COURSE GUIDE

ENT 414
VENTURE CREATION AND GROWTH

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CONTENTS

Introduction

ENT 41: Venture Creation and Growth is a one – semester course for students offering B.Sc. course in Entrepreneurship at the 400 level. It is a 2 unit course consisting of 18 units. Each unit is supposed to be covered in three hours. It is a core course. This Course Guide tells you briefly what the course is about, what course material you will be using and how these materials would be used. It also highlights issues of timing for going through these units, and explains the activities and Tutor-marked Assignment. There are supposed to be tutorials attached to this course and taking advantage of this will bring you into contact with your tutorial facilitator which will enhance your understanding of the course.

What You Will Learn in this Course

The overall aim of this course on Venture Creation is to explore and explain start-up process of a new venture and how best to grow it. In this course you will learn about different aspects of new venture creation, growth and development. Design, analysis, and training all begins with ideas generation through the point of diversification of business operations.

Course Overall **Aims**

The aim of this course as pointed out earlier is to expose the students to the concept of business start-up, management, growth and development. This will be achieved by aiming to:

• Introduce you to the basic concepts and principles of business entity creation and management.

• Compare issues relationships authority and responsibility in the organization

• Give an insight in the production, recording, and marketing management in the venture.

Course Objectives

In addition each unit also has specific objectives. The unit objectives are always included at the beginning of a unit. You are advised to refer to them as you study each unit both at the beginning and end of the unit to ensure that you check your progress and that you have done what is required of you by the unit.

Working through This Course

To complete this course you are required to read, the study units and recommended textbooks and explore more current materials on the Internet. In this course, each unit consists of exercises or activities to test your understanding from time to time. At a point in your course, you are required to submit assignments for assessment purposes. At the end of the course, is a final examination. Below you will find listed all the components of the course, what you have to do and how you should allocate time to each unit in order to complete the course successfully on time.

Course Materials

Major components of the course are:

1. Course Guide

2. Study Units
3. Further readings
4. Activities and Tutor-marked Assignments.

Study Units

There are 5 (five) Modules and eighteen (18) units in this course as follows:

MODULE ONE

MODULE TWO

Unit 1: General Record-Keeping in Business Venture

Unit 2: Business Accounting Records

Textbooks and References
There are no compulsory textbooks for this course. However as you go through the course, you will observe that some textbooks are recommended often. This shows that it is crucial to a number of units.

Assignment File
The major assignment required of you is a Tutor-Marked Assignment. (TMA) which you are expected to complete at the end of each unit and mail it to your tutor.

Assessment
Your assessment for this course is made up of two components
Tutor-marked Assignment 40% Final Examination 60% 100%

ENT414 VENTURE CREATION AND GROWTH
The practice exercises (or activity) are not part of your final assessments, but it is important to complete all of them. If you do the practice exercises, it will facilitate your understanding of the subject matter or topic and your TMA.

Tutor-Marked Assignments (TMAs)
Each unit of this course has a TMA attached to it. You can only do this assignment after covering the materials and exercise in each unit. Normally the TMA are kept in a separate file. Your Tutor will mark and comment on it. Pay attention to such feedback from your Tutor and use it to improve your other assignments.

You can write the assignments by using materials from your study units and from textbooks or other sources. You should demonstrate evidence of wide reading especially from texts and other sources, something to show that you have read widely. The assignments are in most cases essay questions. Examples from your own experience or environment are useful when you answer such questions. This allows you to apply theory to real life situations.

Summary

Venture Creation and Growth is a very interesting course. It provides you with an ample opportunity to know what to do when you make a decision to venture into a business enterprise of your own. It can be referred to as a self-employment.

MODULE ONE

Unit 1: BUSINESS ENTERPRISE

1.0 Introduction

In this unit, students would have learnt the concepts of entrepreneurship, definitions of entrepreneurship, environmental scanning for appropriate location for citing a business enterprise is discussed.

2.0 Objective

At the end of this unit, the students would have learnt how best to venture into business enterprise. Venturing into another business enterprise calls for a number of issues which must be considered by the entrepreneur. The first of which is – A mindset to venture. The- would - be entrepreneur must make up his and be determined to do so. Create a Roadmap through a Dream. Then set out for the journey.

- Create and or identification of one's passion
- Scale dreams and identification of business and business dream
- Identification of one's natural bent – i.e one's interest.
- Identification of physical and mental capacity limit.
- Business environmental appreciation
- Estimation of market and market size, after a product or service or business line has been decided upon.

3.0 Business Enterprise

3.1 Definition of Entrepreneurship

Generally, an Entrepreneur is a person who coordinates, integrates, controls and harmonizes organization's resources to achieve organizational objective(s).

Many a scholar has viewed entrepreneurship from different perspectives.

The Sociologists, psychologists, anthropologists, economists and managers all have divergent views of the concept of entrepreneurship.

The sociologists believe that entrepreneurship concept is governed by the societal values and status hierarchy. It is their belief that enterprises will flourish in a society where people depend on their hard works, initiatives that lead to good performance in the society.

- Psychologist's opinion that the survival of a business enterprise is fundamentally based on the individuals personality traits. In their view, the need for achievement depends on creativity, propensity to take risk, independence and good leadership. This concept focuses on the inner mover for risk bearing and innovation.

- Economists in their own thinking maintain that an entrepreneur is the practice of the fourth factor of production of land, labour and capital that coordinates, harmonizes and integrates the scarce resources of an organization to produce saleable goods and or services for profit.

- Anthropologists: These groups of scholars believe that an entrepreneur is that person with the characteristic of excellent humanitarian traits to go into world of uncertainty to make profit.

- Managers: Managers in their own definition see an entrepreneurship as the display of a person's skills who combines the factors of production, plans, organizes, directs, controls and coordinates resources to achieve organizational objectives

In the final analysis, we can in, general define the term Entrepreneurship thus:

- A coin of two sides made up of innovation and risk taking.
- The study of a person who coordinates, motivates, integrates and controls an enterprise with a view of making entrepreneurial profit.
- It is an interdisciplinary in the sense that it is neither an Art nor a Science.
- It is the symbol of business enterprises tenacity and achievement.
- It is the dynamic process of creating incremental wealth.

- The ability to create and build a vision from practically nothing to something.
- It is an embodiment of calculated risk-taking, creativity and innovation.
- It can occur when an individual starts a new business enterprise.
- It is the transformation of an idea into a profit – making exercise.

3.2 Concept of Business Enterprise

Going into business is a decision which one makes to passionately undertake the setting up business concern, manage it, grow it, develop it and diversified if need be. The structure of the business concern may be of any of the forms of business enterprises. This is subject to a number of factors i.e. skills.

The skills needed would include the following:

- Original or natural skills
- Technical skills
- Business skills
- Financial skills and of course
- Time management skills
- Menteeship skills

These skills would adequately equip the - would be entrepreneur to engage in the journey to venture into business.

3.3 Location of Business

The decision on where to site a business venture is influenced by a number of factors. The principal factors among others include the following:

- The nature of the business enterprise
- Production output, it is product or and service

- The market size and market demography that is available
- The nature of the resulting product or service
- The technology that is available in the business environment
- Workforce available in the business environment

The entrepreneur should examine all the possible factors that would influence his decision to locate his business concern in a particular location. This is a very importance exercise to undertake by a beginning entrepreneur. This has to be carried out diligently. It is a great determinant of success or otherwise of a new business venture. As a result it is recommended the decision to site a business in a particular place should be arrived at after a careful analysis of all the variables.

Environmental scanning must be properly carried out before a business enterprise is located in a particular site.

3.4 Environmental Scanning

Going into business venture, certain steps must be taken before establishing a new business, joining an existing one or inheriting an old business. The steps normally start with environmental scanning.

Environmental scanning can be said to be a process of visiting sites and gathering information about prospects of establishing a new business venture. It is indeed a casual survey of the happenings in the proposed business environment, with a view to assessing the possibility and the viability of a new business. Every entrepreneur performs environmental scanning before starting a business. Medical practitioner, for example perform scan on a pregnant woman to determine the sex and position of the baby before delivery. Teachers scan the environment to detect examination cheats, by observing the attitude and movement of students who have form the habit of writing on their palms, laps, desks, pieces of paper during tests and those who are the habit of "going to the toilet". Students who cheat in examinations also scan the environment, to determine when careless invigilators relax, sleep or read newspapers.

A motor mechanic who wishes to establish a workshop must scan the environment to determine a site where there are many motor owners and users and other supporting artisans, such as welders, volcanizers, spare part sellers and electricians, to complement his trade. A computer technician who has completed his training and wishes to establish a workshop, must scan the environment before choosing a location for his workshop. He could go to the computer village or hire a workshop at an attractive site. Market women, who sell at street corners, scan then environment before choosing the sites. Even the federal and state governments scan the environment before locating schools, hospitals, industries, universities, etc.

Environmental scanning has certain advantage which includes:

- Scanning the environment is better and safer method of assessing than jumping into the business environment.
- Environment scanning gives on-the-spot assessment of the immediate happenings in the environment, instead of relying on stories.
- It assists the entrepreneur to assess his personal strengths, weaknesses, opportunities, and threats (SWOT) in the environment, and in choosing favorable ones while avoiding unfavorable ones;
- Scanning the environment assists the entrepreneur to observe business trends as they occur in their natural manner. Trends are the known occurrences in the environment that has assume identifiable patterns over a period. It is better and easier to manage something that has a pattern than something that has no pattern;
- It assists the entrepreneur to observe business treads in the locality and to see how those trends would affect his business positively and negatively.

4.0 Conclusion

This unit provides the various definitions of entrepreneurship, concept of business venture. Location and environmental scanning for citing business enterprise are equally treated.

5.0 Summary

This unit highlights the general concept, definitions, location and environmental scanning for business enterprise citing.

6.0 Tutor Marked Assignment

(1) What skills would an entrepreneur need to acquire to succeed in his business?

(2) Why is it important to carry out an environmental scanning before a decision is made on where a business enterprise is sited in a particular location?

7.0 Reference/Further Readings

Abisuga, C.A (1985). How to start and run your own Business in Nigeria. Owerri. Odu Printing Company.

Papanek, G.F. (1962). The Development of Entrepreneurship. American Economic Review, Supplement May (45-58).

Unit 2: GOING INTO A BUSINESS VENTURE

1.0 Introduction

In this unit, the fundamental areas of consideration such as motivation, strategy, and realistic vision which must remain the driving forces to get one into business are treated here. The decision on whether to go do it alone or team up as well as product and market choice are all made in this unit.

2.0 Objective

At the end of this unit, you would have learnt how to make decisions on whether to start a partnership business, sole proprietorship business or corporation. The realistic vision of decisions and downfall as well as choosing a product and a market are made. Entre strategies for new business enterprises are considered.

3.0 Going into a Business Venture

Entrepreneurship is an attractive career choice. But many decisions have to be made before launching and managing a new business, no matter its size. Among the questions that need to be answered are:

Does the individual truly want to be responsible for a business?

What product or service should be the basis of the business?

What is the market, and where should it be located?

Is the potential of the business enough to provide a living wage for its employees and the owner?

How can a person raise the capital to get started?

Should an individual work full or part time to start a new business? Should the person start alone or with partners?

Answers to these questions are not empirically right or wrong. Rather, the answers will be based on each entrepreneur's judgment. An entrepreneur gathers as much information and advice as possible before making these and other crucial decisions.

The entrepreneur's challenge is to balance decisiveness with caution—to be a person of action who does not procrastinate before seizing an opportunity—and at the same time, to be ready for an opportunity by having done all the preparatory work possible to re- duce the risks of the new endeavor.

Preparatory work includes evaluating the market opportunity, developing the product or service, preparing a good business plan, figuring out how much capital is needed, and making arrangements to obtain that capital.

Through careful analysis of entrepreneurs' successes and failures, economists have identified key factors for up-and-coming business owners to consider closely. Taking them into account can reduce risk. In contrast, paying them no attention can precipitate the downfall of a new enterprise.

Motivation: What is the incentive for starting a business? Is it money alone? True, many entrepreneurs achieve great wealth. However, money is almost always tight in the startup and early phases of a new business. Many entrepreneurs do not even take a salary until they can do so and still leave the firm with a positive cash flow.

Strategy: What is the strategy for distinguishing the product or service? Is the plan to compete solely on the basis of selling price? Price is important, but most economists agree that it is extremely risky to compete on price alone. Large firms that produce huge quantities have the ad- vantage in lowering costs.

Realistic Vision: Is there a realistic vision of the enterprise's potential? Insufficient operating funds are the cause of many failed businesses. Entrepreneurs often underestimate start-up costs and overestimate sales revenues in their business plans. Some analysts advise adding 50 percent to final cost estimates and reducing sales projections. Only then can the entrepreneur examine cash flow projections and decide if he or she is ready to launch a new business.

3.1 Decisions and Downfalls

One important choice that new entrepreneurs have to make is whether to start a business alone or with other entrepreneurs. They need to consider many factors, including each entrepreneur's personal qualities and skills and the nature of the planned business.

3.2 Go Do It Alone Or Team Up

One important choice that new entrepreneurs have to make is whether to start a business alone or with other entrepreneurs. They need to consider many factors, including each entrepreneur's personal qualities and skills and the nature of the planned business.

In the United States, for instance, studies show that almost half of all new businesses are created by teams of two or more people. Often the people know each other well; in fact, it is common for teams to be spouses.

There are many advantages to starting a firm with other entrepreneurs. Team members share decision- making and management responsibilities. They can also give each other emotional support, which can help reduce individual stress.

Companies formed by teams have somewhat lower risks. If one of the founders is unavailable to handle his or her duties, another can step in.

Team interactions often generate creativity. Members of a team can bounce ideas off each other and “brainstorm” solutions to problems.

Studies show that investors and banks seem to prefer financing new businesses started by more than one entrepreneur. This alone may justify forming a team.

Other important benefits of teaming come from combining monetary resources and expertise. In the best situations, team members have complementary skills. One may be experienced in engineering, for example, and the other may be an expert in promotion.

In general, strong teams have a better chance at success. In Entrepreneurs in High Technology, Professor Edward Roberts of the Massachusetts Institute

of Technology (MIT) reported that technology companies formed by entrepreneurial teams have a lower rate of failure than those started by individuals. This is particularly true when the team includes a marketing expert.

Entrepreneurs of different ages can create complete entry teams also. Optimism and a “can-do” spirit characterize youth, while age brings experience and realism. In 1994, for example, Marc Andreessen was a talented, young computer scientist with an innovative idea. James Clark, the founder and chairman of Silicon Graphics, saw his vision. Together they created Netscape Navigator, the Internet-browsing computer software that transformed personal computing.

But entrepreneurial teams have potential disadvantages as well. First, teams share ownership. In general, entrepreneurs should not offer to share ownership unless the potential partner can make a significant contribution to the venture.

Teams share control in making decisions. This may create a problem if a team member has poor judgment or work habits.

Most teams eventually experience serious conflict. This may involve management plans, operational procedures, or future goals. It may stem from an unequal commitment of time or a personality clash. Sometimes such conflicts can be resolved; in others, a conflict can even lead to selling the company or, worse, to its failure.

It is important for a new entrepreneur to be aware of potential problems while considering the advantages of working with other entrepreneurs. In general, the benefits of teaming outweigh the risks.

3.3 Choosing a Product and a Market

A prospective entrepreneur needs to come up with a good idea. This will serve as the foundation of the new venture. Sometimes an entrepreneur sees a market need and—Eureka!—has an idea for a product or service to fill it. Other times an entrepreneur gets an idea for a product or service and tries to find a market for it. A Scottish engineer working at General Electric created putty that bounces but had no use for it. In the hands of a creative entrepreneur, it became a toy, “Silly Putty,” with an enthusiastic market: children.

The idea doesn’t have to be revolutionary. Research, timing, and a little luck transform commonplace ideas into successful businesses. In 1971, Chuck Burkett launched a firm to make an ordinary product, novelty key chains. But when he got a con- tract with a new venture in Florida—Disney World —he started making Mickey Mouse key chains, and achieved tremendous success.

There are many ways to look for ideas. Read a lot, talk to people, and consider such questions as: What limitations exist in current products and services? What would you like that is not available? Are there other uses for new technology?

What are innovative ways to use or to provide existing products? In Australia in 1996, two entrepreneurs founded Aussie Pet Mobile Inc. to bring pet bathing and grooming to busy people’s homes. It is now a top U.S. franchise business.

Is society changing? What groups have unfulfilled needs? What about people’s perceptions? Growing demand for healthy snacks created many business opportunities in the United States, for example.

Business ideas usually fit into one of four categories that were described by P. Bogor kns off in the Harvard Business Review in 1976:

In the case of goods and or services for existing markets. This is a difficult approach for a start-up operation. It means winning over consumers through merchandising appeal, advertising, etc. Entry costs are high, and profit is uncertain.

A new product or service for market. This is the riskiest strategy for a new firm because both the product and the market are unknown. It requires the most research and planning. If successful, however, it has the most potential for new business and can be extremely profitable.

A new good or service for an existing market. (Often this is expanded to include modified goods/services.) For example, entrepreneurial greeting-card makers use edgy humor and types of messages not produced by Hallmark or American Greetings—the major greeting-card makers—to compete in an existing market.

An existing good or service for a new market. The new market could be a different country, region, or market niche. Entrepreneurs who provide goods/services at customers' homes or offices, or who sell them on the Internet, are also targeting a new market—people who don't like shopping or are too busy to do so.

The last two categories have moderate risk, but product and market research can reduce it. They also offer opportunities for utilizing effective start-up strategies—innovation, differentiation, and market specification.

3.4 Entry Strategies For New Business Venture

It is easy to be captivated by the promise of entrepreneurship and the lure of becoming one's own boss. It can be difficult, however, for a prospective entrepreneur to determine what product or service to provide. Many factors need to be considered, including: an idea's market potential, the competition, financial resources, and one's skills and interests.

Then it is important to ask: Why would a consumer choose to buy goods or services from this new firm?

One important factor is the uniqueness of the idea. By making a venture stand out from its competitors, uniqueness can help facilitate the entry of a new product or service into the market.

It is best to avoid an entry strategy based on low cost alone. New ventures tend to be small. Large firms usually have the advantage of lowering costs by producing large quantities.

Successful entrepreneurs often distinguish their ventures through differentiation, niche specification, and innovation.

Differentiation is an attempt to separate the new • company's product or service from that of its competitors. When differentiation is successful, the new product or service is relatively less sensitive to price fluctuations because customers value the quality that makes the product unique.

A product can be functionally similar to its competitors' product but have features that improve its operation, for example. It may be smaller, lighter, easier to use or install, etc. In 1982, Compaq Computer began competing with Apple and IBM. Its first product was a single-unit personal computer with a handle. The concept of a portable computer was new and extremely successful.

Niche specification is an attempt to provide a • product or service that fulfills the needs of a specific subset of consumers. By focusing on a fairly narrow market sector, a new venture may satisfy customer needs better than larger competitors can.

Changes in population characteristics may create opportunities to serve niche markets. One growing market segment in developed countries comprises people over 65 years old. Other niches include groups defined by interests or lifestyle, such as fitness enthusiasts, adventure-travel buffs, and working parents. In fact, some entrepreneurs specialize in making "homemade" dinners for working parents to heat and serve.

Innovation is perhaps the defining characteristic of entrepreneurship. Visionary business ex- pert Peter F. Drucker explained innovation as "change that creates a new dimension of performance." There are two main types of product innovation. Pioneering or radical innovation embodies a technological breakthrough or new-to-the-world product. Incremental innovations are modifications of existing products.

But innovation occurs in all aspects of businesses, from manufacturing processes to pricing policy. Tom Monaghan's decision in the late 1960s to create Domino's Pizza based on home delivery and Jeff Bezos' decision in 1995 to launch Amazon.com as a totally online bookstore are examples of innovative distribution strategies that revolutionized the marketplace.

Entrepreneurs in less-developed countries often innovate by imitating and adapting products created in developed countries. Drucker called this process "creative imitation." Creative imitation takes place whenever the imitators understand how an innovation can be applied, used, or sold in their particular market better than the original creators do.

Innovation, differentiation, and/or market specification are effective strategies to help a new venture to attract customers and start making sales.

3.5 CHOOSING A FORM OF BUSINESS ENTERPRISE

In many countries, entrepreneurs must select a form of organization when they start a small business. The basic forms of organization are sole proprietorships, partnerships, and corporations. Each has advantages and disadvantages. Moreover, the laws and regulations that apply to business owners vary from country to country and by local jurisdiction. Entrepreneurs should consult an attorney or other expert to make sure that they have all the necessary licenses and permits, and are aware of all their legal obligations. In many countries, the local Chamber of Commerce or local business council is also a good source of information.

3.5.1 Sole Proprietorship: In a sole proprietorship, the individual entrepreneur owns the business and is fully responsible for all its debts and legal liabilities. More than 75 percent of all U.S. businesses are sole proprietorships. Examples include writers and consultants, local restaurants and shops, and home-based businesses.

This is the easiest and least expensive form of business to start. In general, an entrepreneur files all required documents and opens a shop. The disadvantage is that there is unlimited personal liability — all personal and business assets owned by the entrepreneur may be at risk if the business goes into debt.

3.5.2 Partnership: A partnership consists of two or more people who share the assets, liabilities, and profits of a business. The greatest advantage comes from shared responsibilities. Partnerships also benefit by having more investors and a greater range of knowledge and skills.

There are two main kinds of partnerships, general partner- ships and limited partnerships. In a general partnership, all partners are liable for the acts of all other partners. All also have unlimited personal liability for business debts. In contrast, a limited partnership has at least one general partner who is fully liable plus one or more limited partners who are liable only for the amount of money they in- vest in the partnership.

The largest disadvantage of any partnership is the potential for disagreements, regardless of how well or how long the partners have known each other.

Experts agree that a partnership agreement drawn up by an experienced lawyer is essential to a successful partnership. It is often used to:

- Create a mechanism for resolving disagreements;
- Specify each partner’s contribution to the
- Partnership;
- Divide up management responsibilities; and
- Specify what happens if a partner leaves or dies.

3.5.3 Corporations: Corporations are recommended for entrepreneurs who plan to conduct a large-scale enterprise. As a legal entity that has a life separate from its owners, a corporation can sue or be sued, acquire and sell property, and lend money.

Corporations are divided into shares or stocks, which are owned by one, a few, or many people. Ownership is based on the percentage of stock owned. Shareholders are not responsible for the debts of the corporation, unless they have personally guaranteed them. A shareholder's investment is the limit of her liability. Corporations can more easily obtain investment, raise capital by selling stock, and survive a change of ownership. They provide more protection from liability than other forms of business. Their potential for growth is unlimited.

However, corporations are more complex and expensive to set up than other forms of business and are usually subject to a higher level of government regulation.

4.0 Conclusion

In this unit, the decisions with regard to what takes one into business venture such as motivation, strategies, realistic vision are made, are explained in this unit. Go do it alone or team up and product and market choices are made here in this unit. New business venture entry strategies are equally explained.

5.0 Summary

This unit examined the general concept of decision making with regard to strategies, products and markets to be targeted for a business venture.

6.0 Tutor Marked Assignment

1. One who decides to venture into a business may have to – go - do it alone or team up with others. Explain what in your own opinion would inform one's decision.
2. What may influence you to choose a particular product and a market when you make up your mind to venture into business enterprise?
3. When you would like to start a small business you need to identify the various forms of small business organizations. Name and explain any two of them.

7.0 Reference/Further Readings

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Unit 3: ENTREPRENUEURS' NEED FOR CAPITAL

1.0 Introduction

In this unit, the sources of financing new business venture and intellectual property are treated. Small business venture strength and the importance of entrepreneurship skills are gradually developed. Government policies on entrepreneurship are generally highlighted.

2.0 Objective

At the end of this unit, you would have been exposed to the government policies on entrepreneurship. The sources of financing new business enterprise and intellectual property rights are equally learnt.

3.0 Entrepreneur's Need for Capital

New businesses rarely show a profit in the early months of operation. Generating sales takes time, and receipts are not usually sufficient to offset start- up costs and monthly expenses. Therefore, entrepreneurs need to estimate how much money they need and then raise that amount to transform their dream into a reality.

It doesn't necessarily take a lot of cash to create a successful business. In the mid-1970s, Steve Jobs and Steve Wozniak started Apple Computer by selling a Volkswagen microbus and a Hewlett-Packard scientific calculator to raise =N=1,300 — enough for a makeshift production line. In 1997, Bill Martin and Greg Wright used the free Internet connections in their college dorm rooms and =N=175: =N=75 for a New Jersey partnership fee, =N=70 to register their Web domain name, and N=30 for a month's hosting fee — to start www.ragingbull.com, which is now a successful financial Website.

Many entrepreneurs start businesses with =N=5,000 or less, just enough to establish the business, invest in some inventory, and create some advertising materials. There are many ways to reduce expenses: for instance, by initially working out of one's home rather than leasing an office or leasing office equipment rather than buying it.

However, all entrepreneurs need to estimate how much cash they need to cover expenses until the business begins to make a profit. For this task, the best financial tools are the income statement and cash flow statement. Cash flow refers to the amount of money actually available to make purchases and pay current bills and obligations. It is the difference between cash receipts (money taken in) and cash disbursements (money spent) over a specific time period.

It is important to attach notes to these forecasts to explain any unusual expenses or assumptions used in the calculations.

An income statement sets out all of the entrepreneur's projected revenues and expenses (including depreciation and mortgages) to determine a venture's profits per month and year. Depreciation is a method to account for assets whose value is considered to decrease over time.

A cash flow statement estimates anticipated cash • sales as well as anticipated cash payments of bills. This estimate can be done on a weekly, monthly, or quarterly basis, but experts recommend that it be done at least once every month for the first year or two of a new business. This forecast is used to project the money required to finance the operation annually. By calculating this forecast on a cumulative basis, the entrepreneur can forecast his company's overall capital needs at start up.

The monthly net cash flow shows how much an entrepreneur's cash receipts exceed or fall short of monthly cash expenditures. For most of the first year, the monthly expenditures are likely to exceed the receipts. In many cases, goods are shipped out before payment is received. Mean- while, the entrepreneur still has to pay his bills.

Therefore, the cumulative cash flow, which adds each month's total to that of previous months, will result in a growing negative amount.

A critical point for a new business occurs when monthly sales receipts are enough to cover monthly expenses. At this point, the negative cumulative cash flow will begin to decrease and move toward a positive one. The cumulative cash flow amount reached just before it reverses direction indicates approximately how much capital the new business will need.

Financial projections are inevitably somewhat inaccurate simply because every contingency cannot be predicted. For this reason, experts recommend that entrepreneurs add at least 20 percent to the financial needs calculated in the cash flow statement to create a safety net for unforeseen events.

With these estimates, the entrepreneur can seek funding and concentrate more clearly on launching the new business.

3.1 SOURCES OF FINANCING NEW BUSINESS VENTURE

Many entrepreneurs struggle to find the capital to start a new business. There are many sources to consider, so it is important for an entrepreneur to fully explore all financing options. He also should apply for funds from a wide variety of sources. Personal savings: Experts agree that the best source of capital for any new business is the entrepreneur's own money. It is easy to use, quick to access, has no payback terms, and requires no transfer of equity (ownership). Also, it demonstrates to potential investors that the entrepreneur is willing to risk his own funds and will persevere during hard times. Friends and family: These people believe in the entrepreneur, and they are the second easiest source of funds to access. They do not usually require the paperwork that other lenders require. However, these funds should be documented and treated like loans. Neither part ownership nor a decision-making position should be given to these lenders, unless they have expertise to provide. The main disadvantage of these funds is that, if the business fails and money goes lost, a valuable relationship may be jeopardized. Credit cards: The entrepreneur's personal credit cards are an easy source of funds to access, especially for acquiring business equipment such as photocopiers, personal computers, and printers. These items can usually be obtained with little or no money paid up front and with small monthly payments. The main disadvantage is the high rate of interest charged on credit card balances that are not paid off in full each month. Banks: Banks are very conservative lenders. As successful entrepreneur Phil Holland explains, “Many prospective business owners are disappointed to learn that banks do not make loans to start-up businesses unless there are outside assets to pledge against borrowing.” Many entrepreneurs simply do not have enough assets to get a secured loan from a lending institution.

However, if an entrepreneur has money in a bank savings account, she can usually borrow against that money. If an entrepreneur has good credit, it is also relatively easy to get a personal loan from a bank. These loans tend to be short-term and not as large as business loans. Venture investors: This is a major source of funding for start-ups that have a strong potential for growth. However, venture investors insist on retaining part ownership in new businesses that they fund. Formal institutional venture funds are usually limited • partnerships in which passive limited partners, such as retirement funds, supply most of the money. These funds have large amounts of money to invest. How- ever, the process of obtaining venture capital is very slow? Several books, such as Galante’s Venture Capital & Private Equity Directory, give detailed information on these funds. Corporate venture funds are large corporations • with funds for investing in new ventures. These often provide technical and management expertise in addition to large monetary investments. How- ever, these funds are slow to access compared to other sources of funds. Also, they often seek to gain control of new businesses. Angel investors tend to be successful entrepreneurs • who have capital that they are willing to risk. They often insist on being active advisers to businesses they support. Angel funds are quicker to access than corporate venture funds, and they are more likely to be invested in a start-up operation. But they may make smaller individual investments and have fewer contacts in the banking community. Government programs: Many national and regional governments offer programs to encourage small- and medium-sized businesses. In the United States, the Small Business Administration (SBA) assists small firms by acting as a guarantor of loans made by private institutions for borrowers who may not otherwise qualify for a commercial loan.

3.2 INTELLECTUAL PROPERTY: A VALUABLE BUSINESS ASSET

Intellectual property is a valuable asset for an entrepreneur. It consists of certain intellectual creations by entrepreneurs or their staffs that have commercial value and are given legal property rights. Examples of such creations are a new product and its name, a new method, a new process, a new promotional scheme, and a new design.

A fence or a lock cannot protect these intangible assets. In- stead, patents, copyrights, and trademarks are used to pre- vent competitors from benefiting from an individual's or firm's ideas.

Protecting intellectual property is a practical business decision. The time and money invested in perfecting an idea might be wasted if others could copy it. Competitors could charge a lower price because they did not incur the startup costs. The purpose of intellectual property law is to encourage innovation by giving creators time to profit from their new ideas and to recover development costs.

Intellectual property rights can be bought, sold, licensed, or given away freely. Some businesses have made millions of dollars by licensing or selling their patents or trademarks.

Every entrepreneur should be aware of intellectual property rights in order to protect these assets in a world of global markets. An intellectual property lawyer can provide information and advice.

The main forms of intellectual property rights are:

Patents: A patent grants an inventor the right to exclude others from making, using, offering for sale, or selling an invention for a fixed period of time - in most countries, for up to 20 years. When the time period ends, the patent goes into the public domain and anyone may use it.

Copyright: Copyrights protect original creative works of authors, composers, and others. In general, a copy- right does not protect the idea itself, but only the form in which it appears - from sound recordings to books, computer programs, or architecture. The owner of copy-; righted material has the exclusive right to reproduce the work, prepare derivative works, distribute copies of the work, or perform or display the work publicly.

Trade Secrets: Trade secrets consist of knowledge that is kept secret in order to gain an advantage in business. “Customer lists, sources of supply of scarce materials, or sources of supply with faster delivery or lower prices may be trade secrets,” explains Joseph S. Iandiorio, the founding partner of Iandiorio and Teska, an intellectual property law firm. “Certainly, secret processes, formu- las, techniques, manufacturing know-how, advertising schemes, marketing programs, and business plans are all protectable.”

Trade secrets are usually protected by contracts and non- disclosure agreements. No other legal form of protection exists. The most famous trade secret is the formula for Coca- Cola, which is more than 100 years old.

Trade secrets are valid only if the information has not been revealed. There is no protection against discovery by fair means such as accidental disclosure, reverse engineering, or independent invention.

Trademarks: A trademark protects a symbol, word, or design, used individually or in combination, to indicate the source of goods and to distinguish them from goods produced by others. For example, Apple Computer uses a picture of an apple with a bite out of it and the symbol (®) which means registered trademark. A service mark similarly identifies the source of a service. Trademarks and service marks give a business the right to prevent others from using a confusingly similar mark.

In most countries, trademarks must be registered to be enforceable and renewed to remain in force. However, they can be renewed endlessly. Consumers use marks to find a specific firm’s goods that they see as particularly desirable — for example, Barbie dolls or Toyota automobiles. Unlike copy- rights or patents, which expire, many business’s trademarks become more valuable over time.

3.3 THE STRENGTH OF SMALL BUSINESS VENTURES

Any entrepreneur who is contemplating a new venture should examine the strengths of small businesses as compared to large ones and make the most of those competitive ad- vantages. With careful planning, an entrepreneur can lessen the advantages of the large business vis-à-vis his operation and thereby increase his chances for success. The strengths of large businesses are well documented. They have greater financial resources than small firms and therefore can offer a full product line and invest in product development and marketing. They benefit from economies of scale because they manufacture large quantities of products, resulting in lower costs and potentially lower prices. Many large firms have the credibility that a well-known name provides and the support of a large organization. How can a small firm possibly compete? In general, small start-up firms have greater flexibility than larger firms and the capacity to respond promptly to industry or community developments. They are able to innovate and create new products and services more rapidly and creatively than larger companies that are mired in bureaucracy. Whether reacting to changes in fashion, demographics, or a competitor's advertising, a small firm usually can make decisions in days - not months or years. A small firm has the ability to modify its products or services in response to unique customer needs. The average entrepreneur or manager of a small business knows his customer base far better than one in a large company. If a modification in the products or services offered — or even the business's hours of operation — would better serve the customers, it is possible for a small firm to make changes. Customers can even have a role in product development.

Another strength comes from the involvement of highly skilled personnel in all aspects of a start- up business. In particular, start-ups benefit from having senior partners or managers working on tasks below their highest skill level. For example, when entrepreneur William J. Stolze helped start RF Communications in 1961 in Rochester, New York, three of the founders came from the huge corporation General Dynamics, where they held senior marketing and engineering positions. In the new venture, the marketing expert had the title "president" but actually worked to get orders. The senior engineers were no longer supervisors; instead, they were designing products. As Stolze said in his book Start Up, "In most start-ups that I know of, the key managers have stepped back from much more responsible positions in larger companies, and this gives the new company an immense competitive advantage." Another strength of a start-up is that the people involved — the entrepreneur, any partners, advis- ers, employees, or even family members — have a passionate, almost compulsive, desire to succeed. This makes them work harder and better. Finally, many small businesses and start-up ventures have an intangible quality that comes from people who are fully engaged and doing what they want to do. This is "the entrepreneurial spirit," the atmosphere of fun and excitement that is generated when people work together to create an opportunity for greater success than is otherwise available. This can attract workers and inspire them to do their best.

3.4 IMPORTANCE OF ENTREPRENEURSHIP

Most economists agree that entrepreneurship is essential to the vitality of any economy, developed or developing. Entrepreneurs create new businesses, generating jobs for themselves and those they employ. In many cases, entrepreneurial activity increases competition and, with technological or operational changes, it can increase productivity as well.

In the United States, for example, small businesses provide approximately 75 percent of the net new jobs added to the American economy each year and represent over 99 percent of all U.S. employers. The small businesses in the United States are often ones created by self-employed entrepreneurs.

"Entrepreneurs give security to other people; they are the generators of social welfare," Carl J. Schramm, president and chief executive officer of Ewing Marion Kauffman Foundation, said in February 2007. The foundation is dedicated to fostering entrepreneurship, and Schramm is one of the world's leading experts in this field.

Others agree that the benefits of small businesses go beyond income. Hector V. Baretto, administrator of the U.S. Small Business Administration (SBA), explains, "Small businesses broaden the base of participation in society, create jobs, decentralize economic power, and give people a stake in the future."

Entrepreneurs innovate and innovation is a central ingredient in economic growth. As Peter Drucker said, "The entrepreneur always searches for change, responds to it, and exploits it as an opportunity." Entrepreneurs are responsible for the commercial introduction of many new products and services, and for opening new markets. A look at recent history shows that entrepreneurs were essential to many of the most significant innovations, ones that revolutionized how people live and work. From the automobile to the airplane to personal computers – individuals with dreams and determination developed these commercial advances.

Small firms also are more likely than large companies to pro- duce specialty goods and services and custom-demand items. As Schramm has suggested, entrepreneurs provide consumers with goods and services for needs they didn't even know they had.

Innovations improve the quality of life by multiplying consumers' choices. They enrich people's lives in numerous ways – making life easier, improving communications, providing new forms of entertainment, and improving health care, to name a few.

Small firms in the United States, for instance, innovate far more than large ones do. According to the Small Business Administration, small technology companies produce nearly 13 times more patents per employee than large firms. They represent one-third of all companies in possession of 15 or more patents.

According to the 2006 Summary Results of the Global Entrepreneurship Monitor (GEM) project, "Regardless of the level of development and firm size, entrepreneurial behavior remains a crucial engine of innovation and growth for the economy and for individual companies since, by definition, it implies attention and willingness to take advantage of unexploited opportunities." The GEM project is a multi-country study of entrepreneurship and economic growth. Founded and sponsored by Babson College (USA) and the London Business School in 1999, the study included 42 countries by 2006.

International and regional institutions, such as the United Nations and the Organization for Economic Cooperation and Development, agree that entrepreneurs can play a crucial role in mobilizing resources and promoting economic growth and socio-economic development. This is particularly true in the developing world, where successful small businesses are primary engines of job creation and poverty reduction.

For all of these reasons, governments may wish to pursue policies that encourage entrepreneurship.

3.5 GOVERNMENT POLICIES ON ENTREPRENEURSHIP

Entrepreneurial activity leads to economic growth and helps to reduce poverty, create a middle class, and foster stability. It is in the interest of all governments to implement policies to foster entrepreneurship and reap the benefits of its activity.

Thomas A. Garrett, a senior economist with the Federal Reserve Bank of St. Louis, says that government policies can be categorized as “active” or “passive” depending on whether they involve the government in determining which types of businesses are promoted. Active policies, such as targeted tax breaks, help specific forms of businesses, while passive policies help create an environment that is friendly to entrepreneurs without regard to specific firms.

Both active and passive policies are effective in promoting small business, Garrett says, but passive policies promote entrepreneur- ship most broadly. “It is this entrepreneurial-friendly environment that will allow any individual or business—regardless of size, location or mission—to expand and to thrive,” he says.

Among the most successful strategies for encouraging entrepreneurship and small business are changes in tax policy, regulatory policy, access to capital, and the legal protection of property rights.

Tax Policy: Governments use taxes to raise money. But taxes increase the cost of the activity taxed, discouraging it somewhat. Therefore, policymakers need to balance the goals of raising revenue and promoting entrepreneurship. Corporate tax rate reductions, tax credits for investment or education, and tax deductions for businesses are all proven methods for encouraging business growth.

Regulatory Policy: “The simpler and more expedited the regulatory process, the greater the likelihood of small business expansion,” says Steve Strauss, a lawyer and author, who specializes in entrepreneur- ship. Reducing the cost of compliance with government regulations is also helpful. Governments can, for example, provide one-stop service centers where entrepreneurs can find assistance and allow electronic filing and storage of forms.

Access to Capital: Starting a business takes money. There are required procedures and fees as well as the initial costs of the new enterprise itself. Therefore, the most important activity a government can undertake is to assist potential entrepreneurs with finding money for start-ups.

In the United States, the Small Business Administration (SBA) helps entrepreneurs get funds. The SBA is a federal agency whose main function is guaranteeing loans. Banks and other lenders that participate in SBA programs often relax strict loan requirements because the government has promised repayment if the borrower defaults. This policy makes many loans available for risky new businesses.

Legal Protection of Property Rights: Small business can thrive where there is respect for individual property rights and a legal sys- tem to protect those rights. Without property rights, there is little incentive to create or invest.

For entrepreneurship to flourish, the law needs to protect intellectual property. If innovations are not legally protected through patents, copyrights, and trademarks, entrepreneurs are unlikely to engage in the risks necessary to invent new products or new methods. According to the World Bank report, "Doing Business 2007: How to Reform," new technologies are adopted more quickly when courts are efficient. "The reason is that most innovations take place in new businesses—which unlike large firms do not have the clout to resolve disputes outside the courts."

Creating a Business Culture: Governments can also show that they value private enterprise by making it easier for individuals to learn business skills. Honoring entrepreneurs and small business owners. Policy makers can:

- Offer financial incentives for the creation of business incubators. These usually provide new businesses with an inexpensive space in which to get started and services – such as a copier and a fax machine – which most new businesses couldn't otherwise afford. Often business incubators are associated with colleges, and professors offer their expertise.

• Make information available. In the United States, for example, the SBA has many offices, making publications widely accessible. Its “Small Business Answer Desk” (telephone: 800-827-5722) and its Web site (www.sba.gov) answer general business questions. Its online business tutorials are available to anyone with Internet access (http://sba.gov/training/coursestake.html).

• Enhance the status of entrepreneurs and businessmen in the society. Governments might create local or national award programs that honor entrepreneurs and call on business leaders to serve on relevant commissions or panels.

5.0 Conclusion

In this unit, the fundamental principles of financing new business venture and intellectual property law and government regulations on business enterprise are treated here.

6.0 Summary

In this unit, entrepreneur’s need for capital, the sources of financing new business enterprise, intellectual property as well as strength of small business venture are treated. The unit equally dwells on the important of entrepreneurship and government policies with regard to entrepreneurship.

7.0 Tutor Marked Assignment

(1) What are the various way a new business owner can source finance for his new venture? Explain any three most promising sources and give reasons why you consider them most promising.

(2) Explain clearly the important roles entrepreneurship activities play in the development of a society.

(3) Name and explain any three main forms of intellectual property.

7.0 References/Further Readings

Asika, N.M. and Odugbesan, A.O. (2002). Understanding Nigerian Business Environment. Lagos. Concept Publications Ltd.

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MODULE TWO

UNIT 1: GENERAL RECORD-KEEPING IN A BUSINESS VENTURE

1.0 Introduction

Business organizations like individuals have needs to maintain the history of its activities. This includes the history of start-up, transactions, results, growth and development plans. All these are recorded in form of records kept and maintain in an organization.

2.0 Objectives

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

- identify various types of records in a business venture
- learn techniques of record keeping in respect of various categories of business enterprises
- learn the importance of different types of records in a business venture
- be able to explain various record keeping system in an enterprise

3.0 General Record Keeping in a Business Venture

Record-Keeping

3.1 Types of Records Keeping in a Business Enterprise

Record keeping is the job of experts in each department or section of the organization. For example, bookkeepers keep accounting records, storekeepers keep store records and clerical officers keep office records. This chapter does not intend to go into the details of keeping each type of record, but to inform the entrepreneur the type of record he may expect from each section, department or division.

Many types of records are kept in an organization. The type of record also depends on the form of businesses organization e.g. one-man business, partnership, co-operative society or limited liability Company the law requires that some of these records must be kept, while others are optional. In general the following records are kept for the interest of six categories of users:

(a) The business itself
(b) The owners of the business;
(c) The customers;
(d) Interest of investors
(e) Government or legal requirement.
(f) The Employees

3.2 Interest of the Business

A business is a growing concern. This means that it is supposed to grow stringer a time passes. There must be record on business itself, separated from its owners, whether it is a legal or person or not.

1. The date of formation of the company and date of commencement of business.
2. Name and address of principle directors;
3. Name and addresses of the secretary and principal directors;
4. The share capital of the company (if any) and the breakdown of the capital;
5. Names and addresses of members of the company and category of membership;
6. Copy of the memorandum and Association of the company (if a registered)
7. The bankers to the company and their addresses;
8. Addresses of the head office of the company and those of each of the branches;
9. A minute book showing the motions and resolution of the company;
10. Type of liability that the company bears; (limited or unlimited)
11. The major and subsidiary object of the company.

3.3 Record for the interest of Owners of Business

1. Names and addresses of shareholders and category of shareholding;
2. Dividend rates and dates declared and paid;
3. Number and type of share held by individuals and corporate bodies;
4. Date of conversion of shares and returns to the corporate Affairs Commission;
5. Directors salaries or remunerations;
6. Bonus shares and date declared;
7. Notice of mergers, acquisitions and inquisition;
8. Date, time and places of statutory meeting (AGM).
9. Notice of transfer of shares indoor special offers;

3.4 Records for the Interest of Customers

1. Company handbook or rules and regulations;
2. Category of customers and limit for credit sales;
3. Time of opening and closing;
4. Special discounts, (cash, quality, promotion ,special target sales bonus);
5. Price of finished goods or services;
6. Quantity discounts, trade discount or special offers;
7. Method of payment (cash. Cheque, bank drafts, standing order, etc);

8. Security information about making payments in cash or bank;
9. Awards for special performance , sales turnover or honesty;
10. Special features of the product or service;

3.5 Records for the Interest of Investors

1. Memorandum and Articles of Associate of the company if an incorporated business);
2. Bye-laws or constitution, co-operative society or investment clubbing;
3. Other statutory books which the company must keeping accordance with the requirements with the Corporate Affairs Commission(The commission);
4. Grade and status of shareholders and percentage of each individuals shareholding;
5. Capitals of the business showing the status of each type of capital; (fixed and working capitals), shares , debenture, loan, etc;
6. Profits, dividends and bonus shares for past years;
7. Number of legal actions pending or prosecuted against the company;
8. Sales Volume for past years;
9. Debtors and creditors of the workers;
10. Numbers and grade of workers;
11. Special features of the products or services;
12. Competitors of the company or product in the markets;
13. The worth of the company in terms of goodwill in the market;
14. The bankers and legal adviser of the business;

3.6 Statutory Records or Legal

1. Assets and liberties of the company;
2. Copy of the minute book ;
3. Seal of the company;
4. Copy of Articles and Memorandum of Association;
5. Financial transaction: Cash book legers, balance sheet;
6. Debtors and creditors of the company;

7. Format of the company's letterhead showing the address of the head office, branches and principal debtors;
8. Record of payment of taxes: company tax, income tax, value Added Tax, Customs duty;
9. Record of donation to individuals and corporate bodies;
10. Record of age of the directors of the company;
11. Record of the shareholding of each of the directors.

3.7 Record for the Interest of Employees

1. Names and address of each employee;
2. Letter of offer of employee, status and conditions of service.
3. Letter of acceptance of employment or counter offer
4. Health records of the staff (on appointment, sick leave, maternity leave, disability, etc)
5. Sex of employer and marital status;
6. Next-of-kin of the staff and his /her address;
7. Nationality, state and local government area;
8. Staff Hand book or staff conditions of service;
9. Date of increments, promotions transfer or demotion;
10. Special punishments or award;
11. Financial records: Loans leave, annual leave, maternity leave, examination leave, sporting leave, or study leave;
13. Date of retirement.

3.8 Reasons for Keeping Business Record

1. To know what the business own and what other people owe the business (assets and liabilities) of the business
2. To ascertain the amount of money, material or efforts invested in the business at a particular time or period
3. To ascertain if the business is making a profit or a loss
4. To know the debtors and creditors of the business and the time each debt or credit fall due;

5. To follow the track of raw materials finished goods and goods in transit with a via to replenishing them;
6. To the level of the inventory, the minimum stock level ,the economic order quantity (EOQ); the re-order level and average stock level;
7. To draw a realistic plan of meeting financial and other obligations such as payment of salaries and wages, retirement benefits rent, creditors remunerations ,auditors fees, insurance;
8. To abide by requirements of the corporate commission (the body responsible for regulating companies);
9. Records enable new employees to study organizational polices and be able to follow the processes of implementing them.
10. Records give historical account of events in a logical order, and assist auditors and other uses to follow them without much problem.

4.0 Conclusion

This unit provides a comprehensive understanding on the subject of business enterprise record keeping; it explains the records for various business activities in business organizations generally.

5.0 Summary

This unit highlights the general records that are kept in various business organizations. It equally explains the types of records that are maintained in business venture and for various aspects.

6.0 Tutor Marked Assignment (TMA)

(1) Why does a business organization maintain records? Name and explain any five types of business record that you know.

(2) What is the idea behind keeping records in a business organization?

7.0 Reference/Further Readings

Bechard, Jean-Pierre; and Jean-Marie Toulouse. (1998). Validation of a Didactic Model for the Analysis of Training Objectives in Entrepreneurship. Journal of Business Venturing, vol. 13, no. 4, pp. 317-32.

UNIT 2: BUSINESS ACCOUNTING RECORDS

1.0 Introduction

In this unit, students would learn about business accounting records in business enterprises. Different types of records maintained in business enterprises which relates to financial transactions in a venture. This business accounting records includes the basic books of account and those of banking transactions in a business organization.

2.0 Objective

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

- identify the different types of accounting records in business ventures
- know the importance of these various records of account in business organizations
- learn how to maintain these books of prime entries in business ventures

3.0 Business Accounting Records

3.1 Business Accounting Records in Business Ventures

Bookkeeping is the art of recording business transaction in a systematic manner, so that the financial position of the business can be ascertained at time .The following are some of the accounting records:

Single Entry Method of Bookkeeping. This is also called incomplete record method of bookkeeping. It records the flow of income and expense through the business on a daily, monthly or periodic basis. The advantage of this method of record keeping to small business enterprises is that it is easy and simple to operate. The major disadvantage is that it is not self -balancing.

Double Entry Method of Bookkeeping: Unlike the single entry method, the double entry method of bookkeeping uses journals: and ledges to record business transaction. The transactions are first entered in daily journal as debit and credit, from where the totals of these amounts are posted to the appropriate ledger accounts periodically. For example, when goods are bought their particular are entire in the purchases Day book. At the end of the month, purchases account is with the total amount of goods received, while each account in the ledge is credited. Conversely, when goods are sold the particulars are entered in sales day book .The total amounts of goods sold are credited in the sales account, the each buyer's account in the ledge is debited with the amount .the major advantage of this method is that the total amount entered, as debits must equal the total amount entered as credits.

Cash Book: This type of record is favorable for small business enterprise, which cannot afford to employ the services of profession accountants. The cash sales and receipts for the day are entered into the cashbook .At the end of the day, the manager reconciles the actual amount of cash on hand with the summary of cash receipts and summary of sale.

Sales Journal: This is used to record only credit sales. All cash sales are recorded in the cash receipts journal. Went goods dispatched on credit, they entry is the sales Journal (Sales Day Book). From a copy of the invoice to the customer. The Colum ruling of sales journal is: Date of the transaction, name and particulars of the customer, folio, details of each amount receivable, and total of the amount.

Purchases Journal: This is used to record the particulars of goods bought on credit and meant for resales. The particulars are copied from the invoice sent by the supplier, and containing: description of the goods bought, quantity, unit prince and total prince .Unlike the sales journal, the credit transaction are entered on the credit side of the customers' account while the total is debited in the purchases account.

The Ledger: The ledger is the principal book of account. A ledger Account has two sides, one side for recording values received and the other for recording values given. The left hand side is for values received and it is called "the debit (Dr.). Side". The right hand side is for values given and it is called "the credit (Cr.) side". Each of the two sides has four columns containing: date, particulars, folio and amount. Every debit entry must have a corresponding credit entry and vice versa.

The Profit and Loss Statement: The profit and loss statement comprises of expenses and revenue over a certain period of time. It shows the net profit or loss of the business.

Account Receivable: Contains records of amounts due to be received from debtors.

Accounts Payable: This is a record of various amounts of money due to be paid to the creditors. The record may be up-graded daily, weekly, bi-weekly or monthly according to the accounting system. Any entrepreneur who does not know his creditors and the amount he owes them is living in a fool's paradise, and when they creditors sue him individually or collectively, he may be forced to go into voluntary liquidation".

Stock Record: The stock record shows the quantity of stock of in the store, warehouse or in transit awaiting arrival. There are corresponding entries for their cost. Stock record shows the minimum, average and maximum stock that the organization needs and the level at which re-order must be placed. As an important aspect of the organization's assets, stock record must be communicated to the management at regular intervals in order to take decisions on depleting stock level and making orders for replacement.

Bank Reconciliation Statement: This is a periodic statement prepared by a business to reconcile its bank account with the statement sent by the bank. The businessman must keep records of the cheques he issues to the bank and against which his account is debited. He must also keep records of all payment he makes to the bank, against which his account is also being credited. At the end of the month, the bank sends a statement of account to the businessman, who uses it to reconcile his account to ascertain the balance. The balance in the bank column of the cashbook is expected to agree with that in the bank statement, but this is not usually so. Reasons for the differences in the bank statement and cash book balances result from

(a) Un-accredited cheques.
(b) Un-presented cheques (c) dishonored cheques

The Imprest Account: This is an account kept by a petty cahier. The benefit of the imprest account is that it relieves the main cashier of burden of paying for small items of expenditure. The impress account comes into operation when the main cashier issues a certain sum of money to the petty cashier, called the float. The petty cashier receives the cash say, ₦2,000 at the beginning of the month.

The petty cashier opens a book called the Petty Cash book, containing the following column headings: Date, particulars, and amount. The Petty Cashier adds the total of expenses at the end of the month (usually not more than the impress sum). The main casher checks the receipts and matches them with the expenses. The main cashier reimburses the petty with the amount of expenses to restore him to the original amount of N2,000.

3.2 Personnel Records

Daily attendance register, Personal files, Health records, Movement register, record of date of appointment and retirement, record of loans and advances, Seniority ranking, Annual Performance and Evaluation report. Others are records of queries, achievements, promotion and special recognition.

Production Records: Record of raw materials used in production, finished goods sent to the warehouse, substandard goods not fit for sale, stock of fuel, lubricants, no of machine breakdown and causes, number of no and type of accidents during each type of production. Others are number of staff on shift duty and their production records, machine breakdown, time of the breakdown and causes. Time lost and production figures lost as a result of the breakdown.

Store/Stock Records: Records of raw materials brought into the store; record of spare parts of plant and machinery, record of stock level, normal stock, average stock and Economic Order Quantity (EOQ).

4.0 Conclusion

You may have learnt about business accounting records that are often maintained in various types of business ventures. These include those of cash, ledgers, main account and that, that relates to bank transactions.

5.0 Summary

This unit exposes the students to various records of account in an enterprise. The students are introduced to the structure of business information that relates to the venture's business activities.

6.0 Tutor Marked Assignment

(1) What records that are maintained in respect of personnel in a business organization.

(2) Enumerate the various accounting records that are kept in a business venture. Explain any five.

(3) What is the reason behind bank reconciliation statement as a business record?

8.0 Reference/Further Readings

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Unit 3: LAWS RELATING TO BUSINESS OPERATIONS IN NIGERIA

1.0 Introduction

This unit introduces the students to various laws relating to business in Nigeria. The Company Allied Matters Act's fundamentals are equally introduced to students

2.0 Objective

At the end of this unit, the students would have learnt about the laws that govern the operation of various business ventures in Nigeria. These include among others:

- Custom law
- Partnership law
- Patent law
- Standard Organization
- Company Allied Matters Act

3.0 Laws Relating To Business Operations in Nigeria

The government regulates business operations in Nigeria. Every type of business enterprise must operate within the framework of the law. Some of the laws, which affect business operations in Nigeria, are:

3.1 Custom Duties (Dumped and Subsidized goods) Act No. 9 of 1958. The act stipulates imposition of a special duty on any goods, which are being dumped or are subsidized by any government or authority outside Nigeria borders.

3.2 Customs (Draw Back) Regulations: No.70 of 1959: The law permits importers to claim in full, under certain circumstances payment of import duty if goods are exported. If materials are imported for use in the manufacture of goods and then exported.

3.3 Partnership Act of 1961(Amended in 1988): This concerns registration of business names, for a person or persons carrying on a business with name which differs from his or her own names or which incorporates any words other than those of the name of the business.

3.4 Patents and Designs Decree No. 60 of 1970. Under this decree, any person(s) claiming to be the proprietor of a trademark may by himself or his agent apply to the registrar for the registration thereof.

3.5 Standard Organization of Nigeria Act, 1971: It provides for standardization and quality control of industrial products manufactured and imported into the country.

3.6 Companies and Allied Matters Decree 1990: The decree stipulates the incorporation, registration and operation companies in Nigeria.

3.7 The Nigerian Enterprises Promotion Decree 1977: The decree, otherwise known as indigenization decree, extended the earlier one of 1974, which prescribes the main regulation of the ownership of equity in Nigeria, together with the permissible patterns of foreign participation. The decree prescribes business organizations, which only Nigerians can run and operate, and excluding foreigners.

3.8 National Agency for Food and Drug Administration and Control - (NAFDAC) Decree No. 15 of 1993. Under the decree, NAFDAC was established to replace Food and Drug Administration and Control Department of the Federal Ministry of Health.

3.9 Industrial inspectorate Act 1970: It provides for the registration and valuation of all plant, machinery and equipment imported into the country.

3.10 Government Legislation Aimed at Protecting the Nigerian Consumers:

There have been several legislations at the state and federal level aimed at protecting the consumer.

Weights and Measures Act: The law stipulates the weights, such as gram, kilograms, etc.

Foods and Drugs Act: The act seeks to protect consumers from unscrupulous manufacturers, distributors and administrators of foods and drugs.

Price Control Decree/Act: The Decree stipulates maximum prices for certain products and no seller can exceed the limit.

Standard Organization of Nigeria Act 1971: is aimed at controlling the standard and quality of industrial products, whether manufactured in Nigeria or imported from other countries.

Hire Purchase Act/Sales of Goods Act: The act is intended to protect businessmen who buy on credit from unscrupulous traders.

Rent Tribunal/Rent Edict: The high cost of renting houses in urban areas made the government to promulgate the act. Rooms/flats of certain sizes and with certain facilities at certain locations are to attract fixed rents.

Tax and Tariff-related Incentives: All companies involved in Research and Development; are allowed to deduct 120% of the expenses incurred; All companies involved in the use of local raw materials are allowed to deduct 140% of their expenses. Corporate tax has been reduced from 40% to 30% Indigenization Policy. The Indigenization Decree of 1972 and the Enterprises Promotion Act of 1977 were promulgated to enable Nigerians have effective control over the economy, which hitherto had been dominated by foreigners. The Act categorized Nigerian industries under three schedules:

Schedule 1: Nigerians were expected to take over completely the control of small-scale industries, such as hairdressing, fabricating, laundry/hair dressing, and other petty businesses.

Schedule II: Under this schedule, Nigerians are expected to take over the control of 60% equity ownership in small and medium enterprises, such as supermarkets, radio and television broadcasting, film distribution, while the remaining 40% was reserved for foreigners.

Schedule III: Foreign Investors were allowed to have 60% ownership in large manufacturing companies, while the remaining 40% was reserved for Nigerian entrepreneurs.

4.0 Conclusion

This unit provides a comprehensive basic business laws. A good understanding of the concept of business law is learnt. The knowledge of these laws will act as a good guide for both start-up and growing of an existing business venture.

5.0 Summary

This unit exposes the students to the fundamentals of laws relating to different areas of business enterprises.

6.0 Tutor Marked Assignment

(1) What are the laws that govern the operation of small business in Nigeria?

(2) Why does a small business organization have to concern itself with law?

7.0 Reference/Further Readings

Aluko, M. Gbadamosi G. Osuagwu L, and Umukoro F, Business Management and Environment, Mathouse Press Ltd. Lagos 1998.

Allen, L.L. Starting and Succeeding in your own Small Business, New York – Grosset and Dunlop, 1968.

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MODULE 3

Unit 1: MARKETING

1.0 Introduction

In this unit marketing activities in business venture of different types are explained and learnt. The concept of marketing in a venture both for products and services is equally treated in this unit.

2.0 Objective

At the end of this unit, you would have learnt the marketing activities of:

- New business venture
- Growing and developing business ventures
- Products and service
- Selling propositions of new business ventures.

3.0 Marketing

It is a total system of business activities designed to plan, price, promote and distribute wants satisfying goods and services to present and potential customers. It is also defined as managerial function that is responsible for identification, anticipation and satisfaction of customers' needs to the profit of the organization. Kotler (1988), opined that marketing is a "social and managerial process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others".

From the above definitions, marketing involves:

1. The identification of needs, wants and demands of the consumers
2. Planning and developing products that would satisfy these needs and wants.
3. Making sure that the products get to the consumer (distribution)
4. Ensuring that the consumers purchase the products in the midst of stiff competition.

3.1 The Marketing Philosophies

(Marketing Concepts/Activities)

Marketing concept is classified into five philosophies viz:

1. The Production Concept
2. The Product Concept

3. The Selling Concept

4. The Marketing Concept

5. The Societal Concept

The analyses of these concepts are discussed below:

1. **The Production Concept-** Initially people produced goods and services in large quantities without considering the needs, wants and demands of consumers with the aim of reducing cost. This had led to goods lying idle and poor inventory management. This led to the second concept.

2. **The product Concept-** This concept assumes that customers will favour those products that offer high quality.

3. **The Selling Concept**: This assumes that promotional effort should be made for volume of sales.

4. **The Marketing Concept**: This holds that the main task of the organization is to determine the needs and wants of the target market and to adapt the organization to delivering the desired satisfaction more effectively and efficiently than competitors.

5. **The Societal Marketing Concept**: This explains that the market should satisfy the fundamental needs of the society.

3.2 Implementation of Marketing Concepts

Six steps must be followed for the effective implementation of marketing concepts, these are:

i. Having full knowledge of the customers

ii. Having full knowledge of the product

iii. Segment the market properly

iv. Establishing good channel of distribution

v. Using of promotional media effectively

vi. Good pricing strategy should be adopted

3.3 Marketing Mix

Traditionally, we have four marketing mix variables which are discussed below:

1. Product

A product which is one of the elements of the marketing mix can be good, service or an idea.

Stanton (1988) defined a product as a "set of tangible and intangible attributes including packaging, colour, price, manufacturer's prestige, retailer's prestige, and manufacturers' and retailers' services which the buyer may accept as offering satisfaction of wants and needs".

Kotler (2003) defined a product as "anything that can be offered to a market for attention, use or consumption, it includes physical objects, services, personalities, places organizations and ideas".

1. **Price:**Price is the value of a product stated in monetary terms. It is the amount at which goods or services are sold. As an element of the marketing mix, price is very important. This is because it creates revenue. Others are mainly costs.

Factors to Consider When Pricing

Four factors should be considered when pricing a product. These are:

- The company objectives
- Marketing mix strategy
- The costs
- Organizational consideration

2. **Placement (distribution)**

Physical distribution deals with the movement of finished goods from the factory to the consumers. The activities that are involved in physical distribution include transportation, handling and storage as well as the choice of production.

Channels of Distribution

The channels of distribution refer to the marketing institutions through which goods and services are transferred from the original producers to the ultimate user consumer. The distribution channel can be direct or indirect. It is a direct channel if the manufacturer sells his products directly to the consumers. The indirect channel involves a situation where the products pass through some middlemen before they get to the consumers. The middlemen or institutions are known as channel members.

3. **Promotion**

Promotion is used to influence or possibly change the attitude of consumers towards one's products. It informs and educates consumers about an organization's product. The aim of promotion is to facilitate the buying of one's products. Ranchman and Romano defined promotion as the marketing communication activity that attempts to inform and remind individuals and persuade them to accept, resell, recommend or use a product, service, idea, or institution.

The definition above identified three purposes of promotion.

- To inform
- To remind
- To persuade

3.4 Promotional Mix

A company's total communication programme, call it promotional mix consists of four elements; these are:

- **Advertising**: any paid form of non-personal presentation and promotion idea.
- **Personal selling**: personal presentation by the firm's sales force.

- **Sales promotion**: short term incentive to encourage the purchase
- **Public relations**: building good relations with company's various public/ building a good a good "corporate image.

3.5 Difference between Small Marketing and Entrepreneurial Marketing

1. **E**ntrepreneurial marketing involves the merchandising function that involves the exchange process from product planning and ends up with selling. i.e. product planning, raw materials purchases material transformation , advertising ,public relation and personal selling
2. It involves physical distribution function.
3. It involves auxiliary function of information gather financing and controlling marketing activity while others do not. While Small Marketing does not have the capacity.

3.6 Modern Selling Proposition of New Firms

There six (6) selling processes of new firms product. These are:

1. Prospecting-searching for people who are willing to buy the product
2. Pre-approach-attracting the attention of the prospect
3. Approach; gaining the interest of the prospect
4. Presentation: creating a desire for the product in the customers
5. Handling objections: establishing a confidence in the mind of the buyers.
6. Closing the sales: securing sales action by the customers

3.7 Service Marketing

Marketing of services is another areas people can offer and earn entrepreneurial profit. The training of most students is not related to creation of goods (tangible products) but rather services especially those in management Banking, law, Humanities and social services. They therefore need how to market services. Services are act of performance that are petty offers to another that is essentially intangible and does not results in the ownership of anything and its production may or may not be tied to a physical product.

Four categories of offers can be recognized:

1. Pure tangible goods
2. Tangible good with accompanying service
3. A major service with minor good
4. A pure service

Service vary as to whether they are people based or equipment based; Equipment based service also vary depending on whether they are automated or monitored by unskilled or skilled operator (manual) people based services also vary as to whether they are provided by unskilled, skilled or professional workers. Some services require the clients presence for instance a brain surgery involves the presence of the clients, but a car repair or car wash may not necessarily require the same. If however, the client must be present, the service provider has to be considerate of the needs of his customers.

Services also differ as to whether they meet a personal or business need. For instance doctors generally change private patients differently from company's employees. Services provide differ in their objectives. While some are profit orient, some are charity –oriented.

Generally, services organization differ with respect to their nature and thus also determining their marketing strategies.

The characteristic of services, implication for marketing strategies include:

- Intangibility
- Inseparability

- Valuability

In marketing of services, another important strategic area involves customer service decision. This involves:

- Service-mix decision
- Service level decision
- Service from decision

Service Mix decision: The marketers need to serve the customers to identify the services to be offered and their selective importance. A study have down that most customer rank the following element high in their decision making.

- Reliability
- Promptness
- Technical advice
- Competitiveness

Service level decision: customers not only want service but also want them in the right amount and quality.

Service-from decision: marketer must also decide on the forms in which to offer the various services, given the importance of customer service many companies have established strong customer service department to make customer complaints, and information services.

4.0 Conclusion

This unit provides a comprehensive understanding of entrepreneurial marketing philosophy as well as concept in new firms. The unit also presents difference between small business marketing and large entrepreneurial marketing in an economy.

5.0 Summary

In this unit, a wholistic approach to marketing in small and starting business venture is presented to the learners.

6.0 Tutor Marked Assignment

(1) What do you understand by marketing management?

(2) Distinguish between small marketing and entrepreneurial marketing?

(3) Explain what is service marketing?

7.0 Reference/Further Readings

Kotler, P. (1984). Marketing Management: London Prentice Hall.

Unit 2: THEORIES OF BUSINESS GROWTH

1.0 Introduction

In this unit, the students would learn the basic concept of business start-up. They would be provided with the philosophy of growing a new business venture. The students would equally be exposed to the different strategies available for growing small and large business ventures.

2.0 Objectives

At the end of this unit, the students would be able to understand the basis of:

- Theories of business growth
- Strategies for growing business enterprises
- Product and service firm growth
- Small business venture growth and development

3.0 Theories of Business Growth

3.1 Business Growth

On registering or incorporating a business with CAC, the entrepreneur is now ready to start his business legally. There are ways by which he can start a business.

1. Inheritance
2. By starting a new venture
3. By buying an existing business
4. By purchasing a franchise.

- **By inheritance**

By inheritance; as when such a business is willed to an individual from parents e.g. at death.

- **By starting a new venture**

An entrepreneur assembles all the initial and operating resources for the business. He prepares feasibility study report, gets his personnel and technology, borrows money where necessary, selects his suppliers and banks and starts a new business.

- **Buying an existing venture**

He can decide to buy an existing business and restructure it the way he wants.

Operating a franchise

A franchise is a system of distribution that enables the supplies (franchisor) to arrange for a dealer (franchisee) to handle a specific product or services under certain mutually agreed conditions.

In franchising form of business, the company name must be maintained, symbol, logos, design and facilities, arrange professional management training for the staff and continuous aid and guidance from the franchisor.

3.2 Strategies for Business Growth

They are three forms of business growth strategies. These are

1. Internal growth strategies
2. External growth strategies
3. Non-growth (stability /rapid) growth strategies

1. Internal Growth Strategy

This can be done by:

1. Market penetration

2. New product development
3. New market development
4. Price reduction
5. Better quality and more efficient products than the competitors

The above strategic objectives can be achieved if an entrepreneur knows his product well either of the following.

1. Stars product
2. Cash cow product
3. Question marks product
4. Dogs product

   The classification of these products are based on Boston Consulting Group (B.C.G)

2. External Growth Strategy

Mergers

Companies merge in order to enjoy synergistic advantages occurring from pooling together resources, resulting in greater efficiencies, greater market share and high productivity. Merger means the coming together of two or more firms.

Acquisition

This is the process whereby a complete purchase of all of the company's products, markets, debt capacity, staff etc.

Diversification

Change the form of business horizontally, laterally or vertically.

3. Non-Growth Strategies

The three non growth strategies are listed below:

1. Stabilization strategies
2. Retrenchment/ cut back strategies
3. Combination strategies

Challenges of business growth

1. Liquidity problem to finance the growth
2. Low profitability
3. Acquisition of technical and managerial problems
4. It is costly
5. Retrenchment challenge
6. Training and retraining of personnel

3.3 Small Business Growth and Development

Business, like human beings:

- Grows, stabilizes and declines;
- Can be re-launched into the market;
- Can regenerate.

In book one, we named the various forms of business organizations and how they can develop from one stage to another.

The forms of business and the growth stages are:

Growth of Business Enterprises

One-man business/sole trader/sole proprietor can grow into co-operative society or partnership, and have the benefit of raising more funds, through co-operators and partners.

Co-operative society can grow into partnership or private limited liability company. It can adopt admit any of the various classes of partners (active, dormant, nominal limited) and raise more capital through them. It can also register as a private limited liability company and enjoy the benefits of increased capital and limited liability.

3.4 Business Venture Growth Forms

Partnership, can grow into private limited liability company, and have the benefit of limited/sharing risks instead of unlimited/unshared risks.

Private limited Liability Company, can grow into public limited liability company, and enjoy the benefits of not only limited liability and increased capital, but of being quoted on the stock exchange and offering shares to the public. If exchange, it can also offer shares and debentures to the general public through public offer or offer to existing shareholders.

Public Limited Liability Company can grow to a multi-national, and have branches or (incorporated) in many nations.

3.5 Business Venture Growth Types

Financial Growth: This is the process of experiencing increase in the financial fortunes of an organization. An organization witnesses financial growth when there is an increase in the annual profits. There is financial increase also if the sales figures are on the increase, as sales generate financial revenue. Increase in revenue results to increase of workers' salaries and allowances. Financial increase results to increased savings and investment, which would be used to solve future problems.

Economic Growth: Economic growth refers to continuous increase in the economic life of the members of an organization or a nation. Economic growth brings economic prosperity in the lives of the citizens; they witnesses better standard of living, infrastructural development, good roads, portable water supply, schools, universities and stable political government.

Social Growth:

The country as well as its citizens can witness growth in social activities such as up-liftment in quality of food they eat, higher standard of communication, better systems of transport, communication, etc. Social growth also refers to the quality and number of amusement parks, recreational facilities, national museums, football stadium, and provision of social amenities.

3.6 Product and/or Service Growth

There are many criteria for measuring the growth of a product. When we say that the business is growing, we are saying that its products are growing and are accept by the consumers, the society and the environment. The product represents what the company produces, the image of the workers, the management, the directors and the company. Where there is a high demand for a company's products, the company makes high revenue, and grows bigger. When there is low demand for a company's product, the company makes low revenue, and can be said to be stagnant or declining. Decline leads to extinction.

Some of the criteria for growth are based on (a) the product itself while other are based on (b) the name and reputation of the organization that owns it or the entrepreneur him - self. Some of the bases for measuring growth of a product are:

3.7 Growth of product based on consumer's perception of the product.

1. Growth can be measured depending on the perception of consumers about the product. Consumers consider that a product is growing in the market if:
2. The frequency or rate of demand for the product in the locality or environment is high;
3. Majority of people demand or accept the product in a party, marriage or public ceremony, when there are alternative products.
4. There is high demand for the product by consumers and buyers, even when the price of the product is on the increase.
5. The customer is willing to wait for long hours, days or months to have the product;
6. The number of people that make demand for the product in the face of its competitors and cheaper products is high.

3.8 Product Growth Based on Reputation of Organization/Entrepreneur

1. Some products are considered to be growing if they are associated with the image of the organization or reputation of the entrepreneur who owns the business enterprise.
2. The name of a successful owner of the company or the entrepreneur influences people to conclude that the product is a valuable and growing one. The name of the owner/entrepreneur of the business is a good measure for ascertaining the growth of the business. Dangote is a name reputed for developing business enterprises and any product associated with the name is assumed to have steady growth;

3. The type of technology in use suggests the rate of growth associated with the product. Banks, which are on-line, are regarded as being ahead of others in terms of speed, efficiency and customer satisfaction. Automated machines are known to produce better and faster products than hand or manual processors.
4. The amount of fixed and working capital used in the business is a criteria for measuring growth. Organizations which have their own buildings and warehouses are better placed than those who hire, lease or rent.
5. Cash flows enable organizations to meet their financial and other contractual obligations. The efficient management of inflow and outflow of cash determines the ability of the organization to save, invest, reinvest and meet contractual obligations.
6. Quantity of manufactured goods determines the level of acceptability of a product. The higher the quality, the more the product is accepted and patronized by consumers.
7. Labor turn - over, which measures the rate at which employees move in, and out of the organization. High labor turn over indicates that the company sacks many people or that many people voluntary leave the company. A factory machine that cuts the limbs of workers cannot be associated with development either of its products or services.

4.0 Conclusion

This unit provides the basic approach for the growth of small business. Method of growing products business based on reputation as well as theories of business growth. Types of business growth are equally highlighted in this unit.

5.0 Summary

This unit highlights the theories of business growth in both small and large business enterprises. Various types of growth and development of business ventures would be learnt at the end of this unit.

6.0 Tutor Marked Assignment

(1) What are the various ways by which a – would – be entrepreneur can possibly start a new business? List and explain each of them.

(2) What are business growth forms? Enumerate and explain them.

7.0 Reference/Further Readings

Brockhaus, R.H. “Entrepreneurial Folklore” Journal of Small Business Management. Vol. a25: No. 3 July 1987 (1-6).

Burns, P. (1989). Small Business Management. England, Macmillan Ltd.

Unit 3: STAGES OF BUSINESS VENTURE GROWTH

1.0 Introduction

This unit provides the students with the concept of business growth, the stages of business venture growth are carefully explained to the learners. The approaches to the growing business venture at various stages of growth are equally explained.

2.0 Objective

At the end of this unit, you would have learnt:

- The characteristics of the various stages of business venture growth
- Business enterprises growing techniques
- Business management techniques after maturity stage of growth

3.0 Stages of Business Venture Growth

According to Lawrence Steinmetz, business has three growth stages, which he called "S" curve. But Dickson (1991:4) states that business life cycle has four stages, namely:

(a) Incubation stage,

(b) Acceptance stage,

(c) Maturity stage and

(d) Decline stage.

The four stages are in ascending order, starting from Incubation to decline stage. Every business also must pass through the four stages in that order.

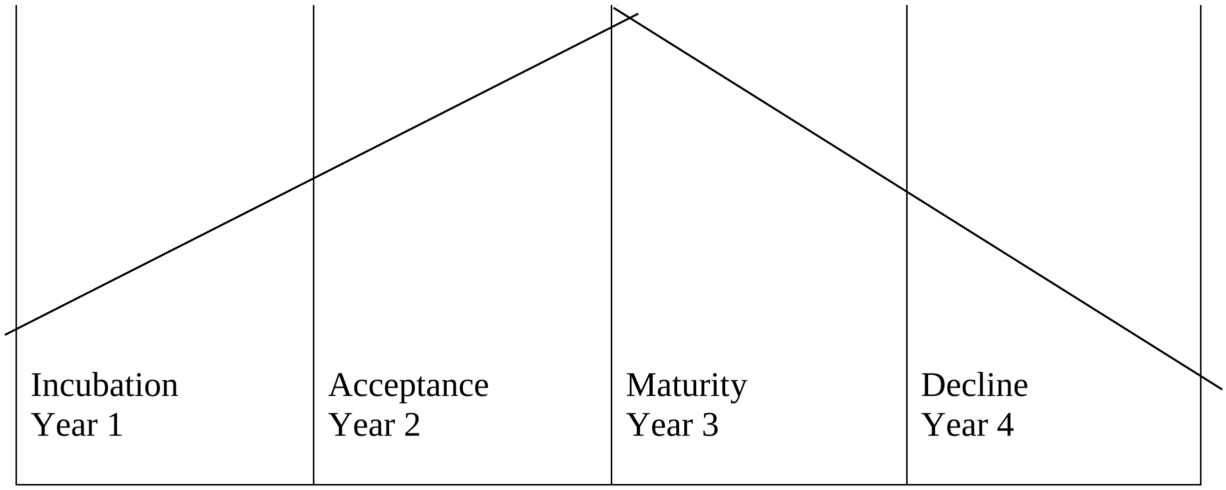


Exhibit 6: Business Life Cycle

3.1 Business Incubation Stage

This is the introductory or experimental period of the business. It is the most important part of preparations to launch a product into the existing market or even a new market. The preparations that are going on, are how, and when to present the new product to the public, for acceptance. This involves a lot of marketing strategy, for consumers would want to have sufficient reasons for abandoning existing and known products for the new one. The entrepreneur or his business manager makes various plans on how to projects the good aspects of the product, to the public for acceptance. This stage is called incubation because the product had been in various processes of planning (incubation) and has not been made public.

Features of the incubation stage are:

1. A lot of planning and review of plans goes on to meet the objectives of the owners;
2. The company tries to enter the market and compete with established businesses;
3. All resources are committed to give the public "first good impression" when the product comes out;
4. The workers put in extra hours improving the product quality and may not receive overtime payment at this stage;
5. There is more of outflow of funds (for purchase of raw materials payment of salaries/swages, maintenance of plant and machinery rent, etc.), than inflow of funds, because sales have not started yielding revenue.
6. Fixed costs of the company are in operation and there is little or no variable cost in operation;
7. Directors of the company do not except profit, as the company is yet to meet its fixed costs;
8. The company cannot yet break even, and is therefore, operating below break-even point and at the best, at equilibrium point.
9. There is a lot of advertisements and public relations to create awareness about the attractive features of the new product; the price of the new product is fixed

below the price of its competitors to attract consumers whose first consideration for purchasing a product is price.

10. Competitors who are market leaders, tend to consolidate their hold on the market, by offering greater incentives to customers in order to destabilize the new product;
11. Market planning takes into consideration the method of distribution, such as personal selling, the use of agents,
12. The directors of the company, the management and members of marketing research bring feedback about what people think, say and expect from the new product.
13. The Research Unit of the organization intensifies their efforts at improving the quality of the product, by incorporating various views from the management, the directors and the general public.

3.2 Product and Service Acceptance

The acceptance stage is the second level of grown and is higher than the incubation stage of the product life cycle, because it has moved from “hidden” stage to open market where it is being put to test, and ‘acceptance’. The characteristics of the acceptance stage are:

1. Increase in the demand for the product or service.
2. Increase in sales volume
3. Increase in additional capital
4. Increase in revenue
5. Increase in the number of salesmen.

3.3 Business Maturity Stage

This is the peak period in the product life cycle. The product has passed through two stages and has reached maturity stage. The maturity stage is the equilibrium or stabilization stage. The characteristics of maturity stage are:

1. The businessman witness high rate of growth in staff performance, honesty, resulting to increased high quality products and high revenue.
2. The business is stable, having attained equilibrium stage, and can withstand and face competitors, not only in the short run, but also in the long run.
3. Management is meeting its statutory obligations by promptly paying salaries and wages, company tax, rates, creditors, etc.
4. The assets base of the company continues to increase, as new methods of processing, manufacturing, distribution and marketing emerge.
5. The price of the company's shares increase and investors jostle for the shares, as a result of high dividends and bonus offers.
6. The entrepreneurs increase advertisements, sales promotion, public relations, etc.
7. The business enjoys economies of large-scale production, capital, increased revenue and savings.

3.4 Business Decline Stage

The decline stage occurs when every unit of input results to less than proportionate unit of output. In other words, the more the company produces the less revenue it gets. The decline stage completes the life cycle of the business, its products, personnel and image before the consumers and the environment.

Characteristics of Decline Stage are:

1. The technology has gone old, stale or inefficient;
2. Substitutes for the product now exist and they are more acceptable to the consumers than the product at the decline stage of life cycle;
3. Skills of the workers also tend to decline, as a result of lack of retraining on recent technologies.
4. Investors dump the products and shares of the company, and are ready to sell remaining ones at give-away-prices.
5. The rate of voluntary and forceful retirement increases, as workers become tired of backlog of salaries and wages, and no visible signs of settling them.
6. Likelihood of Unions confronting management demanding payment of arrears of salaries and wages, thereby making the marketing skills.
7. Entrepreneurs should seek the services of experts in areas, where the education and skills of the entrepreneur are deficient.

4.0 Conclusion

This unit provides a comprehensive understanding of the various stages of growth of business ventures to students. It takes a learner from business incubation stage of growth through maturity stage.

5.0 Summary

This unit exposes the students to the fundamentals of growth which characterizes each stage of business enterprises growth.

6.0 Tutor Marked Assignment

1. Explain the various stage of business growth

1. The onset of decline stage of business growth gives an indication of limited expansion. What would you do when your business reach this stage?

7.0 Reference/Further Readings

Ifechukwu, J.O.A. (2000). Small Business Management. Lagos. Goodland Business Co. Ltd.

Ihekwoaba, M.E. (2007). The Entrepreneur. Isolo-Lagos. Rothmed Publishers Ltd.

MODULE 4

Unit 1: ENTRENEURSHIP DEVELOPMENT

1.0 Introduction

In this unit, student gets introduced to entrepreneurship development techniques, theories and various definition of entrepreneurship. It also examines who an entrepreneur is as well as intrapreneurship.

2.0 Objective

After reading through this unit, the student would have gained a good understanding of:

- Concept of entrepreneurship development
- Definition of an entrepreneur
- Definition of intrapreneur

3.0 Entrepreneurship Development

The word Entrepreneurship is a term with two words. Entrepreneur and ship Entrepreneur, simply means a person who coordinates, manages, harmonizes, integrates and harnesses resources, while "ship" is the study of. Entrepreneurship is therefore defined as the study of a person who coordinates, manages, integrates, controls and harmonizes resources to achieve organizational objectives.

Richard Cantillion, an Irish man living in France, in 1755 applied the word entrepreneur to business. Cantillion said that an entrepreneur is a person who bears risk.

3.1 Theories of Entrepreneurship

Several scholars have looked at Entrepreneur with different perspectives. The Sociologist, Psychologist, Anthropologist, Economist and Manager have different views of Entrepreneurship.

For the Sociologist, he believes that entrepreneurship is governed by the societal value and status hierarchy. He generally believes that Entrepreneurship will flourish in a society where people depend on their handworks, initiation and good performance.

The Psychologist opined that the survival of a business is fundamentally based on the individual personality traits. That is, the need for achievement, creativity, propensity to take risk, independence and leadership. This concept focuses on the inner psychic concern as the prime mover for risk bearing and innovation.

The Economist maintained that an Entrepreneur is the fourth factor of production of Land, Labour and Capital that coordinates, harmonizes and integrates the scarce resources to produce goods and services.

The Anthropologist believed that an Entrepreneur is the person with the characteristic of excellent humanitarian traits to go into world of uncertainty.

The Manager supported that an Entrepreneur is somebody who combines the factors of production, plans, organizes, motivates, directs, controls and coordinates them to achieve organizational objectives.

3.2 Definitions of Entrepreneurship

There are 61 definitions of Entrepreneurship. For the sake of ENT 436, Entrepreneurship will be defined as follow:

1. Entrepreneurship is a coin of two sides made up of INNOVATION and RISK-TAKING
2. Entrepreneurship is the study of a person who coordinates, manages, integrates and controls an enterprise with a view to making entrepreneurial profit.
3. Entrepreneurship is interdisciplinary in the sense that it is neither an Art nor a Science
4. Entrepreneurship is the symbol of business tenacity and achievement
5. Entrepreneurship is the dynamic process of creating incremental wealth
6. Entrepreneurship is the ability to create and build a vision from practically nothing to something
7. Entrepreneurship is an embodiment of calculated risk-taking, creativity and innovation
8. Entrepreneurship can occur when an individual starts a new business
9. Entrepreneurship is the transformation of an idea into a profit-making exercise.

3.3 Who is an Entrepreneur?

1. An Entrepreneur is a peculiar individual or person who does peculiar things in a peculiar way at a peculiar time with a view to maximizing financial success having assumed the outcome of risk involved.

2. An Entrepreneur is a person who sees and recognizes an opportunity where other people see chaos and confusion.
3. An Entrepreneur is a person who sees an opportunity in a danger while others see a danger in an opportunity
4. An Entrepreneur is an inventor, an originator who creates an opportunity where there is none.
5. An Entrepreneur is a calculated risk taker as well as an innovator
6. An Entrepreneur is a creative destroyer through the production of new goods and services. An Entrepreneur is constructively destructive
7. An Entrepreneur is a change agent
8. An Entrepreneur is a catalyst to socio-economic development of a nation
9. An Entrepreneur minimizes financial risk and maximizes Return On Investment (ROI)
10. Entrepreneurs are opportunity exploiters
11. Entrepreneurs are opportunity maxmases
12. Entrepreneurs are opportunity manipulators
13. Entrepreneurs are value added
14. Entrepreneurs are job creators as well as wealth creators

The major raw material for Entrepreneurship is Opportunity.

3.4 Intrapreneurship

Entrepreneurs popularly referred to as Corporate Entrepreneurs and are persons who are already working in a corporation who now refine and improve the existing ideas. They are the people who mentally go through the process of taking an idea to a fruitful level. An Entrepreneur is the General Manager of a new business that does not yet exist. He is also a generalist with many skills. They are canny people who are quick-witted.

4.0 Conclusion

This unit provides the student with various definitions of entrepreneurship development, entrepreneur, intrapreneur. The theories of entrepreneurship are equally explained in this unit.

5.0 Summary

This unit exposes the student to the concept of entrepreneurship. The theories and development of entrepreneurship and intrapreneurship are equally explained.

6.0 Tutor Marked Assignment

(1) Define entrepreneurship

(2) Who is an entrepreneur?

7.0 Reference/Further Readings

Ihekwoaba, M.E. (2007). The Entrepreneur. Isolo-Lagos. Rothmed Publishers Ltd.

Meredith, G.G., Nelson R.E., Neck P.A. (1996). The Practice of Entrepreneurship, Lagos. University of Lagos Press.

Unit 2: CHARACTERISTICS OF ENTREPRENEURS

1.0 Introduction

In this unit, students are exposed to and would learn about the basic characteristics of an entrepreneur. This unit also highlights the various problem dimensions of business enterprises and the skill that an entrepreneur must possess.

2.0 Objectives

At the end of this unit, the student would have gained a good understanding of the following:

- Various types of problems associated with start-up business through management of business enterprise
- Essential skills an entrepreneur requires

3.0 Characteristics of Entrepreneurs

Successful Entrepreneurs are individuals who are not afraid of failure. They are incurable optimists and dreamers who see and recognize opportunities where other people see chaos and disaster. They are pertinacious and resolute to excel in their undertaking. Failure is not in their dictionary.

New characteristics are continually being added to this ever-growing list. At this point, however, let us examine some of the most often cited entrepreneurial FEATURES

3.1 Determination and Perseverance

More than any other factors, total dedication to success as an Entrepreneur can overcome obstacles and setbacks. Sheer determination and an unwavering commitment to succeed often win out against odds many people who consider insurmountable.

Drive to Achieve

Entrepreneurs are self-starters who appear to others to be internally driven by strong desire to compete to excel against self-imposed standards and to pursue and attain goals.

Opportunity Orientation

One clear pattern among successful, growth-minded Entrepreneurs are their focus on opportunity rather than on resources, structure, or strategy. They start with the opportunity and let their understanding of it guide other important issues. They are goal-oriented in their pursuit of opportunities.

Initiative and Responsibility

Historically, the Entrepreneur has been viewed as an independent and highly self-reliant innovator. Most researchers agree that effective Entrepreneurs actively seek and take initiative. They willingly put themselves in situations where they are personally responsible for the success or failure of the operation.

Persistent Problem Solving

Entrepreneurs are not intimidated by difficult situations. In fact, their self -confidence and general optimism seem to translate into a view that the impossible just takes a little longer.

Tolerance for Ambiguity

Start-up Entrepreneurs face uncertainty compounded by constant changes that introduce ambiguity and stress into every aspect of the enterprise. Set- backs and surprise are inevitable.

Calculated Risk-Taking

Successful Entrepreneurs are not gamblers. When they decide to participate in a venture, they do so in a very calculated and methodical manner. They often avoid taking unnecessary and foolish risks.

Integrity and Reliability

Integrity and Reliability are the glue and fiber that bind successful personal and business relationships and make them endure. These two attributes are very crucial to success.

Tolerance for Failure

Entrepreneurs use failure as a learning experience. The trial and error nature of becoming a successful entrepreneur makes serious setbacks and disappointments an integral part of the learning process. They do not become disappointed, discouraged or depressed by a setback or failure.

Creativity and Innovativeness

Creativity was once regarded as an exclusively inherited trait. Creativity can be learned. It is the utilization of one's talent maximally. Once an individual identifies his or her creativity, then he or she should develop and maximize it.

Vision

Entrepreneurs know where they want to go and how they can get there. Without vision there can be no mission:

Self-Confidence and Optimism

Although Entrepreneurs often face major obstacles, they belief in their ability seldom wavers.

Independence

The desire for independence is a driving force behind contemporary entrepreneurs. They are somehow allergic to rigid bureaucratic system. They prefer to be insulated from extraneous control. They are independent-minded and self-opinionated.

3.2 Driving Force of Entrepreneurship

1. Independence

2. Wealth

3. Calculated risk-taking

4. Creativity.

3.3 Problems of Starting a New Business

Some people who wish to start a new business some time experiences initial handicaps or obstacles or outright discouragement. The problems associated with starting a new business arise from 3 sources:

A. Self-Imposed Problems

(1) **Problem of Indecision:**

Indecision is a self-imposed problem by a prospective entrepreneur. It is a situation where a prospective entrepreneur is interested in starting a new business but is unable to take a definite decision on when or how to start business.

(2) **Procrastination:**

A major or rather deadly killer of successful Entrepreneurship activities is procrastination. Here, the prospective Entrepreneur has accepted or inclined to start a business but he is uncertain about the time and date of commencement. He keeps on choosing one date after the other. Procrastination is like indecision but the two are not synonymous in the sense that, the prospective Entrepreneur has chosen the business he wants to go into with enough resources, but has a problem of kick starting by choosing a particular day or time to launch the business.

(3) **Fear or Phobia for Failure or Mistakes:**

Fear is the greatest enemy of success in business. The Bible says fear is a torment.

Fear is the Psychological disposition of mind which lowers the integrity and ability of the individual and makes him look down on his capacities and abilities. Fear breeds, fear increases one’s likelihood of failure and getting negative motivation at all times. The greatest fear is the fear of the unknown. The only thing to fear is fear itself.

Failure is success turned upside down

Failure is not a death sentence.

Failure should be seen as a learning process.

(4) **Fear of Competition:**

Some people or rather entrepreneurs can only operate in an atmosphere free competition (a non-competitive environment). They prefer to offer money to fortune tellers, sugar-coated pastors, Islamic wizards or marabout. Without competition new improved products will not come. Competition is an integral part of free Enterprise economy. We live in a world of competition due to the dynamism of business environment which is constantly changing.

(5) **Fear or Phobia for Taking Risk (Risk Avoidance):**

An Entrepreneur cannot go far if he or she is risk avoidant. Some Businessmen are hesitant in taking risk because they believe risky ventures could lead to business collapse. They tend to forget the old adage: "No risk Venture, No Success". As a matter of fact life itself is a risk.

Your success or failure in life as an Entrepreneur depends on the degree of risk you undertake. The other name of success is risk personified. Being a fervent prayer warrior and not working conscientiously and diligently activating your business ideas will be a spiritual exercise in futility.

(6) **Fear or Absence of Inadequacy of Capital:**

This is the commonest excuse most Entrepreneurs adduced for not embarking on a new venture. No bank or financial institution will give you venture capital unless you can demonstrate your commitment and seriousness on your proposed venture. Once there is a will, there is a way. Your tenacity and pertinacious zeal will definitely get you the "seed money" to launch a successful venture. You should discuss and talk to people who share your dreams and be willing to assist you in raising the needed capital. There is no river a man cannot cross, no mountain he cannot climb if he puts his mind on it. Nothing is hard for a willing heart.

(7) **Fear of Being Discouraged:**

Fear of what people would say in the case of business failure, can weigh you down and could as well.

(8) **Dampen your enthusiasm and entrepreneurial spirit**. As an Entrepreneur you must be an incurable optimist at all times who has no failure in his or her Lexicon (dictionary). Failure should be regarded as a learning experience that could be used as a stepping stone to one's break through or success.

B. Societal Imposed Problems

The society or the environment will live today may impose favourable or difficult conditions on business ideas.

The environment is made up of people, their customs, traditions, religious belief. Culture plays a key role in determining the success or otherwise of any business (Cultural determinism). Culture represents a source of stability, vibrancy and viability of any venture.

1. **Absence or Inadequate Infrastructures (Negative Enabling Environment)**

Absence of adequate infrastructures such as regular electricity supply motorable roads, efficient and effective telecommunications system, modern railway system and other amenities that can make life dimensional for the smooth running of business enterprises. Epileptic supply of Electricity and Water are hampering business operations. Welders, manufactures of goods, Hairdressers, Computer operators and others cannot function adequately without these infrastructures. This is beyond the control of Entrepreneurs.

2. **Get Rich Quick Syndrome of the Society**

The get-rich-quick syndrome in the society pushes young people to neglect doing business or putting their mind on something tangible. Some of our youth today are frustrated applicants for American VISA believing that the grass is greener in America than Nigeria. Some of them have been involved in social vices and unconventional behaviour ranging from Cocaine corners, Commercial sex workers and fraudsters – yahoo, yahoo (Cyber Criminals).

3. **Belief in Prosperity without Hardwork**

The problem arises when some people want to achieve entrepreneurial success through easy means. Such easy means include believing and hoping in man-made miracles, false life styles, visiting prayer houses. Their people prefer short cut to success. The road to success is always under construction, it is never completed. Success involves serious work, tenacity and diligence. Prosperity is not available on the shelves. You cannot buy success, you have to work for it.

C. Skill Related Problems

Acquisition of requisite or necessary skill is one of the salient characteristic of successful entrepreneurs. A prospective entrepreneur must ask himself or herself certain fundamental questions:

(a) What are my skills in this particular line of business?

(b) Should I really start the business in which I am not skilled or should I hire skilled people to run the business?

What then is skill?

Skill is the ability to perform manual, technical or operational activities using accumulated knowledge or experience.

Essential Skills an Entrepreneur Must Possess

1. Technical skills

(a) Writing (b) Oral Communications (c) Technology (d) Ability to organize

2. Business Management Skills

- *Planning and goal setting*
- *Decision making*
- *Human relations*
- *Marketing, finance, production, etc.*

3. Personal Entrepreneurial Skills

    - ***Risk taking***
    - ***Innovativeness***
    - ***Change orientation***
    - ***Visionary leadership***

4.0 Conclusion

Entrepreneur's character and problem associated with starting a new business venture and source of other problems are explained. The skills needed for entrepreneurship practice includes society and skill.

5.0 Summary

In this unit, the essential skills needed by an entrepreneur and the problems sources as well as the entrepreneur's character is all highlighted in this unit.

6.0 Tutor Marked Assignment

(1) Give ten characteristics of an entrepreneur and explain five of them.

(2) Entrepreneur often face a number of problems. Name five of them and explain any two.

7.0 Reference/Further Readings

Abisuga, C.A. (1985). How to Start and run your own Business in Nigeria. Owerri. Odu Printing Company.

Owuala, S.I. (1999). Entrepreneurship in Small Business Firms. Ikeja. G-Mag. Investments Ltd.

Unit 3: DRIVING FORCE OF ENTREPRENEURSHIP

1.0 Introduction

This unit treats the creative ideas, risk-bearing, resources, environmental as the driving forces of entrepreneurship. The unit also highlights on the challenges and business failure causes

2.0 Objectives

At the end of this unit, the students would have learnt the:

- Entrepreneurship driving forces
- Creative ideas and risk bearing
- Environmental variables
- Business failure causes and challenges

3.0 Driving Force of Entrepreneurship

1. Wealth
2. Independence
3. Creativity

Calculated Risk taking.

Functions of an Entrepreneur

An entrepreneur is defined as somebody who has the capacity to identify investment opportunities and to establish and runs a business venture successfully.

The Function of Entrepreneurs are:

Investment opportunity Identification: An investment opportunity represents the needs and wants of potential consumers which are not being presently met by existing enterprises and which the entrepreneur has the capacity to satisfy. All needs and wants do not constitute investment opportunity. To constitute an investment opportunity such needs and wants must be large enough to guarantee or earn enough profit for the entrepreneur. A lot of investment opportunities exist in the environment. It is the task of the entrepreneur to scan the environment and discover or identify such opportunities.

Our definition of investment opportunities can be divided into three segments:

a. Present unsatisfied needs and wants of consumers
b. Large needs capable of yielding profit
c. Capacity of the entrepreneurs.

Capacity has to do with ability to provide the goods and services. The entrepreneur has to find out if he has the capacity to do so.

Identification of Investment Opportunities

Several organizations can help identify investment opportunities such organizations include:

a. Industrial Development Centre (IDC)
b. Nigeria Bank for Commerce and Industries (NBCI)

c. Nigeria Industrial Development Bank (NIDB)
d. Research Institutions:
   i. *Federal Institute of Industrial Research Oshodi, Lagos*
   ii. *Project* Development Agency (PRODA) Enugu
   iii. *Universities*
   iv. *From friends*.

Decision Making

He has to decide the best alternative among the options available to him. He has to take decision on which opportunity to exploit to enable him start a business of his choice. The resource has to do with money to meet the initial cost and keep the operation going, for about three months before the start of production. He should also have the personnel (skilled personnel) required to execute the business.

The skill needed should cover such areas as finance, banking, marketing, production, personnel management, accounting, engineering, information technology etc.

The resources needed include raw materials which should be affordable and available. The machinery needed for production should be available and should be capable of being serving locally.

Profitability and Economic Growth

The importance of entrepreneurship is that the entrepreneur should be able to make profit and contribute to economic growth of the nation. He should be able to reward himself for his personal efforts, pay his workers, cover his cost, and pay tax as revenue for government.

As he does all these he is contributing to the economic growth of the nation.

Potential for growth: He should take decision that can make for continuous growth. This involves ploughing back the profit of the organization and engaging in long term planning.

Personal Capability of the Entrepreneurship

The entrepreneur should consider whether he has the necessary skills, ability, values and experience upon which the business can be built.

Creativity:

Creativity is defined as the ability to process information in such a way that the result is new, original and meaningful, (Hagets, 1982).

It involves new ideas and capability of the entrepreneur to do something in a new way that nobody has taught of. The entrepreneur is expected to be creative. He should be able to develop new ways of doing things. It may involve developing new production, new marketing techniques/territories, and new techniques of doing things to improve efficiency. With all these and many more the entrepreneur will have edge over his competitors.

Forms of Creative Ideas

a. **Innovation:** Innovation refers to creativity. It involves ability of an entrepreneur to develop new products, new technology, new distribution outlets, new suppliers etc, and taking advantage of new opportunities which other people have not noticed.
b. **Synthesis:** This means scanning for information from many sources, analyzing and selecting relevant parts and finally integrating them into useful pattern.
   Such information can be obtained from consumers, suppliers, salesmen, and publication in journals, magazines and newspaper.
c. **Extension:** This involves expansion of current boundaries of the enterprise by taking the ideas that worked in one area and using them in another area Multinationals have developed opportunities for themselves in many countries of the world by extending basic ideas used in one country in another country.
   The entrepreneur should be able to adopt basic ideas to suit the socio economic environment of a new area.
d. **Duplicating:** Duplication has to do with copying the ideas of another person. The entrepreneur keeps himself abreast of the happenings in the environment. He collects information and adapt them to his own need and use. Japanese

entrepreneurs did this after the World War II through the process of what is called Reverse Engineering.

The entrepreneur takes advantage of weakness and shortcomings of other firms, having studied and found out their weaknesses in the areas of production, marketing, finance etc. examples are what happened with Tell Magazine and News watch.

Innovation is more complex and difficult but more rewarding than synthesis, extension and duplication.

Risk Bearing

Another function of entrepreneur is risk bearing. The risk an entrepreneur faces can be divided into two. We have the: (a) Insurable risk and (b) Non insurable risk.

The insurable risk is the type of risk which the entrepreneur may not have a direct control of which can be passed to the third party, for example an insurance company. The non-insurable risk is the type of risk that can be borne. They arise as a result of uncertainty of the future. Examples are demand for the product or service, behaviour of the suppliers, changes in government policies, Trade Union Action.

Selection and Acquisition of Resources

The entrepreneur must select and acquire the right quality and quantity of resources to enable him achieve the required objectives. These resources are men, manner, money, material, machine and methods, marketing and measurement (8 M's).

He has to select the suitable location with necessary infrastructure. He has to establish good relationship with financial institutions that can provide financial support when the need arises.

Environment for Entrepreneurial Development

As soon as business is established, it creates its own contact with its environment through its customers, employees and suppliers. The more successful it is , the more contacts it makes, competitors appear, authorities become interested , and new products and market have to be employed. Soon the business is involved in the "business game" surrounded by other players on a large pitch that covers the globe, all governed by common factors- economics, demographics, politics, culture, technology, ecology etc and all affected by and contributing to change.

One method for understanding the relationship between the business and its environment is to consider the various groups- both internal and external that can affect and be affected by the accomplishment of its objectives. Each of these groups has a stake in the survival of enterprises where international management activities are concerned; the constraining influences of externals factors on an organization are more crucial.

Basically, business is affected by two environmental variables of which the business owner has to be careful about. These are internal variables and external variables. The analyses of these two environmental elements are seen below:

Internal Environmental Variables

Generally, the internal environmental factors that affect the nature and operation of business are manageable, controllable and monitorable environmental variables. They include the following:

i. **The Structure of the Industry**

   This entails the key players, nature of the market i.e. monopoly, oligopoly, duopoly, monophony and perfect competition.

ii. **Sources of Supplies**

   This contains the various sources of supplies, how reliable are the sources, what are the terms and conditions between supplies and the organization?

iii. ***Company's Culture***

   This spells out the methods and ways things are done, rules and regulations, discipline, procedures and processes, organizational structure, company trust, belief and norms as well as union activities and pattern.

v. **Nature of Customers**

This includes how sophisticated are they, the purchasing decision process, how regular and reliable are the customers and the level of customer loyalty?

External Environmental Variables

These are factors that are very difficult to influence, control, manage but can be exploited. They normally pose a threat to business existence. As a business manager in this present epoch, you have to be aware of them. They are as follows:

i. ***Political/Legal Factors***

Here the manager will concern himself with the elements such as the type of political system, political ideological inclination and philosophical convictions, the legal provisions relating to business operations in terms of registration, tax, licensing, standards and quality requirements, stability of government and democracy as well as nature of economic system.

ii. ***Economic Factors***

These factors may include among others; the general price level

Macro economic policies of the government, Gross Domestic Product level and inflation, interest and tax rates, availability of raw material, etc. exchange rate, balance of payment, and balance of trade conditions.

iii. Social

This factor includes the following: General social settings, religious inclination, beliefs, values, norms and attitude of people in general, family and community structure.

iv. Geographical Factor

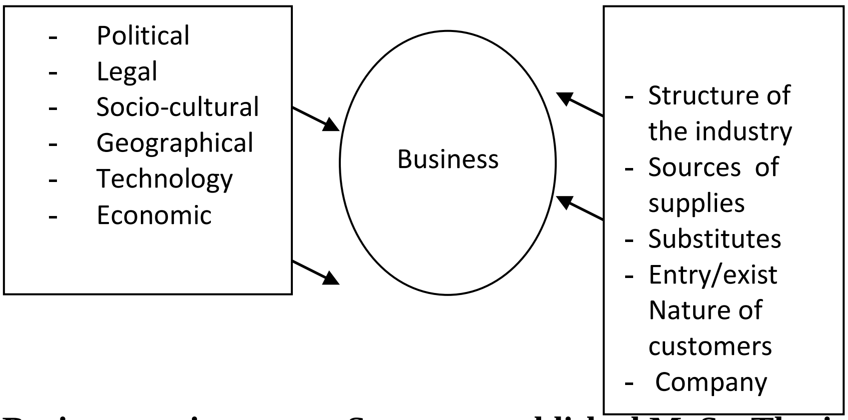
This entails climatic conditions of business areas i.e. temperature, weather, season etc. availability of and distribution of natural resources – raw materials, topography and landscape, deserts, rainforest or glacial, ecology, animals and forests reserves, population size and structure, demographic characteristics in terms of sex, age, income, health, education etc.

v. Technological Factor

This encompasses level of technical know-how, degree of application of modern science and technology in production of goods and services, innovations in the means of production, health, shelter etc. biotechnology which entails improvement in the nature of crops and food production, improves livestock, seedlings etc.

The business environment is represented in a diagram below:

External Environmental factors Internal Environmental factors



Business environment: Source unpublished M. Sc. Thesis, 2012

Challenges and Causes of Failure in Business Ventures

The small business operation places severe strains: lack of experience, lack of money, wrong location, poor inventory management, taking too much for self from profits, poor credit granting, unbalanced expansion and wrong attitude of the owner, etc.

General Problems of Growth and Failure

Many researchers have shown that a large percentage of failure among small business is caused many factors. Among these are:

i. There is usually the problem of suitably qualified successor to replace the entrepreneur when he or she becomes old or dies. This may lead to complete failure of the business,

ii. The threat of failure is ever-prevent. Discontinuance or failure to make the business "go" as observed by researchers. Lack of business records, insufficient business experience, insufficient stock turnover, problems of account receivables inventory shrinkages, etc.

iv. The specific causes of failure may be summarized: neglect, fraud, disaster. These are grouped into four:

a. Neglect due to bad habits, poor health and marital problems.

b. Fraud due to misleading names, of a two statement of finance and irregular disposal of assets.

c. Lack of experience due to inadequate sales volume, heavy operating expenses, collection of credit difficulties, excessive fixed assets, competitive weakness.

d. Disaster due to fire, flood, burglary, employee fraud, etc. In most cases researchers attribute factors that result to business failure too much was left to chance.

e. The problem of growth in small business appears to be "a built-in dilemma" facing many small business owners because

i. If the owner is inefficient, his initiative and abilities inefficient, this situation makes the owner's business to join the casualty list culled "business failure",

ii. If the owner is a mediocre, the organization continues to remain small and inefficient,

iii. If the owner is efficient and capable the organization will succeed and grow but lie may run the risk of losing the very thing they seek - autonomy and freedom-because he must be forced to bring others in to help share the business.

The entrepreneurial environment is being assessed by analyzing the internal strengths and weaknesses and external opportunities and threats of the business venture. (SWOT ANALYSIS).

Problems of Small Business

Capital:

Lack of capital at and credit facilities for sustaining growth and development is one of the most basic problems facing small business firms. Long-term capital is a particular need for many small concerns. This capital cannot be obtained by personal investment of resources or by long-term borrowing. The small business has limited access to the capital market that are open to large concerns.

Relatives:

Problems of borrowing from relatives or friends are there. Such relatives or friends often expect to have some voice in the management of the business, and accepting partners may involve the surrounding of absolute control over the business, a situation that an original owner may not accept. The owner relied heavily on retained earnings to finance growth.

Management Skills:

Lack of necessary skills in the management group is perhaps in the greatest problem of small business in Nigeria. In every small business, the entrepreneur is a one-man management team, taking up much of the responsibilities. Unfortunately, this requires a diversity of talents which he may not possess. Management involves at least knowing or have some ideas of: technical, financial, statistical, inter-personal relations, marketing, etc, interdisciplinary fields to succeed.

Business Records:

Lack of business record maintenance poses real problems. The manager often does not understand the importance of preparing financial statements of even the data is available; he lacks the necessary skills and knowledge to appreciate their values, to interpret and use them effectively.

Big business managers know how to use them and maintain accurate records to guide their decision-making. Small business managers are guided by the rule of thumb method.

4.0 Conclusion

In this unit, creative ideas and entrepreneurial driving force and risk bearing as well as environmental variable are treated. Business risk and failure causes and challenges are equally treated.

5.0 Summary

In this unit, challenges and business enterprises failure, environmental variables as well as resources acquisition are highlighted. Risk bearing and creative ideas are treated among the business enterprises driving forces.

6.0 Tutor Marked Assignment

(1) What are the major driving forces of an entrepreneurship?

(2) Explain the internal and external environmental variable of an entrepreneur

7.0 Reference/Further Readings

Kirkpatrick, Donald I. (1982). How to Improve Performance Through Appraisal and Coaching. New York: AMACOM.

Margerison, Charles. (1980). How to Assess your Managerial Style. New York: AMACOM. `

Peters, Thomas J. and Nancy K. Austin. (1985). A Passion for Excellence, New York: Randoma House.

Unit 4: THE DEVELOPMENT OF ENTREPRENEURSHIP

1.0 Introduction

This unit exposes the students to the concept and fundamentals of entrepreneurship development. The philosophy of business enterprises success.

2.0 Objective

At the end of this unit, the learners would have become familiar with business enterprises development variables which include:

- Time management fundamentals
- Philosophy of business enterprises success
- Killer of successful business venture in Nigeria.

3.0 Development of Entrepreneurship

The word Entrepreneurship is a term with two words. Entrepreneur and ship Entrepreneur, simply means a person who coordinates, manages, harmonizes, integrates and harnesses resources, while "ship" is the study of. Entrepreneurship can therefore be literarily defined as the study of a person who coordinates, manages, integrates, controls and harmonizes resources to achieve organizational objectives. Entrepreneurship in business development is regarded as the prime mover of a successful enterprise and it is an important factor of production. Entrepreneurship can also be seen as the process of undertaking task with concordant risk and gains while the Entrepreneur is the organizer, innovator and risk bearer of any business.

Richard Cantillion, (1755) an Irish man living in France, applied the word entrepreneur to business. Cantillion said that an entrepreneur is a person who bears risk.

Business Environment

Coping with the constantly changing environment is probably the most important determinant of an entrepreneurial success or failure in a free enterprise system.

Environmental Scanning

Refers to some concerted efforts made by a prospective entrepreneur to determine the external environment of opportunities and threats and internal environment of strengths and weaknesses before making an investment decision.

A proper or exhaustive environmental scanning will enable the prospective entrepreneur to know whether the economic environment is friendly or hostile.

The business environment consists of two environments

1. (a) The External environment are in two parts

   Macro Environmental Elements or Variables consisting of some forces which are societal in nature such as ECONOMIC FORCES, POLITICAL/LEGAL FORCES, SOCIAL AND CULTURAL FORCES TECHNOLOGICAL FORCES AND INTERNATIONAL

   (b) Micro or Task Environmental Elements or Variables consist of elements or variables that come in contact or directly affect the operations of business such as

   (i) The customers (ii) the creditors (iii) unions (iv) competitors

   (v) consumers (vi) share holders (vii) government agencies.

2. The Internal Environment – These are internal environmental variables (strengths and weaknesses) of the business such as structure (organogram or organizational chart), RESOURCES AND CULTURE

Structure:

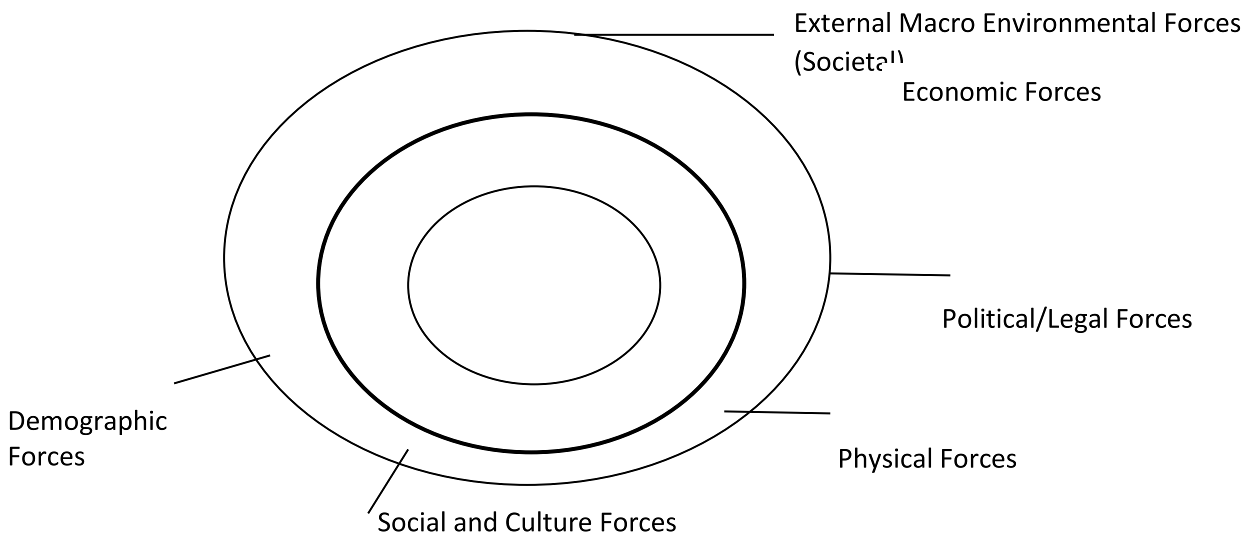
The way the business is organized i.e. the organizational chart or (Organogram) in terms of Authority and work flow – who is doing what, when and how? It deals essentially with chain of command-flow of communication from top to the bottom. The personnel department, marketing department, finance department etc.

Culture:

is defined as a way of life of the people. It includes,norms that define the acceptable behaviour of the people in the organization, customs, religious practices, ethics, etc.

Resources: are the assets and financial resources that form raw materials for the production of goods and services. The resources of the business also include human resources i.e. people with managerial and technical skills.

ENVIRONMENT OF BUSINESS



Some Entrepreneurs in Nigeria experience setbacks and failure in the new venture because they have not taken their time to meticulously and carefully scrutinize and scan the economic environment to know whether the environment is friendly or hostile before committing their money on new venture. It is a costly oversight and presumptions.

Fundamental Questions to be addressed such as:

1. How many business are operating in this line of business? Is this line of business over saturated just like pure water business. What are the problems peculiar to the line of business?
2. Do opportunities exist to penetrate foreign markets?
3. What is the level of supply and demand for this business?
4. What is the nature of government regulations for this business?
5. What is the competitive nature of the line of business?

Strength Weakness Opportunities and Threat Analysis

A prospective Entrepreneur must evaluate his strengths, weaknesses, threats and opportunities (SWOT ANALYSIS)

The evaluation i.e. SWOT Analysis is a preliminary self-assessment of one's ability to start, operate and run a business. This can be achieved through the following processes:

Strength sare the circumstances and possessions by a prospective entrepreneur which are likely to enhance or increase his chances or likelihood of success in the business. Each individual who wants to start a new business can perform a personal assessment of his strengths by critically looking inwards and telling himself the truth about what he can do and what he cannot do-self assessment of abilities and capabilities. If you don't know how to swim, stay away from the river or don't try to jump into a river. Your strengths could be your instruments or weapons at your disposal and which can give you a competitive advantage or added advantage in the particular business you want to engage in. strengths include capital adequacy (seed money) economic, material or physical assets at your personal control or your disposal which you can mobilize to engage in successful business.

Weaknesses

The prospective Entrepreneur personally knows his weaknesses more than anybody. Does a drunkard need to be told that drunkenness is deleterious or pernicious to successful business? A congenital womanizer like the Biblical Sampson who leaked the secret of his phenomenal strength to Delilah by telling her to use a razor blade to shave his head (source of his strength).

Weaknesses inc-0000lude capital inadequacy or impecuniousness (lack of seed money) or being cash strapped (insolvency), poor business judgment or mixing fun or pleasure with business.

Fun and Business do not meet. As a matter of fact, the two are essentially antithetical and diametrically opposed to. Weaknesses also include spending money recklessly (profligacy), taking foolish risks and making inexpedient business decisions. Lack of requisite technical, managerial skills, lack of formal education etc.

Education is very expensive and costly but it is still far cheaper than ignorance. Illiteracy is a social disease that is very expensive to cure. The greatest danger to mankind is the danger of ignorance. The Bible says without knowledge or lack of vision, people perish.

O**pportunities:**

These are chances you have to take before your entrepreneurial exercise could be successful. Your level of education, family connection, political connection, membership of reputable social clubs or profession could give you an added advantage, hence making you a success. Knowing the captains of industry, shakers and movers of the society and the knowledge of who is who in corporate Nigeria could make you succeed in your new enterprise.

If you have strong and viable contacts with the ruling political party or you are somehow related to the political party chieftains, you could maximize these contacts to the fullest. Remember, opportunity comes but once. An opportunity lost can never be regained. An Entrepreneur is an opportunity maximizer.

Threats: Threats are circumstance or events in the business environment which preclude or hempen someone from realizing his or her objectives. They are macro in nature i.e. beyond the control of an individual. They are forces that come naturally and cannot be predicted or controlled.

Competitors, detractors, traducers and natural disasters and national calamity like the Boko Haram insurgency through bombing of churches, mosques and government offices.

Established or Organized Labour if not co-opted in management of the business could pose a serious threat to an organization, ASSU, JACK, NLC, etc. Regulatory agencies could also pose serious threats to a business. State Board of Internal Revenue could seal up the premises of a business concern for nonpayment of taxes.

Time Management

God teaches us to know the value of a minute

The power of an hour

The opportunity of a day

Time is perishable and irreplaceable

One of the most fundamental and indispensable resources under the sun is TIME. Time is crucial to both individuals and organizations.

Time is unique not only because it is scarce and irreplaceable resource but also because it is one commodity that can neither be bought or sold. Effective Time Management is Sine qua non or Indispensable to successful entrepreneurship. You can invest time or waste it.

Time is elusive

Time is inelastic

Time is money

Time is wealth

In strategic planning, objectives and goals must be "SMART". The acronym SMART means:

S – Objectives must be specific

M – Objectives must be measurable

A – Objectives must be achievable

R – Objectives must be realistic

T – Objectives must be time-bond.

Whatever the qualities of any successful entrepreneur, the effective use of time is very crucial. In the Business world today, there exists a tendency among many entrepreneurs having much demand on their time to complain that time is never sufficient to meet crucial schedules, appointments and deadlines. The problem of such entrepreneurs lies not with insufficient time but how they are able to judiciously manage their time.

Concept of Time Management

Time Management is about making maximal use of one's limited time. It is concerned with the planning and organization of responsibilities according to specified time.

It involves the planning, organization, directing, scheduling, allocation and prioritization of works on the basis of time.

According to Peter (1988) you cannot rent and buy time. The supply is totally inelastic.

Business/Corporate Time

Business time means valuable or corporate time. It is the working hours meant for performing entrepreneurial activities. An entrepreneur spends longer and more useful time doing the organizations activities. Business time is spent pursuing business activities whether outside or within the business premises.

Wasted Business Time

Personalized business time is the time spent in pursuits other than that of the business organization. Personalized business time is the official working hour spent by the entrepreneur or his employee socializing, engaging in gossip or unapproved activities that are business related.

Sources of Time Wastage in Business

1. **Attending to Clients/Visitors:** Attending to clients and visitors is time consuming. It displaces other important activities on the priority list of the entrepreneur.

2. **Procrastination:** It is a popular aphorism that "procrastination is the thief of time". An entrepreneur who cultivates the habit of postponing a job he or she can start now to another time wastes a lot of business time.

3. **Failure to Delegate:** There is a tendency for an entrepreneur to believe in the principle of do it yourself. Apparently, such entrepreneur who refuses to delegate responsibilities to a less busy subordinate with requisite skills and competence to perform the job in the same way he could have done, complains of insufficient time as he or she is easily overwhelmed by work.

4. **Lack of self-discipline:** An entrepreneur can waste valuable business time due to lack of self-discipline, self confidence, and over dependence on others for decisions. An entrepreneur who cannot tactfully say "No to other people's request, ends up using his or her limited time carrying out other unnecessary business activities.

5. **Equivocal and Nebulous Objectives:** When the set objectives of any business organization are unclear, confusing and contradictory, every personnel in the organization becomes rudderless and directionless. They may be busy doing nothing serious.

6. **Mixing Pleasure with Business:** Fun and business do not mix. As a matter of

7. Fact, the two are essentially antithetical and diametrically opposed to. There is time to play and there is time to work.

As a concept, time management enables an entrepreneur to effectively schedule, allocate and set priorities of his or her business activities within timeframes. This will enhance his level of efficiency and profitability. Also time management can help the entrepreneur to evaluate the importance and urgency of his business activities and to ensure that a great deal of time is invested in the most productive and beneficial aspects. It prevents most important and urgent business activities from being victimized by less important and less urgent activities.

The Philosophy of Success

God's plan for us is that we should be healthy, wealthy and successful in life. Success is not a matter of chance or luck, it is a matter of choice. You can choose to be successful or a failure.

The choice you make determines the chance you have. The chance you have is dictated by the choice you make.

The chance to succeed and the chance to fail in life is 50/50.

The road to success is always under construction and never completed. It is not a straight-line graph it has curves, potholes and something could be muddy and un

motorable. Every human being is a potential success provided you work towards it.

Every successful person could have been a failure except that he or she chooses otherwise. In the same way every failure could have been a success if he or she has not chosen otherwise.

Success is overcoming life's problems

Success could be achieved in one's chosen undertaking

Failure is an orphan, success is a family

Failure in the real sense of it, is success turned upside down

Failure is an indispensable prerequisite to success

Failure in business should not be seen as a death sentence, rather it should be regarded as a learning process

A person who has phobia for failure will be a permanent failure.

Failure should be turned with a stepping stone for breakthrough.

To be an Entrepreneurial success, you must be REAL

R – Relationship i.e. Ability to get along with other people. You cannot afford to be an isolationist or a snobbish character.

E – Equipping or Empowerment. You must possess requisite technical and managerial skills.

A – Attitude. Your success in life depends on your attitude i.e. how far you want to go in life.

L – Leadership. You must possess the essential qualities of good and effective leader. You must be a motivational leader.

The Nigeria Factor: A Killer of Successful Entrepreneurship

The Nigeria factor is a manifestation of a deep-seated societal malady that encourages unconventional behaviour and promote culture of absurdities.

The Nigeria factor connotes negativity, moral turpitude, moral bankruptcy and unethical business practices. Anything bad or abominable is traceable to the "Nigeria Factor". When people want to do something wrong and escape blame, they call it the Nigeria factor. Scapegotism has become an integral part of the Nigerian culture.

The "Nigerian factor"?

The Nigeria factor is a social malaise that has eaten deep of our moral fabric. It is an incurable societal malady.

The Nigeria factor suppresses honesty, dedication, diligence, patriotism and encourages graft insidious corruption and malpractices, it is pervasive in every sphere of social and economic life of Nigerians.

The Nigerian time is quite different from the civilized world's time – lateness to every occasion, weddings and even funeral occasion, absenteeism, tardiness, telling lies, dishonest practices and falsification of truth. The Nigeria factor has indeed made Nigeria to be an accident of geography.

Corruption is a derivative of Nigerian factor. Corruption is as Nigerian as pounded yam.

The Nigeria factor is a cankerworm as well as economic and abomination which is rapidly taking over the life style of people. An average Nigerian is inherently mendacious until he or she proves otherwise. The Nigeria factor breeds Nigeria mentality of doing things unconventionally. It discourages students from being studious, serious but instigates and encourages them into examination malpractice, academic abomination and indiscipline. Our youths of today are grossly impatient- they don't want to crawl before they walk. The get-rich-quick syndrome is exposing them to all sorts of social vices (Cyber crime, Cultism, Armed robbery etc).

The Nigerian factor is when the right becomes the wrong. It discourages truth, honesty and transparency. It encourages mendacity and unwholesome and sharp practices. It promotes inexcusable ignorance and unpardonable dishonesty.

The Nigeria factor gives people false sense of belonging, propensity to be recognized or do like the Joneses. It imbibes the culture of get-rich-quick syndrome.

Hiding under the disguise of the Nigerian culture, some unscrupulous business men "shoddy" jobs, abandon contracts after collecting mobilization fees and then formulate or fabricate all sorts of flimsy excuses for abandoning the contracts they were supposed to execute.

Nigeria currently ranks 6th amongst the world's most corrupt nature.

The Nigeria factor breeds false or fake pastors or prophets unscrupulous religious entrepreneurs who use religion and sacred name of God to hypnotize, hoodwink and bamboozle their fellows or members with reckless dexterity. Some of them have amassed stupendous wealth from the poor, destitute and the downtrodden members or adherents. Nigeria factor is responsible for at least 70% of business failures and entrepreneurial bankruptcy in Nigeria today. The artful tax dodgers and tax evaders are rubbing the governments of their much needed revenues by not paying their taxes as at when due.

Most people in Nigeria believe strongly that the system is corrupt and putrid, and that the only way to beat the system is to be immersed and inundated with the corrupt system.

Our judiciary which is supposed to be the last hope of the common man is now the lost hope of the common man. The judiciary that is supposed to be the "Sanctuary of Justice is now the sanctuary of injustice. As one politician puts it aptly, in Nigeria you don't seek justice, you buy justice with money. And as a matter of fact, there is no justice in law as far as Nigeria is concerned.

Honest and dedicated workers are very rare to find nowadays. Everybody wants to make it at all costs regardless of the circumstances.

4.0 Conclusion

This unit treats the variables that make up the driving forces of business venture development. These include:

- Philosophy of success
- Concept of time management
- SWOT analysis

5.0 Summary

In this unit, entrepreneurial development strategies which include SWOT analysis, concept of time management, killer of success in business ventures in Nigeria and philosophy of success.

6.0 Tutor Marked Assignment

(1) What is Time Management? Why is it considered an important aspect of business management?

(2) What are the major sources of time wastage in business?

(3) What do you understand by the philosophy of success in business?

7.0 Reference/Further Readings

Bird, Barbara J.; David J. Hayward; and David N. Allen. (1993). Conflicts in Commercialization of Knowledge: Perspectives from Science and Entrepreneurship. Entrepreneurship: Theory and Practice, vol. 17, no. 4, pp. 57-77.

Cameron, Alan; Claire Massey; and Daniel Tweed. (2000). Entrepreneurs – A Vital Force? Chartered Accountants Journal of New Zealand, vol. 79, no. 10, pp. 10-13.

MODULE 5:

Unit 1: BUSINESS VALUE CREATION

1.0 Introduction

In this unit, value creation of business enterprises along with enterprises planning, objectives of business ventures and start-up are fully explained. Identification of business opportunities are all highlighted

2.0 Objective

At the end of this unit, the learner would have been exposed well enough to:

- Venture planning
- Source of business opportunities
- Business start-up planning
- What business enterprise is

3.0 Business Value Creation

What is Business?

Giving a precise definition of business may be a waste of time as the concept of business has different interpretations; it however has to be given operational definition for our description.

In this lecture, we shall look at a few definitions:

In a general sense, business could be defined as “any action which occupies times demands attention, and labour especially serious occupation, work as opposed to pleasure or recreations. Business is that which one is engaged in occupied with at a particular time. It is seen by some as a person’s professional or official duties a stated occupation or professional trade.

A more precise definition as given by Encyclopedia Britannica see business as a particular order demanding attention a piece of work, a job. Business is an act or a state of being busy. Business is any activity that seeks to profit by providing goods and services to others (Nickels et al, 1999). In this sense business is seen as activities that provides us with necessities such as food, cloths, Medicare and transportation as well as many other things their make our lives easier and better. Steam provides opportunity for people to become wealthy.

Business is defined as any legal or legitimate activity one engages to earn a living profitably. Business can be considered as the act of buying and selling or activities of individual, partnership or organization involving production, commerce and or services. Business has been recently defined as “any enterprise which creates or makes distributes or promoted an article or services which other members of the society need and are capable and willing to pay for. In this course, business could be define as any enterprise activity that can be embarked upon which is expected to yield returns in terms of profit in cash or kind. Usually business is entered into with a view of changing form of a things from its raw stage to finish product for possible exchange for cash.

Objectives of Business Venture

Business has certain objectives it must achieve, traditionally the major objective is solely to make profit. Olayide (2003) pointed out the multi-dimensional nature of business objectives since it is supposed to serve many of the demand (expectations) from its environment. Therefore business objectives are economic, social, technology, political personal in nature. By this in providing profit or maximizing shareholders wealth, business is delivering on its economic objective. Business also serves to provide means of livelihood, security, fair dealing among others. It is important to note that workers in the business as well as the owner have some set of objectives which are to be met by the business.

Business Venture Planning

For an entrepreneur that wants to establish a business, the first thing is to consider the availability of investment opportunity. He has to consider the market which can be exploited profitably. Market consists of group, people, and institutions which have purchasing power and are willing to spend to satisfy their needs. Business planning is a process that involves the creation of a mission or goal for a company, as well as defining the strategies that will be used to meet those goals or mission. The process of business planning can be very broad, encompassing each aspect of the operation, or be focused on particular functions within the overall corporate structure. Often, business planning involves the utilization of resources within the company as well as engaging the services of consultants to assist in designing and implementing the plan.

There are several points in the life of a business when the process of business planning is an essential task. Starting up a new company involves performing at least rudimentary business planning in order to address such factors as defining the goals of the company, obtaining operating licenses, incorporating the business if appropriate, and defining the basic structure for the new business. Along with these factors, business planning will also address the issue of what goods and services to offer and how to go about producing those core products.

A second stage when business planning comes into play is when an existing company wishes to expand operations. The business planning will determine what is needed in order to manage the expansion process, especially in regards to financing new facilities, expanding sales and marketing efforts, or designing a new communications infrastructure to meet the needs of the expansion. It is not unusual for consultants to be called during this type of business planning, as the process often involves a drastic overhaul of the company's operations.

Sources of Business Opportunities

Investment opportunity can be identified from the following sources.

1. Personal or work experience
2. Hobby or part time activity
3. Right, licenses or franchises
4. Public literature
5. Bankers or consultants
6. Purchase of an existing idea or business
7. Invention
8. Modifications
9. Copying existing ideas
10. Profession
11. Availability of some natural resources in the environment of the entrepreneur
12. Franchise
13. Technology transfer
14. Government promotions

Business Planning (Start Up)

1. Decide to go into business

2. Analyze your strengths and weaknesses
3. Select a product or services
4. Availability of capital
5. Credit lending opportunities
6. Government legislation and legal framework
7. Conduct a market research and feasibility studies
8. Assess your potential share of the market
9. Select a location
10. Prepare a financial plan
11. Prepare a production plan
12. Prepare a management plan.
13. Prepare a market plan.
14. Borrow funds to begin. (schematic time schedule)

By Mridith, Nelson and Neck (1991) Searching for New Opportunities.

The information on new business opportunities can be gotten from the following:

1. Corporate Affairs Commission
2. Consultants
3. Federal Office of Strategies
4. Ministry of Science and Technology
5. Banks
6. Library
7. Research institute
8. Government agencies
9. Trade association
10. Universities
11. Ministries of Commerce and Industries
12. Ministries of Labor and Productivity
13. Bank of Industries

4.0 Conclusion

This unit provides a clear understanding of the fundamentals of business venture and business objectives. Business opportunities and planning are both treated in this unit.

5.0 Summary

This unit treats the various aspect of business value creation among others; business enterprises objectives, business venture planning, start-up planning.

6.0 Tutor Marked Assignment

(1) What is business venture?

(2) Explain any three objectives of a business venture

(3) Why is planning necessary in a new business start-up?

7.0 Reference/Further Readings

Abisuga, C.A. (1985). How to Start and run your own Business in Nigeria. Owerri. Odu Printing Company.

Emmanuel, C.L. (2003). Entrepreneurship. Shomolu Concept Publications Limited.

Unit 2: FEASIBILITY REPORT AND BUSINESS FINANCING

1.0 Introduction

In this unit, possibilities of viable business enterprise project and its financing by way of feasibility study and reporting are all dealt with. The sources of funds and types of capital as well as funding institutions are equally treated.

2.0 Objective

At the end of this unit, the student would have understood the technical know-how of:

- Feasibility study, report and business financing
- Components of feasibility report
- Funding and capital types
- Business funding institutions

3.0 Feasibility Report and Business Financing

After identifying an investment opportunity, it is necessary to determine whether the idea is practicable and profitable. Among the question the entrepreneur needs to ask when making feasibility studies are: will it be practicable? Will it be feasible? Will it be viable? Does the market exist for product? What is the nature of competition in the market? Will the technology needed be available locally or be imported? What would be the profitable market share? What is the financial requirement for the project? Can I provide the capital? What market strategy can I adopt? What are the sources of funds? What personnel will be required? What would be the production process? Feasibility study is an investigation into the potential outcome of a project. Oshagbemi (1983) identifies three main functions of feasibility report.

1. It aids in business planning
2. It gives an evaluation of new business ventures to determine the feasibility and productivity.
3. It provides the basis for a banker, promoter and supplier of goods.

It is used to raise fund from the bank.

Components of Feasibility Report

1. Market feasibility
2. Economic feasibility
3. Technological feasibility
4. Financial feasibility
5. Social feasibility
6. Legal feasibility

Market Feasibility: This involves market analysis for the purpose of determining if there is a market for the product or services, now or in the foreseeable future as well as providing information that will help in formulating appropriating marketing strategies.

Economic Feasibility: This has to do with other economic assessment other than the market. This includes the examination of economic trend (nature of the economy, interest rate inflation rate, exchange rate etc) as they create opportunities which can be satisfied by the products or services.

Technological Or Technical Feasibility: This aspect of the feasibility report will contain such information as listed below: Proposed technology, man power requirements, production process, raw materials, machinery, utilities, quality control, waste management and environmental impact, project location etc.

Financial Feasibility: This farms the major framework or the feasibility report on which other aspect actually given on. It looks at the cost implication of the business and so it look at such items as capital expenditure, working capital requirement, cash flow analysis sensibility analysis, projected revenue and income

Social Feasibility: This is the social aspect of the report. It is here that we prove that the business project is socially worth it, i.e justifying the business socially, by checking: impact on job creation, impact on social value, health implication etc. note that an economically feasible project may create social problem.

Legal Feasibility: This aspect covers such issues as the legal framework or requirement as well as ethical and social responsibility issues of the business as an on-going concern

Feasibility Report

After gathering and analyzing all relevant information pertaining to a project, there is the need to arrange all information into descriptive materials for easy reading, understanding and reference. The report is made of two parts.

- Executive summary
- Main body
- The Executive Summary

The Executive Summary Contains

1. Project sponsor
2. Location and sitting
3. Nature of the project
4. Business goal
5. The market and marketing
6. Total cost of the project
7. Financial plan
8. Security for loans and overdrafts
9. Earning profitability and cash flow situation.

10. Management expertise
11. Commissioning date
12. implementation schedule

- Main Body:

1. introduction
2. the promoters
3. the product/services
4. the production process
5. location and sitting
6. infrastructural facilities-power, water, road, telephone etc
7. market analysis/environment
8. management plan
9. financial data
10. plan implementation
11. Conclusion.

Sources of Funds

After the business is being conceived and the technical, financial and economic viabilities of the business are being established, the next plan is to source for funds.

Types of Capital

The entrepreneur may not have enough personal capital (equity capital) to start and run the business. So he can borrow money from friends, relatives and financial institutions.

4. Equity capital

5. Debt capital

1. Equity capital: This is the owner's contribution to the business. It is the permanent capital of the business.

Sources of equity financing

1. Promoters of the business(himself)
2. Relatives and friends
3. Retained earnings
4. Other shareholders (partners and Business Associates)

2. Debt financing

This is the process of borrowing money.Some of the debt financing bodies include the following:

1. Banks-overdraft, loans, bank guarantees (Bank facilities)
2. Trade credit
3. Equipment leasing
4. Hire purchase
5. Factoring
6. Commercial papers.etc.

Funding Institutions

Government can finance the initiatives of an entrepreneur through the following financial development institutions.

1. Nigerian Development Bank
2. Nigerian Bank for Commerce and Industry
3. Nigeria Agricultural and Cooperative Bank

4. Federal Mortgage Bank
5. Small Scale Industries Credit Schemes
6. State Investment Companies
7. Microfinance banks
8. Bank Of Industries

Non-financial institutions like National Directorate of Employment

National Poverty Education Programme (Napep) & Other Entrepreneurship Support Agencies In Nigeria

1. **Manufacturer Association of Nigeria (MAN)**

   Established in 1971, with activities covering a member of sectors which include

   - Food beverages and tobacco
   - Chemical and pharmaceutical
   - Domestic and industrial plastics rubber and foam
   - Basic metal, steel and fabricated metal products
   - Pulp, paper and paper products, printing and publishing
   - Electrical and electrons
   - Textile waving and leather software
   - Wood and wood products including furniture
   - Non-metallic mineral products
   - Motor vehicle and miscellaneous assembly
   - MAN export going

Function of Man

The industrial association performs the following functions among many;

- Encourages high standard of quality for members product through collation and provision of advice
- Provides for manufacturers avenue for influencing general industrial policy

2. **National Association of Small and Medium Enterprises (NASME)**

   This is a private sector organization in Nigeria with membership drawn from small and medium scale enterprises.

   Function

   - Networking capacity building for member
   - Policy advocacy
   - Promotion of performance of its members
   - Work to improve the welfare of its members
   - Analysis and publication of NASME on business environment are useful to Nigeria Entrepreneur

3. **Nigeria Association of Chambers of Commerce Industry, Mines and Agriculture (NACCIMA).**

It is a voluntary association of manufacturer, mines, farmers, industries and finances.

Roles of NACCIMA

- It contributes to the socio economic and political development of Nigeria

- Provides a network of national and international business contact and opportunities.
- Promote and develops all meters affecting commerce industry, mines and agriculture
- It considers legislature and other measures affecting commerce, industry, mines and agriculture in Nigeria.

4. **Small and Medium entrepreneurs Development Agency (SMEDAN)**

   SMEDAN was established to promote the development of micro, small and medium Enterprises (MSME). Its mission is to facilitate the access of micro, small and medium entrepreneurs or investors to resources required for their development.

5. **Bank of Industry**

   Bank of Industry is owned by the Federal Government of Nigeria. It was established after the rationalization of some development finance institution (DEIS) namely like Nigerian Bank for Commerce (NBC) and Nigerian Industrial Development Bank (NDB) and Nigerian Economic Reconstruction Fund (NERFUND) BOI has 4 subsidiaries from it merges.

   - Leasing company of Nigeria (LECON)
   - NIDB Trustee Limited (NTL)
   - NIDB Consultancy and Finance Limited (NIDB Consultant)
   - Industrial and Development Insurance Brokers (IDIB)

Types of Project Financed by BOI

1. Project in the areas where Nigeria has comparative advantage

2. Venture that can be least cost producer of good quality Product that can be successful medicated locally and international

Products and services delivery by BOI

- Co-financing
- Business Development Services
- Lease financing
- Trust easily
- Stock brokerage
- Medium and long term loans
- Working capital finance
- Equity financing
- Management of dedicated funds
- Loan guarantees

4.0 Conclusion

This unit gives clear start-up fundamentals of business venture. It also throws light on funding business enterprises and sources of funds and institutions.

5.0 Summary

In this unit, the preliminary study required for start-up of business venture and capital type and sources are explained.

6.0 Tutor Marked Assignment

(1) What are the components of feasibility report? Explain them.
(2) What are the possible sources of a new business funding?
(3) Explain the roles of funding institutions in Nigeria

7.0 Reference/Further Readings

David Okongwu, Usman A. Saleh, Fundamental Issues in Entrepreneurship, Apex Books Limited 2004.

Sunday I. Owualah Entrepreneurship in Small Business G. Mag Investments Ltd. 1999.

Unit 3: TRANSITION MANAGEMENT

1.0 Introduction

The last unit examined the financing and feasibility reporting upon which a starting business venture can build. In this unit, transition to objective of business, problem of business and managing a business venture are all explained.

2.0 Objective

At the end of this unit, you should be able to address and understand the following:

- Qualities of business objective
- Management by objective
- Problems of business failure

3.0 Transition Management

Audu, (2005) defined Business objectives as measurable statements of the impact of an organization within a given period of time; the change it intends to contribute in relation to an identified problem or need. The objectives answer the question why?

Why are you planning to deliver the output and to do the activities? The objectives of the organization may be summarized in a mission statement.

As a business owner, you must articulate your objectives to reflect the activities. The objectives set to achieve must be SMART. That is, they should be Specific, Measurable, Achievable, Realistic and Time-bound.

Business Objectives

Business decisions like any other kind of divisions can only be made if clear, understandable and good decision are established and then used as a criterion on which to base decision. Many suggestions have been put forward in an attempt to identify the objectives of the typical business organization. The most prevalent include the following:

1. Maximization of profit
2. Maximization of wealth
3. Achievement of satisfactory level of profits (sacrificing)
4. Survival
5. Sales maximization
6. Achievement of market share
7. Growth at different level
8. Stability

It should be borne in mind that while organizations may formally specify certain goals or objectives, individuals actually implement policy, and they often have their own career aspirations. The separation of ownership and control, as a result of growth of corporations has tended to make individual goals assume an increasing importance and a number of increasing behavioral theories concerning goals and objectives of this type have been put forward.

In making business decisions, it is essential to set out clear objectives. In most situations, where theoretically correct decisions are being sought, the two fundamental objectives are: profit maximization and wealth maximization.

Maximization of shareholders' or owners' wealth recognize that profits will not be exceeding shareholders' wealth. The search for high profits usually involve high level of risk, with associated problems and may in extreme cases cause the business to collapse.

Qualities of Objectives

For your business to excel in these era of globalization, there are eight basic qualities of objectives you must know. These are: acceptable, flexible, measurable, motivating, suitable, understandable, achievable and time-bound. The enumerated qualities of objectives above are critically explained below:

1. **Acceptable:** Your set objectives must be acceptable and received with two hands by the personnel involved. Some organizations may attempt to exercise top-down management, dictating levels of performance and aspirations which are not seen to be appropriate. The intention is to stimulate the growth of the organization, but individual enthusiasm may be damaged.
2. **Flexible:** The obvious view is that a balance is needed between flexibility and rigidity. While modification of objective base on more reaction to environmental change would weaken the process, firms do of course need to match their plans to trends in the environment. This relates to the concept of planning time-seals. Therefore flexibility could be achieved by a five-year rolling plan, although plans for the current period remain fixed.
3. **Measurable:** There is an argument that objectives should be qualified. Where this is appropriate, then the levels must be realistic, capable of measurement, and must be capable of being broken down to shorter periods of time, such a quarter or month. For quantitative objectives, the rule is not as appropriate, although precision of definition of the qualities to be pursued in later judgment of attainment.

4. **Motivating:** This quality has to be emphasized that no matter the objective, care must be taken to ensure that motivation is likely to result. Objectives motivate if the subordinates participate in establishing them because they would achieve them enthusiastically.

5. **Suitable:** This simply means that each level of objectives needs to be consistent with higher levels in the hierarchy. Therefore, the organizational objectives need adequacy to reflect intentions stipulated in the mission, while business objectives also need to reflect the later as well as interacting with those for the total organization. Avoidable of all inconsistencies may not be totally achievable, but their minimization is intended.
6. **Understandable:** As part of the total system of communication, objectives are only likely to be effective if they are adequately communicated throughout the structural hierarchy. Some organizations place restriction on the communication of higher levels of objectives, as an aid to the confidentiality of plans and their protection from competitors. However, against this requirement is the need to avoid misunderstanding the aims being pursued at higher levels, which will lead to ineffective performance at lower level. Explanations may also need to be made of longer-term intentions if, for example, aspired levels of profitability are to be lowered during the medium term in order to pursue a competitive advantage over the long-term.
7. **Achievable:** While this may also seem obvious, it may not always be realized. Judgments on getting the "right" balance, therefore, have added importance. Short-term changes to any of the environmental variables can also result in objectives becoming unachievable. Also, decision-making in setting objectives rate to a future period of time, so that the weaknesses of forecasting plus other weaknesses of decision-making, can lead to the unintending setting of inappropriate objectives.
8. **Time-bound:** Surely, all objectives set by a business manager most have specific time. The time set for the objectives to be achieved makes it to be realistic and defined.

Management by Objectives (MBO)

Do you want your business to be successful in this era of globalization? Are you desirous to move your business profitably over and above the break-even point? Then learn the concept of Management by Objectives.

Management by Objective is a philosophy and a general approach to management, which is based on the simple concept that objectives are the keys of management practice. The development of this idea into an initial and coherent body of knowledge is generally attributed to the work of Drucker in the 1940s and 1950s. The principles of MBO are sound and provide a basis for the establishment of objectives which is consistent with the strategic management model. According to Odirone (1965), Management By Objectives is seen as a "process whereby the supervisor and subordinate managers of an organization jointly identify its common goals, define each individual's major areas of responsibility in terms of the results expected of him, and use these measures as guides for operating the unit and assessing the contribution of each member".

MBO is designed to work in conjunction with a hierarchy of objectives. This leads to managers' participating in the formulation of objectives, with opportunities for participating at both higher and lower levels. This team work is central to participation and lead to commitment on the part of managers. Indeed, such a system also allows for operational managers to be involved in goal-setting both at the above the strategic business unit level.

Another beautiful issue is that of the integration of all levels of objectives, including those of individuals. While personal objectives are often difficult to design, it may not always be possible to reach manager to have all his objectives incorporated into the hierarch, however, MBO allows for the identification of these as well as the opportunity of their consideration for incorporation. Indeed, this inclusion of personal objectives and the development of consistency with them and those of the organization are seen to be a key advantage of MBO.

This leads the definition into responsibility, with all keys aspects of all objectives being designated to identify individuals. Here, motivation can be fostered, assuming that bonafide participation has been achieved and to the achievement of results is given an additional boost. This in turn allows for a system of appraising the performance of individual managers.

The final issue here relates to that of control. The system of MBO allows for the establishment of yardsticks, the comparison of actual achievements against these yardsticks, and the integration of corrective action.

The Basic Elements of Management By Objectives (MBO)

1. Ensuring the commitment of all managers at all levels to all objectives of their direct concern.
2. The system starts with initial setting of organizational goals, although these should be subjected to change following the participation of other managers.
3. Managers' goals are clearly explained and agreed so that they are able to see their integration into the total hierarchy.
4. Although the degree of participation varies enormously each manager must be allowed to participate and must be able to see that his participation is meaningful.
5. Once the objectives have been set, and responsibility has been agreed then the managers must be given autonomy to achieve them.
6. Review of performance must also feature the teamwork that went into establishing the objectives with the result of these reviews providing inputs to the next round of objectives.

Pitfalls of Business Operation

Business operation faces severe problems: these include lack of experience, lack of money, wrong location, poor inventory management, taking too much to self from profits, poor credit granting, unbalanced expansion and wrong attitude of the owner etc.

General Problems of Business Failure

Many researchers have shown that a large percentage of failure among business is caused by heterogeneous factors among these are:

1. There is usually the problem of suitably qualified successor to replace the business owner when he becomes old or dies. This may lead to complete failure of the business.

2. The threat of failure is ever-present. Discontinued or failure to make the business records, in sufficient business experience, insufficient stock turnover, problems of account receivables, inventory shrinkages etc.

3. The specific causes of failure may be summarized; neglect, fraud and disaster. These are grouped into four as follows:

a. Neglect due to bad habits, poor health and marital problems.

b. Fraud due to misleading names, false statement of finance and irregular disposal of assets.

c. Lack of experience to inadequate sales volume, heavy operating expenses, collection of credit difficulties, excessive fixed assets, competitive weaknesses.

d. Disaster due to fire, flood, burglary, employee fraud etc. In most cases researchers attribute factors that result to business failure to too much is left to chance.

e. The problem of growth in business appears to be “a built-in dilemma” facing many business owners.

f. If the business owner is inefficient, his initiative and abilities inefficient, this situation makes the owner’s business to join the casualty list called “business failure”.

Specific Problems of Business

The following are the specific business problems in Nigeria.

1. **Capital:** Lack of capital and credit facilities for sustaining growth and development is one of the most basic problems facing business firms. Long-term capital is a particular need for many business of concern. This capital cannot be obtained by personal investment of resources or by long term borrowing.

2. **Management skills:** Lack of necessary skills in the management group is perhaps the greatest problem of business in the era of globalization. Management involves at least knowing or having some ideas of technical, financial, statistical, inter-personal relations, marketing etc. inter-disciplinary fields to succeed.

3. **Business Records:** Lack of proper business documentation of the transaction poses real problems. The manager often does not understand the importance of preparing financial statements or even the data which is available. He lacks the necessary skills and knowledge to appreciate their values, to interpret and use them effectively.

4.0 Conclusion

Planning and starting a business venture begins with a study of the feasibleness and objectives to be achieved by the venture. General and specific problems of business enterprise failure are carefully explained.

5.0 Summary

In this unit, the transition from study and reporting to the fundamentals of objectives, pitfalls of business operation as well as problems of business failure are treated.

6.0 Tutor Marked Assignment

(1) How does Management By Objectives (MBO) work in a small business operation?

(2) What are the basic elements of Management by Objectives?

(3) What are the general and specific problems of business enterprises?

7.0 Reference/Further Readings

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Unit 4: BUSINESS PLANNING

1.0 Introduction

In this unit, the planning of business venture alongside the structure of the venture and the importance of so doing are all treated. Self concept of business, character of business and business behavior will all be learnt in this unit.

2.0 Objective

At the end of this unit, you would have learnt:

- Business enterprise organizational structure
- Importance of business venture planning
- Business character and behavior

3.0 Business Planning

Planning is the bedrock of business success. When you plan your business well, you will achieve a good result. In achieving business success in the era of globalization, the following ten steps must be followed religiously.

1. Development of a time-table

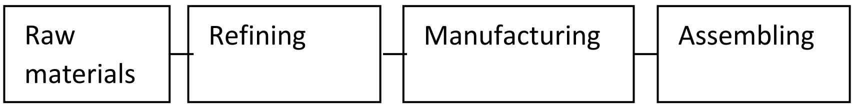
2. Establishment of business objectives
3. Designing your organizational structure (organogram)
4. Determination of personnel requirement
5. Determination of physical plant needs
6. Planning your approach to the market
7. Preparation of the budget
8. Location of fund sources
9. Implementation of plan
10. Business commencement

These are analyzed below:

Time-Table

This is vital in starting the business. If you fail to do so, you will find that the business will not take off at the time you want. The time-table may be one month, week or days for each step. Below is the business planning process.

Fig. 1



From the above table, you are expected to buy raw materials, refine them for production process.

fig 2

This diagram shows how the goods produced get to the final consumer, they can pass through wholesaler, retailer and to the final consumers.

Setting up the Organizational Structure

This will take account of legal, financial, administrative aspects of your mind that your business is personal. The firm you choose must be in your best interest. The structure you will plan include the following alternatives:

a) Holding company

b) Proprietorship

c) Corporation

Two things are to be considered;

i. **Capital structure:** The extent to which equity and debts are used will depend on the inter-relationships and the interactions between

a) How much personal funds you wish to commit

b) How much funds will her partners, friends commit

c) Amount of leverage desired

d) Equity and borrowed capital combined and at what interest

e) The degree of risks you wish to assume.

ii. **Administrative structure:** Your formal organizational structure should depend upon four factors as can be seen below:

- Your business for being (the raison d'etre)
- Your primary and businesses objectives
- The plans programs, policies, practices and procedures that will enable you to achieve your objectives.
- The authority and responsibility relationships that will permit you to accomplish your mission.

All these critical points are necessary in planning your administrative set up.

Personnel Requirement

This is the text organization planning set up to determine the duties and responsibilities (job description and specification) needed to perform the activities. Once this has been done carefully, you will then know the type of skilled employees you will recruit and how many unskilled you will require.

Physical Plant Needs:

There are two fundamental decisions you need to take;

a. What location to choose for your business
b. Whether to buy, build or lease your physical facilities.

Market Feasibility: You are expected to find out the needs, wants, desires, demands and the conceptual designs of the prospective consumers before you produce the goods and services.

Budget Preparation: This step is very essential because it enables you to know the actual amount of money you need to spend for the business and the expected income. Your budget should contain your proposed expenditure and anticipated revenue.

Sources of funds: There are many ways you can source your business fund. You can use your personal savings, retained earnings, borrow from friends and banks.

Implementation of Plan:

The formulated, initiated, conceptualized and visualized dreams should be put into action for result achievement. This is followed by business commencement.

Business Commencement:

This is the final stage in business planning process. You are expected to translate your implicit ideas into reality by producing goods and rendering of services to be consumed by the prospective consumers.

Importance of Business Venture Planning

The Importance:

1. Several benefits are accruable from business planning in this present era as can be outlined below; 1. It helps in preparing for emergencies, an unanticipated event, instead of waiting until they occur before thinking about them.
    2. It brings about greater attention to concentrate on objectives. Thus, forcing the business owners to allocate resources to the best opportunities.
    3. It enhances operational efficiency and economy by focusing on priorities and executing the most vital tasks.
    4. It gives a sense of direction to the owner of business and straightforwardness. It helps to envision and shape the future.
    5. It establishes a measure of performance among employees, the objectives serving as stand and reference points for the assessment of employees' performance.
    6. It brings to focus future threats and constraints and makes for ways to adjust to avoid them.
    7. It enhances the business owner's motivation and commitments by showing workers the result they have to achieve.
    8. It helps advance procurement of resources and facilities possible.
    9. It provides the co-ordination process in a company practicing planning.
    10. Planning leads to better decisions and builds confidence in employee's performance.

Business Behaviour and Character

Behavioural science is an interdisciplinary collective term for triple elements of social science interested in the study of the human species. It involves the study of psychology, sociology and anthropology, but often taken to apply specifically to aspect of human behavior related to business and management in the working environment.

It is important to state the view of these three elements of social science before we look at the term business character.

1. **Psychologists:** They are concerned with human behavior, individual characteristics and the interaction of individuals in small groups. Attention is focused on the "personality system" the characteristics such as attitudes, motives and feelings.

2. **Sociologists:** They are concerned with social behavior and the relationship among social groups and societies and the maintenance of order. Attention is focused on "social system" the relationship of individuals in social structures.

3. **Anthropologists:** They are concerned with the human race as a whole. Attention is focused on the "cultural system", their values, customs and beliefs which influence the emphasis people put on various aspect of behavior.

As businessman, for your business to strive successfully in this era, you have to study with an in-depth understanding, the concept of behavioral science as analyzed above. You should also learn the concept of self as can be seen below:

Self-Concept

Self-concept is the way in which a person behaves in the business environment. It is based on self, the internal psychology of individual. Part of the individual understands, but much of it is unconscious. The self- concept is that part of the self- 'individual also has a self- ideal, the self that would like to be. The self- ideal is quite separate from the self, and the individual continually compares self- concept with the self- ideal. As a business manager, you are expected to know the self-concept, unconscious self, self-ideal and self-esteem of an individual in a given society.

Business success cannot be separated from individual's character and behavior completely. Business character is the basic reason for preference of certain person to others. Good character is an important booster of business success because it is not done with oneself but with other people. There is always interaction in business so that the issue of character to be portrayed during such interactions cannot be neglected because a singular moment of interaction can either keep a customer or drive him away. Character is one of the major reasons a man leaves his neighbor's business who has what he wants to buy in stock and goes to a distant place for purchase.

A good character brings about a good business success and a bad character leads to business failure. As a business man, you must learn to exhibit good character as discussed in this book for your business success.

Business Character

Dangana (2005) pointed the following Business characters.

1. **Politeness:** As a business tycoon in this generation, you have to wear the spectacle of politeness. Don't be aggressive, hard and rude. Do not follow the crowd. If you want to be outstanding in your business, you must learn to be polite to people you meet in the process of transacting your business. People are buying character this day. So learn to be polite
2. **Punctuality:** There is an adage which says punctuality is the soul of business. You should try as much as possible to open your business early and close late. When you start your business early in the morning, you will definitely get good customers and make good sales than the man that starts his business late.
3. **Hard Work**: In any business you do, you should be determined to put in the whole of your time, mind, effort, attention, commitment, energy, enthusiasm, stamina and power. Handwork pays. It brings about business success. It breaks the yardstick of failure and defeatism. When you are hard - working, you will see with your eyes the way your business will be prospering.
4. **Discipline:** To be disciplined is to submit your totality to the desire of success. Self-discipline ensures that your body follows the channels laid down for success and not compromise. Discipline is needed in certain aspect of your life like in spending money, time and sleep. Spend your money wisely, invest wisely and manage your precious time wisely. Time is money. Maximize your time and sleep.
5. **Cleanliness:** As a business man, first and foremost, dress your mind, double dress your mind very well with the garment of neatness, then you have to dress your business environment and yourself. Cleanliness is next to godliness. If

your business is neat and you dress very fine with your staff, many customers will patronize you.

6. **Diligence:** You are expected to be firmly committed. Your business should be close to your heart. Be committed and dedicated to your business. Keep every appointment and be out for your business as early as possible. Diligence brings about commitment, dedication, determination and business success.
7. **Faith:** The word faith is a force that sets your business free to succeed. It frees your negative emotions with affirmative forces that propel your business upward. Believe in yourself that your business will not fail but succeed. Faith will make you interested, excited, encouraged, involved, consistent, reliable and successful in your business. Have faith in God, yourself and business.

. **Positive Thinking**: Do you want your business to succeed in this present era of globalization? Hang the question there. Develop positive thinking. You have the latent ability, potential, energy, effort and competence to carry your business forward. You must be ready to choose a positive mental attitude towards change, yourself, leadership, problem, people, emotional well-being, creative ideas and decision-making.

9. **Creativity:** There is one thing the writer believes in you as a business baron. Original idea. You are resourceful, knowledgeable and versatile. What keeps a man in business is original, creative and innovative ideas. Think creatively so as to bring creative goods and services. What sustains the business is creative ideas. Creativity is used in developing new products, new customers and new marketing channels. Therefore, be creative.

9. **Persistent:** The most successful people in the world are the people who get turned down the most and who make sure they know why, taking the time to re-craft the next approach based on what happened to them before. They do not take this rejection personally but see it as a learning experience.

10. **Risk Taker:** As McCoy discovered, "***one overriding trait of the successful is that they believe in their idea, their product, themselves so fully that they are willing to take risks***". In business, the higher the risk, the higher the expected return (profit), the lower the risk, the lower the expected return. You have to be aggressive in risk taking to make higher profit. On the other hand, moderate risk can be taken but do not be risk adverse or defensive in taking risk.

11. **Time Management**: Time is metaphorically compared to money. Stop wasting time. Consider the most vital things you need to accomplish in your business. These are high priorities. Then think about those things that seem to take up a lot of time and get your business nowhere. Understand what is important to achieve and do those things first. Let go of all the busy work that piles up. Do not let co-workers waste your time with chit-chat if you have get things to accomplish. Save that for lunch hours or for after work social activities. Handle your business once; decide the action and finish with it. Keep interruptions to a minimum and delegate responsibilities. Although you would like to believe you are indispensable to the business and you are the only one to take care of many things, you can teach someone else and move on to your own goal achievements. Do not procrastinate. What are you waiting for? Few opportunities are thrown at you; you have to create the right positions and situations to move your business up. Concentrate on what you are doing and do one thing at a time. But do it quickly and handle the next thing.
12. **Team Spirit:** To be able to achieve your business objective, you have to work together with your subordinates. There is an adage which says that "a bundle of broom cannot be broken". Do not do your business alone. Bring those who have the skills, ability, competence and professions to help you achieve your objectives. The group needs to be held together as a cohesive and motivated working team. A cohesive team often experiences a firm motivation to maintain themselves as a united body against external pressures and forces. The idea of team spirit leads to maintenance of discipline, praising, motivating, and giving a sense of purpose, ensuring good communication within the group and good training.
13. **Anger Management**: Anger is an emotional tendency that leads to destructive criticism if negatively used. As a good business man, you have to control your anger. For your business to survive in this era, the following principles must be

employed to suppress your anger; avoidance, venting, changing topic, taking control, taking responsibility for your actions and forgiveness.

14. **Learning Attitude**: Almost any goal you choose requires learning. How much education do you have? Do you want more? There are limitless opportunities to learn more about your own business. Not only do you have the colleges and universities but there are many trade schools, correspondence schools and special groups that teach skills at very reasonable prices. Keep the need in mind. What do you need to know to get to where you want to be? You may not need a degree, but the actual experience. Once you are enrolled to learn new skills, put in everything towards learning. Apply yourself one hundred percent. Read everything you can and study well about your business. It is your own developing expertise that will get you ahead and closer to your business objectives. Be ready to learn your business well and you will achieve a remarkable success.

    Above all, be a good manager. A successful manager poses some personal qualities which entail intelligence, maturity and breath, motivation and drive for achievement, attitude of people, special knowledge and skill and long-term involvement in business dealings.

4.0 Conclusion

In this unit, the setting up of organization is structure and importance of business enterprise planning as well as self concept and character of business venture would be learnt.

5.0 Summary

In this unit, self concept and business character as well as business venture planning and behavior are all presented

6.0 Tutor Marked Assignment

(1) Why is the understanding of business behavior and character important to a new entrepreneur?

(2) Why is the understanding of business behavior and character important to a new entrepreneur?

(3)Why is timetable important in a business planning?

7.0 Reference/Further Readings

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UNIT 5: SALARIED EMPLOYMENT VERSUS ENTREPRENEURSHIP

1.0 Introduction

In this unit, self-employment are both explained. The advantages and problems that are associated with salaried employment are both carefully examined. The pitfalls of small business operation as well as the general problems of growth and failure in business venture are equally treated.

2.0 Objective

At the end of this unit, you would have learnt and understood the mechanism of the following:

- Self employment
- Salaried employment
- The difference between micro-business enterprise and entrepreneurship
- Pitfall of small business operation
- The general problems of growth and failure in business enterprise

3.0 Salaried Employment versus Entrepreneurship

Prospective managers or graduates face ultimate choice between salaried employment and entrepreneurship or owners of business. It is therefore necessary to look closely at the advantages and disadvantages of each choice.

Salaried Employment

Essentially, this involves job security because as a matter of a job is usually guaranteed when one starts it and earning salary at certain period such as weekly or monthly which becomes certain compared with a person managing his own business concern such as an entrepreneur who depends on profits.

Salaried employment ensures present and future securities in terms of pensions, super-numerations as well as insurance cover or premium as when the employees are insured by the company. Sometimes by himself and property for future risks. Higher officers often take the advantage of car allowances, highly furnished houses and other certain basic allowances for personal comfort. These are made available to salaried employment officers by employers because they wish to attract them and retain them for continuous business activities. Because of these reasons, it is often said that salaried employment contains a certain degree of security.

Problems Associated with Salaried Employment

1. ***Subordination***: refers to a system of junior and senior staff relationship. A subordinate worker has no power or authority over seniors. He gives full respects to superiors and has no right of saying no to staff senior to him. Rules, instructions and commands are imposed on subordinates.

2. ***Transfer***: movement from one place of work to another or one job to another. This is carried out sometimes according to company policy, sometimes senior staff decision which a worker must not reject.

3. ***Retirement***: workers are retired when their time reaches or when for one reason or the other an employee is forced by an executive to retire.

4. ***Initiative***: no subordinate is allowed to make any initiative without approval from executives. He is only allowed to join others in executing the company's laid down policies rat her than allowing him to initiate. Nothing a worker can initiate, but he can receive rewards for hard-work in the form of salary increases, bonus payment, overtime payment and amenities or the provision of health facilities.

5. In many cases some- unqualified persons are employed to handle difficult jobs requiring dexterity for which they have no experience or qualification. The worker becomes incompetent on the job or post. This wrong posting results to inefficiency and frustration on the part of the worker which can inevitably lead to dismissal.

6. ***Limited earnings***: this is another disadvantage associated with salaried employment. Salary scales are fixed. No matter how hardworking a person is, his rewards will not exceed his fixed salary. This is contrary to the owner of a small business which if he works hard he will definitely gain his rewards.

Entrepreneurship

The word "entrepreneur" refers to a person him or her who undertakes to run a business enterprise on his own and who is ready to assume responsibility for success or failure.

According to Alan Golpin: Dictionary of Economic Terms" "an entrepreneur is a business organizer whose aim is profit. His responsibilities comprise the following:

1. Risk and uncertainty bearing,

2. Making decisions on what goods or services will be produced and how the factors of production will be combined for the purpose.

In the light of this definition, entrepreneurship can be seen precisely as decision-making or the application of entrepreneurial skills, expertise or latent to business decisions.

In Nigeria, entrepreneurship is undertaken by small untrained persons to supply some basic products such as implements, potteries and other traditional products. Therefore one may wish to distinguish two types of entrepreneurs in the Nigerian economy.

Skilled and unskilled entrepreneurs. The discussions on this may depend on individual observations if the two types can be distinguished from one another. Refer to class discussion on this.

Advantages of Entrepreneurship

The kind of people who usually decide to own a personal small business is the minority group. This is because certain compelling reasons force them to take such decisions. Factors such as disappointment in factory work or things like disabilities, etc, may force him to seek a way for his personal satisfaction. Such a person must be prepared to face the facts of risks arid responsibilities. In this way he gains satisfaction from his profits or returns and the prestige it brings him. The owner also finds satisfaction in using his abilities and creativity. He gains self- respect. He becomes his own boss and is free to take his decisions, to take risks or opportunity. This freedom gives him satisfaction and can confidently say "I am my own boss" since he is independent.

Entrepreneurs offer opportunities for service in the community. A businessman serves his community in whatever capacity lie has by rendering vital services in terms of consumable goods and services they need. He gains satisfaction from their responses. Business ownership has the objective of profit expectation. Profit gained from business is often greater than salary earned within a given period. This gives satisfaction to the owner (for example, J. C. Penny of New York, in U.S. owns a Newspaper Company as a prospector, within a short space of time he became a great millionnaira).

The desire for power is essentially important especially with the Nigerian entrepreneurs. This is a desire to command people, to demand the type of respect or get people to obey them especially in the area of social, economic and political situations within the community.

There is also the desire of protection of inheritance which is a decision taken by some people to abandon what they are doing in order to take up the management of one's inheritance, especially in the case of family property such as business when the father dies or is too old to continue running the business.

There is also a desire of protection of property as for example of a carriage of automobile mechanic, having costly capital goods and if not properly managed by those employed, the owner may,-decide to take over the management so as to protect his property and will have more satisfaction.

Some reasons why ownership of business is desired may come from the fact that attractive salaried employment with good pay and condition of service were nowhere to be found and a person or} decide to run his own business.

Some reasons may be because the person has new ideas to try on his own, by so doing he gains satisfaction. Others because of the desire to supplement their income, may wish to go part-time in doing his own business. In fact reasons are without limit. Thus entrepreneurship is the way of satisfying life since it involves freedom and independence.

Entrepreneurship or Micro Business Managers

In the case of entrepreneurship, the owner of a business is not sure when he will get his profits or gains from his business operations. He is not sure of tomorrow. As far as risk is concerned and that is wiry he has less security compared with the former employee.

But a lot can be accrued to him than to job employment as can be shown by:

[a] ***Pride of the manager***: This is because the business is his personal possession, the owner becomes proud of it. You often hear him say that "I am the Managing Director of Insurance Ltd. or the General Manager of Transport Company Solomon and Sons Ltd., etc;

[b] ***Challenging career***: This means ownership unlike job employment has independence. One's time is less demanding, less control. He decides what to do at ease, freely and sleeps soundly. Since it is one operation, there is no need to keep to certain arbitrary policies distasteful to him.

Here we shall notice that salaried employment requires shot for working hours than one operating his own business. The owner can operate from morning till 10.00pm and can re-open it by 6.00am.

The salaried man is also less much worried than he who operates his own business. The owner is always worried over what and where to get raw materials of his business or funds to pay his workers or to expand or grow. Thus, it is not right to say that an entrepreneur enjoys more than the salaried earner who not only enjoy paid leave grant but also long period of rest. Above all he has no risks like the owner of a business. Thus, normally it is always advisable that graduates or potential managers take jobs relevant to their fields in which to gain experience in that line before deciding on entrepreneurship.

Negative Aspects of Business Ownership (Small Ownership)

The question is that what are those aspects that make people not to take up entrepreneurship? We have outlined above the advantages and disadvantages of salaried and entrepreneurship employment. Often this use to be the guiding lines by which people determine between salaried and entrepreneurship. They tend to give more weight to one than another.

Serious risks that a prospective entrepreneur should take into consideration before going into a business ownership are:

1. **Financial Risk:**

   Finance is the major capital to start a business. This may be this personal savings. He decides his financial situations and then put them together taking into consideration the risks involved. Risk is the danger or chance of losing personal capital invested in a business. Failure in business is caused by those situations that are beyond one's control such as civil war, political activities, fashion changes, labour trade disputes, poor economic conditions, e.g. persistent inflation, etc.

Another reason for risk may be due to (a) his own policies decisions in the firm, (b) wrong forecasting demand trends of his products in the market or the availability of raw materials or labour supply, (c) it may be due to obsolescence of his products (one that can no longer be used in the market), (d) it can be brought about by a change in government; policy, e.g. anti-inflational measures - rise in the price of petroleum in Nigeria, (e) it can be the banning of importation of certain products by government, (f) it can be through international economic changes, e.g. the oil embargo (OPEC), (g) it may be due to competitions among businesses in the market, (h) it may be due to the problem of foreign exchange, Any or all of these problems can really affect national economic growth as well as small business units in the country.

2. **Personal/Career Risk:**

If a businessman who has sunk his money in business, found his business is failing, he faces the risk of losing everything. It is his personal risk. As his business fails he begins to lose prestige and influence. This means, the businessman will find it difficult to borrow money from any financial institution because they may start to lose confidence in him because his influence is lost.

Lack of regular of uncertain income –

Because business income is typically less regular than salaried employment during a given period of time, say a month. The personal risk of income received by entrepreneurs are always subject to fluctuations. I.e. profit earned.

Employees and creditors are important when considered in terms of risk. Their conditions and welfare are his entire responsibilities. To avoid risk, he should maintain good standards, good pay and condition of service. To creditors, he should maintain certain standards to keep their confidence Intact and the .image of his business acceptable to them. He should give rules to workers to reduce health hazards, inoculate them against epidemics. This means the application of labour rules generally in order to maintain healthy and contented workforce for the continuation of operation of his small business with minimum risk.

NB: Questions may be asked: Why would you choose a business of your own or a salaried employment? Use the above information.

Distinction Between Small and Medium Businesses

The distinction can be summarized in two ways:

1. According to size **-** the criteria used here are size, financial strength, number of employees, annual sales volume size of customers, financial control and nature of business being carried out.

2. According to intention.

Distinction According to Size:

Some criteria have been used by experts of the study of this field lo distinguish small business from big ones by employing the following as yardstick:

[a] size of business operation - this yardstick relates to the size of investment capital resources put in the business. In Nigeria, the Federal Government provides current guidelines to distinguish small medium and big business as follows:

i. Cottage small business is one which total cost, including working capital, cost of laud, etc, is not more than one million Naira (N1,000,000.00), employing up to 10 persons.

ii. Moderate small business is one which has a capital outlay of being N7 to 40 million employing a labour force of between 11 to 35 persons.

iii. Medium scale business is one having a total cost of over N40m not exceeding N150m, with a labour force of 35 to 100.

The above mentioned sizes appear to be a mere assumption. In reality, one finds small businesses in the Nigerian economy operating successfully with very much loss capital outlay. Essentially, the distinction here restricts itself to manufacturing other than other forms of business such as services and distributions. Big firm has larger capital outlays running into billions

Distinction According to Scales Volume

This yardstick stipulates that for a business to be considered small, its annual sales may range from N100 to N500 thousands. The American yardstick ranges from $1 to $5 million. This is too large for a typical small business in Nigeria or elsewhere in developing countries. Ceiling ranges are given by various national economies of the world, all of which appear arbitrary. For example, when a business is able to identify high demand for its products or service, it can easily achieve high sales volume than a large business saddled with the problem of obsolescence of its products. For example, in Nigeria a well located beer parlour or a bread bakery can generate more sales volume a year than a big textile firm or oil mill facing hardship of import of parts or raw materials.

Distinction According to Number of Employees:

The British Board of Trade views a small business as one having not more than 200 employees. The Netherlands Centre for Management puts its ceiling as 10 persons for handicraft and cottage small industries, 10-99 persons for medium business. In Nigeria, the Research department of Ife University puts its ceiling as those small businesses employing fewer than 50 persons.

It is difficult to pinpoint the correct ceiling for small business and big business. However, in the developing economies like ours, it may sound right to start the number from 5-200 persons. Countries like Japan, Korea India, China, etc, defined lower and upper limits of each size of the business.

Distinction According to Nature of Business:

This yardstick ranges from one (1) person management for small business to thousands of managers for big ones. One-person management is characteristic of blacksmithing, barbing, shoe shiner, etc. Small businesses of this nature are found in almost all the sectors of the Nigerian economy including traders, hawking children, farmers, etc. The Nigerian Promotion Decree of 1972, classified the nature of business into lower priority and higher priority ones to distinguish big from small business.

Distinction According to Financial Control:

This is often used to identify small business from big ones. The small business does not maintain adequate financial control -record keeping, statement of financial transactions, balance sheets, profit and loss statements, etc, as do big businesses in real sense.

Advantages and Disadvantages of Small Businesses

Advantages in Summary:

i. The small business is usually in close touch with its customers, employees and suppliers than big ones.

ii. The small business tends to have better employee relations, than big business in terms of loyalty, etc.

iii. The small business can do a more specialized job for customers and thereby attracting them on the basis of specialty products quality and personal service, rather than on impersonal factors of price or mass production of largely identical items of products.

iv. Due to the small percentage that goes for overheads, it can do non-revenue generating activities than large firms saddled with high overhead costs.

v. The small enterprise is often a source of new materials, processes, ideas, services and products that large firms are reluctant to provide. The big companies are usually committed in large investments in tools, inventories and personal to produce products in large quantities arid is not flexible as a small firm.

vi. In advanced economies like U.S., U.K., Japan, etc, small companies are controlling factors by keeping big concerns "on their toes" by introduction of new products, methods, services, etc.

vii. The small business helps to check the development of monopolies which is sometimes the tendency in large companies to dominate the market. In this way small firms encourage competition if not in price, at least in design and efficiency.

viii. Small business produces people as well as goods and services. This development is achieved by providing workers with a greater variety of learning experiences in work activities not open to staff of large firms. People have greater freedom in making decisions in performing variety of activities. This freedom in turn leads to rest and interest in their work. It thereby train people to become better leaders and use their talents arid energies to the greatest degree to achieve efficiency. All Lease are absent in large firms.

ix. The email business is a centre for initiative where experiments may be conducted, where innovations may be initiated and where new ventures will be started.

x. An entrepreneur has relative freedom to enter or leave a business at will, to start small new one and grow, expand or contract, succeed or fail.

xi. The small business serves to uplift the standard of living of the people amongst whom it operates.

xii. The owner manager is always considered as efficient and very important factor in the growth of the national economy than presidents of large organizations. The small business manager studies his society's needs, aspirations, demand and reacts to them to satisfy by his products and services. He provides opportunities of employment to many unemployed persons in his community.

xiii. The successful owner manager has a .feeling of patriotism for his community and his nation than big business managers. He has a civic pride and takes part actively in the communal efforts to construct a bridge, a maternity centre, etc, to make the community a better place to work and live. He/she is bringing wealth to his community. The sum total of these small business efforts goes to add to the nation's G.N.P.

Disadvantages of Small Business

The disadvantages of this sector of the economy can be studied at the angle of the problems involved in its operations. Despite their numerical contributions in overall areas of national development, economic, social and political, the sector has inherent problems summarized below:

i. The key man (owner) may not possess the full range of managerial skills required for success. He may be good in salesmanship, able to handle employee relations but may have poor knowledge of accounting procedures and cost control.

ii. In a small business of one-man leadership, instead of formal, standardized control, the control system lie/she uses may be informal, direct and personal. If the business grows, the span of responsibilities grows and may become too excessive for the entrepreneur to cope with.

iii. Because of the businessman's pre-occupations with pressing problems of day-to-day operations, his planning for future actions may be faulty and inadequate. As a result, changer in the environment of the economy can have severe impact on the business.

iv. A relatively high degree of managerial training and breadth of experience are necessary to cope with numerous problems but the business owner may not possess. Thus, two important factors appear to be the root cause of this disadvantage: (a) inadequate managerial ability of the owner manager, and (b) inadequate management successor if the owner-manager dies. This means the business also dies with him or her.

Pitfalls of Small Business Operation

The small business operation places severe strains: lack of experience, lack of money, wrong location, poor inventory management, taking too much for self from profits, poor credit granting, unbalanced expansion and wrong attitude of the owner, etc.

General Problems of Growth and Failure in Business

Many researchers have shown that a large percentage of failure among small business is caused many factors. Among these are:

i. There is usually the problem of suitably qualified successor to replace the entrepreneur when he or she becomes old or dies. This may lead to complete failure of the business,

ii. The threat of failure is ever-prevent. Discontinuance or failure to make the business "go" as observed by researchers. Lack of business records, insufficient business experience, insufficient stock turnover, problems of account receivables, inventory shrinkages, etc.

iv. The specific causes of failure may be summarized: neglect, fraud, disaster. These are grouped into four:

a. Neglect due to bad habits, poor health and marital problems.

b. Fraud due to misleading names, of a two statement of finance and irregular disposal of assets.

c. Lack of experience due to inadequate sales volume, heavy operating expenses, collection of credit difficulties, excessive fixed assetsand competitive weakness.

d. Disaster due to fire, flood, burglary, employee fraud, etc. In moat cases researchers attribute factors that result to business failure too much was left to chance (see early notes).

e. The problem of growth in small business appears to be "a built-in dilemma" facing many small business owners because

    i. If the owner is inefficient, his initiative and abilities inefficient, this situation makes the owner's business to join the casualty list culled "business failure",

    ii. If the owner is a mediocre, the organization continues to remain small arid inefficient,

    iii. If the owner manager is efficient and capable the organization will succeed and grow but lie may run the risk of losing the very thing they seek - autonomy and freedom-because he must be forced to bring others in to help share the business.

4.0 Conclusion

In this unit, the fundamental concept of entrepreneurship and differences between the salaried employment and that of entrepreneurship are examined. Distinction between small and medium business venture are given.

5.0 Summary

This unit examines the concept of salaried employment and entrepreneurship and the differences between them. The negative aspect of small business ownership and the pitfalls of their operation are explained in this unit.

6.0 Tutor Marked Assignment

(1) Distinguish between salaried employment and entrepreneurship

(2) What are the problems associated with salaried employment in Nigeria?

(3) What are the advantages of entrepreneurship?

(4) What are general problems of growth and failure in small business in Nigeria?

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QUESTIONS

MODULE 1

Unit 1:

(3) What skills would an entrepreneur need to acquire to succeed in his business?
(4) Why is it important to carry out an environmental scanning before a decision is made on where a business enterprise is sited in a particular location?

Unit 2:

(1) One who decides to venture into a business may have to – go - do it alone or team up with others. Explain what is your own opinion would inform one's decision.

(2) What may influence you to choose a particular product and a market when you make up your mind to venture into business enterprise?

(3) When you would like to start a small business you need to identify the various forms of small business organizations. Name them and explain any two of them.

Unit 3:

(4) What are the various way a new business owner can source finance for his new venture? Explain any three most promising sources and give reasons why you consider them most promising.

(5) Explain clearly the important roles entrepreneurship activities play in the development of a society.

(6) Name and explain any three main forms of intellectual property.

MODULE 2

Unit 1:

(3) Why does a business organization maintain records? Name and explain any five types of business record that you know.

(4) What is the idea behind keeping records in a business organization?

Unit 2:

(4) What records that are maintained in respect of personnel in a business organization.

(5) Enumerate the various accounting records that are kept in a business venture. Explain any five.

(6) What is the reason behind bank reconciliation statement as a business record?

Unit 3:

(3) What are the laws that govern the operation of small business in Nigeria?

(4) Why does a small business organization have to concern itself with law?

MODULE 3

Unit 1:

(4) What do you understand by marketing management?

(5) Distinguish between small marketing and entrepreneurial marketing?

(6) Explain what is service marketing?

Unit 2:

(3) What are the various ways by which a – would – be entrepreneur can possibly start a new business? List and explain each of them.

(4) What is business growth forms? Enumerate and explain them.

Unit 3:

(1) Explain the various stage of business growth

(2) The onset of decline stage of business growth gives an indication of limited expansion. What would you do when your business reach this stage?

MODULE 4

Unit 1:

(3) Define entrepreneurship

(4) Who is an entrepreneur?

Unit 2:

(3) Give ten characteristics of an entrepreneur and explain five of them.

(4) Entrepreneur often face a number of problems. Name five of them and explain any two.

Unit 3:

(3) What are the major driving forces of an entrepreneurship?

(4) Explain the internal and external environmental variable of an entrepreneur

Unit 4:

(4) What is Time Management? Why is it considered an important aspect of business management?

(5) What are the major sources of time wastage in business?

(6) What do you understand by the philosophy of success in business?

MODULE 5

Unit 1:

(4) What is business venture?

(5) Explain any three objectives of a business venture

(6) Why is planning necessary in a new business start-up?

Unit 2:

(4) What are the components of feasibility report? Explain them.

(5) What are the possible sources of a new business funding?

(6) Explain the roles of funding institutions in Nigeria

Unit 3:

(4) How does Management By Objectives (MBO) work in a small business operation?

(5) What are the basic elements of Management by Objectives?

(6) What are the general and specific problems of business enterprises?

Unit 4:

(3) Why is the understanding of business behavior and character important to a new entrepreneur?

(4) Why is the understanding of business behavior and character important to a new entrepreneur?

(5) Why is timetable important in a business planning

Unit 5:

(5) Distinguish between salaried employment and entrepreneurship

(6) What are the problems associated with salaried employment in Nigeria?

(7) What are the advantages of entrepreneurship?

(8) What are general problems of growth and failure in small business in Nigeria?