DRAFT TRAINING MANUAL

FOR

GENERAL ENTREPRENEURSHIP COURSES IN UNIVERSITIES

COURSE 2: BUSINESS CREATION AND GROWTH

MODULE 1:

BUSINESS OPPORTUNITY AND CONSTRAINTS EVALUATION

Editors:
Prof .Murtala S. Sagagi
Prof. Sarah Anyanwu
Dr. Sola Aliu &
Dr. Oluremi Abimbola

MODULE 1: CONCEPT OF BUSINESS AND NEW VALUE CREATION FINANCING

I. Objectives of the module

When you have finished studying this module, you will be able to fulfill the following objectives**:**

- explain the concept of business planning process
- Understand contents and reasons for a business plan
- List some factors that motivate people to begin new businesses.
- Search for and Identify business opportunities
- Understand the required legal formalities for a business start up
- Prepare a feasibility analysis report
- State the relationship between a feasibility analysis and a business plan
- List formal and informal sources of capital for new ventures.
- Know how to and be interested in starting a small business of their own.

II. Learning outcomes

Upon the completion of this module, you would have

- Understood the concept of business planning
- Explored the concept of business start-up
- Examined the process of opportunity search and identification
- Discussed the legal issues of start-ups
- Learnt viability analysis of new ventures and new venture financing

III. Activities to be conducted to achieve the desired outcomes

- The lecturer should conduct lecture discussions on each of the topics. Students should be asked to read the contents prior to the participatory and sometimes interactive discussions that will follow in the class. In case of large classes, students can be split into groups.

- The Lecturer should make students explain concepts at the last lecture content of the module before the new one.

- Students should be asked to use the worksheets provided at the end of the module or at the end of each of the contents of the module.

- Divide students into groups and each group should conduct a research on any of the ventures in the University. A case study report to be submitted should be written by the groups. The lecturer may have to identify these ventures and locate them to each of the groups.

- Towards the end of the semester, a panel of discussants who are majorly experienced successful entrepreneurs should be organized whereby students will have the opportunity during session to participate and interact fully. This may be recorded in audio-visuals if the class is too large for such a programme

IV. Module Content

a. Business planning process
b. Start up decision - what motivates people to begin new businesses
c. Opportunity search and identification
d. Legal issues at start up
e. Feasibility analysis of new ventures and new venture financing

Topic 1: Business Planning Process

A. Introduction/Definition of Concepts

A business is an activity or entity, normally engaged in the provision of products and or services, for commercial gain, extending to non-commercial organizations that may or may not be profit oriented. This is irrespective of the size and autonomy. With this definition, non-governmental organizations, private, public service sector like schools and hospitals are regarded as 'businesses'. Meanwhile, a plan is a statement of calculated intention to organize effort and resource to achieve an outcome. This may or may not be in written form, but essentially comprising explanations, justifications and relevant numerical and financial statistical data.

Business can be classified into the following groups but not limited to: a small company; a large company; a corner shop; a local business; a regional business; a multi-million naira business, multi-national corporation; a charity organization, a Federal, State or Local Government Ministry, Agency or Department, an hospital, a joint-venture; a project within a business or department; a business unit, division, or department within another bigger organization or company, a profit centre or cost centre within an organization or venture, an individual or joint ventures, etc

Business plan therefore could be referred to as the activities and aims of any entity, individual, group or organization with the purpose of converting efforts to results. It is a formal statement of a set of business goals, the reasons why they are believed attainable, and the plan for reaching those goals. It may also contain background information about the organization or team attempting to reach those goals. Business plans may also target changes in perception and branding by the customer, client, taxpayer or larger community. When the existing business is to assume a major change or when planning a new venture, a 3 to 5 year business plan is required, since investors will look for their returns within that timeframe. Invariably, the business plan simply serves as the detailed map of the venture that will guarantee a steady start up, a steady but gradual growth and vitality of the business.

The process of determining all the goals, strategies and projected actions that you intend taking to promote and ensure the survival and progress of your business within a given time frame is referred to as business planning process. This characteristically has two key aspects, one focused on making profits and the other focused on dealing with risks that might negatively impact the business. Business plan serves as a blueprint to guide the organization's policies and strategies which are continually modified as conditions change and new opportunities or threats appear. If this is prepared for external audience like lenders and prospective investors; it has to include details of the past, the present, and a forecasted performance of the business. Typically, this also contains pro-forma balance sheet, income and cash flow statements to show how the required fund shall positively affect the financial position of the business.

Topic 2: Theory and Practice

i. **Business Planning Process:**

When writing a business plan from the scratch, from a template or from the guide of an experienced business plan consultant, there are five required steps to create a new business plan. It is a detailed process here referred to as business planning process. These steps are:

i.i.Research: Business planning process starts with a detailed research into the industry, its customers, competitors, and costs of the business. This research comes in various forms like information from articles, collected data or direct interviews with prospective clients, experienced consultants or entrepreneurs. The result of the research should be meticulously organized and properly documented with its source.

i.ii. Strategize: The second step is to strategize based on the information gathered from the research. A good major source of strategizing is to watch the current practices in that business environment to have a foundation to build the necessary competitive distinctiveness. One needs to ponder over the strategy meticulously to consider the appropriate location, start up finances, equipment, operations, marketing and legal formalities.

i.iii. Calculate: From the decided strategy activities, comes the third step to calculate. It is essential to calculate and have a rough draft of the financial implications in terms of the expected expenditure and revenues to ascertain a possible profitability at the end of the day. There is the need to bring up all assumptions for startup expenses up to maturity at calculations for running early operations. Most startup businesses pack up before gestation stage due to financial assumptions.

i.iv. Draft: The fourth step of a business planning process is to begin to draft and flesh up the background work made in the decided strategy and the financial calculations for the actual business plan detailed content. One may require the services of a business plan writer or consultant, if there is any challenge in respect of this.

i.v. Revisitation and Proof-reading to finalize: The fifth step is to revisit the entire business plan details and reconsider any ambiguity or inappropriate wordings and ideas featuring in the plan. There may be the need to give it further fresh looks after setting it aside for some time. Soliciting for the assistance of an experienced proof-reader may be necessary to prevent grammatical, spelling and formatting errors to finalize the plan.

ii. Typical Structure For A Business Plan For A Start Up Venture

From the foregoing, one will agree that business plans are decision-making tools. There is no fixed content for a business plan. Rather the content and format of the business plan is determined by the goals and audience of that enterprise. Some entrepreneurs simply see a business plan representing all aspects of business planning process that include only the vision and strategy with sub-plans to cover marketing, finance, operations, human resources as well as a legal plan when required. To some others, it has to be more detailed than that. It has to typically include an introduction/overview, a short description of the business idea and opportunity, what makes it different, who will be involved in the business, how you will provide your product or service, your marketing and sales strategy and financial situations and forecasts for the expected profitability. Consequently, it is essential to know that the structure of business plans vary.

However, this discussion uses a typical structure for a business plan for a start up venture.

ii.i. Executive Summary: This is the general overview of the entire business. It is a summary of the business idea, the mission statement, a sketchy report of where your business fits in the market place and why it will succeed. Questions that have to be answered here include:

ii.i.a. What is the business? A brief description of the business idea and why it should be a success, History of the enterprise and its ownership, Information about the entrepreneur's qualifications, experience and financial status and location.

ii.i.b. What is the market? A description of the product and what it does, an explanation of ways in which the product is distinctive and unique, Analysis of the competition, How the product will be developed and what new products are being considered as replacements, Intangible assets & protection (e.g. copyright, trade marks)

ii.i.c. What is the potential for the business? Size and expected growth of the market, Analysis of market by segments, Identification of target segments, Competitors - who they are, ownership, size, market share, likely response to the challenge, Customers (existing & potential) - who they are, how they buy, why they buy, Distribution channels

ii.i.d. What are the forecast profit figures? A statement of what the business should achieve over a given time target (three or five year period)

ii.i.e. What are the Funding requirements?

ii.i.f. What are the prospects for investors and lender?

Please note that all these need not be in details as they are only the overview of the whole plan.

ii.ii. Business Description: This is a detailed description of the business, with an in-depth explanation of the product or service being planned for the market and its benefits to those who will buy or use it.

ii.iii. Business Environment Analysis: This should explain the detailed strategy and tactics to be employed for bringing the product or service to the market. Strategy is the broad approach to the achievement of objectives while tactics refer to the details of the strategy. This includes the business name, the image and how they will be protected.

- Determines how to get to the market?
- Summarizes how to fulfill the entrepreneur's objectives.
- The detail will be contained in programmes and budgets.
- the pricing structure to be established.
- the estimated sales projections.

ii.iv. Market Analysis: This should thoroughly describe the customers, your competitors, the need for your product or service, and the health and vitality of the market place. This cannot be guess work. It must be based on a careful and reliable research. Other key questions it must answer are:

- What is the size and growth rate of the market?
- How is the market segmented?
- What is special about the product or service?
- What are the competitive advantages?
- What is the marketing strategy?

ii. v. Marketing Plan: The marketing has to be adequately planned for and must include the:

- Market research
- Segmentation and targeting
- Detailed outline of the product or service
- Unique selling points
- Chosen pricing strategy
- Promotional plans
- Distribution strategy
- Customer service strategy

ii.vi Operations Plan: Operations plan include the production process which must be explicitly explained. The process of bringing your product or service to the market, office space, production schedules, inventories, suppliers, supplies, official licenses, and insurance, meeting and existing business regulations must all be thoroughly discussed. The following may also be included depending on the type of business.

- Physical location

- Facilities
- Equipment
- Scale & location of operations
- Capacity - potential and effective
- ICT strategy
- Engineering and design support
- Materials required
- Inventory levels and stock control plans
- Purchasing arrangements
- Sources of supply of key resources
- Quality control plans
- Staffing requirements

ii.vii. Management and Organization: This explains the organizational structure of the enterprise whether it will be sole proprietorship, partnership, Limited Liability Corporation, or other status and those to be involved. Other are

- Details of senior management
- Corporate governance
- Staffing requirements
- Key personnel
- Recruitment and selection
- Training
- Rewards (financial & non-financial)
- Labour relations
- Employment and related costs

ii.viii.) Financial Plan: This offers the idea about the finances to be involved. The available amount, the required amount and how and where you will secure the difference. It should also be able to give the investment appraisal - payback and discounted cash flow as well as break even analysis. Other expectations from the plan are:

- Details of capital required and uses
- The plan must include details of the external finance required. This will be equal to the finance required, less the finance raised internally from existing owners and from operations
- The plan will outline how it is proposed to raise the finance
- Sources of finance: Short, medium and long term; Debt v equity
- Evaluation criteria for performance review
- Ratio analysis: net profit margin, Gross profit margin, return on capital employed, liquidity and solvency analysis

Effective business planning has to begin with an honest and realistic appraisal of the current position of the business.

iii. Reasons For A Business Plan:

Planning about your business is a necessary process to undertake before, during and after start up. The business venture could be a fresh proposed start-up, a new one developing within an existing corporation, a new joint-venture, or any new organizational or business project for as long as it is purposely to convert action into results. As the backbone of any enterprise, it is very essential for an entrepreneur to ask him or herself why he needs a business plan. An axiom says if you fail to plan, then you have planned to fail. A business plan serves as:

iii.i. Road Map/Guide For The Business: It is not everyone that starts a business with a plan but it is better to have one to guide one. It guides the entrepreneur through the various phases of his business. Note that it is not a static document that you write once and put away. It should be simply taken as a guide or checklist of questions that constantly need to be attended to at every stage of gestation, growth, maturity and decline of the business.

iii.ii. Assurance of potentiality: The headings in a business plan will reassure all that the venture will work. The plan helps to clarify the entrepreneurs thinking and demonstrates his commitment to carry on as planned. It also identifies where he/she intends to get to and how to get there. This will also convince them that the tools, talent and team to make your plan work are already available.

iii.iii. Define a Business: It helps to identify the business, its objectives/goals and programmes that must be achieved.

iii.iv. Serves as Résumé for the Business: This happens when there is the need for communications to attract more investments, loans and profit potentials of the business.

iii.v. Regular Business Review and Course Corrections: The business plan is your regular reference to ensure you stay focused on its objectives. It will need to be constantly reviewed as the business develops. It provides the chance to focus one's mind on how one intends to run the business and to identify early on any areas or issues that might have been forgotten or neglected.

iii.vi. Review Current Progress Against The Initial Forecast: The progress of the business shall easily be feasible against the earlier forecasts. This makes any review or necessary adjustments to get it back on track possible. Having a clearly presented business plan document will also make it easier for any specialist support needed.

iii.vii. Support For A Loan Application Or Raise Equity Funding: Whenever a business is seeking fund from a bankers, venture capitalist or investor, a comprehensive business plan that is clear, focused, realistic and contains sound business reasoning shall be a necessary requirement to show that it is worthy of financial support. Banks are more favorably disposed to applications with a business plan whenever it is approached for capital to expand.

iii.viii. Defines Agreements Between Partners: It helps to define agreements, shares, etc between partners, shareholders and other stakeholders in the business.

iii.ix. Proper Allocation of Resources: It helps to allocate resources properly, handle unforeseen complications and thereby assist in making adequate business decisions.

iii.x. Sets a Value on a Business For Sale or Other Legal Purposes: Whenever the business is placed on sale, it helps to set a value for it. This is also required at most times for legal purposes.

WORKSHEET A: Typical Structure For A Business Plan.

Parents and some of the students are involved in one business venture or the other. These ventures need to be developed. Use the worksheet below, to provide information that could be in a business plan that will improve the business.

Students Names:____

Matriculation Number:____

Faculty/Department:____

Name of the Business venture____

	CONTENT	CURRENT STATUS	DEVELOPMENT PLAN
1.	Executive Summary		
2.	Business Description		
3.	Business Environment Analysis		
4.	Market Analysis		
5.	Marketing Plan		
6	Operations Plan		
7.	Management & Organization		
8..	Financial Plan:		
9.	Conclusion		

C. Group work assignment, individual assignments/ test questions

1.) What is a business plan and why would an entrepreneur need a business plan?
2.) Itemize and discuss briefly the process of business planning.
3.) Can you recognize some business ventures being run within the University campus? List ten of them.

Topic 3: Start Up Decision - What Motivates People To Begin New Businesses

A. Introduction/Definition of Concepts

It is worthy of note to consider what motivates people to begin new businesses particularly when one reflects on what it takes to start a new one in the Nigerian environment. It should be understood that new businesses are not created by accident, but clearly intentional. Entrepreneurs are driven by challenges which they pursue and overpower. These challenges in Nigeria include the fears of funding, hardworking, complete failure and universal delayed profit in the stabilizing years.

With the current problems of joblessness, poverty, mis-trained graduates and graduates in unneeded courses, many Nigerians are venturing into entrepreneurship without considering their personality. Only your interest to be an entrepreneur is not enough, your personalities, whether in-born or developed in skills, experiences, lifestyles and resources along with your individual suitability for the different available options; majorly determine your success at business creation.. Your personality has a lot do in determining the choice of business that is right for you.

In Nigeria, a lot of successful entrepreneurs today failed at several attempts in business before achieving the desired outcome in just one or two. They always claim to 'hit it' in the successful one. Yet a lot are still beginning their own businesses on daily basis. Besides the personality, certain factors available to individuals also assist to motivate them to begin a business. What are these factors?

B. Theory And Practice

i. Factors That Motivate People to Begin New Businesses

i.i. Joblessness: As students the main factor that could motivate you to begin a new business on graduation is non availability of Government or private jobs in Nigeria. However, there are several other factors motivating people to begin businesses.

i.ii. Financial Ambition: The necessity to be rich legally and fast may motivate someone to begin a new business. His interest is the financial reward that entrepreneurship can bring him. It has to generate enough profit. This is very common in Nigeria.

i.iii. Desire to Control the Economy: There are some entrepreneurs who want to control the entire or certain aspects of the economy of their people. In Nigeria today, Odua Group of Companies, Jimoh Braimoh, Wale Tinubu, Otedola, Dangote are individuals being motivated by their desire to control certain aspects of the Nigerian industry. Today is controlling the building industry, haulage, petroleum and food industries. The desire of such persons or their group motivates them to continue to start new businesses.

i.iv. Desire to pursue a business idea: A business idea may occur from any source to a prospective entrepreneur. He may eventually be motivated to pursue this idea and begin a new business.

i.v. **Advantage of an opportunity in the market:** When an opportunity opens up in the market, some entrepreneurs could take advantage of this, explore it and eventually get motivated to start a new business

i.vi. **Inherited Family Business:** An inherited family business can be a motivating factor for the establishment of a new one.

i.vii. **Desire to be their own boss:** An employee could be motivated by his desire to be his own boss and become an entrepreneur. He/she eventually begins a new business that will be under his or her full control. They want to be their own boss and in charge of all of the day-to-day operations of a company. he entrepreneur wants to be the one making the important business decisions, determining the direction the company will take, making the call on product development and marketing and being responsible for every aspect of the company's operation.

i.viii. **Replicating a Business Idea found in Another Environment:** Some entrepreneur who travel may come in contact with a business idea that is new to his environment. This may be replicated in the new place by the entrepreneur on his own or with the assistance of the original environment.

i.ix. **Frustration with low Pay:** A worker frustration in a company may decide to get out to establish his own outfit which he believes can compete favourably with his previous employer. Note that he must have acquired enough experience from them. He knows the weaknesses and strength of the previous company. the desire to control their own destiny,

i.x. **Preference for a Smaller Company Environment:** The preference for a small company environment with the desire to put a personal touch back into doing business. may be a motivator for beginning a new business The drive to start a business comes from. Someone might feel upset working in a large corporation/company, can become very impersonal.

i.xi. **Lack of opportunity in previous employer:** Just like being frustrated with low pay, an employee that lack opportunities one way or the other may be frustrated. This may be the motivating factor that will turn him into an entrepreneur with a new business. A talented person that the employers could not retain could be motivated to begin a new business.

i.xii. **The desire "to make things improve the world":** someone can be motivated to begin a new business if he/she feels highly pressed to make things that will improve the lot of common man in his society.

i.xiii. **Invited To Begin Someone Else's Business:** There are situations where an entrepreneur invites someone to begin a new business for him/her.

i.xiv **Maintain own ethical values which their employer didn't share:** The desire by a prospective entrepreneur to maintain his own ethical values may motivate him to establish a new business. The mis-match between the values, goals and ambitions of these entrepreneurial spirits and their employers is a very strong motivating factor for establishing a new business

i.xv. Desire to be involved in Operations: Some entrepreneurs could be frustrated in a business and feels confident that he/she possesses the necessary capacity and interest in running a successful business. This motivates him/her to start his own and be directly involved in all operations - the design team, sales, marketing, engineering and production.

i.xvi. Exposure to Some Available Fund: The availability of some excess fund that is not being used may motivate the idea of beginning a new business. A lot of bankers, civil servants politicians retire with a lot of gratuity to become entrepreneurs

i.xvii. Spirit of returning to the society: Whilst a number of motivations could come from entrepreneurs driven by the spirit of returning to the society who already feels accomplished but now want to contribute back to the society by offering valuable services to their customers. He/she may then decide to start for them new businesses that may or not even compliment his/her original business

i.xviii. Life After Retirement: The fear of what to do to augment their pension salary challenges retirees to begin a new business. Retirement age in Nigeria is between 60 and 70 year depending on one's profession. To prevent their early death, medical doctors have recommended that retirees at that age range should be involved in continuous activities like that of their offices while in service. Retiree are therefore motivated by these two challenges to begin their own businesses.

ixviv. Favourable Government Policies and Procedures: A favourable Government policies and registration procedures can motivate entrepreneurs to begin new businesses. The Nigerian Government has a lot of polices in place to assist entrepreneur. These include the establishment of special banks like the bank of commerce, agriculture and industries, Government policy tolerates Civil Servants to venture into any area of agriculture while still in service and the protection of creativity and innovations of original works with the Nigerian Copyright Law policy. Several registration rules and procedural requirements of businesses in Nigeria are also made less cumbersome and majorly and electronically online.

WORKSHEET - C: What motivates People to begin a New Business.

The Federal government wants to encourage under-graduates to start their own business instead of waiting for a government job that is not even available. As a prospective applicant, you are asked to fill the form below naming and explaining a profitable business venture of your interest and two factors that can motivate you into it.

Students Names:____

Matriculation Number:____

Faculty/Department:____

	Name & explain a venture in each of these areas.	**Discuss two factors that can motivate you to start your own business in your choice venture.**
1.	***Hospitality/Entertainment***	
2.	***Agriculture***	
3.	***Art/Craft Related venture***	
4.	***Computer Related Ventures***	
5.	***Education***	

C. Group work assignment, individual assignments/ test questions

1. What motivates people to begin new business ventures?
2. Ngozi is interested in cake baking venture. Apart from her interest, what are the personalities you will want her to consider before jumping into it?

Topic 4: Opportunity Search and Identification

A. Introduction/definition of concepts

Opportunity refers to the extent to which possibilities for new ventures exist and the extent to which entrepreneurs have the leeway to influence their odds for success 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 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.

B. 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 decision 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.
- this business market is growing or not and how one should prepare to join that business.

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ii. The Stages of Opportunity Identification process

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:

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

ii.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 individuals in the organization that will eventually result in a new business.

ii.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.

ii.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.

ii.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 spirit of entrepreneurship is to make satisfactory and sensible profits.

ii.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 buid 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 is to strategize to achieve appropriate search. In other words, appropriate searching strategies are a function of the type of opportunity. Business search opportunities could be classified into three types, these are the:

- iii.i. recognized type
- iii.ii. discovered type
- iii.iii. created/enacted type

Each of these type 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.

iii.i. Recognition 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. Recognition 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.

iii.ii. 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.

iii.iii. 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 entrepreneur themselves, 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 entrepreneur category has a very creative, opportunistic and distinctive alertness attitude. 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 and are sometimes refer to be same. 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 has a lot to do in business decision making and therefore very significant in opportunity- identification process. To entrepreneurs, the more innovative the idea the better the idea This makes creativity a fundamental component in the entrepreneurial process. Hence creative entrepreneurship is described as the accomplishment of original useful ideas to start 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 helps 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 compete favorably 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, unconducive 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	Weaknesses
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.	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	**Threats**
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.	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.

Use of Examples/illustrations/case study/transparency/worksheet

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 60th 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.

STRENGTH	***WEAKNESSES***
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 Awe 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.
OPPORTUNITIES	***THREATS***
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 Service of the Federation 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. As a student of the Entrepreneurship Education Department, the Head of Department has solicited with the Head of Service to encourage you and your colleagues with funds to start up a business venture. He has agreed and asked the Head of Department to put you in groups of ten students and make you submit a SWOT analysis of yourselves for any business of your interest. Please do this and submit it to your 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?

Topic 5: Legal Issues at Start Up

A. Introduction/Definition Of Concepts

Starting a business venture can be a difficult task involving many important decisions, but it is highly exciting that the business idea is taking shape with every decision ready for takeoff. However, one major decision prospective Nigerian entrepreneurs often jump is the legal aspect. All over the world, there are some laws that entrepreneurs must follow to ensure their businesses are legally sound right from its foundation. One needs to make sure that all legal formalities have been put in place. To avoid severe legal and liability consequences in future, a targeted business plan should list all legal concerns that might negatively af vfect the business and invariably other investors. The right legal structure that will suit ones particular type of business or circumstances and ambitions should be considered.

In Nigeria, whether it is a corporate or limited company or even an enterprise, you will need to register with some Government bodies, parastatals, agencies or even some professional bodies. It all depends on your business idea and hence you need to seek specialist legal advice that could cover copyright, trade marking, design registration or patenting. The summary is that all start up business owners need the legal lowdown on the little-known legal issues that often collapse new enterprises. You need a good attorney. Whether you are going alone or joint your company is structured so that it protects your interests and fits your goals.

It is important to converse with a lawyer experienced in Nigerian business formation law to help you evaluate all the options available at start up. Lawyers are not as expensive as you may be assuming and the value one gets is very significant. You should know that lawyers are regularly abreast of tax and corporate laws that keep changing all the time. These also vary significantly from one state to the other. Some metropolitan urban states like Lagos often charge more as tax. To be sure of the business being successful, the business team should probably include a lawyer who can keep up with changes in the laws, legal and tax codes and advise as one progresses in the business. This will reduce unknown legal issues and thereby save money and negative images. In conclusion, Start-up must make provisions for legal expenses right from the onset to avoid significant legal problems later.

Your Prospective Attorney

It is essential to note that not all lawyers can be an attorney. As important as business law is the Nigerian Bar Association has two section: the Section on Business Law (SBL) and the Section on Legal Practice (SLP) to undertake its professional business. The Sections were inaugurated by the then President of the NBA, Chief Bayo Ojo on the 9th of December 2004. The Section through its Committees is already making valuable input into various initiatives aimed at bringing about reforms in Business Law Practice in Nigeria.

You don't want to take that legal jump alone, and good counsel can really help you navigate the early phase of your business. The following concern every startup entrepreneur should ask their prospective counsel are:

- their experience in working with startups.

- their expertise with various startup legal issues, such as entity selection, securities law, intellectual property and labor and employment.
- their contacts or a working relationship with other professionals who could be of assistance--accountants, investment bankers and venture capitalists
- Who will be handling your file
- How he can distinguish your firm from others

B. Theory and practice

i. Legal Formalities for Business Start up

Legal issues at startup involves dealing with setting up the business entity, business name and trademark registrations, labor and employment issues, intellectual property and vendor contracts among others. It is advisable to run your plans along with an experienced lawyer that can handle the unique startup requirement of your business. It is paramount to set up proprietary rights in the business and avoid infringing on the rights of others.

As just earlier mentioned, start up is a vital time to consider certain legal issues. The legal formalities you must meet will depend on the entity you choose and the state in which you live. To learn more, speak with a business formations lawyer near you. However, Four major legal issues that should be attended to are:

i.i. Address legal restrictions/Limits:

There are some Legal restrictions by the Federal and State Governments which have regulations for the establishment of businesses in Nigeria. Business operation permits and licenses are obtained for the establishment of businesses, business name permit, their premises, their operations, their materials and even the quality of their products. You have to fill and file certain forms with the Corporate Affairs Commission (CAC); the autonomous body responsible for regulating the formation and management of companies in Nigeria..

Besides the Corporate Affairs Commission (CAC), some common Government agencies involved in business start up are Standard Organization of Nigeria (SON), Nigerian Copyright Council, National Agency for Food and Drug Control (NAFDAC), Customs and Immigrations, State Licensing Offices, health Departments, fire Department, land use Department, tax offices, liquor licensing offices, professional bodies, and other licensing or permit offices. All these depend on the type of business. It should however be noted that the CAC requires the inclusion of a Lawyer or Accountant as Company Secretary for the registration of business liability companies. Sometimes states determine the formalities peculiar to it for permits and licenses. All these may involve signing agreements that may require the services of lawyers or other professionals.

i.ii. Choose a Business Entity Type

There are several corporate structures in the Nigerian business registration system which includes sole proprietorships, partnerships, Limited Liability Corporation and Corporations. The business structure one chooses depends on some number of factors. These consist of the number of business partners to be accommodated in the business, the number of employees, the amount of personal liability for business debts one can afford and how one would like to be taxed among several others. It is best to contact an experienced business lawyer. Each of these types of business entity has its strengths and weaknesses. Some of them are:

i.ii.i. Sole Proprietorship:

A sole proprietorship lets the entrepreneur/proprietor/business owner to have full control over the business. It is therefore easy and cheap to start and run. For sole proprietorships and partnerships, the core strength is that income is only taxed once – as personal income. The weaknesses are that there is no protection for liability in a sole proprietorship while there is limited ability to raise capital. There is lack of continuity or transferability whenever the proprietor has problem with the venture.

i.ii.ii. Partnership:

Partnerships have few formal requirements making them inexpensive to run in comparison to corporations. In this business entity, not only is there no protection for the corporation, but also the one partner could be liable for the unscrupulous acts of another. It has tax advantages while management flexibility is high. It is also easy and cheap to start. There is also no limit of liability for partners. Just like sole proprietorship, there is Lack of continuity/ or transferability while the ability to raise capital is unlimited.

i.ii.iii. Limited Liability Corporation:

Limited Liability Corporations are created and controlled by an operating agreement which is a complex contract. It is extremely important that the operating agreement be properly written even though it may involve additional charges from the lawyer, especially as this entity seem the most attractive. Limited Liability Corporation is a combination of corporation and partnership entities with a weakness of being a recent conception that still has to evolve. Like corporation, limited liability company entity reduces personal liabilities. It has some tax advantages as well as continuity or transferability. It has greater ability to raise capital while its management flexibility is higher.

i.ii.iv. Corporations:

Corporation is the most common business entity that offers protection for its shareholders. Its disadvantage is that income may be taxed twice, in the corporate and at individual levels. Corporation has an advantage of having a clearly define structure where shareholders who own the corporation, appoint officers to run the corporation and directors that oversee the officers.

The percentage of rights of ownership by all stakeholders is determined by the number of shares. This sometimes attracts different voting rights. It has restricted liability continuity and transferability as well as greater ability to raise capital. Its other weaknesses include more limited tax advantages that require additional filing, more formalities while more expenses are required. It has a very marginal tax management flexibility.

i.iii. Protect Intellectual property.

However, there are several aspects of intellectual property that a start-up needs to put in proper place. People often misconstrue the entire intellectual property for patents only. Patent is just the main type of Intellectual Property for the protection of invention. Others aspects are trademarks for the protection of logo while copyright is for the protection of artistic, dramatic and literary works. Shareholder's Agreement is another aspect of Intellectual property required to regulate the relationship of shareholder in a company that has them. Company trade marks also include trade names and trade dress like its colours. Companies need to register all their Intellectual Property Rights from start up to protect their intellectual property marks and prevent litigations on plagiarism at later stages.

i.iv. Generating and Registering a Business/company name:

Finding a befitting business name could be an interesting aspect of legal issues at start up. It is however required by the Government that this name is registered. Such a registration is to guarantees that no other business can exploit that your trade name. The idea of creating a business name for some people may be easy, while others may have to toil with it for long. A good business plan can be marred with an unbefitting business name or trade mark.

To assist you generate business name ideas is mainly by brainstorming and listing. Think about and jot down as many keywords related to your product or service, your mission, add your own name or names of your loved ones', your hero or heroes, your location etc. You may need to build up on this list from dictionaries. It is advised that the more words, the easier for you to find exciting and interesting words that will fit your dream business name. Consider if you can combine some words or phrase from your list.

It is essential to keep these characteristics of a business name at hand while choosing a new one:

- It should be easily and proudly expressible.
- it should be easy to comprehend and spell.
- It has to be creative and imaginative. (sound well)
- avoid common or generic names.
- it must clearly advertise your business ideas and represent all you do so that your production line will not be limited.
- it should be distinctive and concise and without ambiguous words.
- consider the generated name in an alphabetical list such as the yellow pages.

It is also advisable that the chosen name be subjected to family and associates' criticism. Ruminate over it for some days before confirming it the chosen. After generating the business name, it has to undergo registration at the Corporate Affairs Commission (CAC) office. The trade marks like trade names, logo, colours, trade dress, etc which can be obtained from an artist can be carried and registered along.

i.v. Checking the Company name and trade mark

- When your business name is submitted to the Corporate Affairs Commission (CAC), the body will help you check if the proposed company name or trade mark is not already in existence or similar to one earlier registered. This will be checked on their computer which has the search facility (database) with the full list of registered businesses in Nigeria.

- It is better to check the proposed company names and trademarks at the same moment once you have decided to have the two. This will ensure you don't infringe on other peoples' trademarks.

- At the end of the detailed checking, the CAC's business checker will report the availability or otherwise of your proposed business name.

- Detailed checking at the CAC is to confirm the registration of your intellectual property which no other business in Nigeria can ever use again. It becomes the business link and marketing strategies with your customers.

i.vi. Develop Basic Legal Documents

After the registration of the business name and trademarks, the business can now develop its basic legal documents and common forms needed. Purchase and services agreement that have to be signed should be prepared for the customer.

- Apparently, the business has to employ staff to assist run it. Employment legislation should be abided with by ensuring that employees receive their terms and conditions of service document, not too long upon assumption of duty. Company policies and procedure in respect of staff health, safety and general welfare should be documented, and be handed over to them on employment. There should be a general employment manual while agreement forms should also be prepared.

- Business companies are required to file an annual return with the Corporate Affairs Commission (CAC). This may include the company account depending on the type of entity and the annual turnover. There are penalties for not complying every year.

- Where there is the need for capital, directors should consider and declare shareholding for potential investors. The potential type of shares including rights each shares attract in the company should be specified.

All these presumably attest to the fact that a professionally qualified and experienced lawyer and or an accountant be employed to prepare the company documents including forms and agreements.

Use of Examples/illustrations/case study/transparency/worksheet

WORKSHEET D: Legal issues at Startup.

You are about to start up a business opportunity you have just identified. Please use the worksheet below to assist you through the required legal formalities for registration.

Students Names:____

Matriculation Number:____

Faculty/Department:____

1. a.) My business name is:

____

b.) Major focus of my business is:

____

c.) Four important characteristics of an acceptable business registration name are:

i.________________________________ ii. _______________________________

iii.______________________________ iv. _______________________________

2. The six legal formalities I must fulfill for my start up business are:

a.________________________________ b. _______________________________

c.________________________________ d. _______________________________

e.________________________________ f. _______________________________

3. Four concerns I need to know about my company lawyer:

a.________________________________ b. _______________________________

c.________________________________ d. _______________________________

5. The advantages of ____________________________ business entity type over the _____________________________ type are that it protects its shareholder’s interests. It also allows them to appoint officer and directors to run the business. However, the good similarities between the ___________________________ and the ______________________________ business entity types are that they are both taxed once as personal income while both are also easy and cheap to start and run.

C. **Group work assignment, individual assignments/ test questions**

Related Test Questions

1. Why do we need to attend to legal issues for new business ventures?
2. What do we mean by intellectual properties and why do we need to protect them?
3. Trade mark is different from trade logo. Discuss.
4. What are the processes involve in company name registration?
5. What are SBL and SLP?
6. What legal issues do I face when starting a business?

Topic 6: Feasibility Analysis of New Ventures and New Venture Financing

A. Introduction/definition of concepts

Feasibility analysis is a comprehensive research study required by the entrepreneur or his agent to determine the practicability, profitability and viability of the business idea. Before jumping into a start up business, expanding an existing one or even acquiring an existing one, it is very necessary to analyze the feasibility of that business. For whatever purpose, the main task of feasibility analysis is to express the model of the business and its marketability; check its prospect for financial profitability and success; and convey the managing group's capability to implement and accomplish the business objectives.

Feasibility analysis is therefore an overview of the business and a preliminary appraisal of the business idea to consider if it merits pursuing. It reasonably reveals without prejudice the strengths and weaknesses of the business, its opportunities and threats through the background and the assets required to carry through as well as the eventual diagnosis for achievement. A feasibility analysis provides the entrepreneur the opportunity to flesh up the initial business plan, consider the missing and available features needed to be put in position for the business to succeed. It is an opportunity to consider if it is visibly feasible and viable; despite the challenges one is likely to experience and how to solve those challenges. The main concern and tool of feasibility analysis are the necessary expenditure and the profit to be accomplished. This means it is all about finance.

A new startup business requires some financial funding which comes in several unique categories of financing options. Some universal and reliable funding sources easily available to most entrepreneurs are through the entrepreneur's savings and personal bank soft loans, financial supports from friends and family which may or may not involve interests. These are typically the first stage of financing whereby the entrepreneur invests his own funds and raise funds from friends and family. For more ambitious businesses, the next stage source is usually the funding from angel investors. These are private investors who use their own capital to finance businesses. After this is the next stage of financing from institutional investors like venture capitalists companies who are specialists in funding new businesses for profitable gains. Such venture capitalists also sometimes provide any observable potential weakness in the business. These include legal, marketing or operational deficiencies that may be threatening the survival of the business. Sometimes angel investors and Venture capital companies' bargain cash exchanges for an equity stake in startup businesses struggling to start operating.

B. Theory and Practice

i. Reasons for Feasibility Analysis

Feasibility analysis is all about questioning your concept, ascertaining which components are in place to make it realistic to easily execute and recognizing the biggest obstacles you're likely to face.

Feasibility analysis mainly assists to:

- Appraise the business marketplace for the new business idea;
- Assess if the Managing team have the personality generally known with successful business persons. It is advisable to have self assessment first. One must have that personality suited, skilled and knowledgeable to run a business and lead a group to success.
- Identify the challenges of start ups and how one can overcome those challenges,
- Consider the financial feasibility of the business viz-a-viz its expected sales incomes, fixed and variable costs as well as break-even calculations;
- decide to continue with the business plan due to its viability and other attractions or not. Sometime it takes asking oneself some bitter but pertinent questions whether to scrap the idea if it is no longer as originally envisaged or needs to be amended, redirected or altered immensely.

In this wise, an ingenious suitable feasibility analysis will supply the historical setting of the business, describe the products and services, the account/financial profile/data, information on its operations as well as management, marketing research and strategy, including legal necessities. In actual fact, for such a serious research, all strata of the business are subjected to feasibility analysis, depending on the type.

ii. How to Write a Feasibility Analysis Report

A feasibility analysis report for a start up business can be a simple or complex exercise, depending on the type of business. The best approach is to first determine what the entrepreneur requires it for and what interests him/her. Then, set the criteria that need to be fulfilled in order to justify the start up business or convince decision makers who have to approve whatever for the business. The structure/contents template of a feasibility analysis report is neither rigid nor limited, and depends only on the needs, type and organization that require it.

The template set out below is therefore a general model that could satisfy most businesses. This report template is comprehensive so some items may not be relevant to the needs of some businesses while some specific requirements may be added. However, in writing a business feasibility report the write up should be creatively kept simple, clear and concise, straight to the facts and figures, evidences laden and stylishly assertive.

ii.i. Template and Structure for a Feasibility Analysis Report

ii.i.i. Proposing Entrepreneurs' Profile:

a.) Team Members Names:
b.) e-mail addresses:
c.) GSM Telephone Members:
d.) Positions of Team members in the Business:
e.) Postal and Residential Addresses:
f.) Educational Qualifications:

ii.i.ii. Business Name: This indicates the type of registration, whether a sole proprietorship, partnership, corporation or limited liability venture. Please note that a public limited liability company carries the “Plc” after the name or the “Ltd” when proposed as a private limited company.

ii.i.iii. Business Location Headquarters and Branches: A good description of the possible headquarters location of the company, its branches and facilities including offices and manufacturing plant. The report needs to specify the required size of the location, its adequacy and the costs to be involved in acquiring, constructing or renovating buildings and required utilities that will suit their operations. The proposed location should have adequate access to infrastructure and services like highways, railway, airport and other utilities in relation to customers.

ii.i.iv. Background History of the Business: This refers to the business overview and should briefly describe the proposed business. It should be specifically spelt out how it shall be organized and a proposed aspiration of the venture to be a small company forever or to be developed into an international standard later.

ii.i.v. Business Objective: This is always as conceived by the business team. It describes the main concept and the essence of the business. The main objectives usually put forward by most entrepreneurs are the generation of income, provision of jobs for the youth, improving the economic status of the business location and setting new standards or products in the business environment. Along with their own views, the feasibility report should consider the products and services being offered to highlight the essence. It is only when a business is able to produce products and services, distribute them to the market environment and still make return a profit to its investors that it can be described as economically feasible.

ii.i.vi. Required Technical skills: This section assesses the technical and professional readiness of the business. A business can only be considered technically and operationally feasible if it has the necessary expertise, infrastructure and capital to develop, install, operate and maintain the proposed venture, and be able to deliver the proposed goods or services at a profit.

ii.i.vii. Proposed financial Contributions (Capitalization): A start up business requires a lot of fund to provide sufficient access to resources. Most businesses die prematurely for the primary reason of under-capitalization. Financial provisions from all proposed sources of funding the business must be ensured to keep the business running from startup until it starts to make profits and breakeven.

ii.i.viii. Management and its Strategy: This section should spell out the organizational structure appropriate for the business and decide whether management would run the business by direct labour, contract, consultancy, etc. There is the need to specify the management team's needed experience to identify the required staff positions that must be filled. The management team's key skills and areas of expertise for executing this plan should be critically scrutinized to determine their competences. If there is any need to advise an additional key skill area of expertise; don't hesitate to do so. Likewise, stipulate the qualifications needed to supervise operations and how easy or otherwise it could be to find potential qualified and experienced staff in their environment. It is also imperative to detail what it will cost to acquire and retain such staff on the job. Lastly, the management should be made aware of the significance of distribution and delivery contracts to the business growth.

ii.i.ix. Sources of finance at Start up: The report is supposed to give details of capital fund required and to enumerate the various sources of raising capital to sustain the business for the first one year. It should identify the short, medium and long term sources of funding. This could be from personal savings, contributions from other owners including shareholders, donations, bank loans and other loans, existing operations in the first year, etc.

ii.i.x. Production and operational requirements: Operations must define the production and other operational processes necessary to deliver the products and services from pre-production level to the market environment. These include manufacturing, consulting, logistics, after-sales service, travel and transportations, printing, etc. This section delineates how to run the business and deliver the products and services to the market.

A vital aspect of operations which the report must emphasize is the production line. The required technological equipment and human resources for the business, its purchase set up and running costs for profitability must be determined. The production process should be clarified whether it is full automation, semi-automation, mechanical or manual operation. Expectedly, most of the working employees, expenses and time will be used up on production and operational challenges.

ii.i.xi. Market Potential Assessment and Strategy: This is essentially all about distribution and sales strategy. Product or service businesses are considered feasible based only on evidences that it has sufficient market demand. This means that it must have enough customers to purchase a sufficient quantity of products or services in the target location and provide the strong potential that the product or service will return pleasant profit figures. Please note in the report that it is much easier entering a market where demand exceeds supply. In such an environment, customers will buy the product or services without much effort from the business.

The report has to decide the distribution channel whether the marketing strategy ought to adopt the cash-and-carry, direct sales, credit sales, wholesale outlet, commission agents or middlemen structure or the combination of the arrangements. The growth characteristics and the key drivers of the market, existing and potential competitors should be identified with the aim to suggest how they could be outwitted. The essence of this section is for all interested stakeholders and decision makers to understand the developments, opportunities and challenges obtainable in the business market and its environment.

ii.i.xii. **Financial Assessments and Projections:** The main essence of the financial assessment and projections is to determine whether the business is financially feasible or not. This is a vital aspect of the entire feasibility report. This financial appraisal also entails the payback and discounted cash flow as well as break even analysis. It offers the expected expenses and incomes of the business including the sales and advertising projections as well as how long it will take the business to break even. It should also be able to predict the total start-up costs required to begin operations right through the cost of land and buildings, plants and equipment, legal costs, accounting costs, day-to-day running costs, wages, rent, utilities, interest payments on debts, etc.

All these will eventually be weighed against the business's projected revenue on weekly, monthly, and or annual/bi-annual basis to determine the projected profit or loss of the business. However, it is important to note that just because a business has potential, is not a guarantee for its success. There are a lot of other financial factors. The report should formulate an evaluation criterion for regular performance self assessment.

ii.i.xiii. **Growth and the break-even period:** A business must have a lifecycle. The startup stage is always the planning and take off period. All resources are put into it to ensure its birth and survival in the market. The feasibility report should be able to predict the timing of the various growth stages especially the break even, peak period in the life cycle of the product and the revenue dropping period. An average feasible start up business ought not to aim longer than 18 months to break even, depending on its type. The report should know what stage of the product life-cycle is a particular target population in. if it is a mature industry, it may mean the market has been saturated, or that sales are no longer growing and may even be dropping.

ii.i.xiv. **Re-investment Policy:** The feasibility report would need to find out the current status of the business, examine the up to date developmental programme of the business and be able to predict how the business should be in the future. It should also be able to define the basis for the business signposts for predictable periods of time. These are to aid the setting up of re-investment policy for the business in the next 2, 5 or 10 years.

ii.i.xv. **Risk analysis:** Risks especially the financial one is a major consideration for any business. The feasibility analysis ought to envisage and prepare for risks which sometimes could be major. These major risks could be in the organization, competitive, regulatory, etc sectors associated with the business. It must also be able to calculate how to alleviate such possible risks. Some entrepreneurs insure their entire system including staff and equipment.

ii.i.xvi. Conclusions and Recommendations: When it has been decided to establish a business entity the business feasibility analysis must after all consideration conclude whether the business is viable, promising and gainful. This is to guide the entrepreneurs to go ahead with it or start thinking of another business. Feasibility analysis must also show when is the best time for the business to start for a rapid generation of income, its maturity time, its decline and possible natural death time. Recommendations must be clear and straight to the points.

iv. Other Feasibility Considerations

They assess certain specifics when there is a challenge in a particular identified section of the business. These depend on the section but they are:

iv.i. Economic feasibility

Economic analysis commonly known as cost-benefit analysis is the most frequent approach for evaluating the effectiveness of a business by determining the benefits and savings expected from it after comparing them with costs. It is crucial to objectively weigh the cost against the benefits before going ahead with the start up. The benefits must outweigh the costs, if it is viable.

iv.ii. Legal feasibility

This is to investigate and ensure that the proposed business conforms with all legal prerequisites. All registrations are already done with the various Government and professional bodies. They all depend on the type of business.

iv.iii.Operational feasibility

Operational feasibility assesses how competently the proposed business gets to the bottom of challenges and exploits all the opportunities earlier noted during capacity description. It also checks how the business complies with the necessities established in the requirements analysis part of the business development .

iv.iv. Schedule feasibility

Schedule feasibility is a appraisal to determine how suitable the business take off timetable is. It considers the available technical skills, how realistic the business deadlines are, how compulsory and considered necessary are those time limits. Some businesses may require certain time span to develop and mature, to be viable. For example a few months time limit for a Cocoa plantation business is unrealistic when it is obvious that it will require some years to start yielding. It however becomes a highly rewarding at pay off subsequently.

iv.v. Resource feasibility

Resource feasibility entails examining and determining the availability of the type and amount of required resources for the business start up. Such resources include the time/period available, its dependencies, its interferences with other operations, etc

iv.vi. Financial feasibility

In a start up business, the financial feasibility tests the financial viability of the proposed business based on the total estimated cost of the business, financing format like the intended capital configuration, debt equity ratio and promoter's share of total cost, existing investment by the promoter in other businesses and the expected cost–benefit analysis

v. The Relationship between a Feasibility Analysis and a Business Plan

A feasibility analysis and a business plan are similar in process and both are employed in most business enterprise being proposed by an entrepreneur. However, there are some basic differences between a feasibility analysis and a business plan.

Feasibility analysis is carried out with the intention to discover the workability and prosperity of a business. A feasibility analysis is required before investing in a new business to know its potentiality and whether it worth the time, efforts and resources being proposed for it. A business plan is done only after establishing the business and feasibility report has indicated that business opportunities exist. Invariably, business plan comes after a feasibility analysis whose positive result gives birth to the next step of developing a business plan.

While a feasibility analysis involves a lot of calculations, analysis, projected forecasts, business plan consists of mostly strategies and tactics for the development of the business.

Where a feasibility analysis entails investigation and severe critical research works to determine if a business is viable, a business plan concerns itself with the development and sustenance of the business. A business plan draws on every information gathered in a feasibility analysis report to further prepare the business for operation and decides how strategies will be carried out.

Feasibility analysis considers the strengths and weaknesses, the competitors, the pricing landscape and marketing strategies for the products or services to succeed in the market environment. A feasibility analysis foresees such and other obstacles, which the business plan has to resolve.

A feasibility analysis is extremely indispensable in a fresh start up business while not very necessary in an existing one. Business plan is essentially needed for both.

A feasibility analysis polishes the entrepreneur's initial concept of the business while the entrepreneur's response to the critical issues it reveals are presented by the business plan in details.

vi. New Venture Financing

Startup businesses are usually much easier to finance and source fund for than established businesses because they have the potential to grow rapidly with limited resources of fund, land and labour. Funding such startup businesses provide the opportunity for providing a progressing chain of financing. This fund sources leads from one link to the othe at a particular time from gestation stage to maturity. See the diagram on page. These funding sources are arranged below in progressively required.

- **vi.a.** Founders, Friends & Family or Bootstrapping Phase
- **vi.b.** Business Angels
- **vi.c.** Venture Capital (VC)
- **vi.d.** Initial Public Offering (IPO)

vi.a. Founders, Friends and Family

The most simple and familiar method used to raise capital funds for a start up business is through you as founders, family and friends often referred to as the "3Fs". It is a group that could be interested in investing in your ideas due to your time-honored personal relationship with them. Despite the possible substantial danger inherent in such with mixing personal relationships with business, they are not likely to be interested in the details of your idea as other business financiers. A similar means of self-funding a business by limiting or avoiding outside investment or running a business venture on a shoestring financial plan is bootstrapping. This is a means of funding a small scale business with highly creative attainment and exploit of all available resources without elicit borrowing money from any bank or other finance houses. It strictly rely greatly on internally generated earnings, credit cards, second mortgages, and customer advances and other few sources. It provides the main strategy of positioning an operating venture to seek equity capital from external investors later.

vi.b. Angel Financing

Some individuals who invest their money in business ventures for high financial profits better than what they can get from banks and other investments are Angels doing angel financing. They are majorly motivated to offer this second round financing by the profit in it usually calculated in percentages. The business of angel investing is becoming very lucrative in Nigeria not just for businesses but to other people in financial stress. For start-ups, angels are usually ready to grant the required finances before incomes and administrative supports. Some of them are well known while others are not, but they are mostly professionals who have made their money in their businesses. These include engineers, lawyers, medical doctors, company executives, public servants, academicians, entrepreneurs, etc. They sometimes willingly take the risk to have a slice in your business that could hopefully become big in future.

Affiliated and non-affiliated are the two types of angels known. An affiliated angel has some sort of contact with you and or your business but not necessarily related to you. With this familiarity, it is advisable to approach the affiliated angel since he will be interested in your affairs. However, a non-affiliated angel has no association with either you or your business. They are both more accommodating than banks and other financial sources to tap the ingenuity of startup businesses. They play very contributive roles in finance, knowledge and other supports.

vi.c. Venture Capital Financing

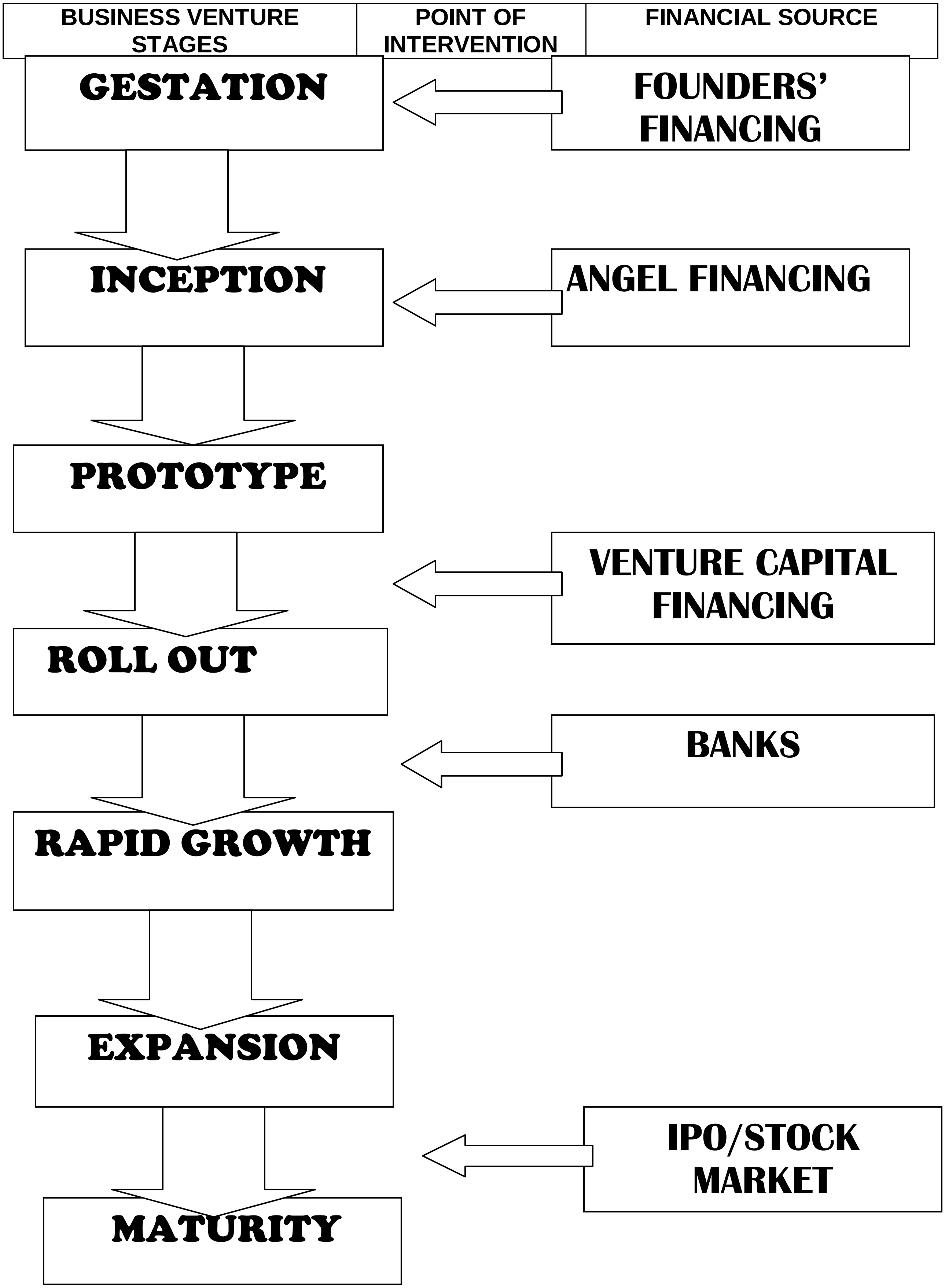
Some investors are interested in financing early stage and more risk-oriented ventures by offering seed funding to early-stage businesses with high potential growth ventures for high profit generation. Known as venture investors, they are often not interested in innovations and high-tech developments and to be the first investor for start up businesses.

vi.d. Initial Public Offering (IPO) or mergers & acquisitions (M&A)

Initial public offering (IPO) or merger and acquisitions (M&A) or the stock market is the first sale of stock by a small or large scale company to the public to raise expansion capitals and become a publicly traded enterprise. It allows a company to source for capitals from a wide pool of investors for growth and debt repayment. This first fund from the shares goes directly to the Company while further trade of shares on the stock market has to pass between investors. A company selling common shares is never required to repay the capital to investors.

This financing source was first employed by the Dutch East Indian Company to issue stocks and bonds in an initial public offering. A company proposing this funding source will through the assistance of an investment bank as underwriters help to correctly assess their shares price.

Use of Examples/illustrations/case study/transparency/worksheet



Group work assignment, individual assignments/ test questions

1. With the template provided in the text, write a 3-5 page feasibility report on any business venture within the University campus.
2. A friend of yours -Uthman, is planning to establish a small scale business in his town, please advise him why he should or should not use founders capital financing sources
3. Compare and contrast venture capitalists and angel investors as capital financing sources.

Recommended or suggested further readings

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V1. Any other relevant material, picture etc that can aid comprehension