for achievement, a propensity for taking risks, an internal locus of control, and a desire for autonomy. These traits are believed to drive entrepreneurs to pursue and accomplish challenging goals through their own efforts.

Q2: What are the main criticisms of the Need for Achievement theory in explaining entrepreneurial behavior?

A2: The Need for Achievement theory, popularized by David McClelland, has been criticized for several reasons. One primary criticism is that it oversimplifies the complexity of entrepreneurial motivation by not accounting for cultural and social differences, which can influence what is considered an achievement. Additionally, the theory assumes that achievement motivation is a stable trait, whereas it can fluctuate based on life stages and personal experiences. Critics also argue that the theory underestimates the role of external factors, such as market conditions, access to capital, social networks, and luck, which are crucial in entrepreneurial success.

SAE 2

Q1: What are the main criticisms of the Risk-Taking Propensity theory in entrepreneurship?

A1: The Risk-Taking Propensity theory faces several criticisms, including the tendency to romanticize risk-taking, potentially encouraging reckless behavior. It assumes that higher risk equates to higher reward, which is not always true in practice as many high-risk ventures fail.

The theory also often fails to distinguish between calculated risks and mere gambles, overlooking the careful analysis and strategic planning that successful entrepreneurs typically engage in. Additionally, it does not account for the diverse risk profiles of entrepreneurs, who may vary widely in their willingness to take risks based on industry, experience, personal circumstances, and cultural background.

Q2: What are some common types of risk-taking propensity in entrepreneurship?

A2: Risk-taking propensity in entrepreneurship can be categorized into various types based on the nature and context of the risks involved. Some common types include:

1. **Financial Risk-Taking**: Involves making decisions with potential financial gains or losses, such as investing in new ventures or stock markets.
2. **Strategic Risk-Taking**: Pertains to long-term decisions that could significantly impact the direction of a business, like entering new markets or launching new products.
3. **Operational Risk-Taking**: Relates to the risks associated with daily business operations, including adopting new technologies or changing supply chain strategies.
4. **Market Risk-Taking**: Involves uncertainties related to market conditions and consumer behavior, such as launching a product in a new market or altering pricing strategies.
5. **Technological Risk-Taking**: Entails investing in or adopting new technologies that could revolutionize operations or result in losses if they fail.
6. **Personal Risk-Taking**: Involves personal sacrifices or decisions, such as quitting a stable job to pursue entrepreneurship or relocating for business opportunities.

SAE 3

Question 1: What are the main criticisms of the binary classification in the Internal Locus of Control theory?

Answer: The main criticisms of the binary classification in the Internal Locus of Control theory include the following:

1. **Oversimplification**: Critics argue that categorizing individuals strictly as 'internals' or 'externals' is too simplistic. Human behavior and belief systems are complex and can vary across different contexts and situations.
2. **Cultural Bias**: The theory may reflect a Western-centric perspective, valuing individualism and personal control. In collectivist cultures, external factors such as family, community, and societal norms significantly shape individuals' perceptions of control, making the binary classification less applicable.
3. **Situational Variability**: People's locus of control can change depending on the situation. For example, someone might feel in control in their professional life but feel influenced by external factors in their personal life. The theory does not account for this variability.

Question 2: How does the Internal Locus of Control theory potentially lead to self-blame, and what external factors does it tend to downplay?

Answer: The Internal Locus of Control theory can potentially lead to self-blame when individuals fail, as it emphasizes personal control and responsibility for outcomes. This perspective might cause individuals to feel solely responsible for their failures, ignoring external factors that could have influenced the results. Additionally, the theory tends to downplay the impact of external factors such as socioeconomic status, education, and social support. These factors can significantly affect an individual's ability to exert control over their life circumstances, but the theory's focus on internal control may overlook these critical influences.

UNIT 4: SOCIO-ECONOMIC APPROACH TO ENTREPRENEURSHIP CONTENT

4.1 INTRODUCTION

This unit attempt to explain the sociological dimension to the study of entrepreneurship. There is also the economic approach to the understanding of entrepreneurship. You would be exposed to Max Weber’s paradigm and his views on the protestants work ethics. Other scholar’s position on the behaviour of entrepreneurs is also contain in this unit.

4.2 Learning Outcomes

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

i. Evaluate the key assumptions associated with the sociological approach to studying entrepreneurship.

ii. Discuss Max Weber's paradigm and his perspective on Protestant work ethics in relation to entrepreneurship.

iii. Analyze the behavioral patterns of entrepreneurs within the broader societal context.

iv. Explain the economic incentives necessary to promote and sustain entrepreneurial activities.

4.3 Sociological Approach to Entrepreneurship

This approach assumes that:

- Entrepreneurship is likely to get a boost in a particular social culture.

- Society’s values, religious beliefs customs, taboos influence the behaviour of individuals in a society.

- The entrepreneur is a role performer according to the role expectations by the society.

- Some entrepreneurs have a strong social facet. They are able to meet challenges, social needs and in so doing create significant new social capital, they make the world a better place for all of us (Bolton B. and Thompson P., 2003).
- A strong ego facet is a must for the entrepreneur. By this we do not mean or need to be self-centered individuals who get others and gaining at somebody's else expense.

4.3.1 Max Weber's Paradigm

The accurate description of Weber's paradigm might be "the development ethics and the spirit protestant ethic. In the former he argued that charismatic leader is constrained neither by tradition nor law and that his/her appeal is the very fact he/she undertakes to break the constraints imposed by established customs and roles in order to bring change.

Weber however, conceded also that in capitalist exchange economies, the influence or charismatic leadership is somewhat constrained as change is due to activities of enterprises and their pursuit of profit in the market.

4.3.2 Protestant Work Ethic Thesis

- On protestant ethic, Weber identified the positive change that took place in public attitudes towards entrepreneurship after the reformation in the western world and proposed that Protestantism had helped bring about this change.

- According to him "Calvinists become noted for their moralistic dedication to work and their willingness to deny immediate gratification in order to invest effort and wealth in the long term improvement of their worldly condition.
- It was such attitudes that made protestant Europe the locus for the development of the modem capitalist economy.

- Once such attitudes were accepted, it not only became legitimate to make money, but society became imbued with a new, more disciplined and methodical approach to work.

- A British industrialist Cather wood argued that, it is the duty of the Christian to use his abilities to the limit of his physical and the mental ability. He cannot relax as soon as he has got enough money or as-soon as he has mastered his job. He should not stop until it is quite dear .he has reached his ceiling (Kirby 2003).

Weber therefore advanced the theory of protestant ethic and the spirit of capitalism.

Self-Assessment Exercises 1

Question 1: What role does social culture play in the Sociological Approach to Entrepreneurship?

Question 2: How does Max Weber's paradigm relate to the development of entrepreneurship according to the Sociological Approach?

4.4 Behaviouristic Model

Kunkel elaborated behaviouristic model explains that behavioural patterns are determined by reinforcing and aversive stimuli present in the societal context, such rewards and punishments not being limited to the child-rearing period entrepreneurial behaviour.

- Is a function of the surrounding social structure, both past and present, and can be readily informed by manipulative economic and social incentives.

- Based upon experimental psychology, identifies sociological variables as the determinants of entrepreneurial supply while at the same time implying much more optimistic.

Kunkel posited that the entrepreneurial behaviour is a function. If' the surrounding social structure and can be readily influenced by manipulative economic and social incentives.

4.4.1 Cochran's Performance Factors

Performance of the entrepreneur is contingent on three factors and the key elements are.

- Cultural values — hinges on societal values
- Social sanctions — hinges on societal values
- Role expectations — hinges on skills possessed by the individual
- Sociological approach tries to explain the social conditions from which entrepreneur emerge and the social factors that influence their decision to become entrepreneurs.

4.4.2 Criticism of Cochran's Performance Factors

Cochran's Performance Factors model, which outlines cultural values, social sanctions, and role expectations as key determinants of entrepreneurial performance, has been subject to various criticisms:

1. **Overemphasis on Societal Influence**: The model heavily relies on societal values and norms, potentially underestimating the significance of individual traits and personal motivations in entrepreneurial success.
2. **Lack of Consideration for Economic and Political Factors**: Cochran's model focuses on sociocultural elements, often overlooking the impact of economic and political environments that also play crucial roles in entrepreneurial performance.
3. **Static View of Culture and Society**: The model may assume a static view of culture and society, failing to account for the dynamic and evolving nature of social values and their influence on entrepreneurship over time.
4. **Neglect of Individual Agency**: By emphasizing societal factors, the model might downplay the agency of the individual entrepreneur, not sufficiently recognizing how personal initiative, innovation, and risk-taking contribute to entrepreneurial success.
5. **Generalization Across Contexts**: Cochran's approach can be criticized for its potential lack of applicability across different cultural and societal contexts, as it may not account for unique local conditions and variations in entrepreneurial ecosystems.

Self-Assessment Exercises 2

Question 1: What does the Behaviouristic Model, as proposed by Kunkel, suggest about the determinants of entrepreneurial behavior?

Question 2: How does the Behaviouristic Model view the role of economic and social incentives in shaping entrepreneurial behavior?

4.5 Economic Approach

The Economic Approach to entrepreneurship emphasizes the role of economic conditions and incentives in fostering entrepreneurial activities and driving economic growth. According to this approach, entrepreneurship and economic growth flourish when the economic environment is conducive and supportive.

4.5.1 Key Elements of the Economic Approach

Economic Incentives

i. Taxation Policy: Favorable taxation policies, including tax incentives and reliefs, can encourage entrepreneurship by reducing the financial burden on new businesses.
ii. Industrial Policy: Government policies that provide subsidies, grants, and supportive regulations can create a nurturing environment for startups and small businesses.
iii. Sources of Finance: Access to various funding sources, such as bank loans, venture capital, and angel investors, is crucial for entrepreneurs to start and grow their businesses.
iv. Availability of Raw Materials: A steady supply of affordable raw materials is essential for production processes, influencing the cost and efficiency of operations.
v. Infrastructure Availability: Well-developed infrastructure, including transportation, communication networks, and utilities, supports efficient business operations and reduces operational costs.
vi. Investment and Marketing Opportunities: Identifying and capitalizing on investment and marketing opportunities helps entrepreneurs to grow their businesses and reach new markets.

vii. Access to Market Information and Technology: Having access to reliable market information and the latest technological advancements enables entrepreneurs to make informed decisions and innovate continuously.

4.5.2 Significance of the Economic Approach

i. **Motivation**: Economic incentives serve as powerful motivators for individuals to pursue entrepreneurial ventures, seeing potential for profit and growth.

ii. **Supportive Environment**: Favorable economic conditions create a supportive environment where entrepreneurs can thrive, reducing barriers to entry and growth.

iii. **Resource Allocation**: Efficient allocation of resources, such as capital, raw materials, and infrastructure, helps in optimizing business operations and achieving higher productivity.

iv. **Market Efficiency**: Access to information and technology enhances market efficiency, allowing entrepreneurs to respond quickly to changes in market demand and competition.

Self-Assessment Exercises 3

Question 1: What are some key economic incentives that support entrepreneurial activities according to the Economic Approach?

Question 2: How does the Economic Approach to entrepreneurship view the significance of infrastructure availability?

4.6 SUMMARY

This unit emphasizes the sociological perspective in understanding entrepreneurship, highlighting economic incentive factors like taxation policy, investment opportunities, and market accessibility. It introduces the basic assumptions of the sociological approach and discusses Max Weber's views on Protestant work ethics. Additionally, it explains various factors influencing entrepreneurial performance, particularly focusing on economic incentives necessary for entrepreneurial activities. The unit underscores that entrepreneurship and economic growth thrive under favorable economic conditions.

4.7 REFERENCES/FURTHER READINGS/WEB RESOURCES

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4.8 POSSIBLE ANSWERS TO SELF-ASSESSMENT EXERCISE(S) WITHIN THE CONTENT

SAE 1

Question 1: What role does social culture play in the Sociological Approach to Entrepreneurship?

Answer: The Sociological Approach to Entrepreneurship posits that entrepreneurship is likely to thrive in a particular social culture. Society's values, religious beliefs, customs, and taboos influence the behavior of individuals within that society. This approach suggests that entrepreneurs are role performers who operate according to societal expectations. Therefore, the social culture in which individuals are embedded can significantly impact their entrepreneurial behavior and the likelihood of them pursuing entrepreneurial ventures.

Question 2: How does Max Weber's paradigm relate to the development of entrepreneurship according to the Sociological Approach?

Answer: Max Weber's paradigm, particularly his Protestant Work Ethic Thesis, is integral to the Sociological Approach to Entrepreneurship. Weber argued that the development of ethics and the spirit of Protestantism played a crucial role in fostering entrepreneurship in the Western world. He suggested that the moralistic dedication to work and the willingness to invest effort and wealth in long-term improvement, as seen in Calvinist attitudes, facilitated the rise of modern capitalism. This new approach to work, which emphasized disciplined and methodical effort, made entrepreneurship a legitimate and respected pursuit, thereby enhancing entrepreneurial activity and economic development.

SAE 2

Question 1: What does the Behaviouristic Model, as proposed by Kunkel, suggest about the determinants of entrepreneurial behavior?

Answer: The Behaviouristic Model, as proposed by Kunkel, suggests that entrepreneurial behavior is determined by the reinforcing and aversive stimuli present in the societal context. These stimuli include rewards and punishments, which are not limited to the child-rearing period but extend to the broader social structure. Entrepreneurial behavior is a function of the surrounding social structure and can be influenced by manipulative economic and social incentives.

Question 2: How does the Behaviouristic Model view the role of economic and social incentives in shaping entrepreneurial behavior?

Answer: The Behaviouristic Model views economic and social incentives as significant factors that can readily influence entrepreneurial behavior. According to Kunkel, entrepreneurial behavior is not only shaped by past and present social structures but can also be manipulated through economic and social incentives. This implies that by altering these incentives, it is possible to affect the supply and behavior of entrepreneurs within a society.

SAE 3

Questions and Answers on the Economic Approach to Entrepreneurship

Question 1: What are some key economic incentives that support entrepreneurial activities according to the Economic Approach?

Answer: Key economic incentives that support entrepreneurial activities according to the Economic Approach include favorable taxation policies, industrial policies that provide subsidies and grants, access to various sources of finance, availability of affordable raw materials, well-developed infrastructure, investment and marketing opportunities, and access to market information and technology.

Question 2: How does the Economic Approach to entrepreneurship view the significance of infrastructure availability?

Answer: The Economic Approach to entrepreneurship views the availability of infrastructure as crucial for supporting efficient business operations and reducing operational costs. Well-developed infrastructure, including transportation, communication networks, and utilities, is essential for entrepreneurs to effectively run their businesses and enhance productivity.

UNIT 5: BUSINESS EXPANSION AND THE CHANGING ROLE OF THE ENTREPRENUER

CONTENT

5.1 Introduction

5.2 Learning Outcomes

5.3 The entrepreneur and business expansion

5.3.1 Factors affecting entrepreneur and business expansion

5.3.2 Issues with business expansion

5.4 The changing role of the entrepreneur

5.4.1 Business growth

5.4.2 Limiting business growth

5.5 The entrepreneurial spirit and expansion options

5.5.1 Business change alternative

5.5.2 Factors Affecting Business Change Alternative

5.6 Summary

5.7 References/Further Readings/Web Resources

5.8 Possible Answers to Self-Assessment Exercise(s) within the content

5.1 Introduction

The desire of many entrepreneurs is to start a small business that will eventually grow and become a large one. This is the dream of many entrepreneurs. But business expansion carries with it some challenges. This unit provides you with issues relating to business expansion. You will also learn about the changing role of the entrepreneur in this regard. As the business grows, the skills required of the entrepreneur will also change.

5.2 Learning Outcomes

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

i. understand the challenges with business expansion.

ii. analyze the changing role of the entrepreneur.

iii. identify the alternative solutions to problems of business expansion.

iv. evaluate the different reactions to business change by entrepreneurs.

5.3 The Entrepreneur and Business Expansion

One of the most exciting times for an entrepreneur is the start-up or early ownership phase. Building a company from the idea stage takes creativity and vision and is a great challenge. Even for the entrepreneur who buys an existing business plans to improve it, the early ownership phase requires innovation and presents the entrepreneur with exciting goals to be accomplished. For these reasons, the early years of business ownership are usually very rewarding. However, once the start-up phase is over and the company is past the survival stage, the level of challenge may seem to decrease. Despite the constant problems to be solved, this is often not as enjoyable as developing the company.

5.3.1 Factors Affecting Entrepreneur and Business Expansion

- **Access to Finance:** Availability of funding from banks, investors, or other sources is crucial for starting and expanding a business.
- **Market Conditions:** Favorable market conditions, such as growing demand and stable economic environments, encourage business expansion.
- **Taxation Policies:** Supportive tax policies, including tax incentives and reliefs, reduce the financial burden on businesses and encourage growth.

2. Social Factors:

- **Cultural Values:** Societal attitudes towards entrepreneurship can influence business activities. Cultures that value innovation and risk-taking tend to support entrepreneurial ventures.
- **Networking Opportunities:** Strong social networks provide entrepreneurs with valuable connections, advice, and resources needed for business growth.
- **Workforce Availability:** Access to a skilled and motivated workforce is essential for business operations and expansion.

3. Technological Factors:

- **Technological Advancements:** Access to the latest technology can increase efficiency, productivity, and competitiveness, aiding business expansion.
- **Infrastructure Development:** Reliable infrastructure, such as internet connectivity and transportation systems, supports efficient business operations.

4. Regulatory Factors:

- **Government Policies:** Supportive government policies, such as ease of business registration and regulatory compliance, create a conducive environment for business growth.
- **Legal Environment:** A stable legal environment that protects intellectual property and enforces contracts encourages entrepreneurship.

5. Market Factors:

- **Customer Demand:** High and growing customer demand for products or services drives business expansion.
- **Competitive Landscape:** Understanding and navigating competition effectively allows businesses to capture market share and grow.

5.3.2 Issues with Business Expansion

If the company is small, in the first few years the family atmosphere is an enjoyable experience for both the entrepreneur and employees. The entrepreneur knows the employees, works directly with each of them, and closely manages the daily company operations. His or her direct involvement is usually crucial for the survival of the business. As the company grows, however, the atmosphere of the company changes. The entrepreneur no longer works directly with all of the employees and it may be more difficult to main the "family atmosphere". This is often a source of discontent for both the company founder and the original group of employees.

Keith Dunn discovered this problem the hard way when he started McGuffey's Restaurant. After working at large restaurants for many years, he planned to open one where the employees would enjoy working as much as the customers would enjoy eating. When he opened his first restaurant in Asheville, North Carolina, the employees had many benefits, including the freedom to give away free appetizers and desserts. A special camaraderie existed among the employees and the restaurant was a huge success.

Two years later, Dunn and his partners opened two more restaurants, assuming that the success of the first would be repeated. The were surprised to find that the new restaurants were not as successful. In addition, many problems developed at the first restaurant. Sales at the original outlet dropped 15 percent and employee turnover skyrocketed. Three years later, sales continued to decline, restrooms were not maintained, and employee turnover was 220 percent. After attempts to solve the problems were unsuccessful, Keith Dunn and his parents each assumed ownership of separate outlets so the small, family atmosphere could be restored.

Self-Assessment Exercises

Question 1: Why is the start-up or early ownership phase often considered the most exciting and rewarding time for an entrepreneur?

Question 2: What are some key social factors that influence an entrepreneur and their ability to expand their business?

5.4 The Changing Role of the Entrepreneur

As stated earlier, the skills the entrepreneur needs will change as the business grows. He or she should no longer be involved in daily tasks but instead should concentrate on management and motivation. Despite the need for strong leadership and management skills, however, the entrepreneur often feels trapped in a less important role. Once other managers and salespeople are hired, the entrepreneurs job is less well defined. A common complain at this point is, “I don’t know what my job is anymore. I used to be the head salesperson and cheerleader for my company but now I’ve got a sales manager who does that. What my job?”

Another problem that often occurs is that a business grows much larger and faster than the entrepreneur expected, which conflicts with personal goals. For example, Carolyne Blakeslee founded ArtCalendar, a publication that lists grants , art shows, and other articles of interest to artists. She began the company believing that it would be a part-time venture that she could operate from her home while raising her new baby. For the first few years, the company experienced a growth rate of more than 100 percent per year and the business consumed much more of her time than expected. She left torn between a desire to grow the company and a desire to spend more time with her child. She admits that she “has a perfectionist streak” and “can see what the magazine ultimately could be. “on the other hand, balancing both full time, demanding job and a child was not what she wanted when she started the business. In such a situation, crucial decisions regarding personal and company goals need to be made.

5.4.1 Business Growth

Business growth is a critical phase in the entrepreneurial journey, involving the expansion of business operations, increased market presence, and scaling of activities to achieve higher revenue and profitability. Successful business growth requires strategic planning, effective management, and the ability to adapt to changing market conditions. Here are key aspects of business growth:

Key Elements of Business Growth

- **i.** Market Penetration
- **ii.** Market Development
- iii. Entering New Markets
- **iv.** Exploring International Markets
- **v.** Product Development
- **vi.** Strategic Alliances and Partnerships
- **vii.** Investment in Technology and Infrastructure

5.4.2 Limiting Business Growth

When faced with a growing company, the entrepreneur often makes a conscious decision to limit company growth or even reduce the company size. Although the potential exists to own a large business, the entrepreneur forgoes the financial rewards in favor of a smaller, simpler one. By limiting the customer base, the number of hours of operation, the number of outlets, and so on, the business remain at a given level for the entrepreneur’s entire career.

Self-Assessment Exercises 2

Question 1: What changes in skills and focus does an entrepreneur need to make as their business grows?

Question 2: What dilemma did Carolyne Blakeslee face with her business ArtCalendar, and what does it illustrate about entrepreneurial growth?

5.5 The Entrepreneurial Spirit and expansion options

Some entrepreneur adjusts to the growing business and use their skills to build a company that is strong enough to let the founder be entrepreneurial again. This may be accomplished within the same company.

Entrepreneurs may develop a company to a mature phase and then hire a good team of managers to run the business on a daily basis. The entrepreneur can then use his or her skills to decide where the company is going next and what opportunities should be pursued. One entrepreneur says she believes that entrepreneurs should know their own strength and build on them. Mary Kay Ash, founder of Mary Kay Cosmetics, gave similar advice to entrepreneurs. Her advice was to

"stay in the area that you do best" and find qualified people to handle the other tasks.

The entrepreneurial spirit can also be discovered by keeping the larger business and starting a second one. This allows the founder to experience the challenge of a start-up while maintaining the larger, more profitable business. In one small study of entrepreneurs who had been self-employed for more than six years, 44 percent indicated that they owned more then one company.

5.5.1 Business Change Alternative

Other entrepreneurs at the same stage may have different reactions. Cashing in is always an option, but even then there are several alternatives.

Some entrepreneurs realize that they do not want sole responsibility for the company's management but they still want to be involved. For many, the solution is to sell a portion of the company to a key employee. One entrepreneur who started an auto repair firm sold a portion of the company to an employee when the business became too large and time-consuming for one person to handle. This time for family and leisure activities.

Others decide to sell the business to an outsider and take a break from self-employment. One owner of a rapidly growing automotive equipment company found the business overwhelming. He choose to sell to another entrepreneur and then accepted a job at an engineering firm. Still others sell one business and start another. One veterinarian's successful animal hospital became too demanding. His solution was to sell the practice to another veterinarian and start a muffler repair shop instead.

5.5.2 Factors Affecting Business Change Alternative

When entrepreneurs consider altering their business strategies or structures, several factors influence their decisions. Understanding these factors can help entrepreneurs make informed choices that align with their personal and business goals. The key factors affecting business change alternatives include:

1. **Personal Goals and Lifestyle**

   Entrepreneurs' personal aspirations and lifestyle preferences play a significant role in their decision-making process. For instance, an entrepreneur may choose to sell part of their business to achieve a better work-life balance or to focus on other personal interests and commitments.

2. **Business Performance and Market Conditions**

   The current performance of the business and prevailing market conditions can heavily influence the decision to change business strategies. If the business is thriving, the entrepreneur might opt for expansion or diversification. Conversely, if the market conditions are unfavorable, they might consider downsizing or selling the business.

3. **Financial Considerations**

   Access to financial resources and the need for additional capital can drive decisions on business change. Entrepreneurs may seek investors, loans, or sell equity to fund expansion. Alternatively, financial constraints might lead to selling the business or parts of it.

4. **Management and Operational Challenges**

The complexity of managing a growing business can prompt entrepreneurs to rethink their roles. Hiring a management team to handle day-to-day operations can free entrepreneurs to focus on strategic planning and innovation. However, if operational challenges become too overwhelming, selling the business might be considered.

5. **Market Opportunities**

Identifying new market opportunities can influence an entrepreneur to expand or pivot their business. Expanding into new markets or starting a new business can provide growth and innovation opportunities while leveraging existing business strengths.

6. **Technological Advancements**

Technological changes can impact business operations and expansion opportunities. Entrepreneurs need to adapt to technological advancements to stay competitive. This may involve investing in new technology, updating processes, or even starting a technology-focused new venture.

Self-Assessment Exercises 3

Question 1: What strategies can entrepreneurs use to continue being entrepreneurial within a growing company?

Question 2: What are some business change alternatives for entrepreneurs who find managing a growing company overwhelming?

5.6 SUMMARY

Many people engage in starting a small business that will grow to become large. The dream of achieving this business growth successfully is also the entrepreneur's nightmare. This transition carried with it many challenges with entrepreneurial spirit; the problems associated with business expansion can be solved.

5.7 REFERENCES/FURTHER READINGS/WEB RESOURCES

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5.8 POSSIBLE ANSWERS TO SELF-ASSESSMENT EXERCISE(S) WITHIN THE CONTENT

SAE 1

Question 1: Why is the start-up or early ownership phase often considered the most exciting and rewarding time for an entrepreneur?

Answer 1: The start-up or early ownership phase is considered the most exciting and rewarding time for an entrepreneur because it involves building a company from the idea stage, which requires creativity, vision, and innovation. This phase presents unique challenges and goals, making it highly engaging. For those buying an existing business, the early ownership phase also demands improvement and innovation, providing a sense of accomplishment.

Question 2: What are some key social factors that influence an entrepreneur and their ability to expand their business?

Answer 2: Key social factors that influence an entrepreneur and their ability to expand their business include:

- **Cultural Values:** Societal attitudes towards entrepreneurship, with cultures valuing innovation and risk-taking being more supportive.
- **Networking Opportunities:** Strong social networks offering valuable connections, advice, and resources for growth.
- **Workforce Availability:** Access to a skilled and motivated workforce essential for efficient operations and expansion.

SAE 2

Question 1: What changes in skills and focus does an entrepreneur need to make as their business grows?

Answer 1: As the business grows, an entrepreneur needs to shift their focus from daily tasks to management and motivation. This includes developing strong leadership and management skills to oversee the broader operations and to motivate their team. The entrepreneur's role becomes more about strategic planning and less about hands-on involvement in every aspect of the business.

Question 2: What dilemma did Carolyne Blakeslee face with her business ArtCalendar, and what does it illustrate about entrepreneurial growth?

Answer 2: Carolyne Blakeslee faced a dilemma where her business, ArtCalendar, grew much larger and faster than she anticipated, conflicting with her personal goal of spending more time with her child. This illustrates a common challenge for entrepreneurs: balancing rapid business growth with personal life goals. Entrepreneurs must often make crucial decisions regarding the extent of their business growth and their personal involvement.

SAE 3

Question 1: What strategies can entrepreneurs use to continue being entrepreneurial within a growing company?

Answer: Entrepreneurs can continue being entrepreneurial within a growing company by developing the company to a mature phase and hiring a team of managers to handle daily operations. This allows the entrepreneur to focus on strategic direction and pursue new opportunities. Mary Kay Ash advised entrepreneurs to "stay in the area that you do best" and delegate other tasks to qualified people. Additionally, entrepreneurs can maintain their entrepreneurial spirit by keeping the larger business and starting a second one, which allows them to enjoy the challenges of a startup while benefiting from the established business.

Question 2: What are some business change alternatives for entrepreneurs who find managing a growing company overwhelming?

Answer: For entrepreneurs who find managing a growing company overwhelming, several business change alternatives are available:

1. Selling a portion of the company to a key employee, which allows the entrepreneur to share management responsibilities and have more time for personal activities.
2. Selling the business to an outsider and taking a break from self-employment, as demonstrated by the owner of a rapidly growing automotive equipment company who sold his business and accepted a job at an engineering firm.
3. Selling one business and starting another, like the veterinarian who sold his animal hospital and started a muffler repair shop to pursue a new venture.

MODULE 2

UNIT 1: CORPORATE OUTLOOK IN NIGERIA

CONTENTS

1.1 Introduction

In this unit you will be introduced to the challenges confronting the corporate world. You will also discover the causative factors for corporate failures in Nigeria as well as measures that can reduce the problem of corporate failures.

1.2 Learning Outcomes

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

i. analyze the nature of corporate outlook in Nigeria.

ii. understand the causes of corporate failure.

iii. evaluate preventive and curative measures to minimize corporate failures.

iv. Evaluate key areas of corporate failure

1.3 Corporate outlook in Nigeria

Nigeria's corporate outlook is characterized by potential for growth and development, driven by ongoing reforms, a focus on diversification, and a vibrant entrepreneurial ecosystem. However, realizing this potential will depend on effectively addressing existing challenges and creating a conducive environment for businesses to thrive.

1.3.1 Management Challenge and Poor Corporate Outlook in Nigeria

The negative experiences of corporate failures in Nigeria in the recent past gives credence to the need for organizational effectiveness and good management practices. Corporate failure is not limited to Nigeria alone, Harnando and Nicholas (2006) pointed out that the **1990's** witnessed several failures of companies around the world. Also Shleifer, Andrei and Vishny (1997) point to the fact that the sheer scale of mismanagement, fraud, embezzlement and graft in the financial service sector bought into question the reliability and effectiveness of the corporate.

1.3.2 Causes of corporate failure

Corporate failure can be attributed to the following factors:

i. **Poor liquidity management decisions:** Effective financial management practice is necessary for sustained growth of any firm. Richard and Steward (1986) emphasized that poor investment decisions, dividend policy and other financing decisions affects the sustainability of firms.

ii. **High cost of production:**

When production cost of a firm is on the high side, it's products cannot compete favourably with other similar products in the market. According to Bowen, Marara and Mureithi (2009) high production cost can result from over employment of both human and material resources. It can also be as a result of technical inefficiency in the production process.

iii. **Faulty sales policies:**

Inappropriate commercial sales policies often have adverse effects that could lead to debt build up and subsequent liquidity problems (Alo, 2003).

iv. **Poor risk management strategy:**

When risk associated with investment decisions are not properly evaluated, the survival of a firm will be threatened. This is because investment in assets is an important source of corporate earnings. As pointed out by Mbat (2001) corporate income will reduce where risk assessments is improperly done.

v. **Inadequate capital:**

Sufficient capital is required to buy the needed fixed assets for a firm. Therefore, a firm that is undercapitalized is bound to fail. An undercapitalized firm will also not be able to invest in enough income generating assets; and working capital will also be affected. Inappropriate capital structure can also lead to corporate failure. An example is where the capital structure is highly geared thereby creating income sharing problems.

vi. **Unnecessary expansion:**

When a company engages in over expansion, short term funds will be immobilized thereby leading to corporate failure. Mbat (2001) posits that where corporate expansion does not comply strictly with corporate strategic plan, the firm's existence will be under severe threat.

vii. **Ineffective sales management:**

The essence of production is to make sales. If sales force, is not adequately trained, the firm may record low sales. Low sales in a competitive market will create a cash flow deficit which in effect leads to solvency problems (Gilman, 2001).

viii. **Government policy:**

Where government policy contradicts the interest of a firm, the firm can be adversely affected. Government policy can be external source of corporate failure. Robson (1996) affirms that if government places a ban on importation of a firm's input, production will be impossible, especially when the existing stock of inputs are exhausted.

ix. **Instability in income:**

Economic meet down can lead to corporate failure. Such downturn in the economy can create financial difficulties for the firm due to its inability to sell products to users aballero and Hammour, 1994).

x. **Socio cultural factors:**

Where a firm's products cannot be absorbed in the immediate environment, it will be forced to search for distant market outlets. This can increase costs and other related problems.

Self-Assessment Exercises 1

Question 1. What factors contribute to the potential for growth and development in Nigeria's corporate outlook?

Question 2: 2. What are the primary causes of corporate failure in Nigeria?

1.4 Measures to minimize corporate failure

The single most important measure of minimizing corporate failure is the institution of an effective management. The management should focus on the following areas:

1. **Business process re-engineering:**

Areas to concentrate on here are

i. improvement in productivity;

ii. Application of appropriate financial structure; and iii. Increase in level of competitive advantage.

2. **Staff training and development:**

   The essence of training is to enhance skills necessary for improved job performance. This is important as employees are expected to use knowledge, skills and right attitudes to lead in job performance.

3. Compliance with the provisions of relevant laws, such as, Companies and Allied Matters Act (CAMA).

4. Effective management of the product and the market. The product market is where the firm generates its income and ensures its long-term survival.

   Management should continuously monitor the following: i. Sales price variance ii. Sales volume variance iii. Sales mix variance iv. Sales quantity variance v. Market size variance vi. Market share variance

   For example, it is a common knowledge that the sales price variance is the actual selling price P. minus the budgeted selling price — b0 multiplied by the actual number of units sold no is equal to sales price variance. That is, (P0 —b0) X0 = sales price variance. Strategic performance measurement system is very important in averting corporate failure. Effective and efficient functional Research and Development (R&D) unit is essential for the continuous monitoring of internal and external factors that can affect a firm's survival.

1.4.1 Efforts of Stakeholders to Minimize Corporate Failure

Stakeholders, including shareholders, employees, customers, suppliers, and the community, play a crucial role in minimizing corporate failure. Their efforts can include:

i. Active Board Involvement: Boards of directors should actively oversee management practices, ensure transparency, and uphold ethical standards.
ii. Shareholder Activism: Shareholders can influence corporate governance through voting on key issues, attending annual meetings, and engaging with the management on strategic decisions.

iii. Regular Reporting: Providing stakeholders with accurate and timely financial and operational reports enhances transparency.
iv. Stakeholder Engagement: Regular communication with stakeholders to understand their concerns and expectations, and to keep them informed about company performance and strategies.
v. Code of Conduct: Implementing and enforcing a code of conduct that promotes ethical behavior across the organization.
vi. Whistleblower Policies: Establishing mechanisms for employees and stakeholders to report unethical practices without fear of retaliation.
vii. Internal Controls: Developing robust internal controls to detect and mitigate risks.
viii. Audit Committees: Forming audit committees to review financial statements and ensure compliance with regulatory standards.

1.4.2 Efforts of Regulatory Institutions to Minimize Corporate Failure

Regulatory institutions play a vital role in maintaining market integrity and protecting stakeholders' interests. Their efforts include:

i. Laws and Regulations: Enforcing laws and regulations that govern corporate behavior, financial reporting, and disclosure requirements.
ii. Compliance Monitoring: Conducting regular audits and inspections to ensure compliance with regulatory standards.
iii. Guidelines and Best Practices: Providing guidelines on best practices for corporate governance to enhance accountability and transparency.
iv. Board Independence: Requiring a certain percentage of independent directors on corporate boards to ensure unbiased oversight.
v. Accounting Standards: Mandating the use of standardized accounting principles to ensure consistency and comparability of financial statements.
vi. Disclosure Requirements: Requiring companies to disclose material information that could impact stakeholders' decision-making.
vii. Sanctions for Non-compliance: Imposing penalties and sanctions on companies and individuals that violate regulations.
viii. Investigative Powers: Granting regulatory bodies the authority to investigate and take action against fraudulent activities.

Self-Assessment Exercises 2

Question 1: What role does staff training and development play in minimizing corporate failure? Question 2: How can stakeholders actively contribute to minimizing corporate failure?

1.5 Key Areas of Corporate Failure

i. Corporate failure often arises from issues in the following key areas:
ii. Inadequate Cash Flow Management: Poor cash flow management can lead to liquidity crises.
iii. Over-leverage: Excessive borrowing and inability to service debt can result in financial distress.
iv. Lack of Oversight: Weak oversight by the board of directors can lead to management misconduct.
v. Ineffective Leadership: Incompetent leadership can result in poor strategic decisions and operational inefficiencies.
vi. Inefficient Processes: Operational inefficiencies can increase costs and reduce profitability.
vii. Supply Chain Disruptions: Dependence on unreliable suppliers can lead to production halts and increased costs.
viii. Inability to Innovate: Failure to innovate and adapt to changing market conditions can lead to loss of market share.
ix. Competitive Threats: Intense competition can erode profitability and market position.

1.5.1 Global Case Study of Corporate Failure

Enron Corporation:

Background: Enron was an American energy company that filed for bankruptcy in 2001 due to massive accounting fraud.

Failure Factors: The company engaged in complex financial schemes to hide debt and inflate profits, leading to a loss of investor confidence.

Impact: Enron's collapse led to significant financial losses for shareholders, employees, and pensioners, and resulted in increased scrutiny of corporate governance practices.

1.5.2 Nigerian Case Study of Corporate Failure

Intercontinental Bank:

Background: Intercontinental Bank was one of Nigeria's largest banks that faced insolvency in 2009.

Failure Factors: Poor corporate governance, inadequate risk management, and unethical practices such as insider loans and fraudulent financial reporting.

Impact: The Central Bank of Nigeria intervened, leading to a significant restructuring of the banking sector and the implementation of stricter regulatory measures to prevent similar failures in the future.

Self-Assessment Exercises 3

Question 1: What are some common causes of corporate failure related to financial management?

Question 2: How can ineffective leadership contribute to corporate failure?

1.6 SUMMARY

This unit essentially focused on the causes and remedial measures for cooperate failure in Nigeria. The discussion provides an overview of the corporate outlook in Nigeria, emphasizing the factors often linked to corporate failures. It highlights the dynamic nature of business and suggests that implementing strategies like business process re-engineering and staff training and development is essential to reduce corporate failures in Nigeria.

1.7 REFERENCES/FURTHER READINGS/WEB RESOURCES

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1.8 POSSIBLE ANSWERS TO SELF-ASSESSMENT EXERCISE(S) WITHIN THE CONTENT

SAE 1

1. What factors contribute to the potential for growth and development in Nigeria's corporate outlook?

Answer: Nigeria's corporate outlook is characterized by potential for growth and development driven by ongoing reforms, a focus on economic diversification, and a vibrant entrepreneurial ecosystem. These efforts aim to reduce dependence on oil revenues and encourage investments in sectors such as agriculture, telecommunications, and financial services. However, addressing challenges like high inflation, foreign exchange volatility, and infrastructural deficits is crucial for realizing this potential.

2. What are the primary causes of corporate failure in Nigeria?

Answer: The primary causes of corporate failure in Nigeria include:

- **Poor liquidity management decisions**: Ineffective financial management practices can lead to unsustainable growth.

- **High cost of production**: Overemployment of resources and technical inefficiency can make products non-competitive.
- **Faulty sales policies**: Inappropriate sales policies can result in debt buildup and liquidity problems.
- **Poor risk management strategy**: Inadequate risk evaluation can threaten a firm's survival.
- **Inadequate capital**: Insufficient capital affects the ability to purchase fixed assets and invest in income-generating assets.
- **Unnecessary expansion**: Overexpansion can immobilize short-term funds and threaten the firm's existence.
- **Ineffective sales management**: Low sales due to poorly trained sales force can lead to cash flow deficits.
- **Government policy**: Policies that contradict a firm's interests can adversely affect its operations.
- **Instability in income**: Economic downturns can create financial difficulties by reducing product sales.
- **Socio-cultural factors**: Products that are not absorbed in the local market may incur higher costs in distant markets.

SAE 2

1. What role does staff training and development play in minimizing corporate failure?

Answer: Staff training and development are crucial for minimizing corporate failure as they enhance employees' skills necessary for improved job performance. By equipping employees with the knowledge, skills, and right attitudes, organizations can ensure better job performance, which is vital for maintaining productivity and competitive advantage.

2. How can stakeholders actively contribute to minimizing corporate failure?

Answer: Stakeholders can actively contribute to minimizing corporate failure through various efforts, including:

- **Active Board Involvement**: Boards of directors should oversee management practices, ensure transparency, and uphold ethical standards.
- **Shareholder Activism**: Shareholders can influence corporate governance through voting, attending meetings, and engaging with management on strategic decisions.

- **Regular Reporting**: Providing accurate and timely financial and operational reports enhances transparency.

  Stakeholder Engagement: Regular communication with stakeholders to understand their concerns and keep them informed about company performance and strategies.

SAE 3

1. What are some common causes of corporate failure related to financial management?

Answer: Common causes of corporate failure related to financial management include inadequate cash flow management, which can lead to liquidity crises, and over-leverage, where excessive borrowing and an inability to service debt result in financial distress. Effective cash flow management and prudent debt management are essential to avoid these pitfalls.

2. How can ineffective leadership contribute to corporate failure?

Answer: Ineffective leadership can lead to corporate failure through poor strategic decisions and operational inefficiencies. Incompetent leaders may fail to navigate the company through competitive threats, fail to innovate, and may mismanage resources, all of which can erode profitability and lead to the company's downfall.

UNIT 2: TRANSFORMATIONAL LEADERSHIP AND ORGANIZATIONAL EFFECTIVENESS

CONTENTS

2.1 INTRODUCTION

In this unit an attempt will be made to explain transformational leadership as a major factor in organizational effectiveness. You will appreciate the distinction between two fundamental forms of leadership – transactional and transformational. Transformational leadership is comprised of four basic components; namely, idealized influence, inspirational motivation, intellectual stimulation, individualized consideration. You will also be confronted with various approaches to organizational effectiveness.

2.2 Learning Outcomes

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

i. analyze reasons for transformational leadership in corporate growth

ii. explain the components of transformational leadership

iii. Understand the guidelines for transformational leadership

iv. evaluate the approaches to organizational effectiveness

2.3 TRANSFORMATIONAL LEADERSHIP

Increasing business competitiveness and the need for the most effective use of human resources has resulted in writers on management focusing attention on how leaders revitalize or transform organizations.

Based on the work of writers such as Burns this has given rise to a distinction between two fundamental forms of leadership: transactional or transformational

- Transactional leadership is based on legitimate authority within the bureaucratic structure of the organization. The emphasis is on the clarification of goals and objectives, work task and outcomes, and organizational rewards and punishments. Transactional leadership appeals to the self-interest of followers. It is based on a relationship of mutual dependence and an exchange process of 'I will give you this, if you do that.

- Transformational leadership, by contrast, is a process of engendering higher levels of motivation and commitment among followers. The emphasis is on generating a vision for the organization and the leader's ability to appeal to higher ideals and values of followers, and creating a feeling of justice, loyalty and trust. In the organizational sense, transformational leadership is about transforming the performance or fortunes of a business.

2.3.1 Components of transformational leadership

According to Bass, the transformational leader motivates followers to do more than originally expected and the extent of transformation is measured in terms of the leader's effects on followers. Applying the ideas of Burns to organizational management, Bass proposed a theory of transformational leadership that argues that the leader transforms and motivates followers by:

1. Generating greater awareness of the importance of the purpose of the organization and task outcomes;
2. Inducing them to transcend their own self-interests for the sake of the organization or team; and
3. Activating their higher-level needs.

Transformational leadership is comprised of four basic components:

- **Idealized influence** - the charisma of the leader, and the respect and admiration of the followers;
- **Inspirational motivation -** the behaviour of the leader which provides meaning and challenge to the work of the followers;
- **Intellectual stimulation** - leaders who solicit new and novel approaches for the performance of work and creative problem solutions from followers; and
- **Individualized consideration** - leaders who listen and give special . concern to the growth and developmental needs of the followers.

2.3.2 Mechanisms Linking Transformational Leadership to Organizational Outcomes

Transformational leadership profoundly impacts organizational outcomes through several key mechanisms. These mechanisms explain how transformational leaders influence their organizations and achieve significant improvements in performance, commitment, and adaptability.

1. Influence on Organizational Commitment

Transformational leaders enhance organizational commitment by inspiring and motivating employees. They articulate a compelling vision that resonates with employees, fostering a deep sense of loyalty and dedication towards the organization. Employees are more likely to align their personal goals with the organization's objectives, resulting in higher levels of engagement and a willingness to put in extra effort to achieve organizational goals. This increased commitment leads to reduced turnover rates, higher job satisfaction, and a more cohesive work environment.

2. Role in Developing Organizational Learning and Adaptability

Transformational leaders promote a culture of continuous learning and adaptability. By encouraging intellectual stimulation, they create an environment where employees feel safe to experiment, innovate, and take risks. This leads to the development of new ideas and processes that can improve organizational performance. Transformational leaders also emphasize the importance of flexibility and being open to change, which helps organizations adapt to shifting market conditions and stay competitive. This adaptability is crucial in today's fast-paced business environment, where the ability to learn and change quickly can be a significant competitive advantage.

3. Enhancement of Employee Motivation and Morale

Transformational leaders use individualized consideration to understand and address the unique needs and aspirations of their employees. By providing personalized support and encouragement, they boost employee morale and motivation. This approach helps employees feel valued and recognized, which increases their intrinsic motivation to perform well. Motivated employees are more productive, exhibit higher levels of creativity, and are more committed to the organization's success. This positive work environment also attracts and retains top talent, further strengthening the organization's capabilities.

4. Facilitation of Effective Communication and Collaboration

Transformational leaders excel in fostering open communication and collaboration within the organization. They encourage transparent and honest communication, which builds trust among employees and between employees and management. This open communication environment facilitates the sharing of ideas and information, leading to better decision-making and problem-solving. Collaboration is also enhanced, as employees feel more connected and are more willing to work together towards common goals. Effective communication and collaboration contribute to a more efficient and harmonious workplace, driving better organizational outcomes.

5. Impact on Organizational Culture and Climate

Transformational leaders shape and influence the organizational culture and climate by setting high standards of behavior and performance. They model the values and behaviors they expect from their employees, creating a culture of integrity, excellence, and mutual respect. This positive organizational culture fosters a sense of belonging and pride among employees, which enhances their overall satisfaction and performance. A strong and positive organizational culture also supports the organization's long-term success by promoting consistent behaviors and attitudes that align with the organization's mission and values.

Self-Assessment Exercises 1

Question 1: What are the key differences between transactional and transformational leadership?

Question 2: What are the four basic components of transformational leadership, according to Bass?

2.4 Transformational Leadership in Different Organizational Contexts

Transformational leadership can manifest differently depending on the specific context of an organization. Factors such as industry, organizational size, culture, and external environment all influence how transformational leadership is applied and its impact on organizational outcomes. Understanding these nuances is crucial for leaders aiming to implement transformational leadership effectively.

1. Transformational Leadership in Large Corporations

In large corporations, transformational leaders often focus on driving innovation, fostering a unified corporate culture, and managing complex organizational structures. They inspire employees across various departments and levels to work towards a common vision, encouraging collaboration and breaking down silos. Transformational leaders in large organizations also prioritize talent development and succession planning, ensuring that future leaders are equipped to continue the organization's strategic direction.

2. Transformational Leadership in Small and Medium Enterprises (SMEs)

In SMEs, transformational leadership tends to be more personalized due to the smaller scale of operations. Leaders can interact more closely with their employees, providing direct mentorship and support. This hands-on approach allows for quicker decision-making and a more agile response to market changes. Transformational leaders in SMEs often emphasize creating a strong organizational identity and fostering a family-like atmosphere that motivates employees to contribute their best efforts.

3. Transformational Leadership in Nonprofit Organizations

Transformational leadership in nonprofit organizations is often centered around the mission and values of the organization. Leaders inspire employees and volunteers by connecting their work to the broader social impact of the organization. They emphasize ethical behavior, social responsibility, and community engagement. Transformational leaders in nonprofits also focus on building strong relationships with stakeholders, including donors, beneficiaries, and partner organizations, to ensure sustained support and collaboration.

4. Transformational Leadership in Government and Public Sector

In the public sector, transformational leadership is crucial for driving reforms and improving public services. Leaders in this context often face bureaucratic challenges and resistance to change. Transformational leaders address these issues by promoting a clear vision for change, fostering a culture of accountability, and encouraging innovation in service delivery. They also engage with a wide range of stakeholders, including citizens, to build trust and support for their initiatives.

5. Transformational Leadership in Educational Institutions

In educational settings, transformational leadership plays a key role in enhancing the learning environment and achieving academic excellence. Leaders inspire teachers and staff by advocating for continuous professional development and fostering a culture of lifelong learning. They also engage students by promoting inclusive and innovative teaching methods. Transformational leaders in education prioritize creating a supportive and collaborative environment that encourages both educators and students to reach their full potential.

6. Transformational Leadership in Healthcare

Healthcare organizations benefit from transformational leadership through improved patient care and operational efficiency. Leaders in this sector inspire healthcare professionals to adopt patient-centered approaches and embrace evidence-based practices. They foster a culture of continuous improvement and innovation, ensuring that the organization can adapt to advancements in medical technology and changes in healthcare regulations. Transformational leaders in healthcare also prioritize teamwork and communication to enhance collaboration among multidisciplinary teams.

2.4.1 Measuring Transformational Leadership and Organizational Effectiveness

i. Measuring transformational leadership and its impact on organizational effectiveness involves both qualitative and quantitative methods. The assessment of transformational leadership typically focuses on the behaviors and attributes of leaders, while organizational effectiveness is evaluated through a range of performance indicators. Here are some key methods and tools used to measure these concepts:

ii. Multifactor Leadership Questionnaire (MLQ):

The MLQ, developed by Bass and Avolio, is one of the most widely used instruments to assess transformational leadership. It measures leadership behaviors across five key dimensions: idealized influence (attributes and behaviors), inspirational motivation, intellectual stimulation, and individualized consideration. The MLQ provides insights into how often leaders exhibit transformational behaviors and how they are perceived by their followers.

iii. 360-Degree Feedback:This method involves collecting feedback from a leader's supervisors, peers, subordinates, and sometimes even external stakeholders. It provides a comprehensive view of a leader's effectiveness and transformational behaviors from multiple perspectives. The feedback typically includes qualitative comments and quantitative ratings.

iv. Leaders can also engage in self-assessment using questionnaires and reflective exercises designed to evaluate their transformational leadership qualities. While self-assessment can provide valuable introspection, it is often combined with other methods to reduce bias.

v. Direct observation of leaders in action and structured interviews can provide in-depth qualitative data on transformational leadership behaviors. This method allows for the assessment of how leaders handle real-life situations and interact with their teams.

2.4.2 GUIDELINES FOR TRANSFORMATIONAL LEADERSHIP

YukI provides a set of guidelines for transformational leadership:

- Articulate a clear and appealing vision of what the organization could accomplish or become to help people understand the purpose, objectives and priorities of the organization, and to help guide the actions and decisions of members.

- Explain how the vision can be attained and establish a clear link between the vision and a credible conventional yet straightforward strategy for attaining it.

- Act confidently and optimistic about likely success, demonstrate self-confidence and conviction, and emphasize positive aspects of the vision rather than the obstacles and dangers.
- Express confidence in followers and their ability to carry out the strategy for accomplishing the vision, especially when the task is difficult or dangerous, or when members lack confidence in themselves.
- Use dramatic, symbolic actions to emphasize key values and demonstrate leaders behaviour through dramatic, highly visible actions including risking personal loss, sacrifice or acting unconventionally.
- Lead by example by recognizing actions speak louder than words, through exemplary behaviour in Day-to-day interactions with subordinates and by demonstrating consistency in daily behaviour .
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Self-Assessment Exercises 2

Question: How does transformational leadership manifest differently in various organizational contexts?

Question: What methods are used to measure transformational leadership and its impact on organizational effectiveness?

2.5 IMPROVING CORPORATE ORGANIZATIONAL EFFECTIVENESS

Corporate organizational effectiveness is the process of meeting organizational objectives, prevailing societal expectations in the near future, adapting and developing in the intermediate future, and surviving in the distant future.

The idea of trying to characterize the corporate outlook in Nigeria as totally effective or a failure is problematic. In the corporate world there may be some companies that function well and suggest effectiveness while other companies in the same corporate world may perform poorly. A key factor in organizational effectiveness is the successful management of change and innovation, and corporate renewal. Traditional views of managerial behaviour have placed emphasis on planning, organizing, directing and controlling. However, increasing the international competitiveness and the need for organizations to respond rapidly to constant change in their environment have drawn renewed attention in recent years to the concept of the organizational effectiveness. It is therefore often associated with organization development. The original idea has been around for many years, however, and was popularized in the 1960s-90s by major writers such as Argyris.

2.5.1 APPROACHES TO ORGANIZATIONAL EFFECTIVENESS

A good way to better understand this complex subject is to consider four generic approaches to assessing a corporate organization's effectiveness. These effectiveness criteria apply equally well to large or small business organizations. The key thing to remember is "no single approach to the evaluation of effectiveness is appropriate in all circumstances or for all organization types." These include:

1. **Goal Approach:** Effectiveness is the ability to excel at one or more output goals. Key organizational results or outputs are compared with previously stated goals or objectives. Deviations either plus or minus, require corrective action. Effectiveness relative to the criterion of goal accomplishment is gauged by how well the organization meets or exceeds its goals. Productivity improvement involving the relationship between inputs and outputs is a common organization level goal. Goals may be set for organizational efforts such as minority recruiting, pollution prevention, and quality improvement. Given today's competitive pressures and e-business revolution, innovation and speed are very important organizational goals worthy of measurement and monitoring."

2. **Resource Acquisition Approach**: This second approach relates to inputs rather than outputs. An organization is deemed effective in this regard if it acquires necessary factors of production such as raw materials, labour, capital, managerial and technical expertise. Cooperative societies judge their effectiveness in terms of how much money they raise from members savings and how much loans they give out to members.

3. **Internal Processes Approach**: Some refer to this third approach as the "healthy systems" approach. An organization is said to be a healthy system if information flows smoothly and if employee loyalty, commitment, job satisfaction, and trust prevail. Goals may beset for any of these internal processes. Healthy systems, from a behavioral standpoint, tend to have a. minimum of dysfunctional conflict and destructive political maneuvering.

2.5.2 Multiple Effectiveness Criteria: Some Practical Guidelines

Experts on the subject recommend a multidimensional approach to assessing the effectiveness of modern organizations. This means no single criterion is appropriate for all stages of the organization's lifecycle. Nor will a single criterion satisfy competing stakeholders, Well-managed organizations mix and match effectiveness criteria to fit the unique requirements of the situation. Entrepreneurs need to identify and seek input from strategic constituencies. This information, when merged with the organization's stated mission and philosophy, enables management to derive an appropriate combination of effectiveness criteria. The following guidelines are helpful in this regard:

- The goal accomplishment approach is appropriate when goals are clear, consensual, time-bounded, measurable.

- The resource acquisition approach is appropriate when inputs have traceable effect on results or output. For example, the amount of money a cooperative society receives through member's savings dictates, the level of services provided.

- The internal processes approach is appropriate when organizational performance is strongly influenced by specific processes (e.g. crossfunctional teamwork).

- The strategic constituencies approach is appropriate when powerful stakeholders can significantly benefit or harm the organization.

Self-Assessment Exercises 3

Q1: What is corporate organizational effectiveness?

Q2: Why is characterizing the corporate outlook in Nigeria as totally effective or a failure problematic?

2.6 SUMMARY

We have seen in this unit the basis for transformational leadership approach to organizational effectiveness. As noted by Bass, the transformational leader motivates the followers to exceed the expectations of the leader. As against transactional leadership, transformational leadership enhances higher levels of motivation and commitment amongst followers.

2.7 REFERENCES/FURTHER READINGS/WEB RESOURCES

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2.8 POSSIBLE ANSWERS TO SELF-ASSESSMENT EXERCISE(S) WITHIN THE CONTENT

SAE 1

Question 1: What are the key differences between transactional and transformational leadership?

Answer: Transactional leadership is based on legitimate authority within a bureaucratic structure, emphasizing the clarification of goals, objectives, work tasks, outcomes, and the exchange of rewards and punishments. It appeals to the self-interest of followers through a mutual dependence and exchange process. In contrast, transformational leadership focuses on generating higher levels of motivation and commitment among followers by creating a vision for the organization, appealing to higher ideals and values, and fostering feelings of justice, loyalty, and trust. It aims to transform the performance or fortunes of a business by motivating followers to exceed expectations.

Question 2: What are the four basic components of transformational leadership, according to Bass?

Answer: The four basic components of transformational leadership, as proposed by Bass, are:

1. **Idealized Influence:** The charisma of the leader and the respect and admiration they receive from followers.
2. **Inspirational Motivation:** The leader's behavior that provides meaning and challenge to the followers' work.
3. **Intellectual Stimulation:** Leaders who encourage new and novel approaches for work performance and creative problem-solving from followers.
4. **Individualized Consideration:** Leaders who listen to and give special concern to the growth and developmental needs of their followers.

SAE 2

Question: How does transformational leadership manifest differently in various organizational contexts?

Answer: Transformational leadership can manifest differently depending on factors such as industry, organizational size, culture, and external environment. Here are some key variations:

1. **Large Corporations:** Transformational leaders in large corporations focus on driving innovation, fostering a unified corporate culture, and managing complex structures. They inspire employees across departments to work towards a common vision, encourage collaboration, and prioritize talent development and succession planning.
2. **Small and Medium Enterprises (SMEs):** In SMEs, transformational leadership is more personalized due to the smaller scale. Leaders provide direct mentorship and support, allowing for quicker decision-making and agility. They emphasize creating a strong organizational identity and a family-like atmosphere to motivate employees.
3. **Nonprofit Organizations:** Transformational leadership in nonprofits centers around the mission and values of the organization. Leaders inspire by connecting work to the broader social impact, emphasizing ethical behavior, social responsibility, and community engagement. They focus on building strong relationships with stakeholders to ensure sustained support.
4. **Government and Public Sector:** In the public sector, transformational leaders drive reforms and improve public services by promoting a clear vision for change, fostering a culture of accountability, and encouraging innovation. They engage with citizens and other stakeholders to build trust and support for their initiatives.
5. **Educational Institutions:** In educational settings, transformational leaders enhance the learning environment and achieve academic excellence by advocating for continuous professional development and fostering a culture of lifelong learning. They promote inclusive and innovative teaching methods and create a supportive environment for both educators and students.
6. **Healthcare:** Transformational leadership in healthcare improves patient care and operational efficiency. Leaders inspire healthcare professionals to adopt patient-centered approaches and evidence-based practices. They foster a culture of continuous

improvement and innovation, prioritize teamwork, and enhance collaboration among multidisciplinary teams.

Question: What methods are used to measure transformational leadership and its impact on organizational effectiveness?

Answer: Measuring transformational leadership and its impact involves both qualitative and quantitative methods. Key methods include:

1. **Multifactor Leadership Questionnaire (MLQ):** Developed by Bass and Avolio, the MLQ assesses transformational leadership behaviors across five dimensions: idealized influence (attributes and behaviors), inspirational motivation, intellectual stimulation, and individualized consideration. It provides insights into how often leaders exhibit transformational behaviors and how they are perceived by followers.
2. **360-Degree Feedback:** This method collects feedback from a leader's supervisors, peers, subordinates, and sometimes external stakeholders, providing a comprehensive view of a leader's effectiveness and transformational behaviors from multiple perspectives. It includes qualitative comments and quantitative ratings.
3. **Self-Assessment:** Leaders can engage in self-assessment using questionnaires and reflective exercises to evaluate their transformational leadership qualities. This method is often combined with others to reduce bias.
4. **Direct Observation and Structured Interviews:** Observing leaders in action and conducting structured interviews provide in-depth qualitative data on transformational leadership behaviors, assessing how leaders handle real-life situations and interact with their teams.

SAE 3

Q1: What is corporate organizational effectiveness?
A1: Corporate organizational effectiveness is the process of meeting organizational objectives, satisfying societal expectations, adapting and developing over time, and ensuring long-term survival.

Q2: Why is characterizing the corporate outlook in Nigeria as totally effective or a failure problematic?

A2: It is problematic because some companies may perform well and suggest effectiveness, while others in the same environment may perform poorly.

UNIT 3: CHANGE MODELS

CONTENTS

3.1 INTRODUCTION

This unit presents the important contributions by scholars on change management, change models developed by various change management experts. You will learn the theoretical approach to the change process using models of change. The ways in which people change were described by some models. Others believe that change in attitude lead to change in behaviour. Some experts are of the view that organizational change typically fails because management commits one typically fails because management commits one or more errors. You will also see the steps for organizational change in this unit.

3.2 Learning Outcomes

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

i. evaluate the basic elements in change management.

ii. demonstrate the methods of analysis change

iii. analyze the restraining or driving forces that will affect transition

iv. Discuss Some important models of change

3.3 Some Important Models of Change

Change is a fundamental concept that refers to the process or act of becoming different from what one was previously. It encompasses alterations, modifications, transformations, or shifts in various aspects of life, including circumstances, conditions, behaviors, perspectives, or states. Change can occur in diverse contexts, such as personal development, organizational dynamics, societal evolution, or environmental shifts, and it may be driven by various factors, including internal decisions, external forces, or natural progressions. Change can be gradual or sudden, planned or unexpected, and it plays a crucial role in shaping individual lives, businesses, societies, and the world at large.

The best known change models are those developed by Lewin (1951) and Beckhard (1969). But other important contributions to an understanding of the mechanisms for change have been made by Thurley (1979), ‘Quinn (1980), Nadler and Tushman (1980), Bandura (1986) and Beer et al (1990).

3.3.1 Lewin’s Model

The basic mechanisms for managing change, according to Lewin (1951), are s follows:

- **Unfreezing** - altering the present stable equilibrium which supports existing behaviours and attitudes. This process must take account of the inherent threats that change presents to people and the need to motivate those affected to attain the natural state of equilibrium by accepting change.
- Changing - developing new responses based on new information.
- Refreezing - stabilizing the change by introducing the new responses into the personalities of those concerned.

Lewin also suggested a methodology for analyzing change which he called ‘field force analysis’. This involves:

- Analyzing the restraining or driving forces that will affect the transition to the future state; these restraining forces will include the reactions of those who see change as unnecessary or as constituting a threat.
- Assessing which of the driving or restraining forces are critical.
- Taking steps both to increase the critical driving forces and to decrease the critical retraining forces.

3.3.2 Beckhard Model

According to Beckhard (1969), a change programme should incorporate the following processes:

- Setting goals and defining the future state or organizational conditions desired after the change.
- Diagnosing the present condition in relation to these goals.
- Defining the transition state activities and commitments required to meet the future state.
- Developing strategies and action plans for managing this transition in the light of an analysis of the factors likely to affect the introduction of change.

Self-Assessment Exercises 1

Q1: What is change?

Q2: What does the 'unfreezing' stage involve in Lewin's model?

3.4 Thurley Model

Thurley (1979) described the following five approaches to managing change:

- Directive - the imposition of change in crisis situations or when other methods have failed. This i done by the exercise of managerial power without consultation.
- Bargained - this approach recognizes that power is shred between the employer and the employed and that change requires negotiation, compromise and agreement before being implemented.
- Hearts and minds - an all embracing thrust to change the attitudes, values and beliefs of the whole workforce. This ‘normative’ approach (i.e one that starts from a definition of what management thinks is right or ‘normal’) seeks ‘commitment’ and ‘shared vision’ but does not necessarily include involvement or participation.

- Analytical - a theoretical approach to the change process using models of change such as those described above. It proceeds sequentially from the analysis and diagnosis of the situation, through the setting of objectives, the design of the change process, the evaluation of the results and finally the determination of the objectives for the next stage in the change process. This is the rational and logical approach much favoured by consultants - external and internal. But change seldom proceeds a smoothly as this model 'would suggest. Emotions, power politics and external pressures mean that the rational approach, although it might be the right way to start, is difficult to sustain.

- Action-based — this recognizes that the way mangers behave in practice bears little resemblance to the analytical, theoretical model. The distinction between managerial thought and managerial action blurs in practice to the point of invisibility. What managers think is what they do. Real life therefore often results in a 'ready, aim, fire' approach to change management. This typical approach to change starts with a broad belief that some sort of problem exists, although it may not be well deflned. The' identification of possible solutions, often on a trial and error basis, leads to a clarification of the nature of the problem and a shared understanding of a possible optimal solution, or at least a framework within which solutions can be discovered.

3.4.1 Quinn Model

According to Quinn (1980), the approach to strategic change is characterized a process of artfully blending 'formal analysis, behavioural techniques and power politics to bring about cohesive stepby-step movement towards ends which were initially conceived, but which are constantly refined and reshaped was new information appears. Their integrating methodology can best be described as "logical incrementation". Quinn emphasizes that it is necessary to: .

- Create awareness and commitment incrementally
- Broaden political support
- Manage coalitions
- Empower champions

3.4.2 Nadler and Tushman Model

The guidelines produced by Nadler and Tushman 91980) on implementing change were:

- Motivate in order to achieve changes in behaviour by individuals.
- Manage the transition by making organizational arrangements designed to assure that control is maintained during and after the transition, and by developing and communicating a clear image of the future.
- Shape the political dynamics of change so that power centres develop that support the change rather than block it.
- Build it stability of structures and processes to serve as anchors for people to hold on to. Organizations and individuals can only stand so much uncertainty and turbulence (hence the emphasis by Quinn (1980) on the need for an incremental approach).

Self-Assessment Exercises 2

Q1: What is the 'directive' approach in Thurley's model?

Q2: What does the 'bargained' approach recognize?

3.5 Bandura Model

The ways in which people change were described by Bandura (1986) as follows:

1. People make conscious choices about their behaviour
2. The information people use to make their choices comes from their environment.
3. Their choices are based upon:

- The things that are important to them
- The views they have about their own abilities to behave in certain ways

- The consequences they think will accrue to whatever behaviour they decide to engage in.

For those concerned in change management, the implications of this theory are that:

- The tighter the link between a particular behavaiour and a particular outcome, the more likely it is that we will engage in that behaviour.
- The more desirable the outcome, the more likely it is that we will engage in behaviour that we believe will lead to it.
- The more confident we are that we can actually assume a new behaviour, the more likely we are to try it.

To change people's behaviour, therefore, we have first to change the environment within which they work, secondly, convince them that the new behaviour is something they can accomplish (training is important) and, thirdly, persuade them that it will lead to an outcome that they will value. None of these steps is easy.

3.5.1 Beer, Elsenstat and Spector Model

Michael Beer (1990) and his colleagues suggested in a seminal Harvard Business Review article, "Why change programs don't .produce change', that most such programmes are guided by a theory of change that is fundamentally flawed. This theory states that changes in attitudes lead to changes in behaviour. According to this model, change is like a conversion experience. Once people "get religion", changes in their behaviour will surely follow'. They believe that this theory gets the change process exactly backwards.

In fact, individual behaviour is powerfully shaped by the organizational roles people play. The most effective ways to change behaviour, therefore, is to put people into a new organizational context, which imposes dew roles, responsibilities and relationships on them, This creates a situation that is a sense "forces" new attitudes and behaviour on people.

They prescribe six steps to effective change, which concentrate on what they call “task alignment’ - reorganizing employees’ roles, responsibilities and relationships to solve specific business problems in small units where goals and tasks can be clearly defined. The aim of following the overlapping steps is to build a self-reinforcing cycle of commitment, coordination and competence. The steps are:

1. Mobilize commitment to change through the joint analysis of problems.
2. Develop a shared vision of how to organize and manage to achieve goals such as competitiveness.
3. Foster consensus for the new vision, competence to enact it, and cohesion to move it along.
4. Spread revitalization to all departments without pushing it from the top don’t force the issue, let each department find its own way to the new organization.
5. Institutionalize revitalization through formal policies, systems and structures.
6. Monitor and adjust strategies in response to problems in the revitalization process.

3.5.2 Management Errors and Change Management

The successful management of change is clearly essential for continued economic and competitiveness and is the life-blood of business success. New ideas and innovations should not be perceived as threats by entrepreneurs.

Christensen and Overdorf suggest a framework to help entrepreneurs understand what types of change the organization is capable and incapable of handling. They identify three factors that affect organizational responses to different types of change and what an organization can and cannot do:

- Resources - access to abundant, high-quality resources increases an organization’s chances of coping with change;

- Processes - the patterns of interaction, co-ordination, communication and decision-making employees use to transform resources into products and services. Processes may be formal and explicitly defined and documented, or informal and routines or ways of working that evolve over time;

- Values - the standards by which employees set priorities that enable them to judge whether an order is attractive, whether a customer is more or less important, whether an idea for a new product is attractive or marginal.

The factors that define capabilities and disabilities evolve over time - they start in resources, then move to visible, articulated processes and values, and finally migrate to culture. Christensen and Overdorf maintain that when an organization faces the same sort of problem that its processes and values were designed to address, managing can be straightforward. However, when the problem facing the organization is fundamentally different these same factors constitute disabilities, especially when the organization's capabilities have come to reside in processes and values. There are three possible ways in which managers can develop new capabilities to cope with change:

- Create organizational structures within corporate boundaries in which new processes can be developed;

- Spin out an independent organization from the existing organization and develop new processes and values;
- Acquire a different organization whose processes and values match closely the new requirements.

Self-Assessment Exercises 3

Q1: According to Bandura (1986), what are the three bases upon which people make their choices about behavior?

Q2: What are the implications for change management based on Bandura's theory?

3.6 SUMMARY

This unit focused on different models of change developed by experts. The way managers behave in practice bears resemblance to some of the models described in this unit. In conclusion, we have described in this unit some of the best known change models developed by experts. These change models have contributed to the understanding of the mechanisms for change. The basic mechanisms for managing change include unfreezing, changing and refreezing. Understanding and application of the change models discussed in this unit will help managers and entrepreneurs the things that actually need to change.

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3.8 POSSIBLE ANSWERS TO SELF-ASSESSMENT EXERCISE(S) WITHIN THE CONTENT

SAE 1

Q1: What is change?

A1: Change is the process of becoming different from a previous state, encompassing alterations, modifications, transformations, or shifts in various aspects of life, such as personal development, organizational dynamics, societal evolution, or environmental conditions.

Q2: What does the 'unfreezing' stage involve in Lewin's model?

A2: The 'unfreezing' stage involves altering the present stable equilibrium that supports existing behaviors and attitudes, considering the inherent threats of change, and motivating those affected to accept change.

SAE 2

Q1: What is the 'directive' approach in Thurley's model?
A1: The 'directive' approach involves the imposition of change in crisis situations or when other methods have failed, done by exercising managerial power without consultation.

Q2: What does the 'bargained' approach recognize?
A2: The 'bargained' approach recognizes that power is shared between the employer and the employed, requiring negotiation, compromise, and agreement before implementing change.

SAE 3

Q1: According to Bandura (1986), what are the three bases upon which people make their choices about behavior?
A1: People make their choices based on:

- The things that are important to them
- Their views about their own abilities to behave in certain ways
- The consequences they think will result from the behavior they choose to engage in.

Q2: What are the implications for change management based on Bandura's theory?
A2: The implications for change management are:

- The stronger the link between a behavior and a specific outcome, the more likely people will engage in that behavior.
- The more desirable the outcome, the more likely people will engage in behavior that leads to it.
- The more confident people are in their ability to adopt new behavior, the more likely they are to attempt it. To change behavior, it is necessary to change the work

environment, provide training to ensure the new behavior is achievable, and persuade individuals that the behavior will lead to a valued outcome.

UNIT 4: ENTREPRENEURSHIP IN A CHANGING ENVIRONMENT

CONTENTS

4.1 INTRODUCTION

It will be right to say that the most important feature of today's business environment is change. Although it is more dramatic in some sectors of our economy than in others none is immune to the threat of change. Change is the only permanent thing, it is everywhere, and it will continue to grow. It has significant implications for entrepreneurs. In this unit, attempt is made to discuss this implications as it affect the market place and the competitive advantage for the small firms.

4.2 Learning Outcomes

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

i. understand the nature of changes in the market place.

ii. analyze the meaning of outsourcing.

iii. explain the gains of fragmentation.

iv. analyze the role of modern technology in a dynamic environment.

v. Discuss the competitive advantage of small business in a business environment.

4.3 Changes in Markets

A tactic commonly used when a company's management feels the pressure of competitors using aggressive pricing is to reduce costs to the lowest possible levels. The target of these cost reduction efforts is frequently the workforce. Fewer people on the payroll obviously means lower costs, but the need to produce the product or provide the service remains. Many firms have handled this dilemma by having an outside supplier perform the tasks.

4.3.1 Outsourcing and Virtual Organization

Outsourcing has become an increasingly common practice, an opportunity for small firms. The tasks performed by the victims of downsizing usually have to be taken care of, and small companies are typically used to do so. Consequently, as big firms experience threats, small firms are given opportunities.

In addition to receiving such outsourcing requests, small businesses can also compete in markets where size and scope are required to compete effectively by themselves contracting with outsiders to provide services. Using this method in the extreme, an individual can enter into alliances with a variety of suppliers to design a product, produce it and even market it. The relationship or alliance between the company and supplier continues until the contract requirements are met, after which the relationship ceases to exist. Should a new opportunity emerge, a new set of alliances is formed. By creating such relationships to cover all the tasks needed to bring the product to market, the entrepreneur can enter markets that otherwise would have been out of reach. The term for a business that operates this way is virtual organization, a firm that operates as though it has all of the customary parts of an ongoing business, when in fact it may consist of only the entrepreneur and a file contacts for establishing relationships.

4.3.2 Fragmentation

Another change taking place in markets is one of continued fragmentation or the development of niches. The population of Nigeria is so large that for almost any product, the overall size of the market would preclude small business from competing effectively. Within markets, however, are small groups of customers looking for a unique set of attributes in a product; these groups constitute a niche. Many niches are too small to interest large firms and therefore provide small firms with opportunities. Benefiting from these opportunities requires focusing on a clearly defined niche in the market, understanding exactly the expectations of the customer in that niche, and filling those expectations.

Self-Assessment Exercises 1

Q1: What is outsourcing, and how does it benefit small firms? Q2: What is market fragmentation, and how does it create opportunities for small businesses?

4.4 Influence of Technology

As technology develops, we will see a change in the way commerce is conducted. This change has been called the transformation from "market place" (meaning physical business activities) to "market space" (business done electronically). Predictions of how this new technology driven process will develop are always hazardous, but it seems likely that some of the major players will be companies we have not heard of, and many of them will be companies that have not even been started. Among the ingredients for success in this kind of embryonic industry are insights as to what it takes to serve customers who have not yet been identified and the inspiration to follow through on those insights. Someone with those characteristics will move us in the direction toward market space from marketplace and that someone is likely to an entrepreneur.

4.4 .1 The Competitive Advantage of Small Business

Regardless of whether it is an upheaval in existing markets or the emergence of a new one, small businesses have important advantages that allow them to succeed. One is their responsiveness to conditions and trends in the market, which comes from a close relationship with customers and therefore a thorough understanding of their needs. For many entrepreneurs the relationship with the customer is a personal one and that means the first to learn of changes in preferences that will affect the market. Not only does such a relationship give the entrepreneur the chance to reverse the communication process to give the customer the message that he or she matters to the business. Large companies spend considerable amounts of money and energy to learn from the customer and to send messages of concern; for small firms both learning and showing concern are natural parts of the process of doing business.

4.4.2 The Power of Innovation

Another factor that distinguishes the successful small business from the typical large company is its ability to innovate. The independence of an entrepreneurial company allows it to move quickly when something changes or a new opportunity arises. While many large firms recognize the need to change directions quickly, most seem to be burdened with procedures and administrative controls that slow things down, no matter what the sense of urgency might be. This ability of small businesses to innovate can take on many forms, including product innovation (new features, improvements), process innovation (improvements to how production is carried out) and service innovation (offering something new to serve the market). Regardless of its form, innovation enables small business to compete successfully. Closely related to innovation is flexibility. For many successful small businesses, a change requested for even hinted at by the customer or a new product feature developed by a competitor typically becomes a call for action that leads to new ways of doing things or modifications to the product line. The reasons for this flexibility are both attitudinal and practical. Entrepreneurs know that responding to the customer is important enough to deal with the disruption brought on by change; it "goes with the territory". As a practical matter, small companies trend to invest less than many big firms in expensive, single purpose machines, large inventory levels and rigid production tools and techniques. As a result, they can change what they do, or the way they do it, with far less difficulty.

Taken together, the characteristics- responsiveness, the ability to innovate and flexibility – provide a small business with what it takes to compete in a rapidly changing environment. But clearly the entrepreneur, the individual is at the core of any success achieved by the small company.

Self-Assessment Exercises 2

Q1: How does the transformation from "marketplace" to "market space" impact commerce?

Q2: What advantages do small businesses have in a technology-driven market environment?

4.5 The Entrepreneurial Spirit and Expansion Options

Some entrepreneurs adjust to the growing business and use their skills to build a company that is strong enough to let the founder be entrepreneurial again. This may be accomplished within the same company.

Entrepreneurs may develop a company to a mature phase and then hire a good team of managers to run the business on a daily basis. The entrepreneur can then use his or her skills to decide where the company is going next and what opportunities should be pursued. One entrepreneur say she believes that entrepreneurs should know their own strengths and build on them. Mary Kay Ash, founder of Mary Kay Cosmetics gave similar advice to entrepreneurs. Her advice was to "stay in the area that you do best" and find qualified people to handle the other tasks.

The entrepreneurial spirit can also be rediscovered by keeping the larger business and starting a second one. This allows the founder to experience the challenge of a start-up while maintaining the larger, more profitable business. In one small study of entrepreneurs who had been self employed for more than six years, 44 percent indicated that they owned more than one company.

4.5.1 Business Change Alternative

Other entrepreneurs at the same stage may have different reactions. Cashing in is always an option, but even then there are several alternatives.

Some entrepreneurs realize that they do not want sole responsibility for the company's management but they still want to be involved. For many, the solution is to sell a portion of the company to a key employee. One entrepreneur who started an auto repair firm sold a portion of the company to an employee when the business became too large and time consuming for one person to handle. This provided additional management expertise and also gave the entrepreneur more time for family and leisure activities.

Others decide to sell the business to an outsider and take a break from self-employment. One owner of a rapidly growing automotive equipment company found the business overwhelming. He chose to sell to another entrepreneur and then accepted a job at an engineering firm. Still others sell one business and start another. One veterinarians successful animal hospital became too demanding. His solution was to sell the practice to another veterinarian and start a muffler repair shop instead.

4.5.1 Recent Development in Innovation

Technological Advancements

- **Artificial Intelligence (AI) and Machine Learning (ML):** AI and ML are transforming various industries by automating tasks, enhancing decision-making processes, and providing predictive analytics. These technologies are being applied in healthcare for diagnostics, in finance for fraud detection, and in retail for personalized customer experiences.
- **Internet of Things (IoT):** IoT involves connecting everyday objects to the internet, enabling them to send and receive data. This technology is widely used in smart homes, wearable devices, and industrial applications to improve efficiency and productivity.
- **Blockchain:** Blockchain technology offers secure and transparent ways to record transactions. It is being used beyond cryptocurrencies, in supply chain management, healthcare, and voting systems to ensure data integrity and security.

2. Sustainable Innovations

- **Green Technology:** Innovations in renewable energy sources like solar, wind, and hydro power are crucial for reducing carbon footprints. Additionally, advancements in energy storage, such as improved battery technology, are enabling more efficient use of renewable energy.
- **Circular Economy:** This approach focuses on minimizing waste and making the most of resources. Innovations include recycling technologies, biodegradable materials, and sustainable manufacturing processes.

3. Business Model Innovations

- **Subscription Services:** The subscription model has expanded beyond traditional media services to include products like meal kits, fashion, and even cars. This model provides companies with a steady revenue stream and helps in building long-term customer relationships.

- **Platform Economy:** Companies like Uber, Airbnb, and Amazon operate platform-based business models that connect providers with consumers. These platforms leverage network effects and data to drive growth and efficiency.

4. Health and Biotechnology

- **CRISPR and Gene Editing:** CRISPR technology allows for precise editing of DNA, which has significant implications for treating genetic disorders, enhancing crops, and developing new therapies.
- **Telemedicine:** The COVID-19 pandemic accelerated the adoption of telemedicine, making healthcare more accessible. Innovations in telemedicine include remote monitoring devices and virtual consultations.

5. Digital Transformation

- **Cloud Computing:** Cloud services provide scalable and flexible computing resources, enabling businesses to innovate quickly and cost-effectively. Cloud computing supports other technologies like big data analytics and AI.
- **5G Technology:** The rollout of 5G networks is set to revolutionize connectivity with faster speeds and lower latency. This will enhance applications like autonomous vehicles, smart cities, and augmented reality.

6. Innovation Ecosystems

- **Startup Accelerators and Incubators:** These programs support early-stage startups with funding, mentorship, and resources, fostering innovation and entrepreneurship.
- **Corporate Innovation Labs:** Many large corporations have established innovation labs to explore new technologies and business models. These labs often collaborate with startups and academic institutions to drive innovation.

7. Social and Cultural Innovations

- **Remote Work Technologies:** The shift to remote work has led to the development of tools and platforms that facilitate virtual collaboration, project management, and communication.
- **Social Impact Ventures:** Increasingly, entrepreneurs are focusing on creating solutions that address social and environmental challenges. Innovations in this space include affordable housing technologies, access to clean water, and educational platforms.

Self-Assessment Exercises 3

Q1: How can entrepreneurs maintain their entrepreneurial spirit while managing a growing business? Q2: What are some alternatives for entrepreneurs when they find their business becoming too large and time-consuming?

4.6 SUMMARY

The landscape of business continues to evolve rapidly, driven by innovations in technology, changes in market dynamics, and the entrepreneurial spirit that fuels growth and adaptation. This essay explores several key concepts and strategies that have shaped modern business practices, including outsourcing and virtual organizations, market fragmentation, technological influence, competitive advantages of small businesses, the power of innovation, the entrepreneurial spirit, business change alternatives, and recent developments in innovation.Outsourcing has become a common strategy for businesses aiming to reduce costs and increase efficiency. When faced with competitive pressures, companies often look to external suppliers to perform tasks traditionally handled internally. This not only lowers costs but also provides opportunities for small businesses to take on outsourced work from larger firms. Virtual organizations represent an extension of this concept, where businesses form temporary alliances with various suppliers to manage production, design, and marketing. These alliances dissolve once the project is completed, enabling small businesses to compete in larger markets by leveraging external resources and expertise.

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4.8 POSSIBLE ANSWERS TO SELF-ASSESSMENT EXERCISE(S) WITHIN THE CONTENT

SAE 1

Q1: What is outsourcing, and how does it benefit small firms?
A1: Outsourcing is the practice of having an outside supplier perform tasks that were previously handled by a company's workforce. It benefits small firms by providing them with opportunities to take on tasks from larger firms that are downsizing. This allows small firms to grow and enter markets that might otherwise be inaccessible to them.

Q2: What is market fragmentation, and how does it create opportunities for small businesses?
A2: Market fragmentation refers to the development of niches within a larger market, consisting of small groups of customers seeking specific attributes in a product. This creates opportunities for small businesses because these niches are often too small to interest large firms. By focusing on and meeting the specific needs of these niches, small businesses can effectively compete in the market.

SAE 2

Q1: How does the transformation from "marketplace" to "market space" impact commerce?

A1: The transformation from "marketplace" to "market space" refers to the shift from physical business activities to electronic business transactions. This change, driven by technology, opens opportunities for new companies to emerge and succeed, often through innovative ways to serve customers who have not yet been identified. Entrepreneurs are likely to lead this shift by leveraging their insights and inspiration to move commerce into the digital realm.

Q2: What advantages do small businesses have in a technology-driven market environment?

A2: In a technology-driven market, small businesses have the advantages of responsiveness, innovation, and flexibility. They maintain close relationships with customers, allowing them to quickly adapt to market trends and changes. Their ability to innovate across products, processes, and services, coupled with their flexible operations, enables them to compete effectively against larger firms burdened with slower procedures and administrative controls.

SAE 3

Q1: How can entrepreneurs maintain their entrepreneurial spirit while managing a growing business?

A1: Entrepreneurs can maintain their entrepreneurial spirit by hiring a strong management team to handle daily operations, allowing them to focus on strategic decisions and future opportunities. Another option is to start a second business while keeping the larger, more profitable one, enabling them to experience the challenges of a start-up again.

Q2: What are some alternatives for entrepreneurs when they find their business becoming too large and time-consuming?

A2: Entrepreneurs who find their business too large and time-consuming have several alternatives: selling a portion of the company to a key employee to share management responsibilities, selling the business to an outsider and taking a break from self-employment, or selling one business and starting another in a different industry to continue their entrepreneurial journey.

MODULE 3

UNIT 1: TEAM WORK IN A DYNAMIC BUSINESS ENVIRONMENT

CONTENTS

1.1 INTRODUCTION

This unit introduces you to the concept of teamwork in an organized business set-up. You will also learn the reasons for a change of focus to teamwork by business firms rather than only groups. Teams are a major feature of a business firm’s life. An entrepreneurial organization is made up of sub-units and groups of people. Most activities of the firm require at least some degree of co-ordination through the operation functional team work. An understanding of the nature of teams is vital if the entrepreneur is to influence the behaviour of people in the work situation. The entrepreneur in this ever-changing business environment must be aware of the impact of teams and their effects on firm performance.

1.2 Learning Outcomes

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

i. Explain work-team idea

ii. evaluate why firms are now turning to teams

iii. Understand different types of teams

iv. discuss the stages of work team formation

v. examine the team learning factors

1.3 The Work-Team Idea

Many entrepreneurs have tried to focus on team. Team is an instrument of sustained and enduring success in business ventures. It is essentially a desirable adaptation in creating a sharper vision and engender better approaches to performance delivery in this changing business environment. Emphasis has now shifted all over the world, from the qualities of an effective manager to what makes a team-tick. Work team offers the potential and prospect for positive growth and development in the area of entrepreneurial development.

Now, as more knowledgeable employees get employed in government agencies on both moral and intellectual grounds, it becomes expedient for more people to have a say in management. The work-team has infact become the stable alternative, a means of running public sector organizations effectively, so long as the right combination of employees can be found. Work-organizations are therefore changing at such a fast pace that solutions to problems are no longer found in books, journals or in the mind of the "expert", but in team members themselves.

Work Team-Idea

Teams have been around as long as organizations have been around. Whenever people interact regularly to accomplish goals, whether in formal or informal setting team exist. However, work team is not a group of friends located in a single office room.

1.3.1 Why Firms are Turning to Teams

Organizations are turning to teams for a myriad of reasons. These include the following advantages:

- Work-team increases productivity
- Work-team means improved work-processes and facilitates work force diversity.
- Work-team improves organizational communication climate and speeds decisions making.
- Work team delivers better quality goods and services.
- Work team is more creative and efficient at problem solving.
- Work-team makes better use of resources and allows management to think strategically.
- There is advantage of synergy

Work-team does work that ordinary group cannot do. Abundant knowledge resides in a group of professionals working together as a team. Team work allows work organization to blend people with different kinds of knowledge together, without differences rupturing the fabric of the organization. There is therefore no doubt that with an optimum mix, the work-team can achieve far more than the individuals.

1.3.2 Types of Team

Broadly in any organization, there are 3 types of work-team

- Management team (to direct the whole organization).
- Functional or operational team - departments with Heads, e.g. Administration, Entrepreneurial development, Technology, infrastructure and Innovation, Co-ordination and extension services, finance and accounts etc.
- Project team - Task force or venture group. This is formed to tackle a specific problem or task.

Work teams cannot exist in isolation. It must function within an organization that has a certain culture a way of doing things. Unless the organizational culture is favourable to team work, any team building is bound to fail.

Self-Assessment Exercises 1

Question 1: What are the primary reasons organizations are increasingly turning to work teams? Question 2: What are the different types of work teams commonly found in organizations?

1.4 WORK TEAM FORMATION STAGES

Work teams do not simply come together and achieve because they are together. Work teams develop over time and go through four distinct stages of development.

The Forming Phase

	Characteristics	Potential problems
Stage One	• Uncertain as to rules • Dependence upon leader • Variety of comfort of knowing team members	• Concern for personal safety and acceptance. • Discussions are abstract and unfocused. • Testing as to acceptable behaviour. • Members discuss unrelated issues.

The forming phase

Characteristics	Potential problems

Stage		
	• Members take more risk with their increased comfort level and try to influence direction of decision making. • Conflicts arise around projects, actions and timelines. • Members become testy and uncooperative. • Members are impatient about rate of progression and resist attempt to move forward.	• Resistance to action and to the problem solving methods. • Member's attitudes may fluctuate and slow or hinder progress. • Arguing may create subgroups and divide the group. • Some members may begin to dominate or withdraw. • Interest, enthusiasm and atmosphere may begin to deteriorate. • Leader may be openly challenged.

Two

The Forming Phase

Characteristics	Potential problems
• Members may continue to resolve conflicts from the storming phase. • Members focus on team goals and feel more committed. • Members update ground rules. • Competitive relationship becomes cooperative. • Trust grows • Facilitator delegates more	• Unresolved conflicts may resurface. • Team may need to learn more about each other and how to select appropriate tools to work together. • Team may not move forward to accomplish goals.

Stage Three

The Performing Phase

Characteristics	Potential problems

Stage Four	• Work is being accomplished. • Members are enjoying working together. • Members know how to solve problems. • Relationships are trusting and cooperative. • Communication is open and honest. • Shared leadership role.	• Team may become sp cohesive that they exclude others. • Team may become impatient with others outside their team. • Not all members will progress through the stages at the same rate. • Teams may become stagnant (no innovation) • Reduced decision making ability (group thinking) through the pressure to conform.

1.4.1 Team Roles

All team members have a responsibility to oil the wheel that keeps the team running smoothly. Essentially, eight key roles are instrumental to effectiveness in team-work. Each of these are being associated with particular personality. They are:

Leader: Calm, confident and controlled

Office worker: Conservative, dutiful and predictable

Searcher: Extroverted, enthusiastic and curies

Designer: Individualistic, orderly and conscientious

1.4.2 Team Learning Factors

Team-learning is the starting point in the work-team. It is an adaptation of the action-learning focusing on providing solutions to organizational problems. Team learning is fundamental to the performance of a team. It provides a structure and language to ensure that the essential roles for excellence in team work are continually implemented. Without the team-learning, a work team can never achieve its potentials.

Team learning factors are arranged in a model of team-tasks known as the team-work wheel. This wheel describes nine essential team activities or topics. These are:

- Advising - Gathering and reporting information
- Innovating - Creating and experimenting with ideas
- Promoting - Exploring and presenting opportunities
- Developing - Assessing and testing the applicability of new approaches
- Organizing - Establishing and implementing ways of making things work
- Producing - Concluding and delivering outputs
- Inspecting - Controlling and auditing the working of systems
- Maintaining - Upholding and safeguarding standards and processes • Linking - Coordinating and integrating the work of others

- **Advising:** When faced with a difficult problem, the starting point for team discussion is advising. What information do we need? Why? Where will we get it? Who will get it? When do we need it? How will we get it?

This ensures that all currently available data is gathered for consideration.

- **Innovating:** The innovating role ensures that the work team will spend time discussion ideas around the problems being faced. Most successful innovating sessions follow a procedure designed to ensure an open and diverging discussion. Such sessions should be free from any commitment to make a decision.

- **Promoting:** Promoting has two aspects to it. Each team member needs to learn how to present ideas and solutions in a way that will influence other team members. Equally important is a focus on the key stakeholders outside the team. Who outside the team needs to be persuaded if the idea is to proceed? Many ideas are impracticable and can never be implemented, due to organizational and cultural constraints.

- **Developing:** Developing sessions focus on which ideas are likely to work and how can they be tested for verification.

- **Organizing:** Organizing is action oriented and ensures that the team will implement agreed solutions and assign accountabilities and responsibilities. It is predictably the colour of action. The team learning process is established on team building cycle. This will discussed later.

- **Producing:** Producing addresses the output aspects of any decision. What are our jobs what is the organization duty. To what quality levels? To what standards? When? Producing defines the bottom line on which many team are evaluated.

- **Inspecting:** this is an evaluative phase. How many ideas fail because the detailed aspects were not thought? Unforeseen problems difficulties, security issues, financial predicament, bad interpersonal relationship. Many of these inspecting problems earn be eliminated by focusing discussion on this aqua-blue aspect of work. .Blue is the colour of cool, clear, detailed thinking.

- **Maintaining:** Maintaining the agreed decisions and the team processes will ensure that the team stays together and learns together. Your car will fail if it is not regularly maintained. Your team will also fail if it is not maintained. Maintenance involves regularly reviewing mistakes in a non-recriminatory way and establishing guidelines to prevent them from reoccurring.

- **Linking:** Linking is in the middle of the model because it is a shared responsibility of every team member. Each person working on a team task must undertake to link with other team members so that everyone is fully informed. The team-learning process is established on a team-building cycle.

Self-Assessment Exercises 2

Question 1: What are the four distinct stages of work team development? Question 2: What potential problems might a team encounter during the storming phase, and how can they be addressed?

1.5 Importance of Team

i. **Enhanced Problem-Solving**: Diverse perspectives and skills lead to more creative and effective solutions.

ii. **Increased Productivity**: Teams can distribute workload, allowing tasks to be completed more efficiently.

iii. **Improved Communication**: Regular interaction fosters better understanding and collaboration.

iv. **Higher Motivation and Morale**: Support and recognition within the team boost individual motivation.

v. **Skill Development**: Team members learn from each other, enhancing their own abilities and knowledge.

vi. **Shared Responsibility**: Distributing tasks reduces individual pressure and risk, leading to better decision-making

1.5.1 Challenges of Team

i. **Communication Issues**: Misunderstandings and lack of clear communication can lead to conflicts and inefficiency.

ii. **Conflicting Personalities**: Diverse personalities and working styles can create friction and disrupt team harmony.

iii. **Uneven Workload Distribution**: Some members may end up taking on more work, leading to burnout and resentment.

iv. **Lack of Accountability**: Without clear roles and responsibilities, it can be difficult to hold team members accountable.

v. **Groupthink**: The desire for harmony and conformity can suppress dissenting opinions and hinder creativity.

vi. **Coordination Difficulties**: Synchronizing schedules and efforts, especially in remote or distributed teams, can be challenging.

vii. **Dependence on Individual Members**: The absence or underperformance of key members can significantly impact team output.

viii. **Conflict Resolution**: Managing and resolving conflicts in a constructive manner requires skill and can be time-consuming.

ix. **Diverse Skill Levels**: Variations in skill levels among team members can lead to inefficiencies and frustration.

x. **Motivation and Engagement**: Keeping all team members motivated and engaged consistently can be difficult, especially over long projects.

1.5.2 Case study of Team

Developing a New Product in a Tech Company

Background

Tech Innovators, a mid-sized technology company, decided to develop an innovative software product to maintain its competitive edge in the market. This project was critical for the company's future growth and required a multidisciplinary team of experts from different departments, including R&D, Marketing, Sales, and Customer Support. The team assembled for this project included Emma, the Project Manager; Alex, the Lead Developer; Sophia, the Marketing Specialist; Michael, the Sales Manager; and Liam, the Customer Support Lead.

Team Composition

Project Manager (Emma): Emma was responsible for overall project coordination and leadership. She ensured that all team members were aligned with the project's goals and deadlines.

Lead Developer (Alex): Alex headed the R&D team and was in charge of the technical development of the software. His expertise was crucial in building a robust and innovative product.

Marketing Specialist (Sophia): Sophia was tasked with conducting market research and developing promotional strategies to ensure the product’s success in the market.

Sales Manager (Michael): Michael handled the sales strategy and client relations, aiming to generate interest and secure pre-orders for the new software.

Customer Support Lead (Liam): Liam ensured that the product met customer needs and managed post-launch support to maintain high customer satisfaction.

Challenges Faced

Despite having a team of highly skilled professionals, the project encountered several challenges. Communication Issues:

Problem: The team initially struggled with communication.

Self-Assessment Exercises 3

Question 1: How does having a diverse team enhance problem-solving?

Question 2: Why does working in a team increase productivity?

1.6 SUMMARY

In this unit, we explored the concept of teamwork and its significance within the ever-changing landscape of the business world. At the core of effective teamwork lies a collaborative spirit, where team members function cohesively as a unified group, fostering harmonious and supportive relationships. As elucidated in this unit, it becomes evident that successful work teams are not mere chance occurrences; rather, they evolve over time and progress through various developmental stages.

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1.8 POSSIBLE ANSWERS TO SELF-ASSESSMENT EXERCISE(S) WITHIN THE CONTENT

SAE 1

Q: What are the primary reasons organizations are increasingly turning to work teams? **A:** Organizations are turning to work teams for several key advantages, including increased productivity, improved work processes, enhanced workforce diversity, better organizational communication, faster decision-making, higher quality goods and services, greater creativity and efficiency in problem-solving, more strategic use of resources, and the benefit of synergy. Work teams can achieve more collectively than individuals working separately by leveraging their combined knowledge and skills.

Question 2

Q: What are the different types of work teams commonly found in organizations? **A:** There are three broad types of work teams commonly found in organizations:

1. **Management Teams**: Responsible for directing the entire organization.

2. **Functional or Operational Teams**: Departments with heads, such as Administration, Entrepreneurial Development, Technology, Infrastructure and Innovation, Coordination and Extension Services, and Finance and Accounts.
3. **Project Teams**: Task forces or venture groups formed to tackle specific problems or tasks.

SAE 2

Work Team Formation Stages: Short Questions and Answers

Q1: What are the four distinct stages of work team development?

A1: The four distinct stages of work team development are:

1. **Forming Phase**: This initial stage involves team members getting to know each other and understanding the team's goals and rules. There is dependence on the leader, and discussions are often abstract and unfocused.
2. **Storming Phase**: During this stage, conflicts arise as team members begin to express their individual opinions and challenge the direction of the team. There may be resistance to action and problem-solving methods.
3. **Norming Phase**: Conflicts from the storming phase are resolved, and team members start to focus on team goals. Ground rules are updated, and relationships become more cooperative and trusting.
4. **Performing Phase**: The team starts working efficiently towards achieving its goals. Members enjoy working together, communicate openly, and share leadership roles. However, there is a risk of becoming too cohesive and excluding outside perspectives.

Q2: What potential problems might a team encounter during the storming phase, and how can they be addressed?

A2: Potential problems during the storming phase include:

- **Resistance to Action and Problem-Solving Methods**: Members may resist proposed methods and solutions, leading to delays.
- **Fluctuating Attitudes**: Team members' attitudes may fluctuate, slowing down progress.

- **Subgroup Formation**: Arguing can create subgroups within the team, causing divisions.
- **Dominance and Withdrawal**: Some members may dominate discussions, while others may withdraw, leading to a lack of diverse input.
- **Deteriorating Atmosphere**: Interest, enthusiasm, and overall team atmosphere may begin to deteriorate.
- **Challenges to Leadership**: The team leader may be openly challenged, leading to leadership struggles.

These issues can be addressed by:

- **Establishing Clear Communication**: Regular meetings and the use of unified project management tools can help streamline communication.
- **Encouraging Collaboration**: Team-building activities and mediation sessions can foster understanding and cooperation.
- **Balancing Workloads**: Redistributing tasks to ensure a balanced workload and involving all team members in the process can help.
- **Promoting Inclusion**: Encouraging all team members to contribute and valuing diverse opinions can prevent the formation of subgroups and dominance by certain members.

SAE 3

Q1: How does having a diverse team enhance problem-solving?

A1: Diverse perspectives and skills within a team lead to more creative and effective solutions, as team members bring different viewpoints and expertise to the table, which helps in addressing complex problems more comprehensively.

Q2: Why does working in a team increase productivity?

A2: Teams can distribute the workload among members, allowing tasks to be completed more efficiently. This division of labor ensures that each team member focuses on specific tasks, speeding up the overall progress.

UNIT 2: TEAM BUILDING IN BUSINESS SET-UP

CONTENT

2.1 INTRODUCTION

As you study through this unit, you will discover that the process of team building as work teams to become more effective in carrying out their tasks. How people behave and perform as members of a group is as important as their behaviour or performance as individuals. Harmonious working relationships and good teamwork help make for a high level of employee morale and work performance. Effective teamwork is an essential element of modern management practices for entrepreneurs such as quality circles, total quality management and how firms manage change. Teamwork is important in any organization but is especially significant in entrepreneurial firms where there is a direct effect on customer satisfaction.

2.2 Learning Outcomes

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

i. explain the meaning of team building
ii. analyze the nature of team building cycle
iii. evaluate the characteristics of a work team.
iv. examine the guidelines for effective team members participation.

2.3 Meaning of Team Building

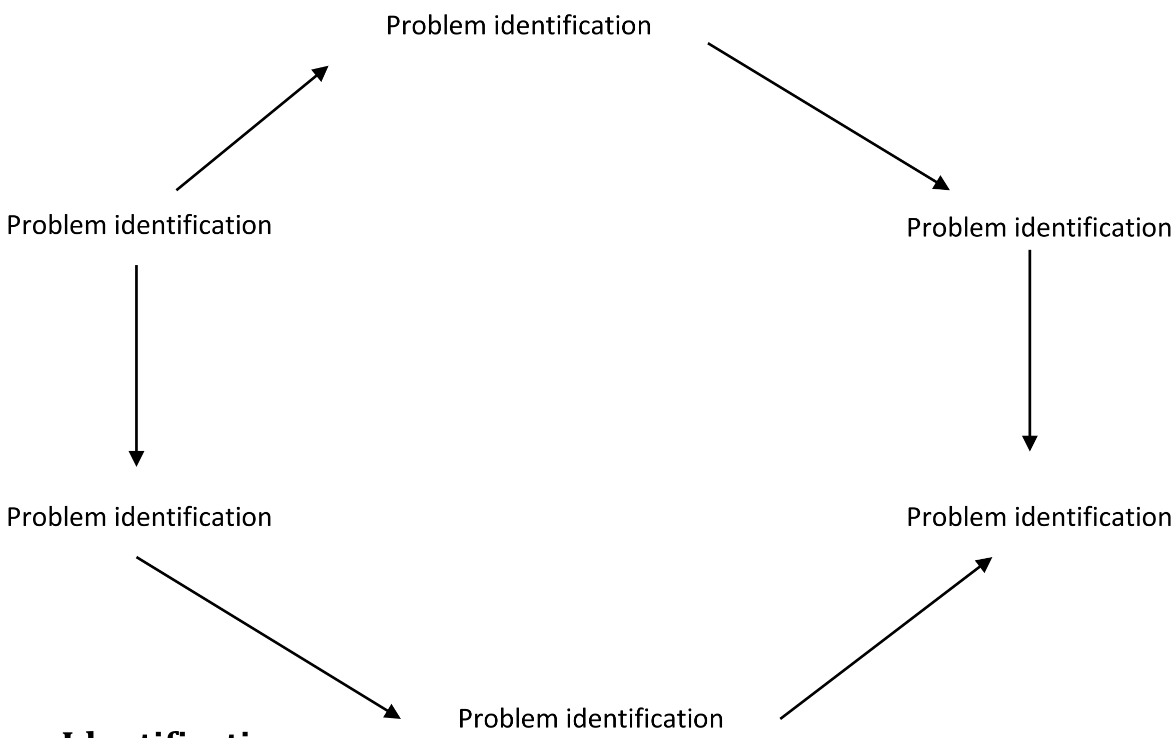
Team building is the process of helping the work team become more effective in accomplishing its tasks/roles and in satisfying the needs of the team members. It is a strategic intervention by which differences in organizations are ironed out through sectional solutions of the misunderstanding within the various units, sections, department and divisions in the organizations.

Team building is a group of activities designed to enhance the effective operation of the entire system in a firm. It is a potential resource for problem solving. Team building may relate to task issues such as:

- The way things are done
- The needed skill to accomplish job-tasks
- The resource allocations necessary for task accomplishment
- Nature and quality of inter-personal relationship in the organization

2.3.1 Team Building Cycle

Team building is usually in a cycle



Problem Identification

The team building cycle starts with the identification of the problem . members

of the work-team diagnose how they work-together and plan changes that will affect their effectiveness. Their focus might to be on:

- Setting goal or priorities for the work-team
- Analyzing or allocating the way the job is performed

- Examining the way the team is working
- Examining relationships among the work-team

Data Gathering

After identifying the problems, the team goes about to collect data. This involves getting together as a team of family to ask questions on what is responsible for the problem.

Diagnosis

The diagnostic stage involves what is the cause of the problem. Is the cause of the problem, human or material SWOT analysis can be conducted is it knowledge, skill or attitude problem.

Planning

This is the way and means of resolving the problems and making the team cohere for effectiveness progress and growth.

Implementation

Implementation of the planning is the fifth stage, while evaluation of the implementation, which is sometimes referred to as monitoring is the last stage of the cycle.

The cycle is in form of a price system. If the problem has not been solved to the desired standard, the cycle goes to the problem stage. The pin-pointing of performance standard.

P - Pinpoint performance standard

R - Record current achievement

I - Investigate the cause of deviation

C - Coach for better performance

E - Evaluate the achieved performance

In its simplest term, the stages involved in team building are:

- To clarify the collective goals.
- To identify those inhibitors that prevents from researching the goals and removes them.
- To put in place enable that assists the removal.
- To measure and monitor progress, to ensure the goals are achieved.

2.3.2 FACTORS AFFECTING TEAM BUILDING

Variables affecting team building can be classified into three main types.

External Factors

Management or employees may not have control over these, but may have to management them. Examples are;

- Union constraints
- Legal/regulatory measures
- Socio/cultural factors • Political/economic factors
- Customers requirement.

Self-Assessment Exercises 1

Question 1: What is the primary purpose of team building within an organization?

Question 2:What are the stages involved in the team building cycle?

2.4 Team Factors

These revolve around the interaction of team-members with one another and over which the team-members and team leader have the greatest direct control.

Individual Factors

The individual factors focus on interpersonal relationship and attitudes of individual members towards the organization or their work schedules. These are mainly attitudinal factors involving team behaviours which are difficult to control, but need careful management and which the team-leader can do a lot to influence. The approach is to encourage those in opposition since there will be different personalities in the team to function effectively as part of the team. This is necessary in order to achieve the corporate goals and objectives.

2.4.1 Characteristics of Well Functioning Work Team These are:

Purpose: Team-members proudly share a sense of why the team exists and are invested in accomplishing its mission and goal.

Priorities: Team members know what needs to be done next, by whom, and by when to achieve team goals.

Roles: Team members know their roles in getting tasks done. and when to allow a more skillful member to do a certain task.

Decision: Authority and decision making lines are clearly understood.

Conflict: Conflict is dealt with openly and is considered important to decision making and personal growth.

Personal Traits: Team-members feel their unique personalities are appreciated and well utilized.

Norms: Group norms for working together are set and seen as standards for everyone in the groups.

Effectiveness: Team members find team meetings efficient and productive and look forward to this time together.

Success: Members know clearly when the team has met with success and share in this equally and proudly.

Training: Opportunities for feedback and up-dating skills are provided and taken advantage of by team members.

2.4.2 Guidelines for Effective Team Participation

The following are useful guidelines for team participation

- Contribute ideas and solutions
- Recognize and respect differences in others
- Value the ideas and contribution of others
- Listen and share information
- Ask questions and get clarification
- Participate fully ad keep your commitment
- Be flexible and respect the partnership created by the work team strive for win-win
- Have fun and care about the team and the outcomes.

Self-Assessment Exercises 2

Question 1: What are some key characteristics of a well-functioning work team?

Question 2: What are some guidelines for effective team participation outlined in section ?

2.5 Importance of Team Building

Team building is a crucial aspect of organizational development and performance. Effective team building enhances collaboration, improves communication, and fosters a positive work environment. Here are some key reasons why team building is important:

1. **Improves Communication**: Team building activities help break down communication barriers, allowing team members to interact more openly and honestly.
2. **Enhances Collaboration and Cooperation**: By participating in team building exercises, employees learn to work together more effectively, leveraging each other's strengths and addressing weaknesses.
3. **Boosts Morale and Motivation**: Engaging in fun and challenging activities can boost team spirit and morale, leading to a more motivated workforce.
4. **Encourages Creativity and Innovation**: Team building can inspire creative thinking and problem-solving, as employees feel more comfortable sharing ideas in a supportive environment.
5. **Builds Trust**: Trust is essential for effective teamwork. Team building activities help establish and strengthen trust among team members.
6. **Increases Productivity**: A cohesive team that works well together is more productive and efficient, achieving better results with less effort.
7. **Identifies and Utilizes Strengths**: Team building helps identify individual strengths and how they can be best utilized within the team, leading to more effective role allocation and task completion.
8. **Enhances Problem-Solving Skills**: Team building exercises often involve problem-solving scenarios that improve the team's ability to tackle challenges collaboratively.

2.5.1 Recent Trends in Team Building

Recent trends in team building reflect changes in the modern workplace, including the rise of remote work, technological advancements, and a greater emphasis on diversity and inclusion. Some of these trends include:

1. **Virtual Team Building**: With the increase in remote work, virtual team-building activities have become essential. These include online games, virtual escape rooms, and video conference-based activities.
2. **Hybrid Team Building**: Combining in-person and virtual elements, hybrid team-building activities cater to both remote and on-site employees, ensuring inclusivity and engagement for all team members.

3. **Diversity and Inclusion Focus**: Team-building activities are increasingly designed to promote diversity and inclusion, fostering an environment where all team members feel valued and respected.
4. **Wellness and Mindfulness**: Integrating wellness and mindfulness practices into team building helps improve mental health and overall well-being, reducing stress and increasing focus.
5. **Experiential Learning**: Activities that involve experiential learning, such as outdoor adventures or hands-on projects, are gaining popularity for their ability to build teamwork through shared experiences.
6. **Technology-Driven Activities**: Utilizing the latest technology, such as augmented reality (AR) and virtual reality (VR), to create immersive and engaging team-building experiences.
7. **Sustainability and Social Responsibility**: Team-building activities that focus on sustainability and social responsibility, such as community service projects, are becoming more common, aligning with organizational values and corporate social responsibility goals.

2.5.2 Theory of Team Building

The theory of team building encompasses various models and frameworks that explain how effective teams are formed, developed, and maintained. Key theoretical concepts include:

1. **Tuckman's Stages of Group Development**:
   - **Forming**: Team members get to know each other and establish initial relationships.
   - **Storming**: Conflicts and disagreements arise as team members assert their opinions.
   - **Norming**: The team develops norms and roles, leading to more cohesive interactions.
   - **Performing**: The team operates efficiently towards achieving its goals.
   - **Adjourning**: The team disbands after achieving its objectives.
2. **Belbin's Team Roles**: Dr. Meredith Belbin identified nine team roles that contribute to a team's success. These roles include the Plant (creative innovator), Resource Investigator (networker), Coordinator (chairperson), Shaper (task-driven leader),

Monitor Evaluator (analyst), Teamworker (cooperative supporter), Implementer (practical organizer), Completer Finisher (detail-oriented), and Specialist (expert).

3. **Hackman's Model of Team Effectiveness**: Richard Hackman proposed that team effectiveness is influenced by five key factors: being a real team, having a compelling direction, enabling structure, supportive context, and expert coaching.
4. **Lencioni's Five Dysfunctions of a Team**: Patrick Lencioni identified five dysfunctions that hinder team performance: absence of trust, fear of conflict, lack of commitment, avoidance of accountability, and inattention to results. Addressing these dysfunctions can lead to more effective team dynamics.
5. **Social Identity Theory**: This theory suggests that individuals derive part of their identity from the groups they belong to, influencing their behavior and interactions within the team.

Self-Assessment Exercises 3

Question 1: What are two recent trends in team building that cater to the rise of remote work?

Question 2: According to Tuckman's Stages of Group Development, what is the significance of the "Storming" stage?

2.6 SUMMARY

The increasing need for collaboration and teamwork together with recognition for individual has highlighted the need for attention to team building. Building successful teams is of increasing importance in modern business organizations. It is necessary to take into consideration a variety if interrelated factors as highlighted in this unit.

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2.8 POSSIBLE ANSWERS TO SELF-ASSESSMENT EXERCISE(S) WITHIN THE CONTENT

SAE 1

Question 1:

Q: What is the primary purpose of team building within an organization?

A: The primary purpose of team building is to help the work team become more effective in accomplishing its tasks and satisfying the needs of its members. It involves resolving misunderstandings within various organizational units and enhancing the overall operation of the system, addressing task issues such as how things are done, the skills needed, resource allocation, and the nature of interpersonal relationships.

Question 2:

Q: What are the stages involved in the team building cycle?

A: **The stages involved in the team building cycle are:**

1. Problem Identification: **Identifying the problem and diagnosing team interactions.**
2. Data Gathering: **Collecting data to understand the problem.**
3. Diagnosis: **Determining the cause of the problem, whether human or material.**

4. Planning: **Developing ways to resolve the problem.**
5. Implementation: **Executing the plan.**
6. Evaluation: **Monitoring and evaluating the implementation. If the problem persists, the cycle repeats from the problem identification stage.**

SAE 2

Question 1:

Q: What are some key characteristics of a well-functioning work team?

A: Key characteristics of a well-functioning work team include having a clear purpose, knowing priorities and roles, clear decision-making authority, open conflict resolution, appreciation of personal traits, established group norms, efficient and productive meetings, shared success, and opportunities for training and feedback.

Question 2:

Q: What are some guidelines for effective team participation?

A: Guidelines for effective team participation include contributing ideas and solutions, recognizing and respecting differences in others, valuing others' contributions, listening and sharing information, asking questions for clarification, participating fully and keeping commitments, being flexible and respecting partnerships, and caring about the team and outcomes while having fun.

SAE 3

Question 1:

Q: What are two recent trends in team building that cater to the rise of remote work?

A: Virtual team building and hybrid team building are two recent trends that cater to the rise of remote work. Virtual team building includes online games and virtual escape rooms, while hybrid team building combines in-person and virtual elements to engage both remote and on-site employees.

Question 2:

Q: According to Tuckman's Stages of Group Development, what is the significance of the "Storming" stage?

A: In Tuckman's Stages of Group Development, the "Storming" stage is significant because it involves conflicts and disagreements among team members as they assert their opinions. This stage is crucial for the team's growth, as resolving these conflicts helps establish norms and roles, leading to more cohesive interactions in the subsequent "Norming" stage.

UNIT 3: THE QUALITY GURUS

CONTENTS

3.1 INTRODUCTION

This unit focused on the activities of the Quality Gurus. As noted by Stewart, Quality improvement requires key essential factors for success.

It is quite useful to adopt various quality improvement techniques.

3.2 Learning Outcomes

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

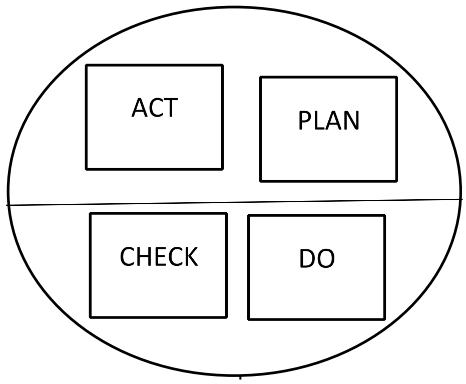
i. Evaluate the concept of quality in greater depth
ii. Analyze the views of quality Gurus.
iii. Discuss the measures of solving quality crisis
iv. Evaluate ClusMollet's Human and Personal Quality

3.3 VIEWS OF QUALITY GURUS

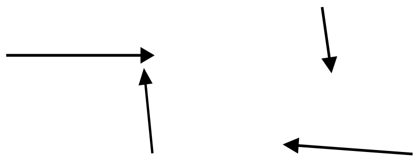
The concept of "Views of Quality Gurus" refers to the perspectives and philosophies on quality management put forth by various thought leaders and experts in the field of quality management. These quality gurus have made significant contributions to the theory and practice of quality improvement in various industries The following are views explained by those often referred to as quality Gurus on concept of quality.

3.3.1 THE DEMING CYCLE

Deming Plan - Do - Check - Act (PDCA) cycle, this concept was invented by Shewart and popularized by Deming.



Act (A) Plan (P)



Check (C) Do (D)

Fig. 2

The Deming PDCAcycle provides opportunities for continuous evaluation and improvement.

1. Plan a change or test (P)
2. Do it (D) carry out the change or test, preferably on a small scale.
3. Check it (C) observes the effects of the change or test. Study it (S).
4. Act on what was learned (A)
5. Respect step 1, with new knowledge
6. Respect step 2 and onward.

Continuously evaluate and improve.

Deming prescribed fourteen measures to cure the crisis of quality. Quality crisis are characterized by:

1. Lack of constancy of purpose of plan and deliver products and services:
2. Emphasis on short - term profits
3. Performance appraisals that promote fear and stimulate unnecessary competition among employees.
4. Mobility of management
5. Management by use of visible figures without concern about other data
6. Excessive medical costs.
7. Excessive costs of liability.

Deming's Fourteen Points

These are curative in nature

1. Create constancy of purpose toward improvement of product and service
2. Adopt the new philosophy - we must prevent mistakes.
3. Cease dependence on mass inspection. Instead, design and build in quality
4. Don't award business on price alone.
5. Continuously improve the system of production and service.
6. Institute training on the job.
7. Institute leadership.
8. Drive out fear.
9. Break down barriers between areas
10. Eliminate numerical goals, work standards and quotas.

11. Eliminate slogans aimed solely at the work force.

12. Remove barriers that hinder workers

13. Institute a vigorous programme of education and self improvement.

14. Take action to accomplish the transformation.

3.3.2 JURAN'S QUALITY TRIOLOGY

The Quality triology emphasized the roles of quality planning, quality control and quality improvement.

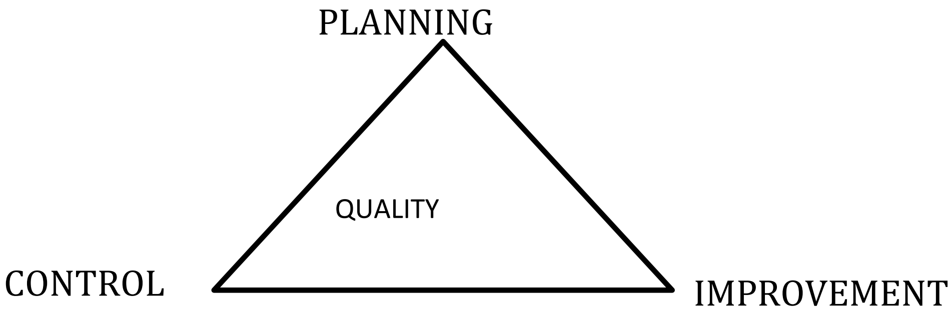


Fig 1 Triology Model (Juran)

- Quality planning's purpose is to provide operators with the ability toproduce goods and service that can meet customer's needs.

- Quality control is used to prevent things from getting worse, It is theinspection part.

- Improvements must be ongoing.

Self-Assessment Exercises 1

1. What is the Trilogy Model proposed by Juran in the context of quality management?
2. Explain the concept of "Views of Quality Gurus?

3.4 ARMAND V. FEIGENBARM

ARMANDV. Feigenboum in his concept on quality developed the idea of total quality control. He based his concept on three steps to quality consisting of quality leadership, modern quality technology and organizational commitment to quality.

(1960 -1980)

3.4.1 GENNICHI TAGUCHI: Prototype method

His concept is fundamentally based on the prototyping method. This enables the designer to identify the optimal settings to produce a robust product that can survive manufacturing time after time, piece after piece and provide what the customer wants. This is commonly used in mass production.

Dr Genichi Taguchi in his concept developed the "Taguchi methodology" of robust design. This concept is also known as "Design in quality" or offline quality control, designing products and processes so that 'they are sensitive "Robust" to parameters outside the design Engineer's control. His concept is based on making the design less sensitive to variation in the manufacturing process instead of trying to control manufacturing variation.

3.4.2 SHIGEO SHINGO: Just-in-time

His concept is strongly associated with JUST-IN-TIME (JIT) manufacturing and was the inventor of the single minute exchange of die (SMED) system, in which set-up times are reduced from hours to minutes and the POKA-YOKE(mistake proofing) system. In POKA-YOKE defects are' examined, the production system stopped and immediate feedback given, so that the root causes of problems may be identified and prevented from occurring again. A checklist is usually provided to take care of human error. 1980-2000

Self-Assessment Exercises 2

1. Briefly explain the concept of ARMANDV Feigenboum?
2. Who developed the Taguchi methodology?

3.5 CROSBY'S FOUR ABSOLUTES OF QUALITY

1. Quality means conformity to requirements, not goodness.
2. The system for causing quality is prevention, not appraisal.
3. The performance standard must be zero defects, not "that's close enough.
4. The measurement of quality is the price of nonconformance, not indexes.

3.5.1 TOM PETERS: Leadership

He identified leadership as being .central to the quality improvement process.The new role is of a facilitator and the basis is managing by walking about(MBWA), enabling the leader to keep in touch with customers, innovation andpeople - the three main areas in the pursuit of excellence. He believed that asthe effective leader walks, at least major activities are happening

- LISTENING, suggest caring
- TEACHING, values are transmitted.
- FACILITATING, able to give on the -spot help.

3.5.2 CLUS MOLLER: Human and Personal Quality

CLUS MOLLER Quality a subject close to my heart - He is known world wide for his work on developing and understanding of the need for taking into account the human factor in quality. His concept was based on human and personal quality. The idea behind this is that quality starts at the individual level. He further says that without good personal quality, you cannot have good team or organizational quality.

Self-Assessment Exercises 3

1. Mention Crosby's four absolutes of quality?
2. Discuss briefly Clus Moller Quality?

3.6 SUMMARY

This unit explores diverse perspectives on quality held by different experts. Deming emphasized the Plan-Do-Check-Act (PDCA) cycle, initially developed by Shewart. Juran focused on quality control and improvement, while Armand emphasized total quality control. Despite their differing approaches, all quality gurus share a common goal: enhancing the efficiency and effectiveness of production and service provision processes. Their contributions have significantly aided the evolution of entrepreneurship, guiding enterprises from traditional quality methods to modern practices.

3.7 REFERENCES/FURTHER READINGS/WEB RESOURCES

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3.8 POSSIBLE ANSWERS TO SELF-ASSESSMENT EXERCISE(S) WITHIN THE CONTENT

SAE 1

1 What is the Trilogy Model proposed by Juran in the context of quality management?

Answer: The Trilogy Model, developed by Joseph M. Juran, is a comprehensive framework for quality management. It consists of three key components:

1. Quality planning's purpose is to provide operators with the ability to produce goods and service that can meet customer's needs.
2. Quality control is used to prevent things from getting worse, It is the inspection part.
3. Improvements must be ongoing.

2. Explain the concept of "Views of Quality Gurus?

Answer:

The concept of "Views of Quality Gurus" refers to the perspectives and philosophies on quality management put forth by various thought leaders and experts in the field of quality management.

SAE 2

1. Briefly explain the concept of ARMANDV Feigenboum?

Answer

ARMANDV. Feigenboum in his concept on quality developed the idea of total quality control. He based his concept on three steps to quality consisting of quality leadership, modern quality technology and organizational commitment to quality.

2. Who developed the Taguchi methodology?

   Answer

   Dr Genichi Taguchi in his concept developed the "Taguchi methodology" of robust design.

SAE 3

1.Mention Crosby's four absolutes of quality?

   Answer

   Quality means conformity to requirements, not goodness.

   The system for causing quality is prevention, not appraisal.

   The performance standard must be zero defects, not "that's close enough.

   The measurement of quality is the price of nonconformance, not indexes

2 Discuss briefly Clus Moller Quality?

   Answer

   CLUS MOLLER Quality a subject close to my heart - He is known world wide for his work on developing and understanding of the need for taking into account the human factor in quality. His concept was based on human and personal quality. The idea behind this is that quality starts at the individual level. He further says that without good personal quality, you cannot have good team or organizational quality.

UNIT 4: QUALITY IMPROVEMENT FOR POSITIVE CHANGE

CONTENTS

4.1 INTRODUCTION

In this chapter, you are presented with the basic concept of quality. The concept and vocabulary of quality is quite elusive. This is because just as meanings are in people, quality means different things to different people. The modern concept of quality is considered to have evolved through some stages. These stages are highlighted in this unit.

4.2 Learning Outcomes

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

i. examine the concept of quality concisely

ii. analyze quality from different perspectives

iii. evaluate the four major stages that quality evolved.

iv. Discuss the concept of evolution

4.3 MEANING OF QUALITY

The struggle to define quality can be traced back to the nineteenth century. The division of labour, mass production of consumer goods and intensified global trade spurred the first attempt to give formal definition to the concept of quality during the early industrial era.

In view of its abstract quality nature has been defined in various ways by various authors. David Garvin, a Harvard professor, in his book, Managing Quality, summarized five principal approaches to defining quality:

4.3.1 Transcendental view of Quality – The transcendental view of quality is a philosophical perspective that considers quality as an abstract, ideal concept that is inherently difficult to define or measure precisely. This view suggests that quality exists beyond the realm of tangible attributes or measurable characteristics and represents an aspirational or philosophical notion of perfection.Those who hold this view would say, 'I can't define it, but I know it when I see it'. Advertisers are fond of promoting products in this term.

4.3.2 Product Based View - Quality is viewed as quantifiable and measurable characteristics or attributes. Examples, durability or reliability can be measured. The product-based view of quality is an approach to understanding and assessing quality that focuses primarily on the inherent characteristics and attributes of a product or service itself. It places a strong emphasis on objective, measurable criteria to determine quality, rather than relying solely on subjective assessments by users or customers.

4.3.3 User Based View - Quality is an individual matter. The user-based view of quality is an approach to understanding and assessing quality that places a strong emphasis on meeting the needs, expectations, and preferences of the end-users or customers. This perspective recognizes that quality is ultimately determined by the satisfaction of those who use a product or service and focuses on aligning the offering with their requirements.

Self-Assessment Exercises 1

1. **How does the transcendental view of quality define the concept of quality, and what is its primary characteristic?**

2.What is the main focus of the product-based view of quality, and how does it differ from the user-based view?

4.4 Manufacturing Based View - Concerned primarily with manufacturing and engineering practices and uses the universal view of conformances to requirements.

4.4.1 Criticism of Manufacturing-Based View

The Manufacturing-Based View (MBV) of quality, which emphasizes that quality is defined in terms of conformance to specifications and the elimination of defects during production, has faced several criticisms:

1. **Narrow Focus**: MBV is often criticized for its narrow focus on production and internal processes, potentially neglecting other crucial aspects such as customer satisfaction, service quality, and overall business performance.

2. **Ignores Customer Perspective**: It does not sufficiently consider the customer's perspective on quality, which can lead to products that meet internal specifications but fail to meet customer expectations or market needs.
3. **Inflexibility**: The emphasis on strict adherence to specifications can lead to inflexibility, making it challenging for manufacturers to adapt to changing market conditions, new technologies, or customer preferences.
4. **Overemphasis on Efficiency**: MBV often prioritizes efficiency and cost reduction over innovation and creativity, potentially stifling the development of new and improved products.
5. **Limited Scope**: It tends to be more applicable to traditional manufacturing environments and may not translate well to service industries or modern, technology-driven production systems.

4.4.2 Value Based View - This is when quality is defined in terms of cost and prices as well as number of other attributes.

Nameer (2009) stated that the concept and vocabulary of Quality is very elusive. It means different things to different people. He stated that very few can define quality in measurable terms that can be operationalized.

For example, when asked about quality:

- A banker will answer service.
- A health care worker will answer quality health care.
- The hotel restaurant employee will answer customer satisfaction.
- The manufacturer will simply answer quality product.
- A lecturer will answer knowledge impartation.

Self-Assessment Exercises 2

Question 1:

What is the primary focus of the Manufacturing-Based View of quality, and what are its main criticisms?

Question 2:

How does the Value-Based View define quality, and why is it considered elusive according to Nameer (2009)?

4.5 Quality Definition by Gurus

Similarly, five quality Gurus define quality in terms of the following:

1. Variability - Shewart
2. Predictability - Deming
3. Conformance to requirement - Crosby
4. To Juran, Quality is fitness for use.
5. Lastly, Feigenbam says, Quality is the customer's opinion. (Henry Kling)

Going by the definitions we can see that quality is an abstract construct used to measure services and products. There are two types of quality, the ascribed and prescribed. British research establishment defined it as the totality of features and characteristics of product or service that bear on its ability to satisfy stated or implied needs.

Quality is meeting customer requirement at lower cost with built-in preventive actions in the processes. It also includes employee/management involvement ensuring the best product to the customer/end user with JIT delivery.

4.5.1 Concept of Evolution

The modern concept of quality is considered to have evolved through four major stages over many years. These include:

a. Inspection - This is traditionally the process of checking what is produced and what is required. (1920s)

b. Quality control (1940s)

c. Quality assurance.(1970s)

d. Total Quality Management. (1980s)

4.5.2 Importance of the Concept of evolution

The modern concept of quality has evolved through four major stages, each contributing to the development of comprehensive quality management:

1. **Inspection (1920s)**:
   - **Importance**: This stage focused on identifying defects in products after they were produced. It marked the beginning of systematic efforts to ensure that products met specified standards and requirements.
2. **Quality Control (1940s)**:
   - **Importance**: Introduced statistical methods to monitor and control production processes, aiming to prevent defects during manufacturing. This proactive approach improved product consistency and reduced waste.
3. **Quality Assurance (1970s)**:
   - **Importance**: Expanded the focus to include all activities within the organization that impact quality. It emphasized process standardization, documentation, and compliance to ensure that quality was built into products from the start.
4. **Total Quality Management (1980s)**:
   - **Importance**: Promoted a holistic approach to quality, involving all employees and integrating quality into every aspect of the organization. It fostered a culture of continuous improvement, customer satisfaction, and long-term success through comprehensive quality practices.

Self-Assessment Exercises 3

Question 1 **How do the quality definitions by five quality Gurus differ, and what does each emphasize?** **Question 2** What are the four major stages in the evolution of the modern concept of quality, and what is their significance?

4.6 SUMMARY

This unit preset the basic concept of quality and it's evolution. In a nutshell quality is elusive but there are approaches to defining quality. Quality is difficult to define in measurable time. What constitute quality depends on the individual. This may also mean that quality means different thing to different persons. It however evolve through some stages.

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4.8 POSSIBLE ANSWERS TO SELF-ASSESSMENT EXERCISE(S) WITHIN THE

Question 1:

How does the transcendental view of quality define the concept of quality, and what is its primary characteristic?

Answer: The transcendental view of quality defines quality as an abstract, ideal concept that is inherently difficult to define or measure precisely. Its primary characteristic is the notion that quality exists beyond tangible attributes or measurable characteristics and represents an aspirational or philosophical notion of perfection. Those who hold this view often say, "I can't define it, but I know it when I see it."

Question 2:

What is the main focus of the product-based view of quality, and how does it differ from the user-based view?

Answer: The main focus of the product-based view of quality is on quantifiable and measurable characteristics or attributes of a product or service, such as durability or reliability. This view emphasizes objective, measurable criteria to determine quality. In contrast, the user-based view of quality emphasizes meeting the needs, expectations, and preferences of the end-users or customers, recognizing that quality is ultimately determined by the satisfaction of those who use the product or service.

SAE 2

Question 1:

What is the primary focus of the Manufacturing-Based View of quality, and what are its main criticisms?

Answer: The primary focus of the Manufacturing-Based View of quality is on conformance to specifications and the elimination of defects during production. Its main criticisms include a narrow focus on internal processes, neglect of customer satisfaction, inflexibility, overemphasis on efficiency at the expense of innovation, and limited applicability to non-manufacturing environments.

Question 2:

How does the Value-Based View define quality, and why is it considered elusive according to Nameer (2009)?

Answer: The Value-Based View defines quality in terms of cost, prices, and various other attributes. According to Nameer (2009), quality is considered elusive because it means different things to different people and is challenging to define in measurable terms that can be operationalized. For example, quality might be defined as service by a banker, quality health care by a health care worker, customer satisfaction by a hotel restaurant employee, a quality product by a manufacturer, and knowledge impartation by a lecturer.

SAE 3

Question 1:

How do the quality definitions by five quality Gurus differ, and what does each emphasize?

Answer:

- **Shewart**: Quality is about **variability**, emphasizing the importance of reducing variation in processes.
- **Deming**: Quality is **predictability**, focusing on the consistency and reliability of processes and outcomes.
- **Crosby**: Quality is **conformance to requirements**, stressing adherence to specified standards and requirements.
- **Juran**: Quality is **fitness for use**, highlighting the product's or service's suitability for its intended purpose.
- **Feigenbaum**: Quality is **the customer's opinion**, emphasizing the perception and satisfaction of the customer.

Question 2:

What are the four major stages in the evolution of the modern concept of quality, and what is their significance?

Answer:

- **Inspection (1920s)**: Checking products post-production to ensure they meet required standards, marking the beginning of systematic quality efforts.
- **Quality Control (1940s)**: Introducing statistical methods to monitor and control production processes, focusing on preventing defects.
- **Quality Assurance (1970s)**: Emphasizing process standardization and documentation to build quality into products from the start.
- **Total Quality Management (1980s)**: Adopting a holistic approach involving all employees and integrating quality into every organizational aspect to foster continuous improvement and customer satisfaction.

MODULE 4

UNIT 1: BASIC QUALITY IMPROVEMENT TOOLS AND TECHNIQUES

CONTENTS

1.1 INTRODUCTION

This unit introduces you to the important basic tools and techniques for quality improvement. Quality improvement tools and techniques are vital to positive changes and growth of any organization. These tools have been in use for ages by companies and entrepreneurs all over the world. Quality tools and techniques are essential for achieving corporate growth through customer satisfaction. Establishing quality improvement tools and techniques help firms and entrepreneur to create great attitude of success and assist in maintaining a culture of quality.

1.2 Learning Outcomes

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

i. Demonstrate the need for quality tools for the entrepreneur.

ii. Examine the relevance of a particular tool and technique in a given circumstances.

iii. Evaluate quality tools for practical application.

iv. Discuss four benefits and limits of quality tools and techniques

1.3 Fundamental Quality Improvement Tools

These fundamental quality improvement (Q1) tools were first emphasized by Kaoru Ishikawa, professor of engineering at Tokyo University and the farther of quality circles in Japan. They were identified for the average person to analyzed and interpret data.

These tools have been used worldwide by companies, entrepreneurs managers of all levels and employees. The tools are as follows (Hughes, 2005; www.dti.uk!quality/tool).

1. Flow chart
2. Check sheet
3. Histogram
4. Pareto charts
5. Cause and effects diagrams
6. Scatter diagrams
7. Control charts
8. Bar charts
9. Brain storming
10. Plan-Do-Study-Act (PDSA)
11. Benchmarking

1.3.1 Flow Chart

A flow chart is a schematic representation of a process. The process chart was first introduced by Frank Gilbeth in 1921. He employed it to show a graphical and structured method of documenting process.

Flow charts are useful tools for communicating how processes work, and for clearly documenting how a particular job is done. It is an effective way to clarify understanding of the process, and keeps thinking about where the process can be used.

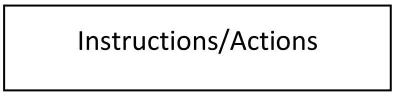
It can be used to:

- Define and analyze processes
- Build a step-by-step picture of the process for analysis, discussion or communication.

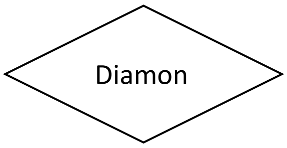
Essentially, most flow charts consist of three symbols.

i. Elongated circles, which process the start or end of a process

ii. Rectangles, which show instructions or actions



iii. Diamonds, which show decisions that must be made



1.3.2 A check sheet

This is an organized way of collecting and structuring data, its purpose is to collect the facts in the most efficient way. It ensures that the information that is collected is what was asked for and that everyone is doing it the same way. In other words, data is collected and ordered by adding check marks against predetermined categories of items or measurements. It is implies the task of analysis (www. dti.gov.uk/quality/tools).

	Total
IIII II IIII III II I	X
II II II II III II II	Y

Self-Assessment Exercises 1

Question 1: **What are the primary uses of a flow chart, and what symbols are commonly used in creating one?** **Question 2:** **What is the purpose of a check sheet, and how is data typically collected and structured using it?**

1.4 Histogram

- The word histogram is derived from Greek word "histos'"anything set upright" (as the masts of ship); grammar, drawing, record and writing.
- The histogram is a summary graph which shows the count of total number of data points that fall into various ranges.

1.4.1 PARETO ANALYSIS

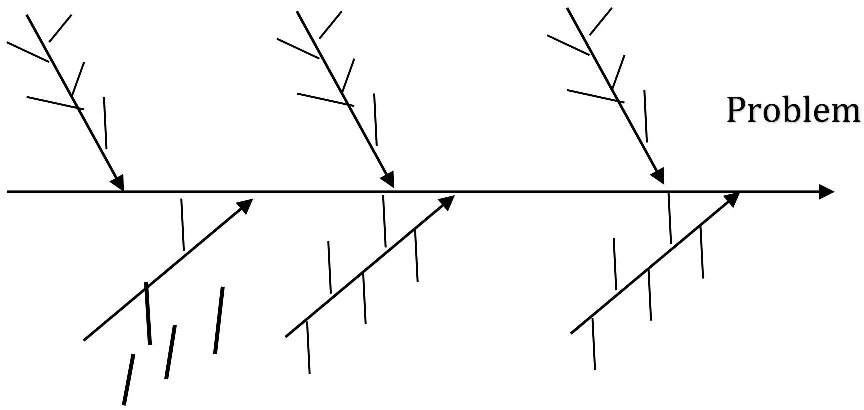
Pareto is an Italian Economists who studied wealth distribution in 1897. He explained that 80% of financial wealth is in the hands of 20% of population (few with lots of money, many with little money).

Pareto analysis can be used to systematically identify major causes or effects, loss in monetary from, decide most important areas of improvement analytically, compare 'before' and 'after' improvement effect, used for different areas of quality, inventory, maintenance, safety, etc. A Pareto diagram or chart pictorially represents data in the form of a ranked bar chart that shows the frequency of occurrence of items in descending order. Usually, Pareto diagrams reveal that 80% of the effect is attributed to 20% of the causes; hence, it is some-times known as the 80/20 rule (www.dtigov.ulguality/tools).

1.4.2 CAUSE AND EFFECT PHENOMENON

This is called Ishikawa Diagram or Fishbone diagram. It is simply a diagram that shows the causes of a certain event. The diagram generally can reveal key relationship among various variables and possible causes identified may provide additional insight into process performance. The effect or problem being investigated is shown at the end of a horizontal arrow; potential causes are then shown as labeled arrows entering the main cause arrow. Each arrow may have other arrows entering it as the principal causes or factors are reduced to their subcauses; brainstorming can be effectively used to generate the causes and sub-causes.

Cause and Effect Diagram



or Effect

Factors of concerns

Key Steps in Cause and Effect Diagram

- Determine quality characteristics or quality problem to study - Determine main factors or primary causes.
- Determine secondary causes which affects primary causes and also “small bones” which is affecting secondary bones
- Assign importance level, mark particular factors that may have significant effect for solving problem.
- Write down important information, e.g. data, place, members, departments etc.

Self-Assessment Exercises 2

Question 1:

What is a histogram, and how is it useful in data analysis?

Question 2:

What is the purpose of a Pareto analysis, and how is it represented graphically?

1.5 Charts

Charts are in different forms:

(A) Control Chart

This is used to monitor processes that are in control, using means and ranges. It represents data, e.g. sales volume, customer complaints, in chronological order, showing how the values change with time. In a control each point is given individual significance and is joined to its neigbours.

Above and below the mean, upper and lower warning and action lines (UWL, LWL, LAL) are drawn. These act as signals or decision rules, and give operators information about the process and its state of control.
The charts are useful as a historical record of the process as it happens, and as an aid to detecting and predicting change.

(B) Bar Charts

These are usual displays of data in which the right of the bars is used to show the relative size of the quality measured. The bars can be separated to show that the data is not directly related or continuous. They can be used to give visual impact to data, compare different types of data and compare data collected at different times (www.dti.

gov.uk./quality tools)

1.5.1 Brainstorming

This can be used in conjunction with the cause and effect tool. It is a group technique used to generate a large number of ideas quickly and may be used in a variety of situations. Each member of the group, in turn, can put forward an idea concerning the problem being considered. Wild ideas are welcomed and no criticism or evaluation takes place during brainstorming, all ideas recorded for subsequent analysis. The process continues until no additional ideas are received and thus increasing the chance for originality and innovation (Stahl and Grigsby, 1997). It can be used for:

- Identifying problem areas
- Identifying areas for improvement
- Designing solutions to problems
- Developing action plans

1.5.2 Plan Do Study Act (PDSA)

Quality improvement is aimed at making positive change to effect favourable outcomes can use the Plan-Do-Study-Act (PDSA) model. This is a method that has been widely used by many organizations for rapid cycle improvement.

The purpose of PDSA quality improvement efforts is to establish a functional or causal relationship between changes in process (specially behaviors and capabilities) and outcomes.

Langley (2001) proposed the questions before using the PDSA cycles.

- What is the goal of the organization?
- How it is known whether the goal was reached?
- What will be done to reach the goal?

Benchmarking

Benchmarking is defined as the continual and collaborative discipline of measuring and comparing the results of key work process with those of the best performers in evaluating organizational performance.

There are two types of benchmarking that can be used to evaluate quality performance. While internal benchmarking is used to identify best practices within an organization to compare best practices within the organization, and to compare current practices overtime external beach marking is used to identify practices obtainable outside the organization. (Hughes, 2005)

In summary, basic tools and their utilities are:

1. Flow Chart: Understand process and depict situation in graphical form.
2. Check Sheet: Find facts by collecting and recording data.
3. Histograms: Identify problems and their relative importance.
4. Pareto Charts: Separate ‘Significant few” from Trivial many” causes.
5. Cause and Effect Diagrams: Generate and capture ideas.
6. Scatter Diagrams: Study trend and predict behavior.
7. Control Charts: Study performance about common and special causes of variation.

Advantages and Limitations of Quality Improvement Tools and Techniques.

Advantages

- Establishing quality improvement tools and techniques helps to create an attitude and maintain culture of quality.
- Using quality tools and techniques are necessary to achieve customer satisfaction.
- The use of Plan, Do, Check and Act (PDCA) as quality improvement tools has proved very effective in improving quality in organizations.

Limitations

The limitations of tools according to Andersen (2008).include:

- Difficulty in application of the tools - Accuracy of the methodology.

Self-Assessment Exercises 3

Question 1:

How are control charts used in monitoring processes, and what information do they provide?

Question 2:

What is the purpose of brainstorming in quality improvement, and how does it function?

1.6 SUMMARY

This unit concentrated on the quality improvement tools and techniques. Emphasis is on the use of more than one improvement techniques by an organization to identify inefficiencies and errors such that will influences changes associated with the system.

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1.8 POSSIBLE ANSWERS TO SELF-ASSESSMENT EXERCISE(S) WITHIN THE CONTENT

SAE 1

Question 1:

What are the primary uses of a flow chart, and what symbols are commonly used in creating one?

Answer: Flow charts are used to define and analyze processes, build a step-by-step picture of a process for analysis, discussion, or communication, and clarify understanding of how processes work. Common symbols used in creating a flow chart include:

- **Elongated circles**: Indicate the start or end of a process.
- **Rectangles**: Represent instructions or actions.
- **Diamonds**: Indicate decisions that must be made.

Question 2:

What is the purpose of a check sheet, and how is data typically collected and structured using it?

Answer: The purpose of a check sheet is to collect and structure data in an organized and efficient way. Data is typically collected and ordered by adding check marks against predetermined categories of items or measurements, ensuring that the collected information is accurate and consistent. This method facilitates the analysis of the collected data.

SAE 2

Question 1:

What is a histogram, and how is it useful in data analysis?

Answer: A histogram is a summary graph that shows the count of total data points falling into various ranges. It is derived from the Greek word "histos," meaning "anything set upright." Histograms are useful in data analysis for visualizing the distribution of data, identifying patterns, and understanding the frequency of occurrences within different intervals.

Question 2:

What is the purpose of a Pareto analysis, and how is it represented graphically?

Answer: Pareto analysis is used to systematically identify the major causes or effects of a problem, prioritize areas for improvement, and compare the impact of changes. Graphically, it is represented by a Pareto diagram or chart, which is a ranked bar chart showing the frequency of occurrence of items in descending order. The chart often reveals that 80% of the effect is attributed to 20% of the causes, known as the 80/20 rule.

SAE 3

Question 1:

How are control charts used in monitoring processes, and what information do they provide?

Answer: Control charts are used to monitor processes by plotting data points in chronological order to show how values change over time. They include mean and range lines, as well as upper and lower warning and action lines (UWL, LWL, LAL) that act as decision rules. This setup provides operators with information about the process's state of control and helps detect and predict changes, making them useful as a historical record and for process monitoring.

Question 2:

What is the purpose of brainstorming in quality improvement, and how does it function?

Answer: Brainstorming is used in quality improvement to generate a large number of ideas quickly in a group setting. Each group member can contribute ideas about the problem being considered without criticism or evaluation during the session. This technique encourages wild ideas and originality, increasing the chance for innovative solutions. It is particularly useful for identifying problem areas, areas for improvement, designing solutions, and developing action plans.

UNIT 2: MANAGEMENT OF CHANGE

CONTENTS

2.1 INTRODUCTION

This unit contains basic elements of change management. As change is inevitable, you will understand its inevitability and why entrepreneur should prepare for change. You will also find that there are essentially two types of change — strategic and operational change can occur as a result of activities external to an organization. Natural process of ageing can cause changes internally. In this unit you will find out about forces of change

2.2 Learners Outcomes

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

i. analyze the force of change
ii. evaluate the types of change
iii. discuss ways of managing change effectively
iv. explain the external change and change that is internal in origin

2.3 THE POWER OF CHANGE

Change descends on all entrepreneurs. While some realize it early others realize it late. Change is inevitable and inescapable. We are all subjects to change. Like it or not, change happens. Change is also a pervasive influence. Change can be studied in terms of its effects at the individual group, organization, society, national or international level. However: because of its pervasive nature, change at any one level is interrelated with changes at other levels, and it is difficult to study one area of change in isolation. At individual level there could for example, be a personal transformational change where circumstances have not changed but because of some emotional happening the individual was transformd or changed: This transformation may have some effect on their behaviour and actions at work and relationships with colleagues. But our main focus of attention is on the management of change in business firms. Organizational change can be initiated deliberately by entrepreneurs.

2.3.1 The Forces of Change

A business firm can perform effectively only through interactions with the broader external environment on which it is part. The structure and functioning of the firm must reflect, therefore, the nature of the environment in which it is operating. There are factors which create an increasingly volatile environment, such as:

- Uncertain economic conditions,
- Globalization
- The level of government intervention

- Market competitors
- Government regulations
- Scarcity of resources
- Rapid developments in new technologies and the information age. In order to help ensure its survival and future success the firm must be readily adaptable to the external demands placed upon it. The business firm must be responsive to change. Other major forces of change include:
- Increased demands for quality and high Levels of customer service and satisfaction;
- Greater flexibility in the structure of work organizations and patterns of management; the changing nature and composition of the workforce; and - Conflict from within the firm.

Change also originates within the firm itself. Much of this change is part of a natural process of ageing - for example, as material resources such as buildings, equipment or machinery deteriorate or lose efficiency; or as human resources get older, or as skills and abilities become outdated. Some of this change can be managed through careful planning.

2.3.2 Types of Change

There are two main types of change: strategic and operational.

Strategic Change

Strategic change takes place within the context of the external competitive economic and social environment, and the organization's internal resources, capabilities, culture, structure and systems. Its successful implementation requires thorough analysis and understanding of these factors in the formulation and planning stages. The ultimate achievement of sustainable competitive advantage relies on the qualities defined by Pettigrew and Whipp (1991:P.4), namely: "The capacity of the firm to identify and understand the competitive forces in play and how they change over time, linked to the competence of a business firm to mobilize and manage the resources necessary for the chosen competitive response through time".

Operational Change

Operational change relates to new systems, procedures, structures or technology which will have an immediate effect on working arrangements within the organization. But their impact on people can be more significant than broader strategic change and they have to be handled just as carefully.

Self-Assessment Exercises 1

Question 1:

What are the main forces that drive change in business firms?

Question 2:

What is the difference between strategic change and operational change within an organization?

2.4 Basis and Nature for Planning Organizational Change

Most planned organizational change is triggered by the need to respond to new challenges or opportunities presented by the external environment, or in anticipation of the need to cope with potential future problems, for example, uncertain economic conditions, intended government legislation, new product development by a major competitor or further technological advances. Planned change represents an intentional attempt to improve, in some important way, the operational effectiveness of the organization.

The basic underlying objectives can be seen in general terms as:

- Modifying the behavioural patterns of members of the organization; and

- Improving the ability of the organization to cope with changes in its environment.

The following points can serve as a useful guide in the planning process:

- Be alert to the first signs of change.

- Change descends on every One equally; it is just that some realize it faster.

- Some changes are sudden but many others are gradual.

- While sudden changes get attention because they are dramatic, it is the gradual changes that are ignored till it is too late.

- You must have all heard of story of the frog in boiling water. If the temperature of the water is suddenly increased, the frog realizes it and jumps out of the water. But if the temperature is very slowly increased, one degree at a time, the frog does not realize it till it boils to death.

- You must develop your own early warning system, which warns you of changes and calls your attention to it. In the case of change, being forewarned is being forearmed,

- Anticipate change even when things are going right."

- Most people wait for something to go wrong before they think of change.
- It is like going to the doctor for a checkup only when you are seriously sick or thinking of maintaining your vehicle only when it breaks down.

- The biggest enemy of future success is past success, when you succeed, you feel that you must be doing something right for it to happen.

- But when the parameters for success change, doing the same things may or may not continue to lead to success.

- Guard against complacency all the time, Complacency makes you blind to the early signals from the environment that something is going wrong.

- Always look at the opportunities that change represents." - Managing change has a lot to go with our own attitude towards it.

- It is proverbial half-full or half empty glass approach.

- For every problem that change represents, there is an opportunity lurking in disguise somewhere. It is up to you to spot it before someone else does. - Develop detailed, Multi-dimensional Plans a. Change Description

b. Business Objectives

c. Human Objectives

d. Key Role Map

e. Vision

f. Detailed Activities, Resources, Timelines

g. Measurements

- Recognize That This Is a Journey

- Will Need to Adapt Plan As Needs Change

2.4.1 Overcoming resistance to change

Resistance to change is a natural reaction among individuals and groups within organizations when faced with unfamiliar or disruptive alterations to their work environment. It stems from various factors such as fear of the unknown, loss of control, lack of trust, and perceived negative consequences. Addressing resistance effectively requires proactive measures that acknowledge these concerns while fostering a supportive environment conducive to change.

2.4.2 Factors Contributing to Resistance to Change

i. **Fear of the Unknown**: Employees may resist change because they feel uncertain about how it will impact their roles, responsibilities, and future within the organization (Kotter & Schlesinger, 2008).

ii. **Loss of Control**: Changes can disrupt established routines and structures, leading to a perceived loss of autonomy and influence over decision-making processes (Armenakis & Harris, 2009).

iii. **Lack of Trust**: If employees do not trust the motives behind the change or the competence of those leading it, they may resist out of skepticism or suspicion.

iv. **Perceived Negative Consequences**: Concerns about potential drawbacks such as increased workload, job insecurity, or adverse effects on work-life balance can fuel resistance.

Self-Assessment Exercise 2

Question 1:

What are the basic underlying objectives of planned organizational change?

Question 2:

What are some common factors that contribute to resistance to change within an organization?

2.5 Comprehensive Change Management Plans

In today's dynamic business environment, change is inevitable and constant. Organizations must adapt to survive and thrive amidst technological advancements, market shifts, and evolving consumer preferences. A comprehensive change management plan is essential for successfully navigating these changes. It provides a structured approach to planning, implementing, and sustaining change, ensuring that the organization can achieve its strategic objectives while minimizing disruption.

Key Components of a Comprehensive Change Management Plan

1. **Assessment and Analysis** : Understand the current state of the organization, including strengths, weaknesses, opportunities, and threats (SWOT analysis). This analysis helps in identifying the areas that require change and the potential impact on the organization. Evaluate the organization's readiness for change by assessing the existing culture, employee attitudes, and overall capacity to handle change. This includes identifying potential barriers and resistance to change.
2. **Defining the Change Vision and Objectives**: Develop a clear and compelling vision for the change initiative. The vision should articulate the desired future state and the benefits of the change. Set specific, measurable, achievable, relevant, and time-bound (SMART) objectives that align with the change vision. These objectives provide direction and a basis for evaluating the success of the change initiative.
3. **Stakeholder Engagement** : Identify all stakeholders affected by the change, including employees, customers, suppliers, and partners. Understanding their interests, concerns, and influence is crucial for effective engagement. Analyze stakeholder needs and expectations and develop strategies to engage and

communicate with them effectively. This involves regular updates, feedback mechanisms, and addressing concerns promptly.

4. **Change Leadership and Governance**: Establish a dedicated team of leaders and change agents responsible for driving and managing the change initiative. This team should include representatives from various departments and levels within the organization.Define a governance structure to oversee the change process, including roles, responsibilities, decision-making processes, and accountability mechanisms.
5. **Communication Plan** : Develop a comprehensive communication strategy to ensure clear, transparent, and continuous communication throughout the change process. The strategy should address the needs of different stakeholders and include various communication channels. Craft key messages that convey the rationale for the change, its benefits, and how it will be implemented. Consistent and positive messaging is crucial for building trust and minimizing resistance.
6. **Training and Development** : Assess the current skills and competencies of employees and identify gaps that need to be addressed to support the change initiative. Develop and deliver targeted training programs to equip employees with the necessary skills and knowledge to adapt to new processes, technologies, or roles. This includes workshops, online courses, and on-the-job training.
7. **Implementation Plan**: Develop a detailed action plan outlining the steps, timelines, and resources required for implementing the change. The plan should include milestones, deliverables, and contingency plans. Implement pilot tests to validate the change approach and make necessary adjustments before a full-scale rollout. This helps in identifying potential issues and refining the implementation strategy.
8. **Monitoring and Evaluation**: Define key performance indicators (KPIs) to measure the progress and impact of the change initiative. These metrics should be aligned with the change objectives and regularly monitored. Establish mechanisms for collecting and analyzing feedback from stakeholders. This includes surveys, focus groups, and regular review meetings to assess the effectiveness of the change process and make necessary adjustments.
9. **Sustaining the Change** : Integrate the change into the organization's culture, processes, and systems to ensure its sustainability. This involves reinforcing new behaviors, recognizing and rewarding achievements, and continuously improving the change processes. Foster a culture of continuous improvement by encouraging

innovation, learning, and adaptation. This helps the organization remain agile and responsive to future changes.

2.5.1 Implementing Change through Organizational Development

The successful implementation of change requires leveraging OD principles and practices. This involves several key steps:

1. Diagnosing the Need for Change

The first step in OD is diagnosing the current state of the organization and identifying areas that require change. This diagnostic process helps in understanding the root causes of issues and sets the stage for effective change interventions (French & Bell, 1999).

2. Designing Interventions

OD involves designing specific interventions to address identified issues. These interventions can include process reengineering, training and development programs, or changes in organizational structure. Effective interventions are tailored to the unique needs of the organization and are designed to achieve sustainable improvements (Cummings & Worley, 2014).

3. Implementing Interventions

The implementation phase involves putting the designed interventions into practice. This requires careful planning, effective communication, and active involvement of all stakeholders. The success of implementation is often determined by the organization's ability to manage resistance and ensure buy-in from employees (Kotter, 2012).

4. Evaluating Outcomes

Evaluation is a critical component of OD. It involves assessing the effectiveness of interventions and measuring the outcomes against predefined goals. Continuous feedback and learning are essential to refine and improve the change process (Beckhard & Harris, 2009).

2.5.2 Challenges in Integrating Change and Development

While the relationship between organizational change and development is clear, integrating these processes can be challenging. Common challenges include:

- **Resistance to Change**: Employees may resist changes due to fear of the unknown or loss of control. Effective communication and involvement of employees in the change process can mitigate resistance (Kotter & Schlesinger, 2008).
- **Lack of Alignment**: Aligning change initiatives with organizational development goals requires careful planning and coordination. Misalignment can lead to confusion and inefficiencies (Anderson, 2019).
- **Sustaining Change**: Ensuring that changes are sustained over the long term requires continuous monitoring and reinforcement. OD practices can help in embedding changes into the organizational culture.
- **Self-Assessment Exercises 3**

Question 1: How does organizational development (OD) contribute to planned change within an organization?

Question 2: What are some challenges in integrating

2.6 SUMMARY

In this unit, we explored various types and driving forces behind change. It became evident that change is an inescapable aspect of life. It's a phenomenon that we must acknowledge and be ready to confront effectively. Entrepreneurs, too, are not immune to change. Some recognize it early on and adapt accordingly, while others may fail to realize its significance until it's too late. Understanding and embracing change is crucial for entrepreneurs to navigate the ever-evolving business landscape successfully.

2.7 BREFERENCES/FURTHER READINGS/WEB RESOURCES

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2.8 POSSIBLE ANSWERS TO SELF-ASSESSMENT EXERCISE(S) WITHIN THE CONTENT

SAE 1

Question 1:

What are the main forces that drive change in business firms?

Answer: The main forces driving change in business firms include uncertain economic conditions, globalization, government intervention, market competitors, government regulations, scarcity of resources, rapid technological developments, increased demands for quality and customer service, greater flexibility in organizational structures and management, the changing nature of the workforce, and internal conflicts.

Question 2:

What is the difference between strategic change and operational change within an organization?

Answer: Strategic change involves changes within the context of the external competitive, economic, and social environment, focusing on long-term goals and competitive advantage. It requires thorough analysis and understanding of external and internal factors. Operational change, on the other hand, involves new systems, procedures, structures, or technology that immediately affect working arrangements within the organization. It often has a significant impact on people and requires careful handling.

SAE 2

Question 1:

What are the basic underlying objectives of planned organizational change?

Answer: The basic underlying objectives of planned organizational change are modifying the behavioral patterns of members of the organization and improving the organization's ability to cope with changes in its environment.

Question 2:

What are some common factors that contribute to resistance to change within an organization?

Answer: Common factors contributing to resistance to change include fear of the unknown, loss of control, lack of trust, and perceived negative consequences such as increased workload, job insecurity, or adverse effects on work-life balance.

Answers to SAE 3

Question 1: How does organizational development (OD) contribute to planned change within an organization?

Answer: Organizational development (OD) contributes to planned change by providing a structured framework that ensures change initiatives are strategic and not random. This framework helps organizations anticipate changes and prepare for smooth transitions. OD practices involve diagnosing the need for change, designing tailored interventions, implementing these interventions with effective communication and stakeholder involvement, and evaluating the outcomes to ensure sustainable improvements. This structured approach ensures that changes are well-integrated and aligned with the organization’s long-term goals.

Question 2: What are some challenges in integrating organizational change and development, and how can they be addressed?

Answer: Integrating organizational change and development can face several challenges, including:

1. **Resistance to Change:** Employees may resist changes due to fear of the unknown or loss of control. This can be addressed by involving employees in the change process, providing clear and transparent communication, and addressing their concerns empathetically.
2. **Lack of Alignment:** Misalignment between change initiatives and organizational development goals can lead to confusion and inefficiencies. Careful planning, coordination, and ensuring that change initiatives support the broader OD objectives can mitigate this issue.
3. **Sustaining Change:** Ensuring that changes are sustained over the long term requires continuous monitoring and reinforcement. Embedding changes into the organizational culture through ongoing OD practices, such as continuous improvement, training, and development programs, helps in maintaining the momentum and ensuring lasting impact.

UNIT 3: RESPONSES AND RESISTANCE TO CHANGE

CONTENTS

3.1 INTRODUCTION

Individuals respond to change in different ways. What is clear is that successful management of change is essential for the continued survival of firms. There are certain factors that can affect organizational responses to different type of change.

Irrespective of any outcome from change, it is often resisted at both individual and organizational levels. Resistance to change can come in any form. There are both active and passive indications for resistance. Factors exist to assist in minimizing resistance to change. Such factors include effective communication, employee participation, manipulation and co-optation amongst others.

3.2 Learning Outcomes

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

i. evaluate factors affecting responses to change

ii. explain the strategies for coping with change

iii. Understand factors contributing to resistance to change

iv. discuss how to detect change resisters

v. demonstrate measures for overcoming resistance

3.3 FACTORS AFFECTING RESPONSES TO CHANGE

The successful management of change is clearly essential for continued grow Entrepreneurs.

Christensen and Overdorf suggest a framework to help entrepreneurs understand what types of change the organization is capable and incapable of handling. They identify three factors that affect organizational responses to different types of change and how competitiveness is the life-blood of business success. New ideas and innovations should not be perceived as threats by entrepreneurs. The following factors are essential to the understanding of responses to chnage:

- **Resources** - access to abundant, high-quality resources increases an organization's chances of coping with change;

- **Processes** - the patterns of interaction, co-ordination, communication and decision- making employees use to transform resources into products and services.

Processes may be formal and explicitly defined and documented, or informal and routines or ways of working that evolve over time;

- **Values** - the standards by which employees set priorities that enable them to judge whether an order is attractive, whether a customer is more or less important, whether an idea for a new product is attractive or marginal.

3.3.1 **CAPABILITIES OF COPING WITH CHANGE**

The factors that define capabilities and disabilities evolve over time - they start in resources, then move to visible, articulated processes and values, and finally migrate to culture. Christensen and Overdorf maintain that when an organization faces the same sort of problem that its processes and values were designed to address, managing can be straightforward. However, when the problem facing the organization is fundamentally different these same factors constitute disabilities, especially when the organization's capabilities have come to reside in processes and values. There are three possible ways in which managers can develop new capabilities to cope with change:

- Create organizational structures within corporate boundaries in which new processes can be developed;

- Spin out an independent organization from the existing organization and develop new processes and values;

- Acquire a different organization whose processes and values match closely the new requirements.

3.3.2 Lewin's Change Management Model

Kurt Lewin, a pioneer in the field of social psychology, developed one of the earliest and most influential models for change management. His model is based on a three-stage process: Unfreeze, Change, and Refreeze.

i. **Unfreeze:** This initial stage involves preparing the organization to accept that change is necessary. This involves breaking down the existing status quo before building up a new way of operating. Key activities include challenging the current beliefs, values, attitudes, and behaviors that define the current organizational culture. This can be achieved through clear communication about the reasons for the change and the benefits it will bring.

ii. **Change:** Once the organization is unfrozen, the actual transition or change process begins. During this stage, new ways of doing things are implemented. This phase can be turbulent as people begin to embrace new processes, behaviors, and ways of thinking. Effective communication, support, and involvement of employees are critical during this stage to help them adapt to the new changes.

iii. **Refreeze:** In the final stage, the organization solidifies the new state after the change. The goal is to stabilize the organization in the new state and ensure that the changes are integrated into the organizational culture. This involves establishing new policies, procedures, and ensuring that the changes are maintained over time.

Lewin's model emphasizes the importance of preparing for change and solidifying it once implemented, making it a foundational theory in change management.

Self-Assessment Exercises 1

Question 1: What are the three factors identified by Christensen and Overdorf that affect organizational responses to change?

Question 2: According to Lewin's Change Management Model, what are the three stages of managing change?

3.4 Signs of Resistance to Change

The signs indicating that a person is resisting change can be categorized as either active or passive. They include the following:

- Active Signs of Resistance

a. Being highly critical

b. Looking for fault from others

c. Trying to ridicule others

d. Appealing to fear (emphasizing potential failure)

e. Using facts in a selective manner

f. Blaming or accusing others (passing the buck)

g. Sabotaging genuine effort

h. Intimidating others or issuing out threats

i. Manipulating rather than motivating

j. Distorting facts

k. Undermining the efforts of others

l. Peddling rumours

m. Engaging in needless arguments

- Passive Signs of Resistance

a. Malicious compliance – agreeing verbally but refusing to follow through.

b. Refusal to implement change

c. Procrastinating – putting off and dragging one's feet.

d. Feigning ignorance (pretending not to know)

e. Withholding information (hiding facts, suggestions, assistance or support).

f. Standing by, watching and allowing the change to fail.

3.4.1 How to Detect Change Resisters

Change resisters can be detected through their spoken words or conduct. Statements like “it is too risky,” “we are okay the way we are”, “there is no threat”, and “that will not work here” are examples of such spoken words. Change resisters also exhibit the following:

- Anger, frustration and other negative emotional expressions
- Stubbornness
- Apathy
- Withdrawal
- Absence
- Feigning illness

3.4.2 Reasons for Individual Resistance

Some common reasons for individual resistance to change within organizations include the following:

1. **Selective perception.** People’s interpretation of stimuli presents a unique picture or image of the ‘real’ world and can result in selective perception. This can lead to a biased view of a particular situation, which fits most comfortably into a person’s own perception of reality, and can cause resistance to change. For example, trade unionists may have a stereotyped view of management as untrustworthy and therefore oppose any management change, however well founded might have been the intention. Managers expose to different theories or ideas may tend to categorize these as either those they already practice and have no need to worry about or those that are of no practical value and which can be discarded as of no concern to them.

2. **Habit.** People tend to respond to situations in an established and accustomed manner. Habits may serve as a means of comfort and security, and as a guide for

easy decision making. Proposed changes to habits, especially if the habits are well established and require little effort, may well be resisted. However, if there is a clearly perceived advantage, example a reduction in working hours without loss of pay, there is likely to be less, if a resistance to the change, although some people may, because of habit, still find it difficult to adjust to the new times.

3. **Inconvenience or loss of freedom**. If the change is seen as likely to prove inconvenience, make life more difficult, reduce freedom of action or result in increased control, there will be resistance.

4. **Economic implications**. People are likely to resist change that is perceived as reducing either directly or indirectly their pay or other rewards, requiring an increase in for the same level of pay or acting as a threat to their job security. People tend to have established patterns of working and a vested interest in maintaining the status quo.

5. **Security in the past**. There is a tendency for some people to find a sense of security past. In times of frustration or difficulty, or when faced with new or unfamiliar ideas or methods, people may reflect on the past. There is a wish to retain old and comfort ways. For example, in bureaucratic organizations, officials often tend to place faith in established ('tried and trusted') procedures and cling to these as giving a feeling of security.

6. **Fear of the unknown**. Changes which confront people with the unknown tend to cause anxiety or fear. Many major changes in a work organization present a degree of uncertainty, for example the introduction of new technology or methods of working. A person may resist promotion because of uncertainty over changes in responsibilities or the increased social demands of the higher position.

Self-Assessment Exercises 2

Question 1: What are some active signs of resistance to change? Question 2: What are some common reasons for individual resistance to change within organizations?

3.5 Reasons for Organizational resistance

Although organizations have to adapt to their environment, they tend to feel comfortable operating within the structure, policies and procedures which have been formulated to deal with a range of present situations. To ensure operational effectiveness, organizations often set up defenses against change and prefer to concentrate on the routine things they perform well. Some of the main reasons for organizational resistance against change are as follows:

1. **Organization culture**. Recall that the culture of an organization develops over time and may not be easy to change. The pervasive nature of culture in terms of 'how things are done around here' also has a significant effect on organizational processes and the behaviour of staff. An ineffective culture may result in a lack of flexibility for, or acceptance of, change.

2. **Maintaining stability**. Organizations especially large-scale ones, pay much attention to maintaining stability and predictability. The need for formal organization structure and the division of work, narrow definitions of assigned duties and responsibilities, established rules, procedures and methods of work, can result in resistance to change. The more mechanistic or bureaucratic the structure, the less likely it is that the organization will be responsive to change.

3. **Investment in resources**. Change often requires large resources that may already be committed to investments in other areas or strategies. Assets such as buildings, technology, equipment and people cannot easily be altered. For example, a car manufacturer may not find it easy to change to a socio-technical approach and the use of autonomous work groups because it cannot afford the cost of a new purpose-built plant and specialized equipment.

4. **Past contracts or agreements**. Organizations enter into contracts or agreements with other parties, such as the government, other organizations, trade unions, suppliers and customers. These contracts and agreements can limit changes in behaviour - for example, organizations operating under a special license or permit, or a fixed-price contract to supply goods/services to a government agency.

Another example might be an agreement with unions that limits the opportunity to introduce compulsory redundancies, or the introduction of certain new technology or working practices.

5. **Threats to power or influence**. Change may be seen as a threat to the power or influence of certain groups within the organization, such as their control over decisions, resources or information. For example, managers may resist the introduction of quality circles or worker-directors because they see this as increasing the role and influence of non-managerial staff, and a threat to the power in their own positions. Where a group of people have, over a period of time, established what they perceive as their 'territorial rights', they are likely to resist change.

3.5.1 Overcoming Resistance to Change

The following are essentials factors in overcoming resistance to change:

(1) Effective Communication and Education

An appropriate communication programme can help in overcoming resistance to change. Although communication applies to all phases of business, managing it is particularly important in the process of change. In its broad sense, the purpose of communication in an enterprise is to effect change so as to influence action toward the growth of the enterprise. People naturally hate to be the last to know. It therefore important to communicate the desired change to all those concerned. Once persuaded people will often help with the implementation of change.

(2) Employee Participation

When employees participate in the decision making process, they will extend their cooperation to implement change in the organization. As independent minded beings, adult natural persons hate to have decisions imposed on them. Many managers have tried to focus on team participation by employees. Work team is more creative and efficient and solving problems that can emanate as a result of change. People who participate will be committed to implementing change.

(3) Facilitation and Support

In order to remove anxieties among employees, it is essential to providing counseling and training in new skills before embarking on a change programme. Employee training and counseling on the desired outcome of the change is the starting point to ensure acceptance by the employee. No other approach works as well with adjustment problems.

It can be time consuming, expensive and may still fail.

(4) Manipulation and Co-optation

Manipulation involves providing incorrect or false information. This strategy should only be used where providing the accurate information will not achieve the desired result. This approach can be quick and inexpensive. But it can lead to failure problems of people feel manipulated.

(5) Coercion

True large scale organizational changes may require the use of threats or force. This is because it is difficult to convince everyone to accept change. However, it is to be noted that showing respect towards, resistors creates stronger relationships and thereby improves the prospects of success in managing change. This approach is normally used where speed is essential and where the change initiators posses considerable power. It is speedy can overcome any kind of resistance.

However, it can be risky if it leaves people made at the initiators.

The Synergy Between Change and Development

The relationship between organizational change and development is synergistic. While change focuses on the transition process, development emphasizes the growth and enhancement of the organization’s capabilities. This relationship can be understood through several dimensions:

1. Planned Change and Development

OD provides a structured framework for planned change. It ensures that change initiatives are not random or haphazard but are part of a strategic plan aimed at long-term improvement. Beckhard and Harris (2009) argue that OD practices help in anticipating changes and preparing the organization for smooth transitions.

2. Cultural Transformation

Both change and development necessitate a shift in organizational culture. Change initiatives often require altering the existing culture to align with new objectives. Schein (2010) emphasizes that cultural change is a fundamental aspect of OD, as it involves modifying the underlying values, beliefs, and norms of an organization.

3. Enhancing Organizational Capability

Organizational development aims to enhance an organization's ability to respond to changes effectively. This involves building competencies, improving communication, and fostering innovation. As noted by Anderson (2019), OD interventions help in developing a flexible and adaptive workforce capable of navigating change successfully.

4**. Continuous Improvement**

OD is based on the principle of continuous improvement. This aligns with the concept of ongoing change, where organizations constantly evolve to meet new challenges. OD interventions such as training programs, team-building activities, and leadership development are designed to create a culture of continuous learning and improvement.

Self-Assessment Exercises 3

Question 1 What are some common reasons for organizational resistance to change? Question 2: What are some effective strategies for overcoming resistance to change in organizations?

3.6 SUMMARY

In summary, the unit discussed factors affecting responses to change. Resistance to change can take many forms and it is often difficult to pin point the exact reasons. Resistance to change can be minimize.

3.7 REFERENCES/FURTHER READINGS/WEB RESOURCES

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3.8 POSSIBLE ANSWERS TO SELF-ASSESSMENT EXERCISE(S) WITHIN THE CONTENT

Question 1: Explain the factors that affect organizational responses to change ?

SAE1

Question 1: What are the three factors identified by Christensen and Overdorf that affect organizational responses to change?

Answer: Christensen and Overdorf identify resources, processes, and values as the three key factors affecting organizational responses to change. Resources refer to the access to abundant, high-quality resources, processes are the patterns of interaction and decision-making, and values are the standards that guide employee priorities and judgments.

Question: According to Lewin's Change Management Model, what are the three stages of managing change?

Answer: Lewin's Change Management Model outlines three stages: Unfreeze, Change, and Refreeze. The Unfreeze stage involves preparing the organization for change, the Change stage is where new processes and behaviors are implemented, and the Refreeze stage solidifies the new changes into the organizational culture to ensure long-term stability.

SAE 2

Question 1: What are some active signs of resistance to change?

Answer: Active signs of resistance to change include being highly critical, looking for faults in others, trying to ridicule others, appealing to fear by emphasizing potential failure, using facts selectively, blaming or accusing others, sabotaging genuine efforts, intimidating others or issuing threats, manipulating rather than motivating, distorting facts, undermining others' efforts, spreading rumors, and engaging in needless arguments.

Question 2: What are some common reasons for individual resistance to change within organizations?

Answer: Common reasons for individual resistance to change include selective perception, habit, inconvenience or loss of freedom, economic implications, security in the past, and fear of the unknown. These factors can lead individuals to feel uncomfortable, threatened, or uncertain about the changes being proposed.

SAE 3

Question 1: What are some common reasons for organizational resistance to change?

Answer: Main reasons for organizational resistance to change include:

- Organization culture: The established culture may be inflexible or resistant to new ways of working.
- Maintaining stability: Formal structures, rules, and procedures can hinder responsiveness to change.
- Investment in resources: Existing investments in buildings, technology, and equipment may limit the ability to change.

- Past contracts or agreements: Legal and contractual obligations can restrict changes in behavior.
- Threats to power or influence: Change can threaten the power or influence of certain groups within the organization.

Question 2: What are some effective strategies for overcoming resistance to change in organizations?

Answer: Effective strategies for overcoming resistance to change include:

- Effective Communication and Education: Clearly communicating the reasons for change and educating employees about the benefits.
- Employee Participation: Involving employees in the decision-making process to gain their commitment.
- Facilitation and Support: Providing counseling and training to help employees adjust to the change.
- Manipulation and Co-optation: Using subtle tactics to influence employees, though this can be risky.
- Coercion: Using threats or force to implement change when necessary, while acknowledging the risks of this approach.

UNIT 4: BUSINESS PLAN FOR BUSINESS GROWTH

CONTENTS

4.1 INTRODUCTION

This unit attempt to explain the essence of business plan in relation to business growth. The growth of the company is demonstrated in the business plan through the financial projections. The unit explains how the entrepreneur must project future sales expenses and profits as this is closely tied to growth plans. You will also learn about the most important purposes as well as the basic elements of a business plan.

4.2 Learning Outcomes

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

i discuss a business plan

ii evaluate the purposes of a business plan

iii explain the basic elements of a business plan

iv analyze a business plan for the growth of a firm

4.3 Relationship for Business Plan and Growth

A business plan is a written document that describes all the steps necessary to open and operate a successful business. Once an entrepreneur has worked out the details of his business, it is important to put everything on paper. Writing these details will help an entrepreneur visualize all the parts of the business. It also will help him persuade other people and banks to invest in his business idea. A business plan:

- Describes what the business will produce, how an entrepreneur will produce it and who will buy the product or service.

- Explains who will run the business and who will supply it with goods.

- States how the business will win over customers from competitors and what the business will do to keep customers.

- Provides detailed financial information that shows how the business will succeed in earning a profit.

- Writing a business plan is one of the most difficult and important things an entrepreneur will do. A business plan can make or break the business.

4.3.1 Purposes of a Business Plan

The business plan serves three important purposes.

1. A business plan explains the idea behind the business. It spells out how the product or service will be produced and sold. To persuade people and banks to invest in the business, an entrepreneur needs to show that his business idea is a good one. So, he will need a completely new product or service or one that is better or less expensive than products or services that already exist. He will need to identify who his target customer is and show how his company will be able to get and keep customers.

2. A business plan sets specific goals and describes how the business expects to achieve them. A good business plan includes sales estimates for the short term (the first year), the medium term (two or five years after startup), and the long term (five years in the future). It describes the products and services that will be introduced over the next five years. It also describes future plans, such as expansion of the business.

3. A business plan describes the backgrounds and experience of the people who will be running the business. Banks and other lenders make financing decisions based on how well they think a company can meet its goals. Entrepreneurs that have a background related to their business idea are more likely to succeed. If an entrepreneur provides good information on the background and experience of the people who will be running the company, the bank or investor will be more likely to invest money in the business.

4.3.2 Basic Elements of a Business Plan

All businesses are not alike. Therefore, not all business plans are alike. A business plan for a sole proprietorship business based in a home will differ from a business plan for a large corporation with offices in many cities. But all business plans have the same purposes, so they all should include seven basic elements:

1. History and background of your idea
2. Goals for your company
3. Products or services you will offer
4. Form of ownership
5. Management and staffing
6. Marketing
7. Current and projected financial statements

History and Background

Something must have sparked the idea for your business. Describing how the entrepreneur came up with the idea can help lenders, investors, and others understand how your business will operate.

Goals

An entrepreneurs' business plan should outline his short-term, mediumterm and long-term goals. This section of the business plan describes the vision of where the entrepreneur wants his company to be in the future. Some entrepreneurs are very clear about what they want to do with their business. Others know their short-term goals, but they have not thought further ahead.

Products or Services

This part of the business plan should describe the products or services the company plans to produce or offer. The entrepreneur should explain how these products or services differ from those already in the market. He will need to describe any unique features of his products or services. He also needs to explain the benefits customers will gain by purchasing from his company.

Industry

In the product or service section of the business plan, the entrepreneur should describe the industry in which he will operate. It should include:

- Outside factors affecting his business such as high competition or a lack of suppliers.
- Estimates for industry growth.
- Economic trends of the industry.
- Technology trends that may affect the industry.

To find this information, he will need to conduct research. Government documents, newspapers and magazine articles, book on industry leaders and the internet are all sources of information. Be sure to name all of these sources in the plan. Listing sources makes a business plan more persuasive.

Location

The product or service section of the business plan also should describe the location of the business. This is because the location of a business, is often important to its success. Lenders want to know exactly where the business will be located.

Form of Ownership

In his business plan, the entrepreneur should have a section describing the form of ownership. Provide information that relates to the form of business such as whether he has partners or how many shareholders he has. This section of the business plan is important because each form of business ownership has a different effect on how the business works and makes profits. If an entrepreneur uses his business plan to obtain financing, the lender will be interested in this information.

Management and Staffing

The entrepreneur and the people he hires to help run the company are responsible for its success. Even the best business plan will not help the company succeed, if it is carried out by people who are not capable. The management and staffing section of the business plan should show that the entrepreneur and the people who will be working for him have the experience, maturity and knowledge to operate the business.

Marketing

In the business plan, the entrepreneur should include information on marketing his business. He will explain who his target customers are, how large the market is for his product or service and how he plans to enter that market. He also should explain how he plans to deal with competition. He should list his company's advantages over his competitors. These advantages may include:

- Performance
- Quality
- Reliability
- Location
- Price
- Promotion

- Public image or reputation

Current and Projected Financial Statements

The financial section of the plan consists of three elements.

1. **Identification of risks**

   Lenders and investors will want to know what risks the business faces and how he plans to deal with them. Do not be afraid to list potential problems. Lenders know that every business faces risks. They will be reassured to see that the entrepreneur have clearly thought through the potential problems and have developed a plan for dealing with them. Example of risks that the entrepreneur could face are competitors lowering prices, costs running higher than estimated, and demand for the product or service declining over time.

2. **Financial Statements**

   A new business must include projected financial statements, known as pro forma financial statements, in its business plan. A business already in operation must include current financial statements as well as projected financial statements.

3. **Loan request and return on investment**

   The entrepreneur also must state how he needs to borrow and how he plans to use the money. He should give investors an idea of how much money they could expect to earn on their investment in his business. He also should state how much of his own money is invested in the business. From the above, it is now clear that a business plan is a written document giving in detail all relevant internal and external elements that affects a business and strategies for starting a new venture. A business plan is an important document which deals with all aspects of proposed new business. Planning is an ongoing process in any industry, business or business enterprise, It is more important for a new business. The preliminary business plan drawn initially goes evolving and refining as the entrepreneur learns more about the market, the product, the management team and the fund requirements of the new venture. The business plan integrates the functional plans of different segments of the organization such as marketing, production, finance and human resources. The business plan also takes into account a time horizon of 2-3 years for a new venture. The business plan is also referred to as the road map or game plan of the organization".

In preparing a business plan, an entrepreneur takes help of experts in different fields such as finance, legal, marketing, and technical consultants for necessary inputs. Small scale organizations take care of small-scale industries services, made available by government for large organizations, Help is taken from reputable consultants for making an objective assessment of skills available within the organization, skills to be hired and plan step-by-step the initial business activities. A business plan is prepared by the entrepreneur and it is a written document, so that it can be made known to all concerned.

Self-Assessment Exercises 1

Question 1: Describe the purposes of a business plan?

Question 2: List and explain the basic elements of a business plan?

4.4 The Scope and Value of Business Plan

The scope of the business plan has four elements, namely, what is the venture, what is marketing perspective, what is the investor's view points and the fourth is socio-economic issues.

- The entrepreneur should decide and define what the venture is all about and the aims and objectives of the venture may be given in a written document. The nature of the product may be given.
- Any new enterprise should aim at a particular segment of customers. Without customer orientation, there will not be any viability of any enterprise. It is also seen that many entrepreneurs are carried away by product or technology and not

customer orientation. The marketing focus and plans may be given. A customer product or a new e-commerce business will have different focus. The size of the market, customer segmentation, competition and potential growth will have considerable impact on the business plan.

- Good financial projections by the entrepreneur for the new enterprise attract investors.
- The business plan also should address the socio-economic impact of the proposed new venture so as to get the general acceptance of the public and government institutions.

The business plan is known to all personnel and organizations that help to build the new organization namely, the entrepreneur, investors, employees, bankers, government institutions, customer, suppliers, consultants. The business plan document should be made based on the questions all these stakeholders may ask and address all their concerns. Each of the group will have their own view point and questions on the business plan of the proposed venture. The general questions that occur are: is this good business? Will it succeed? Who are the customers? How the competition is met? How the funds are made available? How the business will be managed? And so on. To answer such questions, an entrepreneur should think from various view points.

4.4.1 Design and Development Plans

The nature and extent of any design and development work and the time and money required before a product or service is marketable need to be considered in detail. (Note that design and development costs are often underestimated).

Design and development might be the engineering work necessary to convert a laboratory prototype to a finished product; the design of special tooling; the work of an industrial designer to make a product more attractive and salable; or the identification and organization of employees, equipment and special techniques such as new computer software and skills required for computerized credit checking, to implement a service business.

a. **Development Status and Tasks**

Describe the current status of each product or service and explain what remains to be done to make it marketable. Describe briefly the competence or expertise that your company has or will require to complete this development. List any customers or end-users who are participating in the development, design, and/or testing of the product or service. Indicate results to date or when results are expected.

b. **Difficulties and Risks**

Identify any major anticipated design and development problems and define approaches to their solution. Discuss the possible effect on the cost of design and development, on the time to market introduction, and so forth, of such problems.

c. **Product Improvement and New Products**

In addition to describing the development of the initial products, discuss any ongoing design and development work that is planned to keep the product(s) and service(s) that can be sold to the same group of customers. Discuss customers who have participated in these efforts and then reactions and include any evidence that you may have. With regard to ongoing product development, outline any compliance issue relating to new, pending or potential environmental legislation. Discuss any green technologies or production capabilities that could enhance sustainability.

d. **Costs**

Present and discuss the design and development budget

including costs of labour, materials, consulting fees and so on Discuss the impact on cash flow projections underestimating this budget, including the impact of a IH percent to 30 percent contingency.

The growth of the company is shown in the business plan through the financial projection. The entrepreneur must project future sales, expenses, and profit, and this is closely tied to growth plans. The projected growth of the company must seem achievable to bankers and investors or they will think the entrepreneur is being overly optimistic.

Many entrepreneurs have failed after expanding too rapidly, so the business plan must show consistent but manageable growth.

4.4.2 Market Analysis

Market Analysis involves a thorough examination of the industry, target market, and competitive landscape. It provides insights into market trends, customer needs, and the competitive environment.

Key Elements:

i. Industry overview and growth projections
ii. Target market demographics and psychographics
iii. Competitive analysis (strengths and weaknesses of competitors)
iv. Market size and potential

Self-Assessment Exercises 2

Question 1: What are the four key elements that define the scope of a business plan?

Question 2: What are the essential aspects to consider in the design and development plans of a business plan?

4.5 Marketing and Sales Strategy

Marketing and Sales Strategy outlines the strategies the business will use to attract and retain customers. It includes the marketing approach, sales tactics, and how the business plans to position itself in the market.

Key features :

i Marketing plan (advertising, promotions, digital marketing, etc.)
ii Sales strategy (sales processes, channels, and team structure)
iii Pricing strategy
iv Customer acquisition and retention plans

4.5.1 Financial Projections

Financial Projections provides detailed financial forecasts, demonstrating the business's potential for profitability and financial stability. It is crucial for securing funding and managing financial performance.

Key Elements:

i Income statements (projected revenue and expenses)
ii Cash flow statements (inflows and outflows of cash)
iii Balance sheets (assets, liabilities, and equity)
iv Break-even analysis
v Financial assumptions and key metrics

4.5.2 Organization and Management

Organization and management details the business's organizational structure and the management team. It highlights the qualifications, experience, and roles of key team members, and outlines the overall governance framework.

Key Elements:

i Organizational chart
ii Information on owners, board of directors, and advisory board
iii Profiles of the management team and key employees
iv Roles and responsibilities
v Staffing plan and human resources strategy

Self-Assessment Exercises 3

Question 1: What are the key features of a Marketing and Sales Strategy in a business plan? Question 2: What elements are included in the Financial Projections section of a business plan?

4.6 SUMMARY

As a written document, a business plan describes all the steps necessary to start, operate and grow a successful business. Once an entrepreneur has worked out the details of this business growth, it is important to put this plan on paper.

4.6 REFERENCES/FURTHER READINGS/WEB RESOURCES

Allison, M., John, B & Shameen, A. (2003) Small Business Growth Intention, Ability and Opportunity; *Journal of small Business Management*.

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4.8 POSSIBLE ANSWERS TO SELF-ASSESSMENT EXERCISE(S) WITHIN THE CONTENT

SAE 1

Question 1: Describe the purposes of a business plan ?

Purposes of a Business Plan

The business plan serves three important purposes.

a. A business plan explains the idea behind the business. It spells out how the product or service will be produced and sold. To persuade people and banks to invest in the business, an entrepreneur needs to show that his business idea is a good one.
b. A business plan sets specific goals and describes how the business expects to achieve them. A good business plan includes sales estimates for the short term (the first year), the medium term (two or five years after startup), and the long term (five years in the future).
c. A business plan describes the backgrounds and experience of the people who will be running the business. Banks and other lenders make financing decisions based on how well they think a company can meet its goals. Entrepreneurs that have a background related to their business idea are more likely to succeed.

Question 2: List and explain the basic elements of a business plan.

Basic Elements of a Business Plan

All businesses are not alike. Therefore, not all business plans are alike. A business plan for a sole proprietorship business based in a home will differ from a business plan for a large corporation with offices in many cities. But all business plans have the same purposes, so they all should include seven basic elements:

i. History and background of your idea
ii. Goals for your company
iii. Products or services you will offer
iv. Form of ownership
v. Management and staffing
vi. Marketing
vii. Current and projected financial statements

SAE 2

Question 1: What are the four key elements that define the scope of a business plan?

Answer: The four key elements that define the scope of a business plan are:

1. The venture's description and objectives, including the nature of the product.
2. The marketing perspective, focusing on customer orientation, market size, customer segmentation, competition, and potential growth.
3. The investor’s viewpoints, emphasizing good financial projections.
4. Socio-economic issues, addressing the socio-economic impact of the proposed venture for public and government acceptance.

Question 2: What are the essential aspects to consider in the design and development plans of a business plan?

Answer: The essential aspects to consider in the design and development plans of a business plan include:

1. Development Status and Tasks: Current status and what remains to be done to make the product or service marketable, including required expertise and customer participation.
2. Difficulties and Risks: Major anticipated design and development problems, approaches to solve them, and their potential effects on costs and time to market.
3. Product Improvement and New Products: Ongoing design and development work for product improvement and compliance with environmental legislation.
4. Costs: Detailed design and development budget, including labor, materials, consulting fees, and contingency impacts on cash flow projections.

SAE 3

Question 1: What are the key features of a Marketing and Sales Strategy in a business plan?

Answer: The key features of a Marketing and Sales Strategy include a marketing plan (advertising, promotions, digital marketing, etc.), sales strategy (sales processes, channels, and team structure), pricing strategy, and customer acquisition and retention plans.

Question 2: What elements are included in the Financial Projections section of a business plan?

Answer: The Financial Projections section includes income statements (projected revenue and expenses), cash flow statements (inflows and outflows of cash), balance sheets (assets, liabilities, and equity), break-even analysis, and financial assumptions and key metrics.