NATIONAL OPEN UNIVERSITY OF NIGERIA

SCHOOL OF MANAGEMENT SCIENCES

COURSE CODE: ENT 221

COURSE TITLE: ENTREPRENEURSHIP DEVELOPMENT

COURSE DEVELOPMENT

ENT 221

ENTREPRENEURSHIP DEVELOPMENT

COURSE GUIDE

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ENT 221: ENTREPRENEURSHIP DEVELOPMENT

1.0 INTRODUCTION

ENT 221: Entrepreneurship Development is a first semester year two, two credit and 200 level core course. It will be available for all students offering undergraduate programme in B.Sc. Entrepreneurial and Business Management at the School of Management Sciences.

This course introduces learners to the history of entrepreneurship in Nigeria, evolution of entrepreneurship, the theories, and origin of the concept, characteristics, types and functions of entrepreneurship, history of entrepreneurship in Nigeria. The course also discusses the history of entrepreneurship in Nigeria, its role in an economy and small scale industries as well as entrepreneurship as the driving behind organisations. Finally, the course examined the organic functions of a business, law and its relevance to business operations, the use of business plan and feasibility studies in a business and entrepreneurship and the internet system.

2.0 COURSE GUIDE

The course guide tells you briefly what the course is about, what course materials you will be using and how you can work your way through the study materials. It suggests some general guidelines for the amount of time you are likely to spend on each unit of the course in order to complete it successfully.

It also gives you some guidance on your tutor-marked assignments, which will be made available to you at the Study Centre. There are regular tutorial classes that are linked to the course. You are advised to attend these sessions.

3.0 WHAT YOU WILL LEARN IN THIS COURSE

The course ENT 221 consists of 13 units. Specifically, the course discusses the following:

- Entrepreneurship – An Overview
- Evolution of Entrepreneurship
- Entrepreneurship Theories
- Evolutionary Origins of Concept "Entrepreneur"
- Characteristics, Types and Functions of Entrepreneurship
- History of Entrepreneurship in Nigeria
- The Role of Entrepreneurship in an Economy
- Small Scale Industries in Nigeria
- Entrepreneurship as a Driving Force behind Organisation
- The Organic Functions of a Business
- Law and its Relevance to Business Operations
- Business Plan and Feasibility Studies
- Entrepreneurship and Internet System

4.0 COURSE AIMS

The aim of the course can be summarised as follows:

This course aims to give you an understanding of the history of entrepreneurship development in Nigeria, need scope and characteristics as well as various forms of business organisations, preparation and use of business plan and feasibility studies. It also aims at giving students an insight into the entrepreneurship as driving force behind organisations.

5.0 COURSE OBJECTIVES

To achieve the aims set out, the course sets overall objectives. Each unit also has specific objectives. The unit objectives are always specified at the beginning of a unit; you should read them before you start working through the unit. You may want to refer to them during your study of the unit to check your progress.

You should always look at the unit objectives after completing a unit. When you do that, you will ensure that you have followed the instructions in the unit.

Below are the overall objectives of the course. By meeting these objectives, you should have achieved the aims of the course as a whole. On successful completion of the course, you should be able to:

- Entrepreneurship – An Overview
- Evolution of Entrepreneurship
- Entrepreneurship Theories
- Evolutionary Origins of Concept "Entrepreneur"
- Characteristics, Types and Functions of Entrepreneurship
- History of Entrepreneurship in Nigeria
- The Role of Entrepreneurship in an Economy
- Small Scale Industries in Nigeria
- Entrepreneurship as a Driving Force behind Organisation
- The Organic Functions of a Business
- Law and its Relevance to Business Operations
- Business Plan and Feasibility Studies
- Entrepreneurship and Internet System

6.0 WORKING THROUGH THIS COURSE

To complete this course, you are required to read the study units, read set books and read other materials provided by the National Open University of Nigeria (NOUN). Each unit contains self-assessment exercises, and at a point in this course, you are required to submit assignments for assessment purposes. At the end of the course, there will be a final examination. The course should take you a total of 13 – 14 weeks to complete.

Below, you will find listed all the components of the course. What you have to do and how you should allocate your time to each unit in order to complete the course successfully on time.

The list of all the components of the course is as presented.

7.0 COURSE MATERIALS

Major components of the course are:

- Course Guide

- Study Units
- Textbooks
- Assignment
- Presentation Schedule.

8.0 STUDY UNITS

The study units in this course are as follows:

MODULE 1 CONCEPT OF ENTREPRENEURSHIP DEVELOPMENT

Unit 1: Entrepreneurship – An Overview
Unit 2: Evolution of Entrepreneurship
Unit 3: Entrepreneurship Theories
Unit 4: Evolutionary Origins of Concept "Entrepreneur"
Unit 5: Characteristics, Types and Functions of Entrepreneurship

MODULE 2 PRACTICE OF ENTREPRENEURSHIP

Unit 1: History of Entrepreneurship in Nigeria
Unit 2: The Role of Entrepreneurship in an Economy
Unit 3: Small Scale Industries in Nigeria
Unit 4: Entrepreneurship as a Driving Force behind Organisation
Unit 5: The Organic Functions of a Business

MODULE 3 ENTREPRENEURSHIP OPERATIONS AND THE LAW

Unit 1: Law and its Relevance to Business Operations
Unit 2: Business Plan and Feasibility Studies
Unit 3: Entrepreneurship and Internet System

9.0 ASSIGNMENT FILES

A number of self assessment exercises and fifteen assignments have been prepared to help you succeed in this course. The exercises will guide you to have understanding and good grasp of the course.

10.0 PRESENTATION SCHEDULE

The presentation schedule included in your course materials also have important dates of the year for the completion of tutor-marked assignments (TMAs) and your attending to tutorials.

Remember, you are required to submit all your assignments by the due date. You should guard against falling behind in your work.

11.0 ASSESSMENTS

There are two aspects to the assessment of the course: first are self-assessment exercises, second are the tutor-marked assignments; and third, there is also a written examination.

In tackling the assignments, you are expected to apply information, knowledge and techniques gathered during the course. The assignments must be submitted to your tutor for formal assessment in accordance with the deadlines stated in the ***Presentation Schedule*** and the ***Assignment File***. The work you submitted to your tutor will count for 30% of your total course mark.

At the end of the course, you will need to sit for a final written examination of 'three hours' duration. This examination will also count for 70% of your total course mark.

12.0 TUTOR-MARKED ASSIGNMENT (TMAs)

Each of the units in the course material has a tutor-marked assignment (TMAs) in this course. You only need to submit five of the eight assignments. You are to answer all the TMAs and compare your answers with those of your course mates. However, you should ensure that you collect four (4) TMAs from the Study Centre. It is compulsory for you to answer 4 TMAs and submit them for marking at the Study Centre. Each TMA is allocated a total of 10 marks. However, the best three of the four marks shall be used as your continuous assessment score.

You will be able to complete your assignment from the information and materials contained in your reading, references and study units. However, it is desirable in all degree level education to demonstrate that you have read and researched more widely than the required minimum. Using other references will give you a broader viewpoint and may provide a deeper understanding of the subject.

13.0 FINAL EXAMINATION AND GRADING

The final examination for ENT 221 will not be more than three hours' duration and has a value of 70% of the total course grade. The examination will consist of questions, which reflect the types of self-testing, practice exercises and tutor-marked problems you have previously encountered. All areas of the course will be assessed.

Use the time between finishing the last unit and sitting for the examination to revise the entire course. You may find it useful to review your self-tests, tutor-marked assignments and comments on them before the examination. The final examination covers information from all parts of the course.

14.0 COURSE MARKING SCHEME

Total Course Marking Scheme:

Table 1: Course Marking Scheme

ASSESSMENT	MARKS
Assignment 4 (TMAs)	Best three marks of the 4 TMAs @ 10 marks = 30 marks of course = 30%
Final Examination	70% of overall course marks
Total	**100% of course marks**

15.0 COURSE OVERVIEW

This table brings together the units and the number of weeks you should spread to complete them and the assignment that follow them are taken into account.

			Assessment (end

Unit	Title of work	Weeks activity	of unit)
	Module I		
1	Entrepreneurship – An Overview	1	Assignment 1
2	Evolution of Entrepreneurship	1	Assignment 2
3	Entrepreneurship Theories	1	
4	Evolutionary Origins of Concept "Entrepreneur"	1	Assignment 3
5	Characteristics, Types and Functions of Entrepreneurship	1	
	Module II		
1	History of Entrepreneurship in Nigeria	1	Assignment 4
2	The Role of Entrepreneurship in an Economy	1	
3	Small Scale Industries in Nigeria	1	Assignment 5
4	Entrepreneurship as a Driving Force behind Organisation	1	
5	The Organic Functions of a Business	1	Assignment 6
	Module III		
1	Law and its Relevance to Business Operations	1	Assignment 7
2	Business Plan and Feasibility Studies	1	
3	Entrepreneurship and Internet System	1	Assignment 8
	Revision	1	
	Total	***14***	

16.0 HOW TO GET THE MOST FROM THIS COURSE

In distance learning, the study units are to replace the university lecturer. This is one of the great advantages of distance learning. You can read and work through the specially designed study materials at your own pace, and at a time and place that suits you best. Think of it as you read the lecture and that a lecturer might set you some readings to do. The study unit will tell you when to read your other materials. Just as a lecturer might give you an in-class exercise, you study units also provide exercises for you to do at appropriate points.

Each of the study units follows a common format. The first item is an introduction to the subject matter of the unit, and how a particular unit is related with the other units and the course as a whole.

Next is a set of learning objectives. These objectives let you know what you should be able to do by the time you have completed the unit. You should use these objectives to guide your study. When you have finished the unit, you must go back and check whether you have achieved the objectives. If you make a habit of doing this, you will significantly improve your chances of passing the course.

The main body of the unit guides you through the required reading from other sources. This will usually be either from ***Reading Section*** or some other sources.

Self-tests are interspersed throughout the end of units. Working through these tests will help you to achieve the objectives of the unit and prepare you for the assignments and the examinations. You should do each self-test as you come to it in the study unit. There will also be numerous examples given in the study units, work through these when you come to them too.

The following is a practical strategy for working through the course. If you run into any trouble, telephone your tutor. When you need help, don't hesitate to call and ask your tutor to provide it. In summary,

(1) Read this course guide.

(2) Organise a study schedule. Refer to the course overview for more details. Note the time you are expected to spend on each unit and how the assignments relate to the unit. Important information e.g. details of your tutorials, and the date of the first day of the semester is available. You need to gather together all information in one place, such as your diary or a wall calendar. Whatever method you choose to use, you should decide on and write in your own dates for working on each unit.

(3) Once you have created your own study schedule, do everything you can to stick to it. The major reason that students fail is that they get behind with their coursework. If you get into difficulties with your schedule, please let your facilitator know before it is too late for help.

(4) Turn to unit 1 and read the introduction and the objectives for the unit.

(5) Assemble the study materials. Information about what you need for a unit is given in the 'Overview' at the beginning of each unit. You will always need both the study unit you are working on and one of your set books, on your desk at the same time.

(6) Work through the unit. The content of the unit itself has been arranged to provide a sequence for you to follow. As you work through this unit, you will be instructed to read sections from your set books or other articles. Use the unit to guide your reading.

(7) Well before the relevant due dates (about 4 weeks before the dates) access the Assignment file on the Web CT OLE and download your next required assignment. Keep in mind that you will learn a lot by doing the assignments carefully. They have been designed to help you meet the objectives of the course and, therefore, will help you pass the examination. Submit all assignments not later than the due dates.

(8) Review the objectives for each study unit confirms that you have achieved them. If you feel unsure about any of the objectives, review the study material or consult your tutor.

(9) When you are confident that you have achieved a unit's objectives, you can then start on the next unit. Proceed unit by unit through the course and try to pace your study so that you keep yourself on schedule.

(10) When you have submitted an assignment to your tutor for marking, do not wait for its return before starting on the next unit. Keep to your schedule. When the assignment is returned, pay particular attention to your facilitator's comments. Consult your tutor as soon as possible if you have any questions or problems.

(11) After completing the last unit, review the course and prepare yourself for the final examination. Check that you have achieved the unit objectives and the course objectives.

17.0 TUTORS AND TUTORIALS

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

Your tutor will mark and comment on your assignments, keep a close watch on your progress and on any difficulties you might encounter as they would provide assistance to you during the course. You must mail your tutor-marked assignments to your tutor well before the due date (at least two working days are required). They will be marked by your tutor and returned to you as soon as possible. Do not hesitate to contact your tutor by telephone, e-mail, or discussion board if you need help. The following might be circumstances in which you would find help necessary.

Contact your tutor if:

- you do not understand any part of the study units or the assigned readings.
- you have difficulty with the self-tests or exercises.
- you have a question or problem with an assignment with your tutor's comment on an assignment or with the grading of an assignment.

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

18.0 SUMMARY

As earlier stated, the course ENT 221: Entrepreneurship Development is designed to introduce you to various techniques, guides, principles, practices etc. relating to development of entrepreneurship in Nigeria.

We hope you enjoy your acquaintances with the National Open University of Nigeria (NOUN). We wish you every success in the future.

COURSE DEVELOPMENT

ENT 221

ENTREPRENEURSHIP DEVELOPMENT

MAIN TEXT

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UNIT 1: ENTREPRENEURSHIP – AN OVERVIEW

Table of Contents

1.0 INTRODUCTION

You are welcome to a new course; ENT 221 (Entrepreneurship Development) is a first semester year two, two credit and 200 level core course. This is the first unit of the first module in this course.

In this unit, we shall discuss entrepreneurship as a factor of production, define 'entrepreneur' 'entrepreneurship', 'enterprise' and 'small scale business', discuss certain key concepts in entrepreneurship.

2.0 OBJECTIVES

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

- discuss entrepreneurship as a factor of production;
- define the terms: entrepreneur, entrepreneurship, enterprise and small scale business;
- explain the relationship that exist between enterprise and entrepreneurship;
- enumerated and explain certain key concepts in entrepreneurship.

3.0 MAIN CONTENT

Wikipedia (2010) state that in economics, factors of production mean inputs and finished goods mean output. Input determines the quantity of output i.e. output depends upon input. Input is the starting point and output is the end point of production process and such input-output relationship is called a production function.

All factors of production like land, labour, capital and entrepreneur are required in combination at a time to produce a commodity. In economics, production means creation or an addition of utility.

3.1 Entrepreneurship as a Factor of Production

Factors of production (or productive inputs or resources) are any commodities or services used to produce goods and services. 'Factors of production' may also refer specifically to the primary factors, which are stocks including land, labor (the ability to work), and capital goods applied to production. The primary factors facilitate production but neither become part of the product (as with raw materials) nor become significantly transformed by the production process (as with fuel used to power machinery). 'Land' includes not only the site of production but natural resources above or below the soil. The factor land may, however, for simplification purposes are merged with capital in some cases (due to land being of little importance in the service sector and manufacturing). Recent usage has distinguished human capital (the stock of knowledge in the labour force) from labour (Samuelson and Nordhaus, 2004). Entrepreneurship is also sometimes considered a factor of production (Sullivan and Sheffrin, 2003). Sometimes the overall state of technology is described as a factor of production (Parkin and Esquivel, 1999). The number and definition of factors varies, depending on theoretical purpose, empirical emphasis, or school of economics (Friedman, 2007).

3.1.1 Historical Schools and Factors

In the interpretation of the currently dominant view of classical economic theory developed by neoclassical economists, the term "factors" did not exist until after the classical period and is not to be found in any of the literature of that time (Ricardo, 1820; quoted in Sraffa, 1951). Differences are most stark when it comes to deciding which factor is the most important. For example, in the Austrian view—often shared by neoclassical and other "free market" economists—the primary factor of production is the time of the entrepreneur, which, when combined with other factors, determines the amount of output of a particular good or service. However, other authors argue that "entrepreneurship" is nothing but a specific kind of labor or human capital and should not be treated separately. The Marxian school goes further, seeing labor (in general, including entrepreneurship) as the primary factor of production, since it is required to produce capital goods and to utilize the gifts of nature. But this debate is more about basic economic theory (the role of the factors in the economy) than it is about the definition of the factors of production.

(a) Physiocracy School

In French Physiocracy, the main European school of economics before Adam Smith, the productive process is explained as the interaction between participating classes of the population. These classes are therefore the **factors of production** within physiocracy: capital, entrepreneurship, land, and labor.

- *The farmer* labours on land (sometimes using "crafts") to produce food, fiber, and the like.
- *The artisan* labours to produce important capital goods (crafts) to be used by the other economic actors.
- *The landlord* is only a consumer of food and crafts and produces nothing at all.
- *The merchant* labors to export food in exchange for foreign imports.

(b) Classical Schools

The classical economics of Adam Smith, David Ricardo, and their followers focuses on physical resources in defining its factors of production, and discusses the distribution of cost and value among these factors. Adam Smith and David Ricardo referred to the "component parts of price" ((Smith, 1776)) as the costs of using:

- Land or natural resource — naturally-occurring goods such as water, air, soil, minerals, flora and fauna that are used in the creation of products. The payment for use and the received income of a land owner is rent.

- Labor — human effort used in production which also includes technical and marketing expertise. The payment for someone else's labor and all income received from ones own labor is wages. Labor can also be classified as the physical and mental contribution of an employee to the production of the good(s).

- The capital stock — human-made goods (or means of production), which are used in the production of other goods. These include machinery, tools, and buildings.

The classical economists also employed the word "capital" in reference to money. Money, however, was not considered to be a factor of production in the sense of capital stock since it is not used to directly produce any good. The return to loaned money or to loaned stock was styled as interest while the return to the actual proprietor of capital stock (tools, etc.) was styled as profit.

(c) Marxian School

Marx considered the "elementary factors of the labour-process" or "productive forces" to be:

- Labour ("work itself")
- The subject of labour (objects transformed by labor)
- The instruments of labour (or means of labour) (Wikipedia, 2010).

The "subject of labour" refers to natural resources and raw materials, including land. The "instruments of labor" are tools, in the broadest sense. They include factory buildings, infrastructure, and other human-made objects that facilitate labor's production of goods and services. This view seems similar to the classical perspective described above. But unlike the classical school and many economists today, Marx made a clear distinction between labor actually done and an individual's "labour power" or ability to work. Labour done is often referred to nowadays as "effort" or "labour services." Labor-power might be seen as a stock which can produce a flow of labour.

Labour, not labour power, is the key factor of production for Marx and the basis for Marx's labour theory of value. The hiring of labor power only results in the production of goods or services ("use-values") when organized and regulated (often by the "management"). How much labour is actually done depends on the importance of conflict or tensions within the labor process.

(d) Neoclassical economics

Neoclassical economics, one of the branches of mainstream economics, started with the classical factors of production of land, labor, and capital. However, it developed an alternative theory of value and distribution. Many of its practitioners have added various further factors of production. Further distinctions from classical and neoclassical microeconomics include the following:

- **Capital —** this has many meanings, including the financial capital raised to operate and expand a business. In much of economics, however, "capital" (without any qualification) means goods that can help produce other goods in the future, the result of investment. It refers to machines, roads, factories, schools, infrastructure, and office buildings which humans have produced in order to produce goods and services.

- **Fixed capital —** this includes machinery, factories, equipment, new technology, factories, buildings, computers, and other goods that are designed to increase the productive potential of the economy for future years. Nowadays, many consider computer software to be a form of fixed capital and it is counted as such in the National Income and Product Accounts of the United States and other countries. This type of capital does not change due to the production of the good.

- **Working capital —** this includes the stocks of finished and semi-finished goods that will be economically consumed in the near future or will be made into a finished consumer good in the near future. These are often called inventories. The phrase "working capital" has also been used to refer to liquid assets (money) needed for immediate expenses linked to the production process (to pay salaries, invoices, taxes, interests...) Either way, the amount or nature of this type of capital usually changed during the production process.

- **Financial capital —** this is simply the amount of money the initiator of the business has invested in it. "Financial capital" often refers to his or her net worth tied up in the business (assets minus liabilities) but the phrase often includes money borrowed from others.

- **Technological progress —** for over a century, economists have known that capital and labor do not account for all of economic growth. This is reflected in *total factor productivity* and the *Solow residual* used in economic models called *production functions* that account for the contributions of capital and labor, yet have some unexplained contributor which is commonly called *technological progress*. Ayres and Warr (2009) present time series of the efficiency of primary energy (exergy) conversion into useful work for the US, UK, Austria and Japan revealing dramatic improvements in model accuracy. With useful work as a factor of production they are able to reproduce historical rates of economic growth with considerable precision and without recourse to exogenous and unexplained technological progress, thereby overcoming the major flaw of the Solow Theory of economic growth.

3.1.2 A fourth factor?

As mentioned, recent authors have added to the classical list. For example, J.B. Clark saw the coordinating function in production and distribution as being served by entrepreneurs; Frank Knight introduced managers who co-ordinate using their own money (financial capital) and the financial capital of others. In contrast, many economists today consider "human capital" (skills and education) as the fourth factor of production, with entrepreneurship as a form of human capital. Yet others refer to intellectual capital. More recently, many have begun to see "social capital" as a factor, as contributing to production of goods and services.

(b) Entrepreneurship

Consider entrepreneurship as a factor of production, leaving debate aside. In markets, entrepreneurs combine the other factors of production, land, labour, and capital in order to make a profit. Often these entrepreneurs are seen as innovators, developing new ways to produce and new products. In a planned economy, central planners decide how land, labour, and capital should be used to provide for maximum benefit for all citizens. Of course, just as with market entrepreneurs, the benefits may mostly accrue to the entrepreneurs themselves.

The word has been used in other ways. The sociologist C. Wright Mills refers to "new entrepreneurs" who work within and between corporate and government bureaucracies in new and different ways (Collar, 1956). Others (such as those practicing public choice theory) refer to "political entrepreneurs," i.e., politicians and other actors. Much controversy rages about the benefits produced by entrepreneurship. But the real issue is about how well institutions they operate in (markets, planning, bureaucracies, and government) serve the public. This concerns such issues as the relative importance of market failure and government failure.

(b) Non tangible forms of capital

(1) Human capital

Contemporary analysis distinguishes tangible, physical, or nonhuman capital goods from other forms of capital such as human capital. Human capital is embodied in a human being and is acquired through education and training, whether formal or on the job. Human capital is important in modern economic theory. Education is a key element in explaining economic growth over time (see growth accounting). It is also often seen as the solution to the "Leontief paradox" in international trade.

(2) Intellectual capital

A more recent coinage is intellectual capital, used especially as to information technology, recorded music, written material. This intellectual property is protected by copyrights, patents, and trademarks. This view posits a new Information Age, which changes the roles and nature of land, labour, and capital. During the Information Age (circa 1971–1991), the Knowledge Age (circa 1991 to 2002), and the Intangible Economy (2002–present) many see the primary factors of production as having become less concrete. These factors of production are now seen as knowledge, collaboration, process-engagement, and time quality. According to economic theory, a "factor of production" is used to create value and allow economic performance. As the four "modern-day" factors are all essentially abstract, the current economic age has been called the Intangible Economy. Intangible factors of production are subject to network effects and the contrary economic laws such as the law of increasing returns (Wikipedia, 2010).

(3) Social capital

Social capital is often hard to define, but to one textbook it is: the stock of trust, mutual understanding, shared values, and socially held knowledge that facilitates the social coordination of economic activity (Goodwin, Nelson, Ackerman, and Weisskopf, 2005).

Knowledge, ideas, and values, and human relationships are transmitted as part of the culture. This type of capital cannot be owned by individuals and is instead part of the common stock owned by humanity. But they are often crucial to maintaining a peaceful society in which normal economic transactions and production can occur.

Another kind of social capital *can* be owned individually (Sobel, 2002). This kind of individual asset involves reputation, what accountants call "goodwill", and/or what others call "street cred," along with fame, honor, and prestige. It fits with Pierre Bourdieu's definition of "social capital" as: an attribute of an individual in a social context. One can acquire social capital through purposeful actions and can transform social capital into conventional economic gains. The ability to do so, however, depends on the nature of the social obligations, connections, and networks, available to you.

This means that the value of individual social assets that Bourdieu points to depend on the current "social capital" as defined above.

(4) Natural resources

Ayres and Warr (2009) are among the economists who criticize orthodox economics for overlooking the role of natural resources and the effects of declining resource capital.

(5) Energy

Energy can be seen as individual factor of production, with an elasticity larger than labour (Kümmel, 2007). A cointegration analysis support results derived from linear exponentional (LINEX) production functions (Stresing, Lindenberger, and Kümmel, 2008).

3.2 Definition of Terms

Recently, attention has been shifted on small business enterprises (SBEs) in both developed and developing economy. This is as a result of the importance of these SBEs in providing employment, revenue generation and becoming giant firms over time. However, the recent rise in unemployment, and the desire of individuals and nations to become self reliance and sustainable on their own makes this sector more attractive and challenging than ever before.

At the moment, no clearer discipline or management course(s) that can provide all needed information, knowledge, technique and skill required to manage the existing or acquired business. The determinant is whether the investor is ready to take burn by the horn or thread in the deep, dark, debt of uncertainty to run a successful business, and business owner or entrepreneur.

3.2.1 Enterprise

It can be defined as initiative, or purposeful broad plans requiring many coordinates; or in business or financial applications as the overall operating entity. An enterprise is an activity or a project that produces services or products. There are essentially two types of enterprise:

- **Error! Hyperlink reference not valid.**, which are run to make a profit for a private individual or group of individuals. This includes small business.

- **Error! Hyperlink reference not valid.**, which function to provide services to individuals and groups in the community.

Business Enterprises

This is type of enterprise established by individual, corporate or government in order to provide essential service(s) while making profit or return. There are lots of different enterprises around;

many are small businesses. Sometimes one person owns and runs them; sometimes they're a family business; other businesses are owned and run by partners who aren't family relations.

Entrepreneurs usually decide to set up small business to earn an income from producing and selling products or delivering services to individuals or other businesses. To earn an income from a small business, the enterprise has to run at a profit; that is, some money should be left over for the business owner once all the costs of making the product or delivering a service have been met.

Common Small Businesses

Some small businesses are easy to recognise because they have a shopfront or a site where you can see them in operation, making or fixing things and serving customers. For example:

- restaurants
- corner shops, milk bars
- printing works
- furniture repair shops
- hairdressing salons
- smash repairers
- small factories
- farms.
- Banks
- Hotels etc

Roles and objectives of an enterprise

An enterprise of commercial, financial, or business nature or purpose for instance is established:

- To provide income for the owner,
- To create jobs and
- To develop the economy among others.

3.2.2 Entrepreneur

Classical economists regarded land, labour, capital and entrepreneur as the main factors of production. The main tasks of the entrepreneur is to organize the production system and assume the risk of production, land, labour and capital will have no economic value unless they are organized by an entrepreneur who on his own account undertakes the financial risk and management control.

The term "entrepreneur", although is a common term but remains one of the most difficult concept to define. Much depends on whether the term is used to describe capacity to innovate or whether it refers to ability to organize and manage a business concern. Schumpeter referred to entrepreneurs as "creative destruction" by the innovator. To Drucker, an entrepreneur is the only one who always searches for change, responds to it and exploits it as an opportunity. Glueck (1980) defined an entrepreneur as "an individual who creates a new firm and continues to manage it until it is successful. In short, an entrepreneur is a person who identifies business opportunities and organizes the required resources to initiate successful business activity. An entrepreneur is different from a manager who only plans, organizes and controls a business idea after it has been successful initiated by the entrepreneur.

3.2.3 Entrepreneurship

Entrepreneurship according to Walter (1989) can be defined in terms of the following three essentials and linked attributes:

(i) Ability to perceive profitable business opportunities.
(ii) Willingness to act on what is perceived and
(iii) The necessary organizing skills associated with the project.

Therefore, entrepreneurship refers to the act or process of identifying business opportunities and organizing to initiate a successful business activity.

Entrepreneurship is different from management and entrepreneurship, using the words of Stoner, Freeman and Gilbreth (1995) entrepreneurship involves initiating changes in production, whereas management involves the ongoing coordination of the production process. Entrepreneurship refers to one of the ways of making organizations to be adaptive. It is the practice of corporate entrepreneurship where managers begin and develop new business ventures within the structure of an existing organization.

Meanwhile, it worth noting that entrepreneurs are of two categorizes viz: craft entrepreneur (who exploits and utilizes personal skills) and opportunistic entrepreneur (who is interested in having the business to grow and expand).

3.2.4 Small Scale Business

Most classifications of business units into large and small are based on qualitative and quantitative judgment. For instance, the US Committee for Economic Development (CED) has developed the following definition of a small scale business. ***"A small scale business is one which possesses at least two of the following four characteristics".***

1. Management: Usually the managers are also the owners.
2. Capital is supplied and the ownership is held by an individual or small group.
3. The area of operation is mainly local
4. The relative size of the firm within its industry must be small when compared with the biggest units in its field.

In Japan, a small-scale industry is defined according to the type of industry. For small medium industry in manufacturing, it is defined as those with 'f100 million as paid up capital and 300 employees, while small scale business in wholesale trade will have 'f30 million paid up capital and 100 employees. In Britain, a small scale business is defined in terms of turnover and number of employees. For example, a small scale business is defined as "the industry with an annual turnover of 'f2 million or less and fewer than 20 paid workers (Nwala, 1992).

In Nigeria, the definition of small-scale business also varies from time to time and from one institution to another. For example, the Central Bank of Nigeria 1996 Monetary Policy Guidelines defined small scale enterprises as enterprises as on whose total cost, excluding cost of land but including working capital, does not exceed N10 million. The National Economic Reconstruction Fund puts the ceiling for small-scale business total investment at N10 million. Section 36b (2) of the Companies and Allied Matters Decree of 1990 defines a small company as one with:

(a) Annual turnover of not more than N2 million.
(b) Net assets value of not more than 1 million.

It will be obvious from the foregoing definitions that the relatives size of a firm usually determine in terms of sales volume, investment in assess, number of employees, profit level and other significant quantitative comparisons is considered the most important. ***In summary, a small business may be defined qualitatively and quantitatively as the one that is:***

(i) Independently owned
(ii) Independently managed
(iii) Highly personalized
(iv) Largely local in its operation
(v) Financed mainly from internal sources
(vi) Small in terms of sales turnover, number of employees, assets value, profit etc within the industry.

3.3 Small Scale Business and Entrepreneurship

Private enterprises especially indigenous small scale firms have a vital role to play in promoting the social and economic well being of the nation, hence indigenous entrepreneurship is likely to be much more important in small scale business than in giant firms. The promotion of small scale business as a well-recognized and much heralded strategy of industrial development in developed and developing countries, and its ability to enhance entrepreneurial and managerial skills.

Development economists are of the opinion that labour intensive industries can enhance employment generation as well as advance wide variety of developmental goals like improved income distribution, generation and diffusion of technology, and industrial skills, increased utilization of local resources, improved spatial distribution of industrial activities and reduction of rural-urban population movement.

Increased productivity, national income, market leadership, gargantic technological innovativeness and sagacity of Japan, America and other developed countries are based on the foundation laid by small scale industries. Although, economic activities of developed and developing nations is sometimes viewed to be dominated by large scale business such as IBM Delta, Airline, Coca-cola, Toyota, Honda, UAC, Lever Brothers, John Holt to mention just a few. However, it is equally important to note that the present day giant companies were once small-scale industries, which grew over the years to become giant companies. In addition, as many small firms are dependent on large firms for raw materials or finished products, which would be costly without economies of mass production undertaken by the large business firms, likewise, larger firms are dependent on small firms who assist in distributing their goods and services.

In view of the impact of small-scale industries in improving the socio-economic condition of a nation, most developed and developing countries have made initiatives to promote indigenous entrepreneurship in small-scale business. In Nigeria, for examples, typical actions of the government take the form of policy initiatives and directives to organization, such as Ministry of Commerce, National Directorate of Employment, Ministry of Labour and Productivity, Center for Management Development, Research Institutes etc to act as executing agencies with responsibility for stimulating, supporting and sustaining entrepreneurship development.

3.4 Key Concepts in Entrepreneurship

You cannot discuss entrepreneurship without touching on certain key concepts such as:

- Entrepreneurship education;
- Business person;
- Business magnate;
- Tycoon;
- Mogul;
- Industrialist;
- Investor;
- Captain of industry;
- Erasmus for Young Entrepreneurs;
- Financiers;
- Venture capitalists.

3.4.1 Entrepreneurship Education

Entrepreneurship education seeks to provide students with the knowledge, skills and motivation to encourage entrepreneurial success in a variety of settings. Variations of entrepreneurship education are offered at all levels of schooling from primary or secondary schools through graduate university programs (Wikipedia, 2010).

Objectives of Entrepreneurship Education

What makes entrepreneurship education distinctive is its focus on realization of opportunity, where management education is focused on the best way to operate existing hierarchies. Both approaches share an interest in achieving "profit" in some form (which in non-profit organizations or government can take the form of increased services or decreased cost or increased responsiveness to the customer/citizen/client). Entrepreneurship education can be oriented towards different ways of realizing opportunities: The most popular one is regular entrepreneurship: opening a new organization (e.g. starting a new business). Another approach is to promote innovation or introduce new products or services or markets in existing firms. This approach is called corporate entrepreneurship or intrapreneurship, and was made popular by author Gifford Pinchot in his book of the same name. Newer research indicates that clustering is now a driving factor. Clustering occurs when a group of employees breaks off from the parent company to found a new company but continues to do business with the parent. Silicon Valley is one such cluster, grown very large.

A recent approach involves creating charitable organizations (or portions of existing charities) which are designed to be self-supporting in addition to doing their good works. This is usually called social entrepreneurship or social venturing. Even a version of public sector entrepreneurship has come into being in governments, with an increased focus on innovation and customer service. This approach got its start in the policies of the United Kingdom's Margaret Thatcher and the United States' Ronald Reagan.

3.4.2 Businessperson

A businessperson (also businessman, business man, or businesswoman) is someone involved in a particular undertaking of activities for the purpose of generating revenue from a combination of human, financial, and physical capital. An entrepreneur is an example of a business person. Sometimes the term can mean someone who is involved in the management of a company, especially as an owner or an executive. Sometimes it can also mean someone employed in a (usually) profit-oriented enterprise. The term businessperson/man/woman almost always refers to someone with a "white collar" occupation (Wikipedia, 2010).

3.4.3 Business magnate

A business magnate, sometimes referred to as a capitalist, czar, mogul, tycoon, baron, oligarch, or industrialist, is an informal term used to refer to an entrepreneur who has reached prominence and derived a notable amount of wealth from a particular industry (or industries) (Wikipedia, 2010).

Examples of well-known business magnates include Sir Richard Branson of Virgin Group, utility and transportation magnate Samuel Insull, newspaper magnate William Randolph Hearst of the Hearst Corporation, oil magnate John D. Rockefeller of Standard Oil, steel magnate Andrew Carnegie, Lakshmi Mittal of Arcelor Mittal, poultry magnate Frank Perdue of Perdue Farms, automobile magnate Ferdinand Piech of Volkswagen Group, and telecommunications magnate Carlos Slim.

3.4.4 Clipper ship Tycoon

The word magnate itself derives from the Latin word magnates (plural of magnas), meaning "great person" or "great nobleman." The word tycoon is derived from the Japanese word taikun, which means "great lord," and it was used as a title for the shogun (Wikipedia, 2010). The word entered the English language in 1857[2] with the return of Commodore Perry to the United States. U.S. President Abraham Lincoln was humorously referred to as the Tycoon by his aides John Nicolay and John Hay. The term spread to the business community, where it has been used ever since.

3.4.5 Business Mogul

The word mogul refers to the Mughal Empire (mughal being Persian or Arabic for "Mongol") of Indian Subcontinent that existed between 1526 and 1857: the early Mughal emperors claimed a heritage dating back to Mongol ruler Genghis Khan. The modern meaning of the word is supposedly derived from the storied riches of the Mughal emperors, who for example produced the Taj Mahal (Wikipedia, 2010).

3.4.6 Industrialist

As the term industrialist (from Latin industria, "diligence, industriousness") was more widely used in the context of "old world" physical industries such as steel, oil, newspapers, shipping and rail transport, it has largely been superseded by the other, more modern terms that encompass a wider range of virtual business and commercial activity (Wikipedia, 2010).

Microsoft co-founder Bill Gates is consistently ranked in the top five of the wealthiest people in the world. Such people are savvy businessmen that usually amass substantial fortunes in the process of running their business. Some are widely known in connection with their business (es) or through other pursuits such as philanthropy. The terms "mogul", "tycoon" and "baron" were often attributed to late 19th and early 20th century North American business magnates in extractive industries such as mining, logging and petroleum, transportation fields such as shipping and railroads, manufacturing, including steelmaking, banking, and newspaper publishing. This era was known as the Second Industrial Revolution or the Gilded Age.

In Russia and some other post-Soviet countries, the term "business oligarch" has become popular.

3.4.7 Captain of Industry

"Captain of industry" was a term originally used in the United Kingdom during the Industrial Revolution describing a business leader whose means of amassing a personal fortune contributes positively to the country in some way. This may have been through increased productivity, expansion of markets, providing more jobs, or acts of philanthropy (Wikipedia, 2010). This contrasts with robber baron, a term used to describe a business leader using political means to achieve their ends.

Some nineteenth-century industrialists who were called "captains of industry" overlap with those called "robber barons". These include people such as J.P. Morgan, Andrew Carnegie, Andrew W. Mellon, and John D. Rockefeller. The term was coined by Thomas Carlyle in his 1843 book, Past and Present.

The title is regaining popularity in India, whose billionaires have more wealth than any other country in Asia.

3.4.8 Erasmus for Young Entrepreneurs

Erasmus for Young Entrepreneurs is Europe’s new mobility scheme that aims at helping new entrepreneurs to acquire relevant skills for managing a small or medium-sized enterprise (SMEs) by spending time in a business in another EU country. It was initiated by the European Union (EU) on the 19 February 2009. Erasmus for Young Entrepreneurs is financed by the European Commission and is in operation across 21 EU countries with the help of more than 100 intermediary organisations competent in business support. By 2010, a total of 870 stays abroad will be in action (Wikipedia, 2010).

Aims of the programme

The programme stimulates entrepreneurship, competitiveness, internationalisation and growth of start-ups and established SMEs in the EU. The programme contributes to the transfer of know-how and fosters cross-border transfer of knowledge and experience between entrepreneurs (Wikipedia, 2010).

The Erasmus for Young Entrepreneurs has a number of specific objectives:

- It offers new entrepreneurs the opportunity to learn from an experienced entrepreneur who is running a small or medium-sized enterprise (SME) in another EU country,
- It enables the exchange of experience between new and experienced entrepreneurs,
- It facilitates access to new markets and the search for potential business partners,
- It enhances networking between business people and between SMEs,
- It allows experienced entrepreneurs to develop new commercial relations and find out more about opportunities in another EU country.

Erasmus for Young Entrepreneurs provides practical and financial assistance for new entrepreneurs (NE) spending time in the business of experienced host entrepreneurs (HE) in other EU countries. New entrepreneurs travel to an experienced entrepreneur in another EU country and work with him/her for 1 to 6 months. The matching of the new entrepreneurs with the host entrepreneurs is carried out with the help of the intermediary organisations.

History and development of ERASMUS

In 2007, the European Parliament introduced a new budget line entitled "Erasmus for Young Entrepreneurs". The European Commission then started to design the Pilot Project with the aim of supporting mobility periods abroad for recently established and nascent entrepreneurs, with a view to improving their skills and fostering the cross-border transfer of knowledge and experience between entrepreneurs.

Erasmus for Young Entrepreneurs comes under the Small Business Act for Europe which considers this initiative a key contribution "to create an environment within which entrepreneurs and family businesses can thrive and entrepreneurship is rewarded". Erasmus for Young Entrepreneurs is to a certain extent similar to the well-known Erasmus Programme for students since it is a mobility action which addresses a particular target group. However, it is also clearly different: whereas the existing Erasmus programme in higher education enhances student-to-university relationships, the new Erasmus for Young Entrepreneurs focuses on business-to-business relationships. The various EU mobility programmes are complementary to each other offering mobility opportunities to different target groups at different moments of life.

3.4.9 Financiers

Financier is a term for a person who handles typically large sums of money, usually involving money lending, financing projects, large-scale investing, or large-scale money management. The term is French, and derives from finance or payment. A financier today can be someone who makes their living from investments, particularly in investing in up and coming companies and businesses. A financier makes money through this process when his or her investment is paid back with interest or from a certain percentage of the company awarded to them as specified by the business deal (Wikipedia, 2010).

Job prerequisites

Officially, there are no degrees or schooling needed to be called a financier as it is a term to describe someone who handles money. Certain financier avenues do require degrees and licenses including venture capitalists, stockbrokers, public treasurers, trust fund managers, and accountants. Investing, on the other hand, has no requirements and is open to all by means of the stock market or by word of mouth requests for money.

3.4.10 Venture Capitalist

Venture capitalists, private equity firms, and hedge fund managers are example of financiers that do not require a license or education attainment. Persons managing funds of high net worth individuals in private partnerships are not regulated - these are typically what is referred to as "hedge funds". Managers of regulated mutual funds, broker-dealers (investment banks), registered investment advisers, brokers and brokerages, and futures commodity merchants all require a form of licensure (such as NASD Series 27) in order to hold themselves out for business; but in these cases attainment of a college degree is not required (Wikipedia, 2010).

Certified Public Accountants attain their status by passing the uniform CPA Exam, which is authored by American Institute of Certified Public Accountants, and administered by the state boards of CPAs in each of the 50 states. CPAs are not financiers by definition. They are public accountants and auditors. CPA status does not preclude acting in the role of a financier. The term financier can also refer to a member of the Italian Guardia di Finanza.

Types of financiers

Investor/High net worth individual
Trust Fund Manager
Venture Capitalist

3.4.11 Infropreneur

Infopreneur is a person whose primary business is gathering and selling electronic information.[1] This term is a neologism portmanteau derived from the words "information" and "entrepreneur". An infopreneur is generally considered an entrepreneur who makes money selling information on the Internet. They use existing data and target an audience. The term is often used on the Internet. The word infopreneur was registered as a trademark (USPTO) on February 1 1984 by Harold F. Weitzen. In 1988, H. Skip Weitzen published "Infopreneurs: Turning Data into Dollars" (John Wiley & Sons) (Wikipedia, 2010).

Before the explosive popularity of the Internet, at the turn of the millennium, such an occupation already existed. These legacy inforpreneurs sold their information in other mediums such as audio tapes, audio CDs, CD-ROMs, videos, talk shows, and conferences. The classification of infopreneur has created a new style of business on the Internet, which allows anybody with a computer and an Internet connection to start a business by publishing information that may appeal to a specific market.

There are generally two kinds of infopreneurs: those that sell information they have amassed on their own and those that earn commissions from selling information that they know nothing about. The latter may be considered more of a "information trafficker".

Online publishing

As the infopreneur is his/her own developer, marketer, producer, and distributor - some infopreneurs consider themselves being in the publishing business. Unlike in traditional print publishing, the infopreneur puts down, in electronic form, what he/she knows from experience or what he/she learned and passes them on to the world through publishing on websites, blogs, ebooks, emails, etc.

Blogs and advertisements

Information traffickers do consider themselves infopreneurs. After all, they are making money out of information. Many of them utilize the power of the World Wide Web - creating web sites and blogs to act as their storefront. The infopreneur may attract traffic to his/her site by manipulating their site to appear higher on search engine results.[2] This may be done by creating a site that is robust in information, and configuring META keywords and descriptions that accurately describes the web page. But often, infopreneurs that are out to get a "quick buck", will create a mash-together of information by publishing popular, sought after content, often incorporating RSS feeds from more popular sites. The infopreneur then makes money from Adsense ads, affiliate links, referrals and leads, and/or selling ebooks that are related to the search parameters and keywords. Essentially, these infopreneurs "piggy-back" on already established information. For example, there are many such splogs that copy verbatim the articles from Wikipedia.

3.4.12 Investor

An investor is a party that makes an investment into one or more categories of assets --- equity, debt securities, real estate, currency, commodity, derivatives such as put and call options, etc. --- with the objective of making a profit. This definition makes no distinction between those in the primary and secondary markets. That is, someone who provides a business with capital and someone who buys a stock are both investors. Since those in the secondary market are considered investors, speculators are also investors. According to this definition there is no difference (Wikipedia, 2010).

Types of investors

The following classes of investors are not mutually exclusive:

- Individual investors (including trusts on behalf of individuals, and umbrella companies formed by two or more to pool investment funds)
- Collectors of art, antiques, and other things of value
- Angel investors (individuals and groups)
- Sweat equity investor
- Venture capital funds, which serve as investment collectives on behalf of individuals, companies, pension plans, insurance reserves, or other funds.
- Businesses that make investments, either directly or via a captive fund
- Investment trusts, including real estate investment trusts
- Mutual funds, hedge funds, and other funds, ownership of which may or may not be publicly traded (these funds typically pool money raised from their owner-subscribers to invest in securities)
- Sovereign wealth funds

Also, investors might be classified according to their styles. In this respect, an important distinctive investor psychology trait is risk attitude.

CONCLUSION

We noted from the unit that all factors of production like land, labour, capital and entrepreneur are required in combination at a time to produce a commodity. In economics, production means creation or an addition of utility. We discussed the various schools of thought as it relate to the concept of entrepreneur. We defined the terms ‘enterprise’, ‘entrepreneur’, ‘entrepreneurship’ and ‘small scale businesses’. Finally, we enumerated and discussed some key concepts in entrepreneurship.

SUMMARY

In this unit, we have,
- discussed entrepreneurship as a factor of production;
- defined the terms: entrepreneur, entrepreneurship, enterprise and small scale business;

- explained the relationship that exist between enterprise and entrepreneurship;
- explained certain key concepts in entrepreneurship.

In the next unit, we shall discuss the terms entrepreneurship/intrapreneurship.

TUTOR-MARKED ASSIGNMENT

1. In markets, entrepreneurs combine the other factors of production, land, labour, and capital in order to make a profit. Discuss the role of an entrepreneur in relation to this statement.

2. Define the terms: enterprise, entrepreneur, small scale business and entrepreneurship.

3. Write shorts on the following:

   - Entrepreneurship education;
   - Business person;
   - Business magnate;
   - Tycoon;
   - Mogul;
   - Industrialist;
   - Investor;
   - Captain of industry;

4. How could small scale businesses contribute to the development of an economy?

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UNIT 2 EVOLUTION OF ENTREPRENEURSHIP

CONTENTS

1.0 INTRODUCTION

In the last unit, we discussed entrepreneurship as a factor of production; defined the terms: entrepreneur, entrepreneurship, enterprise and small scale business; explained the relationship that exist between enterprise and entrepreneurship; and explained certain key concepts in entrepreneurship.

In this unit, we shall discuss the terms entrepreneurship/intrapreneurship.

2.0 OBJECTIVES

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

- define the concept of entrepreneurship and intrapreneurship;
- discuss the importance of intrapreneur in organizations;
- use corporate entrepreneurship skills in organizations;
- understand the operational link between corporate entrepreneur and entrepreneur;
- define entrepreneur and distinguish between entrepreneur, Intrapreneur and Technopreneur;
- enumerate the functions and characteristics of an entrepreneur.

3.0 MAIN CONTENT

3.1 Entrepreneurship

The concept entrepreneurship or entrepreneurship refers to entrepreneurship in the context of larger corporations. Kao (1989) notes that the idea of entrepreneurship and creativity in established organization is to ensure that firms maintain their competitive strengths in a turbulent environment.

3.1.1 What is Entrepreneur?

The multi dimensional nature of the entrepreneur as shown above indicates that it will be difficult to have a definition that will accurately capture all the dimensions of the construct. A few of the attempts at the definitions of entrepreneur are presented below.

Schumpeter (1934) defines the entrepreneur in term of innovation and says that the single function of entrepreneur is innovation. Glueck (1980) defines an entrepreneur as an individual who creates a new firm and continues to manage it until it is successful. Carland, Hoy, Boulton and Carland (1984) define entrepreneur as a person who establishes and manages a business concern for the major aim of profit and growth. He has the major characteristics of innovative behaviour and utilization of strategic management practices in his business enterprise.

Drucker (1985) defines the entrepreneur as the innovative individual who perceives business opportunities and organizes the required resources to initiate a successful business activity for profit. Singh (1986) defines the entrepreneur as the self-starter or doer who has organized and builds a successful enterprise. Amit, Glosten and Muller (1993) define the entrepreneur as individual who innovates, identifies and creates business opportunities, assembles and coordinates new combinations of resources; and extracting the most profit from his innovation in uncertain environment.

Ogundele (2000) defines entrepreneurs as the innovating individual, who initiates and nurtures to growth a new and an ongoing business organization, where none existed before. He is the individual who successfully thinks or conceives a new business concern, organizes or initiates actions to start it, and manages it through its initial problems and struggles for survival. He takes all measures that lead the organization to a state of stability and self-sustaining growth. Strictly speaking, an individual is an entrepreneur when he/she performs the above-described functions of an empire builder. This is opposed to the person who is contended with being self-employed and in satisfying the primary human needs for hunger, safety and economic security. The entrepreneur above these is concerned with needs for power, property, and self-actualization. Kuratko and Hodgetts (2001) define entrepreneur as individual who recognizes opportunities where others see chaos and confusion. That the entrepreneur is a catalyst for economic change, which uses purposeful searching, careful planning, and sound judgment when carrying out the entrepreneurial process. Uniquely optimistic and committed, the entrepreneur works creatively to establish new resources or endow old ones with a new capacity, all for the purpose of creating wealth.

The above definitions were merely attempts at describing some of the aspects of entrepreneur’s behaviour and functions. They were also based on the perception and academic orientation of the writers. Consequently the search for appropriate conceptualization of entrepreneur is still evolving. The common thread in all the definitions is that the entrepreneur is an individual, who innovates and explores opportunities for making profit.

Entrepreneurial behaviour or entrepreneurship in many organizations is a firm level phenomenon. Stevenson and Jarillo (1990) Covin and Slevin (1991) and Burgelamn (1991) notes that studied organization’s corporate strategies give the impression that entrepreneurial activities were the outcome of the interaction of individuals and groups at multiple levels within the firm. Zahra (1991 and 1993) also conceptualized entrepreneurship as firm level phenomenon. Barringer and Blueborn (1999) note that the main assumption that underline the notion of corporate entrepreneurship is that it is a behavioural phenomenal, all firms fall along a conceptual continuum that ranges from highly conservative to highly entrepreneurial.

3.1.1 Need for Entrepreneurships in Organizations

Organizations today are realizing the need for corporate entrepreneurship. This need arose in the response to a number of problems, including:

1. Rapid growth in the number of new and sophisticated competitors
2. A sense of distrust in the traditional methods of corporate management
3. Exit of some brightest and best people who form corporation to become small business entrepreneurs
4. International competition
5. Downsizing of major corporation; and
6. Overall desire to improve efficiency and productivity

Adeleke, Ogundele and Oyenuga (2003) note that in the case of developing countries like Nigeria, an additional reason is the privatization and commercialization process of publicly owned enterprises. Thus, a modern corporation is forced into seeking ways of developing in-house entrepreneurship.

3.2 Intrapreneurship

Intrapreneurship is the practice of entrepreneurship by employees within an organization. Intrapreneurship is the act of behaving like an entrepreneur, except within a larger organization. In 1992, The American Heritage Dictionary acknowledged the popular use of a new word, intrapreneur, to mean "A person within a large corporation who takes direct responsibility for turning an idea into a profitable finished product through assertive risk-taking and innovation". Intrapreneurship is now known as the practice of a corporate management style that integrates risk-taking and innovation approaches, as well as the reward and motivational techniques, that are more traditionally thought of as being the province of entrepreneurship

Also, "Intrapreneurship refers to employee initiatives in organizations to undertake something new, without being asked to do so." Hence, the *intrapreneur* focuses on innovation and creativity, and transforms an idea into a profitable venture, while operating within the organizational environment. Thus, intrapreneurs are *Inside entrepreneurs* who follow the goal of the organization. Intrapreneurship is an example of motivation through job design, either formally or informally. Intrapreneurship within the firm which is driven to produce social capital in addition to economic capital.) Employees, such as marketing executives**Error! Hyperlink reference not valid.** or perhaps those engaged in a special project within a larger firm, are encouraged to behave as entrepreneurs, even though they have the resources, capabilities and security of the larger firm to draw upon. Capturing a little of the dynamic nature of entrepreneurial management (trying things until successful, learning from failures, attempting to conserve resources, etc.) adds to the potential of an otherwise static organization, without exposing those employees to the risks or accountability normally associated with entrepreneurial failure.

3.2.1 Intrapreneur

Intrapreneurs are persons who can turn ideas or prototypes into profitable realities, but may not be inventors. They are team-builders with commitment to a strong drive to see their ideas become a reality. Intrapreneurs are often described as “dreamers who do” as they tend to be action-oriented. When faced with failures, or setbacks, intrapreneurs employ an optimistic approach. They objectively deal with their own mistakes and failures learning to avoid making the same mistakes again. This is part of what helps to make them successful (Kuratko and Hodgetts, 2001). Intrapreneurs are self determined goal setters. They go beyond the demand of their duty to accomplish their goals. They do not blame their failures on external forces, but they use the knowledge gained from failure to improve their future performance. They combine vision and action. Dedication to creative idea is important to them. ***Kuratko and Hodgetts (2001:71) present a list of Ten commandments of an intreprenur and these are shown below.***

3.2.2 Dimensions of Intrapreneurial Behaviour in Entrepreneurial Management

Let us examine the dimensions of intrapreneurial behaviour in entrepreneurial management in established large organizations. These are:

Commitment to opportunity: The promoters are able to engage in commitment to opportunity in a rather revolutionary fashion. The willingness to get in and out quickly has led to entrepreneur's reputation as gamblers. The pressures which pull a business towards the entrepreneurial end of the spectrum include; action orientation, short decision window, risk management and limited decision constituencies.

Commitment of resources: The good entrepreneurs engage in multistage commitment of resources with a minimum commitment at each stage or decision point. The process of commitment of resources is pushed towards the entrepreneurial domain by the following factors, lack of predictable resource needs, lack of long-term control, social needs and international demands.

Control of resources: To the promoter all that is needed from a resource is the ability to use it. The entrepreneurs learn to use other people's resources well, they learn to decide what resources they need to bring in house. The perception of entrepreneur, as exploitative, derives from this dimension; that entrepreneur is an expert in using the skills, talents and ideas of others. When considered from the positive angle this ability is very valuable in fast changing business environment. The pressures towards this entrepreneurial dimension include; increased specialization, risk of obsolescence and increased flexibility.

Management structure: The promoter requires knowledge of his/her progress via direct contracts with all of his/her principal actors. Entrepreneurial management is based on the following pressures; need for coordination of key non-controlled resources, flexibility, challenge of owner control and employees desire for independence.

Reward philosophy: Because of value driven philosophy of entrepreneurial firms they tend to base compensation on performance. They are also more comfortable rewarding team. The pressures that pull firms towards the promoter end of the spectrum include; individual expectation, investment demands and competition (Stevenson, 1989). The above listed dimensions of entrepreneurial behaviour are relevant to entrepreneurial management in large organization. In fact entrepreneurship is strategic management of small firm when practiced in big organization.

3.2.3 Ten Commandments of an intrapreneur

1. I come to work each day willing to be fired
2. Circumvent any orders aimed at stopping your dream
3. Do any job needed to make your project work regardless of your job description
4. Network with good people to assist you
5. Build a spirited team: choose and work with only the best
6. Work underground as long as you can publicity triggers the corporate immune mechanism
7. Be loyal and truthful to your sponsor

8. Remember it's easier to ask forgiveness than permission
9. Be true to your goals, but be realistic about the ways to achieve them
10. Keep the vision strong.

Source: Kuratko, D.F and Hodgetts, R.M. (2001 p. 71).

3.2.4 Characteristics of Intrapreneurs

One can focus on the characteristics of intrapreneurs as a way of describing the intrapreneur. Kuratko and Hodgetts (2001) present comparative characteristics of the traditional manager, entrepreneur and intrapreneurs along nineteen dimensions. These dimensions will be employed here to describe the characteristic of intrapreneur. They are as follow:

Primary motive: Intrapreneurs wants freedom and access to organization resources goal oriented and self motivated. He also responds to corporate rewards and recognition.

Time orientation: Has end goals of 3 to 15 years based on the type of venture. In hurry to meet self-imposed and corporate time-table.

Tendency to action: Gets his/her hands dirty, may know how to delegate, but when situation demands does what needs to be done.

Skills: Like the entrepreneur he/she knows the business very well. But his/her situation demands ability to progress within the organization, when he/she needs help of other members of the organization.

Attitude toward courage and destiny: Self confident and courageous, many are cynical about the system but optimistic about their ability to outwit it (Kuratko and Hodgetts, 2001).

Focus of attentions: Both inside and outside. He sells his new venture ideas to insiders. He also focuses on the marketplace and the customers.

Attitude toward risk: Like moderate risks. Not afraid of being fired, he/she sees little personal risk.

Use of market research: Like the entrepreneur, he/she does his/her own market research and carries out intuitive market evaluation.

Attitude toward status: Treasures symbols of freedom and considers traditional status symbols as a joke.

Attitude toward failure and mistakes: Attempts to hide risky projects from others so as to learn from mistakes without the political cost of public failure. He is also sensitive to the need to appear orderly.

Decision-making style: Skillful in getting others to agree with his private vision. A little more patient and prepared to compromise than the entrepreneur.

Who serves: He/she pleases self, customers and sponsors or mentors.

Attitude toward the system: Dislikes the system but learns to manipulate it.

Problem-solving style: Works out problems within the system or he/she by passes them without leaving.

Family history: Entrepreneurial, small-business, professional or farm background.

Relationship with parent: Better relation with father, than entrepreneur, but still storing.

Socio economic background: Middle class social membership.

Educational level: Often highly educated, especially in the technical areas, but sometimes not.

Relationship with others: He/she sees transactions within hierarchy as basic relationship. To create the climate of in-house entrepreneurial behaviours, organization must develop four characteristics, these are:

(1) Explicit goals
(2) system of feedback and positive reinforcement
(3) An emphasis on individual responsibility and
(4) Rewards based on results, (Kuratko and Hodgetts, 2001).

It should be noted that specific strategies for corporate entrepreneurship call for the development of a vision as well as development of innovation.

3.2.5 Specific Elements of a Corporate Intrapreneurial Strategy

Kuratko and Hodgetts (2001) noted that, to create an entrepreneurial strategy, organizations should be aware of the following:

(1) The corporations that promote personal growth will attract the best people.
(2) The challenge of the new entry is to retain the manager as coach, teacher and mentor.
(3) The best people seek ownership and the best companies will provide it with bonus plans, stock incentive plans, employee stock-option plans, profit-sharing and even employee ownership.
(4) Authoritarian management is being replaced by a networking people style of management characterized by horizontal coordination and support.
(5) Intrapreneurship within the corporation allows employees the satisfaction of developing their ideas without the risk of leaving the company.
(6) Large companies are taking lessons from small businesses and learning how to be flexible, promote innovation and create new spirit.

3.2.6 Steps in Intrapreneurial Development in Organizations

The followings are the necessary actions that could ensure intrepreneurial development in corporate organizations:

(a) **Developing the vision:** The first step in planning an entrepreneurial strategy for the enterprise is sharing the vision of innovation that the corporate leaders wish to achieve (Collins and Porras, 1996). This shared vision requires identification of specific objective for corporate entrepreneurial strategies and of programmes needed to achieve these objectives.

(b) **Encouraging innovation:** All writers on entrepreneurship are in agreement that innovation is the distinguishing characteristics of entrepreneurship. Corporation must understand and develop innovation as the key element in their strategy. Kuratko and Hodgetts (2001) stated that one way to understand this concept is to focus on two different types of innovation: radical and incremental.

Radical innovation: Is the launching of inaugural breakthroughs e.g. mobile phone in our own environment. These innovations take experimentation and determined vision, which must be recognized and nurtured. **The Incremental innovation** refers to the systematic evolution of a product or service into newer and larger markets. Incremental innovation, will take over after a radical innovation introduces a breakthrough. Both types of innovation require a champion the person with a vision and ability to share it and top management support.

(c) **Structuring for an intrepreneurial climate:** The final and most critical step is invested heavily in intrepreneurial activities that allow new ideas to flourish in an innovative environment. When this is coupled with element of innovation strategy, it can enhance the potential for employees to become venture developers. Krackhardt (1993) notes that, to develop employees as a source of innovation in corporations, companies need to provide more nurturing and information – sharing activities. They need to develop a climate that will help innovation-minded people to reach their full potentials.
Management has to encourage intrepreneurial activities, and have proper control of human resource policies. It must also sustain a commitment to intrepreneurial projects long enough for a morentum to occur, and to bet on people not on analysis (Sathe, 1988).

(d) **Developing Venture Teams:** Venture teams hold the potential for producing innovative results in organizations. Reich (1987) termed it **collective intrepreneurship.** He noted that, in it, individual's skills are integrated into a group. This collective capacity to innovate becomes something greater than he sum of its parts. Over time, as group members' work through various problems and approaches, they learn about each other's abilities. They learn how they can help one another better. Each participant looks out for small adjustment that speeds and smoothes the evolution of the whole. The result of many such small-scale adaptations, effected throughout the organization, is to propel the enterprise forward.

3.3 Differences between Entrepreneur and Intrapreneur

An entrepreneur takes substantial risk in being the owner and operator of a business with expectations of financial profit and other rewards that the business may generate. On the contrary, an intrapreneur is an individual employed by an organization for remuneration, which is based on the financial success of the unit he is responsible for. Intrapreneurs share the same traits as entrepreneurs such as conviction, zeal and insight. As the intrapreneur continues to expresses his ideas vigorously, it will reveal the gap between the philosophy of the organization and the employee. If the organization supports him in pursuing his ideas, he succeeds. If not, he is likely to leave the organization and set up his own business.

Entrepreneurship involves innovation, the ability to take risk and creativity. An entrepreneur will be able to look at things in novel ways. He will have the capacity to take calculated risk and to accept failure as a learning point. An intrapreneur thinks like an entrepreneur looking out for opportunities, which profit the organization. Intrapreneurship is a novel way of making organizations more profitable where imaginative employees entertain entrepreneurial thoughts.

It is in the interest of an organization to encourage intrapreneurs. Intrapreneurship is a significant method for companies to reinvent themselves and improve performance.

3.4 Technopreneur

A technopreneur is an individual whose business is in the realm of high technology, who at the same time has the spirit of an entrepreneur. The technopreneur represents new breed that is both innovative and equally enterprising. This concept is derived from combining together, technology and entrepreneur.

Ovia (2007) notes, a technopreneur is an entrepreneur whose business involves high technology or to put more clearly a technology innovator and a businessman all combined in one individual. He notes further that this unusual combination could be found in people like Bill Gates, Steve Jobs, Ralph Elison and also Nigeria Philip Emeagwali whom, Otiono (2007) describes as Africa's Bill Gates and father of internet. The technopreneur, therefore, combines both technological know-how and business expertise. The technopreneurs thus combine the attributes of the scientist and an enterprise person in one individual. Technopreneurs are also emerging in Nigeria.

Amatas (2007) resports the successful innovation and implementation of a formula for wealth creation by Abiola Akingbade, which involves the use of both hardware and software of information and communication technology. Ovia (2007) states that the technopreneurs are beginning to emerge in Nigeria, they consist of men and women who are working relentlessly to assist in actualizing the laudable dream of bridging the yawning digital divide.

3.4.1 Characteristic of Nigerian Technopreneur

- They are naturally gifted
- They are smart
- They are highly creative

They have potential to compete favourably in any part of the world given the enabling environment in which to thrive (Ovia, 2007). It must be added that the technopreneurs possess all the characteristics listed in respect of the entrepreneur. The distinguishing marks are being to combine the unusual or rare attributes of a scientist and business promoter in one person. An exemplified by Abiola Akingbade, Nigerian technopreneurs are sometimes assemblers of components that make up the whole, and at other times innovators and inventors of highly related technology hardware and software.

3.5 Evolutionary Origins of "Entrepreneur"

The concept "entrepreneur" stems from a French word "entreprendre" meaning to undertake, "go-between" or "projector". In France in the early 16th century the term was used for army leaders. It was applied to business organization in a serious sense in the 18^{th} century as noted above, to denote a dealer who buys and sells goods at uncertain prices. Cole (1959) notes that the modern terms as known today, came into use in England only in 1879, when it signified a director or manager of a public musical institution or "one who gets up entertainment". Mill, (1849) had mentioned it as a French word, which lacked an English equivalent. In modern times the world has been employed to differentiate an active business man from a slow-moving one. The evolutionary origin of the concept entrepreneur could be summarized as shown in the following segments.

Period	Particularizations
Early time	Stems from French: means: between, taker, go between.
Middle Age	Actor and persons in charge of large-scale production projects
17th century	Person bearing risk of profit (loss) in a fixed price contract with government
1755	Richard Cantillon – person bearing risk
1821	Jean Baptist say – separated profits of entrepreneur from profits of capital interest.
1904	Max Weber – Protestant ethics and spirit of capitalism behavioural outlook
1934	Joseph Schumpeter – entrepreneur as innovators developing untried technology
1961	David McClelland – achievement oriented, energetic, moderate risk taker
1964	Peter Drucker – entrepreneur maximizes opportunities
1975	E.O. Akeredolu-Ale entrepreneur seen from socio cultural and political perspectives
1975	Albert Shapero – takes initative, accepts risks of failure organizes some social and economic mechanisms.
1980	Karl Vester – entrepreneur seen differently by economists, psychologists, business persons and politicians
1985	Robert Histrich – entrepreneur – assuming financial, psychological and social risks, in creating something different in value and receiving the resulting rewards of monetary and personal satisfaction.
1995	A.U. Inegbenebor – dynamic structure builders for effective performance.
2000	O.J.K Ogundele – empire builder exploiting opportunities

Source: *Adapted from Histrich, R.D. and Peters, M.P. (2002) Entrepreneurship, New York: McGraw Hill higher education, and Ogundele, O. J .K (2007) Introduction to Entrepreneurship Development, Corporate Governance & Small Business Management. Lagos: Molofin Nominees.*

It could be seen from table 1 above that the concept entrepreneur has varying origins and usages in different times and places. The function of the entrepreneur is to reform or to revolutionaries the patterns of production, through exploiting an invention, or untried technological method of producing a new product, or producing an old one in new way, new source of supply of material, new outlet for product or new patterns of organization. Innovation is one of the most difficult tasks of the entrepreneur. This is because it involves not only the ability to conceptualize and create but in addition, the ability to come to grip wills all the forces at work in the entrepreneur environment. That is, the capacity to market the innovative products, services, concept or ideas. It is to be noted that the ability to innovate can be noticed throughout history, from the Egyptian's great pyramids out of stone blocks to Laser beams.

4.0 CONCLUSION

We have in this unit examined the various definitions of entrepreneurship and described the behaviours of an entrepreneur. We also defined the intrapreneurship and listed the characteristics of an intrapreneur. We have equally differentiated between entrepreneurship and intrapreneurship. Also, we defined technopreneur and listed the qualities of a Nigerian technopreneur. Finally, we traced the evolutionary origins of entrepreneur.

5.0 SUMMARY

In this unit, we have,

- defined the concept of entrepreneurship and intrapreneurship;
- discussed the importance of intrapreneur in organizations;
- described corporate entrepreneurship skills in organizations;
- explained the operational link between corporate entrepreneur and entrepreneur;
- defined entrepreneur and distinguish between entrepreneur, Intrapreneur and Technopreneur;
- enumerated the functions and characteristics of an entrepreneur.

In the next unit, we shall examine the theories of entrepreneurship.

6.0 TUTOR-MARKED ASSIGNMENT

1. Define the terms ‘entrepreneurship’ and ‘intrapreneurship’.
2. State the similarities and differences between entrepreneur, intrapreneur and technopreneur.
3. What are the steps in intrepreneurial development in organisations?
4. List and briefly dimensions of intrapreneurial behaviour in entrepreneurial management in established large organizations.
5. List and briefly explain the elements of a Corporate Intrapreneurial Strategy.

7.0 REFERENCES/FURTHER READINGS

Ogundele, O. J .K (2007) Introduction to Entrepreneurship Development, Corporate Governance & Small Business Management. Lagos: Molofin Nominees.

Kuratko, D.F and Hodgetts, R.M. (2001 p. 71).

UNIT 3 ENTREPRENEURIAL THEORIES

CONTENTS

1.0 INTRODUCTION

In the last unit, we defined the concept of entrepreneurship and intrapreneurship; discussed the importance of intrapreneur in organizations; described corporate entrepreneurship skills in organizations; explained the operational link between corporate entrepreneur and entrepreneur; defined entrepreneur and distinguish between entrepreneur, Intrapreneur and Technopreneur; and enumerated the functions and characteristics of an entrepreneur.

In this unit, we shall examine the theories of entrepreneurship.

2.0 OBJECTIVES

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

- understand theoretical frameworks in entrepreneurship;
- discuss entrepreneurship as an interdisciplinary field;
- discuss the contributions of various disciplines in development of entrepreneurship as a field of study;
- understand inter-linkages existing among these disciplines and their contributions.

3.0 MAIN CONTENT

3.1 Need for Theories in Entrepreneurship

The field of entrepreneurship continues to struggle with the development of a modern theory of entrepreneurship. In the past 20 years, development of the current theories of entrepreneurship have centered on either opportunity recognition or the individual entrepreneur. At the same time many theoretical insights have come from economics including a rediscovery of the work of Schumpeter. However because there is a lack of clarity about the theoretical assumptions that entrepreneurship scholars use in their work, assumptions from both individual opportunity recognition and economics have been used as if they are interchangeable. This lack of theoretical distinction has hampered theory development in the field of entrepreneurship (Alvarez, 2005).

While explanations of entrepreneurship have adopted different theoretical assumptions, most of these concern three central features of entrepreneurial phenomena: the nature of entrepreneurial opportunities, the nature of entrepreneurs as individuals, and the nature of the decision making context within which entrepreneurs operate. Nonetheless, various theoretical traditions in the field have adopted radically different interpretations with respect to these assumptions of entrepreneurial phenomena, therefore arriving at different explanations of these phenomena. *Theories of Entrepreneurship* investigates two sets of assumption about the nature of opportunities, the nature of entrepreneurs, and the nature of the decision making context within which entrepreneurs operate. It is suggested that these two sets of assumptions constitute logically consistent theories of entrepreneurship. Moreover, these two theories are complementary and can be applied to widely studied entrepreneurial phenomena — the organization of the entrepreneurial firm. These applications demonstrate both the differences between these two theories and how they can be complementary in nature.

3.2 Existing Entrepreneurial Theories

As noted above, several theories have been developed over the years in attempts to explore and explain the entrepreneurship phenomenon. These include among others, economic, socio-cultural, managerial, educational, developmental, experiential, innovation, network, structural and multi-dimensional theories. Each of these theories had been used in the study of the processes of entrepreneurship.

Entrepreneurship as a process involves recognizing opportunities in the environment, mobilizing resources to take advantage of such opportunities, in providing improved goods and services to the ultimate consumers and making profit as a reward of risk taking. As a consequence an entrepreneur is regarded as the individual who perceives opportunities and takes actions to obtain required resources for the provision of new and or improved goods and service (Timmous, 1994 and Smilor, 1997).

Let us now focus on summary of existing entrepreneurship theory.

Economic Theory: The economists see the entrepreneur as the man who perceives business opportunities and takes advantage of scare resources to use them. Relevant, therefore, are the structure of economic incentives that are available in the market. Writers on this approach include (Schumpeter, 1934; and Drucker, 1985). The patterns of economic incentives have acted as stimuli for the emergence of entrepreneurs. They have also influenced the positive responses in terms of behaviour and their performance (Kilby, 1965; and Singh, 1985).

Political Theory: The influence of the political factor on the emergence, behaviour and performance of entrepreneurs had been reported by several writers. Schatz (1962 and 1964) discussed two forms of assistance that were provided for indigenous entrepreneur by government in Nigeria. These were (1) the financial support through the federal loans board and (2) the establishment of the Yaba Industrial Estate for use by indigenous entrepreneurs. Ogundele (2000) discussed the provision of training and financial assistance by government to indigenous entrepreneurs through National Directorate of Employment (NDE). Government by way of legislations and provision of infrastructures and other support systems have aided the entrepreneurial processes.

Ecological Theory: This approach is concerned with the influence of the environment on business start up, without having to obtain information about the characteristics and motivation of the organization founders (Left, 1979; Marret 1980, and Penning, 1982).

Historical Theory: This approach considered past historical antecedents as independent variable on the emergence, behaviour and performance of entreperneeurs. To the writers in this group belong (Cole, 1959; Akeredolu-Ale, 1975; and Rostow, 1982). Akeredolu Ale (1975) specifically emphasized the pre-empting of post war opportunities in explaining the underdevelopment of indigenous entrepreneurship in Nigeria.

Managerial Theory: This perspective focuses on the perception of market opportunities. It in addition emphasizes the operational skills required to run a successful enterprise (Kilby, 1971; Meredith, Nelson and Neck, 1991, and Osuagwu, 2001). Kilby (1971) listed thirteen managerial functions, which the entrepreneurs might have to perform for the successful operation of their enterprises. Carland, Hoy Boulton and Carland (1984) regarded the employment of strategic management practices as the function of entrepreneurs. Therefore managerial skills will have direct positive effect on the entrepreneurship processes of emergence, behaviour and performance. The environment that provides opportunities for relevant skills acquisition will tend to promote entrepreneurship.

Educational Theory: It is concerned with general level of education in the society. Its proponents contended that education tend to broaden peoples' outlook. It equips people with needed skills to look at the world around them in a more organized and coordinated fashion. This will make them to perform better in entrepreneurial role (Aluko, 1983; Browen and Hisrich, 1986 and Singh, 1986). Akeredolu-Ale (1975) found that more entrepreneurs had lower levels of formal education than the civil servants. He could not establish any direct association between the level of formal education of entrepreneurs and the degree of success achieved. Bowen and Histrich (1986) reported that the general conclusion the entrepreneurs are less well educated than the general population was not supported by their study. Also Singh (1986) found that earlier notion that those lacking educational qualification were usually the ones who went in for business was not borne out on his study. Earlier on Aluko (1983) reported that new breeds of highly educated entrepreneurs were emerging in Nigeria. Ogundele (2000) found that the performance of some entrepreneur in his studied groups was aided by better education which many of them had. The broaden outlook through the educational process could aid in accurate perception of opportunities, and therefore affect entrepreneurial emergence, behaviour and performance.

Innovation Theory: Entrepreneurs are here considered as innovators whose task is creative destruction. This results from bringing about novel combination of products and ideas, thus rendering obsolete previously existing products or ideas. Consequently, the process of endowing resource with new wealth producing capacity is central to any conceptualization of entrepreneurship (Schumpeter, 1934, Tushman and Nelson, 1990, Amit Glosten and Muller, (1993). Kiby (1971) considered adaptation as innovative function of entrepreneurship in a developing economy. Amit, Glosten and Muller (1993) and Hobdat (1995) considered innovation as a distinguishing feature of entrepreneurship. It is, they noted, the process of extracting profit from new, unique and variable combination of resources in uncertain and ambiguous environment by exploiting opportunities. Innovation, therefore, is about exploiting opportunities.

Network Theory: This theory focuses on the social links which promote or hinder entrepreneurship. This is because, it considers entrepreneurship as being involved and as interacting in network of continuing social relations that open up or block entrepreneurs' link with existing resources and opportunities. It is concerned with the intricate nature of interpersonal relationship (Aldrich Rosen and Woodward, 1987, Dubini and Aldrich, 1991 and

Cardor, Zietsma, Saparito, Matheme and Davis, 2005). As a result relationship in social settings can provide opportunities for entrepreneurship.

Structural Theory: This approach examines the effect of internal patterns of relationship among various parts and components of an organization on entrepreneurship. It had been noted that the quality of organizational resources and the efficiency with which entrepreneurs carry out organizational functions affected their performance. The structure of entrepreneurial organization was found to have enabled them to react fast to changing environment and adapting to new demands. In addition internal structural arrangement to context was found as a significant basis for achieving effective performance (Akeredolu Ale, 1975; and Inegbenebor, 1995). Akeredolu-Ale (1975) noted that the entrepreneurs' quality of organizational resources and consequently the efficiency with which they carry out organizational functions affected their performance. Inegbenebor (1995) argued that internal structural arrangement to the context has a significant basis for achieving effective performance. Emphasis was placed on the dynamic flexibility of entrepreneurial organizations. Thus the structural arrangements in entrepreneurial organization make them to be very adaptive to exploiting opportunities.

Technological Theory: This theory is concerned with machines, equipment, and tools used in producing goods and rendering services. (Woodward, 1965; Kiby, 1965; and Ekpo Ufot, 1990). Woodward (1965) found that technological complexity considerably influenced administrative structure, thus emphasizing the influence of technology on performance. Kilby (1965) noted that small indigenous entrepreneurial organization exhibited a feature of permissive technology leading to fast adaptation. Entrepreneurial technological innovation can be regarded as direct responses to opportunities in the relevant environment.

Multi-Factor Approach: Ogundele and Opeifa (2003) note that the existing theoretical framework reveals that several factors in combination affect the entrepreneurial processes. It is proposed therefore that several rather than a single factor will affect entrepreneurship. In Ogundele (2000), the specific set of factors used as explanatory variables were: (1) social relations (involving elements of socio-cultural and network theories), (2) political factor, (3) economic environment, (4) technology, (5) training and development (6) formal education, (7) previous work experiences, (8) innovation and (9) structural elements of the entrepreneur's organization. This is a multidimensional factors and interdisciplinary approach to the study of entrepreneurship. It is to be noted that this approach is also based on the opportunities that exist at the appropriate level of analysis. The study predicted that the determinants listed above could positively and negatively affect entrepreneurial emergence, behaviour and performance in Nigeria.

Each of the various levels of theoretical formulation presented above is linked with opportunity of one type or the other. The recurrent emphases by various writers on opportunities in relation to entrepreneurship have provided the impetus for proposing the bounded opportunity approach to entrepreneurial study.

Researchers have also shown that perception of opportunities and the employment of strategic management practices are the functions of entrepreneurs (Kilby 1971, Carland Hoy, Boulton and Carland 1984 and Amit, Glosten and Muller, 1993). Stevenson (1998) and Timmons (1999) emphasized the dynamic nature of the opportunity in the environment and the reactions of the entrepreneur or entrepreneurial team in cashing on the opportunities.

Uncertainty Bearing Theory

Burnett (2000) stated that throughout the theoretical history of entrepreneurship, scholars from multiple disciplines in the social sciences have grappled with a diverse set of interpretations and definitions to conceptualize this abstract idea. Over time, "some writers have identified entrepreneurship with the function of uncertainty-bearing, others with the coordination of productive resources, others with the introduction of innovation, and still others with the provision of capital" (Hoselitz, 1952). Even though certain themes continually resurface throughout the history of entrepreneurship theory, presently there is no single definition of entrepreneurship that is accepted by all economists or that is applicable in every economy.

3.2.1 Features of the Opportunity Approach

From the summary of the literature on opportunity perspective the following facts are apparent:

(1) There are several possibilities of opportunities in an environment at any particular point in time.
(2) All these opportunities at the appropriate place and time affect the emergence, behaviour and performance of entrepreneurs.
(3) The fact that the opportunities in combinations affect the entrepreneurship processes can be used to show the superiority of this approach over those that were focused on single factor.
(4) The process of innovation, identification and creation of opportunities by entrepreneurs at a time and over time reflects the dynamic nature of the opportunity approach.
(5) Among the studies reviewed on entrepreneurship no one raised the opportunity concept to the level of a theoretical proposition or model building.

3.3 Elements of Opportunity

Based on literature review and very careful observation of the entrepreneurial environment the following elements of opportunity are identified.

Opportunities Are Often Tied to Specific Purposes: Opportunities are tied to specific purposes and circumstances. There is a specific purpose for every opportunity and in a given location. People have to meet certain individual, read book, listen to radio or tapes and do several other things in given locations. The privatization and commercialization processes in Nigeria open up investment opportunities based on current circumstance.

Opportunities Are Endless: Just like waves of the sea, life is a succession of opportunities (Dangote 2005). The opportunities that come on individuals or organization's way may determine the rate of his/its growth or progress. They are arranged as interjection that terminates a phase and opens up the next. The Nigerian Enterprises Promotion Decree 1972 opened up wide opportunities for Nigerians to venture into entrepreneurial career. On the other hand the 1986 Structural Adjustment Programme (SAP) created many hardships and blocked several areas of opportunities for entrepreneurs.

Greatness or Success is a Product of Opportunity: Abioye (1996) noted that every greatness is a product of opportunity. That there were great names that had made marks in the generations who would never have been mentioned if it was not for an opportunity that came their way.

An Opportunity opens up to another: An opportunity well utilized opens up to another. Opportunities are in sizes and phases. Just as in the home, an outer door leads to an inner one so it is with opportunities. Dangote (2005) as pointed out above illustrates this point.

Opportunity Elevates people and organization: Abioye (1996) observed that opportunity does not reduce people rather it increases them. He illustrated it with the Biblical parable of a man with five talents. For utilizing well the opportunity of five talents he received the opportunity to use ten.

Opportunities have Companions: Another aspect of the concept of opportunity is it features of companionship. Opportunities are often enveloped in challenges. To refuse to rise up to challenges or not to see it when it comes ones way is to allow opportunity pass by unattended to (Batty, 1974).

Opportunities involves risk taking: Risk in this sense relates to deliberate departure from the known to the unknown. The individual forsakes what he/she has in the hope of getting a better one that awaits him or her (Schumpeter, 1934, Drucker 1985 and Tushman and Nelson, 1991).

Opportunity involves facing opposition: There is the fact of opposition to opportunity which is failure to utilize it. The reason why some live better than the others is their attitude to opportunities that come their ways. Some embrace theirs while others despise and toy with theirs. The key to success is to learn to emphasize ones advantages and de-emphasize what looks like disadvantages. (Kilby, 1971 and Inegbenebor, 1995).

Opportunity may be in form of Luck: People often say that an element of lack is involved in entrepreneurship. This, others call destiny. However, any destiny not given an appropriate drive will lie dormant and impotent. Every destiny is to be driven to its destination (Batty, 1974).

Exploitation of opportunity involves discipline: This relates to having a sense of denial and control. Discipline places a nonnegotiable and uncompromising demand on people. By discipline, one responds to issues of life not as he or she wants or likes it to be, but as they are required or needed to be done. One refuses to respond to emotions in order to face the realities of life (Abioye, 1996). It requires disciplines in man, money and material management (Stevenson and Sahlman, 1990).

One should expect opportunity always: To look for opportunity as a matter of necessity is a normal thing to do. It is entrepreneurship. This is because opportunity is to be expected always. It is this expectation that translates pictures into reality. What you do not expect you cannot see. Therefore, one should always expect business opportunity (Meredith, Nelson and Neck, 1990).

4.0 CONCLUSION

We noted from the unit that development of the current theories of entrepreneurship have centered on either opportunity recognition or the individual entrepreneur. We also note that the theories include economic, socio-cultural, managerial, educational, developmental, experiential, innovation, network, structural and multi-dimensional and that each of these theories had been used in the study of the processes of entrepreneurship.

Finally, we discussed the features of opportunity approach to the theory of entrepreneurship as well as the elements of opportunity.

5.0 SUMMARY

In this unit, we have,

- discussed the theoretical frameworks in entrepreneurship;
- explained entrepreneurship as an interdisciplinary field;
- discussed the contributions of various disciplines in development of entrepreneurship as a field of study;
- evolved inter-linkages existing among these disciplines and their contributions.

In the next unit, we shall discuss another interesting topic titled ‘entrepreneurship development’.

6.0 TUTOR-MARKED ASSIGNMENT

1. From the unit, you will note that there are some elements of opportunity in the existing theories on entrepreneurship. List five and discuss them briefly.

2. Write short notes on the following:

   - Economic Theory
   - Political Theory
   - Ecological Theory
   - Historical Theory
   - Managerial Theory
   - Educational Theory
   - Innovation Theory
   - Network Theory
   - Structural Theory
   - Technological Theory
   - Multi-Factor Approach
   - Uncertainty Bearing Theory

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UNIT 4 ENTREPRENEURSHIP DEVELOPMENT

CONTENTS

1.0 INTRODUCTION

In this unit, we discussed the theoretical frameworks in entrepreneurship; explained entrepreneurship as an interdisciplinary field; discussed the contributions of various disciplines in development of entrepreneurship as a field of study; and evolved inter-linkages existing among these disciplines and their contributions.

In the next unit, we shall discuss another interesting topic titled ‘entrepreneurship development’.

2.0 OBJECTIVES

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

- discuss Entrepreneurial Development: Concept and Context;
- discuss Evolution, Frontiers, divergence & Stagnation**;**
- explain Alternative Approaches to Entrepreneurial Development;
- describe Entrepreneurship as An Integrative Behavioural Framework;
- list and discuss the Entrepreneurship Development Stages;
- state the Importance of Entrepreneurship Development.

3.0 MAIN CONTENT

3.1 Entrepreneurship Development: Concept and Context

Many developing countries including India are in a state of transition. They are striving to move from a subsistence-oriented, tightly integrated, inward looking local economy to a surplus seeking, market led, outward looking economy. Such a move is possible only with the emergences of a multitude of a small-scale and rural enterprise in all works of life. This requires building up of a wider base of population capable of entrepreneurial behaviour. If we take India as an example in the context of development, we find that the initial build up of entrepreneurial activity took place in urban center. This was followed by a trickle down effect in rural communities over time. Development strategy today, however, seeks a more proactive and immediate change in India. While much of policy making in this regard treats enterprise creation as a function of appropriate economic conditions (made possible through institutional and economic interventions), others have emphasized training and attitude change as vital elements in the process. But it needs systematic observations and research into the process through which entrepreneurship emerges and sustains itself.

Enterprises and entrepreneurs have been in the center stage of modernization since the days of Industrial Revolution. Economists, sociologists, psychologists and anthropologists have studied this concept, usually within the frontiers of their respective disciplines.

Models of entrepreneurship and research associated with them have identified several major issues such vagueness in definition, conceptualizing entrepreneurship as a trait, significance of innovation in entrepreneurship, meaning of activities in the post-enterprise creation stage, validity of measures of entrepreneurial propensity and significance of demographic factors.

3.2 Evolution, Frontiers, Divergence & Stagnation

For a long time there was no equivalent for the term ‘entrepreneur’ in the English language. Three words were commonly used to connote the sense the French term carried: adventurer, undertaker and projector; these were used interchangeably and lacked the precision and characteristics of a scientific expression (Gopakumar, 1995).

Richard Cantillon (1680-1734), gave the concept some analytical treatment and assigned the entrepreneur an economic role by emphasizing on ‘risk’ as a prominent entrepreneurial function (Gopakumar, 1995). J.B Say and J.H. von Thunen. Jean Baptiste say (1767-1832), the French political economist assigned the entrepreneur with a crucial role-‘coordination’ and made a distinction between the entrepreneur and capitalist (Say, 1967).

A dynamic theory of entrepreneurship was first advocated by Schumpeter (1949) who considered entrepreneurship as the catalyst that disrupts the stationary circular flow of the economy and thereby initiates and sustains the process of development. Embarking upon ‘new combinations’ of the factors of production-which he succinctly terms innovation-the entrepreneur activates the economy to a new level of development.

The concept of innovation and its corollary development embraces five functions:

1) introduction of a new good,
2) introduction of a new method of production,
3) opening of a new market,
4) conquest of a new source of supply of raw materials and
5) carrying out of a new organization of any industry.

Schumpeter represents a synthesis of different notions of entrepreneurship. His concept of innovation included the elements of risk taking, superintendence and coordination. However, Schumpeter stressed the fact that these attributes unaccompanied by the ability to innovate would not be sufficient to account for entrepreneurship (Gopakumar, 1995).

According to the Harvard School (Cole,1949) “entrepreneurship comprises any purposeful activity that initiate, maintain or develop a profit-oriented business in interaction with internal situation of the business or with the economic, political and social circumstances surrounding the business”. This approach emphasized two types of activities: the organization or coordination activity, and the sensitivity to the environmental characteristics that affect decision making.

Despite its stress on the human factor in the production system, the Harvard tradition never explicitly challenged the equilibrium – obsessed orthodox economic theory. This was challenged by the neo-Austrian School who argued that disequilibrium, rather than equilibrium, was the likely scenario and as such, entrepreneurs operate under fairly uncertain circumstances. The essence of entrepreneurship consists in the alertness of market participants to profit opportunities. A typical entrepreneur, according to Kirzner (1979) is the arbitrageur, the person who discovers opportunity at low prices and sells the same items at high prices because of intertemporal and interspatial demands.

To sum up, major theories and expositions from Cantillon to Kirzner, view the entrepreneur as performing various functional roles as risk taker, decision maker, organizer or coordinator, innovator, employer of factors of production, gap seeker and input completer, arbitrageur, etc. The most appropriate definition of entrepreneurship that would fit into the rural development context, argued here, is the broader one, the one which defines entrepreneurship as: “a force that mobilizes other resources to meet unmet market demands”, “the ability to create and build something from practically nothing”, “the process of creating value by pulling together a unique package of resources to exploit an opportunity”.

3.3 Alternative Approaches

The underlisted are the alternative approaches to the study of entrepreneurship:

3.3.1 Socio-Cultural Approaches

Some scholars have stressed the importance of socio-cultural milieu in entrepreneurship development. They suggested that the socio-cultural history accounts for the performance of entrepreneurial functions by a considerable number of individuals.

Several writers have used a comparative framework to highlight the ways in which different societies, with differing interests, attitudes, systems of stratification and the like, operate to produce different kinds of businessmen and different patterns of entrepreneurial behaviour (Swayer, 1952).

3.3.2 Psychological Approaches

The focus in entrepreneurship shifted from the act to the actors (Shacer & Scott, 1991) in the work of McClelland (1961). According to McClelland and Winter (1969) need for achievement (n-Ach) is responsible for economic development. Greater the development of n-Ach, during early socialization of people, the more likely the economic development will be achieved. A society with a generally high level of n-Ach will produce more rapid economic growth. Achievement motivation could be included through training in self reliance, rewarding hard work and persistence in goal achievement, and creating interest in excellence. In spite of being criticized (Schatz, 1971; Smelser, 1976), McClelland’s (1987) analysis has triggered off the ‘traits approach’ to comprehended entrepreneurial behaviour.

In another psycho-social theory Hagen (1962) relegates economic variables to a relatively minor role and has put an emphasis on certain aspects of the personality. More recently, several other psychological approaches to entrepreneurship have been suggested. Hisrich (1990) identifies several characteristics of entrepreneurs in terms of (a) conditions that make entrepreneurship desirable and possible, (b) the childhood family background, (c) the education level, personal values and motivations and (d) role modeling effects and other support systems. Bird (1989) has also examined entrepreneurial behaviour by focusing on work and the family background, personal values and motivations.

3.3.3 Contemporary Focus

The two most common approaches used in researching the characteristics of entrepreneurs have been the trait approach and the demographic approach (Robinson et al., 1991). In the trait approach, the entrepreneur is assumed to be a particular personality type whose characteristics are key to explaining entrepreneurship as a phenomenon (Gartner, 1988; 1989). Following McClelland (1961, 1987), many other researchers have explored areas such as achievement motive, locus of control, risk taking, innovation etc.

In demographic approach, demographic information is used to arrive at a profile of a typical entrepreneur assuming that people with similar background possess similar underlying stable characteristics. The approach presumes that by identifying demographic characteristics of known entrepreneurs it will be possible to predict entrepreneurship in unknown populations (Robinson et al., 1991). The demographic variables found most examined are family background, birth order, role model, marital status, age, education level of parents and self, socio-economic status, previous work experience and work habits.

First, the approach assumes that human behaviour is strongly influenced by demographic characteristics such as sex, race, or birth order.

Second, the practice of using demographic characteristics as surrogates for personality characteristics is not appropriate. There is also a lack of adequate empirical evidence in this regard.

Third, the approach does not help predict who will or will not be an entrepreneur on the basis of knowledge of one’s birth order, level of education or parental heritage. Besides, demographic characteristics being static in nature cannot explain a dynamic multifaceted phenomenon like entrepreneurship.

Hannan and Freeman (1977) have used the population-ecology model (PEM), to analyze the concept of entrepreneurship. The PEM seeks to predict the probability of births and deaths within a population of firms within a given industry niche, conferring the environment rather than the person with the status of the key entity in determining organizational survival. Recent research following this approach is focused on the presence, characteristics and change in a population or organization in an ecological context provided by the host society (Reynolds, 1991). Deficiencies of this model have been pointed out by Bygrave and Hoffer(1991). These models, while making statistical predictions at the population level, fail to predict the fate of specific firms.

3.4 Entrepreneurship: An Integrative Behavioural Framework

The key elements identified in the integrative behavioural framework of entrepreneurship are Personal Resourcefulness, Achievement Orientation, Strategic Vision, Opportunity Seeking and Innovativeness.

3.4.1 Personal Resourcefulness

The root of the entrepreneurial process can be traced to the initiative taken by some individuals to go beyond the existing way of life. The emphasis is on initiative rather than reaction, although events in the environment may have provided the trigger for the person to express initiative. This aspect seems to have been subsumed within ‘innovation’ which has been studied more as the ‘change’ or ‘newness’ associated with the term rather ‘proactiveness’.

‘Personal resourcefulness’ in the belief in one’s own capability for initiating actions directed towards creation and growth of enterprises. Such initiating process requires cognitively mediated self regulations of internal feelings and emotions, thoughts and actions as suggested by Kanungo and Misra(1992).

3.4.2 Achievement-Orientation

While personal initiative and purposeful behaviour can be view as a good starting point of an entrepreneurial effort, many such initiatives fail. The archetype successful entrepreneur is supposed to epitomize achievement motivation (McClelland, 1961) which facilitates the creation and development of enterprises in competitive environments. While critics have raised serious questions regarding the unique or overarching significance of n-Ach in the emergence of entrepreneurship (Smelser, 1976), this element of personality has continued in the mainstream of entrepreneurship theory (Shaver & Scott, 1991). People with high n-Ach are known to seek and assume high degree of personal responsibility, set challenging but realistic goals, work with concrete feedback, research their environment and choose partners with expertise in their work (Kanungo & Bhatnagar, 1978). Such characteristics of high n-Ach people contribute to successful completion of tasks that they venture to take up. Hence, we see achievement orientation as a set of cognitive and behavioural tendencies that are oriented towards ensuring that outcomes such as enterprise creation, survival and growth are realized.

3.4.3 Opportunity-Seeking

The context in which an individual brings to bear his/her initiative, achievement orientation and visioning have a strong bearing on what it produces; when these forces are directed towards realizing surplus or value in a market environment, over a period of time, we see the creation of enterprises. This perspective of the entrepreneur as a merchant adventurer, who in Cantillon’s view balances out imperfections in the market (Gopakumar,1995) in pursuit of what Bentham terms wealth, provided the historical basis for the development of entrepreneurship. The wealth is seen as the reward the entrepreneurial individual gains for the risk taken or exercise of judgment where there is greater possibility for error; this distinguishes between certain return from wage labour, and return from risk-oriented production for the market. Hence ‘opportunity seeking’ would include one’s ability to see situations in terms of unmet needs, identifying markets or gaps for which product concepts are to be evolved, and the search for creating and maintaining a competitive advantage to derive benefits on a sustained basis.

3.4.4 Innovativeness

Schumpeter(1949) went on to conceptualize entrepreneurs as persons who are not necessarily capitalists or those having command over resources, but as ones who create new combinations of the factors of production and the market to derive profit. Innovativeness refers to creation of new products, markets, product-market combinations, methods of production and organization, and the like that enable the enterprise to gain competitive advantage in the market.

It is evident that each of the dispositions referred to may be found in all types of individuals (entrepreneurs and non- entrepreneurs). Then how can we relate these dispositions to entrepreneurship? We propose that when these five elements converge at high intensities, in non-restrictive environments, it is likely to give rise to enterprise formation. Therefore, one may find individuals who had created enterprises in the past now turning weak because they may no longer be proactive enterprise creators; instead they may be content to play the role of managers in their stable business, or turn to community leadership, and the like. Hence, this perspective lends to a process view of entrepreneurship.

3.5 Entrepreneurship Development Stages

Typically, entrepreneurship development follows a cycle consisting of stimulating, supporting and sustaining activities (Fadahunsi, 1992). The stimulating activities ensure the supply of entrepreneurs ready to take initiative and organize their enterprises by risk taking through awareness programmes. The support activities however, provide infrastructural facilities, resources like information, finance, technology, ability and skills for enterprises launching. The sustaining activities refer to efforts that facilitate the growth and continuity through expansion, modernization, diversification, technology and provision of enabling environment for growth and survival of small-scale industries.

3.5.1 Entrepreneurship Development in Developed and Developing Countries

The existence of strong and effective small-scale industries has been considered as the best way to improve the socio-economic status of any society. In large number of developed and less developed countries there are excellent examples of government imitative aimed at promoting and sustaining entrepreneurship development in small-scale industries. The main purpose is usually to reduce unemployment. Other underlying reasons include:

A desire to establish an enterprise culture (Britain). A need to assist the disadvantage section of the population (e.g. ethnic minorities in Canada), the need to develop alternative to stagnation sector economy (Gambia) to reduce national dependence on imported goods (Mauritius and Malawi), rural transformation (e.g. Sierra Leone), diversification of the economy and reduction of unemployment (Nigeria) etc.

3.5.2 Entrepreneurship Development in Small Scale Business of some Industrialized Nations.

Japan, Taiwan and America are example of industrialized countries, which recognize the definite contribution of small-scale business sector in their march toward industrialization. The recognition of small business as a vital sector in development of Japanese economy could be traced to 1920’s. Prior to this period, Japanese government emphasized on large-scale business such as steel and petrochemical industries while the small-scale industry was neglected. Although, this strategy improved industrialization in Japan, but a number of construction problems were created hence, the need for integrating small-scale industries into the national industrial policy became apparent. (Owuala, 1992).

Institutional supports for the growth of small-scale enterprises in Japan started after the Second World War. Prior to the emergence of formal sources of finance, informal sources such as trade credits constituted reliable means of financing. In recognition of the important role of small-scale business in Japanese economy, the financial institutions for the small-scale such as Medium Business Finance Corporation. The Peoples Finance Corporation, the Central Bank for

Commerce and Investment Cooperatives. Small Business Credit Insurance Corporation and Small Business Investment Company were established. Japanese government supports for small scale industries have made important contribution in Japanese economy such as improving the standard of living, enhancing diffusion of technology, improving large scale business, modernization of small medium enterprise through technological diffusion which laid the foundation for their advanced technology.

Although, to the outsiders, Japan may be considered as a country dominated by large scale business such as Toyota, Honda, Sony and Matsushita etc, in view of the fact that these giant business firms make remarkable impact in the entire Japanese economy and even outside Japan. However, it is equally important to note the fact that these present days giant companies were once small firms which grew over the years to become giant an indication that small medium enterprises constitute important and indispensable foundation for Japanese industrial success and socio-economic growth. For instance, the number of people employed in small medium enterprises increased from 78% in 1969 to 82% in 1981. From 1976 – 1985 small medium enterprises consistently accounted for more than shipment of goods in Japan. Also in the wake of ageing of the Japanese society, many middle aged and elderly people are being absorbed in small medium enterprises.

Small business firms form an integral part of the total business scene in the United States and in most countries of the Europe. Traditionally, American small scale business firms were constituted mainly by small scale farmers, however, the total number of small farmers has declined in the recent years, but number of small non-farm business firms such as manufacturing, mining, wholesaling retailing, service and finance businesses has continued to grow each year (Steinhoff, 1982).

Small business in America means firms locally owned and managed. By customary, US government definition, a “small” business is one with fewer than 500 employees. By this definition, in 1992, 33% of all jobs in American were held by people working in small business organizations (Stoner, Freeman and Gilbert, 1996). In addition, majority of the well-known “giant” organizations in the contemporary American business environment commenced their operation as a small scale business. Wal-Mart, AT and T, General Motors for instance have humble beginning.

In recognition of the important role of small scale business in America, preservation and development of a healthy small business community as being the core areas of federal and state government policies, in America. Many legislative acts have been passed. In addition, management assistance, financial supports, government aids and other benefits have provided for strong, healthy and profitable development of small scale business in America.

Government Departments and Agencies contributed immensely towards formulation and implementation of supporting policy statements for the development of small-scale business in American. The America Department of Commerce has pioneered a lot of legislations in support of small-scale business. The Small Business Administration was created by the American specifically to serve small-scale firms. Its support ranges from management and financial assistance to help in securing government contracts.

3.5.3 Entrepreneurship Development in Developing Countries of Africa

In the period after independence, many developing countries of Africa attempted to achieve industrialization of Africa attempted to achieve industrialization through public investment in large-scale business. The budgets and development plans of these countries were tailored toward investment in elephant projects with little economic viability and market prospect. Majority of these large firms were unable to succeed without heavy protection and subsidies. Economic recession and subsequent structural adjustment policies affected the performance of many of these large corporations. In addition, the budgetary constraints of these countries and policy shift toward privatization have made the various governments of the countries to look increasingly into the private sector to lead in future industrialization.

Specifically, the development of small-scale industries in Nigeria started in the middle of 1970s. Several attempts have been made to establish a viable and successful small-scale industrial climate. For instance, the establishment of Centre for Management Development in 1978. Promotion of the formation of Nigerian Association of Small Scale Industrialists. The various roles of government agencies such as Nigerian Bank for Commerce and Industries NBCI, National Directorate of Employment (NDE), Federal and States Ministry of Commerce, Federal Ministry of Employment, Labour and Productivity, National Youth Service Corps (NYSC), Higher Institution etc. These agencies organized seminars, conferences and workshops to develop entrepreneurs by tapping their latent talents in order to reduce the mounting rate of unemployment.

In addition to these agencies, monetary guidelines of successive annual budgets also guarantee sectoral allocation of loan able funds to the small-scale industrialists. In fact, banks like First Bank of Nigeria, United Bank for Africa, Nigerian International Bank etc. were once selected disbursing banks for small-scale industrialists. Meanwhile, absence of authentic and up-to-date information on the role of small and medium enterprises has affected the performance evaluation of this sector; however, available evidence indicates that the sector makes considerable contribution. A survey conducted by the Nigerian Social and Economic Research (NISER) suggested that small-scale industries accounted for 45% of industrial employment in the country.

3.6 Importance of Entrepreneurship Development

Economists and managers recognize the contributions of small-scale industries to the development of the society in general and individuals in particular (Ekpeyoung 1987, Aluko et al 1972, Lawal 1992, Baumback 1982. Stoner et al 1995, Steinhoff 1982). ***The arguments put forward to justify the expansion of small scale industries as a desirable strategy for industrial and technological development include:***

(i) Small-scale industries will assist in developing indigenous entrepreneurial and managerial skill.
(ii) Small scale enterprises as a labour intensive industry are likely to be consistent with employment and income distribution objectives.
(iii) Small-scale industries enhance the exploitation of untapped industrial opportunities.
(iv) Flexibility of small-scale enterprises enhances their adaptation to change.
(v) Small-scale firms create for widely dispersion of industries in the society and therefore enhance regional economic balance.
(vi) Existence of small-scale industries preserves competition and prevents monopoly regional economic imbalance.
(vii) Higher value added to domestic economics
(viii) Production of intermediate goods required by large enterprises.
(ix) Promotion of effective domestic production
(x) Moderation of rural urban migration
(xi) Promotion indigenous technology.

3.7 Entrepreneurial Development in Nigeria

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

3.7.1 Past Entrepreneurship Developments

According to Osalor (2008), people of the Ibo community in Nigeria are considered one of the oldest entrepreneurs in history, their expertise stretching back to times before modern currency and trade models had developed elsewhere on the planet. In the more recent past, Nigerians adapted their natural talents to evolve traditional businesses and crafts that have sustained most of the country's rural and urban poor for the better part of the last half century. While the oil boom of the '70s brought in billions of petrodollars, most of the country's population remained untouched by the new-found prosperity, thanks to widespread political corruption and catastrophic economic mismanagement. Because of these and other factors, the World Bank estimates that 80% of oil revenues benefited just 1% of the population.

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

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

3.7.2 The Future of Entrepreneurial Development in Nigeria

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

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

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

3.7.3 Obstacles to Enterprise Development

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

- Absence of a pro-active regulatory environment that encourages innovative enterprise development at the grassroots level.

- Significant infrastructural deficits (especially with regards to roads and electricity) and systemic irregularities inimical to small businesses.

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

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

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

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

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

3.7.4 Some Additional Factors to Consider

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

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

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

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

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

To individuals, the advantages of entrepreneurship in small-scale business that result into self-employment include:

(i) Personal satisfaction. The individual entrepreneur will do what he wants with his life.
(ii) Entrepreneurship in small-scale businesses guarantees freedom for individuals.
(iii) It also guarantees exclusive control of income
(iv) Small scale business may offer job security for the owners
(v) Social status of entrepreneurs may be improved by means of entrepreneurship in small scale business.

Meanwhile, some of the alleged disadvantages of entrepreneurship in small-scale industries include:

(i) The possible loss of investment capital if the business fails.
(ii) Uncertainty of income
(iii) The possibility of operating in stressful conditions due to excessive long hours of work by the entrepreneur.
(iv) Majority of small-scale industries have the tendency to fail easily.

4.0 CONCLUSION

In conclusion, it worth noting that the history of the industrialized world pays tribute to the contribution made by the small scale entrepreneurs. The entrepreneurship development in America, Japan, India and Taiwan to mention just a few has recorded considerable success. In fact, the successes recorded made some international agencies like World Bank, IMF and so on to adopt EDP models of some of these countries, for developing countries.

Attempts to create entrepreneurship culture in Nigeria by means of EDP have not achieved the desired goals. Despite the funding, the programmes have not been able to tap, and train successful entrepreneurs. Meanwhile, a critical look at entrepreneurship development in most of the industrialized nations will reveal the sequence of EDP in these countries. Majority of the industrialized nations once focused their effort on promotion and development of giant industries, which resulted into structural imbalance, and through appropriate policy framework, the development of small-scale enterprises that formed the basis of the industrial and technological growth was put in place.

The implication from the foregoing analysis is that through well coordinated and administered entrepreneurship development programme and appropriate institutional framework, Nigeria can develop entrepreneurship culture that will form the basis of the country’s technological and industrial growth.

5.0 SUMMARY

In this unit, we have,

- discussed Entrepreneurial Development: Concept and Context;
- discussed Evolution, Frontiers, divergence & Stagnation**;**
- explained Alternative Approaches to Entrepreneurial Development;

- described entrepreneurship as an integrative behavioural framework;
- listed and discussed the entrepreneurship development stages;
- stated the Importance of entrepreneurship development;
- discuss entrepreneurial development in Nigeria.

In the next unit, we shall discuss the qualities/characteristics, types and functions of entrepreneurship.

6.0 TUTOR-MARKED ASSIGNMENT

1. Discuss briefly the various stages of entrepreneurial development.
2. List and discuss some of the importance entrepreneurial development.
3. Does entrepreneurial development have any shortcomings? List some of them.
4. List four key elements identified in the integrative behavioural framework of entrepreneurship.
5. What are the challenges of entrepreneurship development in Nigeria? How do you see the prospects of ED in Nigeria?

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UNIT 5 CHARACTERISTICS, TYPES AND FUNCTIONS OF ENTREPRENEURS

CONTENTS

1.0 INTRODUCTION

In this unit, we discussed the concept and context of entrepreneurial development; discussed evolution, frontiers, divergence & stagnation**;** explained the alternative approaches to entrepreneurial development; described entrepreneurship as an integrative behavioural framework; listed and discussed the entrepreneurship development Stages; and stated the importance of entrepreneurship development.

In this unit, we shall discuss the qualities/characteristics, types and functions of entrepreneurship.

2.0 OBJECTIVES

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

- list and discuss the characteristics of entrepreneurs;
- classify the entrepreneurs by types;
- enumerate and explain the functions of entrepreneurs.

3.0 MAIN CONTENT

3.1 Entrepreneur's Characteristics

The most significant influence on an individual's decision to become an entrepreneur is workplace peers and the social composition of the workplace. The ability of entrepreneurs to innovate relates to innate traits such as extroversion and a proclivity for risk-taking. According to Schumpeter (1934), the capabilities of innovating, introducing new technologies, increasing efficiency and productivity, or generating new products or services, are characteristics of entrepreneurs. Entrepreneurs are catalysts for economic change. Research has found entrepreneurs to be highly creative with a tendency to imagine new solutions by finding opportunities for profit or reward (Olakitan, 2011).

There is a complexity and lack of cohesion between research studies that explore the characteristics and personality traits of, and influences on, the entrepreneur. Most studies, however, agree that there are certain entrepreneurial traits and environmental influences that tend to be consistent. Although certain entrepreneurial traits are required, entrepreneurial behaviours are dynamic and influenced by environmental factors. Shane and Venkataraman (2000) argue the entrepreneur is solely concerned with opportunity recognition and exploitation; although, the opportunity that is recognised depends on the type of entrepreneur which Ucbasaran et al. (2001) argue there are many different types dependent on their business and personal circumstances. However, it should also be noted that there are approaches that appear highly critical against valorized conceptions of entrepreneurs. For example, there are views that attribute pertinent conceptions to scholarly prejudices, such as unrealistically voluntaristic preconceptions on how a "normal" economic agent ought to behave (Ramoglou, 2011; Gartner, 2001).

Psychological studies show that the psychological propensities for male and female entrepreneurs are more similar than different. Perceived gender differences may be due more to gender stereotyping. There is a growing body of work that shows that entrepreneurial behavior is dependent on social and economic factors. For example, countries which have healthy and diversified labour markets or stronger safety nets show a more favourable ratio of opportunity-driven rather than necessity-driven women entrepreneurs. Empirical studies suggest that women entrepreneurs possess strong negotiating skills and consensus-forming abilities.

Starting from the time of report of the fascinating study of entrepreneurs by McClelland (1961) in which he came out with a list of nine characteristics of the entrepreneur; several other writers have equally illuminated the list of entrepreneur characteristics. McClelland (1961) listed the following characteristics of entrepreneur; need for achievement, desire for responsibility, preference for moderate risks, perception of probability of success, stimulation by feedback, energetic activity, future orientation, skill in organizing and attitude toward money. Kets De Vries (1985) listed need for control, sense of distrust, desire for applause and balancing internal and external lives. Stevenson and Gumpert (1985) presented imagination, flexibility and willingness to accept risks as characteristics of entrepreneur. Gartner (1989) in a review of literature reported several lists of characteristics of entrepreneurs. ***Kao (1991) identified the following characteristics of entrepreneur.***

- Total commitment, determination and perseverance
- Calculated risk taking and risk seeking
- Seeking and using feedback
- Taking initiative and personal responsibility
- Opportunity and goal oriented,
- Drive to achieve and growth
- Persistent problem solving
- Realism and sense of humour,
- Internal locus of control
- Low need for status and power and integrity and reliability

Earlier on, Hornaday (1982) produced a list of forty two (42) characteristics which were often attributed to entrepreneurs; they are contained in table two below.

Table 2: Characteristics often attributed to entrepreneurs

1.	Confidence	22.	Responsibility
2.	Perseverance	23.	Foresight
3.	Energy, diligence	24.	Accuracy, thoroughly
4.	Resourcefulness	25.	Cooperativeness
5.	Ability to take calculated risk	26.	Profit orientation

6.	Dynamism, leadership	27.	Ability to learn from mistakes
7.	Need to achieve	28.	Sense of power
8.	Optimism	29.	Pleasant personality
9.	Versatility, knowledge of product market, machinery, technology	30	Egotism
10.	Creativity	31	Courage
11.	Ability to influence others	32	Imagination
12.	Ability to get along well with people	33.	Perceptiveness
13.	Initiative	34	Tolerance for ambiguity
14.	Flexibility	35.	Aggressiveness
15.	Intelligence	36.	Capacity for enjoyment
16.	Orientation to clear goal	37.	Efficacy-effectiveness
17.	Positive response to challenge	38.	Ability to trust workers
18.	Independence	39	Sensitivity to others
19.	Responsiveness to suggestions and criticism	40	Honesty, integrity
20.	Time competence, efficiency	41	Commitment
21	Ability to make decisions quickly	42	Maturity, balance

Source: Adapted from Kuratko D.F and Hodgets R.M. (2001).

Min (1999) produced a list of ten top characteristics of entrepreneurs.

Table 3: The top ten Characteristics of today Entrepreneurs

1. Recognize and take advantage of opportunity
2. Resourceful
3. Creative
4. Visionary
5. Independent thinker
6. Hard worker
7. Optimistic
8. Innovator
9. Risk taker
10. Leader

Source: Min, S.J. (1999) made not born, entrepreneur of the year magazine, vol, 80.

The characteristics of entrepreneur as seen from the works of writers cited above were examined from two dimension. These are from the negative side as shown in the work of Kets De Vries (1985) and from the positive perspective as reflected in the works of the other writers. Several skills have been described as characteristic of entrepreneur. These include: organizing, planning, innovation, inner control, goal setting, risk taking, decision making, communication, delegation, interpersonal relations, reality perception, self-confidence and independence. The self-confidence and independence result in additional characteristics, which is lack of fear of failure to a very high extent. It is should be noted that the list of entrepreneur characteristics given above are by no means exhaustive, but they provide significant information on one of the dimensions of entrepreneur. We shall now examine some of the cited characteristics of entrepreneurs from both the bright or positive and the dark or negative sides.

3.1.1 Bright Characteristics of Entrepreneur

It includes the following:

The need for achievement, Desire for responsibility, Preference for moderate risks, Perception of Probability of success, Stimulation by feedback, energetic activity, future orientation, skill in organizing, attitude toward money, commitment, determination and perseverance.

3.1.2 The Dark Characteristics

The dark side of entrepreneur exists which are outside the above discussed ones, focusing on successes and achievements. Kets de Vries (1985) discussed the existence of negative factors that may affect entrepreneur and dominate their behaviour. This dimension of entrepreneur has destructive source existing in the energetic force of successful entrepreneur. In general, Kets de Vries (1985) classified the dark side into four types, need for control, sense of distrust, desire for applause and balancing the internal and external lives of the entrepreneur. Kuratko and hodgetts (2001) reclassified them into three broad categories; entrepreneur's confrontation with risk, entrepreneur's stress, and the entrepreneur's ego. Let us examine them one after the other:

3.1.3 Entrepreneur's Confrontation with Risk

The entrepreneur's actions of starting or buying a new business involve risk. Increase in risks has corresponding increase in rewards. Consequently entrepreneur tends to evaluate risk thoroughly and carefully. O'Neal (1993) notes that people who innovate and start new businesses are willing to accept risk for what they believe in. He notes that they have the ability to cope with a career surrounded in ambiguity, consistent lack of clarity. They have the urge to put their imprint on their innovation.

Although unbridled ego can be destructive, entrepreneur's ego is wrapped up in the enterprise. All of these tend to compound the risk faced by the entrepreneur. Baty (1974) identified three types of risks facing the entrepreneur; these are financial risk, career risks and personal. Liles (1974) also listed four types of risk faced by entrepreneur these are financial risk, career risk, family/social risk and psychic risk.

3.1.4 Entrepreneur and Stress

The achievement of entrepreneurs' goals for independence, wealth, work satisfaction, responsibility etc are not without a price, (Akande, 1996). They result in some problems for the entrepreneur. Akande (1996) note that majority of entrepreneurs studied had problems of backaches, indigestion, insomnia or headaches. To achieve their goals entrepreneurs were prepared to live with these effects of stress. Stress in general is great worry caused by difficult situation or something that causes this situation (Ogundele, 2005).

Entrepreneur's Stress: Stress is a function of differences between an individual expectations and capacity to meet demands and also differences between the individual's expectations and personality. The inability to meet role demands causes the onset of stress. Entrepreneurs' work demands and expectations far exceed their abilities to perform as organization creators; therefore, they are prone to experience stress.

The entrepreneurs' roles or functions noted earlier on and the operating environment can lead to stress. The creation of a new organization by entrepreneur involve several risks namely; financial, career, family, social and psychic. Added to these are communicating and interacting with several external constituencies, ranging from customers, suppliers, government agencies, regulators, professional associations, consultant etc. These are also his/her relations with members of internal team. All these are stressful.

3.1.5 The Entrepreneur Ego

The last of the dark side of the entrepreneur is the inflated ego, coming after the risks and the stress, and they combine to make complete picture of the negative side of entrepreneur. Kets de Vries (1985) note that some characteristics of entrepreneurs that lead to success can be carried to the extreme and thus result in destructive implications for the entrepreneurs. They are: Need for control sense of distrust, desire for success and unrealistic optimism.

3.1.6 Start Small Finish Big

Deluca & Hayes {2000}, outlined Fifteen Key Lessons Based on their personal experience as a micro entrepreneur, and the experiences of twenty one other micro entrepreneurs, they will share with you the Fifteen Key Lessons that will help you start small and finish big. These lessons are:

1. Start Small. It's better than never starting at all.
2. Earn a Few Pennies. It's good practice before you earn those dollars.
3. Begin With an Idea. There's probably a good one right under your nose
4. Think Like a Visionary. Always look for the Big Picture.
5. Keep the Faith. Believe in yourself and your business even when others don't.
6. Ready, Fire, Aim! If you think too much about it, you may never start.
7. Profit or Perish. Increase sales, decrease costs. Anything less and your business will perish.
8. Be Positive. The School of Hard Knocks will beat you less and your business will perish.
9. Continuously Improve Your Business. It's the best way to attract customers, and generate sales and profit.
10. Believe In Your People. Or they may get even with you.
11. Never Run Out of Money. It's the most important lesson in business.
12. Attract New Customers Every Day. Awareness, Trial, and Usage work every time.
13. Be Persistent: Don't Give Up. You only fail if you quit.
14. Build a Brand Name! Earn your reputation.
15. Opportunity Waits for No One. Good or bad, breaks are what you make them.

Why are these lessons valuable? Because if you follow them, you are more likely to be successful in the development of your business. These are the lessons we learned while building Sub-way, and they are the same lessons that many other micro entrepreneurs have learned and applied, too. If you plan to grow your business beyond a one or two person enterprise, there will be other lessons to learn, of course. But these Fifteen Key Lessons will help you get started and keep you focused.

3.1.7 Entrepreneur Behaviour

Behaviour ordinarily consists of activities, interactions, sentiments and performance of individuals and groups (Bello, 1988). Entrepreneur behaviour therefore refers to the activities, action, interactions, sentiment and the performance of entrepreneurs, based on a set of characteristic, attitudes, motivation and the functions performed in relation to relevant environmental issues of constraining and facilitating dimensions. Singh (1986) notes that Entrepreneurial Behaviour (EB) is a function of an individual's personality characteristic and environment factors. This was represented as EB = F (P, E) where:

P = Personality Characteristics
E = Environmental Factors.

He states that the environmental factors could be either nurturing or impediments. These factors include; social/psychological factors including family, peer group, formal and informal associations, financial, material availability, technology availability/applicability political legislation etc. The Personality characteristics refer to the dimension of entrepreneur that is analyzed in the proceeding segments. Ducker (1977) examine innovative attitude, in people and performance, he asserted that innovation is attitude and practice, the practice here refers to behaviour.

Steveuson and Gumpert (1985) Stevevson and Sahlman (1987), and Stevenson and Groubeck (1994) look at entrepreneur behaviour as a continuum with two extremes. At one extreme is the **Promoter** type manager who feels confident of his/her ability to seize opportunity regardless of the resources under current control. At the opposite extreme is the **trustee** type manager who fosters efficient management by emphasizing the efficient utilization of existing resources. The "promoter" is regarded as typical (entrepreneur) who is driven by perception of opportunity, in contrast with the "trustee" regarded as administrator who (administrate) and is driven by resources currently controlled.

An **entrepreneur** is an owner or manager of a business enterprise who makes money through risk and initiative.[1][note 1] The term was originally a loanword from French and was first defined by the Irish-French economist Richard Cantillon. Entrepreneur in English is a term applied to a person who is willing to help launch a new venture or enterprise and accept full responsibility for the outcome. Jean-Baptiste Say, a French economist, is believed to have coined the word "entrepreneur" in the 19th century, when he defined an entrepreneur as "one who undertakes an enterprise, especially a contractor, acting as intermediatory between capital and labour".

3.1.8 Profession

Entrepreneurs become what they are for several reasons. Many, depending on the person, choose to do so to avoid workplace drama, discrimination, being taken advantage of, or just to be their own boss. No formal education is required to become an entrepreneur, as they rely on their own knowledge and talent to achieve success. Entrepreneurs have a lower risk of being set up to fail or controlled due to the fact that they are often their own boss. Knowledge of ones field, determination, talent, the ability to recover from bad situations, trusted peers and collaborators, supply and demand, and luck are all important factors in becoming a successful entrepreneur (Wikipedia, 2011).

3.1.9 Leadership attributes

The entrepreneur leads the firm or organization and also demonstrates leadership qualities by selecting managerial staff. Management skill and strong team building abilities are essential leadership attributes for successful entrepreneurs. Scholar Robert. B. Reich considers leadership, management ability, and team-building as essential qualities of an entrepreneur. This concept has its origins in the work of Richard Cantillon in his *Essai sur la Nature du Commerce en* (1755) and Jean-Baptiste Say in his *Treatise on Political Economy.*

Entrepreneurs emerge from the population on demand, and become leaders because they perceive opportunities available and are well-positioned to take advantage of them. An entrepreneur may perceive that they are among the few to recognize or be able to solve a problem. Joseph Schumpeter saw the entrepreneur as innovators and popularized the uses of the phrase creative destruction to describe his view of the role of entrepreneurs in changing business norms. Creative destruction encompasses changes entrepreneurial activity makes every time a new process, product or company enters the markets.

3.1.10 Theory-based Typologies

Recent advances in entrepreneurship research indicate that the differences in entrepreneurs and heterogeneity in their behaviours and actions can be traced back to their founder's identity. For instance, Fauchart and Gruber (2011, Academy of Management Journal) have recently shown that -based on social identity theory - three main types of entrepreneurs can be distinguished: Darwinians, Communitarians and Missionaries. These types of founders not only diverge in fundamental ways in terms of their self-views and their social motivations in entrepreneurship, but also engage fairly differently in new firm creation.

3.2 Types of entrepreneurs

The literature has distinguished among a number of different types of entrepreneurs, for instance:

3.2.1 Social entrepreneur

A social entrepreneur is motivated by a desire to help, improve and transform social, environmental, educational and economic conditions. Key traits and characteristics of highly effective social entrepreneurs include ambition and a lack of acceptance of the status quo or accepting the world "as it is". The social entrepreneur is driven by an emotional desire to address some of the big social and economic conditions in the world, for example, poverty and educational deprivation, rather than by the desire for profit. Social entrepreneurs seek to develop innovative solutions to global problems that can be copied by others to enact change (Wikipedia, 2010).

Social entrepreneurs act within a market aiming to create social value through the improvement of goods and services offered to the community. Their main aim is to help offer a better service improving the community as a whole and are predominately run as non profit schemes. Zahra et al. (2009: 519) said that “social entrepreneurs make significant and diverse contributions to their communities and societies, adopting business models to offer creative solutions to complex and persistent social problems”.

3.2.2 Serial entrepreneur

A serial entrepreneur is one who continuously comes up with new ideas and starts new businesses (Wikipedia, 2010). In the media, the serial entrepreneur is represented as possessing a higher propensity for risk, innovation and achievement. Serial entrepreneurs are more likely to experience repeated entrepreneurial success. They are more likely to take risks and recover from business failure.

3.2.3 Lifestyle entrepreneur

A lifestyle entrepreneur places passion before profit when launching a business in order to combine personal interests and talent with the ability to earn a living. Many entrepreneurs may be primarily motivated by the intention to make their business profitable in order to sell to shareholders. In contrast, a lifestyle entrepreneur intentionally chooses a business model intended to develop and grow their business in order to make a long-term, sustainable and viable living working in a field where they have a particular interest, passion, talent, knowledge or high degree of expertise (Wadhwa, 2010). A lifestyle entrepreneur may decide to become self-employed in order to achieve greater personal freedom, more family time and more time working on projects or business goals that inspire them. A lifestyle entrepreneur may combine a hobby with a profession or they may specifically decide not to expand their business in order to remain in control of their venture. Common goals held by the lifestyle entrepreneur include earning a living doing something that they love, earning a living in a way that facilitates self-employment, achieving a good work/life balance and owning a business without shareholders. Many lifestyle entrepreneurs are very dedicated to their business and may work within the creative industries or tourism industry (Peters, Frehse and Buhalis (2009), where a passion before profit approach to entrepreneurship often prevails. While many entrepreneurs may launch their business with a clear exit strategy, a lifestyle entrepreneur may deliberately and consciously choose to keep their venture fully within their own control. Lifestyle entrepreneurship is becoming increasing popular as technology provides small business owners with the digital platforms needed to reach a large global market (Wikipedia, 2010). Younger lifestyle entrepreneurs, typically those between 25 and 40 years old, are sometimes referred to as Treps (Goodman, 2011).

3.3 Functions of Entrepreneur

Many writers on entrepreneurs have used the functions performed by the entrepreneur, to explain who the entrepreneur is. Jhingan (2003) notes that the functions of an entrepreneur have undergone many changes at the hands of economists. Some economists contend that the function of the entrepreneur is to undertake risks and uncertainty, to others the coordination of productive resources, to Schumpeter, introduction of innovation, further, others focus on provision of capital. Kilby (1971) listed 13 functions that were performed by Nigerian entrepreneurs. They are contained in the segment on management theory of entrepreneur. ***Fadahunsi (1992) summarized them into 10 functions. These are:***

1. Searching for and discovering new information
2. Translating new information into new market, techniques and goods.
3. Seeking and discovering economic opportunities.
4. Evaluating economic opportunities
5. Marshalling financial resources necessary for the enterprise
6. Making time-binding arrangement, time management
7. Taking ultimate responsibility for management
8. Providing for being responsible for motivational system within the firm
9. Providing leadership for the work group
10. Taking the ultimate risk of uncertainty.

Others have classified the function into economic, social and technological spheres (Owualah, 1999 and Ogundele, 2004).

3.3.1 Social Functions of Entrepreneur

1. Transforming traditional indigenous industry into a modern enterprise.
2. Stimulating indigenous entrepreneurship, the entrepreneur has in his employment potential rivals.
3. Jobs or employment creation in the community

4. Provision of social welfare service of redistributing wealth and income
5. Providing leadership for the work group
6. Providing for and responsible for the motivational system within the firm

3.3.2 Economic Functions of Entrepreneur

1. Marshalling the financial resources necessary for the enterprise or mobilizing saving
2. Bearing the ultimate risk of uncertainty.
3. Providing avenue for the dispersal and diversification of economic activities.
4. Utilization of local raw material and human resources

CONCLUSION

We have observed from our study of the unit that there is a complexity and lack of cohesion between research studies that explore the characteristics and personality traits of, and influences on, the entrepreneur. We note that most studies, however, agree that there are certain entrepreneurial traits and environmental influences that tend to be consistent. We also note that although certain entrepreneurial traits are required, entrepreneurial behaviours are dynamic and influenced by environmental factors.

We listed and discussed the characteristics of an entrepreneur, classified entrepreneurs by types and enumerated the functions of entrepreneurs.

5.0 SUMMARY

In this unit, we have,

- listed and discussed the characteristics of entrepreneurs;
- classified the entrepreneurs by types;
- enumerated and explained the functions of entrepreneurs.

In the next unit, you will be introduced to yet another interesting topic titled 'history of entrepreneurship in Nigeria'.

6.0 TUTOR-MARKED ASSIGNMENT

1. List the characteristics of entrepreneurs that you know of.
2. Enumerate the types of entrepreneurs and discuss each of them.
3. What are the functions of entrepreneurs? List and discuss each of them.

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MODULE 2 PRACTICE OF ENTREPRENEURSHIP

UNIT 1 HISTORY OF ENTREPRENEURSHIP IN NIGERIA

CONTENTS

1.0 INTRODUCTION

You are welcome to module 2 of this course. In the last unit, In this unit, we listed and discussed the characteristics of entrepreneurs; classified the entrepreneurs by types; and enumerated and explained the functions of entrepreneurs.

In this unit, we shall examine the history of entrepreneurship in Nigeria.

2.0 OBJECTIVES

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

- trace the history of entrepreneurship;
- list and explain the role of authors and practitioners in the evolution of entrepreneurship.

3.0 MAIN CONTENT

3.1 History of Entrepreneurship

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

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

In the 20th century, the understanding of entrepreneurship owes much to the work of economist Joseph Schumpeter in the 1930s and other Austrian economists such as Carl Menger, Ludwig von Mises and Friedrich von Hayek. In Schumpeter, an entrepreneur is a person who is willing and able to convert a new idea or invention into a successful innovation.[4] Entrepreneurship employs what Schumpeter called "the gale of creative destruction" to replace in whole or in part inferior innovations across markets and industries, simultaneously creating new products including new business models. In this way, creative destruction is largely responsible for the dynamism of industries and long-run economic growth. The supposition that entrepreneurship leads to economic growth is an interpretation of the residual in endogenous growth theory and as such is hotly debated in academic economics. An alternate description posited by Israel Kirzner suggests that the majority of innovations may be much more incremental improvements such as the replacement of paper with plastic in the construction of a drinking straw.

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

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

3.1.1 Authors and Practitioners in Entrepreneurship

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

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

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

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

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

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

The entrepreneur is widely regarded as an integral player in the business culture of American life, and particularly as an engine for job creation and economic growth. Robert Sobel published *The Entrepreneurs: Explorations Within the American Business Tradition* in 1974. Zoltan Acs and David Audretsch have produced an edited volume surveying Entrepreneurship as an academic field of research,[7] and more than a hundred scholars around the world track entrepreneurial activity, policy and social influences as part of the Global Entrepreneurship Monitor (GEM)[8] and its associated reports.

3.1.2 Concept

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

3.1.3 Promotion

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

3.2 How Entrepreneurship all started in Nigeria.

The history of entrepreneurship in Nigeria can be classified under the following stages:

(1) early stage; and
(2) modern stage.

3.7.5 The Early Stage

Entrepreneurship started when people produced more products than they needed, as such, they had to exchange these surpluses. For instance, if a blacksmith produced more hoes than he needed, he exchanges the surplus he had with what he had not but needed; maybe he needed some yams or goat etc, he would look for someone who needed his products to exchange with. By this way, producers came to realize that they can concentrate in their areas of production to produce more and then exchange with what they needed.
So through this exchange of products, entrepreneurship started. A typical Nigerian entrepreneur is a self made man who might be said to have strong will to succeed, he might engage the services of others like; friends, mates, in-laws etc to help him in his work or production. Through this way, Nigerians in the olden days were engaged in entrepreneurship. Early entrepreneurship is characterized with production or manufacturing in which case the producer most often started with a small capital, most of it from his own savings. Early entrepreneurship stared with trade by barter even before the advent of any form of money.

3.7.6 The Modern Stage

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

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

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

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

4.0 CONCLUSION

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

5.0 SUMMARY

In this unit, we

- traced global history of entrepreneurship;
- listed and extolled the contributions of the authors and practitioners during the evolution of entrepreneurship;
- traced the history and development of entrepreneurship over two stages.

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

6.0 TUTOR MARKED ASSIGNMENT

1. Does entrepreneurship have any history? Briefly trace the history of this phenomenon.

2. How did Entrepreneurship developed in Nigeria? Briefly discuss.

7.0 REFERENCES AND FURTHER READINGS

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UNIT 2 THE ROLE OF ENTREPRENEURSHIP IN AN ECONOMY

CONTENTS

1.0 INTRODUCTION

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

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

2.0 OBJECTIVES

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

- define entrepreneurship and many different ways;
- discuss the process of entrepreneurship and the factors contributing to it;
- list and briefly explain the advantages and disadvantages of entrepreneurship;
- state the roles of entrepreneurship in an economy.

3.0 MAIN CONTENT

3.1 The Entrepreneurial Process

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

Collins (1993) traced that in 1945, Masaru Ibuka and seven employees started a company in a bombed-out department stone in Tokyo. However, they did not have an idea of what the business would do. For weeks, they tried to figure out what business the company could enter without a clue. However, today, that company is known as Sony Corporation. Collins also revealed that Bill Hewlett and Dave Packard founded Hewlett-Packard; they had no specific idea to pursue. Although the business was vaguely defined as electronic engineering, the owners did not have any formative plans. Hewlett explains, "We did everything that would bring in a nickel…. Here we were with about $500 in capital trying whatever someone thought we might be able to do.

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

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

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

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

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

3.2 Factors of Entrepreneurship

From the above discussion, one would discover that there is more than one factor to consider when studying entrepreneurs. There is no agreement as to why some people choose self-employment and others choose to work for someone else. One recent study by Leo-Paul (1997) has identified four spheres of influence in determining entrepreneurial behaviour: the individual, the enthocultural environment, the circumstances in society; and a combination of these. These factors are discussed below.

The Individual

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

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

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

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

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

1. **Passion for the Business –** The entrepreneur must have more than a casual interest in the business because he or she must overcome many hurdles and obstacles. If there is no passion or consuming interest, the business will not succeed. "Burning passion? Absolutely", says Quinn (2002, quoted in Lambing and Kuehl, 2007).

2. **Tenacity despite failure –** Because of the hurdles and obstacles that must be overcome, the entrepreneur must be consistently persistent. Many successful entrepreneurs succeeded only after they had failed several times. It has been stated that "Successful entrepreneurs don't have failures. They have learning experiences" (Goodman, 1994, quoted in Lambing and Kuehl, 2007).

3. **Confidence –** Entrepreneurs are confident in their abilities and the business concept. They believe they have the ability to accomplish whatever they set out to do (Lambing and Kuehl, 2007). This confidence is not unfounded, however. Often they have an in-depth knowledge of the market and the industry, and they have conducted months (and sometimes years) of investigation. It is common for entrepreneurs to learn an industry while working for someone else. This allows them to gain knowledge and make mistakes before striking out on their own.

4. **Self-determination –** Nearly every authority on entrepreneurship recognizes the importance of self-motivation and self-determination for entrepreneurial success. Goodman states that

self-determination is a crucial sign of a successful entrepreneur because successful entrepreneurs act out of choice; they are never victims of fate. They believe that their success or failure depends on their own actions. This quality is known as an **internal locus of control**.

5. **Management of risk** – Risk is at the very heart of running your own business, and the ability to manage risk is one of the qualities of any successful entrepreneur (Dorsey, 2003, quoted in Lambing and Kuehl, 2007). The general public often believes that entrepreneurs take high risks; however, that is usually not true. First, more than two-thirds of those trying to get a business started have a full or part time job or they are running another business. They do not put all of their resources and time into the venture until it appears to be viable. Entrepreneurs often define the risks early in the process and minimize them to the extent possible.
6. **Seeing changes as opportunities –** To the general public, change is often frightening and is something to be avoided. Entrepreneurs, however, see change as normal and necessary. They search for change, respond to it, and exploit it as an opportunity, which is the basis of innovation (Lambing and Kuehl, 2007).

7. **Tolerance for ambiguity –** The life of an entrepreneur is unstructured. No one is setting schedules or step-by-step processes for the entrepreneur to follow. There is no guarantee of success. Uncontrollable factors such as the economy, the weather, and changes in consumer tastes often have a dramatic effect on a business. An entrepreneur's life has been described as a professional life riddled with ambiguity – a consistent lack of clarity. The successful entrepreneur feels comfortable with this uncertainty" (Oneal, 1993, quoted in Lambing and Kuehl, 2007).

8. **Initiative and a need for achievement** – Almost everyone agrees that successful entrepreneurs take the initiative in situations where others may not. Their willingness to act on their ideas often distinguishes them from those who are not entrepreneurs. Many people have good ideas, but these ideas are not converted into action. Entrepreneurs act on their ideas because they have a high need for achievement, shown in many studies to be higher than that of the general population. That achievement motive is converted into drive and initiative that results in accomplishments.

9. **Detail orientation and perfectionism –** Entrepreneurs are often perfectionists, and striving for excellence, or "perfection", helps make the business successful. Attention to detail and the need for perfection results in a quality product or service. However, this often becomes a source of frustration for employees, who may not be perfectionists themselves. Because of this, the employees may perceive the entrepreneur as a difficult employer. For instance, I know of an entrepreneur who is into printing and has magnificent printing press in the heart of Abuja, Nigeria. There is virtually no human being, no matter how good you are, that this man would not abuse, dress down or embarrass. Such is the trait in an entrepreneur. For an employee who wants to make a career in that enterprise, he must be tolerant and pretend that nothing happened.

10. **Perception of passing time –** Entrepreneurs are aware that time is passing quickly, and they therefore often appear to be impatient. Because of this time orientation, nothing is ever done soon enough and everything is a crisis (Lambing and Kuehl, 2007).

11. **Creativity –** One of the reasons entrepreneurs are successful is that they have imaginative and can environ alternative scenarios (Goodman quoted in Lambing and Kuehl, 2007). They

have the ability to recognize opportunities that other people do not see. Nolan Busnell, who created the first home video game and the Chuck E. Cheese character, believes the act of creation is nothing more than taking something standard in one business and applying it to another.

12. **Ability to see the big picture –** Entrepreneurs often se things in a holistic sense; they can see the "big picture" when others see only the parts (Lambing and Kuehl, 2007). One study found that successful owners of manufacturing firms gathered more information about the business environment, and more often, than those who were less successful. This process, known as **scanning the environment**, allows the entrepreneur to see the entire business environment and the industry and helps to formulate the larger picture of the business activity. This is an important step in determining how the company will compete (Box, 1993, quoted in Lambing and Kuehl, 2007).

13. **Motivating factors –** Although many people believe that entrepreneurs are motivated by money, other factors are actually more important. The need for achievement, mentioned earlier, and a desire for independence are more important than money. Entrepreneurs often decide to start their own businesses in order to avoid having a boss. Many are self-employed for less pay than they would receive if they worked for someone else.

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

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

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

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

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

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

Lambing and Kuehl, 2007). Thus, a habit of opportunity thinking makes a person more likely to pursue entrepreneurship.

Cultural Factors

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

Circumstances in Society

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

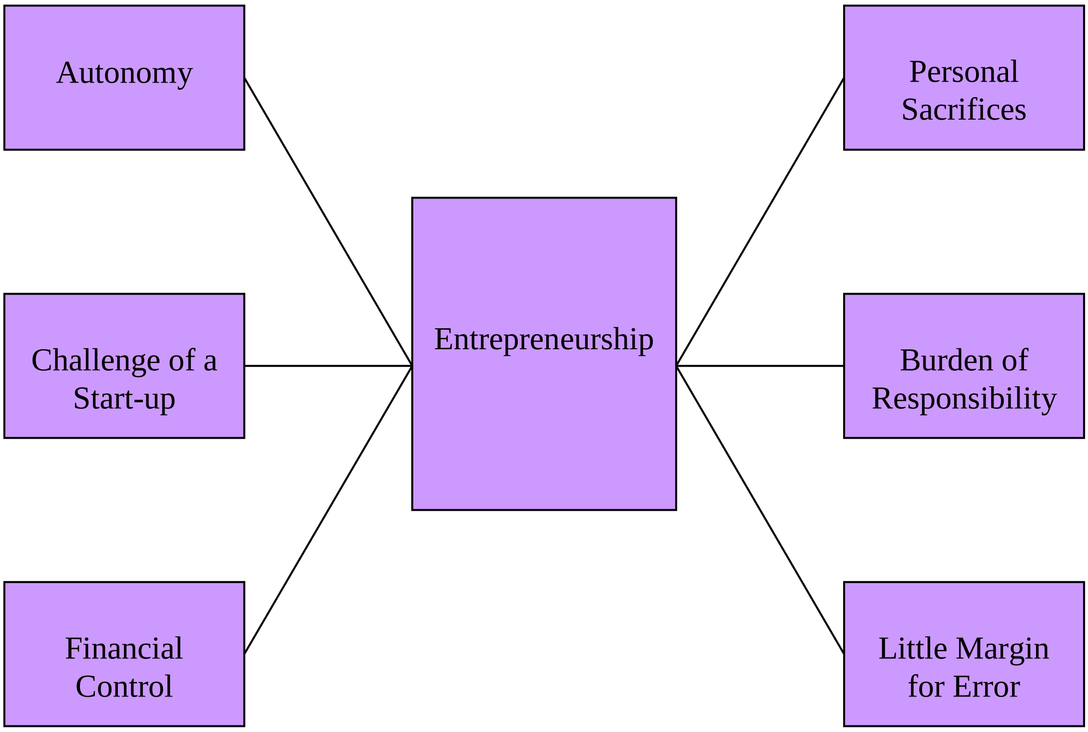
A Combination of Factors

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

3.3 Advantages and Disadvantages of Entrepreneurship

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

Figure 3.1 Advantages and Disadvantages of Entrepreneurship



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

3.4.1 Advantages

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

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

3.4.2 Disadvantages

If self-employment were easy, the number of self-employed people would be much higher. In fact, it is one of the most difficult careers one can choose. A few of the disadvantages are described below:
Personal sacrifices – Especially in the early years of a business, the entrepreneur often works extremely long hours, possibly six or seven days each week. This leaves almost no time for recreation, family life, or personal reflection.

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

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

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

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

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

3.5 The Role of Entrepreneurship in an Economy

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

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

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

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

8.0 CONCLUSION

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

5.0 SUMMARY

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

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

6.0 TUTOR MARKED ASSIGNMENT

1. Passion for the business (as an individual factor) must be a priority to an entrepreneur if the entrepreneurship business is to succeed. Do you agreed with this statement? What are the other factors do you consider necessary to ensure that an entrepreneurship business is successful?

2. List the advantages and disadvantages of entrepreneurship that you know and explain them briefly.

3. What is the role of entrepreneurship to a developing economy like that of Nigeria?

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UNIT 3 SMALL SCALE INDUSTRIES IN NIGERIA

CONTENTS

1.0 INTRODUCTION

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

In this unit, we shall consider another topic, small scale industries in Nigeria.

2.0 OBJECTIVES

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

- discuss small scale business;
- state the role of small scale business in entrepreneurship development;
- enumerate the problems of small scale business;
- identify the symptoms of business failures;
- understand survival strategies for small scale business in Nigeria.

3.0 MAIN CONTENT

3.1 Small Scale Business

Most classifications of business units into large and small are based on qualitative and quantitative judgment. For instance, the US Committee for Economic Development (CED) has developed the following definition of a small scale business. ***"A small scale business is one which possesses at least two of the following four characteristics".***

1. Management: Usually the managers are also the owners.
2. Capital is supplied and the ownership is held by an individual or small group.
3. The area of operation is mainly local
4. The relative size of the firm within its industry must be small when compared with the biggest units in its field.

In Japan, a small-scale industry is defined according to the type of industry. For small medium industry in manufacturing, it is defined as those with ‘f100 million as paid up capital and 300 employees, while small scale business in wholesale trade will have ‘f30 million paid up capital and 100 employees. In Britain, a small scale business is defined in terms of turnover and number of employees. For example, a small scale business is defined as “the industry with an annual turnover of ‘f2 million or less and fewer than 20 paid workers (Nwala, 1992).

In Nigeria, the definition of small-scale business also varies from time to time and from one institution to another. For example, the Central Bank of Nigeria 1996 Monetary Policy Guidelines defined small scale enterprises as enterprises as on whose total cost, excluding cost of land but including working capital, does not exceed N10 million. The National Economic Reconstruction Fund puts the ceiling for small-scale business total investment at N10 million. Section 36b (2) of the Companies and Allied Matters Decree of 1990 defines a small company as one with:

(a) Annual turnover of not more than N2 million.
(b) Net assets value of not more than 1 million.

It will be obvious from the foregoing definitions that the relatives size of a firm usually determine in terms of sales volume, investment in assess, number of employees, profit level and other significant quantitative comparisons is considered the most important. ***In summary, a small business may be defined qualitatively and quantitatively as the one that is:***

- Independently owned
- Independently managed
- Highly personalized
- Largely local in its operation
- Financed mainly from internal sources
- Small in terms of sales turnover, number of employees, assets value, profit etc within the industry.

3.2 Small Scale Business and Entrepreneurship

Private enterprises especially indigenous small scale firms have a vital role to play in promoting the social and economic well being of the nation, hence indigenous entrepreneurship is likely to be much more important in small scale business than in giant firms. The promotion of small scale business as a well-recognized and much heralded strategy of industrial development in developed and developing countries, and its ability to enhance entrepreneurial and managerial skills.

Development economists are of the opinion that labour intensive industries can enhance employment generation as well as advance wide variety of developmental goals like improved income distribution, generation and diffusion of technology, and industrial skills, increased utilization of local resources, improved spatial distribution of industrial activities and reduction of rural-urban population movement.

Increased productivity, national income, market leadership, gargantic technological innovativeness and sagacity of Japan, America and other developed countries are based on the foundation laid by small scale industries. Although, economic activities of developed and developing nations is sometimes viewed to be dominated by large scale business such as IBM Delta, Airline, Coca-cola, Toyota, Honda, UAC, Lever Brothers, John Holt to mention just a few. However, it is equally important to note that the present day giant companies were once small-scale industries, which grew over the years to become giant companies. In addition, as many small firms are dependent on large firms for raw materials or finished products, which would be costly without economies of mass production undertaken by the large business firms, likewise, larger firms are dependent on small firms who assist in distributing their goods and services.

In view of the impact of small-scale industries in improving the socio-economic condition of a nation, most developed and developing countries have made initiatives to promote indigenous entrepreneurship in small-scale business. In Nigeria, for examples, typical actions of the government take the form of policy initiatives and directives to organization, such as Ministry of Commerce, National Directorate of Employment, Ministry of Labour and Productivity, Center for Management Development, Research Institutes etc to act as executing agencies with responsibility for stimulating, supporting and sustaining entrepreneurship development.

3.3 Problems and Prospects of Small Scale Industries in Nigeria

Small scale businesses have limitations and problems that account for their failures. Many of these limitations and problems are unique to this enterprise that is they result from the small size of the business, while others are general to all business organizations irrespective of size. All business organizations irrespective of their objectives have philosophy of growth, survival and adaptiveness (Lawal, 1993). The inability of a business to maintain this philosophy can be regarded as business failure.

A business may fail financially or economically, financial failure may result from either technical or bankruptcy insolvency. The inability of a business to meet its current obligations as they fall due even if its total assets exceed the total liabilities is known as technical insolvency. Bankruptcy insolvency occurs where a firm’s total assets could not meet the total liabilities. Economic failure occurs when firm’s total revenues do not cover the total costs.

3.3.1 Problems of Small Scale Business

Business failure problems may be classified into two main categories, viz: internal and external factors. The internal problems are mainly management problems. Majority of small-scale businesses failures may be caused by the poor quality of management. The poor operated small-scale business will fail, the well managed will succeed.

(a) Internal Factors

Many of the internal factors affecting a small-scale business include:

(i) *Wrong Choice of Business:* Establishing a business on a wrong footing may lead to its sudden failure. Entrepreneurs should choose business fields that are promising rather than slogging it out with business opportunities already crowded.

(ii) *Lack of business connection.* Inability of an entrepreneur to foster good relationship with customers and creditors may lead to the collapse of a business.

(iii) *Lack of Experience.* Lack of knowledge particularly technical know-how in the particular business undertaken by the entrepreneur.

(iv) *Poor financial control.* Inability to maintain proper accounting records and control may result to fraudulent practices, which may affect the survival of a business.

(v) *Lack of managerial know*-how. Majority of small-scale industries lack the necessary managerial know-how for effective and efficient running of a business

(vi) *Over Extension of Credit.* In their eagerness to make sales, most small scale business extends unwarranted credit to customers, without a clear cut credit policy and method of collection. Hence, many small businesses run into problems of over extension of credit.

(vii) *Unreasonable Expenses.* Excessive expenses can affect the survival of a business; expenses must be kept to an absolute minimum to ensure success.

(viii) *Inventory problems.* Overstocking or buying slow-moving goods can be very costly for a small scale business.

(ix) *Location problem.* Poor location may affect a business. Inability of a business to be located where substantial portion of the customers can be easily reached may contribute to business failure.

(x) *Absence of productivity improvement techniques.*

(xi) *Unethical Business Practices.* Such as product adulteration, dishonesty, bribery and corruption may contribute to business failure.

(xii) *Lack of Adequate Attention.* Neglect of the business by the entrepreneur may results from bad habits, poor health, marital difficulties, complacency or laziness. For a business to survive, the entrepreneur must give adequate attention.

(xiii) *Personal Characteristics.* Personal characteristics can be a major factor for success or failure. Self-employed persons must have mature, balanced personality and an aggressive diplomatic character. These characteristics are essential for dealing with a number of internal and external groups. Small scale industrialists fail because of inadequate personal characteristics.

(xiv) *Marketing problems.* Among the contributory factors of business failure is the marketing problems that manifest in a variety of ways such as non-standardization of products, inappropriate pricing, poor promotional activities etc.

(xv) *Inability to Attract Qualified Manpower.* Most small-scale businesses cannot afford to employ competent and skilled manpower due to the financial status and reputation.

(xvi) *Lack of Employees Satisfaction.* Even, where small-scale businesses are fortunate to employ qualified manpower, the general working conditions are very poor. Even, the autocratic leadership style of some entrepreneurs contributes to the business failure.

(b) External Problems

These are some uncontrollable external factors that form the environment within which small businesses must operate. The main environmental problems include:

(i) ***Capital shortage:*** Small-scale businesses have serious financial problems in at least the following aspects:

 (a) Securing funds. The level of income, inability to meet the stringent conditions of banks and insufficient funds generated through personal savings.

 (b) Building and maintaining adequate financial reserves.

 (c) Securing Long Term Equity Capital

(ii) ***Competition:*** Entrepreneurs that slog it out in already crowded businesses are likely to face the problem of competition with large corporations. Majority of these giant firms have competitive advantage over small-scale businesses because of economic of scale.

(iii) ***Lack of Access to Technology:*** One of the main problems affecting the success of small scale industries is how to do things e.g. how to design, produce and distribute goods and services. Small-scale industries are characterized by obsolete technology due to poor financial status and inadequacy of the extension services.

(iv) ***Lack of Raw Materials:*** Small-scale industries that rely solely on imported raw materials may likely find it difficult to secure the required inputs for production.

(v) ***Deficient Policy Framework:*** For small-scale business to survive there is need for appropriate enabling environment. This may result from unfair government and local authority regulations, inadequate infrastructural facilities, cumbersome laws and regulations.

(vi) ***Limited Availability of Extension Services*:** Research institutions, industrial development centers, management institutes, and other institutional framework for success of small scale business. These institutes are poorly funded; hence they are unable to properly execute their functions.

3.4 Symptoms of Business Failures

In discussing the various causes of business failures, attempt should be made to distinguish the symptoms of failure from the problems. The symptoms of failure are the indicators of failure that alert the entrepreneur of impeding problems that may lead to the collapse of the business, if the problems remain unsolved. Once the symptoms are sighted and they converge, the more dangerous they are, therefore become evident failure signals, if corrective measures are not taken. These symptoms include:

(i) ***Deterioration of Working Capital.*** Working capital is the amount of cash necessary to cover anticipated current expenditure. The main components of working capital are the current assets. Therefore, when receivables, cash and inventories cannot be easily converted into cash and the amount of working capital cannot sufficiently meet the obligations of the current creditors, the business failure may likely be experienced. In practice, the working capital position of a small scale business may be affected by continued operating in losses, unusual non-recurring losses, payment of excessive managerial bonuses, over-investment in fixed assets, excessive long term repayment, absence of cash planning etc.

(ii) ***High Debt Ratio.*** The higher the rate debt financing to the amount contributed by the owners. The more the need for corrective measures. High debt ratio signifies a risky business. It implies that the business is solely financed by creditor’s funds. This may reduce the reputation of the business.

(iii) ***Declining Sales.*** Inability of the business to maintain consistent growth in sales turnover.

(iv) ***Declining capacity utilization.*** Persistent reduction in production capacity

(v) ***Low Quality of Product.*** Declining quality of product.

(vi) ***High labour turnover.*** The rate of which employees leave the firm

(vii) ***High Rate of Fraudulent practices.*** Increase in fraud.

3.5 Survival Strategies for Small Scale Business in Nigeria

Business success and failure are two sides of the same coin. A business will succeed if it is properly managed and it operates in appropriate enabling environment. In short, survival strategies for small-scale business can be discussed from two perspectives. Internal and external survival strategies.

3.5.1 Internal Survival Strategies

Survival of small scale businesses requires adequate knowledge of the market and customers. ***In general, successful internal management of small-scale business will require the following:***

(i) Careful analysis of the markets
(ii) Proper planning and effective launching of the business. Assessing the entrepreneurs' readiness for the business and the feasibility of the proposed investment.
(iii) Proper financial and accounting practices to prevent fraudulent practices.
(iv) Maintenance of adequate records such as financial, expense, personal credit sales records, inventory records etc.
(v) Thoughtful selection of goods.
(vi) Choosing a strategic location
(vii) Maintaining strong reliable and effective relationship with customers, suppliers and community.
(viii) Effective credit control system.
(ix) Employment and motivation of skillful personnel.
(x) Developing a well planned marketing strategy.
(xi) Maintenance and observance of sound ethical practices.
(xii) Utilizing productivity improvement techniques such as TQM, Motion and Time study etc.
(xiii) Acquiring necessary entrepreneurship skills through formal entrepreneurship development programme (EDP)
(xiv) Effective management of the business, properly designed organization, motivation, controlling etc, will contribute to the survival of small-scale businesses.
(xv) Improving on the quality of goods and services rendered.
(xvi) Personal factors. Effective management in some instant depends on personal factors. The ability to manage is obviously a human attribute.
(xvii) Understanding the business areas will contribute to the success of the entrepreneur.

3.5.2 External Survival Strategies

The external survival strategies may focus on three main areas:

(A) Creation of an enabling environment. In view of the fact that small scale businesses are affected by problems such as lack of supportive environment. The following strategies may be recommended:

    (i) Improving the institutional capacity of government agencies through proper funding to enable them contribute effectively to the success of small scale business.
    (ii) Liberalization of the existing regulatory environment relating to small scale business to enable this sector contributes positively to the development of the nation.

(iii) Provision of physical infrastructure and expansion of the existing ones to provide services.

(iv) Assisting the small scale industrialists in creation of markets for their goods and services. The government may establish a policy that encourages the purchase of products manufactured by this sector.

(B) Finance Strategy: Majority of the small scale businesses fail because of their inability to acquire credit facilities. Hence the following strategies may be suggested.

(i) The government may increase loanable funds granted to small-scale industry.

(ii) Financial institutions should be encouraged by means of incentives and policy guidelines to lend to small scale entrepreneurs. Although, every annual budget will always indicate monetary guidelines for granting loans to industrial sectors with emphasis on small scale industries. However, this should be properly monitored to ensure strict compliance.

(iii) Orientation of financial institutions to modify their collateral requirements and their attitude toward loan application of small scale enterprises.

(C) Development of Entrepreneurship Culture. The undeveloped entrepreneurship culture has contributed negatively to the failure of small scale enterprises in Nigeria. Specific recommendations in this regard will therefore include:

(i) Development of entrepreneurship culture by means of awareness

(ii) Introducing entrepreneurship development education in Nigeria Institutions particularly higher institutions.

(iii) Establishing a small business centers where the practical aspect of entrepreneurship in small-scale business will be gained.

4.0 CONCLUSION

We noted from our discussions that most classifications of business units into large and small are based on qualitative and quantitative judgment.

We defined small scale business and noted the four characteristics possessed by this form of business. Also, we identified and discussed the roles of small scale business in entrepreneurship development, enumerated the symptoms of business failures and equally listed the various survival strategies available to small scale businesses in Nigeria.

5.0 SUMMARY

In this unit, we have,

- discussed small scale business;
- stated the role of small scale business in entrepreneurship development;
- enumerated the problems of small scale business;
- identified the symptoms of business failures;
- listed the various survival strategies available to small scale businesses in Nigeria.

In the next unit, we shall examine another topic, ‘entrepreneurship as the driving force in organisations’.

6.0 TUTOR-MARKED ASSIGNMENT

1. List the main areas of focus in external survival strategies for small scale businesses in Nigeria and explain the various strategies under them.
2. What the internal survival strategies are available to small scale businesses in Nigeria? List and briefly discuss any four of them/
3. Identify the symptoms of business failures and discuss three of them.
4. What role does small scale business play in the development of entrepreneurship in Nigeria?

7.0 REFERENCES/FURTHER READINGS

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UNIT 4 THE DRIVING FORCES OF ENTREPRENEURSHIP

CONTENTS

1.0 INTRODUCTION

In the last unit, we discussed small scale business; stated the role of small scale business in entrepreneurship development; enumerated the problems of small scale business; identified the symptoms of business failures; and listed the various survival strategies available to small scale businesses in Nigeria.

In the next unit, we shall examine another topic, 'entrepreneurship as the driving force in organisations'.

2.0 OBJECTIVES

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

- discuss some of the theories that support entrepreneurship as a driving force behind organisations;
- describe how entrepreneurship aids self employment;
- state the role of entrepreneurship in economic development process;
- list and discuss the psychological prerequisites of successful entrepreneurs.

3.0 MAIN CONTENT

3.1 Entrepreneurship as a Driving Force behind Organisation

Since the time of Marshall, the concept of entrepreneurship has continued to undergo theoretical evolution. For example, whereas Marshall believed entrepreneurship was simply the driving force behind organization, many economists today, but certainly not all, believe that entrepreneurship is by itself the fourth factor of production that coordinates the other three (Arnold, 1996). Unfortunately, although many economists agree that entrepreneurship is necessary for economic growth, they continue to debate over the actual role that entrepreneurs play in generating economic growth. One school of thought on entrepreneurship suggests that the role of the entrepreneur is that of a risk-bearer in the face of uncertainty and imperfect information. Knight claims that an entrepreneur will be willing to bear the risk of a new venture if he believes that there is a significant chance for profit (Swoboda, 1983). Although many current theories on entrepreneurship agree that there is an inherent component of risk, the risk-bearer theory alone cannot explain why some individuals become entrepreneurs while others do not. For example, following from Knight, Mises claims any person who bears the risk of losses or any type of uncertainty could be called an entrepreneur under this narrow-definition of the entrepreneur as the risk-bearer (Swoboda, 1983). Thus, in order to build a development model of entrepreneurship it is necessary to look at some of the other characteristics that help explain why some people are entrepreneurs; risk may be a factor, but it is not the only one.

Throughout the evolution of entrepreneurship theory, different scholars have posited different characteristics that they believe are common among most entrepreneurs. By combining the above disparate theories, a generalized set of entrepreneurship qualities can be developed. In general, entrepreneurs are risk-bearers, coordinators and organizers, gap-fillers, leaders, and innovators or creative imitators. Although this list of characteristics is by no means fully comprehensive, it can help explain why some people become entrepreneurs while others do not. Thus, by encouraging these qualities and abilities, governments can theoretically alter their country's supply of domestic entrepreneurship.

Although economists have posed many theoretical interpretations of entrepreneurship, there has been very little empirical research conducted on this phenomenon, especially compared to the amount of research conducted on the other three factors of production. In particular, growth and development economics has "suffered rather seriously from the neglect of the entrepreneurial role" (Kirzner, 1985, 69). This neglect has occurred for two main reasons. First, entrepreneurship is difficult to measure empirically. Since few economists can even agree about how to define entrepreneurship, developing the tools to measure it has been especially problematic. Second, as explained in the theories above, entrepreneurship is characterized by uncertainty and typically occurs in the presence of imperfect information, unknown production functions, and market failure. As Leibenstein claims, entrepreneurship arises "to make up for a market deficiency" (1995). However, the majority of mainstream economic models assume perfect information and clearly defined production functions. Thus, entrepreneurs typically fall outside of these models (Leibenstein, 1995).

Like Leibenstein, Kilby suggests that entrepreneurship has been largely overlooked in economics. Kilby claims that entrepreneurship exists "only in the lower realms, where imperfect knowledge and market failure are granted an untidy presence;" as a result, many economists disregard this phenomenon, particularly in economic models dealing with developed countries (Kilby, 1983). However, many models that focus on the underdeveloped economies of LDCs relax their assumptions about perfect information. This more realistic view of economic markets allows entrepreneurship to stand out as one of the leading sources of market transformation and economic growth and development.

3.2 Entrepreneurship and Economic Development Process

Leibenstein maintains that there are two simultaneous steps in the process of economic development for LDCs: economic growth and market transformation. In order for a country to increase its per capita income, it must have a "shift from less productive to more productive techniques per worker" (Leibenstein, 1995). This shift is the process of market transformation, and it can be manifested in the creation of new goods, new skills, and new markets. Entrepreneurship is the driving force behind both growth and transformation. Without entrepreneurs there would be no new innovation or creative imitation in the marketplace; hence, the transformation to new production methods and goods in the country would not take place. As entrepreneurs transform the market, not only do they provide new goods and services to the domestic market, they also provide a new source of employment to the economy (Praag, 1995).

As a result, entrepreneurship is a necessary ingredient in the process of economic development; it both serves as the catalyst for market transformation and provides new opportunities for economic growth, employment, and increased per capita income.

Although entrepreneurship can directly affect the rate of an economy's transformation and development, few countries have actively pursued entrepreneurship encouragement programs. Additionally, many LDCs have focused more on encouraging entrepreneurship in the form of multi-national corporations (MNCs) rather than domestic and indigenous entrepreneurship. MNCs can certainly increase a country's income, provide market innovations, and serve as the catalyst for market transformations; thus, MNCs can be used as a source of entrepreneurship-led development. However, Saeed suggests that it is preferred for governments to promote domestic and indigenous entrepreneurship because domestic entrepreneurs are more aware of the market gaps that need to be filled domestically (Saeed, 1998). Thus, instead of producing goods that might not be consumed within the country, domestic market forces encourage domestic entrepreneurs to create innovations and creative imitations that fulfill a real market deficiency domestically. Hence, MNCs can be used for entrepreneurship-led development, but domestic entrepreneurship is thought to be more effective.

3.3 Entrepreneurship and Self-Employment

Theorists disagree, however, about whether or not informal sector self-employment is beneficial for entrepreneurship-led development. Saeed suggests that many of the small family enterprises and shop-houses that make up the informal sector are indeed entrepreneurial ventures. He asserts that the close-knit structure of the small-family enterprise is conducive for the incubation of ideas that are tested in the informal sector and later used to transform market products and processes. Additionally, Saeed claims that women and young people are traditionally excluded from the formal sector; thus, their entrepreneurial ideas are locked out of the formal market. However, since small-family enterprises in the informal sector typically involve women and youth participation, the informal sector can often serve as the outlet for their entrepreneurial ideas (Saeed, 1998).

Unlike Saeed, Carree et. al. suggest that self-employment in the informal sector can actually thwart entrepreneurship-led growth. They assert that an economy will suffer from lower growth rates both when it has too little and too much domestic business ownership. Since many enterprises in the informal sector sell goods or services that are already available in the formal sector market, informal sector enterprises are often redundant and fail to provide market transformations. According to Carree et. al., business ownership in the informal sector rarely transforms the structure of the economy or produces new market innovations or creative imitations. Thus the presence of business ownership in the informal sector of a country does not ensure entrepreneurship-led growth because simple business ownership is not necessarily market transforming. Hence, business ownership is not synonymous with entrepreneurship (Carree, 2000).

Since entrepreneurship can serve as a positive source of economic growth and development, governments should attempt to increase their supplies of market-transforming entrepreneurship. Although it is debatable as to whether the informal sector is truly a source of entrepreneurs, governments can insulate themselves from this debate by focusing on the encouragement of market-transforming entrepreneurship, and not simply business ownership in both the formal and informal sectors.

Before policy makers can increase the supply of entrepreneurship, it is necessary for them to understand what factors affect the supply of entrepreneurs. At its most basic level, the supply of entrepreneurship is determined by two factors: opportunity and willingness to become an entrepreneur. According to Praag (1995), opportunity is "the possibility to become self-employed if one wants to." The primary factors affecting opportunity include one's intrinsic entrepreneurial ability, starting capital, ease of entry into the market, and the general macroeconomic environment. Alternatively, willingness is the relative valuation of work in self-employment compared to one's other options for employment. In terms of opportunity cost, an individual's willingness is positive whenever self-employment is perceived as the best available career option. Thus, willingness is inherently affected by the anticipated market incentives that are available for would-be entrepreneurs, namely profit and economic benefits (Praag, 1995).

The supply of entrepreneurship is thus dependent on both individual level factors and general economic factors. Policymakers can improve the economic factors that face potential entrepreneurs by initiating market reforms that both increase the market incentives and the availability of capital that is available to entrepreneurs (Wilken, 1979). In terms of the non-economic factors that affect entrepreneurship, policymakers are more limited in what they can achieve. Many economists such as Marshall and Mill suggest that not just anyone can be an entrepreneur. Nonetheless Marshall implies that the skills of an entrepreneur can be taught (1994). Thus, policymakers can affect the level of entrepreneurship in their countries by crafting policies that reform the market in order to encourage entrepreneurship both economically and educationally.

Not surprisingly, regional variations have been found in the levels of entrepreneurship between countries. In their cross-national study of entrepreneurship, Davidsson and Wiklund (1995) suggest that regional variations in the levels of entrepreneurship are influenced by the cultural values of the people. They claim that "cultural and economic-structural determinants of the new firm formation rate were positively correlated," thus suggesting that cultural differences in both values and beliefs help explain regional variances in the supply of entrepreneurship. Despite this relationship, other studies on migrant and ethnic entrepreneurs have found that cultural beliefs and values rarely suppress aspiring entrepreneurs. Although cultural hostility towards entrepreneurship may stifle it in a particular region, migrant entrepreneurs frequently move to new areas in order to start their enterprises. Thus, cultural hostility may prevent entrepreneurship in a particular region, but some other region will, in part, benefit from the migration of the ethnic entrepreneurs (nDoen, 1998).

Basic economics teaches that supply is only a one-sided story of market phenomena. Thus, for countries to benefit from increasing their supplies of entrepreneurship, traditional economics suggests that those countries' would also need to promote the demand for entrepreneurship. However, little has been written about the demand side of entrepreneurship because it a calculation of demand is intrinsically built into entrepreneurship. As Leibenstein suggests, entrepreneurs are gap-fillers who perceive and correct for market deficiencies. Thus, so long as there are market deficiencies, there will naturally be demand for entrepreneurs to correct them. As a result, when governments promote the supply of entrepreneurship, they are essentially encouraging entrepreneurs to seek out what parts of the market demand them.

3.4 Psychological Prerequisites of Successful Entrepreneur

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

3.4.1 Think Positively

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

We should therefore think positively, have self-confidence and be ready not to relent any effort required before attaining our goal.

3.4.2 Be Ambitious

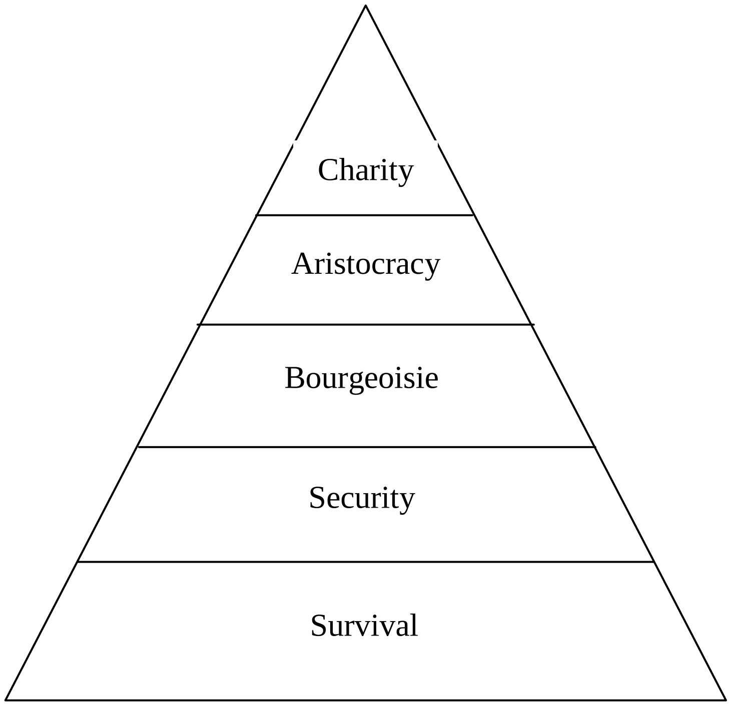
By ambition, we refer to a long-term plan. It is stratified, thus stretching through midway between ambitions or objectives. These midway objectives are like a stairway up to the top floor of a tall building ever stated. To that extent, for a deed or achievement to be worthwhile or significant, it must not necessarily be grand in volume or colossal in amount. It may even be intangible, but still very valuable.

Below is a hierarchy of ambitions as postulated by Jimngang (2004) from which you discover that ambitions could obey the following classification: *survival*, *security*, *bourgeoisie*, *aristocracy*, and *charity*.

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

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

Figure 2.1 Jimngang Hierarchy of Ambitions



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

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

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

"Security" Ambition

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

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

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

“Bourgeoisie” Ambition

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

“Aristocracy” Ambition

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

“Charity” Ambition

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

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

3.4.3 Be of Strong Consistency

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

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

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

3.4.4 Fear

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

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

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

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

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

4.0 CONCLUSION

We noted the various theories that support entrepreneurship as the driving force behind organisations. We discussed entrepreneurship as aid to self employment and also stated the roles of entrepreneurship in economic development process.

Finally, we listed and discussed the psychological prerequisites of successful entrepreneurs.

5.0 SUMMARY

In this unit, we have,

- discussed some of the theories that support entrepreneurship as a driving force behind organisations;
- described how entrepreneurship aids self employment;
- stated the role of entrepreneurship in economic development process;
- listed and discussed the psychological prerequisites of successful entrepreneurs.

In the next unit, we shall examine entrepreneurship and organic functions of business.

6.0 TUTOR-MARKED ASSIGNMENT

1. What are the psychological prerequisites that could aid an entrepreneur to become successful? List and discuss them.
2. From the discussions in the unit, how would describe entrepreneurship as aid to self employment?
3. What are the roles of entrepreneurship in economic development process?

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UNIT 5 ENTREPRENEURSHIP AND ORGANIC FUNCTIONS OF BUSINESS

CONTENTS

1.0 INTRODUCTION

In the last unit, we examined the topic, 'entrepreneurship as the driving force in organisations'.

In this unit, we shall examine the organic functions of a business as well as the forms of business ownership, how they raise their capital, the advantages and disadvantages of these businesses.

2.0 OBJECTIVES

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

- discuss the system and subsystem operating in an enterprise;
- describe interlinkages among the subsystems in an enterprise;
- discuss forms of business ownership, capital formation, advantages and disadvantages.

3.0 MAIN CONTENT

3.1 Organic Functions of a Business

Organizations, no matter their size and type, perform certain basic functions or activities to achieve their objective. These common activities or functions are called organic business functions.

3.1.1 Production Function

The production function of a business consists of all activities involved in the transformation all of inputs, into outputs of goods and services. The production function consists of five activities or decision areas.

1. **Process:**
 This is design of the physical production system. It includes the choice of technology, facility layout process flow analysis, facility location line balancing, process control and transportation analysis.

2. **Capacity:**
 The determination of optional output levels for the organization. Specific decisions include facility planning, forecasting, scheduling, capacity planning.

3. **Inventory:**
The decisions involve managing the level of raw materials work in process or progress and finished goods. The group of specific decisions includes what to order, when to order, how much to order and material handling.

4. **Work force job designs:**
This involves work measurement, work standard and motivations.

5. **Quality:**
Quality control, sampling, quality assurance and cost control.

3.1.2 Marketing Function

This is the business function, responsible for identifying, anticipating and satisfying consumer's requirements profitably. Marketing functions include customers' analysis, buying, selling, product and service planning, pricing, distribution, market research, opportunity analysis and social responsibility. Marketing activities can be reduced to four main components called the 4ps: production, place, promotion, and price.

Product:
This refers to the quality, features options, style, brand name, packaging, size, service warranty and returns that go with goods and services offered to the consuming public.

Price:
A set of institutions which perform all the activities or functions that are utilized to move a product and its title from production to consumption. It includes channels of distribution, coverage, location, inventory, transportation and insurance services.

Place:
A set of institutions which perform all the activities or functions that are utilized to move a product and its title from production to consumption. It includes channels f distribution, coverage, location, inventory, transportation and insurance services.

Promotion:
A process by which marketers stimulate demand for their product and services through marketing appeals and communication. The activities include: Advertisement, personal selling, sales promotion, publicity and public relations.

3.1.3 Finance Function

This is the business function concerned with the provision of adequate funds to enable an organization achieve its objectives. There are three basic decision areas in finance.

i. **Investment decision (capital budgeting):**
The allocation and reallocation of capital projects, project assets and decisions of an organization.

ii. **Financing decision:**
Determination of the best financial mix or capital structure of the firm. This decision includes examinations of various methods by which a firm can raise capital.

iii. **Dividend policy:**
The percentage of earnings paid to stockholders, retained earnings, stability of dividend payment on time.

3.1.4 Personnel Functions

This is the business function concerned with attracting and retaining, the right caliber of persons in an organization. This is to enable it achieve its objectives. These main activities include:

i. Man power planning
ii. Recruitment
iii. Selection
iv. Placement
v. Training and development
vi. Remuneration
vii. Discipline

3.1.5 Communication Function

Communication can be defined as the process of transforming and understanding meaning. It is only through transmitting meaning from one person to another that information and ideas can be conveyed. Ogundele (2000) states that entrepreneurs of his study spent between 60% to 80% of the work time communication with their workers. Effective communication occurs, when the senders thought or ideas are transmitted as intended by the sender. However, effective/perfect communication is never achieved in reality.

Functions of Communication:

1) **Control:**
Communication controls employee behaviour through the hierarchies' of authority and formal guideline of organizations require employees to first communicate any job-related grievance to their immediate boss, to follow their job description and to comply with company policies.

Equally informal communications controls behaviour e.g. when workgroup, harasses a member for producing above the required (level) rate.

2) **Motivation:**
Communication fosters motivation by clarifying to employees what is to be done, how well they are doing and what can be done to improve performance if below expectation.

3) **Emotional Expression:**
Communication serves as a means of expressing feelings of frustrations and feelings of satisfaction. Therefore, communication provides a release for the emotional expression of feelings and for the fulfillment of social needs.

4) **Information:**
Communication provides the information that individuals and groups need to make decisions. Data are transformed which are used to identify and evaluate alternatives.

Efficiency: This is the ability to get things done correctly or doing things right. It is the maximization of outputs to input ratios. An **efficient entrepreneur** is one who achieves outputs or results that measure up to the inputs (labour, material and time) used to achieve them.

Effectiveness: This is the ability to choose appropriate objectives or means for achieving a given objective. It is doing the right things. An effective entrepreneur selects right things to get work done or right method for getting a particular thing done.

Every entrepreneur needs to be both efficient and effective, because an efficient manager is not an effective manager. A manager may be doing things correctly but not focusing on the appropriate objective.

3.2 Forms of Business Ownership

Brown and Dow (1997) say define business as all of the activities of an individual or group of individuals in producing and distributing goods and services to customers. Business wants to know the needs, wants, goals, values etc. of prospective and potential consumer before they can sell their goods to them. Business therefore is involved in the production of goods and services, undertake organizing, managing, and marketing. The resources used by the businesses include human, material and financial resources. Business, no matter the type or form, has certain characteristics such as involvement in the exchange / sale or transfer of goods and services, profit motive, production of goods and services and bearing risks and uncertainties.

As mentioned earlier in the unit, we mentioned objectives of a business to include:

(i) profit maximisation;
(ii) survival and continuity;
(iii) growth;
(iv) control of a fair share of the market;
(v) improvement in productivity;
(vi) initiating innovative ideas for quality product;
(vii) employee welfare;
(viii) service to consumers; and
(ix) social responsibility to the community that hosts the enterprise.

We list below the forms of business ownership to include sole trader or proprietorship, partnership, business name, cooperative society. All these business ownership whether individuals or group of individuals or corporation are all referred to as entrepreneurs. These forms of business ownership listed will be discussed separately in subsequent sections of this unit.

3.2.1 Forms of Business (1) - The Sole Trade

The definitions of a sole trader are almost the same depending on the different authors consulted. A sole trader is a person who enters business working for him/herself. He/she puts in the capitals to start the enterprise, works either on his/her own or with employees and, as a reward receives the profit. A sole trader is a form of business enterprise in which one man owns and manages the business (Denedo, 2004:2). A sole trader goes with other names as “one-man business”, “sole proprietor”. Sole trading is mostly found in retailing business. This type of business is the oldest type of business in Nigeria. Up to 19th century, most production companies were owned by individuals. In Nigeria it is one of the commonest types of business you see around. You see them around the cities and villages.

The sole trader starts his business with his own capital and labour (sometimes he may borrow money from friends or relatives assisted with labour by same people). He organizes the business himself and takes all the profit or loss that arises. The sole trader therefore represents many things at the same time. He is a capitalist because he alone owns the business and receives the profit. He is a labourer because he performs most or all the work in the business; he is an entrepreneur because he takes on his stride the risk of financial loss. He is also a manager because he takes decisions and controls the operation of the business.

Features of a Sole Trader

- **Ownership:** A sole trader as the name implies is own by one person.
- **Liability:** The liability of the one man business in unlimited. i.e., if the owner is indebted, both, the business asset and his personal asset can be sold to offset the debt.
- **Sources of Capital or Finance**: The capital outlay is provided by the owner. This source of fund could be through: Personal saving, Intended capital, Credit, Borrowing from relatives and Banks etc.
- **Legal Entity:** It is not a legal entity. By law the business and the owner are regarded as one person. They are not different, unlike corporate business; a company is a legal entity, different from the owners.
- **Motive:** It is believe, that a sole trader is into business to make profit.
- **Method of Withdrawing Capital:** The owner can withdraw his capital anytime from the business without consulting with anybody.
- **No Board of Director:** Because he is the owner, no board of directors that is why he does what is in (vi).
- **Its Nature:** It is a simplest and the commonest type of business unit you can think of.

Sources of Funds of a Sole Trader

(i) ***Personal Savings***
Many individuals or group of individuals raise money from their personal savings to set up business.

(ii) Borrowing particularly from Friends and Relatives
It is common, among the Igbo business traders that once their brothers are willing to do business, they give him a helping hand by borrowing him some amount of money to start his business, when he starts making profit, he will pay. This borrowing is not limited to brothers alone; friends and relatives equally help out in this situation for people to start up a one man business.

(iii) Credit Purchase from Manufacturers or Wholesalers

Sole traders get financed through credit buying from the manufactures or a wholesaler by selling goods to sole traders at credit the wholesalers are financing a sole trader.

(iv) Donations from Friends and Relatives
Friends and relatives can dash you money purposely to help you continue with your business.

Advantages of a Sole Trader

Sole trader is the earliest form of business ownership. The advantages of this form of business ownership are as stated below:

(i) It requires small capital. Can be established quickly and easily with small cash, there are no organization fees and the services of lawyers to draw up terms are not generally required. It is the commonest and the cheapest form of business organization.

(ii) Easy to establish: This is because it requires no formalities and legal processes attached to establishing the business and is subject to very few government regulations as no business of balance sheet to the registrar of companies is required.

(iii) Ownership of all profit: The sole trader does not share profit of the business with any one.

(iv) Quick decision-making: The sole trader can take quick decisions since he has no parties to consult or a boss whose permission he must get. He takes action as soon as circumstances arise or as soon as he conceives an idea, such flexibility could be very vital to his success.

(v) Easy to withdraw his assets: Proprietorship can be liquidated as easily as it is begun. All what he needs to do is to stop doing business. All his assets, liabilities and receivable are still his.

(vi) Single handedly formulates all policies: He determines the firms' policies and goals that guides the business internally and externally and works towards them. He enjoys the advantage of independence of actions and personal freedom in directing their own affairs.

(vii) Boss: He is free and literally his own boss but at the same time continues to satisfy his own customers.

(i) It is flexible: The owner can combine two or more types of occupation as a result of the flexibility of his business e.g. a barber can also be selling mineral and musical records.

(ii) Personal Satisfaction: There is a great joy in knowing that a person is his own master. The sole trader has a great deal of that. He also knew that the success and failure of the business completely lies with him. This gives him the incentive to make his business as efficient as possible.

(iii) Cordial Relationship, with workers and customers: Because the sole trader is usually small, the owner can have a very close relationship with his workers to the extent that domestic/personal issues can be discussed and addressed. He also knows first hand from customers what their wants are. It also enables him to know which of the customer's credits are worthy. This kind of relationship is usually beneficial to all the parties.

(iv) Tax saving: Unlike in companies the profits of the sole trader are not taxed, the owner only pays his income tax.

(v) Privacy: The sole trader is not under any legal obligation to publish his accounts for public consumption as in joint stock companies.

Disadvantages of a Sole Trader

The disadvantages of this form of business ownership include:

(i) **Bear All Losses and Risks Alone -** Business is full of risks and uncertainties and unlike other forms of business organizations where risks and losses are shared among partners, the owner of one-man business does not share these risks and losses with any body as it does not share the profits of the business with any body.

(ii) **Limited Financial Resources -** The greatest single cause for the abandonment of one-man business form is the desire for expansion and the resultant need for additional capital which is not forthcoming because the capital used in running the business comes from only one-man and is limited to the extent of his own personal fortune. His inability to raise more capital limits its plan of expansion.

(iii) **Unlimited Liability -** Unlimited liability means that in the event of failure of the business, the personal assets of a person can be claimed to pay debts of the business. For a sole trader, it means that everything he owns is subject to liquidation for the purpose of setting the ability of the business if the business fails.

(iv) **Lack of Continuity -** When the sole proprietors retires or dies, the business may end like that. Though his children or relatives may attempt to continue with the business, most often than not they lack the zeal, and or, the ability to operate efficiently. The imprisonment or bankruptcy of the sole proprietor spells similar doom for the business.

(v) **Absence of Specialization -** As stated earlier the sole proprietor does so many things by himself. As a result of this, he may not handle aspects of the work efficiently. This negatively affects the prospects of the business.

(vi) **Limitation on Expansion -** Because of limited capital, the sole proprietor may not be able to increase the size of his business no matter how ingénue he is. As enumerated earlier, the sole proprietor has few source of capital. Except for banks, he may not get any substantial capital for expansion frantically; his ability to borrow from banks depends on his collateral which may not be enough for bank finding.

3.2.2 Forms of Business (2) - Partnership

Denedo (2004) says partnership is an association of two to twenty persons carrying on a business in common with the view of making profit. The partners contribute both funds and efforts to set up and manage the business sharing profit (or loss) on an agreed basis. Partnership can also be define as the relationship that exist when two or more persons who contribute small money or moneys worth in order to establish, own and manage business organization with the sole aim of making profit. Partnership is an association of 2-20 persons or 2-10 persons as in case of a bank to carry on as co-owners of business for profit. They also share the losses that arise from such businesses.

Features of Partnership

Following are the features of a partnership form of business ownership:

- **Ownership:** It is formed by between 2-10 people and between 2-10 people in case of banks.

- **Capital:** The initial capital is contributed by partners.
- **Liability:** Their liability is unlimited except for limited partner.
- **Formation motives:** They are formed for profit reasons.
- **Sources of capital:** contribution from the partners ploughing back profit, loans from banks.
- **Method of withdrawing capital** must be approved by other partners as laid down in their partnership deed.
- It has **no separate legal entity**.
- It has **no board of directors**.

Types of Partnership

We have principally two types of partnership namely; ordinary and limited partnership.

Ordinary Partnership - All members or partner take active part in the management of the business and are generally liable to any loss or risk. All partners have equal responsibility and bear all the risks of the business equally. All the partners have equal powers, unlimited liabilities, take active part and profits are shared equally.

Limited Partnership - Any members in this category, his debts are restricted to the amount of money contributed in running the business. Not all partners take equal part in the management of their business. But there must be a member who bears the risk and also takes active part in the business activities. In other words, in limited partnership, there is at least one ordinary partner who has unlimited liability.

Kinds of Partners

We have five types of partners and they include:

- **Active Partner:** This is the partner(s) who take active part in the formation, financing and management of the business. They receive salary for the role they play as a manager or managing director or director of the business as spelt out in the partnership deed.

- **Dormant/Sleeping Partner:** This partner contributes only the money needed for formation of the business or for running of the business. He is not involve in managing of the business and doesn't receive salary. He is only entitled to profit sharing and losses as it is agreed upon before formation.

- **Normal/Passive Partner:** A normal partner is one who is not actually a partner but who allows his name to be used in the partnership or who gives the public the impression that he is a partner even though he may not share in the profit of the business. This is a partner appointed because of his experience, fame or wealthy position. These members may be men and women of substance whose name are greater than silver and gold like retired army generals, politicians, civil servants ,successful business men.

- **Silent Partners:** A silent partner is an individual who is known to the public as a partner but who does not take active part in the management of the firm.

- **Secret Partner:** A secret partner is that who is active in the affairs of the business but not known to the public as a partner.

Sources of Funds for Partnership

The following method could be used by partner to fund their business.

(i) Contribution from members
(ii) Ploughing back profits
(iii) Borrowing from the bank
(iv) Enjoying credit facilities

Article of Partnership or Deed of Partnership

This is the document that regulates the activities of the partnership business. It is the "constitution of the partnership business aimed at guiding against, or resolving disagreements. It is normally drawn by a solicitor for the partners. The partners agree and sign the document. The deed of partnership is not legally required. It is very essential. The style and contents of the deed of partnership vary from partnership to partnership. They include all or some of the following:

- Name of the firm
- Name of the partners
- The place of business
- The description of the nature of business
- The amount of capital that each part is to contribute
- The role of each partner in the business
- The method of profits and losses sharing
- The compensation, if any, the partners are to receive for services rendered to the business
- The right of partners in the business
- How long the business shall last
- Partner's rights in the business
- How matters shall be determined either by majority vote or not
- Provision for the admission of new members
- The arrangements concerning withdrawals or additional investment
- Arrangement for the dissolution of the firm in the event of death, incompetence or other causes of withdrawal of one or more of its members.

Once each partner agrees to sign this document, it becomes a legal document that is enforceable in a court of law.

Advantages of Partnership

The following, are the advantages of partnership:

(i) **Greater Financial Resources:** Unlike a one-man, business between two and twenty persons forms the partnership. It translates into more capital for such business compare to the one-man business. By so doing ability to borrow i.e. from bank and be approved is higher and better compare to one-man. Benefits of expansion are higher because more funds are available.

(ii) **Combined Abilities and Skills:** In partnership, there are various partners, with various ideas, i.e. accountants, marketers, bankers, historians, managers etc. may come to together to form a business. They will put into use various talent which may advance the company more compare to a one-man business, who is the only talent.

(iii) **Greater Continuity:** Relative to the sole proprietorship, the partnership has a very great tendency of continuity even in death. The death of a partner may bring about a re-organization of the partnership, but the remaining members are likely to have some knowledge that will enable them to continue with the business.

(iv) **Ease of Formation:** Like-one-man business, the partnership is fairly easy to organize as there are few governmental regulations, governing the formation of partnerships. The investments duties, privileges, liabilities and other relationships of the partners are mutually agreed upon, and as soon as the new members and materials have been brought together, the business is ready to function.

(v) **Joint and Better Decision:** That two good heads are better than one and this is applicable to partnership business where joint and better decisions are taken.

(vi) **Creation of Employment Opportunities:** The large size partnership is in a vantage position to employ more in their business because of its huge financial resources.

(vii) **Employment of Valued Employees:** In order to secure the advice and experience of esteemed employees. They are made partners in the firm. This is a way of enhancing their personal work as well as that of the firm.

(viii) **Tax Advantage:** Partnership enjoys tax advantage. Taxes are therefore, levied upon the individual owners rather than upon the firm as it are not recognized as a legal entity.

(ix) **Application of Division of Labour:** This is applicable in its managerial and administrative hierarchy.

(x) **Privacy:** Like the sole proprietorship, partnerships are not under any legal obligation to publish their books of accounts for public consumption.

Disadvantages of Partnership

The disadvantages of partnership form of business ownership are:

(i) **Unlimited Liability:** If the business fails in the process, assets will be sold to offset their liabilities. In a situation where the assets can not pay for the debt, the owners' personal belongings could be sold to offset such debts.

(ii) **The Business is not a Legal Entity:** Most of the partnership business has no legal backing.

(iii) **Disagreement and Resignation:** Death of a partner can lead to the death of a business especially the active partner. Most of the partnership ends with disagreement. Disagreements because of action or Opinion lead to resignation which could lead to total death.

(iv) **Decline in Pride of Ownership:** Since the partnership is owned by at least two people the pride and joy associated with ownership is reduced. Unlike in sole proprietorship where the owner enjoys great pride in his business.

(v) **Bureaucracy Leads to Slow Decision and Policy Making:** Meeting that require quorum, may not always be formed.

(vi) **Risk of Mandatory Dissolution:** Where a member withdraw his membership or admission of a new partner becomes necessary, the partnership will be dissolve and another agreement reached to admit such member. The rigors involve in this is tedious, which may be a problem for such act.

(vii) **Limited Capital:** This partnership can not get more capital through shares except through members.

(viii) **Restriction on Sale of Interest:** There is a difficulty in affecting transfer of ownership. The interest of operation is not transferable without the consent of other partners.

3.2.3 Forms of Business (3) - Registered Business Name

Assuming that Hamza, Aliyu and Hamza, Bilikis intends to operate a business under a name 'Hakuri Maganin Duniya' Enterprises. The **Business Names Act 1961 and Companies and Allied Matters Act, 1990** states that "whether or not Hamza, Aliyu and Hamza, Bilikis incorporate or form a partnership, since they wish to trade under the name of 'Hakuri Maganin Duniya' Enterprises, it will be necessary for them to register the business name under the *Business Names Act/CAMA.*

Registration would not be required if Hamza, Aliyu and Hamza, Bilikis are in partnership, traded under their individual names or if after incorporation the company, traded under its incorporated name. It is only where a person trades under a name other than his/her own that registration is required.

The registration of business name is undertaken at the Corporate Affairs Commission (CAC) in Abuja. As soon as the registration certificate is issued, the business name now becomes the basis of identification of the business concerned. The certificate of registration is issued by CAC upon payment of requisite fees.

3.2.4 Forms of Business (4) - Cooperative Society

Cooperative is a word derived from two Latin words meaning – "Working together". The dictionary meaning of cooperative also implies "working or acting together for a common purpose". Cooperation, on the other hand, literally means the will to cooperate. According to Ejiofor (1989, quoted in Ige, 2011), some writers have defined cooperative as "an association of persons faced by the same problem, having resources on the basis of equality, through joint effort and mutual participation to remedy their plight". Others define cooperative as a society, a group of person who pool their resources to produce, buy or sell goods among themselves for mutual benefit.

Coady International Institute, however, defines cooperative as a "free association of persons legally constituted for the purpose of conducting an economic enterprise or business which they control and administer democratically according to established principles and technique". Each of the definitions stated above emphasises three main issues. The first is the voluntary nature of the association, secondly, the collective efforts of the people, which imply that people's endeavours are geared towards the success and betterment of the cooperators. The third factor is the issue of collective control. This, by implication, means that if there is any benefit or problem accruing to the society, such benefit or problem belongs to all the members.

Calvert in his book – “The Law and Principles of Cooperation” define cooperative as a form of organisation wherein persons voluntarily associate together as human being on a basis of equality for the promotion of the economic interest of themselves”. In Calvert’s definition, the points emphasised here are that cooperative is a means to an end and an end in itself. It is never a goal but an excellent way of reaching the goal. The word “Voluntarily” implies that any association that springs from compulsion as against a freewill, cannot be genuinely said to be cooperative in the orthodox sense of the term.

A member’s influence and voice in a cooperative society should entirely depend not on his wealth or his political or social position, but purely on his human qualities such as honesty, intelligence and tact. This is the origin of the cooperative principles, which borders on equality of human beings. Similarly, the phrase “economic interest” as contained in Calvert’s definition has been stretched to cover other spheres of action and not mainly the attainment and the use of wealth.

Although, the greatest service rendered by the cooperative have been most entirely in the purely economic sphere, the cooperative society is not a philanthropic institution as it exists to help its own member and not other people. If a cooperative is to succeed, it must meet a definite need felt by its members and must be capable of meeting such need more effectively than the individual effort of members could do.

The phrase “self help through mutual help” therefore, correctly summarises the general meaning and purpose of cooperative societies.

Distinction between Cooperative Thrift and Credit Society (CTCS) and Traditional Ajo or Esusu

We will now detail the distinguishing features of the Modern Cooperative Society (CTCS) and the traditional “Ajo” or “Esusu” as a means of saving or obtaining financial assistance by their respective members.

CTCS	‘AJO’ or ‘ESUSU’
1. The membership of CTCS is unlimited or unrestricted. 2. Life of CTCS is perpetual as a corporate body. 3. Credits are made available at all times. 4. Loans are usually given out on merit. 5. Inspection or periodic auditing is allowed. 6. Capital is kept revolving. 7. Many members enjoy social and economic benefits. 8. Modern scientific method of operation is involved.	1. Membership is limited or restricted. 2. Life terminates when the last member takes his turn. 3. Credits are made available at certain times only. 4. There is favouritism and bias in granting loans. 5. No inspection or periodic auditing is allowed. 6. Capital is tied down unnecessarily. 7. Very few privileged members enjoy its social and economic benefits. 8. Traditional or unscientific method of operation is involved.

Cooperative Principles

Cooperative principles are usually associated with Rochdale Pioneers who are referred to as the founding fathers of the modern cooperative societies. These principles are coined from the stipulation of the cooperative laws but varied to suit the type of society being formed by a group.

The number of these principles is either increased or reduced depending on the taste of such group or body that owns the cooperative….. Regardless of the number, however, these principles still forms the basis of the universal principles of modern cooperative as recommended by the International Cooperative Alliance (ICA). Among the basic principles as observed by this body are:

(i) Open and voluntary membership.
(ii) Democratic control and equality of members.
(iii) Limited returns on capital.
(iv) Patronage rebate or dividend sharing to members.
(v) Political and religious neutrality.
(vi) Strictly, cash trading.
(vii) Sale at market prices.
(viii) Continuous education for members, officers, employees and general public.
(ix) Cooperation among national and international cooperatives.

The Role of Cooperative Principles and its Universal Applicability

The cooperative principles have always had an impact on the smooth running of the cooperatives, especially where the principles are strictly adhered to. There is no doubt that the cooperative modern principles have contributed to the sustainable development in the cooperative movement throughout the world. The first three principles, that is, voluntary and open membership, democratic control and members' economic participation are the foundation on which the modern movement was built.

The principle which guarantees autonomy and independence from government and religion has been considered as a necessary ingredient in societies where government have formerly used cooperative to enforce their own economic development programmes and plans; often to the detriment of the cooperative values of self-help and responsibility.

Others like the principle of continuous education have been acknowledged as being of considerable importance not only for the cooperative members and elected representatives, managers and employees, but also for society at large; especially the opinion leaders and the world of cooperators. Also, the principle of cooperation among cooperatives is the potential strength of the international cooperative movement.

It is a principle, which is becoming increasingly important in the face of the contemporary global economic, social and political trends which societies every where are facing. The principle of cash trading was introduced as an antidote for financial problem. The fact is that where credit is indiscriminately granted, working capital will be drained off gradually and the association will run into bankruptcy. Cash trading is also considered to be a sound trading practice, which gives equal treatment to all and sundry.

Other principles of cooperatives, regardless of their shortcomings, are of tremendous importance to the growth and development of cooperative societies. Based upon the above, one can deduce that cooperation is of universal applicability. It can be employed to solve any known human problems.

To embark on a poultry project, for instance, one needs capital, technology and marketing outlet, which may include transportation, storage etc. A single farmer may not be in a position to scale all these possible huddles in view of our low per capita income. But where he teams up with others and they pool their resources together in line with the cooperative principles, they will be able to perform this feat. Similarly, to solve the initial problem of capital, thrift and credit cooperative society is an indispensable agent in mobilising savings. The illustration give here in case of poultry project can also be adopted in respect of any other small-scale business set up anywhere in the world.

Golden Rules and Self Reliance of Cooperatives

Like any other business enterprises, cooperative also have their rules and operational methods, which any prospective member or promoter must strictly follow if he wants to succeed in his business.
Among these rules are:

(1) The initiator of the cooperative must give necessary information and educate the members about the cooperative ideas, concepts, leadership and how best to achieve their aims.

(2) Friendliness, love and solidarity must exist within the group making up the cooperatives.

(3) Prospective members have the freedom to join or withdraw their membership.

(4) The business of the cooperative is aimed at satisfying the economic interest of its members based on self-help and mutual assistance.

(5) In cooperatives, principle of one man one vote is exercised and there is freedom of opinion.

(6) Members own manage and patronise the business of the cooperative. This makes it distinct from other business enterprises.

(7) Cooperative should operate according to the cooperative principles recognised by the International Cooperative Alliance (ICA).

Classification of Capital

Cooperative financing, like any other business organisation, can be regarded as the means through which the cooperative meet their financial requirements, in their day-to-day business operation.

In the practical sense, the economic survival of all cooperative ventures depends entirely on the availability of funds or finances.

According to Ejiofor (1989), modern cooperatives derive their finances from two sources which constitute the two major classification of cooperatives capital available to the cooperative concern. These classifications are:

(1) owned capital, and

(2) loan or borrowed capital.

1. Owned Capital

Owned capital is made up of the share contribution of members plus the reserves of all types, undistributed profits and the member's entrance fees. These are discussed below:

(a) Members' Shares

This is an important aspect of the owned capital subscribed by members in form of withdrawable or transferable shares. In Nigeria and in most countries, members' shares are usually withdrawable in accordance with the provisions of the bye-laws. Each society has bye-laws, which determine the value of shares and the minimum and maximum number of shares to be held by each member.

The reason for fixing the limit of a member's shareholding is to prevent the financial domination of the society by a single member. To facilitate subscription, share may be paid up in full at once or by installments over a given period.

Advantages

(i) It forms a capital base of the society.

(ii) The liability of a member is limited in the event of the business liquidation.

(iii) The stipulation in the bye-laws in respect of a member's share holding, prevents unnecessary financial domination by few minority.

(iv) Shares are easily withdrawable as provided in the bye-laws.

Disadvantages

(i) The share capital of a society can only be subscribed to by members only and does not extend to the public at large. As a result of this, there is no open market for shares.

(ii) The share capital is often very slow to realise because the minimum share holding is not always paid up in at once but usually by installments.

(iii) Members' shares are generally withdrawable, hence, this makes the shares fluctuate with the membership, thus making long-term planning difficult.

(b) Reserves

The building up of reserves is a survival strategy for the operation of a cooperative business. Reserves constitute the most important aspect of owned capital, which is built within a society from the surplus accrued as a result of the successful operation of a society. The greater bulk of the owned capital of cooperatives is held in form of reserves.

There are rules in the bye-laws of every society in respect of the reserves of the business. For instance, in Nigeria the law says that every society should build a statutory reserve not less than 25 percent of the yearly surplus. Besides, there are provisions for building other types of reserves such as general reserve, education fund, building fund, bad debt reserve and any other reserve in the interest of the society.

Advantages

(i) They contribute to the successful operation of the cooperative.

(ii) Reserves allow for long term planning and capital investment, thus strengthening the society.

(i) Reserve portrays the spirit of solidarity in a society because of their non-divisibility.

(ii) They are the social capital of a society because of their neutrality and anonymity.

(iii) Unlike share capital, reserves are not withdrawable and do not fluctuate with the membership.

(iv) They increase the borrowing power of the society.

(v) They act as a cushion for the protection of member's liability.

Demerits of Cooperative Reserves

(i) Administration of reserves to generate surplus for the society is not easy to come by.

(ii) Most members especially in the marketing union see the building up of reserves as an encroachment on their rights and the dwindling on the bonus on patronage.

(iii) Hidden reserves (where value of the assets is understated) are often open to abuse by fraudulent managers.

(iv) This source of financing faces the problem of mismanagement.

(c) Entrance Fees

Payment of entrance fees by new members is another source of the owned capital of a cooperative society. It is an important contributor to the working capital of the business especially during the formative period of the society.

Every society has in its bye-laws provisions for the payment of entrance fees. In the primary societies, for instance, the entrance fee per member is comparatively lower than that of the unions and apex organisations.

Generally, entrance fee share the same attributes of the 'Reserves' especially in its neutrality and anonymity posture. In most cases, the entrance fees are passed to the Reserve fund. Other sources under this category (owned capital), are: fines, special grants, special levies, just to mention but a few.

2. Loan Capital

Loan capital otherwise called borrowed capital consists of members' deposits, loan from cooperative banks, loan from government and trading credits etc.

(a) Members' Deposit

Every society usually makes provision for members' deposits in its bye-laws. A society should encourage members to make deposit; as such savings are a cheaper source of capital than borrowing from commercial banks. The rate of interest on such deposits is usually determined by the members themselves or it may be based on the prevailing bank rate on savings. Deposits may be made for a longer period payable at a fixed date. They could also be voluntary or compulsory.

Merits

(i) Deposit is a cheaper source of capital for the society.
(ii) Deposit can be made for a long or short period and payable at such.
(iii) In most cases, members decide on the rate of interest that suits them.

(b) Revolving Funds

This is a very good device of securing loan capital from members. It is the most popular device with the cooperatives in the United States of America. Revolving funds are generated partly from the bonus on patronage part of which is retained and partly from the deduction made on every unit of produce marketed through the society.

The amount contributed by each member is credited to the member and passed to the revolving fund, which is made payable to the member usually at the end of the third or fifth year.

Advantages

(i) Revolving fund is a good source for the long-term capital investment.

(ii) It is a good way of obtaining capital from members at a cheaper rate of interest.

Its Shortcomings

It is difficult to apply where members' returns are low.

(c) Loan from Cooperative Sources

The bulk of the cooperative members and indeed, cooperative societies generally possess very meagre means. This fact makes outside borrowing imperative. To preserve the solidarity of cooperative in general, a cooperative society should first turn to other cooperatives for borrowing. A usual source is the Cooperative Bank.

Advantages

(i) It helps in boosting the financial base of the cooperatives.
(ii) It promotes unity and relationship among cooperatives.

(iii) It accelerates the capital investments of all cooperative societies.

(d) Loan from Commercial Banks

Cooperative societies do borrow from commercial banks, although in some cases, they are reluctant to give out long term loans. The financial weakness of cooperative societies makes loan from commercial banks almost indispensable.

Advantages

(i) It is a source of capital.
(ii) It provides guarantees fund for cooperatives.
(iii) It is instrumental to business growth and expansion.

Disadvantages

(i) Bank loan attracts high rates of interest.

(ii) Bank loans always with tough and in some cases, unbearable conditionalities like production of collateral securities.

(iii) Loans to farmers' cooperative, for instance, are by their nature risky and hazardous.

(e) Loan from the Government

Governments do give grants and loans to various cooperative societies for the successful execution of their programme. In most developing countries, government has often come directly or indirectly to give financial assistance to the cooperatives.

Loans from government are channelled through commercial banks, cooperatives financial agency, the Nigeria Agricultural and Cooperative Bank and some cooperative banks. All these loans are made available to cooperatives under some stipulated conditions.

Merits

(i) It accelerates the attainment of the society's objectives.
(ii) It is a source of capital necessary for the take off of the cooperative ventures.
(iii) It nurtures the society to a degree of financial self-sufficiency.

Demerits

The shortcoming of this source is that, in some cases, overdependence of cooperatives on government assistance might not be in the initiative for self-sufficiency will be discouraged.
The process of taking loan from government is very slow and ineffective. In most cases, loan gets to the cooperative late. Most cooperatives do not keep to the terms of the loan agreement.

Another problem identified with this source is the discrimination or partiality involved in granting the loan to cooperatives by abuses charged with the disbursement of the loans. In most cases, loans through this channel have been opened to various abuses like injudicious spending, mismanagement and fraud.

(f) Trading Credits

Another source of loan capital is the trading credits. A trading credit is a credit granted to any business organisation with a view to defer payment for the goods received for a specific period of time.

Advantages

(i) It is a good source of loan capital.
(ii) It is very easy to obtain.

Demerits

(i) It is a costly credit.

(ii) Where it is granted, a society loses the advantage of a cash discount and a good bargaining.

(iii) Trading discount may lead to indebtedness or bankruptcy, which may result in business liquidation.

Cooperative Capitalisation

According to Ejiofor (1989), capitalisation deals with the capital structure of a business in relation to the amount of equity, its composition and changes in it. The procedure for determining the value of a firm is known as the "capitalisation of income, method of valuation". It is a method of calculating the present value of a stream of earnings.

The following terms are commonly used in the valuation process.

(i) Par Value
This is the face value at which shares are issued. It is usually static and not affected by business changes.

(ii) Market Value
This is the price at which shares are sold in the stock exchange or in any other organised stock market. It is affected by the vagaries of demand and supply in the market.

(iii) Book Value
The value at which the asset values of shares are carried in the company's account books. It is calculated by dividing the aggregate equity item by the number of outstanding shares.

(iv) Real Value
This is the capitalized value of earning, divided by the number of outstanding shares.

3.2.5 Forms of Business (5) - Joint Stock Company/Limited Liability Company

A company is an association of individuals who agreed to and jointly pool their capital together in order to establish and own a business venture distinct from others. You can define it again as an association of investors who buy or own shares in a company for the purpose of carrying on a business. Those who buy or own shares are known as shareholders. They are regarded as the owners of the company. A joint stock company could be a private limited company or a public limited company.

We have two kinds of companies:

(i) **Unlimited Liability Companies:** There liabilities do not end on the money contributed to the business, there personal belongings could be sold to recover money from them in case of a company's indebtedness.

(ii) **Limited Liability Company by Guarantee:** This business is for promotion of science, religion, arts, education and not for profit making. They source their fund from members. Their liabilities are limited by promise or guarantee.

(iii) **Limited Liability Companies by Shares:** Liability is limited to the amount they contributed for the formation and management of the company. If a company is liquidated, they loose only the shares they have in the company.

We have two types of limited liability companies, they are:

- **Private Limited Liability Company:** This Company when formed has a minimum number of two people and a maximum of fifty. The number includes employees of the company.

- **Public Limited Liability Company:** Minimum numbers of people that can form this company are seven while the maximum is not stated. The owners are shares holders, people are free to come in and free to sell-off their shared.

Methods of Formation

Formation of Joint Stock Company starts with preparation of documents that will be presented to the registrar of companies for his action and subsequent registration. The document use for registration includes:

- **Memorandum of Association**

It states how the company will relate with the outside world. It will state the name, location and objectives of the company. Memorandum of association include:

- The name of the company with "limited" as the last word.
- Location of the company
- Objectives of the company
- Amount of the registered capital proposed
- Liability of the company's shareholders (statement).

- **Article of Association**

It tells you to about the regulation that is laid down for the internal rules and regulations of the government organization, and management of the company. The may include:

- The duties rights and position of each member of the company
- The method of the appointment of the directors
- How dividends are to be shared
- How general meeting are to be held and the procedure
- Method of electing directors and the voting rights at such election
- Method of auditing the company's account.

- **The Prospectus**

This is a document of notice, circular, advertisement or other invitation offering the public subscription or purchase of shares or debentures of a company.

- **Certificate of Incorporation**

This certificate is issued by registrar of companies and cooperate affairs commission Abuja to show that a business is legally incorporated and recognize by government.

- **Certificate of Trading**

It is issued to public limited liability company. He can start a business and exercises borrowing powers.

Features of a Private Company

- **Membership:** a minimum of 2 and a maximum of 50
- **Issuance of Shares:** cannot sell shares to the public
- **Transferability of Shares:** can only be transferred with the consent of other shareholders
- **Quotation:** private companies are not quoted on the floor of the stock exchange
- **Publication of Accounts:** not required to publish annual account. However they must send a copy of their audited account to the registrar of companies each year.
- **Limited Liability:** each shareholder possesses limited liability.

Features of a Public Company

(i) **Membership:** a minimum of seven and no maximum, but article of association could specify maximum.

(ii) **Issuance of Shares:** can sell share to the public.

(iii) **Transferability of Shares:** shares can be transferred without the consent of other share holders.

(iv) **Quotation as Public Companies:** are quoted on the floor of the stock exchange.

(v) **Publication of Accounts:** required by law to publish account and to also send a copy of audited account to the registrar of companies each year.

(vi) **Limited Liability:** each shareholder possesses limited liability.

Advantages of a Private Company

The advantages of a private company are:

i. **Limited Liability:** Liability is limited to the amount of money contributed into the business. In case of liquidation, your personal properties are not touched.

ii. **Privacy:** Just like the public company, it is not compulsory to publish its account yearly as such the company has the advantage of keeping its secret.

iii. **Continuity:** The minimum number of holder of a company is two and maximum is fifty. If for instance you have forty members and two dies the company will still continue, compare to a one man business
iv. **More Capital:** Compare to partnership business, the chances of sourcing for funds to be granted i.e. from banks is higher.
v. **Legal Entity:** The Company is a legal entity as such it can sue and be sued.

Disadvantages of a Private Company

The disadvantages are listed below:

i. **Taxes:** Most of these companies pay corporate tax compare to a sole trader or partnership that pays personal income tax, the tax may be so heavy that it may be a burden on the company.
ii. **Share:** It is unfortunate that the companies share are not publicly subscribed, even in the exchange of shares, all member must be notify. A new member may be rejected.
iii. The shares of private limited companies are not quoted on the floor of the stock exchange; hence they cannot be transferred without the consent of other share holders.

Advantages of Public Limited Company

The advantages of a public limited company are as follows:

(i) **Legal Entity:** It is a corporate body; it can sue and be sued.
(ii) **Limited Liability:** The liabilities of the owners is limited to the shares brought into the organization
(iii) **Ease of Raising Additional Capital:** Because of the large numbers of the owners it makes it easy to raise fund from their contributors or selling of shares or bonds.
(iv) **Expansion is Unlimited:** There is no limit to where the company can expand to provide the company has a large capital.
(v) **Continuity:** This company life is long, even if hundred members die at a time the chances of its survival is still there. Even in a period of resignation, disability etc., the company is not threatened.
(vi) **Adaptability:** It is adaptable to small medium and large scale companies according to the fund available to the firm.
(vii) **Capital Transfer:** you can transfer your capital at will if you are not satisfy with the company.
(viii) **Flexibility:** for the fact that we have many members as shareholders, members of board, managers etc with diverse experience and knowledge, the running of the company will be perfect using the verse of experience personnel thereby giving room for flexibility.
(ix) **Enjoyment of Large Scale Production unlike the One-Man Business:** Because of the number of owners, finances, flexibility etc. a company has a better advantage of producing goods in a large quantity.
(x) **Share Holders Interest is Safeguarded:** Because there is no secrecy, the shareholders have nothing to fear.
(xi) **No Managerial Responsibility**: You can be a share holder and yet you are not part of the management. It means that others are managing the business for you.
(xii) **Employees May become Co-owners:** Employee will become owner either by deliberate action of the management of the companies or by buying shares.
(xiii) **Democratic Management:** The Company is run democratically; election of board of directors is by vote. In meeting, if no quorum is formed there will not be a meeting.

Disadvantages of the Public Limited Company

The disadvantages are:

(i) **Double Taxation:** Most corporations are faced with double taxation. In Nigeria, federal, state and local government charge companies different taxes.
(ii) **Hard to Establish:** Methods of establishment and finance needed for such kind of business is high and it require a large capital outlay which may scare out a lot of investors.
(iii) **No Privacy:** Company and allied matter decree expect this type of company to publish its account annually, making it public affairs.
(iv) **Non-Flexibility:** It is hard to switch business because the papers for registration state what they are to do. If you change condition, it means you are to form another company entirely.
(v) Special performance must be sought from government to transact business outside the location in which you were registered.
(vi) **Cooperation is Non Existence:** Most companies have problems of misunderstanding between both managers and managers or with workers; it may be because of the large nature.
(vii) **Owners are Separate from Managers:** Therefore there is the tendency of the managers not running it well since they are not the owners.
(viii) Huge capital is required for its formation, it therefore become more complex to manage compares to one-man business.
(ix) Delay in policy and decision making.
(x) Suppression of individual initiatives.

4.0 CONCLUSION

We have examined discuss the system and subsystem operating in an enterprise, described interlinkages among the subsystems in an enterprise and discussed forms of business ownership, capital formation, advantages and disadvantages.

5.0 SUMMARY

In this unit, we have examined the organic functions of a business. We have also discussed the various forms of business ownership that entrepreneurs could embark on. We also discussed the features, objectives, capital available, advantages and disadvantages of each form of business ownership.

In the next unit, we shall examine another interesting topic titled 'law and its relevance to business operations'. It is particularly useful to entrepreneurs who are bound to encounter challenges during interaction with other people, businesses and government.

6.0 TUTOR MARKED ASSIGNMENT

1. What is a joint stock company? Is there any difference between the processes involved in registering a joint stock company and a partnership business?

2. Differentiate between a cooperative society and sole proprietor.
3. What sources of capital are available to the five forms of business ownership? List and discuss the advantages and disadvantages of each of them.

4. Write short notes on the following:

   (a) Deeds of Partnership
   (b) Registration of Business Name
   (c) Memorandum of Association
   (d) Articles of Association
   (e) Cooperative capitalisation

5. List the organic functions of a business that you know and explain these functions.

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MODULE 3 ENTREPRENEURSHIP OPERATIONS AND THE LAW

UNIT 1 LAW AND ITS RELEVANCE TO BUSINESS OPERATIONS

CONTENTS

1.0 INTRODUCTION

In the last unit, we have examined the organic functions of a business. We have also discussed the various forms of business ownership that entrepreneurs could embark on. We also discussed the features, objectives, capital available, advantages and disadvantages of each form of business ownership.

In this unit, we shall examine another interesting topic titled 'law and its relevance to business operations'. It is particularly useful to entrepreneurs who are bound to encounter challenges during interaction with other people, businesses and government.

2.0 OBJECTIVES

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

- have a grasp of laws relating to business operations,
- appreciate the impact of law between one individual and another;
- discuss some of the rules governing sale of goods and contract;
- the legal relationship between a principal and an agent;
- describe the methods by which agency can be created and terminated.

3.0 MAIN CONTENT

3.1 Impact of Law

Ige (2007) state that this topic is designed to indicate how law impacts on our personal daily lives and on business. According to him, the law controls and regulates, enforces and punishes. Two passages are used as illustration. The first concerns a tertiary student; the second, a simple example of a small family business. Both passages highlight the numerous areas of law that may affect our personal and business activities.

Instructions:

Read the following passages and for each, underline or highlight what you consider to be key words, which suggest to you that some legal issue is involved.

Passage 1

An hour in the life of Bayo Bada an undergraduate of Criminology and Security Studies' NOUN. Bayo Bada ('Bee-bee' to her friends) peers at her electric alarm clock, shouts obscenities (the window is open and the neighbouring house is only three meters away), shuffles to the toilet (biodegradable type), then to the bathroom for a shower. While breakfasting, Bee-bee listens to the daily state news which *inter alia* catalogues traffic offences, break-ins, mysterious fires in four local schools and objections to a proposed juvenile detention center for wayward wenches and uncouth youths. Taking pride in being an informed citizen, Bee-bee, between bites of barley bread layered with made in England cheese, flips from the headlines 'UN Funding Fouls' to State news demanding jobs in an area designated for World Heritage.

A snippet on tertiary fees and delayed payment to the government catches her attention, which reminds her that her first tutorial looms soon. Catching the municipal bus, she pays only half fare despite being eighteen years of age. Because her rent is due tomorrow she takes the opportunity to write a cheque to the landlord. Alighting, she posts the cheques.

A large group of students just off campus on the footpath of the main road are demonstrating about inadequate infrastructure in the University. To show her displeasure, Bee-bee expectorates on the footpath. Focusing on the ring-leader she shouts, Dele, you are a dimwitted No Hoper!' Dele responds by kicking Bee-bee's briefcase. Other students threaten her physically. Not wishing to be late for her favourite tutorial session she decamps without further ceremony.

Self Assessment Exercise 1

1. Give a suitable title to the picture above.
2. Describe the scene depicted in the picture.
3. Identify the legal impact of what you see.

Analysis of Passage 1

Now check your attempt at identification of key words relating to the legal issues against a lawyer's response:

'NOUN'

Universities operate under the provisions of their own individual statute, in this case the National Open University, Act 1983.

(a) **Bayo Bada (Bee-bee) –** One may change one's name by common usage or by Deed Poll.

(b) **'Electric Alarm Clock' –** Bee-bee to have electricity say, Power Holding Corporation of Nigeria (PHCN). She would need to contract for this service. A body such as the PHCN is a statutory board under a Federal Government Act.

(c) **'Shouts Obscenities' –** Note the proximity of neighbours. Possible tortuous action (ie involves law of torts) for interference with the private rights of her neighbour. Calling for an injunction, ie here a prohibition against doing such acts.

(d) **'Toilet' –** *The Local Government Bye-law* will give sufficient power to each municipal council 'to make local laws for, and otherwise ensure, the good rule and government of its territorial unit…' The toilet in question would need to meet local government standards and approval.

(e) **'To Shower' –** If the service (here water) is provided by some local authority, legal obligations will exist between the contracting parties, e.g. water rate charge on annual rate notice from the local council to the landlord, the owner of the premises.

(f) **'Radio News' –** Control will be exercised broadly under the Constitution and specifically under the *Broadcasting and Television Acts.* Whether the station is commercial or not.

(g) **'Traffic Offences' –** These are governed in Nigeria by the *Road Traffic Act 1999.* Such offences would be heard in the magistrate court. Nigeria has a codified system laws for criminal offences. This means an attempt has been made to cover as fully as possible all law relating to crime in a piece of legislation known as the Criminal Code or Penal Code. Specifically, 'break-ins' may be referred to in the Code Burglary: Housebreaking: and like offences.

(h) **'Fires' –** See the note above on the Criminal Code but refer specifically this time to such offence as Arson. Barley bread, cheese, because these products are imports, they come under the aegis of NAFDAC.

(i) **'United Nations' –** International law as opposed to State (or 'Municipal') law.

(j) **'Logging and World Heritage' –** Constitutional law. If an inconsistency should arise between the law of the state and a law of the international law, the international law prevails, to the extent of the inconsistency, see section 109 of the 1999 Constitution.

(k) **'Municipal Bus' –** Again contract law: Bee-bee paid for the ride. Further, State standards contained in regulations are relevant to the bus.

(l) **'Eighteen Years of Age' –** In Nigeria this indicates full legal capacity, i.e. she is seen as and accorded the rights of an adult. She is *sui juris.* Under eighteen years of age she would be classed legally as a minor.

(m) **'Rent' –** The payment of rent indicates a lease of some kind and leases fall within property law or Rent Control Laws. Further, a lease is another form of a contract.

(n) **'Cheque' –** This is another example of the way in which contract law is vital to the business world. Here a contract is formed between the customer and the bank for the use of a negotiable instrument.

(o) **'Student Gathering' –** Where? Footpath which is a public thoroughfare. Therefore a blockage of pedestrian traffic may be interpreted as a public nuisance. Regulation of gatherings on public byways may also be subject to administrative law, e.g. the municipal council is empowered generally to pass by-laws concerning matters with the municipality. Meetings and processing permits are required under the Public Order Legislations.

(p) **'Name Calling' –** This falls within a sub-branch of the Law of torts: Defamation. Slander concerns a spoken attack on one's reputation.

(q) **'Kicking' –** This is a direct interference with the property of the student. In law this is a 'trespass to property' and falls within the law of torts. Further, under the Criminal Code there is an assault.

(r) **'Threats' –** Again, both criminal law and the law of torts may be involved here. Under the Criminal Code a threat is viewed as an 'assault'. In torts, an action could be raised for assault as well.

Passage 2

Adamu, an electrician, together with his wife Mariam, who is a businesswoman, wishes to establish a family business in the sale and repair of electrical household goods. To establish their business they wish to lease space in a major shopping center complex in Abuja. They intend to advertise and trade under the name of 'Live Wire', but are uncertain as to whether they should incorporate a family owned company to conduct the business or trade as a partnership. Adamu and Mariam are prepared to sign a three year lease for the 'right' shop in the center.

And although their monetary savings will be sufficient to purchase initial stock for the business they have no ready capital to buy fittings and equipment essential for the sale and repair of electrical items. Consequently, they intend to lease certain fittings and equipment and to purchase other equipment under hire-purchase. They also intend to employ one junior in the business on a full-time basis.

Analysis of Passage 2

Again, check your attempt at identification of key words and concepts relating to the legal issues against a lawyer's interpretation. Suggested response:
Adamu and Mariam Wish to Establish a Family Business'

(a) **Company Law –** If Adamu and Mariam, perhaps on the advice of an accountant, intend to incorporate a **company,** this process will be governed by the requirements of the *Companies and Allied Matters Act (CAMA, 1990).* Incorporating a company means the creation of an artificial legal person (i.e. the company) with an identity separate from Adamu and Mariam. This company will be able to own property, sue and be sued. It will have perpetual succession and a common seal. It may even commit criminal offences, and be persecuted. The company will be a party to all contracts associated with the business. The company will no doubt be limited by shares, which means that Adamu and Mariam, as shareholders, will have limited liabilities. Their liability will be limited to the unpaid amount of the nominal value of their shares.

(b) **Partnership Law –** If Adamu and Mariam decide to form a partnership this **partnership** will be controlled by the provisions of the *Partnership Act 1891 and CAMA, 1990.* The hallmark of a partnership is the fact that the partners (Adamu and Mariam) are the principals and agents of each other. Consequently, the law of principal and agent permeates the whole area of partnership law and the acts of any partner (e.g. entering into a contract) which are done in the usual way for carrying on business of the kind, which is carried on by the firm (the collective name for the partners) binds the other partners even if they were not aware of that partner's acts. In the formation of the partnership, the partners can agree as to the rights and duties between them, but if they don't, then the *Partnership Act/CAMA* provides rules governing rights and duties between partners.

(c) **Sale of Goods Act 1893 –** If Adamu and Mariam form a **partnership** then the sale of electrical goods to consumers will be controlled by the provisions of the *Sale of Goods Act.* This Act 'cuts across' the old rule of *caveat emptor* (let the buyer beware) and provides for certain terms to be part of every contract for the sale of goods. These terms require, in certain circumstances, that the seller (Adamu and Mariam) provide goods that are of merchantable quality and which are reasonable fit for the purpose made known to the seller. Remedies are available to the purchaser against Adamu and Mariam should they breach such terms.

(d) **Trade Practices and Fair Trading Legislations –** If Adamu and Mariam decide to **incorporate** rather than form a partnership they will be subject in their business transactions to the provisions of the Restrictive Trade Practices Legislations. Part of these provisions related to the protection of consumers both with respect to misleading or deceptive conduct by the corporation (e.g. false advertising) in trade or commerce and with respect to transactions between the consumer and the corporation. For example, in every contract between Adamu and Mariam's company and a consumer, for either the sale of electrical goods or the repair of electrical items, there will be certain terms implied by law (whether or not the parties to the contract agreed to such terms). These terms, which relate to the quality of the services and the goods supplied, and to their fitness for the purpose, will if breached by the corporation provide a remedy to the consumer against the corporation. As a result of constitutional limitations on the powers of the National Assembly, the Trade Practices Legislation will not apply to natural persons whether trading alone or in partnership provided such trade is confined within a State. Some State Assembly have legislation, which apply to sole traders and partnerships.

'Trade under the Name Live Wire'

(a) **Business Names Act 1961 and CAMA, 1990 –** Whether or not Adamu and Mariam incorporate or form a partnership, since they wish to trade under the name of Live Wire' it will be necessary for them to register the business name under the *Business Names Act/CAMA.* Registration would not be required if Adamu and Mariam in partnership traded under their individual names or if after incorporation the company traded under its incorporated name. It is only where a person trades under a name other than his/her own that registration is required.

(b) **Taxation Law –** It is necessary for Adamu and Mariam to contact the Commissioner for Taxes to indicate that they have commenced business and they would have an option either to have group tax registration or to purchase tax stamps. If Adamu and Mariam are selling goods subject to sales tax they should apply to the Commissioner of taxes for registration under the *Sales Tax Act.*

'Wish to Lease'

(a) **Retail Shop Leases –** Adamu and Mariam's **lease** of premises in the shopping complex in Lagos will be subject to provisions of the Retail Shop legislation, which give certain protections to tenants of retail shops against onerous clauses imposed in standard form leases. The legislations prohibit certain conditions being imposed in retail shop leases and also require that in specified circumstances certain implied conditions shall be part of the lease. Both these measures are designed to protect the tenant.

'Shop'

(a) **Factories Act –** Adamu and Mariam are required to register their shop under this Act and to keep the premises registered as a shop. They cannot occupy or commence business in the shop until it is registered. Adamu and Mariam should also be familiar with the provisions of this Act which deal with safety, health and welfare.

(b) **Local Government By-Law –** Adamu and Mariam should be aware of local authority planning laws, which regulate the use of land (land includes buildings on that land, e.g. Adamu and Mariam's shop). Use of land falls into three categories:

- Those uses which are prohibited;
- Those uses which are available as of right; and
- Those that require the consent of the Council, or other authorized Body.

It is necessary for Adamu and Mariam to determine which category they fall into with respect to the proposed uses in their shop.

'Three Year Lease'

(a) **Contract Law -** The importance of contract law in commerce is highlighted in the establishment and conduct of the family business. The initial **three year lease** of the shop is a **contract**. The lease of the fittings is a contract. The hire-purchase agreement for equipment is a contract. The agreement under which the junior is employed is a contract of service. Each time a customer buys an appliance or leaves an appliance for repair there is a contract. There is a contract relating to the advertisement of the business. Despite the fact that the common law principles of contract in some of the above contracts may be overridden by the provisions of specific legislation, e.g. *Hire-Purchase Act,* the importance of basic contractual principles cannot be underestimated. Consequently in this course, you will make a detailed study of contract from its genesis in the English Common Law.

'Purchase of Other Equipment under Hire Purchase'

(a) **Hire-Purchase Act –** Adamu and Mariam wish to buy certain equipment but they have no funds available for this purpose. If they buy the equipment by method of **hire-purchase,** the transaction will be governed by the provisions of the *Hire-Purchase Act.* In essence, a hire-purchase contract consists of two elements, namely, a hiring agreement with an option to purchase. The option is exercised by the person hiring the goods, making the final payment at the end of the agreed period of the hire. There is only a hiring or leasing until this final payment.

‘Fittings’

Property Law

Though property law may affect one’s business in various ways, a simple application of property law relates to the distinction between

Fixings and Chattels

Adamu’s and Mariam’s proposed three year lease may contain a clause, that all fixtures on the rented premises will at the termination of the lease become the property of the landlord. Even without such a clause, land includes fixtures on the land. Consequently, the building and fixtures form part of the land owned by the landlord.

It is therefore important for Adamu and Mariam to be able to distinguish between fixtures and chattels. Fixtures include those things, which are attached or fixed to the building which is itself a fixture. Movable items not affixed are referred to as chattels. For example Adamu and Mariam in fitting out the shop should be advised to keep the distinction in mind.

‘Sale and …of Electrical Household Goods’

(a) **Law of Torts –** Adamu and Mariam as the occupiers of premises to which the public are invited and as the **sellers** of **potentially dangerous products** should consider the implications of **tort law.**

The main body of tort law which has implications for Adamu and Mariam is the law of negligence as it relates to the occupier of premises and the supplier of potentially dangerous products. Adamu and Mariam will have a **duty of care** cast on them as occupiers of the shop premises to take reasonable care to prevent damage from reasonably foreseeable risks to persons entering the shop.

If a customer is injured as a result of **negligence** by Adamu and Mariam with respect to the static condition of the shop (e.g. slippery floor) that customer may sue the occupiers and recover compensation. Tort law may also cast a duty on Adamu and Mariam with respect to any dangerous items they may sell across the counter. For example where Adamu and Mariam are aware that the manufacturer has supplied no instructions with respect to the dangerous propensities of an item, and Adamu and Mariam are aware of those propensities but fail to warn a purchaser, they may be held liable to that purchaser for any injuries resulting from that dangerous propensity (e.g. risk of electrical shock when used in a certain way).

(a) **‘Repair of Electrical Household Goods’ –** The common law principles of bailment will apply to the repair side of Adamu and Mariam’s proposed business. Each time Adamu and Mariam or their company contract for the repair of an electrical appliance there will be a bailment of those goods from the consumer to the repairer.

The consumer is the bailor of goods for repair, to the repairer who is the bailee. In **essence,** a bailment is a **temporary parting with possession of goods by their owner to**

a person called a bailee, for a specified purpose (e.g. repair) with an implied understanding that the goods will be returned to the possession of the owner (bailor) when that purpose is fulfilled. Where there is a bailment of goods (in this instance pursuant to a contract for repair) the bailee comes under a **duty to take reasonable care** in all the circumstances, of the goods of the bailor while they are in the possession of the bailee such that if they are damaged or destroyed or lost through negligence, while in the possession of the bailee, the bailor may sue for damages and recover the loss sustained from the bailee.

'Intend to employ one junior … permanent fulltime…'

Labour/Industrial Law

Adamu and Mariam intend to **employ** one permanent full-time employee. They will be required under the *Workers' Compensation Act* to take out a policy of insurance against accident or injury occurring to that employee while in the course of his or her employment. Such compulsory insurance by the employer offers protection to the employee against accident or injury which is work related. The employer (Adamu and Mariam) will have certain **common law duties** to **safeguard** the **employee** from unreasonable risks in regard to the fundamental conditions of employment the safety of plant, premises and method of work. Adamu and Mariam will be required to take reasonable care to provide for the employee both a safe system of work and a safe place of work. Any breach of this duty by the employer may subject that employer to a claim for damages by the employee. Issues raised in the preceding pages are many but not exhaustive but they suffice to create an awareness of the impact of the law in many areas of life.

3.2 Legal Issues in Business – Sale of Goods

Sales of goods is one of the legal issues in business. This section therefore introduces you specifically to those agreements to sell, the importance of warranty to sales of goods and also discuss those breaches of contract in terms of sales and how they can be addressed. This section shows that the business of sales has its legal implication for you as a buyer and the seller. Once you agree to sell and buy you are legally bonded. In case of failure you can face legal implication.

3.2.1 Sales and Agreement to Sale

Kurfi (2005 quoted in Ige, 2007) defined contract "as a contract where by the seller transfer or agreed to transfer the property to the buyer for money consideration, called price". If you are into a business and you have an item to sell or willing to sell, it is either:

(i) When you transfer the title of the goods to a buyer this contract is called sales.

(ii) In a situation where an agreement is to pass on the possession of an item in a future date, with some conditions attached, it is called agreement to sales.

In a situation where the conditions are fulfilling, sales has taken place. If you sell and deliver well then, contract of sales has taken place and the first owner will seize to be the owner and the second party takes possession.
Goods that can be used for this sale are:

- Motor vehicles

- Ships
- Aero planes etc.

3.2.2 Sales and Other Contracts Distinguished

Contract of sales is different from the following:

(a) **Bailment –** This is an agreement between two parties that goods should be delivered to another party or that goods should be transfer from second party to the third party based on the instruction given by the first party.

(b) **Hire Purchase –** It is an agreement between two parties for the second party to have an item under some conditions, until such conditions are fulfill, the item is still that of the first party.

(c) **Exchange –** It is a transfer of goods from one party to another. There may not be exchange of money. It could lead to contract, if where price is partly involved and party of goods are settle with goods.

Self Assessment Exercise 1

(1) Give good example of bailment.
(2) State a very good example of hire purchase.
(3) Have you ever exchange any good? State your experience.

3.2.3 Conditions and Warranty

These are terms commonly found in sales of goods:

- Conditions is a term use that if not fulfill can cancel a contract.

- Warranty: It is a condition of sales that if discovered lead to a right of damage only or possible replacement.

Some conditions of warranty are:

(i) **Stipulation as to the Time –** In a commercial contract, time of delivery is necessary especially where perishable items are involved. If the time stipulated is breach, it means that the contract has been breach, the injured party can ask for refund.

(ii) **Undertaking as to Title –** Once a contract of sales is entered into, it is agreed that:

- You have a right to sales, subject to any agency agreement or sale by the holder of power of attorney.
- There is implied warranty from the seller that the buyer will enjoy "a quite possession of the goods".
- Warranty as to freedom of encumbrances that the goods brought shall be free from any disturbances by the third party that was not declared by the seller.

(iii) **Sales by Description –** If your, sale goods are by description, the description should correspond to the description given, if not there will be a breach of contract.

(iv) **Sales by Samples –** It states that:

- There is an implied condition that the bulk shall correspond with the sample or quality and quality.
- That the buyer should have an opportunity to compare the bulk with the sample.
- There is an assume condition that the goods shall be free from any defect rendering them unmarketable which will not be apparent in the sample.

Self Assessment Exercise 2

Name five products that have warranty.

3.2.4 Transfer of Property

Once goods are sold they are to be transferred especially from one party to another. One of the reasons for doing this is to know the rights, duties or liabilities of the parties involved. Who is to pay for damages, destruction or loss of the goods because of these the difference between the following is necessary.

(1) **Specific or Ascertain Goods –** Kurfi (2005 quoted in Ige, 2007) says specific goods are goods identify and agreed upon at the time of the sale. Under this condition goods are to be transferred to the buyer at the time the parties intend it to be transferred. In this contract intention of the parties must be known there are from way in knowing the intention of the parties.

Kurfi (2005) state the form of the condition thus. Where there is an unconditional contract from the sale of specific goods in a deliverable stage the property in the goods passes to the buyer when the contract is made and it is immaterial whether the time of payment or of delivery or both postponed.

If a seller is bound to do something for the purpose of putting them into a deliverable state, the property does not pass until such thing is done and the buyer has nothing thereof. If goods sold are to be weighed or measured for the purpose of ascertain price, it must be done. If not, the buyer has nothing there of. If all condition are fulfilled the goods must be pass on to there buyer. It is established that:

- If the buyer signify approval
- If they do not singly approve

(2) **Unascertained Goods –** Kurfi (2005) states that in unascertained goods are “where there is a contract for the sales of unascertained goods, no properly in the goods is transferred to the buyer unless and until the goods are ascertained.

3.2.5 Transfer of Title

In business law, it is believed that “no one is legally capable of giving what he does not have. It means that you can’t sell what you do not have, where there is an agreement to sell, you should have the right to sell at the time when the property or goods is to pass. It is only the owner of goods that has the right to transfer the title of such goods to another person. Sometime it may not always be so. In such cases we have:

(a) **Sales by Agent –** You can sell goods to another person with the consent of the original owner, you are now the agent. If you sell without his consent, he (the owner) can recover his goods. "However, the owner is liable to compensate the purchaser for any improvement he had affected on the goods while they are on his possession".

(b) **Estoppels –** Kurfi (2005) Say a person by his conduct or acquisance allows others to believe in a state of things and they acted to his detriment. Such a person will be excluded or denied the state things. He went further to say it is a situation whereby the owner of the goods by his conduct is precluded from denying the sellers authority to sell, and it applies in cases of agency by estoppels based upon the general representations made by the principal i.e. the seller has his authority to sell.

(c) **Sale under Special Power –** Goods can be sold under some special common law or any statutory power e.g:

- Liquidator of a company
- Unpaid seller of goods

(d) **Sales in Market –** Where goods are bought in a market place, you can buy from the market provided you buy in good faith.

(e) **Sale by a Factor –** Kurfi (2005) a factor is a type of mercantile agent entrusted with a sale of goods for sale only, and it is allowed by law to sell in his own name.

3.2.6 Performance of Contract of Spice

This involves delivery of goods sold, either on behalf of the seller and their acceptances and payment of the price on behalf of the buyer.

Delivery: Kurfi (2005) says it's the voluntary transfer of possession from one person to another, this transfer may be actual or constructive".

Constructive delivery may be any of the following form:

- By affirmation i.e. the third party acknowledges to the buyer he holds the goods on his behalf;
- Transferring to the buyer;
- Possession passes to the buyer without actual delivery;
- Transfer of document of title.

3.2.7 Place and Time of Delivery of Goods

When an agreement is reach for delivery of goods, the time and place must be stated. If not stated, you deliver to his place of business, if he has more than one place of business, where the transaction took place, which is where to deliver. In case where time is not stated, you will deliver at a reasonable time.

3.2.8 Delivery of Wrong Qualities

It is expected that the seller, write delivery the exact goods agreed upon. If the goods are less or more, the buyer has the right to accept or reject such goods.

3.2.9 Breach of Contract of Sale and Remedies

Contract between a seller and a buyer may be breached. Disagreement may arise i.e. the form of refusal or rejection of goods and refusal to pay. In such situation the law will prevail.

- **Breach by the Seller**
  The seller can breach a contract and you can react to such a breach in one of the following ways:

  - Right to reject the goods
  - You have the right to bring an action for damages as well as for specific performance.
  - An action for money paid for the goods in the contract.

- **Breach by the buyer**

  The following remedies are available to him:
  - Failure to take delivery
  - Failure to accept goods
  - Failure to pay for the goods
  - The seller has the right to resell

3.3 Legal Issues in Business Law - Contract

This section will help you to find out what contracts are in business. If you are doing business, contract is a serious agreement between two parties. Different types of contracts exist, that you will learn what constitute a contract. If contracts are violated, you will know how to handle such.

3.3.1 Definition of Contract

Kurfi (2005) define a contract as a promise or a set of promises, for the breach of which the law gives a remedy or the performance of which the law recognizes as a duty. Contract is classified into two:

- Contract under seal
- Simple contract

Contract under seal is a written form of contract that, is signed by both parties and sealed on it.

Simple contract is an informal contract. This contract may be written, oral or mere conduct of the parties.

3.3.2 Classification of Contract

Kurfi(2005) Identify nine classes of contract, they are:

1. **Expressed contract –** A contract is expressed when the parties manifest their agreement by words. Contract that is written, oral or under seal is called expressed contract.

2. **An Implied Contract –** It is implied by the act or conducts of the parties and it is sanctioned by the law.

3. **Quasi-Contract –** Quasi means something looking or resembling something. A Quasi contract can best be described by an example of a doctor who treats an accident patient brought in by a passerby. The doctor will recover his cost of services from the patient. In this case, it is to discourage one party from unjustly benefiting from a contract that was not expressed.

4. **Bilateral Contract –** A contract where two parties are making a mutual promise.

5. **Unilateral Contract –** It's a situation where an offer is made and acceptance is subject to legal obligation. For instance if you find my lost GSM Handset I will give you five hundred Naira (N500). If found, you are bound to give the finder N500.

6. **Joint Contract –** It's a contract where two or more people are involved and jointly bound to fulfill the obligation.

7. **Joint and Several Contracts –** It is a contract where by two or more people are not only equally bound together in a contract also individually bound.

8. **Entire Contract -** It is a contract where the contract in question must be hundred percent completed before, the contract sum is given in full.

9. **Several Contracts –** Contracts were the contract can be executed in pieces.

3.3.1 Essential Element in a Contract

Kurfi (2005) says there must be seven conditions fulfilled in a contract before it can be enforceable. They are:

1. **Offer –** It is a promise or a commitment to do or reframe from doing some specifying things in the future. An offer has also been defined as a proposition, made by one party called the offeror to another party called the offeree. Three conditions must be fulfilled for an offer to be legal:

   - Offer must be definite and certain.
   - Proposition must come from the person, liable to be bound should the said terms be accepted.
   - The offer must be communicated to the offeree.

   The following are limitations to treat; as such, they do not amount to an offer:

   - Exhibition of goods for sales in a shop
   - Advertisement of sales in catalogue or mass media
   - An auctioneers request for bids
   - An invitation to tender
   - Negotiating for sales of land and or other complicated contracts.

   Offer can be terminated by:

   - Rejection
   - Counter offer

- Revocation
- Lapse of time.
- Occurrence – a non-occurrence of a condition
- Death

2. **Acceptance –** If an offer is made, a reply to it is refer to as acceptance. The acceptance must not attach any other condition to accept the offer, if not, it will be regarded as a counter offer. Acceptance is genuine, if the following are present:

    - You must display an intention to accept,
    - You must communicate the acceptance to the oferror.

    In term of communicating an offer, the following condition must prevail:

    - Silence is not an acceptance
    - In a special case you can wave an acceptance
    - Communication will depend on the type of offer
    - There are various rules under the post rules

3. **Consideration –** Kurfi (2005) define consideration as the price for which the promise is bought. All contracts must be supported by a consideration. A bare promise is not legally binding. The following four rules governing consideration must be observed:

    - It must be sufficient and need not to be adequate.
    - It must move from the promisee though not necessarily to the promisor.
    - Consideration may be executory or executed but must not be past.
    - It must not be illegal; immoral or contrary to public policy

4. **Intention to Create Legal Relation –** In business any contract should have an intention to have a legal intention. If not it will not be a contract. When there is an agreement that relates to commercial or business, it means, there is an intention to create legal relationship.
    - Where the parties to a contract expressly exclude an intention to create legal relationship.
    - Domestic, family or social affairs have no intention to create a legal relationship.

5. **Legal Capacity of the Parties –** To enter into any legal contract with anybody, you must access his capacity to do so. The following may have a limited capacity:

    - Infants
    - Persons of musical mind or lunatic
    - Drunkard persons
    - Illiterate etc.

6. **Formalities Required by the Law –** The following formalities are required by law in respect of contract**:**
    - Contract which must be under seal
    - Contract which must be in writing
    - Contract which must be evidence in working

7. **Legality of the Object of the Contract –** When if contract entered is illegal, the entire contract becomes null and void. A contract is illegal if any of the following happen:

- To Violation the law of the land
- If its contrary to public policy

Self Assessment Exercise

List five conditions, of rejection of offer.

3.3.4 Contractual Terms

Terms vs. Misrepresentation

Terms dictate the rights and obligations of the parties to the contract. Misrepresentations are statements that are not part of the contract and not binding on any of the party.

Condition and Warranties – Kurfi (2005) says condition is a very important contractual term if, breech the whole contract may be canceled. If a warranty just like condition is breeched, damages might be paid. It does not lead to cancellation of contract.

3.3.5 Violating Elements in a Contract

A contract may be null and void depending on any of the following reasons:

(a) ***Mistake*** – it could come as a different mistake from both parties, ignorance by two parties on a contract agreement.

(b) ***Misrepresentation* –** Contract can be violated if there is misrepresentation. Because of that, buyers must be aware and the sellers must deal with the buyers in an utmost good faith.

(c) ***Undue Influence*** – A contract is valid when it is discovered that there was no special relationship between the parties. However, when if you enter into any contract with your master and you can't fulfill it, if a case is taken up it could be assume to have been agreed upon because of undue influence. Other examples are:

- Lecturer and student, Doctor and patient etc.

(d) ***Illegality*** – Any contract that is not based on rule of law, is void and it cannot state the test of law

3.3.6 Remedies for Breach of Contract

The following remedies are expected to take place if there is a breach of contract between parties:

(i) *Damages may be paid* – If it is established as to who breach the contract, either the buyer or the seller.

(ii) *Quantum meruit* (as much as he desires) it could be claimed in a variety of circumstances e.g.

- Where the defendant has abandoned or repudiated the contract.
- Contract done under a void contract.
- Where the parties have agreed to terminate the contract
- Where one party has obtained a benefit.

(iii) *Specific Performance* – Kurfi (2005) says it is a specific performance; it is an equitable remedy for breach of contract. It is a decree issued by the court ordering a defendant to perform a promise that he has made under the contract. It may be awarded in addition to or instead of damages.

(iv) *Injunction* – It is a decree by the court ordering a person to do or not to do a certain act.

3.3.7 Privity of Contract

It means here that a person, who is not a party to a contract cannot suffer or enjoy the burden of contract. There are exceptions to these:

- Agent-an agent can be brought into a contract
- Assignment of contractual obligations
- Certain comments concerning land.
- Statutory exception.

3.3.8 Discharge of a Contract

A contract may be discharged by the following way:

- Performance
- Express agreement
- Breach of contract
- Frustration

3.4 Principal and Agent

The law of agency deals with the consensual relationship that arises when one person (called Agent) is used by another (Called Principal) to perform certain tasks on his/her behalf. Agency is a representative relationship. It is different from those of employment or independent contractors. In the contract law, two parties are directly connected in the law with each other either by the unilateral act of one or the mutual acts of both.

In Agency Law, the Agent introduces a third party with whom he deals and whose conduct can affect the legal position of his principal. The use of a representative or agent enables one person to conduct multiple business operation and the problem and complication arising from the introduction of a third party that the special law of agency is directed to regulate and this is the subject matter of this section.

3.4.1 Principal and Agent – The Agency Relationship

Countless transactions in the commercial world are carried out through agents. Any decision to buy real estate, shares, commodities, goods, plant. Etc will almost invariably involve the use of agents by either the vendor or purchaser or both. Even in our personal lives agents are important, such as when we arrange a holiday through a travel agent, the agent will act on our behalf to make such bookings for hotels, airlines and tour operators, a we desire.

Bowstead on Agency (1985, p 1) defines agency as follows: "Agency is the fiduciary relationship which exists between two persons, one of whom expressly or impliedly consents that the other should act on his behalf, and the other of whom similarly consents so to acts or so acts".

The one on whose behalf the acts to be done is called the principal. The one who is to act is called the agent. Any person other than the principal and agent is referred to as a third party. (For ease of reference we shall refer to the principal as P, agent as A and the third party as TP.)

With regard to the acts which P consents that A shall do on P's behalf, A is said to have authority to act and this authority constitutes a power of affect P's legal relations with TP (e.g. bring about a contract between P and TP). Once this accomplished. A generally fades out of the picture.

However, if A has acted improperly (e.g. by exceeding his authority or otherwise breaching a duty owed to P), A may be involved in subsequent litigation. The agency agreement between P and A need not be contractual (e.g. there may be no provision for commission). Thus, A can act gratuitously. However, as we are studying agencies in a business law context we shall be concerned mostly with contractual agency.

3.4.2 Terminology

Often a true agent, legally speaking, might be described by another term such as 'broker', 'factor' or 'representative. Conversely, some persons described as 'agents' are not really agents in the legal sense of the word but are rather dealers, consultants or intermediaries. For example, a car dealer is often referred to as the 'agent' or 'sole agent' for the maker of a particular model of car. However, usually the dealer is not an agent in the legal sense because if he sells a car to a buyer, no legal relationship is thereby established between the buyer and car maker. Rather, the dealer buys the car from the maker and then sells it on to the buyer: the dealer does not sell the car on behalf of the maker. This is the substance of the relationship which is the determining factor as to whether or not one is an agent.

Such a situation exists in:
B had purchased from S a hay baler manufactured by T. Earlier, B had discussed about the hay baler at the Sydney Easter Show with a representative of T who suggested B discuss the matter further with T's local 'agent'. After further enquiries for S, B signed an order form for S to supply the hay baler. The order form made no reference to T. the baler proved unsatisfactory and B made repeated complaints to S but S went into liquidation before B could obtain redress. B then sued T alleging inter alia that S had acted as T's agent in selling the baler to B.

Held – the High Court rejecting this – it was clear on the facts that S purchased T's equipment and resold it as principal to S's own customers. T's references to S as 'agent' were of no effect because, as the joint judgment observed for 'almost a century cases have appeared .. in the law reports illustrating the fact that the word 'agent' is often used in business as meaning one who has no principal but who, on his own account, offers for sale some particular article having a special name… no one supposes that the 'distribution agent' or 'exclusive agent' in a particular territory' for a commodity or specific kind of article or machine is there to put a 'consumer into contractual relations with the manufacturer'.

Thus, it is the substance of the relationship which is the determining factor as to whether or not one is an agent.

3.4.2 Creation of Agency

The relationship of P and A may be created by:

- Express Agreement:
- By deed or 'under seal'
- By writing
- By word of mouth
- Implied Agreement
- Holding Out or Estoppel
- Ratification

1. Express Agreement

By deed or 'under seal' – This formal form of appointment is termed a 'power of attorney'. Appointment by deed is necessary if P wishes to empower A to execute a deed on P's behalf. If A is to deal with land on P's behalf then the power of attorney is required

- **In Writing**

  While generally there is no legal requirement that agency agreement be in writing, it is clearly preferable that they are, so that disputes can be reduced. Also should statute requires that some agency agreements be in writing for example appointment of all auctioneers real estate agents and motor dealers must be appointed in writing before those agents may sue for their commission.

- **By Word of Mouth**

  For whatever purpose A, may, in general, be appointed orally subject to statutory exceptions such as those referred to above.

2. Implied Agreement

Agency agreements, whether contractual or otherwise, may be inferred by the court from the circumstances. The test is whether a reasonable man, when assessing the conduct of the parties have agreed to act in relation to one another upon a basis that can be characterized as an agency.

While agency must ultimately derive from consent, the consent need not necessarily be to the relationship of principal and agent itself (indeed the existence of it may be denied) but it may be to a state of fact upon which the law imposes the consequences which result from agency. (Source: Lord Wilberforce in *Branwhite v Worcester Work Finance Ltd* [1969] 1 AC 552 at 587.)

Morgans v Launchbury [1973] AC 127
A family car was registered in the wife's (W's) name although the husband (H) often drove it to work. H assured W that when he stayed out late drinking, he would not drive the car, but would arrange for a friend to drive. On such an occasion, the car was involved in an accident and both H and K, the friend who was driving, were killed. The three survivors sued W, alleging that K had acted as her agent in driving the car.

Held: by the House of Lords that on the facts, K was acting on behalf of H but not of W. But there was general agreement that a request from the owner of a car to do something on the owner's behalf (not being something the driver should do in any case, e.g. return a car borrowed without permission) would be sufficient to create an agency relationship. Lord Pearson observed at page 140 that for 'creation of the agency relationship it is not necessary that there should be a legally binding contract of agency, but it is necessary there should be an instruction or request from the owner and the undertaking of the duty or task by the agent. In addition to the general principles mentioned above there are three specific uses where agency will be implied.

- **Cases of Emergency**
  See Great Northern Railway Co. v Swaffield (1874) LR 9 Ex 132.
  Sachs v Miklos [1984] 2 KB 23 where the plaintiff had been allowed by the defendant to store some furniture in a room belonging to the defendant. The plaintiff was not seen again for a long time. Wishing to let the premises, the defendant made repeated, but unsuccessful, attempts to contract the plaintiff by telephone and letter. The defendant then sold the furniture by auction. In answer to an action for conversation, the defendant attempted to claim a power to act as agent of necessity. This defence failed. Clearly there was no emergency threatening the safety of the furniture.

- **Married women**
  This is an agency of necessity which applies to the position of a wife living apart from her husband as a result of his misconduct. She has implied authority to pledge his credit for necessities.

- **Cohabitation**
  A wife, either legal or de facto, is presumed to have authority during cohabitation to pledge her husband's credit for household necessities suitable to her husband's style of living for such dependants in the household as the wife usually has under her control. Refer to the text for instances which may rebut this presumption.

3. By 'Holding Out' or 'Estoppel'

Where a person, by words or conduct represents or permits him/herself to be represented, that other person is his agent, he will not be permitted to deny the agency as against any third party dealing, on the faith of such representation, with the person held out as agent. The representation must come from the alleged P. TP is not entitled to rely on a representation of authority from the alleged agent only. Thus, by operation of the doctrine of 'estoppel' or 'holding out', TP is entitled to assume from the conduct of the alleged P that the supposed A has authority even when this is not really so. Most cases concern persons who already have some authority to act as A but who are allowed by P to appear to have even more authority than they actually have. Another common instance is where P and TP have been dealing with each other in the past through A. P dismisses A but, in the **absence of notice** of the dismissal, TP may still deal with A and bind P to the deal even though A no longer has any real authority at all. Cases do arise where a person not hitherto an agent for P may bind P under the doctrine of estoppel. They are comparatively rare in contract situations.

However in one American case, *Lucken v Buckeye Parking Corp* 68 NE 2d 217 (1945) a company was held responsible to a car owner who left her car with a person standing on a parking lot which the company had recently vacated, but over the entrance to which the company's sign was still displayed. Although the defendant had never authorized the person at the car park to act on their behalf, the fact that they had for some time operated the car park, coupled with their failure to remove the sign, constituted a representation to the plaintiff that they still operated there, and that anyone apparently working there was employed on their behalf.

4. Ratification

Where A has acted **without P's authority**, but has nevertheless **purported to act as P's agent**, it is open to P subsequently ratifying the transaction. Ratification operates **retrospectively**, thus ratification relates back to the moment A and TP entered into the contract so that P is entitled to enforce the contract against TP. Note the requirements of ratification concerning both A and P and note the interrelationship between this principle and that of non-disclosed principals.

Self Assessment Exercise

1. Distinguish an agent's actual, implied authority and apparent authority. Give an example of each.

2. For ratification to be effective, there are certain prerequisites, name them.

3.4.3 Nature and Scope of Agent's Authority

After deciding that agency has been created by one or more of the above modes of creation, it is now important to consider the nature of A's authority and the scope or extent of that authority. Being appointed, A now has power to affect P's legal position in relation to TP. However, P will only be bound by those acts of A which fall within the scope of A's authority. P will not be affected by what A does in excess of A's authority, unless P subsequently ratifies A's unauthorized act. Furthermore, if A acts outside his or her authority, A may be liable to P for breach of the agency contract, or to TP for breach of implied warranty of authority. Thus, it is of vital importance to be able to determine the nature and extent of A's authority.

1. Nature of Agent's Authority

The type or nature of A's authority may be:

- Actual Authority, ie either:
- Express actual authority; or
- Implied actual authority; or
- Apparent or Ostensible Authority

Actual Authority – arises from the agency agreement between P and A. It is termed **express actual authority** where P has given the authority to A expressly, that is, by word of mouth, deed or otherwise in writing. Thus, the same process by which P appoints A as agent, e.g. by power of attorney, will also delineate much or all of A's express actual authority. However, in addition to the express actual authority contained in the agency agreement, A may also have **implied actual authority.**

Bowstead on Agency (1985) states that the most obvious cases of implied authority arises as incidental authority (to do whatever is necessarily or normally incidental to the activity expressly authorized), usual authority (to do whatever that type of agent would usually have authority to do), customary authority (to act in accordance with such applicable business customs as are reasonable) and an implied authority arising from the course of dealings between the parties and the circumstances of the case. Thus, implied actual authority is often said to arise to gibe 'business efficacy' where a contract may be silent. For instance, P may give A (a real estate agent) express actual authority to find a purchaser for P's house at $X. A will also have implied actual authority to describe the property and state any fact which may affect the value of the property so as to bind P.

Apparent or Ostensible Authority (the two expressions are synonymous) is 'the authority of an agent as it appears to others': *Hely- Hutchinson v Brayhead Ltd* [1967] 3 ALL ER 98 at 102 per Lord Denning MR. It comes not from the internal aspect of the relationship between P and A as does actual authority, but is an external matter affecting P and TP. Thus A may affect the legal position of P because P's conduct has made A appear to have authority which in fact A lacks. As TP is generally unaware of the terms of the agency agreement, TP will usually rely on A's apparent or ostensible authority in order to bind P.

2. Scope of Agent's Authority

With **actual authority,** the **scope** or extent of A's authority is ascertained by applying ordinary principles of construction of contracts, including any proper implications from the express words used, the usages of the trade, or the course of business between the parties. With **ostensible authority**, A is taken to have as much authority as agents of that type **usually** have. Also *see Freeman & Lockyer v Buckhurst Park Properties (Mangal) Ltd* (1964) 2 QB 480 and *Panorama Developments (Guilford) v Fidelis Furnishin Fabrics* (1971) 2 QB 711.

Although actual authority and apparent authority are independent of each other, in certain circumstances they may co-exist. In such a case, A's ostensible authority is likely to be wider than A's actual authority which may be limited by the terms of the agency agreement. Nonetheless, P is bound by those acts of A which fall within the scope of A's apparent authority even if A has acted outside the terms of A's actual authority.

Self Assessment Exercise

1. What is a break of Warranty of Authority?

2. Suggest three circumstances where a person would be wise to appoint a power of attorney and briefly explain the function of the attorney.

3. Douglas, aged 15, purchased a gun for N50,000 from Hunter stores, Port Harcourt, Douglas placed the purchase on his fathers account. Enumerate the issues and discuss them.

3.4.4 Rights and Duties between Principal and Agent

1. Agent's Duties to Principal

These duties may be expressly enumerated in the agency agreement (as in a standard form of power of attorney) or they may be implied into the agency agreement. They may vary according to the nature of the agency and the terms of the agreement. Breach of the terms of an agency contract will lead to A being liable to P for breach of contract. A's major duties include:

- A duty to follow P's instructions. Failure to comply with P's instructions, except where they are illegal, will render A liable for the loss suffered by P as a result of the breach. Gratuitous agents would not be liable under this head.

- A duty not to exceed his/her authority If A has exceeded his/her actual authority having apparent authority only, A will be liable to P for any loss caused thereby.

- A duty to exercise reasonable care, skill and diligence.

  If A breaches this duty, P may recover the loss by using A for breach of contract if there is an agency contract, or for negligence. If a duty is imposed by statute, P might also sue A for breach of statutory duty. For example CAMA, 1990 provides that directors and other executive officers of corporations shall at all times act honesty and exercise a reasonable degree of care and diligence in the exercise of powers and discharge of duties.

- **A Duty to Act in Good Faith –** The relationship between P and A is a **fiduciary** one. Because A has bound him/her self to act in the interests of P and because of the peculiar trust and confidence P reposes in A, equity has seen fit to supervise this relationship basically to prevent A from misusing A's position for A's own advantage. There is also authority that fiduciary duties are based on terms implied into all agency contracts. Thus is imposed on A a duty to act in good faith or honesty, loyally and single mindedly in P's interest. Hence A must:
  - **Not Make a Secret Profit or Take a Bribe –** Ay gain made by A whilst carrying out P's work which gain is kept from P, is a secret profit and recoverable by P. A will also lose his right to commission. However, if A has acted bone fide, A may retain his commission. In Hovenden & Sons v Millhaff (1990) 83 LT 41 at 43, Romer LJ said, 'If a gift be made to a confidential agent with a view to inducing the agent to act in favour of the donor in relation to transactions between the donor and the agent's principal and that gift is secret as between the donor and the agent – that is to say, without the knowledge and consent of the principal – then the gist is a bribe in view of the law.'

    A payment by TP to A still, a bribe although it does not succeed in inducing A to show any preference to TP. If P's agent has been bribed P may recover the bribe or sue A and TP for damages in the tort of deceit; dismiss A without notice; refuse to pay A commission or recover any paid; repudiate the contract with TP who has paid the bribe. The taking and giving of a bribe by A and TP may also amount to a criminal offence under statutes Criminal Code or other State.

- **Not Allow A's Own Interest to Conflict with P's** If there is a risk of conflict A must make full disclosure to P and obtain P's informed consent, otherwise A should decline to act as agent. A's duty is to disclose only material facts – those which a reasonable business person would consider material in the ordinary course of business. Breach of this duty may again render A liable to disgorge the profit as an alternative to paying damages for breach of contract. Alternatively, P may rescind any contract with A. A also loses his/her right to commission on the transaction.

  If A breaches this duty A may be liable in an action for damages or an action for an account of the profits and/or subject to injunction. In Robb v Green [1895] 2QB 315 the court granted an injunction against a former manager of a business to prevent him using, for his own purposes, a list of customers of a business obtained whilst he was manager of the business. After leaving the business, he used the list to set up his own business.

- **A Duty to Act in Person and not to Delegate Authority –** Exceptions include accepted trade or business usage, ministerial duties not involving the exercise of A's discretion or skill. If A delegated authority without P's permission, A will not be entitled to commission for the delegated acts and may be liable for any loss suffered through breach of contract. P will not be obliged to accept the contract.

- **A Duty to Keep Accounts –** A must accurately and properly account to P for any money received or spent on behalf of P and must have any books of account available for inspection. With professional agents, legislation often reinforces this duty.

2. Principal's Duties to Agent

These include:

- **A Duty to Remunerate for his/her Services –** This duty only arises pursuant to the express or implied terms of the agency contract. Otherwise the agency is gratuitous. Before A is entitled to receive remuneration, there must be at least substantial performance of all work A undertook to do. Failure to pay will give rise to an action for breach of contract by A against P. As stated, some agents are statute barred from suing for commission if their appointment is not in writing.

- **A Duty to Indemnify and Reimburse A –** While acting for P, A may incur certain liabilities or may certain payments on behalf of P. In these circumstances, P is obliged to indemnify A against such liabilities and reimburse A for any payments made. Unless otherwise agreed, P is not liable to indemnify or reimburse A where A has acted outside the scope of his/her actual authority, where A has suffered loss through his/her own negligence or default or where the transaction is obviously or to A's knowledge, unlawful. Breach of this duty will usually render P liable for breach of contract or, if there is no agency contract, then the law of quasi – contract where A's claim is for restitution.

- A May Exercise a lien over such Property of P's as in A's Possession For recovery of remuneration due and reimbursement of expenses.

3.4.5 Liabilities of Agent (and of Principal)

A's purpose is to bring P into legal relations with TP. Once this is achieved, A retires from the transaction and, at that stage, the only parties with rights under the transaction are P and TP. However, there are occasions when A may not simply retire from the transaction and the agency (after collecting his/her commission if any) but may find liability attach either towards TP or P.

1. Liability of Agent (and of Principal) to Third Party Agent Acting with Authority

This will depend on A's method of contracting. Where A has authority and:

- A discloses the name of P. Normally only P and not A may sue and be sued on the contract.
- A discloses the existence but not the name of P. A's liability is the same as above provided A contracts as an agent.
- A does not disclose the existence of P, i.e. where A acts as if s/he were P. In this event, A becomes personally liable on the contract – **but** when TP discovers that TP has really contracted with A acting for an **undisclosed principal,** TP may elect to hold either A **or P** liable on the contract – although P is not liable if P has paid A. TP is bound by his/her election. Where TP sues and recovers judgment from A, that is taken conclusively as an election. Merely commencing an action is evidence of election but not conclusive. Undisclosed P may sue TP unless the transaction is entirely inconsistent with agency. The doctrine of undisclosed principal only operates where A has **actual** authority.

Breach of Warranty of Authority – This applies only where A acts in excess of, or otherwise without, actual or apparent authority. It follows that TP can not sue P on the contract but only A for breach of warranty of authority. In Collen v Wright (1857) 8 E&B; 647 the court found that where a purported agent represents either expressly or impliedly, that he or she has authority to enter into a particular transaction and TP relies on that representation of authority, the 'agent' is taken to warranty that such representation is true. Whether the representation is made innocently or knowingly. A will be liable to TP.

2. Liability of Agent – Principal inter se

See duties of agent and principal.

3.4.6 Termination of Agency

The appointment of A may be terminated:

- By act of the parties – by express revocation of authority by P or express remuneration by A;
- By death, unsoundness of mind, or bankruptcy of P or of A;
- By supervening illegality eg P becomes an enemy alien;
- Where appointment was for a specific period, by the effluxion of that period;
- By A becoming 'functus officio' i.e. having completed the assignment A was engaged to perform; or,

- By destruction of the subject matter of the agency rendering performance impossible.

4.0 CONCLUSION

Ige (2007) has stated that "Simple buying and selling of any article which you regularly do has legal implications". It may involve different classes of law, e.g. law of contract, tort law or even criminal law and other miscellaneous laws. So also is the common landlord and tenant relationship, partnership or other commercial transactions and business associations. A little understanding of the law therefore is important to every citizen. Sales of good in business in particular as such it helps in areas of sales of goods, and agreement to sales. A sale of goods is a general guide to business men so that they can be ethical in their day to day business of selling. Once you are at fault as a buyer or seller you will know which action and how to rectify such a problem.

This unit gives you more or less a first aid when you have a problem with contract that you have entered into or you are about to enter into before any other action is taken. No business will ever progress without contract; this will assist in guiding your day to days activities in business so, that you will not waste your finances on contracts that are not legal in the sight of law.

Principal/Agent relationship is fiduciary wherein an agent acts on behalf of and instead of a principal in a contract or other multiple business transactions. In such a process, the agent may bind his/her Principal with a third party. It is important that the principal must have capacity, but the agent needn't. Agency may be created by agreement, ratification or by operation of the law. In the same way it may come to an end by the action of the parties (provided that notice is given by the party seeking to terminate it) and by operation of law. Principal may expressly or impliedly confer authority on her Agent (Actual Authority) or hold out his agent as possessing certain authority (ostensible authority). Duties, as to rights and liabilities are as per agreement or implied. The principal is entitled to every material information, loyalty (and there must be no secret profit), reasonable skill and diligence and any special skill his agent possesses. On the other hand, he must cooperate with the Agent and provide him with safe working condition. The agent may or may not disclose the existence or identity of his principal where there is breach, remedies lie in remedies for breach of contract, indemnification and ratification. You have come to the end of the course "Introduction to Law". Have you enjoyed it? We hope you did. Well done. Now attempt the following questions.

5.0 SUMMARY

In this unit, we have examined the laws relating to business operations, impact of law between one individual and another; rules governing sale of goods and contract; and rules governing the relationship between a principal and an agency.

In the next unit, we shall discuss another interesting topic titled 'business plan and feasibility studies'.

6.0 TUTOR MARKED ASSIGNMENT

1. Read Passages I and II over again and answer the following questions:

   (a) Name the classes of laws involved;
   (b) Discuss the objective of each of them.

2. Write short notes on the following.
   - Hire purchase
   - Delivery of wrong quantity
   - Warranty
   - Sales by description

3. Discuss all the essentials of a contract.

1(a) If you engaged a plumber to come and replace the taps in your sink and you gave him no more specific instructions than that, would he be acting as your agent when he purchases taps from the local plumber wholesale to complete the job?

(b) would your answer be different if you handed the plumber N20,000 and instructed him that you wanted to install gold plated taps, advertised for sale in the latest Myer catalogue?

2. Antonio had picked his last crop of tomatoes for the season. He saw them safely onto Con's truck which was to transport them to an interstate market. In keeping with his promise to his wife and family Antonio flew out the next afternoon for the family holiday in Italy. Half way to his destination, Con's truck broke down and was unable to be repaired for a week. Con tried to contact Antonio to get instructions regarding the tomatoes but Antonio had left no contact address. In desperation con wired another carrying company speedy delivers to get the tomatoes to market on time?

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UNIT 2 PREPARATION OF BUSINESS PLANNING AND FEASIBILITY STUDIES

CONTENTS

1.0 INTRODUCTION

In the last unit, we examined the laws relating to business operations, impact of law between one individual and another; rules governing sale of goods and contract; and rules governing the relationship between a principal and an agency.

In this unit, we shall discuss another interesting topic titled 'business plan and feasibility studies'.

2.0 OBJECTIVES

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

- demonstrate areas and examples of the business planning and formation;
- discuss the importance of business plans and how they are written;
- understand the legal aspect of entrepreneurship development;
- state the importance of feasibility in small and medium enterprises;
- know how to conduct feasibility study.

3.0 MAIN CONTENT

3.1 Business Plan

The development of a coherent and implementable business plan is beneficial to companies and this development should involve a strategic process (Harris and Ogbonna, 2006). Planning is generally, essential for any type of business, whether big or small. A business venture cannot go far in terms of survival and growth without a solid business plan, which is a document that meaningfully describes an entrepreneur's business direction. Inventors or venture capitalists usually want to look at an entrepreneur's business plan before considering about investing their money in the business. Conceptually, a business plan can be seen as both an entrepreneur's business resume and its growth strategy.

One of the most salient steps in the establishment of any new business enterprise is the design of a business plan. According to Burns (1990), a business plan performs the following management functions in a small business enterprise functions:

1. It can assist the entrepreneur crystallize and direct his business ideas.
2. It can help the entrepreneur set goals and objectives, including the associated criteria to measure performance.
3. It can act as a means to attract any form of funding needed for the business
4. It can convince venture capitalist and other investors that the entrepreneur has isolated some beneficial growth business opportunities in all dimensions.

A small business venture without a plan is substantially directionless in terms of environment, goals, policies, and strategies. Generally, a firm's business plan shows the firm's purpose, philosophy, plan of action, expected challenges and the route to future success, growth and development (Turlais, 1999). According to Gumpert (1997), a business plan may be defined as a roadmap, a statement of strategy, or any other relevant conceptual label. Whether exploring a business strategy for growth, or the finances for a business concern, a business plan is an important ingredient in the success of any small business organization (Burns, 1990). Preparing a business plan that outlines the plans, strategies, and goals for an entrepreneur's business concern is useful for any type of business, especially start-up or early stage small business enterprises. These sections discuss how a business plan functions, and the preparation of key sections of a business plan.

3.1.1 Writing a Business Plan

The adequacy, relevance, and soundness of an entrepreneur's business plan can make the difference between a successful company and an unsuccessful one. It should be noted that it is nearly impossible for a business entrepreneur to foresee everything that will happen to his company via his business plan. Additionally, no business plan provides an absolute roadmap to success in any business concern. Therefore, the entrepreneur should be prepared to revise his business plan as the relevant conditions facing his company change and as more accurate data and information become available. Therefore, a small business plan should be flexible enough to accommodate some pertinent business variations. Generally, poor business planning is a major reason for small business failure.

A business plan serves three major functions, which include:

- A planning tool and technique for the growth of the business concern.
- A document to convey relevant information to prospective investors in the business concern.
- An index base to measure and monitor the company's performance over time.

According to Gumpet (1997), the reasons small business entrepreneurs write business plans include:

1. For selling the interests of the entrepreneur and other stakeholders to the relevant audience.
2. To obtain bank funding.
3. To obtain investment finance
4. To arrange joint venture agreements (strategic alliances)
5. To obtain substantial business contracts from vendors
6. To attract major human resource/personnel
7. To tidy-up mergers and acquisition deals.

Some of the salient issues a small business entrepreneur should consider when writing a business plan include:

- The business plan should be as concise as possible. The relevant audience may not want to read a long-winded document. As a rule of thumb, a business plan should comprise thirty-five single spaced pages at most, excluding the appendices.
- A business plan should be easy to read and comprehend, without typographical or grammatical errors.
- A business plan should inform the relevant audience concerning the large and profitable market opportunities for the business enterprise.
- A business plan should convey the strength and depth of the company's management team, among others.

3.1.2 Format of a Business Plan

According to Burns (1990), any format for a proposed business plan should be seen as providing only general guidance, since every business is unique. As a result, any perceived standardized business plan is substantially inappropriate in most business situations. However, the forms and structures of all good business plans tend to possess some general basic features. ***The format of a business plan may be relatively standardized, and typically contains the following major sections:***

Cover page: This contains contact information and a confidentiality statement concerning the business plan/document for the business in question.

Table of contents: This enables readers of the business plan document to quickly find the exact information they are looking for, in terms of pages and sub-titles.

Executive summary: This explains, briefly, the company's business's prospects, needs, and situation in a capsule form.

Company description: This contains a background and historical account of the company as well as its future prospects, and other cognate issues.

The product or service: This explains what is distinct about the products, ideas or services, which the business will deliver.

The market: This creates a picture of the relevant market segment(s) in which the business concern wants to compete.

Marketing: This section of the business plan informs reader of the business plan of how the business entrepreneur plans to capture his company's potential market segment(s) via packaging, pricing, mega marketing, distribution and advertising policies and strategies, among other strategic marketing practices.

Management/ownership structure: This section introduces the people holding (or likely to hold) leadership/responsibility positions in the business concern.

Competition: This focuses on strengths and weakness of company's competitors.

Financial statements and projection: This section of the business plan includes such issues as the company's balance sheet, income statement, cash flow statement, and financial forecasts, among others.

Appendices: This section of the business plan contains resumes of key personnel of the business concern, an organizational chart with positions and responsibilities, extended market information, and other data to back up claims made in the business plan.

Each of the above-stated major sections of a business plan is now explained below:

Cover page

The small business entrepreneur's business plan's cover page should look professional and informative. Additionally, the cover page should contain an appropriate confidentiality statement. Although the confidentiality statement may not be legally binding, the business entrepreneur, in the cover page, wants to let the readers know that he expects them to keep the data and information in the business plan confidential.

The executive summary

The executive summary is the introduction to a company's business plan and may be seen as the most important section in a business plan, especially for busy corporate executives. Although it comes first in a business plan document, it is advisable to write it last, because it summarizes the entire business plan, including other relevant sections.

Executive summaries of business plans are expected to cover the following major issues:

- The company's origin/background/history.
- The products, ideas, or services offered (or to be offered) by the company, including their uniqueness or competitive advantages.
- The company's goals and objectives.
- The market potential for the products or services of the company
- A three to five year summary of key financial forecasts, especially sales and profit/loss. If the business operator is in a new business, he may have to do some research on his market of interest in addition to the relevant environments, and then make some realistic assumptions about how his business can compete, be efficient and effective, and forecast of likely performance measures.
- The management team for the business concern and its track record\.The financing policies and strategies required for the business to survive and grow
- Other relevant issues, policies and strategies.

The company description

The company description section of the business plan should convey a sense of the history and origins of the company, as well as its goals. Relevant pieces of information that can be included in this section are:

- When was the company founded and by whom?
- What is the company's form of business organization?
- How did the concept for the company's product or service originate?
- Is the company's product or service protected by patent, copyright, or trademark?
- Why is the product or service worthwhile and viable?
- What sales have been recorded to date, and what markets has the product/service penetrated?
- How much money has been invested in the company to date?, among other cognate issues of interest.

Also, a summary of the company's principal objectives (both its long term statement of purpose as well as its specific, obtainable, interim goals) should be included in this section of a business plan.

3.1.3 Management Team

The management team section of the business plan identifies the key members of the company's management team, describes their responsibilities, and documents the relevant experience and accomplishments of each member of the team. This section of a business plan should emphasize each person's unique abilities and the synergy created by the combination of talents in the team. Also, a complete resumes of the management team members that stress accomplishments and relevant track records should be included in the appendix.

The product

If the company is producing a product or service, the product section of the business plan describes not only what the product/services is or will be relative to competing products/services, but also why the product/service has potential penetrate into the existing or developing market segments. For example, if a company is marketing a new type of black belt,, it should be able to discuss, in this section, how this belt may be useful to delivery men, dock workers, among others.

The product description should discuss the product's use and function, in addition to the needs and wants, which the product/service serves. The distinctive features of the product/service, including the advantages and disadvantages of those features should be highlighted. In addition to the product's attributes, cost quality, reliability, and price are significant issues that should be included in this section of the question.

The market

This section of the business plan describes the relevant market segments for the company's products or services. If the market is small or stagnating, investors are less likely to invest in the company. The market section of business plan can also discuss the following:

- Trends in the market,
- Market receptivity to new products or services.
- Characteristics of typical customers or clients forming the market
- Market shares held by different competitors,
- The significance of price, quantity, performance, service, and warranty to the relevant market segments.
- Feedback about the product or service from potential customers or clients.
- Independent market studies, data, information or statistics,
- How the market is attended to or serviced.

The appendices can include more detailed supporting information/documents on the major sections of a business plan.

EXAMPLE 1: A BUSINESS PLAN FOR AKIN RESTAURANT

Section 1: Introduction

- Name of the business
- Address of the business
- Ownership
- Product to be offered/supplied
- Nature of the business/mission

Section 2: Management Team

- People required for the business

- Duties and responsibilities
- Monthly annual cost of labour.

Section 3: Marketing Strategy
- Marketing strategy to be used.
- The customer for the product
- Pricing strategy
- Packaging system
- Promotion strategy
- Competitors – weakness and strengths.

Section 4: Production Plan
- Product development
- Production process
- Machinery
- Raw materials.

Section 5: Financial Management Strategy and Issues for the Business
- Source of capital
- Capital outlay and analysis
- Financial and economic plan.

Section 6: Assumption on Environmental Factors
- Internal environment factors
  External environment factors.

3.1.4 Legal Aspects Of Entrepreneurship

Generally, a small business entrepreneur should be aware of some categories of laws relevant to his business operations, and these include:

- Business formation laws.
- Consumer protection laws: Various laws protect consumers from fraudulent acts, misleading advertisements, and defective products, among others.
- Contract laws.
- Employment hiring laws
- Environmental laws and regulations: Various laws and regulations deal with issues like emissions, asbestos, hazardous waste, the discharge of water, and other items that affect the environment, among others.
- Intellectual property laws.
- License and property laws
- Securities laws, which deal with how to comply with these laws when selling stock or other securities.
- Tax laws.
- Zoning laws: Local laws/regulations may limit the use of particular property and may regulate parking, waste disposal, signage-post, business that can be conducted, among others.

3.1.5 Record-keeping of Relevant Laws for Small Business & entrepreneurship Management

A small business entrepreneur should keep records in order to comply with various laws and to properly operate his business. Therefore, a small business entrepreneur needs establish a system where he can file records of relevant law requirements and documents in a way that they can be easily and efficiently retrieved. Some of these records for legal requirements include:

Accounting and bookkeeping records: These records include sales and expense information, inventory, ledgers, income statements, balance sheets, cash flow statements, among other financial statement.

Bank records: These records include all contracts a small business enterprise has entered into, including real estate leases, equipment leases, purchase agreements, sales agreements, joint venture agreements, work for the hire agreements, and other relevant contracts.

Corporate records: If an entrepreneur's business is a corporation type of business, the records here include the articles of incorporation, bylaws, shareholder minutes and consents, board minutes and consents, state/federal filings, actions of incorporations, and amendments to the various corporate documents. If an entrepreneur's business is not a corporation, then the other documents that may be relevant here are partnership agreements, LLC documents, consents of the owners, and other relevant records.

Correspondence Records: These records include letters sent by mail, but may also include faxes and important e-mail that the entrepreneur may not want to lose and do want to keep in hard copy. These records also include both correspondences received and set by the small business enterprise.

Employee records: These records relate to the small business enterprise's employees, including completed employment applications, actual employment offer letters, employee handbooks or policies, employment agreements, performance appraisals, employee attendance records, employee termination letters, and any settlement agreements with terminated employees.

Business forms: A small business entrepreneur should plan to build up and maintain a many standard forms that can be used in his business enterprise. These can be including standard form of purchase order, sales agreement, offer letter to new employees, employment applications among others.

Intellectual property records: These records include any trademark applications, copyright filings, patent filings and patents, licenses, and confidentiality or non-disclosure agreement.

Marketing and advertising records: These records include any marketing brochures, print advertisements, web banners, radio and text, and other marketing materials.

Permits and license: These records include any permits, licenses, or registration forms needed to operate the small business enterprise, whether required under federal, state, or local laws.

3.1.6 Avoiding Personal Liability in Small Business Enterprises

An entrepreneur's small business enterprise is subject to a number of legal obligations and liabilities. Ideally, an entrepreneur would want these liabilities to belong to the business enterprise, and not run the risk that the business enterprise's owners face personal exposure to business liabilities.

If an entrepreneur is operating a sole proprietorship type of small business enterprise, he cannot escape liability. But if the business concern is a corporation or limited liability company (LLC), the entrepreneur can likely avoid the personal liability problem if he follows some reasonable steps.

A corporation type of small business can reduce the possibility that the individual shareholders are subject to liability for the corporation's obligations by noting the following guidelines:

Adequate capitalization: The Corporation should ensure that it is adequately capitalized from its beginning to enable it carry on its business activities.

Insurance: The Corporation should obtain insurance to cover all of its needs and risks.

Formalities: The Corporation should observe all corporate formalities, which generally refer treating the entrepreneur's business as a separate entity, and properly documenting the formation of the corporation, bylaws, and issuance of stock, including the recording of important resolutions and the minutes of meetings like shareholders and board of directors meetings.

Proper signature: The officers and other authorized persons should execute all letters, contracts, or other documents – signed on behalf of the corporation in the corporation's name rather than in their individual capacity. To do so, a signature should give the corporation's name, and then the officers' signature, name and title.

No mingling: Corporate funds should not be co-mingled with the funds of the individual shareholders, or any other entity involved with the corporation. Furthermore, the corporation should maintain separate operations and records from those of other entities or subsidiaries and its shareholders.

Withholding: Guarantees by small business entrepreneurs.

3.1.7 Protecting an Entrepreneur's Ideas and Inventions/Intellectual Property Law

Copyright and intellectual property issues are not only for large business enterprises. In fact, Kortum and Lerner (1997) assets, with empirical evidence that the increase in copyright and intellectual property issues via patenting seems to be uniformly spread among large business organization and small business enterprises, specifying that the relative share of copyright and intellectual property demands by small business enterprises have been increasing more profoundly than it used to be previously. In short what obtains in most countries of Africa is that even though intellectual property laws exist in the statute books, most small business entrepreneurs are either ignorant f their intellectual property rights, or are not enthusiastic and committed in protecting such right.

All small business enterprises need to protect their intellectual property. Intellectual property is a term that covers a variety of rights in inventions, trade secrets, and creative works. According to Ficsor (2001), well-balanced copyright regulations and intellectual rights protection may contribute to survival and success of a small business enterprise. These rights may be protected by federal law (patents, for example) or by state law (such as trade secret laws). Both the small business enterprise's founders and its investors have a stake in ensuring that the enterprise protects its intellectual property and avoids infringing the intellectual property of third parties. Also, all of the firm's employees and independent contractors should sign agreements that retain the firm's intellectual property rights if an employee develops a new product/service for the firm.

Small business enterprises have a lot to gain from knowing and utilizing the intellectual property system both nationally and internationally. ***Cordsen (1998) has documented some of these benefits, which include the following:***

(1) SBEs use intellectual property information and knowledge as a tool for product development, in particular, and marketing in general.
(2) SBEs use intellectual property knowledge and information to obtain information about market position improvement on a local market.
(3) SBEs use intellectual property system to know market position improvement on the global market.
(4) SBEs use the copyright system to obtain improvement on the managerial competencies of their enterprises.
(5) The intellectual property system creates business opportunities for the licensing and internationalization of the activities of small business enterprises.

Generally, there are many challenges, dangers, and business opportunities in issue pertaining to copyright and intellectual property protection, which are of relevance to small business enterprises (Ficsor, 2001). It is a known fact that small business enterprises engage in business activities, which are essential for the protection, maintenance, and promotion of cultural plurality, national and economic identity, and traditional/ethnic artistic creativity.

3.1.8 Government Regulations in Small Business & Entrepreneurship Management

The role of governments in small business enterprises, all over the world, has been assuming increasing relevance in recent times (Silver, 1978). This comes in form of legislations and other forms of regulations. In Nigeria, for example, the regulatory role of government in small business activities, specifically, emphasizes the use of policies, edicts, acts and decrees to regulate small business activities with a view to achieving social, security, political and economic goals toward maintaining stability, growth and development in Nigeria. Some legislation that have been used in regulating Nigerian small business activities over the years include:

NEPC: This stands for Nigerian Enterprises Promotion Council Decree 41, 1988. This is used for developing and promoting exports, and assisting the development of potential exports by small business enterprises, among other types of businesses.

NSITF: This stands for Nigerian Social Insurance Trust Fund. Decree 38, 1993 for social security of employees in small business enterprises, among other employees in Nigerian companies, pertaining to unemployment, death, invalidity, and emigration.

CAMD: This stands for Company and Allied Matters Decree of 1990, with its amendment, and is used for registration and monitoring the operations of business enterprises in Nigeria.

CAT: This stands for Company Act Tax of 1979. This law is to encourage participation of foreigners in business in Nigeria, including small business operations, by exempting certain foreign investors from taxation in Nigeria.

NIDB: This stands for Nigerian Industrial Development Bank, established by a decree in 1988, with the purpose of encouraging general industrial development in Nigeria.

SEC: Security and Exchange Commission, established by Decree 23 of 1979, with the purpose, among others, of encouraging small business enterprises to utilize the capital market in their business operations.

Copyright Decree 47 of 1988: The purpose of this law is to protect patents and originality of creative and innovative works of small business enterprises, among others.

Nigerian Broadcasting Commission Decree of 1992: This law was promulgated to regulate the activities of government and private broadcasting companies, including those involved in small and medium scale enterprises.

NERFUND: This stands for Nigeria Economic Reconstruction Fund, which was established by Decree 2 of 1989. It was established to assist small business enterprises in Nigeria.

NEXIM: Nigeria Export and Import Decree,

NAFDAC: Nigerian Agency for Food and Drug Administration and Control

FEPA: Federal Environmental Protection Agency, established in 1986.

Other laws promulgated to sanitize the banking industry and the execution of contracts include the Failed bank Decree of 1994, and the Failed Contract Decree 1997. Capitalization of banks, and the SMEIEIS, among others. These laws/legislations/policies have implications for efficient and effective small business and entrepreneurship management in Nigeria.

3.1.9 Commercialization and Privatization Decree 25 of 1998.

BPE: This stands for bureau for public enterprises, which is charged with the responsibility of carrying out privatization and commercialization of public enterprises in Nigeria.

Small business enterprises and their operators should understand that governments oversee business enterprises all over the world. Expectedly, governments set policies based on what they believe would serve the greatest interest of the people and the governments in question. Particularly, small business enterprises involved in international business should be sensitive to the role and barriers posed by governments of the host countries of business interests. According to Curry (1999), some of the barriers which governments can create in international business activities include tariffs, inspections, import licensing, restrictions on distribution, environmental controls (such as packaging, product content labeling, and pollution controls, among others), technology transfer requirements, custom delays, local partnership requirements, local content requirements, quarantine, quotas, anti-dumping laws, embargo, national security issues, export tariffs, export licensing, anti-rerouting measures, job protection sentiments, and the activities of trading blocks, among others.

Therefore, before establishing any business organization in Nigeria, there are certain factors that must be considered. These factors include, among others:

1. **Personal Circumstance:** The entrepreneur should weigh his personal circumstance, including capabilities.

2. **Existence of business opportunity:** This is concerned with the demand for the product or service the business organization intends to render. Research must be made about satisfaction of customer, or how to improve the product or service if the business has already been established.
3. **Availability of capital:** This deals with the capital, which includes machinery, equipment, etc.
4. **Form of Ownership:** It is legal for the entrepreneur to determine whether the business should be one-man business, partnership, etc.
5. **Management of the proposed business:** Good management is essential to the business organization. It determines partly whether the business will fail or survive.
6. **Location:** The entrepreneur should consider issues like nearness to market, raw materials, depending on the type of business, among other factors.
7. **Legal requirement:** In Nigeria, there are rules and regulations that governments make to guide and protect employers, employees, and consumers/clients such as the company Act of 1968, the Nigerian Enterprises Promotion Act of 1972 & 1977, Business Act of 1961, the Companies and Allied Matters Decree of 1990, and the Consumer Protection Decree of 1995, among many others.

3.2 Feasibility Study in Small Business and Entrepreneurship Management

In most countries and companies, the success of business projects is more commonly measured in terms of financial efficiency than in any other measure or approach (Degarmo, Canada, and Sullivan 1979). It is not likely that a small business project, for example, will achieve optimal financial success unless it is also properly planned and operated with respect to its technical, social, commercial and financial requirements. Feasibility study or research assists in making rational business decisions in small enterprises.

According to Onyegbu (1987), feasibility studies help in taking a business management decision on whether to accept, modify, or reject a business project based on the analysis of the project's merits and demerits. This analysis will result into optimal decision through objective and systematic collection, analysis, interpretation, and reporting of the relevant data and information pertaining to that business project in question. Simply put, the method of scientist business research is important in feasibility studies.

Feasibility study in small business and entrepreneurship management is part of the planning process. It may be defined as an examination of all factors surrounding the market, production, marketing, staffing, and financial aspects of a small business venture. The final output is a managerial recommendation with qualification. Specifically, feasibility studies in small business management are often associated with new business ventures or enterprises.

3.2.1 Major Features of Feasibility Study

Generally, the major features/sections of a feasibility study for small business enterprise may include:

a. **The product or service:** This section of a feasibility study deals with the type of service of product the small business enterprises plans to go into.
b. **The market size of product or service:** This section of a feasibility deals with the size of the market the small business enterprises expects to have. The small business organization has to know the number of consumers or clients for its products or services and the number of competitors or other relevant environmental factors in the industry.

c. **The management team:** Also to be ascertained in the feasibility study is the number of people to be involved in the management of the small business enterprise, include their qualification, etc.

d. **The production or operations process and plan:** This section of the feasibility study should highlight how the product or service of the small business enterprise will bee made including associated technology, processes, purchases, expenses, etc.

e. **The marketing plan:** This section deals with the planned strategies of achieving the amount of sales anticipated, and other marketing strategies and performance measures.

f. **Manpower requirement:** This section concerns the human resource the small business enterprise is going to make use of and their salaries/wages.

g. **Estimated capital expenditure:** This section deals with the types of fixed assets, like machinery, furniture etc. which the small business organization hopes to utilize.

h. **Estimated working capital:** This section states the amount of money to be provided for daily use or operations.

i. **Cash budget:** This section gives an estimate of how much the small business organization expects to get as revenue within a year, or any other chosen period, and how much it expects to spend. Included, also, is income statement giving the synopsis of income estimates, operating expenses, and other relevant items.

j. **Projected balance sheet:** This section of a feasibility study is the financial report that summaries the estimated assets and liabilities of the small business enterprise.

k. **Profitability analysis and evaluation of the project:** This is the point of decision making on whether to engage in the business or not. There are certain guidelines that will help in taking a decision. These include:
   1. Break-even analysis
   2. Determination of payback period.
   3. Determination of annual rate of return.

Data and information for small business feasibility studies may be collected through the usual business research methods of survey, observation, social and business networks and experimentation, among others. Since small business research audiences vary, the format for reporting feasibility studies varies from one business research problem, audience or project to another.

4.0 CONCLUSION

We note from the discussions in the unit that the development of a coherent and implementable business plan is beneficial to companies. We also note that a business venture cannot go far in terms of survival and growth without a solid business plan, a document that essentially describes an entrepreneur's business direction. It is equally noted that inventors or venture capitalists usually want to look at an entrepreneur's business plan before considering about investing their money in the business. A business plan is therefore seen as an entrepreneur's business resume and its growth strategy.

This unit gives you more or less a first aid when you have a problem with contract that you have entered into or you are about to enter into before any other action is taken. No business will ever progress without contract; this will assist in guiding your day to days activities in business so, that you will not waste your finances on contracts that are not legal in the sight of law.

Feasibility study in small business and entrepreneurship management, on the other hand, is part of the planning process. as it is seen as an examination of all factors surrounding the market, production, marketing, staffing, and financial aspects of a small business venture. The final output is a managerial recommendation with qualification.

5.0 SUMMARY

In this unit, we have examined the rules guiding preparation of business plan and feasibility study in a small scale business and entrepreneurship.

In the next unit, we shall discuss yet another interesting topic titled ‘entrepreneurship and the internet system’.

6.0 TUTOR MARKED ASSIGNMENT

1. What is a business plan? What are the components of a business plan? List them and discuss them briefly.

2. Define a feasibility study, list and explain the parts that make up a feasibility report?

3. Compare and contrast a business plan and a feasibility study.

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UNIT 3 ENTREPRENEURSHIP AND THE INTERNET SYSTEM

CONTENTS

1.0 INTRODUCTION

In the last unit, we have examined the rules guiding preparation of business plan and feasibility study in a small scale business and entrepreneurship.

In this unit, we shall discuss yet another interesting topic titled 'entrepreneurship and the internet system'.

With this, we have come to the end of this course. We congratulate you on the successful completion of this course and wish you all the best in your programme as you move to the next level.

2.0 OBJECTIVES

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

- enumerate and discuss the importance of internet in today's business activities;
- state how enterprise can exploit internet facilities for current global market system;
- determine whether or not internet has a role to play in successful entrepreneurial activities.

3.0 MAIN CONTENT

The internet has revolutionized the computer and communications world like nothing before. The invention of the telegraph, telephone, radio and computer, set the stage for this unprecedented integration of capabilities. The internet is at once a world-wide broadcasting capability, a mechanism for information dissemination, and a medium for collaboration and interaction between individuals and their computers without regard for geographic location.

The Internet today is a widespread information infrastructure the initial prototype of what is often called the National (or Global) information structure. Its history is complex and involves many aspects –technological, organizational, and community. And its influence reaches not only to the technical fields of computer communications, but throughout society as we move toward increasing use of online tools to accomplish electronic commerce, information acquisition and community operations.

The internet is a network, as network of networks. It is a network of millions of computer all over the world. It is a global information system that is logically linked together by a globally unique address space, based on the Internet protocol (IP) or its subsequent extensions and is able to support communications using the Transmission control protocol (TCP)/Internet protocol (TCP/IP), suit or its subsequent extension and/or other IP – compatible protocols, as well as provides uses or makes accessible, either publicity or privately, high level services layers on the communications and related infrastructure. The Internet has become the largest and most important network of networks today, and has evolved into a global information superhighway.

3.1 Application of Internet

With the invention and development of Internet, process of communication has never remained the same. The internet has not duly revolutionized the way and means by which we communicate, it has influenced the way we do business, relate to each other, especially across long distance, and even the way the government carry out the business of governing, especially in advance countries. Some of the main applications of the internet include, but not limited to E-mail, World Wide Web, Usenet news groups, Internet Relay Chat, Multi-User, Dungeons, Mailing Lists etc.

State of the Art

Oduneye, Nwakeabia and Afolabi (2007) note that in developed economy, organization of all kinds are implementing a broad range of internet users. Internet can significantly improve communication and collaboration within an enterprise and also with the external public. For example you can use the browser on your PC or NC workstation to send and receive e-mail voicemail, paging, and faxes to communicate with others within your organization and externally.

In western world, the internet has become a strategic tool in the hand of the mega organizations. The management of such organization have come to see the internet as a veritable media of getting across to their customers, both internal and external, advertising their products, informing the stakeholders, finding out about competitors as well as a means of getting feedback from the public, concerning all that the organization stands for, which very often shape and reshape the policies of the organizations.

In Nigeria, access to the internet is still very much limited to few people, and fewer corporate organizations avail themselves of the enormous opportunities presented by the internet. Even the organization that uses internet sees it as just a medium of sending e-mail to business partners and displaying their websites on the net.

The internet presents more opportunities than just this skeletal usage. ***There are various ways an organization can tap into the huge mine of resources and opportunities presented by the internet. These could include:***

(1) Using the internet as a medium to bridge the communication gap between the organization and its publics.
(2) Using it as a means to get feedback from the public of the organization
(3) Data mining: The internet is rich in information. It is a market place of ideas the entrepreneur can collect a lot of data from the internet about competitors, customers, government policies, various guidelines guiding the conduct of their business. All these

information could add a huge input into the process of policy formulation and even in setting targets and goals.

3.2 Emerging Trends: The Internet and e-Commerce

Kuratko and Hodgelts (2001) term internet and e-commerce the emerging trends they note that Peter F. Drucker has stated that the "truly revolutionary impact of the Information Revolution is just beginning to be felt. The explosive emergence of the Internet as a major, perhaps eventually the major, worldwide distribution channel for goods, for services, and, surprisingly, for managerial and professional jobs is profoundly changing economies, markets, and industry structures; products and services and their flow; consumer segmentation, consumer values, and consumer behavior; jobs and labour markets."

This quote summarizes quite succinctly the tremendous impact that the internet is having on the global marketplace. The statistics appear to support this claim of profound change from the "Internet explosion. For example, U.S. businesses spent $85.7 billion on building up their Internet capabilities in 1999, according to International Data Corporation (IDC; Framingham, Massachusetts), up to 39 percent from one year earlier. Manufacturers and financial services companies are pushing their electronic-commerce (e-commerce) initiatives aggressively particularly, media companies, retailers, utilities, however, are also spending billions of dollars in hopes of mastering the internet's promise and turning it into a revenue and profit generating tool for themselves. The allure of doing business on the internet is simple. Online technology provides low-cost, extremely efficient way to display merchandise, attract customers, and handle purchase orders. But getting all the parts of an e-commerce strategy to work smoothly can be a challenging experience. For every company that has it right, countless others are struggling to upgrade their web sites and related infrastructure.

Smaller ventures use the internet for a variety of operations, including customer-based identification, advertising, consumer sales, business transactions, e-mail, and private internal networks for employees. Seventy-eight percent of small venture owners with a web site have declared the ability to reach new and potential customers as their main reason for having one.

Kwratko and Hodgetts (2001) note further that internet use by small ventures is on the rise: The number of entrepreneurial businesses with access to the internet nearly doubled over a two year period, from 21.5 percent in 1996 to 41.2 percent in 1998. As many as 35 percent of small businesses maintain their own web site. Research shows that smaller organizations that utilize the web have higher annual revenues, averaging $3.79 million in 1998 compared with $2.72 million for all small ventures! In Nigeria the situation is markedly different as the use of internet is still a marvel to most small business operators. However, the multidimensional use of internet application in Nigeria by an innovator was reported by (Amatus, 2007).

The e-Commerce Challenge

Electronic commerce (e-commerce) the marketing, promoting, buying, and selling of goods and services electronically, particularly via the internets, the new wave in transacting business. E-commerce encompasses various modes of internet use:

- e-tailing (virtual store fronts), which is a site for shopping and making purchases.
- electronic data interchange (EDI), which is business-to-business exchange of data.

3.3 Advantages and Challenges of e-Commerce

3.3.1 Advantages

1. Ability of small firms to compete with other companies both locally and nationally (promotional tools).
2. Creation of the possibility and opportunity for more diverse people to start a business.
3. Convenient and easy way of doing business transactions (not restricted to certain hours of operation, open 24 hours a day, seven days a week).
4. An inexpensive way (compared to the cost of paper, printing and postage prior to the internet) for small business to compete with larger companies and for firms in a country to make their products available in other countries.
5. Higher revenues for small business that utilize the internet, averaging \$3.79 million compared to \$2.72 overall (IDC research).

3.3.2 Challenges

1. Managing upgrades (anticipating business needs/application)
2. Assuring security for a Web site and the back-in integration with existing company systems.
3. Avoiding being a victim of fraudulent activities online
4. Handling the costs required to maintain the site
5. Finding and retaining qualified employees

Small firms encounter a number of barriers when pursuing the e-commerce route. These include initial start-up costs, difficulty in attracting and keeping technologically skilled personnel to service the site and customers, establishment of adequate security for a small business its customers') data, and consumer truest. The most immediate obstacle facing companies that seek to fully implement e-commerce is the cost.

Numerous new strategies are being introduced to aid entrepreneurs who are entering the powerful internet market place. A few of the strategic summarized by Kuratko and Hodgetts (2001), include the following:-

The 3 – P Growth Mode, introduced by Ernst & Young, defines three specific stages for a venture pursuing the e-commerce route:

1. **Presence:** The ramp-up stage where the entrepreneur needs to build an excitement about the specific capabilities or offerings of the venture in the marketplace.
2. **Penetration:** The "hyper-growth jetting" where the entrepreneur focuses on gaining market share and establishing greater virtual integration.
3. **Profitability:** The managed growth stage where the entrepreneur needs to focus on expanding revenue via business – to – business transactions and increased operational efficiencies.

4.0 CONCLUSION

We noted from the discussions in the unit that the internet has revolutionized the computer and communications world like nothing before. We also noted that the invention of the telegraph, telephone, radio and computer, set the stage for this unprecedented integration of capabilities.

We discussed internet application, the emerging trends of internet and e-commerce, the advantages and challenges of these phenomena in today's business world.

5.0 SUMMARY

In this unit, we have

- enumerated and discussed the importance of internet in today's business activities;
- stated how enterprise can exploit internet facilities for current global market system;
- determined whether or not internet has a role to play in successful entrepreneurial activities.

6.0 TUTOR MARKED ASSIGNMENT

1. What do you understand by the concept 'internet?'
2. In what way does internet differ from e-Commerce?
3. What are the advantages of internet and e-Commerce to business operations?
4. State the disadvantages of internet and e-Commerce to business operations.

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