



DRAFT TRAINING MANUAL
FOR
GENERAL ENTREPRENEURSHIP COURSES IN
UNIVERSITIES

COURSE 1: ENTREPRENEURSHIP AND INNOVATION
MODULE 9:
BUSINESS OPPORTUNITY AND CONSTRAINTS
EVALUATION

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DRAFT MODULE 9: BUSINESS OPPORTUNITY AND CONSTRAINTS EVALUATION

OBJECTIVES:

Upon completion of this module, students would have been able to:

- a) Examine opportunity; taking into consideration the criteria used by successful entrepreneurs, “Angels” and venture capital investors in evaluating potentials ventures.
- b) Discuss the difference between an idea and an opportunity
- c) Identify sources of information for finding and screening venture opportunities.
- d) Examine resource constraints for actualizing their ideas
- e) Generate some new venture ideas that will eventually be used in their business planning process.

TIME: 3 Hours

RATIONALE:

The establishment of any business starts with a thought -the product of an idea. A business idea comes as a result of careful meditation and/or search of the environment for solution to perceived challenges. Once the identification of opportunity has been completed the next stage is information gathering and analysis. Then a plan of action is developed and a commitment to taking bold steps towards actualizing it is the final stage.

To set up an enterprise, the entrepreneur often takes action based on his faith in his ability to actualize his idea. His action plan is predicated on a thorough evaluation of the viability of the venture and the resource constraints. He then sets his mind on the realization of the goal without care for whatever anybody thinks or says.

ACTIVITIES

- 1. Students should have a class discussion to identify the various ways entrepreneurs identify business opportunities.
- 2. Discuss the various sources of opportunities in the local business community e.g. resources available in the community.
- 3. Using Opportunity Analysis Worksheet 1, make students conduct a survey of business ideas and opportunities in their community. Divide the class into groups for this assignment.
- 4. Make students to shortlist three ideas, which they can further evaluate with a view to starting a business of their own.

HANDOUT 1: SOURCES OF BUSINESS OPPORTUNITIES IN NIGERIA

In Nigeria, there are various sources from which entrepreneurs can obtain venture ideas. Some of these sources are:

1. **Entrepreneurs' Social Networks:** Social networks encompass all the people an individual knows, family members, friends, and business associates. People within an entrepreneur's social network can help expand the boundaries of his rationality by expanding the knowledge and information levels of entrepreneurs, which can lead to the identification of more ideas and the recognition of more opportunities.
2. **Prior Experience:** One's experiences in previous occupations, environments or with peers are often source of entrepreneurial business ideas and opportunities.
3. **Existence of a Similar Business:** An environment where businesses are preoccupations of its residents generates admiration from potential entrepreneurs who work towards establishing and running their own enterprise, especially if existing enterprises are successful ones.
4. **Hobby/Personal Interest:** One's interest is usually a very pervasive factor in successful entrepreneurship. The need to identify one's interest and the possibility of it being converted and exploited as a business venture requires that individuals are alert to evaluating the entrepreneurial opportunities that are inherent in that interest.
5. **Market Research:** A deliberate search of the demand and supply levels of particular products or services may spin information on unexploited niches in terms of supply or demand gap to be filled. The gap may be the need to provide goods or services for markets that are under-served, customers' changing tastes and preferences that are unfulfilled, customers' needs unidentified and the need for to serve a segment of the market in terms of pricing, packaging etc.
6. **Electronic and Print Media:** Some surveys are often given wide publicity in both print and electronic media. Information on business feasibility studies, business prospects and challenges are made known to the public. This engenders interest in business start up.

The Process of Generating Ideas and Scanning for Business Opportunities

A major step in any entrepreneurial venture creation process is the recognition of the opportunity by the entrepreneur. Opportunity recognition connotes perceiving a possibility for new profit potential through: (a) the founding and formation of a new venture, or (b) the significant improvement of an existing venture.

From this broad definition, opportunity recognition can be conceived of as an activity that can occur both prior to firm formation and after formation of the firm through into the life.

An idea for an entrepreneurial business does not necessarily equate to an opportunity although it is always at the heart of an opportunity. Entrepreneurship is a market driven process, other factors must exist to support the new product idea for it to become an opportunity as potential customers must want the product. Hence, we can think of the “idea” as a stepping stone that leads to an opportunity. Opportunity recognition is therefore a process.



Figure1: Basic Steps of the Opportunity Recognition Process

Scanning Business Opportunities in Nigeria

Once the entrepreneur perceives opportunities, it becomes important to scan the environment. It is quite possible that many of the promising opportunities might not make commercial sense. Scanning involves close examination of the environmental conditions and their impact upon the business idea. It is an attempt to look beyond the immediate opportunities to the emerging trends. An attempt can be made to modify, adapt, rearrange, substitute, combine, reverse, etc.

Business opportunity scanning is the study and interpretation of the political, economic, social and technological events and trends which influence a business, an industry or even the total market.

Business opportunity scanning is necessary to decide strategy. Opportunity scanning can take place in business eco-system, covering technology, economy, market, finance, competitors, demography, supplier, government and labour markets.

Scanning for Business opportunities cover:

- a) Technology, basic research and development, application of research and development;
- b) Government regulations;
- c) Economic conditions;
- d) Buyer strengths;
- e) Demographic, economic, attitudinal, awareness, educational;
- f) Labour markets;
- g) Competitors; and
- h) Supplier strength.

The idea can be generated from the environment. Further actions involve filtering of information from the business environment, identifying opportunities, evaluating them and crystallizing one specific idea.

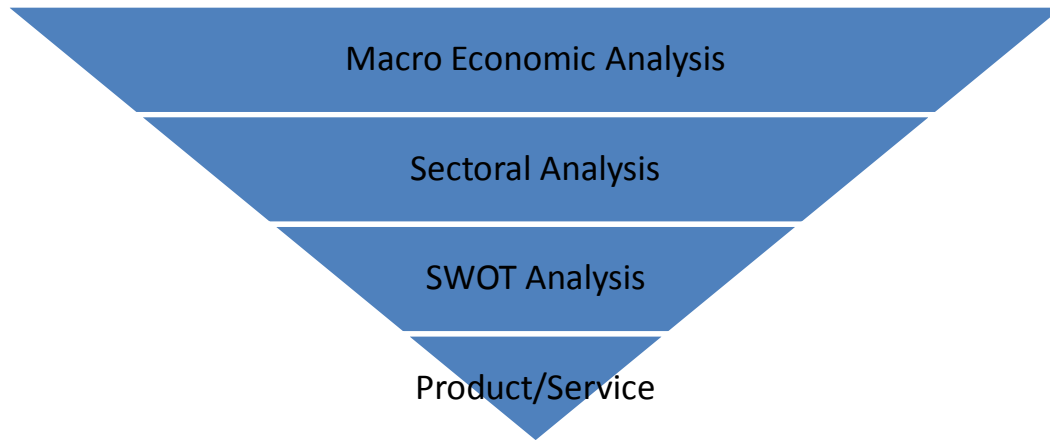


Figure 2: The hierarchical approach to developing a business idea

Self-Assessment Questions

1. What do you understand by the term business opportunity? What is the relevance for an entrepreneur?
2. How do entrepreneurs identify opportunities?
3. Do you think it is important for an entrepreneur to scan for opportunities in the small scale sectors? Give reasons.

Worksheet 1: Quick Opportunity Analysis

Each student should be encouraged to select a business idea from scanning the immediate environment of his institution. He should answer the following questions to help him focus his attention on creating a viable business venture out of this idea. Please note that the idea can be modified at any stage of this exercise based on new realities from this quick analysis.

- ✚ What market need does my idea fill?
- ✚ What personal observations have I experienced or recorded with regard to that market need?
- ✚ What social condition underlies this market need?
- ✚ What market research data can be marshalled to describe this market need?
- ✚ What patents might be available to fulfil this need?
- ✚ What competition exists in this market? How would I describe the behaviour of this competition?
- ✚ What does international market look like?
- ✚ What does international competition look like?
- ✚ Where is the money to be made in this activity?

Suggested further readings

- Aruwa, S.A.S. (2006). *The Business Entrepreneur*. TEA Publishing, Kaduna.
- Bygrave, B. (1994). *The portable MBA in entrepreneurship*. John Wiley & Sons, New York.
- Christensen, P. S., Madsen, O. O., & Peterson, R. (1989). *Opportunity identification: The contribution of entrepreneurship to strategic management*. Aarhus University Institute of Management, Denmark.
- Hills, G. E. (1994). *Marketing and entrepreneurship: Research ideas and opportunities*. Quorum Books, Westport, CT.
- Hisrich, P. (1995). *Entrepreneurship, Starting, Developing and Managing a new venture enterprise* (3rd ed.). Irwin, Chicago.
- Mainoma, M.A. and Aruwa, S.A.S. (2012). *Entrepreneurship, Concepts, Process and development*. Kaduna: Felicity Publishers.
- Taneja, S. and Gupta, S.L. (2001). *Entrepreneur Development, New Venture Creation*. New Delhi: Galgotia Publishing Company.

HANDOUT 2: Opportunity Search and Identification

Introduction/definition of concepts

Opportunity refers to the extent to which possibilities for new ventures exist and the extent to which entrepreneurs have the capability to influence the successful actualization through their own actions. Simply put, opportunity is a perceived means of generating incomes that previously have not been exploited and are not currently being exploited by others. Opportunity identification can, in turn, be defined as the cognitive process or processes through which individuals conclude that they have identified an opportunity. It is important to note that opportunity identification is only the initial step in a continuing process, and is distinct both from detailed evaluation of the feasibility and potential economic value of identified opportunities and from active steps to develop them through new ventures. It is essentially a situation in which new goods, raw materials, markets and organizational strategies can be introduced through the formation of new means, ends or means-ends relationships.

The focus these days is on innovative opportunities which are the ones that truly break new grounds rather than merely expand or repeat existing business models. Opening a new Hausa or Igbo cafeteria in a neighborhood dominated by a populace from these extractions that currently do not have one is an example. Not everyone can identify opportunities. Some individuals are more likely to identify and exploit opportunities than are others. Opportunity scanning is a major process of self-evaluation of one's ability to start, operate and run a business venture with the popular analysis often referred to as SWOT (Strength, Weaknesses, Opportunity and Threat). It helps to check the chances of succeeding in a particular choice of venture open to an individual through his experiences. These experiences include family, religious or professional linkages, membership of any network group.

Searching for a business opportunity that is right for them is the major challenge would-be entrepreneurs face. New startups always focus on introducing a new product or service based on an unmet need, select an existing product or service from one market and offer it in another where they are not available; and sometimes the firm relies on a tried and tested formula that has worked elsewhere in a franchise setup.

Theory and Practice

i. Business Opportunity Identification Process

It is pertinent to know how entrepreneurs identify and decide a new business opportunity with the best chance to succeed. The most important part of all business attempts common to most successful startups is answering an unmet need in the market. Customers are always interested in products that add value. They buy products needed only to satisfy some problems. In actual fact, there is no substitute for indulging the unmet needs of customers. Most entrepreneurs searching for new business ideas fundamentally consider three central issues. The main one is the potential economic value. He first considers if the venture has the capacity to generate profit. The second is the newness of such a venture. He/She will prefer products, services or technology that does not previously exist in that environment. The third

is the perceived desirability whether their product has the moral or legal acceptability in that environment. He then considers if:

- His final business idea corrects a deficiency in the market.
- The resources and capability to carry out this business idea are available to him/her.
- The market for it are readily available and at profit sales.
- The new business idea can compete favourably with existing related competitors and their market.
- The business sectorial market is growing or not and how one should prepare to join that business.

ii. The Stages of Opportunity Identification

Opportunity identification is the collection of three main factors, which are: the entrepreneur's background, the business influence and the general business environment. Opportunity identification has five stages that lead to 'recognition'. The five stages are discussed in relationship with the process of opportunity identification. These stages are:

- a. preparation
- b. incubation
- c. insight
- d. evaluation
- e. elaboration

a. Preparation

Preparation stage is that knowledge and experience exercised just before the opportunity discovery process. These knowledge and experience are not often deliberately acquired. However, preparation itself is usually a deliberate attempt to widen capability in an area and become sensitive to concerns in a field of interest. In an organized situation, the background of the business, the products or services or the technological knowledge must have majorly informed the main ideas of the successful venture. One cannot however, rule out the role of new ideas and expertise originating from tacit knowledge acquired by individuals in the organization that will eventually result in a new business.

b. Incubation

Incubation stage is the part of the opportunity identification process that involves the consideration of a concept or a specific problem ordinarily not subjected to conscious or formal analysis by a businessman or his team. It is usually not consciously done and therefore more often than not, an instinctive and unempirical approach for the consideration of several potential alternatives.

c. Insight

Insight stage occurs at the moment a fundamental solution suddenly becomes recognized unexpectedly. It is a particular moment that keeps occurring persistently right through the process of opportunity identification. Insights have been found to be extensive channels to the discovery of startup businesses and sometimes reveal additional knowledge for the development of a current process of discovery. In respect of a business venture, insight

predictably encompasses the abrupt recognition of an opportunity in business, the answer to an adequately pondered crisis and the possession of a concept from social networks and associates.

d. Evaluation.

Evaluation stage is about investigating if the recognized and developed ideas are feasible, if the businessman has the required abilities to realize the ideas and if the idea is sufficiently innovative for prospects. It sometime involves full feasibility analysis of the ideas through all forms of research instruments and criticisms from relevant business acquaintances. It is fundamental to also investigate the prospect and viability of the new insight/ideas as the goal of entrepreneurship is to make satisfactory profits or create social value addition for a community.

e. Elaboration.

Elaboration is that stage that exposes the opportunity/ideas to external analysis with the tedious and time-consuming options selection, choice decision and organization of resources. It is customarily in search of all legalities that could build confidence and guarantee the practicability of the business. Elaboration also reduces uncertainties by providing the detailed planning activities after the evaluation viability confirmation. This will eventually reveal the concept areas that still need further analysis and attention

iii. Types of Opportunity

The main purpose of any type of opportunity search is to strategize to achieve. In other words, appropriate searching strategies are a function of the type of opportunity. Business opportunity search results could be classified into three types, these are the:

- (a) recognized type
- (b) discovered type
- (c) created/enacted type

Each of these types of opportunity is associated with a certain level of uncertainty. These are low uncertainty for recognition opportunity, moderate uncertainty for discovery opportunity and ultimate uncertainty for created/enacted opportunity.

- a. Recognized Type:** For opportunities that are **recognized**, deductive reasoning is used to either actively or passively filter for venture worthy ideas. Entrepreneurial alertness attitude enables recognition because the entrepreneur will be very sensitive and alert to information available in his/her environment. Personal insights and intuition are equally important for identifying opportunities as a purposeful search. Recognized type consists of accidental recognition of an opportunity for a business solution to a challenge and realization of idea or ideas from others like colleagues and associates.

Accidental recognition occurs in the passive search style and is more likely when the entrepreneur possesses a very sensitive entrepreneurial alertness. It could also be noticed that businesses established through accidental recognition break even earlier than any other formal one. Recognition type is characterized by several other factors such as the background of the entrepreneur, the influence of the business and its general

environment. This type of opportunity has to do with the exploitation of the existing markets where both sources of supply and demand that exist are recognized and brought together. Opportunity recognition occurs under condition of near certainty. This low uncertainty or near certainty opportunity in recognition type is referred to as analysis inducing.

- b. Discovered Type:** In this type of opportunity, when only the demand exists, but supply does not, and vice versa, then the non-existent side has to be discovered. This type of opportunity has to do with the exploration of existing and latent markets. For the discovered type opportunities to occur, a purposeful search is necessary. The entrepreneurs of the discovery type narrowed their search to areas where they had specific prior knowledge and they basically do not rely on alertness. An example is demand exists for 'Published texts in entrepreneur education in Nigeria' while the supply has to be discovered. Another example is the existence of supply for 'application of computers in Nigerian rural schools,' demand has to be discovered. As earlier mentioned, with opportunity discovery the uncertainty level is moderate. With this moderate uncertainty task, the discovery opportunity is known as quasi-rationality inducing.
- c. Creation/Enactment Type:** This type of opportunity is based on the principle of **enactment** where the entrepreneur creates new means and new ends by using effectual reasoning. This reasoning includes three types of means: the entrepreneurs' prior knowledge and experience, whom they know especially in the social, religious and professional sector. In this type of opportunity, the supply and demand will not apparently exist; one or both of them have to be created. This demands that several economic inventions like marketing, financing and others have to be created for the opportunity to exist. This opportunity exploits principally the creation of new markets. The entrepreneurs imagine, rather than recognize or actively search for opportunities that represent the execution of a selection of possible futures. Creation or enactment opportunity is associated with true or ultimate uncertainty. This high uncertainty task in opportunity creation can be recognized as intuition-inducing.

iv. Factors that Influence Business Opportunity Identification

There are five factors that influence identification of opportunities. These are:

- a. Entrepreneurial Alertness
- b. Prior Knowledge
- c. Discovery versus Purposeful Search
- d. Networking versus Solo Entrepreneur
- e. Creativity

iv.a. Entrepreneurial Alertness Factor

This is a predisposition to observe and be responsive to information about objects, incidents, and patterns of behavior in the environment, with special sensitivity to maker and user problems, unmet needs and interests, and novel combinations of resources. This is usually preceded by a position of enthusiastic awareness of information. Entrepreneurs constantly search about for opportunities that have been overlooked before then but unfortunately not all

that have entrepreneurial alertness become successful entrepreneurs. Opportunity identification is only an indispensable stage of a process in initiating a new successful business.

There are two types of alertness. These are the potentially worthwhile goals that have remained unnoticed and the unnoticed but potentially valuable resources. The alert entrepreneur is said to be alert to the receipt of information rather than already being in possession of it. Entrepreneurial alertness is of major importance in opportunity identification. Alertness for a venture is built upon the three ideas of personality traits, social networks and prior knowledge.

People's self-perception of creativity, high intelligence and a supportive family environment that encourages creative thinking contributes highly to execution of entrepreneurial plans. The optimism acquired from these builds up a self confidence attitude and eventually success in recognizing entrepreneurial opportunities when it comes. It is the belief by many people that they are very good experts in decision making, thereby detect opportunities and take risks.

iv.b. Prior Knowledge Factor

People tend to discover opportunities from the information that is related to the information they already know. Prior knowledge and experience are the primary source of searching for opportunities. Entrepreneurs narrowed their search to areas where they had specific prior knowledge. Prior knowledge triggers identification of the value of new information. There are two main areas of prior knowledge relevant to the identification process. The first one is the knowledge that is of special fascinating interest to the entrepreneur. The second area is the knowledge accumulated over the years and eventually got familiar with customer problems and issues involved. The fascinating interest compels the entrepreneur to intensify his or her competences that eventually result in an insightful knowledge of the subject matter.

iv.c. Discovery versus Purposeful Search Factor

Some entrepreneurs absolutely believe that opportunity identification has to be through a purposeful search for opportunities while others believe that opportunity is something that had been readily available and overlooked but now discovered accidentally. Businesses established on accidentally discovered venture ideas and which had not been subjected to prescribed screening achieved break-even sales faster than those businesses that had undergone purposeful searches.

iv.d. Networking versus Solo Entrepreneurship Factor

Entrepreneurs' network is vital in opportunity identification. The main contribution of network to identifying potential venture opportunities is from information gathered from social exchange of ideas. The common sources for such opportunity are from friends, relatives, businessmen, lawyers, bankers, participation in professional seminars, workshops and conferences, newspapers, books, periodicals and manuals. It is the belief that an individual's strong-tie network within the family and friends set up are fragile information sources compared with weak ties that are casual acquaintances. People with widespread networks discover more pungent opportunities than those businessmen who do not have social networks.

There are three categories of opportunity recognition attitudes from social networks. These are the solo, the network and the informal categories. The solo entrepreneurs have very creative, opportunistic and distinctive alertness attitudes. They develop business ideas on their own with the belief that new opportunities which is claimed to be theirs alone, come naturally. Network entrepreneurs obtain their ideas from their social networks. With them, enduring opportunities are not related to each other while entrepreneurial ideas emanate only from accidental routes. Entrepreneurs with informal attitudes get their ideas when relaxed.

iv.e. Creativity Factor

There is a link between creativity and entrepreneurship. The nature of creativity is about innovation leading to the creation of new ventures while entrepreneurship itself is a form of creativity or can even be referred to as business creativity and in most cases new businesses are creatively original and functional. Most successful entrepreneurs identify opportunities that others do not see due to the special creativity attribute they possess. These creative attributes have a lot to do with business decision making and therefore very significant in opportunity- identification process. To entrepreneurs, the more innovative the idea, the better. This makes creativity a fundamental component in the entrepreneurial process. Hence creative entrepreneurship is described as the accomplishment of developing original useful ideas to starting a new business to product and service delivery level.

v. Opportunities from SWOT Analysis

Some opportunities are sometimes identified while the entrepreneur is having his or her self assessment in terms of strength, weakness, opportunities and threats universally referred to as SWOT. SWOT Analysis is a useful self-appraisal system for your strengths and weaknesses that help establish your business or develop your business by exploiting your abilities, talents and opportunities. It is frequently used to understand, underline and identify the opportunities open to you and the threats you are likely to encounter. SWOT Analysis could also be that initial self appraisal of the ability of the business opportunity to start and survive.

SWOT analysis was originated in the 1960s by Albert S Humphrey and has remained useful till date as a simple start for strategy articulation or as a vital strategy instrument. SWOT also allows achievable goals or objectives to be set for the business while future procedure for the accomplishment of the planning and development of the objectives could easily be derived from its SWOT. With your understanding of the weaknesses of your business, unexpected threats can be eradicated or controlled well ahead, thereby ensuring favorable competition in the market environment. In essence, there is Business SWOT Analysis (BSA), and there is Personal SWOT Analysis (PSA). It all depends on what you want to evaluate but both are good sources of opportunity identification and with little efforts, it can facilitate identification of exploitable opportunities. To Use SWOT Analysis, one should understand that Strengths and weaknesses are internal to your organization while opportunities and threats generally relate to external factors. Hence SWOT analysis is often described as internal/external analysis.

SWOT analysis can be done using these tips along with the simple template below:

Strengths:

Your strengths should be perceived from both an internal position, and from the judgment of the customers and others in the market. You should also be realistic and a list of your company's characteristics of the business or project team that give it an advantage over others should help. In the study of your strengths, consider them with your competitors in mind. The situation where your competitors manufacture good products, but of less quality packaging to yours; your own strength will be quality packaging. However, quality product remains a necessity and therefore a weakness and a threat to your own product. Such strengths could be economical, availability of adequate funding, abundant raw materials, etc.

Weaknesses:

Your weaknesses are your limitations that characteristically place you or the team at a disadvantage when compared with others. You are aware of your own weaknesses than any other. It is a time to be truthful to yourself by asking yourself some unpleasant questions and answers about your weaknesses. Like your strength, this should also be considered from an internal and external pedestal. Such weaknesses in Business SWOT Analysis (BSA) are poor funding, non-conducive location, inadequate infrastructure, outdated and poor equipment, poor staffing; while poor comportment, restlessness, drunkenness, low education, irresponsible attitudes, unwarranted socializing, reckless financial management, lack of skill and general ineptitude are mostly the weaknesses in Personal SWOT Analysis (PSA). Constant survey of the market and your competitors' progress should be done to inform you of your weakness.

Opportunities

Opportunities are contributive external chances for accomplishing the goals and objectives of the venture. These objectives may be to improve productions and achieve better profits in the market or to start up a new business from emergence to survival. In considering opportunities, it is best to search your strengths for possible business or development opportunities. Another tactic is to search your weaknesses for possible reduction of your weaknesses to identify and explore opportunities from them. Such opportunities may open up from associations, connections and affiliations in ones religious, political group, family especially inheritance and an acquired experience by the entrepreneur.

Threats:

This refers to external factors usually outside the control of person or persons in the market environment that could impede the business or the entrepreneur from achieving the expected goals and objectives. These external factors include unpleasant environment, new government regulations, technological upgrades in the industry,

Template of SWOT for a Business Venture

Strengths Your strengths are the internal factors like the advantages of your organization, what you do better than others, the unique or lowest-cost resources you can draw upon that others can't, your organization's unique sales strategy, the factors that make you get the sale and what the people in your market see as your strengths. These are mainly the core operational capabilities you have and the reach of your distribution network.	Weaknesses Your weaknesses are the other internal factors that need your improvement, those that you need to avoid; those things that may make you lose sales and others that people in your market may see as your weaknesses. They generally involve your product presentation capabilities and baggage of existing investments.
Opportunities Your opportunities are usually external factors like the good chances you can recognize or the interesting drifts in the market you know. Changes in government policy, technology and markets, social patterns, population profiles, lifestyle changes, and other local issues relating to the business should interest you as opportunities. The customer division as well as cheaper and cost effective supplier of choice for other markets should be considered as opportunities.	Threats Your threats are mostly external factors like obstacles you encounter, your competitors activities, the changes in quality standards of your job, products or services, changing of technology may threaten some positions, bad debt or cash-flow problems. One also needs to check if any of the weaknesses, competitors under-cutting that can cause unprofitable operating ground and Governments' unpredictable policies are serious threats to the success of the business.

A Case study

Bond Chemicals is one of the most successful Nigerian pharmaceutical companies with sales headquarters based in the metropolitan city of Lagos. All its products are however, produced in its factory situated in Aawe town, Oyo State. It was established by Chief Debo Omotosho – a pharmacist by training. He encouraged his two sons to read pharmacy at the University and the third, a lady to read law. He did not allow his children to work in his firm immediately after graduation. He sent one of the pharmacists to Europe and the other to America where they worked in bigger pharmaceutical firms and handled more sophisticated modern equipment. The lady was encouraged to work with big conglomerates in Nigeria - UAC and later Odua Investment Company. Due to her diligence at work, she rose rapidly to the level of a Deputy Director in charge of administration. With the current Government support for local production of cassava – a major drug component and the ban on imported

drugs, Chief Omotosho is deciding to establish a new pharmaceutical venture of international standard in Aawe, Nigeria, to commemorate his 70th birthday. He is thinking of handing over the business to his children in three years time and would need a SWOT analysis for the new venture. This has been prepared for him.

<i>STRENGTH</i>	<i>WEAKNESSES</i>
i.) Chief Omotoso has a lot of fund from his other on-going ventures to fund the new venture. ii.) Location encourages cheap production in Aawe but high price in Lagos bringing high profit. iii.) He has trained his children well for international standard successfully. iv.) His children have international experience that assists the new venture. v.) Mr Omotosho has experience in pharmaceutical productions. vi.) Bond Chemicals is already a renowned name for quality in the market.	i.) He has to transport his products to Lagos for sales. ii.) His pharmacist sons are not trained in local environment they have to work in. iii.) Low moral may set in for the lady who may not feel fulfilled with her career cut short before reaching the apex as Director. iv.) Chief Omotosho is getting old for the job. v.) His children stayed too long outside the job they were being trained for. vi.) His equipment are old and he will need to import more sophisticated ones from overseas.
<i>OPPORTUNITIES</i>	<i>THREATS</i>
i.) He has children to take over from him while still alive. ii.) His children have the experience to man the venture successfully. iii.) Government has banned the importation of drugs. iv.) Local availability of Cassava will boost production and reduce cost.	i.) Increase in fuel pump price by Government may reduce his profit. ii.) Non availability of fuel for the vehicles transporting his products to Lagos. iii.) Nigerian bad roads may be a serious threat to the Venture.

- 1.) Can you recognize more i.) Strengths, ii.) Weaknesses, iii.) Opportunities and iv.) Threats for starting Chief Omotosho's new business venture.
- 2.) What are the options for Chief Debo Omotosho?
- 3.) From the above table, please advise Chief Debo Omotosho whether to start the new pharmaceutical business venture or not.

Group work assignment, individual assignments/ test questions

1. What do you understand by opportunity identification and describe the stages you will follow to identify business opportunities?
2. Mention the three types of business opportunity search you know and discuss briefly the uniqueness of each of them.
3. You are already preparing for your final convocation in the university in two month's time. At the end of the academic session party for final year students last week, you have been seriously warned by the Head of Civil Service of the Federation (HCSOF) in attendance that there is no Government white collar job for any fresh graduate. This is highly disappointing and casts a lot of regrets on the mind of most of your colleagues. Your Director of Entrepreneurship Development Department has solicited with the HCSOF to encourage you and your colleagues with funds to start up a business venture. The HCSOF has agreed and asked the Head of Department to submit to his office ten students' business SWOT analysis for any business interest. Please submit your own to the head of Department before the next lecture.
4. What is SWOT? What is the essence of SWOT in a start up business? What do we mean by these abbreviations PSA and PSA?

HAND OUT 3:

RESOURCES AND RESOURCE CONSTRAINTS

In doing business, the entrepreneurs need to consider the various resources at his disposal and the optimum utilization of same as well as the resource constraints. The major resources are: men, money, finance, materials, machines, information (ICT) and time. The resources and resource constraints facing an entrepreneur during business execution could be described briefly as follows:

1. Manpower (Men or the employees)

An entrepreneur relies on other people to achieve his organizational objectives. With a one-man venture, he depends on himself to do the job. But as the business grows, he will realize that there is more work than an individual can handle. In such situations, he has to delegate some aspects of his job to other employees. Thus, in growing business, a lot has to be done regarding formulating policies or finding solutions to certain problems, planning the operations of the business; organizing the structure, directing and leading the workers; and controlling the operations to achieve set plans/targets.

Human resources are the most important resources with which the entrepreneur needs to function. They are the most important assets of any organization. This is because it is the human resources that manage all the other resources for the business organization to achieve its objectives. Therefore, the entrepreneur must be able to procure, utilize and maintain its human resources effectively

Human Resources Constraints to Business Growth

The constraints of human resources to business growth are as follows:

- Inadequacy of the human resources for various functional areas like operations, finance, marketing, R&D, etc
- Inadequacy of types of different skills of human resources required
- Adaptability of human resources
- Attitude of the workers to transition and poor work moral
- Decrease in productivity and efficiency
- Poor preparation of workers for higher or new functions
- Waste, accidents, labour turnover, lateness, absenteeism and industrial disputes.

2. Money (Financial Resources)

Money is to business what blood is to human life. It is the life-wire of any business. Without it, there is no way business can live or prosper. While money can narrowly be defined as the raw cash, it can be used to connote all forms of money or near money. That is, it involves cash or any other forms of assets which can be converted to cash in the short-term. These assets apart from cash can be debt, debt certificates, and equity certificates. What is important in transitions is for the entrepreneur to be able to manage the flow of funds efficiently and effectively in terms of sourcing and utilization.

Constraints involved in money (Fund) management:

Problems are encountered in allocating the firm's limited financial resources in the following areas:

- Fixed Assets – which will be used in the production of the product or service

- Stocks (inventories) – which will be used to facilitate production and sales
- Debtors (receivables) – the amount owed by the customers after credit sales.
- Cash – which is to be used for transaction purposes and needed for liquidity
- Marketable Securities – involves the investment of surplus cash in easily disposal securities like shares of quoted companies. It is used, apart from the returns from it, for the purpose of guaranteeing liquidity for the business.

3. **Materials (Physical Resources)**

Materials are very important in any manufacturing business outfit. No manufacturing or industrial enterprise can operate without materials. It therefore becomes necessary that any manufacturing enterprise that intends to be efficient and profitable must make sure that its materials are available at the right time, in the right quantity, and at the right price.

Failure of any of these responsibilities concerning materials will increase the cost of production and decrease revenue and profits. Therefore, an entrepreneur must be conversant in materials management which is concerned with the input and output flows in a production system:



To ensure smooth business transition from start up to growth, adequate attention must be paid to the following under materials management:

- i. Purchasing and procurement issues
- ii. Inventory management and control
- iii. Stores and warehousing
- iv. Production planning
- v. Physical distribution of the finished products.

4. **Machinery (Technology and Equipment)**

In most cases, business organizations use different types of machinery for their production processes and these form the fixed assets components of the business. The new technology or technological changes bring with it productivity improvement but because of the considerable amount involved in procuring machinery, the entrepreneur should be careful before deciding on which type of machinery to procure.

In a situation where obsolete machines or technology are used, the entrepreneurs might not be able to cope with rivalry from the competitors in terms of quality product and customer satisfaction. In sourcing for machinery therefore, the entrepreneur must determine the type of technology which will not go obsolete in time.

The factors to be considered before procuring machinery include:

- Nature of Raw materials
- Level of skill to operate the machinery
- Maintenance of the machinery
- Source of energy of the equipment
- The possibilities of adapting the equipment to different capacity levels
- The cost of the equipment
- Location of vendor

- Reputation of the vendor and his experience in the business
- Conditions of sales need to be examined
- How the technology can affect the company's position in the industry
- The effect of the machinery on the profits of the enterprise over the short and long run
- The entrepreneur must establish how large he wants his business to be within a given period
- Finally, the entrepreneur needs to examine the physical and environmental conditions under which the equipment would operate (Ghana, 2001)

Sources of Information for Technology:

- Local Sources
- Foreign Sources
- Trade Fairs
- Being a member of a trade association
- Professionals like, management consultants

5. Time as a Resource

Time is one of the resources of any business organization. It is a precious and highly perishable economic resource that cannot be expanded. It is fixed for everybody, 24 hours a day, 168 hours a week, 365 or 366 days in a year for all business organizations. Nobody can save time, thus the best the business can do is to use time effectively. Thus, time management becomes imperative to all entrepreneurs because time is money and once time is lost, it can never be regained. Thus, to make better use of time the following are very important:

- established goals that are specific and attainable - set goals
- determine deadlines for the achievement of goals - list the activities that will help achieve the goals.
- allocate time for each important activity.

Time Management Techniques

- i. Identify daily specific goals i.e. list your goals in order of importance and start them.
- ii. Self motivation: Motivate yourself to produce high output
- iii. Establish deadlines: Set specific realistic deadlines to achieve certain task.
- iv. Use the Telephone: This is the main communication link
- v. Take notes: Keep a note-pad to write down key points on conversation, meetings etc
- vi. Don't do everything: Only concentrate on important activities and delegate others
- vii. Be reflective: On your past, and present and future activities.
- viii. Be action oriented: Outline your action to get problems solved.
- ix. Plan in detail for tomorrow: At the end of each day's work, prepare time schedule for the next day's activities to avoid ad-hoc planning.
- x. Finally, question your use of time: What activities am I doing that I should not do.

The answer to good time manager lies not in working harder or longer but in **working better**. To some extent, working harder and longer can produce stress which in turn, distort decisions and judgments and can distort the business transition programme.

Tips for Saving Time

The following tips will help you save your time

- Instruct your secretary to screen telephone calls so that you answer only those that are essentials.
- Keep your desk clear, except for the materials you are working on so as not to distract your attention.
- Identify your key hours for the day in which you are more productive and devote them to your highest priority while other hours could be used for routine things e.g. making telephone calls, writing letters, visitors etc.
- Change the open door policy, check the cost and benefits. .
- Use modern gadgets such as calculator, computers, telephone or intercom to save time and travelling.
- Consider time as an economic resource where the supply is fixed and the demand is infinite, thus, budget time like money.

Time Wasters that should be avoided

Time once spent can never be recovered and so there is the great need to use time effectively. Some of the ways in which time is wasted can be classified into internal or external. They are as follows:

- People: Interruptions friends, relations, visitors, job seekers, co-workers/colleagues.
- Personal (oneself): Little or no delegation, being indecisive and being too late or absent
- Poor Systems at the work
- Events: Social ceremonies e.g. funeral, birthdays, naming ceremonies
- Leaks of personal energy like resentment, suspicions, criticism, fear
- Idleness

Table 1: Typical controls to investigate resources

Resources	Typical Controls to investigate
Physical Resources	1. Security & Maintenance
Building	
Plant & Machinery	2. Control, Maintenance System
3. Financial	3. a. Costing system of the organization b. Budget of the organization c. Investment Appraisal
4. Materials	4. a. Supplier control: quantity, quality & the cost b. Inventory/Stock Control

5. Products	5. a. Stock control b. Quality control “Pilfering” c. Control of losses
6. Human Resources	1. By the control of the key personnel through M.B.O. and setting goals 2. Leadership working agreements/conditions
7. Intangible Resources	1. Control of Image e.g. Public Relations 2. Industrial Relations climate 3. Control of vital information

REVIEW QUESTIONS:

1. Lack of money is one of the resource constraints managers face in business transition, **True** or False
2. Avoiding waste of resources should not be an objective of an effective manager, True of **False**
3. Mention three business resources and explain how their scarcity can affect business transition
4. How can the resources mentioned above be managed in business?