



UNESCO-NIGERIA TECHNICAL &
VOCATIONAL EDUCATION



REVITALISATION PROJECT-PHASE II

**NATIONAL DIPLOMA IN
BUSINESS ADMINISTRATION AND MANAGEMENT**



PRACTICE OF ENTREPRENEURSHIP

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THEORY

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WEEK 1

1.0 THE ROLES OF ENTREPRENEURSHIP IN THE DEVELOPMENT OF THE ECONOMY.

OBJECTIVES.

By the end of this week, the student should be able to:

	1. Define entrepreneurship and entrepreneur
	2. Identify entrepreneurial traits
	3. Explain the vision postures of an entrepreneur
	4. Identify the features of a vision
	5. Explain the different ways of creating vision

1.0 Introduction.

Activities and situations in life are many and varied. These situations change over time and according to location. In any situation, there is always something that can be done to alleviate problems. The main objective is to recognize that utilizing entrepreneurship in all situations is a beneficial approach both at individual and society levels.

1.1 Scope of Entrepreneurship.

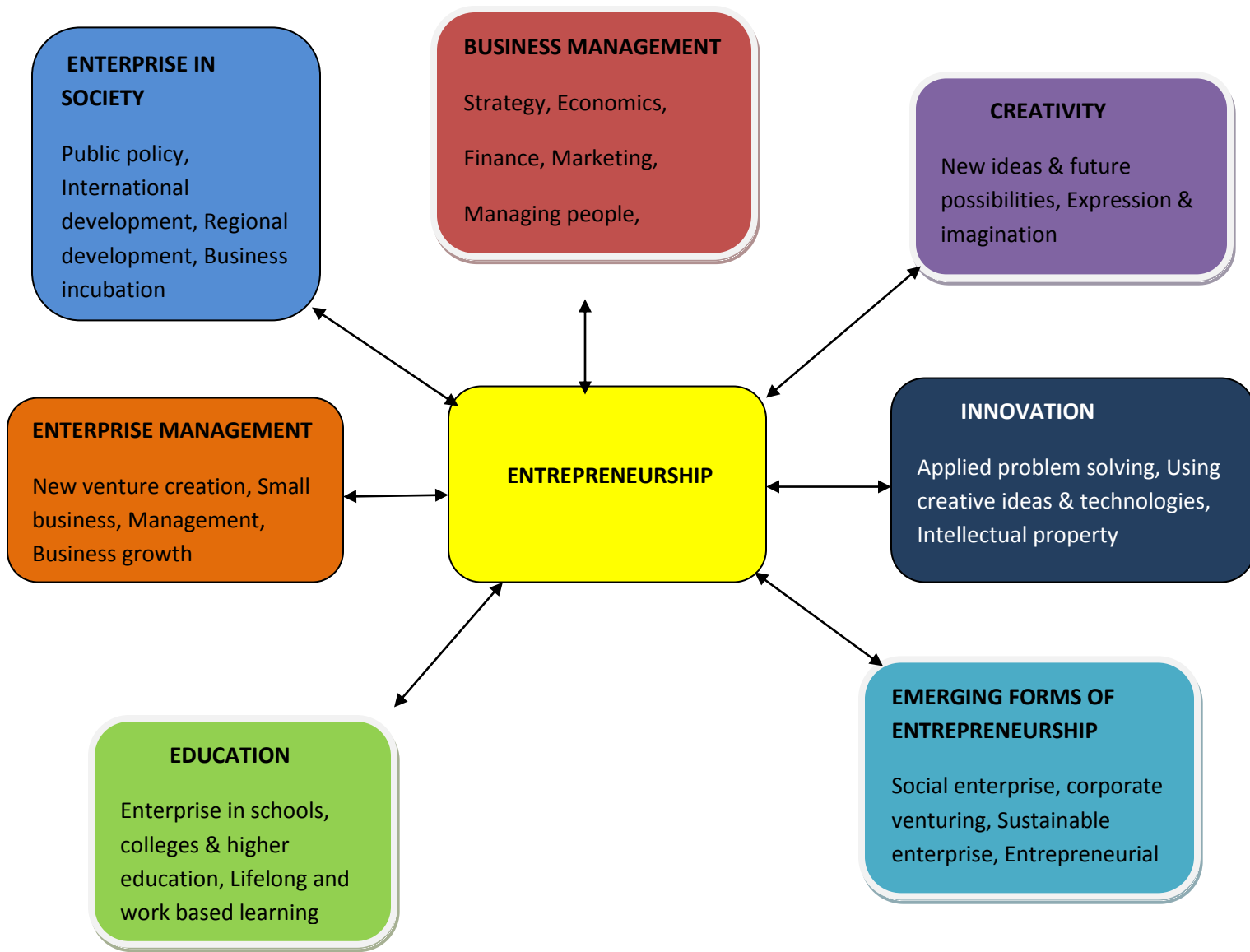
Entrepreneurship can be defined as “the willingness and ability of an individual or group of persons to search for investment opportunities, establish and run a business unit successfully.”

Entrepreneurship as a concept has a lot to do with how several activities are carried out in an organization for effective operations, for example:-

- a. To identify business opportunities
- b. To make choice of business opportunities
- c. To decide on the form of business organization
- d. Selection and blending of the enterprise resources for maximum utilization
- e. Good leadership, motivation of employees, coordination and monitoring.
- f. Assumes risk of different dimensions, etc.

Entrepreneurship can also be defined as “the process of generating ideas and venturing into business risks created by dynamic, environment and making the best of opportunities for profit purpose.” Entrepreneurship connotes action rather than static events. It involves taking action necessary to analyze business opportunities to launch and/or grow a business, to finance the venture and possibly to harvest it.

Fig 1.1 Locating Entrepreneurship as a subject.



Entrepreneur

For the purpose of this course, an entrepreneur can be defined as action oriented and highly motivated individual who has the ability to see and evaluate business opportunities, to gather the necessary resources, to take advantage of them, to initiate appropriate action, to ensure success and to take risks to achieve goals.

An entrepreneur may be also defined as a creative thinker, an innovator, who volunteers to take risk and invest money. In the process, he creates jobs, solves problems, adds value and seeks excellence.



He or she is known as one who assumes the responsibility and the risk for a business with the expectation of making a profit. The entrepreneur generally decides on the product, acquires the facilities and brings together the labour force, capital and production materials. If the business succeeds, the entrepreneur reaps the reward of profits, if it fails, he or she takes the loss.

An entrepreneur is also seen as an individual who creates some sort of innovative economic activity that did not previously exist. He or she provides goods and services through new businesses or by attempting to revitalize existing businesses, and thereby, make good out of any necessary situation.

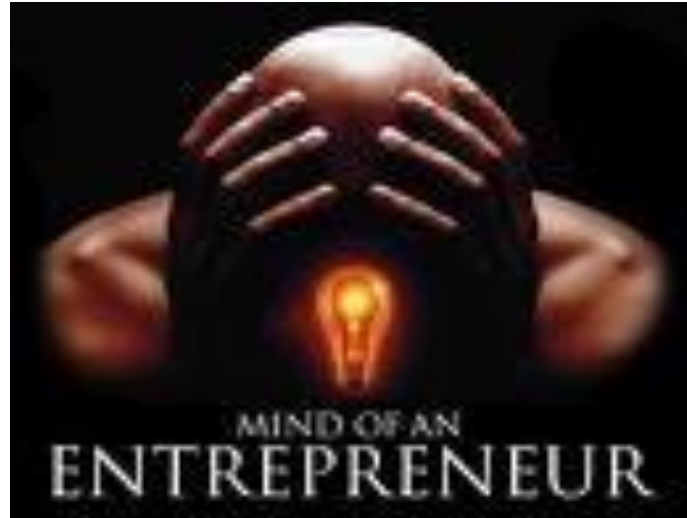
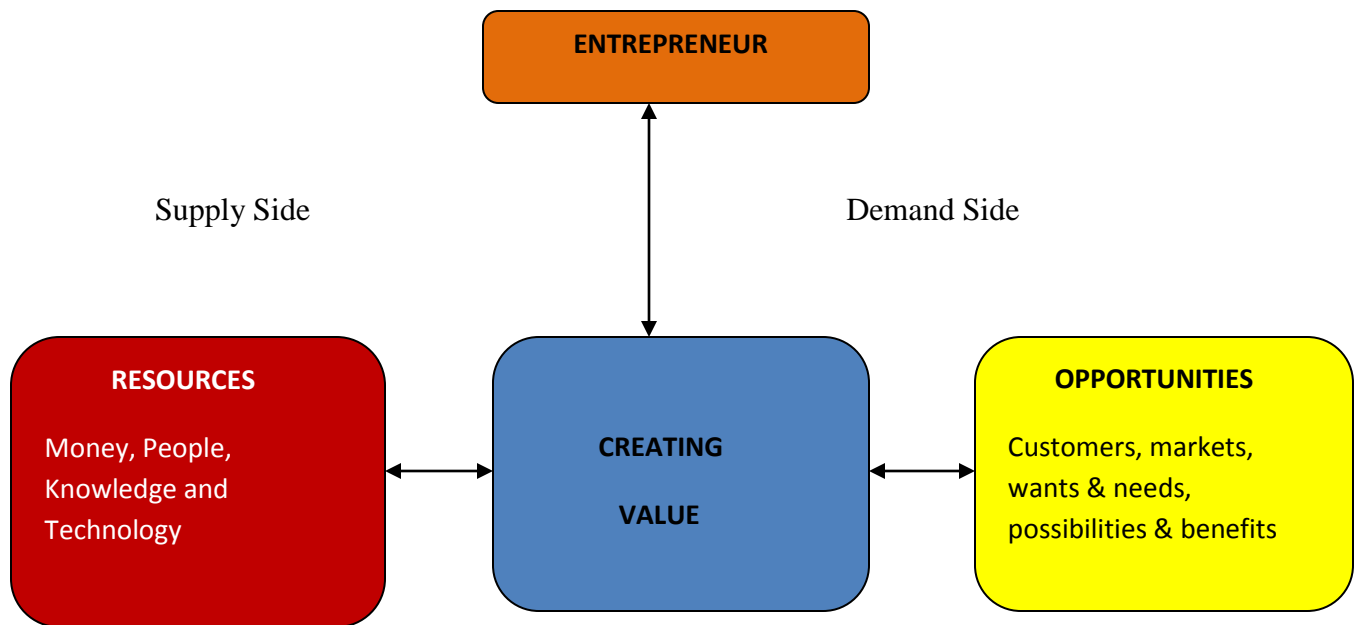


Fig 1.2 The Entrepreneur: creating new value by connecting demand and supply



Examples of entrepreneurs are:

- Printers

- Photographers
- Yoghurt manufacturers
- Food and drinks producers
- Tailors
- Repairers
- Brokers

Discussion 1.1

- 1. Define entrepreneurship and an entrepreneur.**
- 2. Mention any five famous entrepreneurs in Nigeria.**



1.2 Entrepreneurial Traits

There are several character traits that are common to successful entrepreneurs,
viz:

- Goal oriented
- Self confident
- Hardworking



- Persistent
- Demonstrate initiative
- Cops with uncertainty
- Profit oriented
- Builds for the future
- Motivator, negotiator, marketer, researcher etc
- Possesses originality, innovativeness and creativity
- Committed and dedicated
- Willing to take risk etc

Hardworking: This involves the ability to work for long hours when necessary, to work intensely and cope with less than normal hours of sleep.

This is so because running a business requires a lot of energy and drive.

Builds for the future: The goal for most successful business people is to build a secured job and income for themselves which is based on their abilities. Entrepreneurs understand that it may take several years to build up business income to a reasonable standard.

Self confident: Entrepreneurs believe in themselves and in their ability to achieve goals. This is often shown by a belief that if you want something and are prepared to work for it, you will get it.

Profit oriented: Entrepreneurs view money and financial security as a measure of accomplishment and piece of mind. They have interest in generating money and once profits are generated, decisions are made as to how the profits can be used to expand the business or for personal use.

Persistent: They persist in problem solving, take risks, learn from failures, accept personal responsibility and use all available resources to achieve their success. They do not see non see non successes as failures, but as learning experiences. Most of all, they never give up and never quit striving for success.

Goal oriented: Success in business depends upon being able to set realistic goals or targets and to work with determination to achieve them. They have the motivation to achieve success and accomplish all the activities they engage in.

Discussion 1.2

1. List the qualities/traits of an entrepreneur.

2. How entrepreneurial are you?



1.3 The Entrepreneur as a Business Visionary.

Visioning is the ability to see beyond our present reality. It is the ability to create or invent what does not exist; it is the ability to become what we are not (Umoh, 1997:14). Today's business is driven by vision. Vision is an over-riding idea of what the enterprise is trying to become or what it should be, the entrepreneur's vision is what he wants his enterprise to become. It should be motivational, inspirational and shared by all members of the enterprise that helps them feel proud, inspired, excited and part of something much bigger than themselves. The vision gives shape and direction to the entrepreneur's future. Example: to be the best in what we are doing. To be something of choice etc.

There are 3 visioning postures, the entrepreneur can choose to pursue or maintain depending on the circumstances of the enterprise and far-sightedness of the entrepreneur, they are:

1. **Reactor posture:** this is a visioning posture of waiting for problems to occur before attempting to problems and prepares for eventuality before problems occur.
2. **Proactive posture:** this is the visioning posture as the entrepreneur does not wait for specific trigger but conducts continual search for business opportunities to

exploit. The proactive posture is the posture a visionary entrepreneur should maintain and pursue.

3. Solve them.
4. **Planner posture:** this is the visioning posture of an entrepreneur that anticipates

Features of a business vision.

1. Vision clarifies purpose and identifies activities the firm intends to pursue.
2. It sets forth long-term direction.
3. Empowers the entrepreneur to perform beyond his resources.
4. It bonds people together.
5. It becomes the constitution or criteria for decision-making.
6. It gives a sense of unity of purpose and provides great strength in times of uncertainty.
7. It provides big picture perspective of who we are, what we do and where we are going.

Creation of business vision.

Business vision may be created in any of the following ways:

1. **Mere dream of the entrepreneur:** most visions reflect the dream of the founder. The entrepreneur just charts out an idea, focus or vision for the firm and all members of the firm are compelled to share the vision and work for its fulfillment.

2. **Innovations and inventions:** a firm may develop a new idea, product or service which did not previously exist. Such innovation, invention or patent can ignite or chart out a vision for the firm as it will clarify purpose and give direction to the enterprise. Also , the desire to avoid product obsolescence and adapt to innovative change can create a vision for the firm.
3. **Identification of opportunities:** in the process of scanning the external environment of the entrepreneur, he may discover business opportunity presented by the environment to the entrepreneur. An attempt to exploit the opportunity may create a new vision for the entrepreneur to pursue. However, a business vision is created when opportunity coincides with the entrepreneur's preparedness to exploit them.
4. **Awareness of strength:** in the process of accessing the entrepreneur's internal environment, he may discover the possession of certain competencies (resources and capabilities) which it had and were not previously utilized. Such discovery can propel the entrepreneur into charting out a new vision for the firm to pursue.

Discussion 1.3

1. **What is vision?**
2. **List any four features of a vision.**



SUMMARY.

- Entrepreneurship is defined as the willingness and ability of an individual or group of persons to search for investment opportunities; establish and run a business successfully.
- An entrepreneur is defined as a creative thinker, an innovator, who volunteers to take risk and invest money.
- E.g. of entrepreneurs are: photographers, Caterers, Tailors, Brokers etc.
- An entrepreneur possesses the following qualities, viz:
Goal oriented, persistent, hardworking, self confident, willing to take moderate risk, etc.
- Visioning is the ability to see beyond our present reality. It is the ability to create or invest what does not exist or to become what we are not
- The main visioning postures are reactor posture, planner, posture and proactive posture.
- Some of the features of a business are:
 - * Vision clarifies purpose and identifies activities the firm intends to pursue.
 - * It sets forth long-term directives
 - * It empowers the entrepreneur to perform beyond his resources.

Questions



1. Differentiate between entrepreneurship and entrepreneur.
2. Identify and explain the types of vision postures of an entrepreneur.

Activity 1.1

Go and speak with a local business person and ask them what they think are the important qualities for running a business, compare these comments with your own ideas.







WEEK 2

2.1 CONSEQUENCES OF OVER- RELIANCE ON WAGE

EMPLOYMENT.

OBJECTIVES.

By the end of this week, the student should be able to:

	1. Define wage-employment and self-employment.
	2. Identify the dangers of over-reliance on wage-employment.
	Explain the advantages of self- employment.
	Explain the roles of entrepreneurship in the development of the economy.

Introduction

Wage employment is a situation where a person called a servant is employed by an employer called master under a contract of service to do work for the master and in which the servant is under his control and direction. The servant is always provided with tools to do the work and directed on how the work should be done. And the master pays him salary usually at the end of every month.

There are many graduates of various disciplines who are seeking for jobs in the Nigerian labour market and the labour market no longer has enough jobs for them. Even the few that are employed also face many challenges. Some of the consequences of over reliance on wage employment are:

- Lack of job security
- Fixed small income

- Lack of independence and freedom
- Lack of initiative
- High rate of crime in the society
- High rate of rural urban migration
- Human trafficking/prostitution/death
- Regional crises
- Lack of creativity

Lack of job security: The wage earner can lose his job anytime. There is no assurance that the employer will continue to employ him. This situation can lead to frustration and poverty where the job is the only source of income for the family.

Fixed small income: The income of the wage earner is fixed and small when compared with what successful entrepreneurs earn from their business. The income cannot adequately take care of an average family in Nigeria as there are so many needs to be met.

Lack of independence and freedom: There is no independence and freedom as the wage earner is under the control and direction of his master. The employer can transfer or redeploys him anytime. The wage earner has no time of his own, except when he is on leave.

A wage earner lacks creativity and initiative as he is always engaged in the same kind of duty and has no much time to think.

Over- reliance on wage employment has resulted in youth restiveness in some regions of the nation and some have decided to engage in armed robbery, since they could not get employment from the labour market.

Over reliance has also led to some evil acts like human trafficking, prostitution etc. there is also mass exodus of youths from the rural areas to the urban cities in search of jobs and this has led to neglect of the agricultural sector and other lucrative businesses.

Discussion 1.1

1. Define wage-employment.

2. Mention any three dangers of over-reliance on wage-employment.



2.2 The advantages of self-employment.

The serious threats of graduate unemployment in Nigeria today has now led to the need for graduates and non graduates alike to seek avenues for self employment.

Self-employment is a situation whereby one becomes an entrepreneur in small scale business takes the risk of uncertainty and also becomes a master who employs others rather being a servant who is on wage employment.

Some of the advantages of self employment are:

- It creates a sense of fulfillment and satisfaction
- It inculcates a sense of independence
- It encourages initiation and creativity
- It creates employment for others
- It is an opportunity for higher income and status
- The entrepreneur leads rather than follows

2.3 *Roles of entrepreneurship in the development of the economy*

It is generally accepted that entrepreneurs play a key role in business than the private sector as a result of the advantages of self employment. The following are some of the roles of entrepreneurship in the development of the economy.

- a. ***Products and services:*** The fundamental economic function of business is to make and distribute the products and services that people want. Business entrepreneurs fulfill the role both to discover consumer demands and to do whatever is required to satisfy them.



- b. **Employment:** Entrepreneurs are the major providers of real jobs, that is employment for people who need and want to work. The level of gainful employment is crucial to a nation's well being.



- c. **Income wages, salaries and profits:** Through its employment creation business provides an income base to its stakeholders in terms of salaries, wages, profits and taxes. The task of business to enable the earning of wages, salaries and profits is of crucial importance in order to pay taxes and to

provide disposable income to finance consumer spending and savings (investment capital)

- d. ***Provision of social services:*** Social institutions and services are provided for by the taxes on the incomes of individuals and businesses. E.g. social amenities, security etc.
- e. ***Investment in productive assets:*** A business needs capital investments to create productive capacity, innovative technology, modernization and the expansion of its productive assets. This is generated through retained profits, borrowings or through sale of equity.
- f. ***National well being:*** Most of the capital goods, commercial and social services as well as technological knowhow required to satisfy our needs come from business activity, i.e. through economic development of privately owned resources.
- g. It changes and rejuvenates market competition. Entrepreneurs stir up the water o competition in the local and international market place. Entrepreneurs are called agents of change in a market economy, because they see environmental change as an opportunity and the use of factors of production to produce goods and services, etc.

Discussion 1.2

1. What do you understand by self-employment?
2. List the advantages of self-employment.



SUMMARY.

Questions



1. Explain the advantages of self-employment.
2. What are the consequences of over-reliance on wage-employment?

Activity 1.1






In groups of five students, identify a successful entrepreneur in your community and interview him/her on location and development of local industry.



WEEK 3

3.0 THE LEVELS OF ASPIRATION, PERSEVERANCE AND EFFICIENCY OF AN ENTREPRENEUR.

OBJECTIVES.

	1. explain aspiration, perseverance and personal efficiency of an entrepreneur
	2. distinguish between innovation and creativity
	3. the sources of acquiring information by an entrepreneur
	4. explain business risks and remedies
	

- **Introduction**

This week explores the roles of creative thinking and innovation in generating ideas and building them to form opportunities.

Entrepreneurial opportunities require both creativity and innovation to progress from idea to solution.

Information on different issues and fields is an input for being innovative entrepreneurs that place great value on information and are always alert and constantly engaging in research.

Business world is always full of hazards. It is possible to have the result of years of hard work lost by a single fire, theft or accident. Most entrepreneurs suffer losses due to certain occurrences as a result of their ignorance.

The various risks that face small business owners (entrepreneurs) can be minimized or put under check. The major asset that can be used to minimize risk in small business is **SOUND MANAGEMENT.**

3.1 Aspiration, Perseverance and Personal Efficiency of an Entrepreneur.

✚ Aspiration:

This means having a strong desire to achieve something noble. You have the motivation to achieve success and accomplish all the activities you engage in. Your attitude and perceptiveness enable you to work towards acceptable results whenever you set to do something. This approach enables you to work harder than the ordinary man or woman working hard, but also in a smart way, is key in entrepreneurship.

✚ Perseverance:

To persevere is to continue firmly in spite of difficulties. It is a continual steady effort made to fulfill some purpose. There are many challenges to be faced when trying to set up an enterprise. To ultimately realize enterprise that will provide you with the rewards you desire, the ability to keep on track despite the many challenges along the way is crucial. Patience, persistence and confidence are

some of the attitudes you will need to adopt, to enable you to endure the physical and mental challenges you may encounter.

Personal Efficiency:

This is to be able to work well, quickly and without waste. It is to produce the desired result. You are convinced that, to gain satisfying rewards. Tasks have to be well executed and completed on time. Efficiency, effectiveness and time management are important aspects that enable you to complete tasks. Being able to focus on results helps you to concentrate on whatever you set out to do.

Creativity is the ability to process information in such a way that the result is new, original and meaningful. It involves new ideas and the capability of the entrepreneur to do something in a new way that nobody has thought of.

Innovation is the ability to apply new ideas that will enable you to undertake activities differently. Through individual initiative, imagination, intuition and insight, you will be able to change things around or devise ways of doing things to accommodate whatever new situation you may find yourself in.

Innovation involves doing old things in a new way or modifying existing things to overcome known shortcomings or disadvantages e.g. devising a means of saving

effort or energy (use yam pounder, pressure cooker, tomapep) or reducing costs (leasing);

Invention has to do with creating totally new products and services. This is difficult to achieve, as successful new inventions are few. But when they occur and are successful, they cause fundamental changes in a way of doing things and of living.

Information on different issues and fields is an important input for being innovative. Entrepreneurs therefore place great value on information and are always alert and constantly engaging in research.

Discussion 1.1

1. explain the following terms; aspiration, perseverance, personal efficiency, creativity, innovation and invention

2. when have you used creative skills to invent or do new things?



3.2 The process of acquiring information.

Almost every day of our life, we receive and process information. You have to decide where to look, what to search for and what to accept. Evaluating sources of information is an important skill you need all the time. Learning how to evaluate effectively is a skill you need in operating an enterprise.

Information is a processed data. It can be defined as “facts or details about somebody or something”. There are a lot of innovations and need to scout ahead and create markets.

Venture idea generation.

A venture is a new business undertaking. Venture idea is an abstract resource that when surveyed or investigated, screened and developed gives birth to new product(s) or service(s). When an idea is generated about a particular business, it is evaluated and tested for reality and profitability.

Sources of venture idea generation.

Business ideas can be generated from several sources viz:

- **Primary Sources:** When the idea is first conceived by the entrepreneur (which could be through observation or brain storming).

- **Secondary Sources:** Are originated from customers, research and development, employees, competitors etc and these can be internal or external.

a. ***Internal Sources***

- i. **Consultants/Top Management Decision** – Consultant or top management can examine a business and recommend product ideas and adopt a strategic posture, assessing company product needs as well as market opportunities.
- ii. **Research and Development** – This is done to find out or create a need satisfying business. They develop a new product that can satisfy customer's needs or market requirement.

b. ***External Sources***

- i. **Customers:** An organization can learn of reigning products from their customers or its field representatives.
- ii. **Employees:** Sales personnel and advertising research personnel often create or suggest new product ideas which could be ventured into and create something out of them.
- iii. **Distributors:** They are often aware of customers' needs than producers themselves and they inform the sales force of customer's needs that are inadequately met.
- iv. **Competitors:** The marketing intelligence man of any organization monitors the products and performance of their competitor's product

which they can directly or indirectly initiate or competition will force them to find a way of improving the existing product or create new one to avoid product obsolescence.

- v. Trade associations/Periodicals: Trade association is organized by business men engaged in similar industries or occupations. These associations flourish in all countries of West Africa. They frequently publish quantitative information concerning production, sales process, wages, employment and other activities of the trade represented.
- vi. Magazines/Newspapers/Almanacs: These are either independent publishers or some of the major firms in a particular industry or profession. Many Newspapers in West Africa give extensive materials. Magazines and almanacs which are published by large organizations also give important statistical data useful for business.
- vii. Business and educational Organizations: There are many other business and educational organizations which publish useful statistical information. Example is; chambers of commerce, public corporations, banks business research bureau's of universities, etc. Frequently, some of the unpublished reports are available in these organizations.
- viii. Social Interaction: You might meet at work accidentally or deliberately through social interaction. It might be a social event linked to work or might be a personal social event. Developing your

conversational skills will help you to blend career net working with pleasure. Conversation in when you ask other people questions or vice-versa. It gives you some space and time to assess he situation and where you fit in for the information given

Other sources of information are: Books /general references like encyclopedias, dictionaries, workshops, seminars, etc.

Discussion 1.2

List any 3 internal sources and 3 external sources of acquiring information.



3.3 Risk and remedies in operating an enterprise.

A business world is full of hazards. It is possible to have the result of years of hard work lost by a single fire, theft or accident, or by the death or disability of the owner or a key employee or a major customer. Most entrepreneurs suffer losses due to certain occurrences as a result of their ignorance.

✚ What is risk?

Risk, means “the chance of loss, the degree of probability of loss and the amount of possible loss”. Risk can be defined as “the degree of uncertainty about the outcome of a management decision”.

There are two different kinds of risk, viz:

- ***Speculative Risk:*** This involves a chance of either profit or loss. It includes the chance a firm takes to make extra money by buying new machinery, acquiring more inventory and other decisions associated with relatively low probability of loss.
- ***Pure Risk:*** The threat of loss with no chance for profit e.g. threat of fire, theft or accident if such events occur, a company loses money, but if the events do not occur, the company gains nothing.
- The various risks that face small business owner (entrepreneur) can be minimized or put under check. Remember that the major asset you can use to minimize risk in small business is Sound Management.

Risks and remedies.

a. **The Loss of a Competitive Niche**

A competitor will attempt to gain your competitive niche, if the niche becomes profitable enough. You may discover that you are competing with the larger firms when the profit margin warrants their entry.

Remedy: This risk can be minimized by constantly looking for a new niche to keep your business as vigorous as it was at initiation. You should also welcome competition. It keeps you sharp. However, you must keep abreast of your competitors and ensure that you are still offering better goods and services. Ensure that you update your sales objectives.

b. Changes in Demand

The tastes of the consuming public are difficult to predict. Demand is altered by a number of uncertain factors. A single product firm may be look severe damaged when faced with a decline in demand for that product.

Remedy: You must be constantly aware of what is occurring in your market. A constant re- evaluation of the factors of the business plan is extremely important. Do not deny reality, if demand for your product is changing, change with it. Do not say that the change does not exist.

c. Damage to the business

This category covers such areas as natural disasters, theft, fraud, vandalism and carelessness shop – lifting and employee pilferage are constant problems. Wind, storms, rain, flood and lightening are all damaging disasters. Many instances of damage are simply the result of carelessness.

Glasses are dropped, equipment is broken and displays are ruined. These things may happen as a result of customer, employee, or your own carelessness.

Remedy: Insurance is the key protection for disaster remedy that because of inflation you may not be able to replace your assets at their initial cost. A yearly re- evaluation of insurance is a necessity to minimize this risk. Risk can be reduced through the co-operation of managers and employees.

First, you should be organized to allow an orderly succession of management . There should be someone who can move into every position to ensure that the basic functions are routine performed job. Description can also aid.

d. Improper financial planning.

This has been noted by almost everyone concerned with small businesses as a primary problem. An inability to predict cash flows and cash equipments can create serious problems. This is particularly true when there is no large “buffer” of cash in the firm.

Remedy: It is imperative that carefully formulated Performa statements are established and utilized.

e. Liability of the business

The risk always exist that a legal action will be taken against the firm, such suits may be from your present or past employees. Customers who feel that you have failed to fulfill their contracts can as well take up a legal action against you. In all these cases, you need competent legal advice since any of them may have to be settled in the court.

Remedy: carefully attention to current regulation is needed in this area. Also, insurance can be number of this risk. Insurance is the amour, individuals, businesses and non – profit organizations use to protect themselves from various financial ricks.

For example, the use of mirrors, video cameras and other device to prevent shop lifting or the use of water sprinklers and smoke detectors to minimized fire loss.

f. Out- of- date management

Management obsolescence is a constant problems facing the small business owner, particularly in businesses that change rapidly, managers can became out – dated in both management techniques and the technical aspects of their businesses.

Remedy: Remedy no guaranteed method to avoid your own obsolescence; however, there are precautions that you can take.

- Subscribe to and read at least two journals in your particular field.
- Subscribe to and read a management journal aimed at the operating manager.
- Attend one meeting a year that will put you in contact with individual in your business. From one meeting, you can get a multitude of ideas; new ideas gained from such gathering of could be so innovative.

g. Death of key individuals

A number of organization s grows in size, but remain a “ one man company”. The majority of contracts and operating produces are all rested in a single individual , e.g. hospital medical director, should something happen to this “ key “ person, the firm would suffer irreparable damage.

Remedy: There are two ways of protecting your business from the traumatic experience of losing a key individual.



SUMMARY.

- Aspiration means having a strong desire to achieve something noble.
- Perseverance is a continued steady effort made to fulfill some purpose.
- Personal efficiency is to be able to work well, quickly and without waste.

- Creativity is the ability to process information in such a way that the result is new, original and meaningful.
- Innovation is the ability to apply new ideas that will enable you to undertake activities differently.
- Invention has to do with creating totally new products and services.
- Information on different issues and fields is an important input for being innovative.
- The main sources of generating information are primary and secondary sources.
- Risk can be defined as “the degree of uncertainty about the outcome of a management decision”.
- Speculative risk involves a chance of either profit or loss.
- Pure risk is the threat of loss with no chance for profit.
- E.g. of business risks are:
 - * Loss of a competitive niche.
 - * Changes in demand
 - * Damage to the business.
 - * Improper financial planning, etc.

Questions



1. Explain some common business risks and their possible remedies.

Activity 1.2

To what extent are you a creative thinker?

Agree Disagree

1 I have an open mind on most affairs		<input type="checkbox"/>	<input type="checkbox"/>
2 I am flexible in my thinking	<input type="checkbox"/>	<input type="checkbox"/>	
3 I am generally optimistic		<input type="checkbox"/>	<input type="checkbox"/>
4 My thinking is solution-oriented rather than problem-oriented		<input type="checkbox"/>	<input type="checkbox"/>
5 I generally suspend judgement until all the facts have been collected and analysed		<input type="checkbox"/>	<input type="checkbox"/>
6 I avoid attachment to one idea		<input type="checkbox"/>	<input type="checkbox"/>
7 I do not take it personally if someone holds a different opinion from yours		<input type="checkbox"/>	<input type="checkbox"/>
8 I do not make a habit of justifying being exactly as I am		<input type="checkbox"/>	<input type="checkbox"/>

Now total your number of Agrees and Disagrees:

Who in your group got the most Agrees and Disagrees? Discuss.






PS: No one is perfect!



WEEK 4

4.0 EVALUATION OF ENTERPRISE RESOURCES.

OBJECTIVES.

	1. Identify the main resources of a business.
	2. Evaluate a project considering its resources; time, equipment, human, money etc.
	3. Demonstrate leadership skills in mobilizing resources.
	4. Explain internal and external constraints of an entrepreneur and problem solving techniques.
	5. Explain the spirit of achievement motivation test (A.M.T)

- **Introduction**

Entrepreneurs use human and economic resources to help them to implement their ideas. Economic resources include money, equipment human resources include, energy, skills, knowledge and time.

4.1 RESOURCES

- **Economic resources**

(a) **Money:-** Money is necessary to obtain goods and services that an entrepreneur wants. A major way in which money is obtained employment. The real value of money can be measured in what necessities, wants and security it will, provide for the



future, other sources of funds are family, friends/relations, loans from banks, etc.

(b) **Materials:-** Determination of the future raw materials requirement of your product line is very important, and government policy is more supportive to business and industries that their raw materials are locally sourced than those depending on import for their input. They help identify possible sources of raw materials required for your product. A survey of all relevant natural resources available in the immediate environment of production should be carried out and necessary services available.

(c) **Machinery and equipment:-** Useful equipment may be as simple as a small knife or a paper clip. It may be a telephone installed by the telephone company, a microwave oven with digital electronic controls, or a pocket computer. The value of any equipment depends on the efficiency with which it is used. The entrepreneur must investigate the technical / technological requirement of the product. You have to scan the environment to see if the goods / services is available locally. The following sources can offer useful information.

- Research institutes such as fed, institute of industrial research, Oshodi (FIIRO).
- Projects development institute (PRODA)
- Trade missions and embassies
- Magazines and trade journal, etc.
-

✚ Human Resources

(a) **Energy:** - Good health is essential to maintaining a high energy level. Adequate nutrition, rest and exercise are basic necessities. Personal attitudes also have a strong influence on an individual's energy supply. People attitude and goals to motivate them.

(b) **Skills:-** The entrepreneur should determine the level of skilled, semi-skilled and unskilled labour required for the manufacture of the product. The environment can be scanned for selecting the appropriate combination of skills required. E.g. graduates of universities, polytechnics and technical colleges.

Skills are developed when a person learns how to do a task competently. There are several types of skills: practical everyday skills such as writing legibly or doing household chores, vocational skills that enable a person to do a particular job, and recreational skills like dancing, painting, or sport. You can enhance adequately developing the skills.



(c) **Knowledge:** - A real best for life and an active curiosity stimulate learning. Reading, observing and listening are ways of staying in the main stream of life.

Each individual must take responsibility for acquiring a certain amount of knowledge by developing communication and listening.



(d) Time: - Time is a unique resource. Everyone has the same amount (24 hours a day and 168 hours each week). Any effective entrepreneur or manager needs to know that “the unique difference between success and failure is time”. Time is a very precious asset which cannot be stored and cannot be recouped. Time is being referred to as the limiting factor for effective executives; you cannot rent, hire, buy or otherwise obtain more time.

A large portion of time is taken up by daily activities like eating, sleeping, school, work and hygiene. The remaining and special interest that provide satisfaction. If we really know our mission, we will be able to set priorities so that we can plan, organize implement and control.

Discussion 1.1

- 1. What are the main resources of a business?**
- 2. List the leadership qualities of an entrepreneur.**



4.2 Leadership Skills in mobilizing resources.

Some business subsists, while others grow. Some businesses barly survive, while other continually expands. Management Leadership makes the difference. To ensure organizational success, strong leadership is necessary because leadership styles or the general behavior of the leader effects employee motivation.

Almost every one would agree that an essential part of being an effective leader is the ability to influence other people. A leader should have a vision, idea or objectives that show followers where they should be headed. Allan (1999) defined leadership as ‘a process whereby one or more persons exert influence over the members of a group. According to sheers (1999), leadership is defined as when a person can influence others to do something at their own violation, instead of ding something because it required or because they fear the consequence of non-compliance.

Effective leadership can then be seen as the possession of ability that can ensure follower ship towards the attainment of a common or desired objective. A leader is any one in a group or an organization that can galvanize the effort and commitment of other members towards the actualization vision or mission. Not all leaser are mangers, not all managers are leaders. Therefore, for manager to record unusual success, he must be a leader-manger, that is, possess leadership qualities.

Qualities of a good leader.

The essential attributes of a good Leader are as follows:

1. **Energy:** A good leader should be energetic and not weak person. A capacity to performing a wide field of activities appears necessary for leadership. Both mental and physical energy are required.

- ii. **Emotional stability:** a leader must be emotionally compact and not easily irritated. An effective leader is free from bias, he is consistent in his action and refrains from the use of anger, that is, not easily provoked.

- iii. **Knowledge of Human Relation:** A leader needs to know as much as possible about human behavior, that is, how human beings behave. He must persuade others who are involved with business to gain their support, and so, to be successful.

- iv. **Capacity:** this is the ability to look at things objectively and also understanding them from others' point of view. A leader listens carefully to everyone connected with the business, and translates comments into actions. He always investigates reasons for both new and lost customers.

- V. **Personal Motivation:** The desire for leadership must come from within an individual. Successful leaders are doers. They make no excuses, and they do not blame others. They take risks and live with their uncertainty.

- Vi. **Communication Skill:** A leader must be able to talk and write clearly, forcefully and in languages understandable to his subordinates.

Vii. **Objectivity:** A leader is objective in relationship with others. He seeks factual evidence and causes for behavior

Vii **Persistence:** the effective leader keeps trying until the right combination occurs. The same mistakes are not made twice. He has the ability to continually look for new methods, products or approaches.

An entrepreneur as a leader must possess some of these qualities to be able to mobilize the three main resources of a business, via, financial, human and material,

He needs to mobilize sufficient finances to initiate operations. His innovative qualities are expected to help with finding finances, human and material resources.

Loans obtained from banks will involve repayment with interest. An entrepreneur should investigate as many sources of funding as possible in order to secure the best terms and conditions for repayment. This means, 'shopping around' for the most favorable interest rate.

He should identify the work that needs to be done and determine the professional profile of the person(s) to do the work. Material needs should easily be available at reasonable process. He should remember that, transporting material over long distances is expensive and not always reliable.

As a leader, he must be responsive to feedback, both good and bad. The successful business owner listens objectively, decided rationally and rarely argues to protect an ego.

4.3 Constraints of entrepreneurship and problems solving techniques.

Constraints of entrepreneurship

It generally accepted that the private sector is more cost effective and efficient in performing certain basic economic function than the public sector. Entrepreneur play a key role in business and private sector, most of the wealth in a society or nation is created by business activities.

However, Entrepreneurs are still confronted with a number of constraints or challenges. Some of these constraints include:

i. **Lack of adequate capital**

An Entrepreneur is severally limited in his ability to raise initial capital. This problem is compounded when the enterprise runs into growth problem, or operating difficulties and the entrepreneur attempts to raise additional finance in order to cope with expositions or crises situations.

ii. **Lack of experience in the line of business**

Every business undertaking requires its own peculiar skills, abilities and basic experience. Most small business owners that have excelled had prior experience in their lines of business.

iii. **Lack of skilled Employees**

Most employees of small scale business are relation of the owners. These employees are not usually experts or skillful in the business line, but because the small business owners cannot afford to pay skilled workers, they use these unskilled or semi-skilled employees.

Apart from the low wages and salaries paid by small business owners, which may be unattractive to skilled worker, other factors include, lack of job security, poor owner – manager behavior, lack of opportunity for career development and compensatory benefit such as retirement benefits.

iv. **Inadequacy of infrastructural facilities**

Infrastructural facilities such as good roads and electricity are necessary facilities for business growth and profitability. Good roads will not only encourage people to patronize a business, but will equally reduce cost of transportation and carriage of raw materials and finished goods to retailers and sales outlets.

In the same way, regular supply of electricity can enhance maximum satisfaction of customers and reduction of operating costs such as diesel or any other fueling cost.

In Nigeria, most small businesses are located in remote places that have bad roads. The supply of electricity is irregular in most of these places. All these problems do not only increase operating costs but equally affect patronage adversely.

v. **Natural disaster**

A natural disaster is any occurrence that is external to a business, therefore cannot be controlled by business owners. These include thunder storm, flood or fire or sudden death of the owner, which can wipeout the enterprise. In Nigeria, crises in a town or city usually result in aggrieved youths burning and destroying both business assets and private property.

vi. **Poor competitive position**

The business environment especially the industry segment is becoming more competitive. Therefore to succeed, business must have good strategies and other

very potent tools needed to beat or meet competition. In order to compete successfully in the market, a firm must always train its worker, develop appropriate strategies, and introduce new products, sponsor marketing activities and pay worker well. All these require finance that a small business owner may not be able to afford.

Most of the products available in the market today were developed by small business. However, these new products or processes are always high-jacked by large-scale companies which subsequently make it difficult for small business to profit from their innovations. Those who own and operate their small business must recognize that changing economy, the new social structure and the new forms of competition. They must be prepared to respond accordingly, otherwise, they will out in the niche struggle.

Vii Higher direct costs

A small enterprise cannot buy raw material, machinery or supplies as cheaply as a large company, or obtain a large producer's economies of scale. So per unit production costs are usually higher for a small enterprise.

Viii Narrowed product line

The small firm is usually limited to a single or small product or service range, so that in times of trouble it cannot diversify activities as can large – scale enterprises. A small company is vulnerable if a new product doesn't catch on, if one of its markets is hit by a sharp recession or if an old product suddenly becomes obsolete.

There are dangers associated with over-reliance on a single product. For example, changes in weather or consumers' income can have adverse effects on a firm's sales. Change in government policy that results in non availability of a company's major raw

material and entrance of better- equipped competitor can bring down the sales of a company that relies on single product

ix. **Lack of creditability**

The public accepts a large company's products because its name is well known and usually respected. A small enterprise must struggle to prove itself each time it offers a new product or enters a new market. Its reputation and past success in the market place seldom carry weight.

x. **Change in government policies**

There are complex laws, regulations and government agencies and their actions which affect the formation and operation of enterprises. Some entrepreneurs or managers of small enterprises often find it difficult to understand and interpret government policies, regulations, actions, concessions, etc.

The extents to which the public creates price stability, tax fluctuations, booms and recession through fiscal and monetary polices (e.g. interest rates, reserves) affect the practice of entrepreneurship. Government control of the availability of credit through monetary policies and government tax/subsidy policy has considerably impact not only in business have considerable impact not only in business but also in non-business operations.

Problem solving techniques.

The small enterprise is a relative fragile structure with limited resources to over its problems. Even minor problem can be life threatening to the enterprise. To properly response to the differing entrepreneurial challenger, there must be active

involvement of stake- holders and business organizations. The government should take the necessary action in the strategic areas within their competence, at the best suited, local, state and national levels. The following are some problems solving techniques:

i. **Fuelling entrepreneurial mindsets**

There is need for better appreciation of entrepreneurs and greater awareness of a career as an entrepreneur. The government should, together with stakeholders under the open method of co-ordination, promote entrepreneurship , presenting role models and high-lighting the responsible behavior of many entrepreneurs who respect both today's and the future needs of our societies

To allow everyone to seize opportunities that mach their skills and ambitions, promotional activities should present different ways of being an entrepreneur (e.g. expansion – driven, craft, part-time or co-operative entrepreneur) and focus on different target groups.

ii. **Entrepreneurship education**

The entrepreneurship should stat from secondary school up to tertiary institution and at all level entrepreneurs' education in schools should be available for students and researchers from all fields. Matching scientific potential with entrepreneurial skills will contribute to better commercialization of research results.

iii. **Encouraging more people to become entrepreneurs**

To encourage more people to become entrepreneurs, there should be a possibility for registering a business quickly and cheaply, and also for a fairer balance between the risk taken and the potential rewards.

To alleviate the burden of risks, the government should, together with the stakeholder under the open method of co-ordination, continue to tackle the negative effect of business failure and start examining the options for entrepreneurs to ensure against personal risks in social security schemes.

iv. **Gearing entrepreneurs for growth and competitiveness**

The should keep promoting access to top class support and management training for entrepreneurs from all backgrounds, including groups with specific needs such as women and entrepreneurs from the rural areas. The government should also promote access to support for entrepreneurs from all backgrounds and in areas with low entrepreneurial performance through the structural funds

v. **Improving the row finance**

Access to finance is crucial for firms in various development phases. To help firms anticipate changes in the financial environment, the government should promote, with stakeholders, the availability of support for responding to more demanding risk assessments. There should be sufficient finance and grantees to finance all viable entrepreneurial ventures.

The government should give directives to banks to reduce interest rates on loans so that entrepreneurs can borrow on more favorable terms.

vi. **Creating a more SME – friendly regulatory and administrative framework**

A real reduction and implication on administrative and regulatory burdens is needed in relevant areas for business, such as taxation, employment, etc. policy makers should provide support for SMEs in regulating markets or protecting the public interest.

Government should promote business by stimulation economic expansion and ownership, control of imports purchasing goods and services from the business community.

There should be improvement in the activities of regulatory and facilitating agencies like SON, NAFDAC, FEPA, NAPEP, NACRDB, ITF, FIIRO, BOI, for the purpose of regulating business activities and enhancing successful existence of small business.

vii. **Provision for adequate infrastructural facilities**

Infrastructural facilities need by small business include: roads, land electricity and pipe- borne water supply. All these facilities are provided through heavy capital outlay and it is the government that are responsible for their provision as essential services should therefore, improve on the provision of these facilities, especially the electricity supply .

viii. **Acquisition of management skill and abilities**

Management skills and ability are necessary and fundamental factors for the success of any small business. Management is a complex task that requires necessary skills and ability for effective and efficient utilization of both human and physical resources of an organization. In order to achieve the basic goals and objectives of a business, its manager must possess not only relevant knowledge or basic qualifications, but some skills and abilities. These skills and abilities may include technical, human relations, arithmetic and grammatical and problem solving skills.

ix. **Use of modern technology**

Another source of success for a small business is the adoption of modern technology and scientific approach in solving managerial and business operational problem. The success of any small business can be enhanced through the use of modern machines and equipments, for production, marketing, communication, record-keeping, and data processing, e.g. Computer.

x. **Insurance for measurable risks**

All businesses are exposed to risks. Those risks that cannot be calculated in the event of occurrence are known as non-insurable risks. Measurable risks can be transferred to insurance companies through regular payment of a properly calculated premium. Therefore, to avert the death of a business or to avoid weakening a business health through such losses it is wise to insure against all form of business risks, such as, fire, theft, employees' accidents etc, that are measurable.

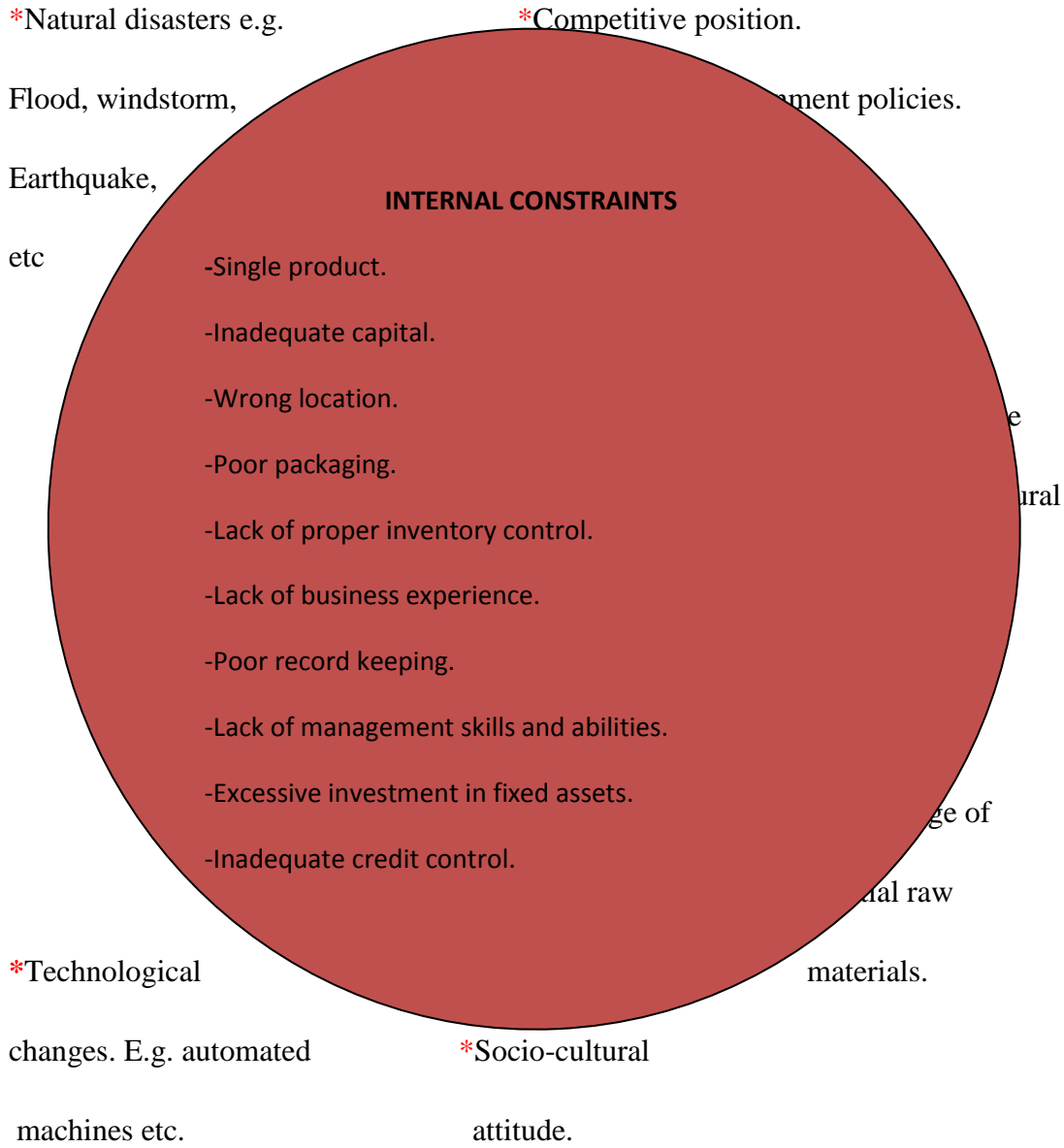
Discussion 1.2

1. Identify constraints of an entrepreneur and the techniques for solving the problems.



Example of internal and external constraints of an entrepreneur

EXTERNAL CONSTRAINTS.



4.4 Achievement Motivation as a Factor for Success.

The role played by achievement motivation in professional success is undisputed. Apart from employee intelligence, it is one of the most important characteristics determining an employee's performance, especially in job situations characterized by ample capacity for the use of individual initiative, the need for autonomous decision making, and minimal external constraints. Managerial positions and consultancy jobs are typical examples.

A detailed measurement of achievement motivation is especially useful in two areas of personnel work: for the selection of new employees, and as a starting point for individual further development. We have devoted many years of research work to examining both issues, developing a test process for measuring job-related achievement motivation, the [Achievement Motivation Test \(AMT\)](#), and a training program for improving achievement motivation.

Now what exactly do we mean by job-related achievement motivation? We understand the term to mean the striving by motivated employees of their own will to attain goals they have set themselves, making purposeful use of their resources in the process, and without the need for any external incentives. We distinguish 17 sub-dimensions in achievement motivation, each providing a differentiated view of the subject.

On the basis of this definition of job-related achievement motivation, we have developed the [Achievement Motivation Test \(AMT\)](#). The test is made up of 51 job-related statements that can be worked through in approx. 10 minutes and which then allow a reliable measurement of the construct of job-related achievement motivation.

The test has been normed using a large reference sample and is currently in practical application in a wide range of professional groups. We have therefore been able to derive typical achievement motivation profiles for various professional groups.

SUMMARY.

- Entrepreneurs use human and economic resources to help them to implement their ideas.
- Economic resources include; money, materials, machinery and equipment. Human resources include; energy, skills, knowledge and time.
- Entrepreneurs play a key role in business and private sectors and most of the wealth in a society or nation is created by business activities. However, entrepreneurs are still confronted with a number of constraints or challenges, viz;
 - * Lack of adequate capital.
 - * Inadequate infrastructural facilities.
 - * Natural disasters.
 - * Poor competitive position.
 - * Change in government policies, etc.

- Some of the problem solving techniques are;
 - * Entrepreneurial education.
 - * Improvement of financial support.
 - * Creating a more SME friendly regulatory and administrative framework.

Questions



1. Visit a successful enterprise and evaluate its resources - time, personnel, equipment materials, financial, etc and identify its contribution to the economy.
2. Visit a successful enterprise and identify its internal and external constraints and problems solving techniques.

Activity 1.1

Visit a successful enterprise and evaluate its resources; time, human, material, finance, etc and identify its contribution to the economy.



WEEK 5

5.0 THE VARIOUS INDUSTRIES AND SUPPORT AGENCIES IN NIGERIA.

OBJECTIVES.

	1. Explain an industry and support agencies
	2. Explain the nature & types of materials used in manufacturing and service industries
	3. Explain the types and sources of plants and machinery used in small-scale industries.
	4. Explain government participation in promoting entrepreneurship in Nigeria
	5. Identify support agencies and their contributions to the promotion of entrepreneurship in Nigeria.

Introduction

Business exist in different forms and sized A business can be undertaken on a small scale, medium scale or large scale basis.

5.1 Industries and support agencies.

Industry refers to manufacturing activity in general. This involves manufacturing of goods such as; steel, foods, footwear, rubber, textiles etc.

The National council on industry (2000) adopted the following as the new classification of small and medium enterprises (SMEs)

✚ **Micro/Cottage industry**

An industry with a total capital employed of at least N1.5 million, including working capital but excluding cost of land and or labor size of 11- 100 workers.

✚ **Small-Scale industry.**

An industry with a total capital employed of not more than 50million including working capital but excluding cost of land or a labor size of 11- 100

The National directorate of Employment (NDE) defines small-scale business to accommodate projects with capital investment as low as N5, 000 and employing as few as three persons

The enterprises promotion decree of 1989 as amended in 1994 defines small scale business and any enterprises set up to make the owner self employed and self-reliant e.g., business centers, mechanics, panel beaters and super market, etc

Small- scale enterprises, therefore is any business enterprise that is highly personalized, situated within a local area of operation which is relatively small in terms of size, employment, turnover and capital is actively managed by one or few persons for the purpose of making profit

Government participation in entrepreneurship in Nigeria should be seen as a blessing and a way of encouraging and stimulating the economy. Governments (Federal, state and local government) play three major roles in business activity these are; participatory, regulatory and facilitating roles.

1. **Participatory role:** the federal, state and local government directly participates in business through investment and management stake in different types of activities.
2. **Regulatory role:** to protect the interest and welfare of the general citizenry, preserve the environment and ensure fair dealing especially in competitive actions of business. Government interferes in the private sectors activities through some forms of regulatory measures.
3. **Facilitating role:** Governments, because of numerous advantages of business organization to the society, governments, other organizations and individuals, play major roles in ensuring healthy existence and smooth operations for them.

Different measures used by government used by government to regulate business includes:

- (a) Establishments of rules, regulations and laws that guide the establishment of business
- (b) Directing court action to correct offending firms
- (c) Establishment of numerous agencies to ensure safe quality products, minimum quality of work lives for employees and to ensure that firms comply with environmental protection regulations.

There are various industrial associations and support agencies that are involved in the promotion and development of entrepreneurship in Nigeria. They include the following:

- ❖ The National Association of Small scale Industries (NASSI)

- ❖ The National Association of Chamber of commerce, industries, mines and Agriculture (NACCIMA)
- ❖ The Manufacturer Association of Nigeria (MAN)
- ❖ The Nigerian Employment Consultative association (NECA)

Support Agencies

Several agencies are established for the purpose of regulating business, such regulation involves inspection of facilities, laboratory test of product, approval of facilities and product, etc.

These agencies include:

- ❖ Standard Organization of Nigeria (SON)
- ❖ National Agency for Food and Drug Administration and control (NAFDAC)
- ❖ National Drug Law Enforcement Agency (NDLEA)
- ❖ Federal Environmental Protection Agency (KEPA) and
- ❖ State Environmental Protection Agency (SEPA) e.g.
- ❖ Kaduna Environmental Protection agency (KEPA)

Some agencies that facilitate the establishment and successful existence of entrepreneurship are:

- ❖ Nigerian Agricultural co-operative and rural development Bank (NACDB)
- ❖ Nigerian Economic Reconstruction Fund (NERFUND)
- ❖ Nigerian Export Promotion Council (NEPC)
- ❖ The National Directorate of employment (NDE)

- ❖ Row Material Research and Development Council (RMRDC)
- ❖ The Industrial Development Centre (IDC)
- ❖ National poverty Eradication Program (NAPEP)
- ❖ The Industrial Training fund (ITF)
- ❖ The Centre for Industrial Research and Development (CIRD)
- ❖ Federal Institute of Industrial Research (FIIRO)
- ❖ Bank of industry (BOI)
- ❖ Small and Medium Enterprises Development Agency of Nigerian (SMEDAN)
- ❖ The Universities and Polytechnics
- ❖ United Nations Development Program (UNDP)
- ❖ United Nations Children’s Fund (UNICEF)
- ❖ United Nations Industrial Organization (UNIO)
- ❖ African Development Bank (ADB), etc.

Discussion 1.1,

Explain industry and support agencies



5.2 The nature and types of materials used in both manufacturing and service industries.

Organizations use a lot of funds in procuring materials rather called inventories. The firm’s ability to utilize and convert these materials into cash at a profit is very fundamental to its success. You should know that ‘stock is cash’; at least after

you have paid for it, and if, treat it with the same care, it will repay you just as much as if you had left the money earning interest elsewhere.

A major purpose in business is to have the right goods, at the right place and at the right time.

Manufacturing and service Industries.

Manufacturing is the changing of raw material obtained by workers from the extractive sector into finished products. Production is the process of converting raw materials (tangible goods) and intangible services into finished goods and services.

Production includes all activities involved in creating any valuable item whether tangible or intangible for the satisfaction of human need. It simply means that production is more than conversion of inputs into finished goods (manufacturing /but covers distribution and provision of other intangible services such as medical, consulting, counseling, teaching and personal services like barbing, dry-cleaning, etc.

Examples of small – scale manufacturing businesses are:

Soap/Cosmetic making, Block Industry, Drinks (pure water, yoghurts, juice, ice cream), paper mills (stationeries, books, toiletries), Textile mills, catering and confectionary (bakery, restaurant), livestock (poultry), fish production, Food production (yam, cassava, beans, vegetables, groundnut),


Examples of small –scale services are:


Business center (Photostatting, Computer typesetting, Scanning, Binding), Barbing/Hair dressing salon, printing press, Transporting, Electrical, Tailoring/Fashion designing, Dry-cleaning, Hospital, school, consultancy, etc.

PRODUCTION EXAMPLE


Manufacturing


Material and Chemicals

<p>Laundry Soap</p>	<p>Soup moulds, rubber bowls, bucket, mixing stick, measuring cup, caustic soda, palm kernel oil, soda ash, kaolin, S.T.P.P or sodium sulphate, silicate, colorant and perfume</p>
<p>Vaseline</p>	<p>Container or pot, spoon, stove, , or cooker, petroleum jelly, paraffin oil ad perfume</p>
<p>Batik</p> 	<p>Stove/cooker, pot, yam, paraffin, knife, Dunlop, cotton, material, snacks/ drinks - ingredients</p>
<p>Meat pie</p>	<p>Meat, Irish potatoes, carrot, Groundnut oil, pepper, onions, seasoning cubs, salt, nut</p>

<p>Yoghurt</p>	<p>meg, meat crusher, chopping board, pot, water, frying pan, etc.</p> <p>Powdered milk, already made yoghurt, sugar, water, bowl, cup.</p>
<p>Fruit Juice</p> 	<p>Citric acid, sugar, water, concentrate, bucket, stove/cooker, pot, cup and spoon</p>

Production

<p>g. Poultry (Chicken) Layers/Broiler</p> 	<p>Day-old chicken, Trough/Feeders, saw-dust, water, vaccines, egg-crates, basins, basket, etc.</p> <p>Service</p>
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	<p>Materials</p>
<p>Wood Lamination</p> <p>Shoes cobbling</p> <p>Laundry Services</p> <p>Hair dressing salon</p>	<p>Wooden frame, Crispy, leather, ply wood, paint, sandpaper, glue, painting brush, scissors, and picture.</p> <p>Shoe sole, Leather, Mara, Evulstic, scissors, ruler, Pencil, shoe pins, Hammer.</p> <p>Water, soap/detergent, buckets, basins, starch, pressing iron, table polythene bags,(white), Bleach.</p> <p>Dryers, rollers, Pins, combs, mirrors, shampoo, conditioner, hair, cream, Hair treatment, chairs, shelves, table, hose, buckets, towels, etc.</p> <p>Other examples are;</p> <p>Raw cotton - used for manufacture of textiles</p>

	<p>Clay - used to manufacture bricks, floor tiles and other ceramic products</p> <p>Lime stone - used in the manufacture of cement</p> <p>Iron ore - used for making iron rods, bars and sheets</p> <p>Services are; advertising, banking, households servants, medical services, legal services security services, insurance engineering, technicians, laborers, etc.</p>
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5.3 The types and sources of plants and machineries used in small-scale industries.

Most businesses, however small, need to acquire some assets. It is well worth it in the long run to give a great deal of thought and care to such purchases. The right type and size of plant and machinery should be selected depending on the type of production

Some types of plants and machineries in small scale industries are;

- Milling machines
- Grinding machines
- Binding machines
- Cameras

- Micro wave oven
- Mixers
- Dryers
- Vehicles
- Computers

- Video machines
- Calculators
- Handsets
- Laminating machines



- Scanning machines
- Electric/gas cookers
- Photocopiers
- Generators
- Tractors
- Harvesters
- Fire extinguishers
- Sewing machines



- Designing machines
- Water distillers
- Refrigerators
- Deep freezers
- Printers

Sources.

There are many sources of acquiring plants and machineries. The different sources have different financial implication for a businessman. It is necessary for a businessman to evaluate the alternative sources before acquiring any plant or machinery. Some sources are local or foreign, leasing or absolute ownership and hire purchase or credit arrangement. A business that is not financially strong may prefer leasing while a financial buoyant firm may avoid the harsh demands of hire purchase and buy the machine through cash.

The following sources can offer useful information on the plants and machineries requirement.

- Research institute as FHRO AND PRODA, etc.
- Centers for management development, industrial development centers, private consultants.
- Trade missions and embassies.
- Trade fairs and inventors exhibition.
- Similar industries.
- Magazines and trade journals

A businessman must keep check on his technology to keep abreast, or ahead of his competitors. Trade journals will have news of the latest processes or more revolutionary machinery. Business can be lost overnight if some one else is able to provide a more rapid turnover or a higher quality article at the same unit cost.

5.4 Contributions of support agencies in the promotion of entrepreneurship in Nigeria.

Government participation in entrepreneurship in Nigeria should be seen as a blessing and a way of encouraging and stimulating the economy. The government is committed to boosting entrepreneurship as part of its strategy to transform its economy and build its future economic and competitive strength. This is because government exerts much influence on activities of business through its regulatory and facilitating roles.

In Nigeria, many agencies have been established to regulate the activities of business men. This regulation is important for the protection of consumers and the physical environment and to ensure fair competition among business. The Federal government has equally established and empowered some agencies to facilitate the establishment and continued existence of small scale businesses, e.g. NACRDB, BOI,NDE,ITF, NAPEP, NEPC, NERFUND, etc.

1. Nigeria Agricultural Co-operative and Rural Development Bank (NACRDB).

The NACRDB as the single largest development finance institution in Nigeria was given birth to through the successful merger of the former peoples Bank of Nigeria (PBN), the defunct Nigerian Agricultural cooperative Bank (NACB) and the risk assets of the family Economic, 2000. The primary aim of NACRDB is agricultural financing at micro and macro levels as well as micro-financing of small and medium scale enterprises.

Objectives of NACRDB.

- i. Provision of affordable credit facilities to the less privileged segment of the Nigerian society who cannot readily access the services of conventional bank.
- ii. Acceptance of saving/deposits from customer and repayment of the accrued interest when due.
- iii. Provision of opportunities for self-employment in rural areas, thereby reducing rural-urban migration.
- iv. Establishment of banking habits at the grassroots of Nigeria society.

- v. Promotion of capacity- building through the provision of relevant training and advisory services
- vi. Fostering accelerated growth and development of agricultural and rural economy.
- vii. Encouraging the formation of agricultural cooperative societies at all levels.
- viii. Augmentation of government efforts to diversify the production base for the national economy, etc.



2. Bank of Industry (BOI)

The Bank of Industry was established in October, 2001, following the reconstruction of the Nigeria Industrial Development Bank (NIDB) to incorporate the mandate of the

Bank for Commerce and Industry (NBCI) and the National Economic Reconstruction Fund (NERFUND). The BOI was formally inaugurated by the president on 17th May, 2002 and empowered to engage in the following:

- i. Agricultural finance
- ii. Industrial and commercial finance
- iii. National resources exploitation finance
- iv. Long-term investment financing and equity funding of small and medium scale enterprises
- v. Supporting small and medium enterprises through lending funds to commercial and merchant banks.

Possible beneficiaries of BOI

- i. Small, medium and large enterprises including cottage Industries
- ii. New and existing companies seeking expansion, modernization or diversification.
- iii. Borrowers with demonstrable ability to meet loan payments
- iv. Borrowers with no record of unpaid loan elsewhere, etc

3. National Economic Reconstruction fund (NERFUND)

NERFUND was established in 1989 to provide special funding facilities to our Industrialist and act as a catalyst for the stimulation of the tempo of real production activities in Nigeria. Some of the main aims are:

- i. To provide loans to small – scale industrialists at rates lower than market rates.
- ii. To provide medium to long- term loans sot participating banks for onward lending to SMEs
- iii. To provide Professional assistance on how to go about the processing of the loan.
- iv. To correct inadequacies associated with the provision of Industrial and agricultural sectors of the economy.

4. National Directorate of Employment (NDE)

The NDE was established in 1989. The functions of NDE in Nigeria are:

- i. To help in reducing unemployment by creating employment opportunities, through vocational and apprenticeship training for the jobless people on information technology, textiles, fashion design, secretarial studies, computer literacy, catering , hairdressing, etc.
- ii. To technical support for food production in Nigeria

- iii. To develop and encourage potential entrepreneurs and equip them to successfully manage SMEs, through provision of loans schemes to young entrepreneurs and school leavers to start their small – scale business.
- iv. To help in minimizing rural- urban drift by stimulation of rural development.
- v. To improve the over-all economic, social and political well being of Nigerians

5. Industrial Training Fund (I.T.F)

The ITF was established on 8th October, 1971 by the federal government for the primary purpose of promoting and encouraging the acquisition of skills in industry and commerce to meet the needs of the Nigerians. Some of the functions of ITF are:

- i. Identifying the training needs of companies/employers in commerce and industry.
- ii. Designing vocational and apprenticeship training programs
- iii. Installing and maintaining audio-visual equipment and advising on their utilization.
- iv. Organizes workshops, seminars and conferences on specialized areas of commerce and industries
- v. Establishing training standards in skills and apprenticeship training
- vi. Managing the career developments of students

- vii. Coordinates nationwide students industrial work experience scheme (SIWES)
- viii. Liaising with International bodies for bilateral technical cooperation agreements in human resources development and management.
- ix. Renders research and consultancy services on areas of manpower needs and training
- x. Provides monetary incentives to employers that train their staff, etc.

6. Universities and polytechnics

Many federal, states and private universities and polytechnics have been established in Nigeria and have contributed immensely to the promotion, growth and development of SMES in Nigeria in the following ways:

- i. Producing required manpower for the industries who will help to promote the development of entrepreneurship
- ii. The training of manpower in the art of management. Writing of feasibility reports, investment appraisals and equipping them with right entrepreneurial skills needed
- iii. They carry out researches on the development of equipment and machinery, raw material and overall technological development of Nigeria.
- iv. They provide consultancy services to our entrepreneurs in the areas of raw materials production, finished products, pricing, promotion, packaging, sales distribution of goods and services, and management advisory services, etc.



7. Raw Material research and Development Council (RMRDC).

The RMRDC was established in 1987. The contribution of RMRDC in promotion and development of entrepreneurship are:

Onuoha (1998) identified the following major areas:

- i. Establishment of science and data bank which provides data on available local mineral and agro raw materials in Nigeria, their location, reserve estimates, level of development production and utilization.

- ii. Funding of innovative and applied research and development project necessary for the advancement of local raw materials, development and utilization by the manufacturing sector.
- iii. Boosting agricultural productivity through seed multiplication and distribution to farmers.
- iv. Commercialization of indigenous research and development (R&D) results from other research institutes and industries
- v. The promotion of investment in local resources based industries through the provision, financial brokerage service and equity participation in joint venture projects.
- vi. The development of alternative livestock feeds.

8. The Centre for Industrial and Research Development.

Center was established in June, 1979 as an interdisciplinary unit faculty of social sciences of the Obafemi Awolowo University (OAU) Ile Ife. It is being funded by the Federal government of Nigeria and United Nations Industrial Development Organization (UNIDO) – a specialist agency established by the United Nations in 1985.

The functions of CIRI in the promotion and development of entrepreneurship in Nigeria are:

- i. they conduct management training, seminars, workshops on all aspect of SME business.

- ii. They do feasibility studies, financial analysis, monitoring and evaluation of projects and other areas of consultancy.
- iii. They provide extensive services in starting and maintaining a business
- iv. They encourage and assist community sponsored industries through a close liaison between the centre and the local communities.

9. **Federal Institute of Industrial Research Oshodi (FIIRO)**

Federal Institute of Industrial Research Oshodi was established by the Federal Government of Nigerian in 1958. As a semi – autonomous institute, it was funded in 1953 as the Institute of Applied Technical Research but later converted to FIIR and placed under the control of the Federal Ministry of Science and Technology.

The Institute is further expected to provide laboratory and other technical services in the relevant field to industry, disseminate research findings to general public, collaborates with other research and development organizations to perform functions that may be determined from time to time.

Other functions of FIIRO are:

- (a) Organizes training programs and workshops in the utilization of local raw materials.
- (b) It organizes and participates in exhibition of trade fairs of local technologies

- (c) Publishes series of technical bulletins, newsletters, journals etc, with the view to educate and disseminate vital information to small – scale entrepreneurs.
- (d) It renders consultancy services in the areas of project appraisal, monitoring, evaluating and Agro industrial analysis
- (e) Upgrading of indigenous technology and adoption of important technology

10. Industrial Development Centre came into lime light through the Ford Foundation of USA in 1963. IDCs were established at Zaria and Owerri before the civil war. The Federal Ministry of industry reactivated the IDCs and established more in the states.

Some of the functions of IDCs in the promotion and development of entrepreneurship are:

- (a) they assist in the repairs of machinery and tools, and do on the job training of artisans in the handling of machines and simple tools.
- (b) They assist SMSs in the installation and operation of machineries and help resolve operational problems encountered by them.
- (c) They assist and advice small scale industrialist on the improvement of the design and quality of their products.

- (d) they help in conduct feasibility studies for intending small scale industrialists
- (e) They train small scale entrepreneurs and managers
- (f) they render technical, managerial and accounting assistance (in wood and metal works, automobile repairs, textiles and leather, painting and building works) to small – scale industrialists.

11. **National Poverty Eradication Programme (NAPEP)**

This programme aims at eradication absolute poverty in Nigeria, through the streamlining and rationalizing of exiting alleviation institutions and implementation of relevant schemes and programmes. NAPEP was established in 2001. Different ministries and agencies ere recognized as core poverty alleviation ministries and agencies. Some of these ministries and agencies are: Agricultural and Rural Development, Education, water resources, Industry, employment, labor and productivity.

Women affairs and youth development, health, NACRDB, NDE etc. Some of the functions of NAPEP through the different ministries and agencies are:

- a. capacity building and vocational training through the capacity acquisition programme in the major pro-occupations of the nation's labor force e.g. plumbing, glazing and painting, mechanical, electrical and electronics technicians apprenticeship.

- b. Data generation and statistics on employment among, by maintaining a record of unemployment among youth and others at the “labor office in each state and local government council”.
- c. Job and employment opportunity creation. This is to expose as many youth as possible to the opportunities for or the –job training and skills acquisition and concurrently maximize employment opportunities.
- d. Promotion of awareness in the activities and opportunities in the expiration of solid minerals resources for employment and promotion investment.
- e. co-ordination and control of activities in teaching and application of science and technology in the locality.
- f. Enterprises development and promotion like establishment of local resource based cottage industries.
- g. rural infrastructural development, like power supply, water supply, transportation, housing, communications and farm development etc.
- h. social welfare services like, quality special education, quality health care delivery services, rehabilitation programmes for destitute and the disabled, credit delivery for all group..

12. **Partnership with International Organizations**

Entrepreneurship development is a vast and complex policy issues that requires a colossal amount of money, and wide range of ideas form practice and experience.

To obtain the required funds and ideas, the Federal Government of Nigeria entered into partnership with some international organizations. These organizations include:

United Nations Development Programme (U.N.D.P)

United Nations Children's Education (UNICEF)

United Nations Industrial Organization (UNIDO)

African Development Bank (ADB)

The international organizations provides support to entrepreneurship development in Nigeria through funding and training programmes for potential and actual entrepreneur, each of these non-governmental agencies provides common areas of assistance to the small – scale industries though:

- a. funding (loans at rate lower than that of the market).
- b. Technical aids, manufacturing/production inputs (equipment, machinery, etc.)
- c. Specialized training programs etc.

Activity 1.4

1. Visit the state government NAPEP office and find out the extent of its contributions as a support agency to the promotion of entrepreneurship in Nigeria.
2. Visit the state government NDE office and find out the extent of its contributions as a support agency to the promotion of entrepreneurship in Nigeria.



SUMMARY.

- Businesses exist in different forms and sizes. E.g. small-scale, medium and large scale.
- An industry refers to manufacturing of goods such as steel, foods, footwear, textile, etc.
- Governments (federal, state and local) play 3 major roles in promoting entrepreneurship in Nigeria, viz;

* Participatory role, like direct business investment and management in different types of activities.

*Regulatory role, to protect the interest and welfare of the general citizenry, preserve the environment and ensure fair dealing especially in competitive actions of business. E.g. NAFDAC, SON, NDLEA.

* Facilitatory role, by establishing support agencies like NACRDB, NDE, RMRDC, IDC, BOI and also in partnership with international organizations such as UNICEF, UNDP, ADB etc.

Questions








1. Explain government's role in promoting entrepreneurship in Nigeria.
2. Identify any 3 regulatory agencies established by government in promoting entrepreneurship in Nigeria.
3. Explain the roles of the following agencies in promoting entrepreneurship in Nigeria:
 - UNDP
 - UNICEF
 - I.T.F
 - C.I.R.D
 - NACRDB
 - BOI

WEEK 6

6.0 IDENTIFICATION OF BUSINESS OPPORTUNITIES.

OBJECTIVES.

	1. Define an opportunity.
	2. Define business opportunity.
	3. Identify and explain the requirements of a good business opportunity.
	4. Explain business opportunity environment.
	5. Identify business opportunities using SWOT analysis.

- **Introduction**

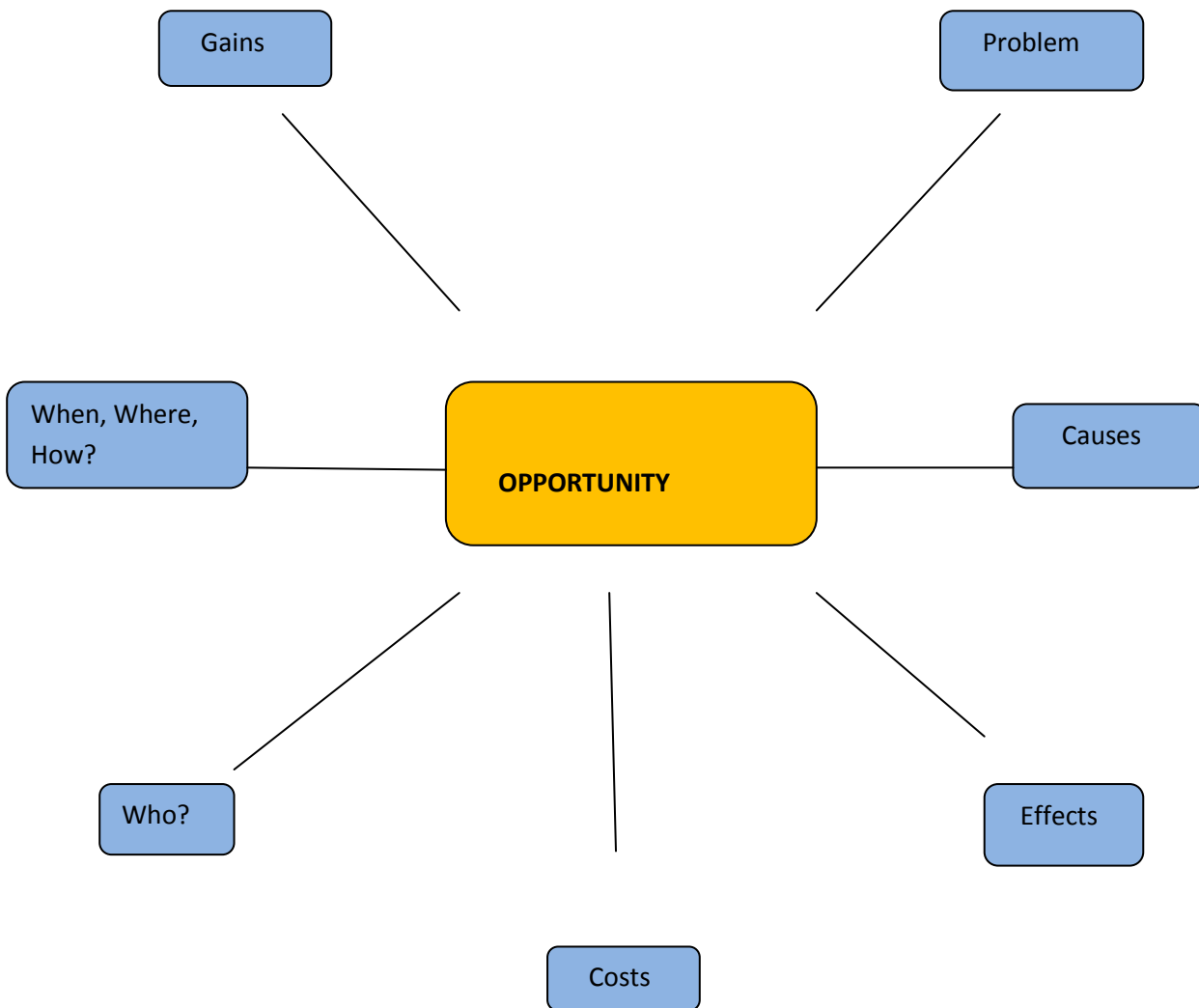
If a human need exists unsatisfied, that presents an opportunity for an entrepreneur to bring together the resources to produce goods and services to satisfy such need and by so doing, make profit himself.

6.1 Business Opportunity.

As opportunity can be defined as a challenge to purposeful, marketing action that is characterized by a generally favourable set of environment circumstances and acceptable probability of success. One of the most important characteristics of an entrepreneur is the ability to identify profitable opportunities in the environment.

Business opportunities can be defined as favourable circumstance or environment created in production, commercial, service of financial activities that may occupy someone's time, attention, labour and other resources, the more of which is to make profit.

The important stage is in moving from 'implicit' understanding (information in people's heads) to explicit information on paper where different pieces of information become connected, leading to fresh ideas, insight and possibilities.



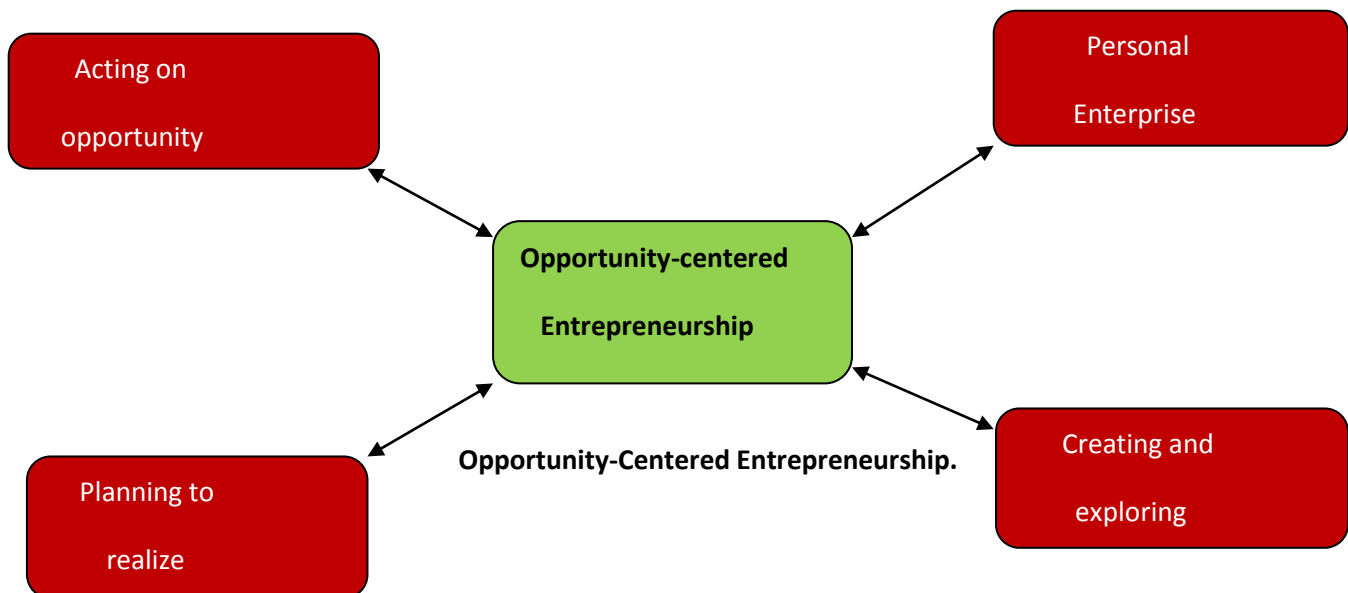
Starting point for a problem or opportunity map.

The most important thing to remember about business opportunities is that they are derived from or based on human needs. Most of these needs which exist have to be satisfied through the production and consumption of goods and services. Business opportunities are in many areas dependent on the time, environment, economy, fashion, tastes and culture etc.

Nowadays, business opportunities are more in high technology industries like computer, E-business and biotechnology. For example, during the industrial revolution, mass scale, manufacturing displaced agriculture, as the primary means of creation of wealth. In the last few decades, services and information sectors have emerged as replacements for mass manufacturing industries. Similarly among industries textile gave way to more core industries like chemicals, steel and construction which are now giving way to more high tech industries like computer, E-business and biotechnology, etc.

An outline of the opportunity-centered entrepreneurship concept.

Opportunity-centered entrepreneurship is a learning process which focuses on four interconnected themes. These themes, as shown in the figure below are essential to exploring and understanding an opportunity by relating it to personal (individual and group) interests and goals, planning to realize it, and acting to make the opportunity happen.



Requirement of a good business opportunity: A good business opportunity must be:

1. Market oriented
2. Feasible
3. Profit oriented
4. Specific
5. Motivational
6. Legal
7. Ethical
8. A product

1. **Market oriented:** A good business opportunity must be marketable. It should be something that will be accepted by another in exchange for money. It must be something that can be bought or sold.
2. **Feasible:** It should be something that is possible of being achieved. There must be possibility of being identified and exploited beyond ones capabilities.
3. **Profit oriented:** The business opportunity should be something that is viable. Profit is very important for business survival, so a business opportunity must be something which will offer you that profit.
4. **Specific:** A business opportunity must have definition, scope and name. It must be identifiable, specified, definite and exact to be a business opportunity. It must be exact and not vogue.
5. **Motivational:** A business opportunity must be something that is capable of helping someone reach his goals or achieve his objectives. That is why profit is important in

very business opportunity. One must gain something reasonable for his efforts especially financial rewards.

6. **Legal:** A business opportunity should be legal i.e. it must be something that is not against the law of government. It must fall within allowable behaviour, if not, the law will catch up with you if you think that are contrary to the law or regulations of government.
7. **Ethical:** A true business opportunity should be ethical, as every business has its own ethics. That is, the dos and don'ts of a particular business. Therefore, a business opportunity must be something that will not make you go contrary to the ethics of the business. For example, cheating, false measure, adulterated food or drugs, falsification and deceptive, advertising are unethical.
8. **A product:** A business opportunity must be a product. It is either tangible or intangible i.e. either goods or services, but it must have something to offer to enable a third party part with his money for it and still feel happy and satisfied. This means that a business opportunity must be something that is capable of satisfying a want.

Discussion 1.1

1. Have you ever spotted an opportunity?
2. What did you do about it?
3. Did you act on it? If not, what stopped you?



6.2 Identification of business opportunity – environment.

The identification of business opportunity requires environmental scanning. Environment is a source of information to an entrepreneur and also a source of material resources to him. This is because an entrepreneur must be ready to offer what the environment wants and also the entrepreneur must need what the environment and provide if not there would be no alignment and fit between the environment and entrepreneurs firm.

Environment scanning is the monitoring, evaluating and disseminating of information from the external environment to the people within the firm. It is environmental scanning, that helps us discover business opportunities lying in our external environment. There are three layers of environment to scan and they are, external societal, environment, external task or

immediate environment and internal environments. However, opportunities can only be identified in the external societal and task environmental.

Scanning the external societal environment by the entrepreneur.

The entrepreneur trying to identify business opportunities must see the external societal and task environment to discover opportunities and threats. The entrepreneur then exploits opportunity and averts threats. The factors to be scanned in the external environment are:

- i. Technological environment factors:** These include such factors as innovations in machinery equipment tools, new processing methods, inventions, discovering technology and new materials
- ii. Economic environmental factor:** These include changes in competition, demand and supply, prices, lifestyle, consumer spending and national income etc.
- iii. Political and legal environmental factor:** These include changes in legislation and government, war, election, natural calamities and world monetary order etc.
- iv. Social environment factors:** These include impacts of educational institutions, knowledge and skill, public opinion, changes in social attitudes, value system, culture, tradition and beliefs etc.
- v. Demographic environmental factors:** These include changes in population, rural and urban migration etc.
- vi. Ecological environmental factors:** These include pollution, erosion, noise and ozone layer depletion etc.

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6.3 Identification of business opportunities using SWOT analysis

To identify and exploit opportunities and avert threats that are found in the external environment of a business organization and also build on her strengths and minimize or remove weaknesses residing in the internal environment of the firm, the entrepreneur can use strategic factors in the form of acronym SWOT technique to analyze and exploit the opportunities.

S – Strengths

W – Weaknesses

O – Opportunities

T – Threats

- **Strength (S):** These are positive aspects, better attributed, competencies or competitive advantages residing in the internal environment of the business of the entrepreneur. This means that strength as assets (which may be tangible or intangible assets), the entrepreneur can always build on her strengths, which may include present market advantageous position size, structure, expert managers, physical and financial resources, skilled manpower and goodwill of the firm etc. the entrepreneur can always optimize the effects of synergy by searching out for opportunities in the external environment, which it can always match with strengths when it can gain competitive advantage over others.
- **Weaknesses (W):** These are those liabilities and entrepreneur has. They are deficiencies and negative aspects in the resources of the business which limit the firm's effectiveness and which need to be corrected or something done to minimize or remove their effect on the business of the entrepreneur. Examples

are narrow market, inadequate working capital, obsolete equipment, shortage of skilled manpower, rigid organizational structure, bad public image and high level of customer's complaints etc.

- **Opportunities (O):** Opportunities are usually presented by favourable conditions, which are usually caused as a result of changes in the external environment. The entrepreneur must respond to changes quickly in order to exploits the opportunities in the external environment. To be successful, and entrepreneur must protect her business from potentially harmful influence (threats) and be ready to take maximum advantage of opportunities in the environment in the form of innovations, inventions, new market segments, new technology, failure of completions etc. Opportunities in the external environment make it possible for a business to offer new or develop existing products and facilities to the market. It is left for the entrepreneur to decide on which of the many opportunities it wishes to exploit in relation to their resources and those it chooses to drop.

- **Threats (T):** These are unfavourable conditions, which may arise from development in the external environment and are likely to negatively affect the opposition and effectiveness of the business of the entrepreneur.

An entrepreneur needs to be responsive to charges that have already occurred, to plan for anticipated significant changes in the environment, and to be prepared to avert harmful, unsatisfactory or unfavourable influences/condition.

Examples of threats are introduction of radically new products by competitors, political unrest, religious riots, changing economic and social conditions e.g. the present global economic recession or melt down, threats of new entrants, bargaining power of supplier, threat of substitute products or services, strike actions by trade union and NAFDAC requirement and registration etc.

Uses of strategic advantage analysis

The use of SWOT analysis should show how:

- i. To build and exploit your strengths
- ii. To eliminate your weakness
- iii. To exploit opportunities

In order to use SWOT techniques to show how to exploit opportunities, there is need to directly compare the internal factors (strengths and weaknesses) as

against external factors (opportunities and threat) so as to further generate strategic options.

- a. Strength/opportunities

Where you have built enough strength, use it to exploit opportunities

b. Strength/threats

Also, use your strength to avert emerging threats

c. Weaknesses/opportunities

Exploit opportunities to correct a perceived weakness or else you suffer risk of letting new opportunities slip away because of a weakness.

d. Weaknesses/threats

Where a threat interacts with weakness, it is a very serious matter for the entrepreneur demand urgent action.

Activity 1.1

Conduct a market research of two small-scale businesses and select the most viable business venture.



SUMMARY.

- If a human need exists unsatisfied, that presents an opportunity for an entrepreneur to bring together the resources to produce goods and services to satisfy such need and by doing so make profit.
- An opportunity can be defined as a challenge to purposeful marketing action that is characterized by a generally favourable set of environmental circumstances and acceptable probability of success.
- One of the most important characteristics of an entrepreneur is the ability to identify profitable opportunities in the environment.
- A good business opportunity must be:
 - * Market oriented
 - * Feasible
 - * Profit oriented
 - * Specific
 - * Motivational
 - * Legal
 - * Ethical
 - * A product
- The identification of business opportunity requires environmental scanning. Environment is a source of information to an entrepreneur and also a source of material resources to him.

- Environmental scanning is the monitoring, evaluating and disseminating of information from the external environment to the people within the firm.
- Some of the factors to be scanned in the external environment are:
 - * Technology
 - * Economic
 - * Political and Legal
 - * Social
 - * Demographic
 - * Ecological, etc.
- The entrepreneur can use strategic factors in the form of acronym SWOT technique to analyse and exploit the opportunities.
- He is to identify and exploit opportunities and avert threats that are found in the external environment of a business organization and also to build on his strengths and minimize or remove weaknesses residing in the internal environment of the firm.

Questions








Explain how an entrepreneur can use SWOT analysis to identify business opportunities.

WEEK 7

7.0 THE FUNCTIONS OF MANAGEMENT AND THE ROLES OF A MANAGER IN AN ENTERPRISE.

OBJECTIVES.

	1. Explain the functions of management and a manager
	2. Design an organisation structure and draw an Organogram of a small-scale business
	3. Explain the common process of an enterprise
	4. Explain the techniques of the functional areas of management-planning, organising, staffing, directing and controlling
	

- **Introduction**

The economic system is complex of activities and this form the background of management. The goods and services the consumers need must be supplied and the means by which they can purchase these must be provided. Management 's role must therefore be to promote this in the most efficient manner by combining factors of production and distributing and directing the efforts of the people concerned to the given purpose

According to Henry Fayol, to manage is to “forecast and plan, to organize, to command, co-ordinate and to control”

According to McFarland, management is defined as the process by which managers create, direct maintain and operate purposive organization through systematic co-ordination and co-operative human effort.

Enterprises need plans, direction and control and this will not function without effective organization. Management has to think about what the organization hopes to achieve. That is the goals and objectives of an organization, the function which it has to carry out

must be properly known, so that the organization can achieve its goals. These functions are:

1. Planning
2. Organizing
3. Staffing
4. Directing
5. Controlling

7.1 The entrepreneur as a manager

An entrepreneur engages in managing activities of planning, organizing directing, coordinating and controlling the activities of his business in order to achieve success.

There are five core managerial functions of the entrepreneur, as identified by Anuwom (2007)

1. Planning: - this is the process by which the entrepreneur looks into the future and discovers alternative courses of action. He assesses those alternatives and selects the most viable alternative that will lead to the achievement of his objectives. In other order words, planning entails looking into the future to see what to do so that the entrepreneur objective can be achieved efficiently and effectively. Planning has become inevitable for the entrepreneur because of the following reasons:

- ⇒ Changes in technology
- ⇒ Changes in government Policies
- ⇒ Changes in the overall economic activities, and
- ⇒ Changes in the nature of competition, fashion and taste, etc.

2. **Organizing:** - this focuses attention on the structure and process of defining and allocating jobs so that the objectives of the entrepreneur is achieved. In other words, it is the structure and process by which, an entrepreneur allocates his tasks among staff members, identifies relationship and integrates his activities towards the achievement of the objectives he set for his enterprise.

3. **Directing:** - this is the process by which the entrepreneur leads, motivates, communicate and ensures co-ordination of activities the enterprise so that the objectives are achieved. This means that for the entrepreneur to direct, he must ensure proper communication and orientation with adequate motivation and leadership to ensure that they carry out their assignment with the utmost co-operation.

4. **Co-ordination:-** this is he process by which the entrepreneur ensures that the work by his group or al the operations of his business are integrated and synchronized for efficient and effective achievement of the objectives of the enterprise.

5. **Controlling:** - this is that function of management that provides direction in conformity with plan. Control is that part of management functions that establishes standards, monitors performance, evaluates performance against standard and provides for correction of deviation from standard. The entrepreneur fist plans; then plan become the standard by which desired actions are measured. Hence, planning and controlling are inseparable. The entrepreneur cannot plan without control, neither can he controls what is not planned.

Discussion 1.1

**Planning is said to be necessary in an enterprise.
Discuss**



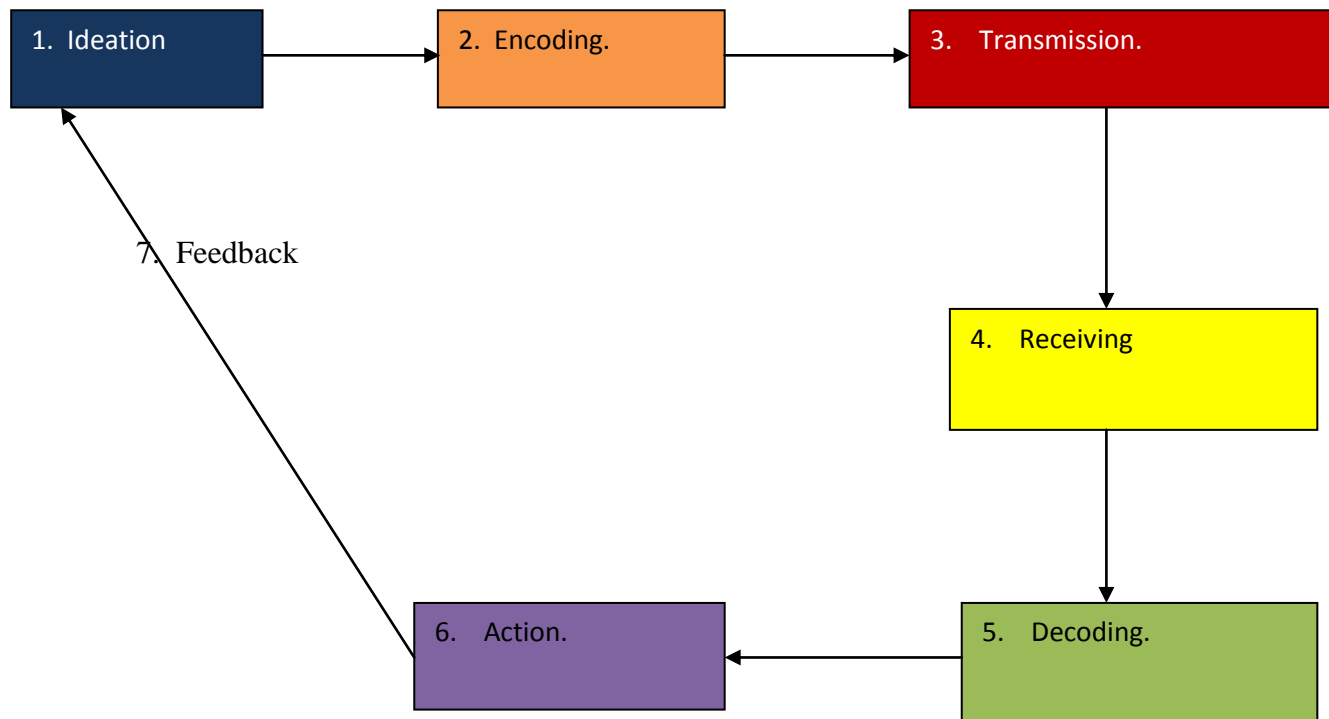
7.2 Communication Process of an Enterprise

Communication can be defined as the transformation from the sender to the receiver with the information been understood by the receiver.

Importance of communication.

1. to pass or decimate information about the objectives of the organization
2. to link people in an organization about the objective or common purpose
3. to organize human and other resources in the most efficient and effective rate
4. To control performance etc.

Communication Process diagram



1. **Ideation:** this is when an idea is created or choices of fact to communicate, it is the basis of the message
2. **Encoding:** the sender organizes his ideas into a sense of symbols that he feels will communicate the intended receiver
3. **Transmission:** the sender chooses certain channel or an avenue of communication. He also tries to keep his communication free of barriers and interferences so that his message has a chance of reaching the receiver intact.
4. **Receiver:** the receiver tunes in to receive the message if it is oral, there is need to be a good listener. If the receiver does not function, then message is lost.(miss call)
5. **Decoding (interpreting the meaning of the message):** The receiver takes meaning from the symbol encoded by the sender. Understanding is the key decoding process.
6. **Action:** here the receiver acts according to the message or he decides not to act
7. **Feedback:** this is the process letting the sender know the reaction to his message from the receiver whether positive or negative feedback or active or inactive

7.3 The Techniques and Skills Of:

i. Planning

Planning is the central function of Management; it is that part of Management process which determines the objectives to be achieved and the cost of action to follow to achieve these goals. This refers to forecasting future circumstances and requiring policies to be followed and the standard to be set.

Definition of planning

- ❖ Planning is simply defined as the thinking that takes place prior to action or decision.
- ❖ Planning is an intellectual process and the mental disposition to do things in an orderly ways to think before acting and to act in the light of fact rather than guess.
- ❖ Planning is basically selecting the best course of action from the alternatives available and deciding in advance what to do, how to do it, by whom it is to be done. Planning is necessary for doing anything as this ensure proper utilization to both human and non human resources (materials) to achieve desired goals.

Purpose of Planning

The need for planning arises from the changes that press the organization both from the inside and outside (internal and external) forces. The modern organization operate in a changing environment, the world of the urbanized industries, growing economic is cauterized by constant replacement of the old ways with new ones. If an organization wants to survive and accomplished its goals it has to anticipates future changes that is means it has to act now on the thing that will be probably in the future, this essentially what introduce risk into business.

Steps in Planning

- i. Establishing of goals and objectives of the organization
- ii. Formulating policies to carry out the objectives
- iii. Evaluating possible course of action in order to determine the best goals
- iv. Selecting the best possible course of action

Advantages of Planning

- i. Saves time
- ii. Gives room for adjustments
- iii. Achieving the set target
- iv. Proper capital utilization
- v. Gives strength for growth to the organization.

Disadvantages of Planning

- i. Costly and expensive both time and fund
- ii. Not every plan made is judiciously and religiously followed
- iii. Can be lead to failure and misfortunes of opportunities.

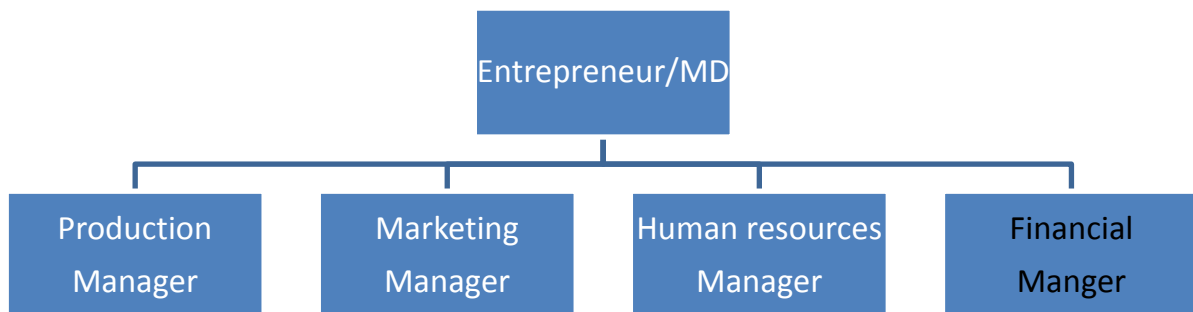
ii. Organizing

This is a process by which management achieve its main objectives and goals by combining the efforts of people under a supervisor. It is one of managerial functions concerned with the distribution of works among members of the organization. Such relationships are created in terms of authority and responsibilities.

The relationships are created in other to aid the organization in performing its functions. In this process, each member of the organization is assigned specific duty or responsibility to perform. In other to put each plan into action, management has to be employing people and allocate them work each as to do. Management has to provide with materials resources such as equipments, machinery, tools, and in some cases capital to do important management activities through which management brings together both man power and material resources for the accomplishment of the organizational objectives.

Organizational Structure: This is an organization structure in which setting functional relationship exists between specialists in their respective sphere of activities. And those with direct responsibility for caring out the main operation of the chief accountant have functional responsibilities for the accounting work carried out in the departments. This argument all activities in the organization are group together according to certain functions such as production, marketing, finance ,human resources etc, and they are put under charge and responsibility of person.

Organogram of a small scale business



iii. Staffing

This is the function of management that brings an organization to life. This staffing function involves recruitment selection, training, development and appraisal of personnel. This is an undoing managerial activity process since some people might resign, be promoted, transfer or die.

Two main purposes of training are

1. for improvement of performance on the job
2. Preparing a person for a high position

There are basically two sources from which people can be employed to man the organization, these are:

1. Internal sources
2. External sources

The internal source is to promote people within the organization while the external is getting people from outside the organization to fill the vacancies. It is preferable if possible to fill vacancies internally and this so because of three reasons.

1. When vacancies are filled internally it tend to motivate the employees and burst their morals.
2. It also enhance better unitization of employees
3. It is cheaper and quicker.

Some times vacancies are filled from outside, particularly when a new technological development is introduced.

iv. Directing

This is function leading and actuating, the directing function of management involves the ability to guide and motivate subordinate towards the accomplishment of goals. There are three main element of the directing function, these are:

1. Leadership
2. Motivation
3. Communication

v. Controlling

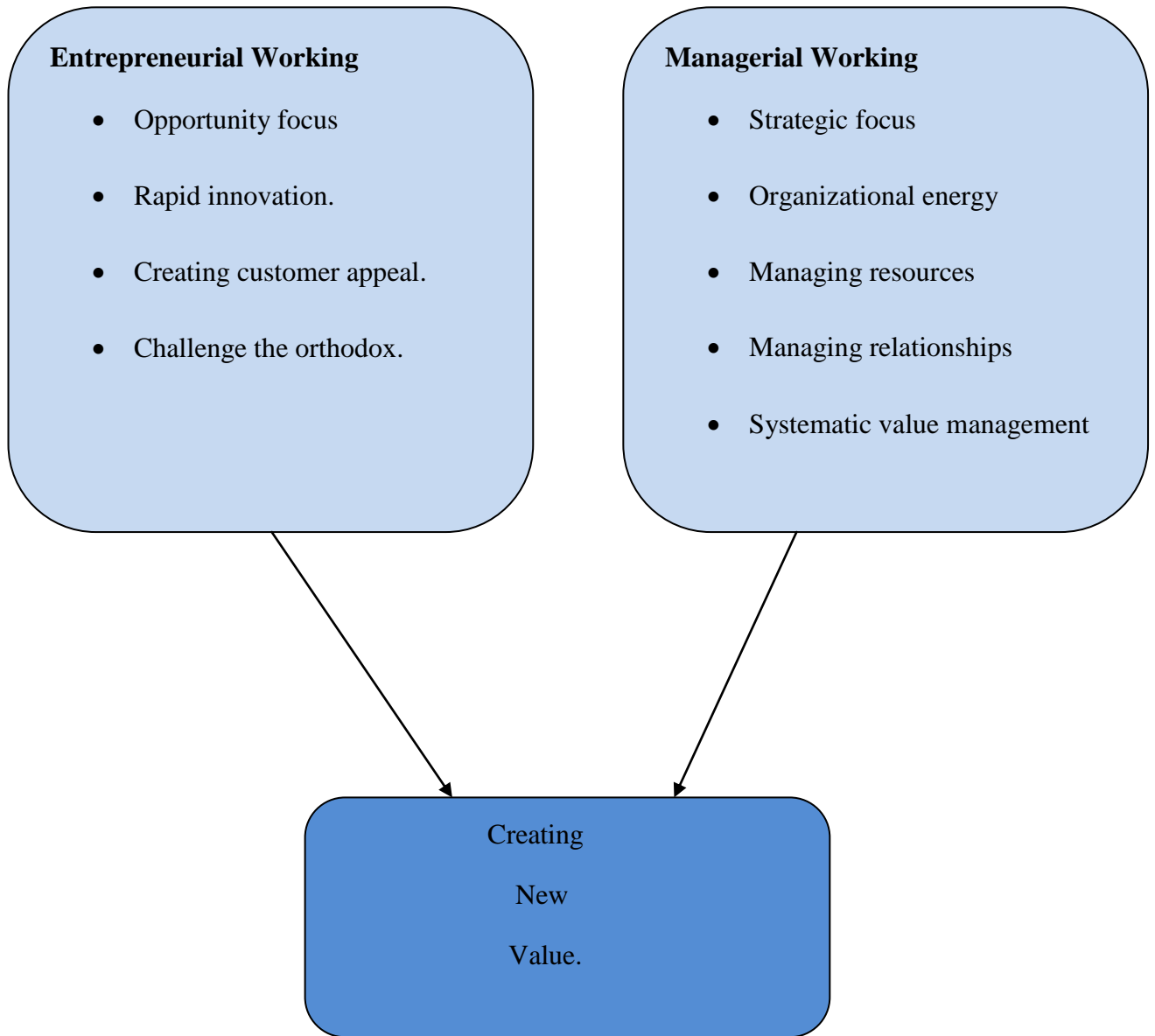
is that which gives meaning and depth to all other function. The importance of controlling lies in the fact that a manager's job is to get things done or more specifically to achieve result in key areas of accountability the managerial functions of controlling are "measurement and correction of the performance of activities of subordinate in other to make sure that events conform to plans and organization objective from which they are derived."

Steps in Control

The basic control process where ever it is found involves the following.

1. The establishment of standards
2. The measuring of performance
3. Comparison of performance against standard
4. Correction of derivation (if any)

The Entrepreneurial Management Model.



Activity 1.1

1. Sketch the common process of an enterprise.
2. Draw a simple Organogram of a visible business Venture.

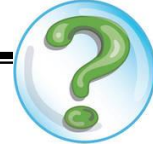


SUMMARY.

- The economic system is a complex of activities and this forms the background of management.
- Management is defined as “the process by which managers create, direct, maintain and operate purposive organization through systematic coordination and co-operative human effort.
- Enterprises need plans, direction and control, and this will not function without effective organization.
- The main functions to be carried out so that the organization can achieve its goals are:
 - Planning which refers to forecasting future circumstances and requiring policies to be followed and the standard to be set.
 - The need for planning arises from the changes that press the organization both from the inside and outside (internal and external) forces.
 - Organizing is a process by which management achieves its main objectives and goals by combining the efforts of people under a supervisor.
 - Staffing is a function of management that brings an organization to life.
 - Directing involves the ability to guide and motivate subordinates towards the accomplishment of goals.
 - Controlling involves measurement and correction of the performance of the activities of subordinates in order to make sure that events conform to plans and organization objective from which they are derived.

- The common process are; ideation, encoding, transmission, receiving, decoding, action and feedback.

Questions






1. Explain how an entrepreneur can perform the functions of organizing and staffing of an enterprise.
2. Conduct a test.

WEEK 8

8.0 THE TECHNIQUES OF PRODUCTION AND MARKETING MANAGEMENT.

OBJECTIVES.

	1. Define production and marketing management.
	2. Identify the resources of productive organization viz; plants, product, process, programmes and people.
	3. Identify the features of marketing.

- **Introduction**

Goods in their natural forms and locations cannot be useful to the users and consumers except they are extracted and transformed, and distributed to the places and at the times they are need. Service must be translated through training, rehearsals, education, etc, and released before buyers can get maximum satisfaction in the form of desired quality.

Production is the creation of utilities. It is the process of converting raw materials (tangible goods) intangible goods all activities involved in creating any valuable item whether tangible or intangible for the satisfaction of human needs. It simply means that production is more than conversion of inputs into finished goods (manufacturing) but converse distribution and provisions of other intangible services such as medical consulting counseling, teaching and personal services like barbing dry cleaning, etc

To ensure maximum satisfaction of customers, their needs must be carefully investigated. Therefore, research, development and design are all fundamental aspects of production.

Production management can also be defined as planning, designing, organizing of men, materials and facilities as well as controlling operation for the purpose of creating a product or products to satisfy consumers' needs.

Examples of production organizations are unilever Nig. Plc, Golden Guinea Breweries, PZ Nig. Plc, Globacom, MTN plc, PHCG, Polytechnics and Universities, etc

Production function is defined as bringing together of people, plant and materials, etc to provide goods and services for sale. For any reasonable result to be achieved from the production function, a factory or the plan for a factory must be part of the corporate plan which is referred to as the total enterprise. Though, a factory is a structure within structure, its peculiar characteristics distinguishes it from the rest of the organization in the following ways:

- a. It employs the bulk of the manpower
- b. Utilizes the bulk of the physical assets
- c. Requires the bulk of the financial resources
- d. It is made up of many sub-units namely:
 - i. The production control department
 - ii. The quality control department
 - iii. Inventory control department

Production management function therefore, is the art of coordinating all the available resources of a productive organization namely:

5Ps - the plant, the Product, The Press, the Programs and the people through which raw materials or services are converted into finished goods/services.

While the production engineer is concerned with the design of physical equipment, the production manager is concerned with the organization of the use of the equipment and other recourses e.g. men, material and money for the synchronization of the activities for the achievement of production an overall company objectives.

For production management function to be carried out effectively, the four business functions of an organization, namely finance and accounts, marketing and personnel department must be well co-ordinate and must work in concord ensuring a network of goals.

The plant, product, process, programmes and people (5Ps)

1. The Plant: - the plant must be suitable both building and equipment. Since building and equipment constitute the bulk of the company's fixed assets, therefore, there is need for its proper maintenance and utilization. It must be laid out for reliability and proper performance. During design, installation and operation, consideration must be made of safety maintenance. The legal, final, political and cultural constraints imposed by the environment with the production system must be considered.



2. The Product: - the organization must be capable of producing quality products to satisfy consumer's needs. The production manager in manipulating these five Ps of production must ascertain on the performance of the product in relation to quality, quantity, cost and reliability, price and delivery date etc. by market requirement, legal constraints, cultural, social, technological and environmental demands as it affects the products of the company.



3. The process: - This includes the available capacity, skills, types of production, layout of plans and equipment cost of be achieved, safety and maintenance on product manufacture before the process can be smooth and easy.



4. The Programme: - the time tables for deliveries of finished goods must be worked out in conjunction with the marketing department. Cash flow must be determined to make control and co-ordination easier. If programmes are aged upon and adhered to, delivery and promises will be met even with inadequate resources. The delivery time-table will in turn generate time table for purchasing of raw materials, manufacturing, maintenance, cash storage transport.
5. The people:- Human intellect and skill is an important aspect of the 5Ps of production management function. When an organization is managing people. They must consider better communication, workers' participation, industrial peace and job enrichment as very vital and conflicts in these areas will affect the company relatively. The production manager must be involved in discussions concerning wages, safety, trade union training and education and working environment.



The tasks of production manager is the co-ordination of the 5Ps in such a way that they are given proper attention as failure to deliver on time, machine break downs, usages process, idle operators due to breakdown and poor quality can lead to the collapse of the system.

B Marketing Management.

Marketing is a distinguishing unique function of a business business organisation is differentiating from other human organizations by the fact that it markets its products or services. Any organization that fulfils itself through marketing a product or services is a business by this definition and should not be managed as if it were one.

The marketing function occupies a fundamental place in the success of any business that goods and services produced get to the final consumers or users through efficient and effective distribution and communication, marketing ensures that appropriate products are made available through marketing research to ensure profit for the firm. Invariably, it can be concluded that marketing created place, time and form utilities through distribution and conversion functions. Successful marketing programmes require money. This explains the reason why marketing in small – business is deferent from large business, although small small business owners do not perform most of the functions of marketing.

Marketing can be defined as the total sum of all the activities that is ravaged in during the process of bringing a product from the manufacture to the consumer.

Marketing on the other hand means a societal process by which individual and group of obtain what they need and want through creating, offering and freely exchanging products and services of value with other. Marketing is typically seen according to kotler (2003) “as the task of creating, promoting and delivery of goods and services to consumers and business.”

In trying to define marketing, it may be necessary to look at the features of marketing features of marketing are:

- a. Identification of product i.e. deciding as to what product to produce
- b. Making the consumer aware of the product
- c. Reaching the prospective consumer for which the products are produced.
- d. Promoting the product through advertising with a view to arousing consumers' interest thereby leading to increased demand for the product.
- e. Pricing products for the mutual advantage of both producer and consumer.
- f. Evaluation and or creating demand market research.

From the above features, it will be seen that market consists of analysis of the business activities connected with the movement of goods and services from producer to consumers or user. Apart from these features, marketing is involved in the analysis of:

- a. Consumer circumstance and attitude that determine the characteristics of a major part of marketing activities
- b. The business organization that perform these activities
- c. The analysis of certain aspects of manufacturing, agriculture, extractive industry, service enterprises and government that affect marketing activities.

The following should be put in place for the successful implementation of marketing programme for the small – business owners,

- Setting the objectives
- Know your customer
- Determine your product
- Determine your pricing policies
- Distribution/place

Activity 1.1

Visit a local industry and evaluate its productive resources.



SUMMARY.

- Production is the creation of utilities. It is the process of converting raw materials (tangible goods) and intangible services into finished goods and services.
- Research, development and design are all fundamental aspects of production in order to ensure maximum satisfaction of customers. Examples of production organizations are; unilever Nigeria Plc, PZ Nigeria plc etc, while examples of service organs are, UBA plc, Globacom, MTN plc, polytechnics and universities.
- Marketing can be defined as the total sums of all the activities that are engaged in during the process of bringing a product from the manufacturer to the consumer. Some of the features of marketing are:
 - Identification of product
 - Making the consumer aware of the product
 - Promoting the product through advertising
 - Pricing products for their mutual advantage, etc.
- Reaching the prospective consumer for which the products are produced
- Evaluation and creating demand market research
- The following should be considered for the successful implementation of marketing programme:
 - Setting the objectives
 - Know your customer
 - Determine your product
 - Determine your pricing policies

- Determine your promotional activities
- Determine the distribution/place.

Questions








1. Explain the features of marketing programme.

WEEK 9.

9.0 THE TECHNIQUES OF FINANCIAL MANGEMENT.

OBJECTIVES.

	1. Define financial management.
	2. Identify the main sources of finance of an enterprise.
	3. Identify the various types of record.
	4. Explain the importance of record keeping.
	

• Introduction

Business need finance for a large number of reasons and purpose. For any small business to be successful, the following capital a needs must be provided for before it is started.

- Working capital
- Fixed assets capital
- Fixed security investment
- Promotional expenses capital
- Funds for personal expenses

Working Capital

This is the capital required for running a business operations from day to day. This includes cash, account receivables, inventories and marketable.

Adequate funds should be made available to ensure smooth operations of the business. This is because bills would be settled, supplies would be needed, raw material would be procured and other regular expenses would be incurred.

Fixed asset Capital

Fixed asset consists of tangible long lasting property of a business such as machines, equipment, furniture, fixtures and fittings, others include intangible assets such as goodwill and copyright, While tangible asset are needed to enhance protection and success in the market place.

Fixed Security Investment

This includes stocks or shares and contingency funds. Redeemable investment that can be converted into cash through the secondary market(stock exchange), Dividends from shares can boost capital expansion for small business and cushion the effect of losses or un expected expenses .

Promotional Expenses Capital

Promotion is a marketing function involved in communicating with consumers using tolls such as advertising, sales promotion, personal selling, publicity and public relations. The application of these tools is very necessary for achieving marketing objectives. Therefore, a small business owner must make provision for these expenses.

Fund for Personal expenses

A small business - owner needs to create a purse or account for personal expenses, whether he operates his business or full time or par-time basis. This is to avoid tampering with the business funds which can obstruct the smooth operations of the business.

Financial management is concerned with sourcing for funds, allocating and judicious utilization of these funds and other decisions relating to how profits/losses should be treated. There are various sources available for any small business. These sources have different implications for a business owner. It is the responsibility of a small business owner to select appropriate capital sources. The capital requirements of a small business must be properly estimated, and once acquired business capital must be efficiently

managed. These sources may include promoters of the business, friends and relations, trade credits or discount, bank credit, etc. Also, it could be inform of depreciation, provisions, reserves and profit ploughed back, etc. The sources are divided into three:

- a. Short – Term Funds
- b. Medium Term Funds
- c. Long Term Funds

Sort – Term Fund:- are funds which are needed for short periods say less than one year. This can be used as working capital of the business. At least, for day – to- day running of the business.

Medium Term Funds:- are funds that are needed for intermediate purposes. It could be for period of above one year to three years.

Long Term Funds:- are those funds that are needed for long terms ie to say above five years. This type of fund can be used for executing major projects and purchase of fixed assets, etc.

Importance of short – Term Funds to entrepreneur

- Short-Term Funds are important for purchasing raw materials, stocks and other components needed in the production of goods and services.
- It is used to run the sales and distribution of finished goods
- It is used in advertising, packaging, displays and promotion of goods and services
- It is important for payment of wages and salaries
- Short-Term funds provide a cheap source of financing arrangement and financial institutions like money deposit (commercial) banks are more willing to lend money on short term basis.

Sources of financing available to SME Entrepreneur

- a. Promoters of the business:- Entrepreneurs or business owners constitute the primary sources of equity financing for starting a business. Such financial

contributions may be in form of cash from personal savings and/or business assets such as land, buildings equipment furniture, computers, e.tc.

- b. Friends and relation: Friends and relations is another dependable sources of finance for the small scale business. Such finance may be interest free or may require payments of some minimum agree payment of some minimum interest.
- c. Trade Credit: - Goods or services can be purchased on credit. The agreement to transfer goods or services by a seller to a buyer can be formal or informal. Trade credit is a very popular source of finance for all business. A supplier may allow credit purchases, trade discounts, cash discounts and commissions.
- d. Hire – purchase:- Hire purchase is a contract of sale in which a trader or finance house transfers possession and right to use a plant, motor vehicle or any durable good to a hirer(a buyer) after the receipt of cash deposit and agreement to settle the balance installmently over a specified period of time. The trader or finance house retains the legal right/ownership of the goods until the last installment of the money is paid. The seller, in a hire purchase sale can recover the good if the buyer fails to satisfy the agreed terms of sale.
- e. Internal sources of financing:- these are those sources available within the firm. For sole proprietorship and partnership, it is called ploughing back profit, for company, it is called retained earning or reserve. Other internal sources are accounts receivable and payable which are incomes or liabilities arising from benefits received by the firm from outsiders. They include rents, rates, accruals, deferred payments and prepayments, etc depreciation provisions and sale of assets, etc.
- f. Informal financing organizations:- These are in form of thrift associations, town union meetings, Esusu, money lenders like the wealthy citizens can assist with loans.
- g. Financial Institutions:- the money deposit and merchant banks can play a good role in financing entrepreneurs in the form of loan or overdraft facility.
- h. Specialized funding Facilities (support agencies)

these are specialized funding facilities made available by NERFUND, NDE NACRDDDB, etc. some of these funds are provided by international financial institution, CBN and federal government for small and medium scale enterprises in Nigeria. Eg. The world Bank loan scheme for SMEs management by CBN and ADB loan for export stimulation.

The Need Financial Management

Financial management is a vital functional aspect of management. This is partly attributed to the fact that all resources of a business are acquired by money, machines, materials, building or shop space are all financial resources. The loss or wastage of any business resources means loss of money. For example, loss of man hour or any stock of inventory or any asset of a business or the wastage of any material is a loss of money. Therefore, it is important for any small business owner to be able to manage all assets, both fixed and current effectively and efficiently to achieve both short and long term goals and objectives of the business.

Sound financial management can be achieved through the followings:-

- a. Proper forecasting and planning the financial requirements for the organization
- b. Proper evaluation of investment opportunities before any outlay of funds
- c. Determining the appropriate assets structures for both fixed and current assets to avoid excessive investment in any of the two class of assets,
- d. Deciding on the best fixed asset to acquire, when these assets is need to be replaced or modified and calculation of depreciation for replacement of assets.
- e. Offering expert advice to other non-finance managers or employee on the need for economical operations.
- f. Analyzing financial data to know the direction of a business activity.

9.1 The types of records and importance of record keeping in an enterprise.

Record keeping occupies a vital position in the management of any business. In large business, experts are employed to keep personal and financial records of their operations using well-organized tools and techniques. However, due to financial constraints and attitudes of small business owners, records are not properly kept in a way that the financial position of the business can easily and quickly be ascertained or that its efficiency can be enhanced. The issue of concern here is how best to keep records in order to achieve its objectives to be able to drive the desired benefits.

Types of Record Keeping.

The major type of record commonly maintained by small business include the following

a. Non – Accounting records

These include the following

- i. Employees' records
- ii. Records for internal correspondences such as memos and minutes of meetings
- iii. Records of external correspondences, that is, letters coming into the company and those that go out.

b. Financial Records

These are records of operations, transactions with suppliers, customers, government, etc, assets and liabilities positions. Some of these records are recorded daily, while others are maintained yearly.

Accounting records includes the following:

- i. **Account payable :-** these are records that show the amount the business is owing to others such as suppliers of raw material, rates for water, or electricity supply and rents to land or shop owners
- ii. **Accounts Receivables: -** These are record of total money other individuals or organizations owe the business – due to goods sold to them

or services rendered to them that have not been paid for. Such record will always include the date of collection.

- iii. **Sales Record:** - Sales records are records of good sold or services offered to customers. These records are kept for numerous purposes such as measurement of advertising effectiveness, market coverage and salesmen compensation especially commissions.
- iv. **Production Records:** - These records provide information about raw materials, work-in-progress, finished goods and general production costs such as repairs and maintenance expenses, costs of parts, etc. Production records are necessary to keep track of production efficiency e.g. level of wages, reworks, and losses through damages, theft and spoilage.
- v. **Inventory Record:-** These includes records that provide information on purchasing, movement of stocks and store information, turnover ratio, that is, rate of usage and raw material yields.
- vi. **Pay Roll Records:** - These are records of total payment to employee (inclusive of Basic pay and incentives). Pay toll equally shows relevant information about each employee, and total number of business employees.
- vii. **Cash Records:** - These are records that provide information on cash flow, both inflow and out flow and cash balance at hand.

Financial Statements

Financial Statements are drawn from business activities accounting recorded which are recorded in primary books such as:

- a. **Ledger:-** A Ledger is a principal book of account where all business transactions are first recorded. Each page of the ledger contains an account. There are columns for date, particular, folio and amount on each side. Some of the various ledgers include: sales ledger, purchase ledger, cash book, general ledger, etc.

- b. Journals:- These books regarded as subsidiary books are daily business diary – Journals that are used for non – cash transactions (credit) and complicated transactions depreciation. Some of them are: sales Journals, purchases Journals, returns inward Journals, return outward Journals, general Journals etc.

Other accounting books are petty cash book, bank reconciliation statements, final account, etc.

Discussion 1.1

Mention and explain the types of records commonly maintained by small-scale business.



Example of a cash book:

Assume that SAM bookshop on 07/06/2008 received #200 from UMERAH FOUNDATION and had the following cash transactions during June, 2008:

09/06/08-	Received from Echu	#640
15/06/08-	Paid postage	#20
25/06/08-	Paid Abubakar	#800

The cash book entries of these transactions (receipts and payments) will appear thus:

SAM BOOKSHOP CASHBOOK

Date	Particulars	Ledger folio	Amount(#)	Date	Particulars	Ledger folio	Amount (#)
07/06/08	Umerah Foundation	10	200	15/06/08	Postages	1	20
09/06/08	Echu	10	640	25/06/08	Abubakar	3	800
					Bal c/f		20
				840			840
01/07/08	Bal b/d			20			

Importance of Record Keeping

- i. To assist in detection of possible employee's frauds, theft, waste and any error so that costs can be minimized and remedial measure can be taken promptly.
- ii. To identify trade creditors, amount owed and the due date of collection.
- iii. To know how much the business is owing and when such debts are due for payment
- iv. To permit easy measurement of a business efficiency and profitability
- v. To enhance easy comparisons of business efficiency between current period and post or between two different units e.g. branches of the business.
- vi. To permit prompt filing of suppliers and corporate customers information.
- vii. To present clear and easily accessible information about employees e.g. their dates of employment ages, qualifications and other past correspondences.
- viii. To provide clear and appropriate reports for management and financiers
- ix. To show the total worth of a business assets and liabilities at the end of the required period usually annually.
- x. To permit prompt filing of reports and their retrieval when needed especially by the government.

Activity 1.1

Identify a successful entrepreneur and evaluate its main sources of finance.



SUMMARY.






- Business need finance for a large number of reasons and purposes
- For any small business to be successful, the following capital needs must be provided for, before it is started namely:
 - working capital
 - fixed assets capital
 - fixed security investment
 - promotional expenses capital
 - funds for personal expenses, etc
- Financial management is concerned with sourcing for funds, allocating and judicious utilization of these funds and other decisions relating to how profits/ losses should be treated.
- Some of the sources of finance include;
 - Friends and relations
 - Trade credits or discount
 - Bank credit
 - Reserves and profit ploughed back, etc.
- The sources are divided into three, viz;
 - Short-term funds
 - Medium-term funds
 - Long-term funds
- Record keeping occupies a vital position in the management of any business
- The issue of concern is how best to keep records in order to achieve its objectives to be able to derive the desired benefits.

- Some of the major types of records are;
 - Employees' records
 - Records of external correspondences
 - Records of operations, transaction, customers, etc.
 - Accounts payables, sales records, inventory records, payroll records, etc.
- Some importance of record-keeping are;
 - To permit easy measurement of a business efficiency and profitability
 - To assist in detection of possible employee's fraud, theft, waste and errors, etc.

WEEK 10

10.0 THE STRATEGIES FOR CONSOLIDATION AND EXPANSION OF A BUSINESS ENTERPRISE.

OBJECTIVES.

	1. Explain the concept of strategy
	2. Identify the types of strategy
	3. Identify the types of business enterprises
	4. Explain the sole-proprietorship type of business
	5. Identify the characteristics, advantages and disadvantages of sole-proprietorship

- **Introduction**

10.1

The possession of adequate resources alone does not guarantee a business success but the ability of its management in the development and implementation of appropriate and potent strategies. The adoption of strategy is vital at all levels of management and in all organizations, irrespective of their sizes, nature and location.

Strategy is a non-negotiable plan for any organization that intends to achieve its goals and objectives. This is, especially important in business organization due to the dynamic nature of the environment, scarcity of resources, increasing costs of operation and to ensure internal consistency within the business and above all the increasing intensity of competition.

10.2 Concept and types of strategy.

***Strategy.**

A strategy is a consistent, appropriate and feasible set of principles or plan of action through which a particular entrepreneur hopes to achieve the objectives set for his business. Strategy looks inwards at the entrepreneur's business and also looks outwards at the competition, environment and business climate.

Chandler(1962) in Ogedengbe(2007); refers to strategy as “the determination of the basic long term goals and objectives for an enterprise and the adoption of courses of action and the allocation of resources necessary for carrying out these goals”. From this definition the following can be extracted:

1. That strategy as a plan is concerned with setting realizable, definite, measurable, agreeable and challenging objectives.
2. That timely and effective actions-tactics must always be taken based on efficient decisions.
3. That resources must be properly allocated and utilized to minimize cost.
4. That efforts should be made to ensure that a firm's offering (products) meets the need of the target market for achievement of the desired goals and objectives.

Types of strategy.

There are three major strategies available to an entrepreneur and they are:

Growth strategy, Stability strategy and Turnaround strategy. But in practice, every entrepreneur hopes to pursue expansion or growth in his business.

Growth Strategy.

One of the commonest strategies adopted by companies is the growth strategy; which implies growth in sales, assets, profits and other dimensions. Companies achieve growth strategy by selecting a target growth rate and formulating a strategy for achieving it.

Growth comes about in two ways. It is achieved through managing current products for growth and adding new ones to fill the remaining growth gap, which means that two things must be done:

- (i) Improving the performances of the current product line or
- (ii) Adding new product lines. It is noteworthy to mention that almost in all growth strategies; it follows an up-sizing process. This is a management fad used in the context of increasing the size of an organization by mainly hiring more employees.

Discussion 1.1

Identify and explain the types of strategy for business growth and expansion.



How an Entrepreneur can systematically search for growth opportunities.

Growth can be internal or external. Growth becomes internal when the entrepreneur utilizes growth strategies of either concentration or diversification through the internal development of new products and services. Growth becomes external when the strategies used are not from within internal development but through acquisition, mergers and joint

ventures. Growth strategy must be planned and controlled in such a way as to grow and consolidate. It should not be haphazardly done.

An internal growth strategy can be generated by moving through levels of analysis:

- (i) Intensive growth.
- (ii) Integrative growth.
- (iii) Diversification growth.
- (iv) Line expansion.

Expansion into new product areas.

1. The level of intensive growth.

Intensive growth makes sense if a company has not fully explored the opportunities in the current products or markets. Thus, intensive growth involves the identification of those opportunities available to the company in its current sphere of operation. There are three major areas of intensive growth opportunities.

(a) **Market penetration:** This consists of a company seeking increased sales in its current product (s) through effective marketing efforts.

The possibilities for this are:

- (i) Encouraging subscribers to increase purchase through gifts.
- (ii) Draw away customers from competitors through the use of pricing tactics.

(iii) Make effort to convert consumers.

(b) **Market development:** This consists of companies seeking new increased sales by taking its current products into new markets. Possibilities for these are:

(i) Distribute in a new geographical market where not available.

(ii) Modification for attraction of non-users of products. E.g. fura da nono into yoghurt to attract and increase acceptability and markets.

(iii) Attracting institutional buyers, i.e. those who make bulk purchases.

(c) **Product development:** This means that the company producing related products with the same technology and distribution channel. E.g. unilever producing joy soap, lux soap, omo and key soap etc. Here, the company seeks increased sales by developing new or improved products for its current market. Possibilities for these are:

(i) Company should develop new products.

(ii) They should create vision of a product (by way of product differentiation) for separate regions or segments.

(ii) Duplicate ways of use or application, for example, dual purpose uses or various packaging and sizes of the same product.

2. The level of integrative growth.

This level of strategic growth is meaningful when the company can increase its profitability, efficiency or control by moving backwards, forward or horizontally within the industry. Thus, if a company's basic industry has a strong growth outlook then, the company has the options either for backward integration, forward integration or horizontal integration. Therefore, integrative growth involves the identification of opportunities available through integration with other parts of marketing system.

This can be achieved in three ways:

(a) **Backward integration:** This consists of a company seeking ownership or increased control of the supply system. For instance, in the newspaper industry, the daily times newspaper may decide to buy up and start producing newsprint and even sell to other firms within the industry. This will mean control of supply of raw materials to make it more regular and efficient.

(b) **Forward integration:** This consists of a company seeking ownership or increased control of its distribution system. For instance, Peugeot Automobile appointing distributors and giving them requirements before appointing them, like asking them to build garages and places of distribution. They can give them instruction on what to do i.e. controlling the outlets.

(c) **Horizontal integration:** This consists of a company seeking ownership or increased control of some of its competitors. For instance, holding companies. In the past, banks bought over other banks to enable them have control over them. As a result they dictate for them. Example, Leventis, UTC are holding companies of UAC and they are

controlled from the same source. We have now known two stages or levels of growth opportunities, the first dealing with current products through intensive growth plan.

The next deals with growth opportunities through integration. The third attends to move outside the current products or channel system and this brings us to diversification growth.

3. Diversification growth.

The diversification growth is a level that identifies those opportunities lying outside the current marketing channel system. This analysis could be useful where the marketing channel system of a company does not show much additional opportunities for growth or profit, or if the opportunities outside the present marketing system are superior to the one within. Diversification involves making a product in variant sizes, models or styles. In diversification, a product taps elements of market demands that might not be tied to a single or stable pattern of a product. Diversification, therefore, is a tactics; a company adopts to meet the changing nature of a society. Changes in society could make a company fold up when its products gets out of taste (i.e. product obsolescence).

There are 3 types of diversification growth:

(i) **Concentric diversification:** This method involves company seeking to add new products that have technological or marketing synergy with existing products. For instance, the Unilever Nigeria PLC producing soap, and then adding paste, brush and cream.

(ii) **Horizontal diversification:** This consists of a company producing new products that could appeal to current customers, though they may not be related to current products technologically. For instance, establishing staff clubs, library, canteen and amusement parks.

(iii) **Conglomerate diversification:** This consists of a company seeking to add new products that have no relationship to current products, technology or markets. For instance, when Julius Berger starts producing Berger paints that is going into the paint industry. This is a departure from civil engineering construction work. Growth, therefore, goes gradually from stage to stage. First, looking at current product and marketing opportunities; secondly looking at opportunities in other parts of the marketing channel and finally looking at relevant opportunities outside the system.

10.3. Types of Business Enterprises

A business enterprise refers to any form of organization that seeks to profitability satisfying existing and created needs of customers. Generally, business enterprises can be classified into the following forms via;

- ❖ Sole Proprietorship
- ❖ The Partnership
- ❖ Co-operative societies
- ❖ Limited liability companies

An entrepreneur, with an identified business opportunity, needs to have the details of the forms of business enterprises, and their attendant advantages and disadvantages. The

details will enable the entrepreneur to make an informed decision of the type of enterprise to establish sole proprietorship Business Enterprise.

Sole Proprietorship

The simplest form of business enterprise is the sole proprietorship. It is a one-person business, so called because the capital is provided by one person who also takes all the risks and all the profits. This person is the sole proprietor, but not the sole trader as at times wrongly called, because this type of business is not found only in trading. The sole proprietor provides the risk capital. If the business fails, the sole proprietor suffers all the loss alone which may even cost him, his private property.

An itinerant trader, hawker, or roadside trader needs a small amount of capital to start his own business and he becomes the sole proprietor. Small shops exist here and there, and in the urban rural markets stall holders abound. They are all sole proprietor. Apart from the distributive trade, sole proprietors are also numerous in the direct services, e.g. taxi-driver, roadside motor mechanics, tailors and carpenters and furniture worker, shoe makers and cobblers, photographers, farmers, etc. In the professions, too sole proprietors can be found many hospitals and maternity homes diagnostic laboratories, engineering shops, design. Workshops, in the villages, towns and cities are run by sole proprietors. Many sole proprietors have distinguishing names like Chioma Super Market, Modern Medicine store, Bayo's Modern Stitches, Feedwell Restaurant, Kodak's Bookshops, WP Electronics, Odom's survey and plan office, Alabi chambers, etc. Many others proprietors however, have no names.

Sources of Capital

Before a business can start, the sole proprietor will need some money to provide the basic facilities which the business needs. If the business is a retail store, money is required to rent the shop, install fixtures, showcases, racks, and counters for displaying goods. He also needs to stock the shop with the goods that are to be offered for sale. The money which is needed to start a business is known as CAPITAL. The sole proprietor can obtain initial capital from the following sources.

- a. Personal Savings: he will be most comfortable with personal savings on which he does not have to pay any interest. The saving can be from his salaries or his retirement benefits.**

- b. Grants from Friends or relations. In many cases a school leaver or any apprentice who desires to start a business will expect a financial grant from his guardian or sponsor. This perhaps the more usual source through which many sole proprietors raise their initial capital. Such financial grants often come from parents to their son or daughter, from other relations, or from master to when an apprentice or trainee – trader was articulated.**

- c. **Loans from friends:** the sole proprietor is able to raise initial capital from loans from friends and well wisher' unlike the grants, a loan has to be repaid when the sole proprietor begins to reap profits.
- d. **Loans from the Bank:** a school leaver or a similarly placed person cannot raise initial capital from bank since he may not have a current account in any bank. However, an establishment proprietor who has a current account can always raise a loan from his bank if additional capital is needed for expansion. There are also microfinance houses that encourage sole proprietors to save some amount on a daily basis and later be qualified for loans from them.
- e. **Loans from the Government:** The governments (Federal, state and local government) have made it possible for many unemployment graduates to obtain soft loans form the government. These loans are usually channeled through the commercial hank or support agencies like, NDE and NAPEP, **The emphasis some time is agriculture. In some states, the government granted the loans in kind by allocating the land, cleaning it and providing farm inputs like seedlings to the farmers.**

Advantages of Sole Proprietorship

1. The sole or individual proprietor has complete control over his business subject only to government regulations applied to all business.
2. He has the freedom to established and run any numbers of business at a time, say one for bakery, one for selling building material, one fir transport ,etc .
3. Individual ownership furnishes incentives for efficiency, devoted management and personal service, to customers that Canaanite be easily equally in other forms of business.
4. He enjoys secrecy and freedom from making public reports i.e. does not have to publish his reports for the public.
5. The business is small, making its management and organization simple and easy.
6. No corporate taxes are paid, but the sole proprietor pays tax as an individual

Disadvantages of Sole Proprietorship

1. The problem of raising capital is so enormous. The sole proprietor shoulder this problem alone
2. The personal risk involved is high, since the success of the business depends on the proprietor's ability and limitations.

3. In many cases, the sole proprietor is not able to retain professionals and manager. The business therefore lacks specialized knowledge and experience.
4. The death of the proprietor may bring the business to an end, especially if direct services are involved.
5. The ease and cheapness of starting the business makes it attractive to many people, who thus overcrowd the business making it highly competitive.
6. If the business fails, the proprietor runs the risk of losing his business assets as well as his personal possessions, unlimited liability. This is because such a business is not a legal entity from the owner.

Activity 1.1

Identify any sole-proprietorship type of business and state its contribution to the community .



SUMMARY.

- A strategy refers to the determination of the basic long-term goals and objectives for an enterprise and the adoption of courses of action and the allocation of resources necessary for carrying out these goals.
- The 3 main types of strategy are; Growth strategy, Stability strategy and Turnaround strategy.
- A business enterprise refers to any form of organization that seeks to profitably satisfy existing and created needs of customers.

- Business enterprises are generally classified into the following forms, viz; sole-proprietorship, partnership, co-operative societies and limited liability companies.
- Sole-proprietorship is the simplest form of business enterprise. It is a business owned by one person and it is so called because the capital is provided by one person who also takes all the risks and all the profits. Some examples include; itinerant traders, hairdressers, hawkers, caterers/bakers, etc.
- One of the advantages of sole-proprietorship business is the freedom of decision making and one of the disadvantages is unlimited liability.

- **Question**








1. Explain the reasons for high rate of failure of sole proprietorship type of business.
2. Despite the high rate of failure of sole proprietorship type of business, it still forms the largest type of business in Nigeria. Why?

WEEK 11

11.1. PARTNERSHIP.

OBJECTIVES.

	1. Define partnership and co-operative societies
	2. Identify the types of partnership
	3. Enumerate the advantages and disadvantages of partnership
	4. Identify the features and types of co-operative societies
	5. Enumerate the advantages and disadvantages of co-operative societies

- **Introduction**

This is the coming together of two or more persons with a view to making profit. A partnership business is an unincorporated business formed by an association of two to twenty

persons, who by an agreement usually legal, decide to run a business together in order to share its profit, losses and risks. Partnership act 1890 defines a partnership as the relation which subsists between persons scarring on business sin common with a view of profit.



Partnership Deeds

This is also known as articles of partnership. A partnership deed is a written agreement or document establishing the business and the relationship between partners.

Types of Partners. The content of the deed includes the following:

1. The name of the partnership
2. The nature of their business
3. Amount of capital to be contributed by each partner
4. The duration of the partnership (if any)
5. How profits and losses should be shared
6. How new partners are to be admitted or withdrawal of an existing partner
7. Salaries to paid to partners
8. Interest on capital and matters relating to drawings, etc.

Features of Partnership.

1. No corporate existence

Unlike a company which has corporate existence and is separate from its owners, a partnership and its owners are not separate from one another. It is not a separate legal entity; therefore it cannot sue or be sued in its own name.

2. Limited Membership

Membership is limited and is from two to twenty, or ten only in the business enterprise is a bank a social club or society is not a partnership because the aim of forming it is not to make a profit.

3. Unlimited Liability

Members of a partnership have unlimited liability for the debts of the firm, and for what is done by any member of the firm, or except the limited partner who has limited liability.

4. Formability Unnecessary

It may be harder to set up when compared with sole proprietorship, but no formality is required to bring a partnership into being. Formation can be done orally, in writing or by conduct.

5. Mutual confidence and trust

In the case of a partnership, the members must have mutual confidence and trust in each other. Any breach of this confidence and trust is subject to payment of damages if take to court.

TYPES OF PARTNER

1. **Limited partner** – A limited partner is the one who agreed to contribute certain amount to partnership business and is prevented by law from taking any active part in management of the business. He is liable for debts and obligation of the partnership only up to the amount of capital he has contributed i.e. he has a limited liability.
2. **General /Active Partner** – An active partner takes active part in the management of partnership business. He contributes to the financing and formation of the business, takes active role in the day to day running of the business and is being paid certain amount as his salaries.
3. **Nominal or Quasi Partner** – These contribute only his name to the formation of the business. He neither contributes capital nor takes part in the management of the firm. Only his name is used to increase the reputation of the business i.e. a political or a successful business man. He shares the profit to debt as specified by partnership Act 1890.

4. **Sleeping or dormant Partner** – these partners take no part in the conduct and management of the partnership business. But these dormant or sleeping partners are liable to the debt of the firm.

Advantages of partnership

1. **More capital/Resources:** The amount of money contributed by more than one person normally provides a larger sum for a bigger business. They pool their resources together to make more capital available for the partnership business than the sole proprietor whose resources are usually smaller. Some individuals are at times invited to join a partnership because of their financial status and ability.
2. The partnership has a better credit standing based on the collective assets of all the partners and financial institutions are more willing to lend them more money than the sole proprietor.
3. **Spread of risks:** Partnership makes it easier to spread the risks and misfortunes of the business among so many partners unlike the sole proprietor who bears it all alone.
4. There is specialization and division of responsibility in partnership. They pool their brains, abilities, skills and expertise together for the success of the partnership. Partnership business enjoys the advantage of more brainpower and management skills. It also has the resources to retain good and qualified employees.

5. There is secrecy in partnership business in view of the nature of its business, which is a confidential one. They are not required by law to publish accounts as in public company.
6. Partnerships have greater continuity because the death of one partner may not end the existence of the business. This is the case only with limited partnerships.
7. It is possible for a partner to invest his money and take profits without having to take part in the management of the firm. This also applies to limited partnerships.

Disadvantages of partnership.

1. There is the problem of getting compatible partners who can work together as a team without problems. Members may disagree on a number of issues which can affect the smooth running of the firm.
2. **Unlimited liability for the firm's debt:** There is unlimited liability in that the partners can be held personally for the debts of the partnership. This is in the case of general partnership, where the personal properties of all partners will be used to settle the debts of the firm.
3. There may be lack of effort and real interest on the part of partners since it is jointly owned. They may not take personal interest and responsibility in business.
4. In a general partnership, the misconduct of an unscrupulous partner can ruin the whole business.

5. Profits are shared, thus the partner who strikes the best business for the firm may not necessarily get the biggest share of the profit.
6. The death of a general partner which could be natural will end the existence of the firm and bring hardship to the other partners.

Source of Capital for Partnership

Partnerships can raise their capital from one or more of the following sources:

1. **Personal contributions.**

The partners raise the initial capital by agreeing to contribute specified sums of money to the partnership.

2. **Admission of new partners.**

Additional capital can be raised by inviting new persons to become partners.

Sale of shares is not allowed.

3. **Undistributed profits.**

The partners can agree to plough back into the business the profits made for purposes of expansion.

4. **Loans.**

Additional capital can be raised through loans from commercial banks.

11.2. Co-operative Societies

Definition of co-operative society

A cooperative society is a voluntary organization in which individuals, businessmen and trader with common interest pool their resources together to promote the economic and welfare interest of their members. It is owned and controlled by members. E.g. KADPOLY Co-operative Society.

A cooperative society is a form of voluntary self –help business organization in which individuals, sole proprietors, traders or producers unite to foster their group and individual business interests. (Other suitable definitions or explanation are accepted)

Characteristics of co-operative society

6. Perpetual existence: there is continuity in co0perative societies. Death of a member cannot bring the organization to an end.
7. Registered as a limited liability: The liability is limited
8. Democratic in nature: the activities of co-operative society are democratic in nature. Each member is entitled to one vote, irrespective of the total shares.
9. Profit is hared base on patronage: Surplus for the year is shared among the members on the basis of their patronage during the year.
10. The objective is to promote members' interest: The aim and objective of the society is to promote and advance the interest of their members, by rendering services to them.

11. Managed by a committee: The control and management of the organization in by an elected committee whose members must be members of the society.
12. Capital is provided by member: Capital is raised through voluntary contribution from the members.
13. Owned by people with common interest: Co-operative societies are owned by people with common interest. This makes ownership to be restricted as some conditions must be met before one becomes a member.

Types of cooperative societies

1. Wholesale co-operative

Wholesale co-operative is formed by small scale wholesalers who purchase goods in bulk from the manufacturers at a reasonable price and sell in small quantities to retail co-operatives. They are able to raise a large sum of money to finance wholesale purchases when they come together. As an entity, they have better bargaining power to purchase in bulk from the manufacturer. They also settle disputes among their members.

2. Retail co-operative society

Retail cooperative society is a contractual organization formed by many small independent retailers. They pool their resources together to enable them to buy in bulk and then sell the goods at a lower price to their members who receive some form of patronage returns based on the amount of goods they purchase.

3. Producer co-operative society

Producer co-operative society is formed by producers of similar products who organizes co-operative production and undertake joint marketing of the products on wholesale or retail basis. They share useful information among members. The farmers can also purchase farm implements such as equipment, cutlasses, seeds, fertilizer in large quantities and sell to members at reduced prices.

Credit and thrift society

Credit and thrift society is an association of low income earners who jointly pool a large resource or fund together by contributing on a weekly or monthly basis. This type of society encourages saving habits among their members and grant loans to the members put of the accumulated fund. The loan attracts a low rate of interest. At the end of the year, surplus will be distributed to members. As dividend. The members can also be afforded the opportunity of purchasing household needs like television, fridge etc.

Consumer's co-operative society: Consumer's co-operative society is owned and operated by a group of unlimited consumers who pool their resources together to purchase goods and services in large quantity and distribute primarily to its members.

Advantages of co-operative society.

1. Every member is enabled to contribute to common interests leading to proper harnessing of resources. Accumulation of capital through co-operative effort is thus possible, this has a multiplier effect.
2. Members can receive government financial assistance through their co-operative society. The government takes active interest in the development of co-operative

- societies and there is a relevant government ministry or department in charge of co-operatives in every state.
3. Belonging to a co-operative society ensures greater production, reduces wastage and ensures greater financial benefit to members and consequently a better life.
 4. It enables many more people to work actively to achieve economic goals. Every member is given a sense of belonging and feels he is participating. Since customers and profit receivers are the same in most cases, members work hard because it is in their interest to do so.
 5. Co-operative societies have corporate existence and perpetual succession. As members of registered societies, individuals are afforded the opportunity to belong to a business run according to the law.
 6. Co-operative societies are useful agents through which other agencies can deal. For example, tractor hire services can be organized through co-operative societies. The banks will also prefer to lend to co-operative societies rather than to individuals.
 7. Co-operative societies ensure for their members the benefits of large scale production which would otherwise be beyond the reach of a single person.
 8. Co-operative societies are not required to pay tax. They also enjoy free feasibility studies when the need arises by the relevant department in charge of co-operatives.

Disadvantages of co-operative societies.

1. **Amateur management.**

A majority of the members in the management committees of co-operative societies often lack business experience and expertise. This is so because many members of the committees are elected on the basis of their popularity and not on the basis of an identified business acumen, training or specialization.

2. **Divided loyalty.**

Members of management committees are always people who have their own business to which they give priority. They can therefore apply themselves only to part time work in the co-operative society.

3. **Lack of diversification.**

Many co-operative societies in Nigeria are the consumer type. Therefore, since essential consumer goods are in inadequate supply, there is the likelihood that they may not find enough goods to buy to compensate them for their shares.

4. **Financial problems.**

Lack of capital inhibits the growth and development of co-operative societies. Members are mostly peasants and the less affluent members of the population. Therefore, the amount of capital that can be generated is limited.

5. **Slow returns on investment.**

The financial problems of most members are compounded because their investments, being mostly in agriculture do not always have quick financial results.

6. **Difficulty in recovering loans.**

Often, it is difficult to recover loans granted to members. Poor yield, crop failure, or dishonestly on the part of the debtor, may affect loan repayment. Debtors often keep away from meetings and finally become inactive.

7. **Co-operative education.**

Many members are not able to benefit from co-operative education due to communication problems. E.g. geographical spread, bad roads and lack of cheap transport facilities. Therefore, part time classes are difficult to organize.

8. **Illiteracy.**

Illiteracy is a major constraint for the co-operative movement. Many members are unable to read and write and so do not understand what is happening when it comes to paper work. Even when loans are negotiated, they find it difficult to accept the terms and amounts, so they feel cheated. This adversely affects their morale and the contribution that they can make.

Activity 1.1

Visit any co-operative society and evaluate its performance and contribution to the community.



SUMMARY.

- A partnership business is an unincorporated business formed by an association of two to twenty persons, who by an agreement, usually legal decide to run a business together in order to share its profits, losses and risks.
- The main types of partners are; general/active, limited, nominal or quasi and sleeping /dormant partners.
- Some advantages of partnership are;
 - More financial resources
 - Risk sharing
 - Possibility of specialization, etc and the disadvantages are; disputes/disagreements, sharing of profits, etc.
- A co-operative society is a voluntary organization in which individuals, business men and traders with common interest pool their resources together to promote the economic and welfare interest of their members.
- Some characteristics of co-operative society are; perpetual existence, democratic in nature, managed by a committee, capital is provided by members, etc.
- Some common types of co-operative society are; credit and thrift society, consumer society, retail co-operative society, etc.
- Co-operative society has advantages of encouragement of savings, rendering assistance to members, democratic nature, perpetual existence, etc.
- Some disadvantages are; members are mostly illiterates, lack of managerial experience, delay in decision making, etc.

- **Questions**








1. Identify and explain the sources of funds of partnership business.
2. Suggest ways of improving the management of co-operative society

WEEK 12

12.1. LIMITED LIABILITY COMPANIES (CORPORATION)

OBJECTIVES.

	1. Define a limited liability company
	2. Distinguish between a private limited liability company and a public limited liability company
	3. Distinguish between co-operative society and limited liability company
	4. Explain license and franchise arrangements
	

- **Introduction**

Although the word corporation makes people think of big business like Unliver plc, total plc, Oando plc John Holt plc etc, it is not necessary to be big in order to incorporate (Start Corporation) obviously, many corporation are big however incorporation may be beneficial for small business also.

Corporation is a state chartered legal entity with authority to act and have liability separate from its owner. This means that they are not liable for the debts or any other problems of the corporation beyond the money they invest. Owners no longer have to worry about loosing their house, car or other property because of some business problem. A corporation enable many people to share in the ownership (and profit) of a business

without working there. A corporation could be a private limited company or public limited company.

The private limited company (Ltd) - formed by two to fifty persons who buy shares in the company. The company enjoys limited liability but its shares are not offered for public subscription and the shares of one member cannot be disposed off without the agreement of the other member.

The public limited company (plc) - it has at least seven members. And no maximum numbers of members. The members can dispose of their share in the company when ever they wish, through the stock exchange. A public limited company is allowed to appeal to the public for funds through public subscription.

Advantages of corporation

1. Limited liability – owners of a corporation have limited liability.
2. Access to fund – a corporation can easily obtain funds by issuing new stock.
3. Perpetual life – Because corporations are separate from those who own them
4. Ease of ownership change - it is easy to change the ownership of corporation.

All that is necessary is to sell the stock to someone else.

Disadvantage of corporation

1. Initial cost – incorporation may cost thousands of Naira and involve expenses, lawyer and accountants etc.
2. Paper work – The papers filled to start a corporation are numerous. A corporation must keep detailed records, the minutes of meetings and more .
3. Double tax returns – If an individual incorporates he or she must file both a corporate tax return and an individual tax return.
4. Size-large corporation sometimes becomes too inflexible and too tied down in red tape to respond quickly to market changes.
5. Difficulty of terminal. Once a corporation is started, it's relatively hard to end.


Sources of fund for corporation

1. Trade credit
2. Loan and overdraft
3. Equity shares
4. Debentures – which are long-term loan, obtain from the public at a fixed interest.

Differences between co-operative society and company

Co-operative society	Limited Liability Company
1. Formation – may only be registered under a co-operative law.	Must be registered and incorporated Under the company act.
1. Management and control - elected committee manage the affairs of the movement.	The share holders elected the board of directors.
3. Registration – members pay registration fee apart from shares.	Registration is not paid after paying fully for shares.
4. Profit distribution – profit is divided on patronage basis.	Surplus is divided in the proportion to shareholding
5. Aim - to promote members welfare.	To make profit

6. Right of members - members have equal voting rights.	
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Discussion 1.1 Distinguish between private limited liability company and public limited liability company	
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12.2 Licensing and Franchise arrangements.

Licensing Arrangement.

This is an arrangement whereby entrepreneur buys the rights to manufacture usually a foreign company's products in the licenses (entrepreneur's) country for an agreed fee (usually in the form of royalties or some percentage commission payments). This can be pursued in manufacturing business only.

Merits of Licensing Arrangement.

- (i) The entrepreneur will not bear the cost of developing the new product or research.
- (ii) The company will avoid enormous costs and risks involved in opening up a foreign market.

(iii) Licensing is a very attractive option for companies that lack the capital to develop operations overseas.

Demerits of Licensing Arrangement.

- (i) It does not give a company the tight control over manufacturing and marketing functions in foreign countries.
- (ii) By licensing its technology, which is the basis of their competitive advantage, a company can quickly lose control over it.

Franchising Arrangement.

This is an arrangement whereby the entrepreneur buys a franchise's limited rights to use its brand name, goodwill, trademarks or distribution channel in return for a lump, payment and a share of franchisee's profits. Franchising is pursued by manufacturing firms.

Franchising is the granting of license from person/company called the **franchisor** to another franchisee to use or wear his image, brand name or title. Under the above arrangements/ agreements, the franchisor gives the franchisee, the rights or privileges to sell and distribute his products while riding on the past glory of the franchisor's business name, trademarks, brand name or title and reputation even use his distribution channel for the sale of his goods. The franchisor is usually paid a fixed amount as license fee or paid royalty depending on their agreement.

Benefits of franchising arrangements.

1. It is an alternative to forming an entirely new business enterprise; as the entrepreneur will not bear development cost.

2. An ailing business can avail itself opportunity offered by franchising arrangement to revitalize its business.
3. It can overcome competition from companies by going into franchising or merger.
4. An entrepreneur can introduce his products, get wide acceptance through the existing goodwill of the franchisor.
5. The franchisee can gain some economies of scale.
6. There is higher probability of survival under franchising arrangement than starting a business from the scratch.
7. Buying a franchise will avail you opportunity of using existing research facility, distribution channels, training, purchasing, supply and maintenance facilities of the franchisor.
8. The entrepreneur can build up a global image quickly and at a low cost.

Franchise fee.

This is the amount of money paid to the franchisor as consideration for the use of his business name, image, brand name, title or goodwill etc. this can be in form of fee that is, fixed amount of money is paid annually to the franchisor or it may be some percentage commission or royalties.

Franchise agreement.

this is an agreement made by franchisor and franchisee which stipulates the terms of the franchise. The area of coverage or the extent of right and privileges to be conferred on the franchisee are enshrined in the franchise agreement. Actually, before a license is granted to the franchisee; there must be an agreement which usually cover among others:

- (i) Territory/Segment of the markets to be covered.
- (ii) Prices and channels of distribution.
- (iii) Franchise fee.
- (iv) Advertising, training and management.

- (v) Transfer of ownership of the business.
- (vi) Tenure-when to terminate or renew the franchise.

Franchise License.

This license is issued to the franchise by the franchisor after the contract is properly drawn and signed, conferring rights and privileges to the franchise either to distribute or market the products or services wearing the image, business name, trademarks, brand name or title, distribution channels or goodwill of the franchisor for a consideration known as franchise fee, commission or royalty.

Activity 1.1

Use a case study history of the development of a Nigerian business to show the stages of growth, diversification and development

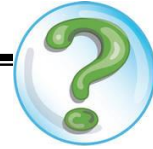


SUMMARY.

- Corporation is a state chartered legal entity with authority to act and have liability separate from its owners. A corporation enables many people to share in the ownership (and profit) of a business without working there. A corporation could be a private limited liability or public limited liability company
- A private limited company is formed by two to fifty persons. The company enjoys limited liability but its shares are not offered for public subscription
- The public limited company has at least seven members and there is no maximum number of members. The shares can be offered for public subscription.

- One of the advantages is, limited liability, i.e. owners can only suffer for the amount of shares owned in the company in case of liquidation, and the disadvantage is that, there is double taxation, as owners pay individual tax and the company pays corporate tax.

Questions






1. **Conduct a test.**

WEEK 13

13.0 THE PRATICAL ASPECTS OF RUNNING A BUSINESS

OBJECTIVES.

	1. Prepare a detailed business plan
	2. Participate in class group presentation of the business plan
	

13.1 Preparation of business plan

Every national decision to make a new investment is preceded by an investigation of the economic feasibility of the project, whether or not this is arrived at in a formal manner. The larger the project and grater the investment the more formalized will be the investigation. The investor will want assure himself that the market exists or can be developed, that local services vital to the project can be assured, that the overall costs for plant equipment and raw material input will be of a certain order. Most importantly he will seek assurance that income will exceed costs by a margin sufficient to reinforce the **inclination** to undertake the project. On the other hand, if the project is small, the study format may be quit informal. Perhaps, there will be no formal study at all and title accumulation or actual data. Nonetheless, the feasibility calculations will have to be computed and reviewed by the investor before the ultimate step of actual investment is taken.

Advantages of Feasibility Report

Before one invests his resources in an undertaking, one should ask himself whether he has examined the business very deeply. This is done by examining the market situation to ensure that there is enough demand for the product or service. The requirements of the business are also examined. The above can be achieved by preparing a good FR. Feasibility report will help in planning the proposed project. Many projects that have failed in the past are due to lack of planning. It is therefore, necessary that, having identified a business opportunity, one will be able to determine whether or not the business will succeed. In other words, one will be able to determine whether or not to undertake, if it is found to be profitable. The business can then be undertaken, if it is found to be profitable. If not profitable, one has to look for profitability of the project.

1. By way of information, a history of the proposed project can be given, stating how the idea of business was conceived. Is the project going to be undertaken by a new business or is it by an existing business that has been incorporated, but wished to expand by investing in new ventures etc.? A brief and concise description of the product can then be given.

2. **The market Assessment**

A detailed analysis of the market should be given. He needs to establish the business will be or base on the availability of the product or service. If

sufficient market is not available for the product or service. It will be useless investing money in the business.

If other people rendering (firm) are already in the particular field, (i.e. already producing or rendering services) this must be stated. This information should have been available while collecting information where other firms (your compactor) are location must be made clear. There should be an assessment of the total quantities that they are producing and what the total demand is in the market. It must also be stated whether they are trying to expand their production capacities and by how much? After the expansion, will there still remain a supply gap?

The demand may be a little bit difficult to obtain. However, demand can be estimated by projecting the actual sales in the past. It can also be estimated by looking at the population of area and the annual expenditure on the good by each consumer. For instance let us assume that, the product in question is salt. We assume further that each household will consume N2.00 worth of salt per month or N24.00 per annum, and there are 100,000 households. The demand for salt will equal the number of house olds times annual on salt i.e. $DD = N24.00 \times 100,000 = N2,400,000$. The knowledge of demand and

supply will help in determining the existence of a market gap. The supply gap gives indication of what is going to be the share of the market that he proposed

business will have. Although the new business may not be able to capture the entire shortage in supply indentified, the knowledge will help in taking decision on man power; plant and equipment, raw materials and advertising requirements.

3. MANAGEMENT REQUIRMENTS

The personnel tem that will manage the business is an important aspect of FR. Qualifications and exercise of those who will manage the business should be given. Their salaries should also be indicated.

4. PRODUCTION PROCESS

The business concern is a manufacturing project, the description of how the productit will be pronounced must be give. The description gives the detail of the different stages required before the product is finally produced. This will commence from raw material stage, and the various stages that it passes through before it will pass out of the production lines. Information could also, the space required for the raw material factory sit, the space required for the raw materials storage, work-in-progress, and finished product.

5. COST OF THE PROJECT

This section sets out estimated cost of the project. The total estimated cost is broken into its various components, which may include some of the following:

a. Land and Building

State the size of land required. They way and by which the land will be acquired will be given. How will the land be developed and at what cost? Whether the development will be in stages, such as clearing, road construction, factory administration and residential buildings, laboratories, fencing etc.

b. Machinery and requirement

The machinery and equipment required are given with their estimated costs. The cost should be based on prices listed by suppliers. A provision of about 10% should be given for price escalation/inflation.

c. Working Capital

The working capital should be estimated. This is the amount of money that is needed to cover expenditure before revenue begins following in. the working capital will include among others, cost of labor, rents supply of raw material for specified period, work in progress transportation for finished product etc.

d. Others

Other cost may include pro-investment cost, comprising FR, company information, traveling expenses. These are expenditures that would be made before the actual commencement of business.

6. Marketing Strategy

Since the main objective is profit making goods produced must be sold. Having identified the market gap, which ensures market for product or service, the strategy that will adopted to ensure that the enterprises capture this share of the market must be stated. There may be a need to undertake market research (survey) the assess the weapons of effecting sales; this may include competitive pricing police. The distribution channel of the product must also be given .

7. Cash flow and Profitability Analysis

The cash payment (outflows) foe a given period must be estimated. The cash receipt will be based on the business sales forecast. Allowance could be given for credit sales. If cash inflow is calculat6ed on monthly basis, a month's receipt will be that month's cash be ploughed back into the business. The profit of the business for a period should then be estimated.

8. Conclusions

We need to appraise the project to determine whether, it should be undertaken or not. To start with the break-even point may be assessed. This is the point where the business will neither make profrit nor loss. That is the total

expenses incurred and total revenue generated are equal. There are many approaches for the calculation of the break-even point.

Algebraic approach. The following formulae can be used.

BE

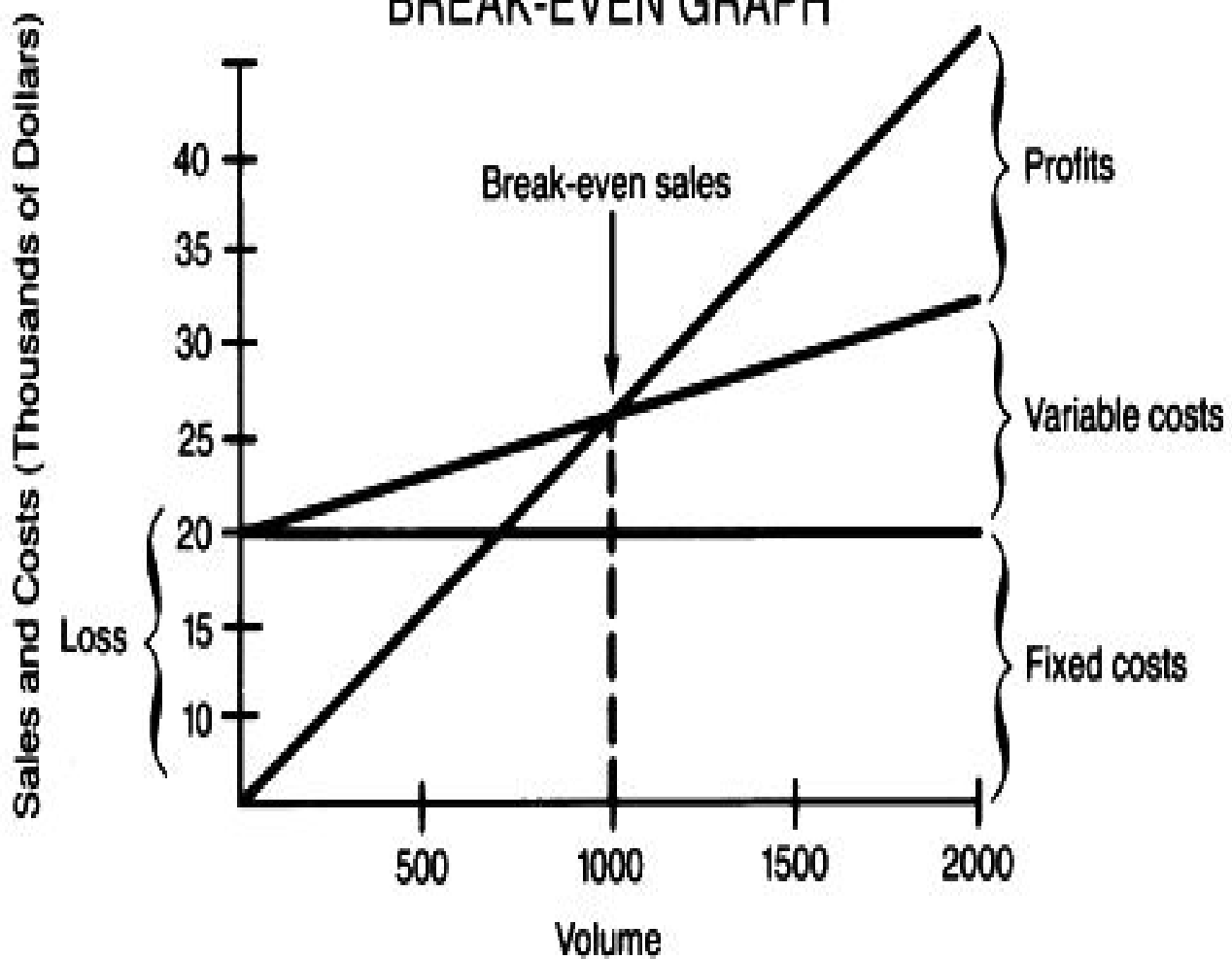
Where BE equals break-even point. FC is the fixed cost (cost that remained unchanged irrespective of the level of sales or producing) CV is the unit variable cost and P is the unit selling price.

Since price is 20.00, BE equals $100 \times 20.00 = 2,000$. It thus means that for project to break-even, sales must be N2,000.00. i.e. at least 100 units must be produced and sold for at least N20.00 a margin of safety could be also be specified, in case the actual sales should fall. The margin of safety could also be specified, in case the actual sales should fall. The margin of safety tells us the extent to which estimated sales can fall before the business will begin to make loss. The margin can be calculated as follows:

$$MS = S - BE$$

Where MS is the margin of safety, S is the estimated sales, while BE is the breakeven, assuming we have estimated sales to be N3,100 – N2,000.00 = 1,100.00. Sales must not be allowed to fall below N1,100.00 otherwise the probability of making profit becomes slim.

BREAK-EVEN GRAPH



Activity 1.1

1. The students are to present their detailed business plans at group levels and hand in their plans.

2. The membership of the panel of evaluators/assessors should be made of:




- * the course facilitator**
- * Two other entrepreneurship facilitators**
- * Two local entrepreneurs**



WEEK 14

14.1 GROUP PRESENTATION OF THE BUSINESS PLAN AND ASSESSMENT.

OBJECTIVES.

	1. Prepare a detailed business plan
	2. Participate in class group presentation of the business plan
	



Activity 1.1

1. The students are to present their detailed business plans at group levels and hand in their plans.

2. The membership of the panel of evaluators/assessors should be made of:

- * the course facilitator**
- * Two other entrepreneurship facilitators**
- * Two local entrepreneurs**



WEEK 15

15.1 Group presentation of the business plan and assessment.



Activity 1.1

1. The students are to present their detailed business plans at group levels and hand in their plans.
2. The membership of the panel of evaluators/assessors should be made of:
 - * the course facilitator
 - * Two other entrepreneurship facilitators
 - * Two local entrepreneurs

