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SUMMARY OF

E.E.P

(VENTURE CREATION AND GROWTH)

**MODULE ONE**

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.

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.

**Bus Plan**

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.

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.

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.

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.

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 Planning Process:**

The process of determining all the goals, strategies and projected actions that you intend taking to promote and ensure as business planning process.

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:

1. Research:
2. Strategize:
3. Calculate:
4. Draft:
5. Revisitation and Proof-reading to finalize:

**Typical Structure For A Business Plan For A Start Up Ventur**

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.

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

* **Executive Summary:** This is the general overview of the entire business. Questions that have to be answered here include:

1. What is the business?
2. What is the market?
3. What is the potential for the business?
4. What are the forecast profit figures?
5. What are the Funding requirements?
6. What are the prospects for investors and lender?

* **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
* **Business Environment Analysis:** This should explain the detailed strategy and tactics to be employed for bringing the product or service to the market

1. Determines how to get to the market?
2. Summarizes how to fulfill the entrepreneur’s objectives.
3. The detail will be contained in programmes and budgets.
4. the pricing structure to be established.
5. the estimated sales projections.

* **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.

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?

* **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 strate

* **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.
* **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.
* **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.

**Reasons For A Business Plan:**

Planning about your business is a necessary process to undertake before, during and after start up. A business plan serves as:

1. Road Map/Guide For The Business:
2. Assurance of potentiality:
3. Define a Business:
4. Serves as Résumé for the Business:
5. Regular Business Review and Course Corrections:
6. Review Current Progress Against The Initial Forecast:
7. Support For A Loan Application Or Raise Equity Funding:
8. Defines Agreements Between Partners:
9. Proper Allocation of Resources:
10. Sets a Value on a Business For Sale or Other Legal Purposes:

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

**Factors That Motivate People to Begin New Businesses**

* Joblessness:
* Financial Ambition:
* Desire to Control the Economy:
* Desire to pursue a business idea:
* Advantage of an opportunity in the market:
* Inherited Family Business:
* Desire to be their own boss:
* Replicating a Business Idea found in Another Environment:
* Frustration with low Pay:
* Life After Retirement:

**Topic 4: Opportunity Search and Identification**

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.

**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.

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.

**The Stages of Opportunity Identification process**

Opportunity identification is the collection of three main factors,

* The entrepreneur’s background,
* Business influence
* 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:

1. preparation
2. incubation
3. insight
4. evaluation
5. elaboration

**Types of Opportunity**

The main purpose of any type of opportunity is to strategize to achieve appropriate search.

* recognized type
* discovered type
* created/enacted type

Each of these type of opportunity is associated with a certain level of uncertainty.

**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

**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.

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

**Legal Issues at 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.

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.

**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

**Four major legal issues that should be attended to are:**

* Address legal restrictions/Limits:
* Choose a Business Entity Type
* Protect Intellectual property.
* Generating and Registering a Business/company name:

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.

**Feasibility Analysis of New Ventures and New Venture Financing**

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. 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.

**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.

**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 template set out below is therefore a general model that could satisfy most businesses.

**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:

**Business Name:** This indicates the type of registration, whether a sole proprietorship, partnership, corporation or limited liability venture.

**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.

**Background History of the Business:** This refers to the business overview and should briefly describe the proposed business.

**Business Objective:** This is always as conceived by the business team. It describes the main concept and the essence of the business.

**Required Technical skills:** This section assesses the technical and professional readiness of the business.

**Proposed financial Contributions (Capitalization):** A start up business requires a lot of fund to provide sufficient access to resources.

**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.

**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.

**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. 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.

**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.

**Financial Assessments and Projections:** The main essence of the financial assessment and projections is to determine whether the business is financially feasible or not.

**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.

**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.

Risk analysis: Risks especially the financial one is a major consideration for any business.

**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.

**Other Feasibility Considerations**

* Economic feasibility
* Legal feasibility
* Operational feasibility
* Schedule feasibility
* Resource feasibility
* Financial feasibility

**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.

**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.

* Founders, Friends & Family or Bootstrapping Phase
* Business Angels
* Venture Capital (VC)
* Initial Public Offering (IPO)

**MODULE 2**: **ISSUES OF BUSINESS GROWTH: AN OVERVIEW**

**Introduction**

Entrepreneurship is recognized as the engine of economic growth and poverty reduction worldwide. This is because the social and economic value added through innovation and employment generation is critical to the increase in the overall productiveness of the economy. Thus, it is essential for businesses to grow in order to serve the interest of the owners and also contribute positively to the economic development of regions and nations (Acs, 2006 and Autio, 2007).

**Topic 1: Concept of Business Growth**

Business growth means expanding firm’s products and services or expanding its target markets, or some combination of each. Any increase in the volume of activities of enterprises is a clear indication of growth.

**Reason for Business growth**

Researchers have shown that more than half of all businesses fail in less than two years of commencement. Also, a large number of those businesses that survive the first two years hardly grow. Conventionally, people ascribe businesses success or failures to fate/chance or certain environmental conditions including family background.

The question often asked is what motivates people commit to starting and growing their businesses. Usually, entrepreneurs tend to make critical investments, take acceptable risks and learn consistently because of their desire to make money and enjoy all the rights and privileges that come along with wealth.

To improved social status and well being,

greater opportunity for philanthropy and community services,

gaining control over their own destiny

Government tends to favor business growth because it lessens unemployment and social

tension in addition to raising more revenue from taxes.

to create social and economic value for al

As employments are generated, the increase productivity raises the level of wealth creation in a given economic environment.

**Types of Business Growth**

There are two main types of business growth:

1. Internal Growth and

2. External Growth

**Topic 2: Strategies for Growth**

Business organizations must grow in order to remain relevant and competitive. Businesses tend to grow in order to deliver their products or services better than competitors.

Therefore, entrepreneurs are expected to create an environment that will fit the growth agenda of the firm.

When a firm is better organized, there are a number of alternative path for growth. They include:

**1. Expanding Product Line or Service Offerings:**

**2. Opening new branches/division**:

**3. Exporting**:

**4. Innovation:**

**5. Creating and Maintaining Online Presence:**

**6. Franchising and Licensing**:

**7. Merger and Acquisition:**

**8. Competition:**

**Topic 3: Challenges of Business Growth in Nigeria**

It is pertinent to recognize that, like many African countries, Nigeria’s economy is mono-cultural, relying overwhelmingly on oil resources. Over the years, the country has failed to diversify its economy away from the extractive sectors which increasingly limits its ability to grow and develop. This problem further prevented Nigerian entrepreneurs from moving towards higher productivity in value added sectors. The years of inaction in this regard resulted in the low productivity and non-competitiveness of Nigerian industries.

Movie and music

 Internet cafes

 Phone cards and call stands

 Business centres

Other business activities that experienced significant growth in the last few years include:

 Furniture making

 Printing press

 Steel works

 Bread and confectioneries

 Photo studious and video coverage

The problems of many of ventures listed above remains lack of expansion, low technology and skills; and limited capital. In fact, significant numbers of youth that have low skills are either unemployed or are engaged in street hawking and road side petty trades because the ventures that are expected to absorb them do not frequently grow. Thus, there is the need to carefully address the binding constraints to growth of businesses in order to regenerate the economy. Some of the key challenges are as follows:

1. **Lack of coherent economic empowerment policy**:

2. **Technical constraints**

**3. Deteriorating economic condition**:

4. **Lack of productive culture**:

5. **Weak Investment climate and Doing Business Indicators**:

* Low Access to finance:
* Access to Business Development Services:
* Low Access to infrastructure:
* Low Access to Investments:

**Topic 4: Critical Success Factors for Growing Businesses**

1. **Clarity:** An entrepreneur is required to be clear of her vision in life. This will help her to set challenging goals for the business.
2. **Competence:** Even when goals are clearly defined, there is the need for an entrepreneur to constantly learn new skills and acquire experiences to permit making informed decisions.
3. **Reputation**. The most valuable asset a firm can develop is its reputation. Reputation is how the business is known by its customers.
4. **Resilience:** There are numerous challenges confronting businesses especially at the initial stage. The ability to identify and remove obstacles with focus and speed is critical.
5. **Creativity:** Successful businesses are innovative. The ability to think differently, faster and to figure out new and easier ways to produce and deliver products and services are very crucial to growth.
6. **Concentration:** Entrepreneur’s ability to avoid distractions and focus on what she does best is one of secret for success.
7. **Courage:** Many people tend to avoid risks and difficult endeavors. Many studies have shown that the courage to take the "first step” makes all the difference.
8. **Learning from failure and moving on:** As entrepreneurs target growth they sometimes fail.
9. **Financial Discipline**: There are instances where entrepreneurs get carried away by short term financial successes.
10. **Investment in people**: Businesses that grow consistently develop the capacity of managers and employees.

**MODULE 3: SOURCES OF FUNDS**

**HANDOUT 1**

**SOURCES OF FUNDS FOR NEW AND ENTREPRENEURIAL VENTURES**

**(i) Personal Savings**

Personal savings is the most common source of financing for small business enterprises. It has to do with the personal money which the entrepreneur has been able to set aside for an intended business venture.

**(ii) Borrowing from Friends and Relations**

Funds can be raised for entrepreneurial ventures through borrowing from friends and relations. The amount depend on the financial capacity of the lender and retionship dat exit between the two parties

**(iii) Trade Credit**

Trade credit as a source of fund occurs when a buyer makes an arrangement with the seller to buy goods on credit and pay later.

**(iv) Accrual Accounts**

Accrual accounts can also be called account payable. It represents the continually occurring current liability of a particular business. These include wages, interest, taxes and other expenses that are payable in arrears.

**(v) Retained Earnings**

Funds can also be obtained through undistributed profits. A business owner may decide to reinvest part of his or her profit back to business for efficient operations of the business.

**(vi) Equity Financing**

Equity finance is a form of business finance in which funds borrowed to operate a business venture are not taken as loan but converted to equity (stake in ownership) which now makes the 7

lender a part owner of the business venture, risk and profit are shared together.

**(vii) Bank Loan**

A small business entrepreneur can approach bank for a loan. This is a common practice among established small business enterprises with good reputation doing business with a particular bank.

(viii) **Project Financing**

Project financing is the funding of a particular project by a financial institution. This can be a

source of funds only when the proceeds from the project are sufficient to repay the capital sum

usually known as the principal which is the amount of money borrowed for the execution of the

project with interest accrued.

**(ix) Venture Capital**

Venture capital is the money invested by individuals or venture capital firms in small and high –risk business enterprises. Venture capitalists are investors that invest in other people’s businesses for the sole aim of profit

The venture capital industry may consist of:

* + wealthy individuals
  + foreign investors
  + private investment funds
  + pension funds or
  + major corporations.

**(x) Debt Financing**

These are funds that the business owner borrows and must repay with interest. Borrowed capital maintains ownership of the business (unlike equity financing, which dilutes ownership) but is carried as a liability on Balance Sheet.

**(xii) Banker’s Acceptance**

This is credit facility that involves a bank and its customer. It is a time draft payable at a stipulated date.

**(xiv) Bank Overdraft**

Another financial facility is an overdraft facility, which banks give to its business clients. Bank overdraft is an overdrawn bank current account and a short-term financial facility which is renegotiated every year depending on the performance of the business. Before banks grant overdraft, the following factors are considered:

(i) The purpose for which the fund is required;

(ii) The character of the entrepreneur;

(iii) The management and financial position of the business;

(iv) The capacity of the business and

(v) Collateral security (this depends on the amount of money involved).

(xv) **Inventory Financing**

(xvi) **Borrowing from Cooperative Societies**

**(xvii) Hire Purchase**

**(xviii) Leasing**

**(xx) Microfinance Banks**

**(xxi) Public Offerings**

**HANDOUT 2**

**INTERNAL AND EXTERNAL SOURCES OF FUNDS**

Internal financing is the term for a firm using its profits as a source of capital for new investment, rather than distributing them to firm's owners or other investors and obtaining capital elsewhere while external financing consists of new money from outside of the firm brought in for investment. External financing is the phrase used to describe funds that firms obtain from outside of the firm. It is contrasted to internal financing which consists mainly of profits retained by the firm for investment. There are many kinds of external financing. The two main ones are equity issue which is also considered as external financing are accounts payable, and taxes owed to the government.

Advantages of internal sources of finance include the following:

i. capital is immediately available; ii there is no interest payable on such fund; iii. there is no control procedures regarding the credit worthiness of the owners; and iv there is no third party’s influence.

**Disadvantages of internally sourced funds**

i. It is somehow expensive.

ii. It does not easily increase capital. iii. It is not as flexible as external financing. iv. It is not tax-deductible. v . It is limited in volume because it is subject to the capability of the owner(s) to raise fund internally.

**FORMAL AND INFORMAL SOURCES OF FUNDS**

Formal sources of funds represent those institutions that are registered with appropriate authorities to transact the business of finance with entrepreneurs. Examples of formal sources of funds include loans from commercial banks, insurance company etc.

On the other hand, informal sources of funds are provided outside the structure of government regulations and supervision. Examples of informal sources of funds include those groups or individuals that are involved in loan disbursement with little or no formal regulations

**Advantages of formal sources of finance**

(i) Provides proper guidelines and documentation for loans.

(ii) Business advisory support from the banks that is lending.

(iii) Helps the entrepreneur to stay focused on the business because of interest rates.

**Advantages of informal sources of finance**

(i) It helps entrepreneurs to have easy access to funding.

(ii) Less documentation is involved in loan process.

(iii) Entrepreneurs do not stand the risk of loss of assets or business to the institution.

**HANDOUT 3**

**CONCEPT, METHOD AND TYPE OF FINANCES PROVIDED BY VENTURE CAPITAL**

**The Concept of Venture Capital**

Venture capital funds may be described as pools of capital constituted for investing in relatively high-risk opportunities. It provides long-term, committed share capital, to help unquoted companies grow and succeed. The venture capitalist makes money by owning equity in the companies they invest in.

**Venture Capital Funding**

In capital venture, lenders have a legal right to interest on a loan and repayment of the capital, irrespective of the success or otherwise of the business. As a shareholder, the venture capitalist's return is dependent on the growth and profitability of the business.

Venture capitalists are typically very selective in deciding where to invest in;

**Financing Stages in Venture Capital**

Six stages are involved in venture capital financing and they are as listed below:

(i) **Seed Money:** This is a low level financing needed to prove a new idea, often provided by angel investors.

(ii) **Start-up:** This stage deals with firms that are in their early stage that need funding for expenses associated with marketing and product development.

(iii)**First-Round:** This stage covers early sales and manufacturing funds of firms.

(iv) **Second-Round:** It includes funds that are used for financing of the working capital for early stage companies that are selling products or services but make little or no profit from the business.

(v) **Third-Round:** Also called Mezzanine financing. This is expansion money for a newly profitable company.

(vi) **Fourth-Round:** Also called bridge financing. This is used in financing companies that want to "go public".

**Types of Venture Capital**

Venture Capital firms differ in their approaches, certain factors influence the venture capital decisions and these include:

* some venture capital firms tend to invest in new ideas, or fledgling companies. Others prefer investing in established companies that need support to go public or grow.
* some invest solely in certain industries.
* some prefer operating locally while others will operate nationwide or even globally.
* some may want a quicker public sale of the company or expect fast growth. The amount of help a venture capital provides can vary from one firm to the next.

**The Positions in Venture Capital Firms**

* **Venture Partners**:
* **Principal:**
* **Associate**
* **Entrepreneur-in-residence** (EIR):

**Businesses that are Attractive to Venture Capitalists**

Venture capitalist prefers to invest in "entrepreneurial businesses". This does not necessarily mean small or new businesses rather; it is more about the investment's aspirations and potential for growth, rather than the size of the business.

**Sources of Finance for Venture Capital Firms**

Most venture capital firms raise their funds for investment from external sources such as; pension funds scheme, insurance companies, mutual funds, public offerings from interested investors and private placements. To obtain these funds, venture capital firms have to demonstrate a good track record and the prospect of producing returns more than what is achievable through fixed interest or quoted equity investments.

Before a venture capital firm can invest in any business, information on the following are important:

1. Good business plan/feasibility report.
2. Technical know-how of the promoters of the business.
3. Product or service commercially viability.
4. Potential sustainability of growth for the business.
5. Whether management have the ability to exploit this potential and control the company through the growth phases.
6. Forecasting techniques and accuracy of past forecasting.
7. Assumptions on which financial assumptions are based.
8. The latest available management accounts, including the company's cash/debtor positions Bank facilities and leasing agreements.
9. Pensions funding.
10. Employee contracts, etc.
11. Does the possible reward justify the risk?
12. Does the potential financial return on the investment meet their investment criteria?

**Methods of Valuation Used By Venture Capital**

The following steps are mostly used as methods of valuation by venture capital firms:

* Identification of the amount of capital to be invested by the investor.
* Identification of the target rate of return expected by the investor.
* Estimation of the multiple of the original investment that will fetch the required rate of return over the anticipated holding period.
* Projection of the market value of the firms based on performance projected during the proposed year of existence.
* Estimate the percentage of the projected value that the investor needs to claim in order to achieve his return objective.

**Investment Process of a Venture Capitalist**

the process from the revieing of the business plan to actual investment can take sometime depending on the volume of information involve. The key stage of the investment process is the initial evaluation of a business plan. Most approaches to venture capitalists are rejected at this stage. In this case, it is appropriate for a business to have a financing structure that includes both equity and debt.

The professionals that venture capital use to access a business may include: business consultants/analysts, lawyers, chartered accountants, engineers etc.

**How is Venture Capital (VC) different from banks?**

Banks provide term loans and working capital limits to companies. The company has to make interest payments and pay back the principal within a stipulated timeframe. In comparison, VC subscribes to the equity shares of a company for a stake in the company at a negotiated valuation.

**HANDOUT 4**

**GOVERNMENT INITIATIVES IN FUNDING SMALL AND MEDIUM ENTERPRISES (SMEs) IN NIGERIA**

Several efforts from both government and international agencies have been directed towards enhancing the operations of SMEs especially in the area of financing.

These schemes are making much impact to ensure that the objectives of SMEs are achieved in terms of job creation, poverty alleviation, skill supply, infrastructure provision etc. in the Nigerian economy. In order to make the SMEs sector more vibrant, the Central Bank of Nigeria evolved new initiatives, which are geared towards improving accessibility and availability of credit to the SMEs through the following schemes:

1. **The Small and Medium Industries Equity Investment Scheme (SMIEIS)**
2. **Nigerian Agricultural, Cooperative and Rural Development Bank (NACRDB)**
3. **The Bank of Industry**
4. **Refinancing and Rediscounting Facility (RRF)**

**Other Government Financing Incentives which had one time functioned include:**

1. **Small Scale Industries Credit Scheme (SSICS)**
2. **Nigerian Bank for Commerce and Industry (NBCI)**
3. **National Economic Reconstruction Fund (NERFUND)**
4. **World Bank Facility for Small and Medium Scale Enterprises (SMEX) Loan**
5. **Nigerian Export and Import Bank** (NEXIM)

**MODULE 4: ENTREPRENEURIAL MARKETING (DRAFT COPY)**

**HANDOUT 1: MARKETING FOR BOTH SMALL AND LARGE BUSINESSES**

The every growing in number coupled with increasing number of customer that the organization need to serve. With this, organization face challenges in knowing there customer; what they wan and how they want to be serve. Thus the teeming customer as a lot of option to choose from there for each ORG to try to get the attention of this customer in Oder to have their mind on them.

**Marketing:** Very often when people think of marketing, what comes to mind will include the billboards (see appendix 1 – 4) that abound in various locations of the city where they reside; the radio jingles that they heard over the radio the previous day;

it will be right to say that marketing is one of the most misunderstood business disciplines. Too often it is assumed to be just one aspect of what it involves – promotion. In reality, marketing is a specialist activity that influences the success of any organization whether small or large.

In very pedestrian language, marketing can be conceptualized as a process that enables people obtain their needs or wants from organizations that have developed products or services that will help satisfy these needs or wants of people. These products or services are offered to people who are at liberty to exchange them for something of value.

The implication of this definition is that successful marketing rests on the premise that proper need assessment has to be carried out to determine what the market desires or is lacking.

The language in marketing is deliberately general. For instance, purchasers are referred to as customers, a service organization will call them clients; telecommunication company will call them subscribers; a school will call them students; a hospital will call them patients and a hotel will call them guests. Similarly, a product may well be a service but the word product is often used to refer to both.

**Small Business Marketing:** Marketing forms the cornerstone for the initiation, growth and subsequent profitability of a small business. Without marketing and a marketing strategy, a business cannot survive and prosper. For the entrepreneur or small business owner, marketing is a matter of determining demand, matching a product or service with customer needs, and promoting those attributes in the marketplace to produce sales and make profit in the process.

**Differences between Small Business Marketing and Large Business Marketing**

a) **Budget Constraints**:

b) **Staffing:**

c) **Differences in Creativity:**

d) **Differences on Strategy:**

e) **Customer Interaction:**

**HANDOUT 2 – MARKETING MIX IN NEW VENTURES**

Marketing is a process that encompasses a number of activities that are interrelated and interdependent. Quite simply, the marketing mix is the unique blend of the elements of marketing that will apply to the business. These elements are: product or service itself; the location of the business; the distribution methods adopted by the business; the price at which the products will be sold; the advertising and promotion alternatives available to the business; and how the product will be sold as well as the level of customer service to be provided. These elements are often summarized and commonly referred to as the 4Ps - product, price, promotion and place.

**Product:** This is anything offered that is capable of satisfying a particular need or want. It is important for entrepreneurs to understand people never buy products but buy benefits. This part of marketing concentrates on the product / service the business is going to sell.

Product decisions require looking at the following areas: product mix; product features and product support.

* **To determine the product mix (**his covers the range of products offered for sale by the organization. **),**  it is important that small business owners engage in marketing research by way of need assessment to determine what people lack or what is currently not being delivered. It also entails knowing what kind of stock to have, what kind of customers you will want to serve, what do they like to buy and how they want to buy.
* **Product features:** It is important for the entrepreneur to remember that customer perception will determine success rather than what he sees in his product. Product features include colour, packaging, labels, quality, options, style design, brand names, freshness, consistency, sizes, durability, ingredients and product image among others. For services issues that bother on promptness, efficiency, expertise, reliability, guarantees, house-call, specialization, and pick up delivery among others are very fundamental.
* **Product support:** For a business, a sale may be an end result but for the customer it is just the beginning because he may have challenges with the product from time to time or the service he is seeking may be too complicated for him to understand.

**Place:** In marketing, a business must have the right product, at the appropriate time and price, and in the right place. In this context, place refers to two aspects; location and distribution.

**Promotion:** This encompasses everything to do with the way an organization communicates persuasively with people to influence them towards making a purchase. Marketers use many different tools to promote their products and services. Promotion is sometimes seen as the most important part of marketing;

The combination of promotional tools an organization uses is called its promotional mix.

* **Advertising:**
* **Personal selling:**
* **Public relations**: In essence, a good public relations (PR) programme has three steps. (1) Listen to the public through marketing research. (2) Change policies and procedures to accommodate the concerns and aspirations of the public. (3) Inform people that you are being responsive to their needs.
* **Publicity**
* **Sales promotion:**

**Price:** The phrase that goes mostly with cheap is poor quality, yet everyone wants a bargain. But as a bargain is essentially something worth more than it costs (and therefore rare) what they really want is value for money.

It should be noted that the term price could be used differently depending on the sector and the context. For example, all these refer to the amount you pay in exchange for the value received.

* Guest Lecturer - Honorarium
* Apartment - Rent
* Doctor - Consultation Fee
* Highway - Toll
* Import / Export - Duty
* PHCN / GSM - Tariff
* Insurance - Premium
* Association - Dues
* Bank - Interest
* School - Tuition

**Factors Affecting Price**

Competition in the market and marketing strategies: In free market economies, the level of competition in the market place has a great influence on prices charged.

For example, to be a cost leader, low prices will be the marketing tool to use to gain market share. Alternatively, if the strategy is differentiation then the business owner must develop an “exclusive” image and be able to charge more for the product or service. If the marketing strategy is penetration then the business will consider a drop in price to induce new customers to purchase the product offered.

**Introducing a new product:** The launching of a product that is novel in the market can be an opportunity for a business to charge a premium without a backlash from the market.

If there is need for a small business owner to increase prices, then he needs to consider some of the following:

* Justify the reasons for the price increases. It cannot be simply on the grounds that it is time prices were raised because there has not been an increase for some time.
* Research what the competitors are currently doing. Is there any indication that they intend to increase their prices?
* Never allow guess work to form part of the pricing strategies. If the pricing is too high to start with and signs of slowing sales cause a reduction in prices it may be too late to redeem the mistake.
* The majority of the customers will have a range of prices they consider to be acceptable and this need to be known. Are prices beyond that range? There is a price point that becomes a barrier to the customer, and beyond it they will no longer consider the product or service.
* Understand clearly the minimum Gross Profit that is acceptable to the business.
* There may be times when the price is determined by the competitors. If their prices are very competitive then the business is not in a position to charge a price that causes a loss of market share.

**HANDOUT 3: UNIQUE SELLING PROPOSITION (USP)**

This simply refers to creating some differentiation which in marketing discourse means “Unique Selling Proposition”. The single best way for a small business to get exposure is to discover and showcase its unique focus.

**Differentiation:** This strategy concentrates on creating something which is perceived industry wide as being unique. It can be achieved by: creating an image; using new or different technology; being distinct through product features; being distinct through customer service; or adopting a different distribution network.

**HANDOUT 4: INTERNATIONAL MARKETING**

International marketing is the process of planning and conducting transactions across national borders to create exchanges that satisfy the objectives of individuals and organizations.

**Questions**

1. Why won’t organizations remain in domestic markets if large enough?

2. Why not save themselves the trouble of learning new languages, culture and exposure to hazards as well as the challenge of product redesign?

3. Why face the risk of possible expropriation?

**Answers**

1. Some global firms with better products and lesser prices attack local market base thereby eroding market share of domestic companies.

2. Some foreign markets present higher profit potentials.

3. Some firms go international in order to reduce dependence on a single market

4. The foreign market may present higher customer base thereby helping to achieve the much sought economies of scale.

5. Some countries do not have enough skilled workers, hence the need to shop for them abroad. Such skilled labour must be sought for and brought through International marketing.

**Standardization Vs. Adaptation**

This addresses the concern of whether companies should have identical products in all countries or develop products to satisfy local tastes and desires. In the discourse of International marketing, standardization is sometimes used interchangeably with globalization i.e. treating entire market as a single one for both production and marketing reasons.

**Modes of Market Entry**

There are three broad strategies for foreign market entry and each one involves its own level of commitment, risk and degree of profit. These are Exporting, Joint Venturing and Direct Investment.

**JOINT VENTURING**

Joint venturing is the second method of entering a foreign market by teaming up with foreign nationals to set up production and marketing facilities.

**A joint venture can be formed in four ways:**

* **Licensing:**
* **Contract Manufacturing:**
* **Management Contracting:**
* **Joint Ownership Ventures:**

**DIRECT INVESTMENT**

The third strategy that could be employed in order to operate in a foreign market is through direct investment. In this the firm may invest in foreign-based assembly or manufacturing facilities by either building a new plant or buying substantial shares in an already existing plant, or completely buying over an existing plant.

he following benefits are derivable to the foreign investor:

1. The firm may secure cost economies in the form of cheaper labour or raw materials, government investment incentives, freight savings, and tax concession, etc.

2. The firm will also gain a better image in the host country because it creates job opportunities to the local nationals.

3. The firm can develop a deeper relationship with the government, customers, local suppliers, and distributors, enabling it to adapt its products to the local market.

4. The firm retains full control over the investment and therefore, can develop manufacturing and marketing policies that serve its long-term international objectives.

However, it exposes a firm’s large investment to risk, such risks as devaluation of currency, worsening markets or expropriation.

**MODULE 5: NEW OPPORTUNITIES FOR EXPANSION (e-business)**

**INTRODUCTION**

Science and Technology have always influenced modes, practices and procedures of business and trade. Computers and the Internet are now increasingly widely used to function as part of doing business.

**WHAT IS E-BUSINESS?**

Originally, the term *e-Business* refers primarily to the digitally enabled transactions and processes *within* an organization, involving information systems under the control of the organization. *Electronic Business* or *e-Business* refers broadly to the use of technologies, particularly the Information and Communication Technologies (ICTs), to conduct business or facilitate improved business activities and processes.

E-Business could be generally described as any ICT enabled system that suppliers, distributors, or customers use, as the basis for conducting their business operations, such as:

* Communicate with clients or suppliers via email;
* Send email to other organizations to order supplies;
* Sell or promote products or services via a web site and/or email;
* Publish a web site to provide public information about the business;
* Use the Internet for online banking and paying bills;
* Research information about customers and competitors using web sites;
* Provide technical or customer service by email or web site; and
* Manage and distribute internal organization documents via an intranet.

**WHAT IS COMMERCE?**

**WHAT IS E-COMMERCE?**

Electronic commerce (e-Commerce) describes the process of buying, selling, transferring, or exchanging products, services, and/or information through computer networks, principally the Internet (Turban et al., 2004). Electronic commerce can also be described as the sharing of business information, maintaining of business relationships, and conducting of business transactions by means of telecommunications networks (Zwass, 2003).

E-Commerce involves the application of ICTs to conduct *commercial* transactions between and among organizations and individuals.

**DIFFERENCE BETWEEN E-BUSINESS AND E-COMMERCE**

The terms *‘e-Business’* and *‘e-Commerce’* are often used interchangeably, but what do these words really mean?

e-Commerce refers to online transactions - buying and selling of goods and/or services over the electronic medium especially the Internet. Electronic business transactions involving money are "e-Commerce" activities. While e-Business is more than selling products and services. What about research, development, marketing, procurement and customer relations?

The term "e-Business" highlights the fact that definition of e-Commerce was too narrow. To be successful, we need to think more broadly.

E-business is the powerful business environment that is created when critical business systems are connected directly to customers, employees, vendors, and business partners, using Intranets, Extranets, e-Commerce technologies, collaborative applications, and the Web.

We may therefore say that *e-Commerce -* which describes the buying and selling of products, services, is a subset of e-Business.

while e-Business covers a broader range of activities that could take place electronically, as well as via e-mail or the web.

**WHY STUDY E-COMMERCE**

**TOPIC TWO**

**7. TYPES OF E-COMMERCE**

1. **Business-to-Consumer (B2C) :** it is an exchange and transaction of information, products or services between a business and a consumer(s).

Many types of business models within this category include:

* **Online Retailers/Storefronts**
* **Content Providers**
* **Portals**
* **Transaction Brokers**
* **Service Providers**
* **Market Creators**

**ii. Business-to-Business (B2B)**

**iii. Consumer-to-Consumer (C2C)**

**iv. Business-to-Government (B2G)**

**v. Business to Employee (B2E)**

**2. Business Models based on Technology Used**

**. Peer-to-Peer (P2P)**

**ii. Mobile commerce (M-commerce)**

**8. KEY TECHNOLOGIES ENABLING E-COMMERCE EVOLUTION**



**DIMENSIONS OF E-BUSINESS**

business can be classified as pure or partial e-Business/e-Commerce.

**ADVANTAGES AND DISADVANTAGES OF E-COMMERCE**

**A. Advantages**

i. **Cost Reduction Benefits:** One of the greatest benefits of e-Commerce is cost reduction benefits. It is simply the most cost effective way to open and run a business. The cost benefits include:

* *Reduced cost of establishment*
* *Reduced Running Cost:*
* *Reduced travel costs:*
* *Reduced cost of materials:*
* *Reduced marketing and distribution costs:*
* *Reduced sales costs:*

ii. **Market Benefits:**

* *Greater reach:*
* *Improved customer service and brand awareness:*
* *Increased market awareness:*

iii. **Increased Efficiency**

* *More efficient supply chain management:*
* *Improved internal functions:*

iv. **Better Service Delivery**

v. **Competitive Advantage:**

vi. **Continuous Trading**

vii. **Human Capital Development**

**B. Disadvantages**

1. **Extra Cos**
2. **Risk of Failure**
3. **Risk of Losing Focus**
4. **Opportunity Cost**
5. **Risks of Ignoring e-Commerce**
6. **Sustainability**

**THE STATE OF E-COMMERCE IN NIGERIA**

Nigeria is yet to harness the opportunities for optimal financial gains. There is a big gap in Internet and e-Commerce adoption between the developed and developing countries (Licker & Motts, 2000); thus creating a digital divide.

The main obstacles that prevent developing countries, of which Nigeria is part, from leveraging the internet are:

(1) lack of adequate infrastructure;

(2)lack of technical know-how;

(3) information processing about the economy;

(4) Lack of legal and regulatory framework; and

(5)The lack of adequate banking infrastructure is also considered as one of the problems faced by developing countries in building e-Commerce solutions (Khalfan & Akbar, 2006). Other factors affecting the adoption of e-Commerce in Nigeria could be classified under:

1. data security,

2. network reliability,

3. credit card threat,

4. authenticity,

5. citizen`s income and education, to mention few.

We will summarize the state of e-Commerce in Nigeria by presenting the SWOT Analysis.

**Strengths:** these indicate areas where drivers or enablers are strong in the country and/or where constraints are being overcome:

* Growing competition plus other diffusion-friendly strategies and government policies to develop ICT infrastructure,
* High ICT infrastructure investment and growth rates, including growth of mobile telephony,
* High growth of intermediated access to ICTs – e.g. via Internet cafés and telecentres plus sharing of ICTs – so there can be many users per Internet-linked PC,
* Falling costs of many aspects of e-Commerce components including hardware and

**Weaknesses:** these indicate areas where constraints are still strong in the country and/or where drivers and enablers are weak:

* Lack of nationally coordinated ICT infrastructure, knowledge and skills compared to industrialized countries,
* Very uneven distribution of infrastructure in rural-urban terms,
* Uneven distribution of ICT access capacities between various social groups as well as in urban and rural population,
* Large proportion of mobile phones are not Internet-capable,
* Poor Western language skills and/or lack of support for ICT usage in local languages,

**Opportunities:** local, regional or global opportunities that are or may be available to e-Commerce-enabled MSEs:

* Primary product export sectors such as agriculture, horticulture, fisheries, forestry and mining products.
* Manufactured exports.
* IT-based services that are readily traded over the Internet such as software, data entry, call centre operations, etc.
* Tourism and travel-related sectors.
* "Traditional" sectors with export market appeal such as handicrafts, textiles, art, natural medicines, etc.

**Threats:** risks that face MSEs in the country specifically due to growth of e-Commerce:

* Competition and penetration of local or existing export markets by e-Commerce-Capable overseas firms.
* Growth of larger firms able to invest more in e-Commerce at the expense of MSEs.
* Increased disparities between few early adopters of e-Commerce and many 'laggards'.
* Increased disparities between urban and rural areas.

**12. STEPS TO STARTING E-COMMERCE BUSINESS**

* Step 1. Starting Out: Simple messaging using mobile communications
* Step 2. Getting Online: Email messaging
* Step 3. Web Publishing
* Step 4. Web Interacting
* Step 5. Web Transacting
* Step 6. Web Integration

**E-Business Planning Checklist:** To start e-Commerce business, it may be necessary to follow a top-down approach in addition to the step-by-step process discussed above. This approach is discussed below.

1. Take a careful look at the business
2. Start the preliminary research
3. Define the goals
4. Research the industry
5. Research the customer
6. Research the competition
7. Establish the marketing strategy
8. Establish the implementation and operations plan
9. Create the financial schedules
10. Format and assess the e-business plan

**MODULE 6:**

**“ETHICS AND SOCIAL RESPONSIBILITY”**

As the opening vignette illustrates, determining how to conduct business appropriately can be challenging. Wrongdoing by businesses has focused public attention and government involvement to encourage more acceptable business conduct. Any business decision may be judged as right or wrong, ethical or unethical, legal or illegal.

**Business Ethics** is the principles and standards that determine acceptable conduct in business organizations. The acceptability of behaviour in business is determined by customers, competitors, government regulators, interest groups, and the public, as well as each individual’s personal moral principles and values. **On the other hand,** Business ethics is the applied ethics discipline that addresses the moral features of commercial activity. According to Wikipedia (2012a), business ethics otherwise referred to as corporate ethics represent a form of applied ethics or professional ethics that examines ethical problems that arise in a business environment. It applies to all aspects of business conduct. The range and quality of business ethical issues reflect the interactions of profit – maximizing behaviour with non-economic concerns. Business ethics and the resulting behaviour are in state of constant evolution. It is a form of applied ethics that examines just rules and principles within a commercial context, the various moral or ethical problems that can arise in a business setting and any special duties or obligations that apply to persons who are engaged in commerce.

Many consumers and social advocates believe that businesses should not only make a profit but also consider the social implications of their activities. We define social responsibility as a business’s obligation to maximize its positive impact and minimize its negative impact on society. Although many people use the terms social responsibility and ethics interchangeably, they do not mean the same thing. Business ethics relates to an individual’s or a work group’s decisions that society evaluates as right or wrong, whereas social responsibility is a broader concept that concerns the impact of the entire business’s activities on society. From an ethical perspective, for example, we may be concerned about a health care organization or practitioner over- charging the provincial government for medical services. From a social responsibility perspective, we might be concerned about the impact that this overcharging will have on the ability of the health care system to provide adequate services for all citizens.

According to Uadiale and Fagbemi (2011), corporate social responsibility (CSR) is a strategy for demonstrating good faith, social legitimacy, and a commitment that goes beyond the financial bottom line. This definition appears to be further amplified by Yusuf (2012) in his description of the concept of CSR.

In a nutshell, social responsibility otherwise referred to as corporate social responsibility (CSR) is a mode of ethics that implores the entrepreneur to act in a way to benefit society (Pairier, 2012). It is a subcategory of business ethics. Entrepreneurs who adhere to the principles of social responsibility make business related decisions based on the principle that the best decision is the one that will do the most for the community hosting their ventures and the society at large even if that means sacrificing their own personal wants and/or needs.

**Features of Business Ethics**

The following are the features of business ethics as identified by Akrani (2011):

1. **Code of conduct:** Business ethics is a code of conduct. It tells what to do and what not to do for the welfare of the society.

2. **Based on moral and social values**: Business ethics is based on moral and social values. It contains moral and social principles (rules) for doing business. This includes 5 self-control, consumer protection and welfare, service to society and fair treatment to social groups amongst others.

3. **Gives protection to social groups:** Business ethics give protection to different social groups such as consumers, employees, small businessmen, government, shareholders, creditors, etc.

4. **Provides basic framework:** Business ethics provide a basic framework for doing business. It gives the socio-cultural, economic, legal and other limits of business. Business must be conducted within these limits.

5. **Voluntary:** Business ethics must be voluntary. The businessmen must accept business ethics on their own. Business ethics must be like self-discipline. It must not be enforced by law.

1. **Requires education and guidance:** Businessmen must be given proper education and guidance before introducing business ethics. The businessmen must be motivated to use business ethics. They must be informed about the advantages of using business ethics. Trade Associations and Chambers of Commerce must also play an active role in this matter.
2. **Relative Term:** Business ethics is a relative term. That is, it changes from one business to another. It also changes from one country to another. What is considered as good in one country may be taboo in another country.
3. . **As a guide: -** Business ethics constitutes the guiding principles of business functions with the help of this, businessmen can lean about the progress, situation, environment and conditions of the business.
4. **Goals and means: -** Business ethics is that branch of the business environment in which can study about the goals and means for the rational selection of sacred object and their fulfillment.
5. **Study Human Aspects: -**Business ethics all those which are concerned with human aspect. It provides information to customers, government, society etc, on good or bad, right or wrong conducts of business.
6. **Development Personal Dignity: -**Personal dignity can develop with the principlesofethics.
7. **Unrelated to Emotions: -**Business ethics is not concerned with emotions but is based on reality and social customs. As a matter of fact, business ethics is developed after testing the requirements of business environment, social customs and traditions.

**The Need for Business Ethics**

The points below discuss the need for ethics in business:

1. **Stop business malpractices:** Some businessmen engage in business malpractices by indulging in unfair trade practices like black-marketing, artificial high pricing, adulteration, cheating in weights and measures, selling of duplicate and harmful 6 products, hoarding, etc.
2. **Improve customers' confidence:** Business ethics are needed to improve the customers' confidence about the quality, quantity, price, etc. of the products. The customers have more trust and confidence in the businessmen who follow ethical rules.
3. **Survival of business:** Business ethics are needed for the survival of business. The businessmen who do not follow it will have short-term success, but they will fail in the long run when discovered by the customers.
4. **Protecting employees and shareholders**: Business ethics are required to protect the interest of employees, shareholders, competitors, dealers, suppliers, etc. It protects them from exploitation through unfair trade practices.
5. **Develops good relations**: Business ethics are important to develop good and friendly relations between business and society.
6. **Creates good image:** Business ethics create a good image for the business and businessmen. If the businessmen follow all ethical rules, then they will be fully accepted and not criticised by the society. The society will always support those businessmen who follow this necessary code of conduct.
7. **Smooth functioning:** If the business follows all the business ethics, then there will be absence of disruption in the relationship among employees, shareholders, consumers, dealers and suppliers. This will result in smooth functioning of the business. So, the business will grow, expand and diversify easily and quickly. It will have more sales and more profits.
8. **Consumer satisfaction:** Today, the consumer is the king of the market. Any business simply cannot survive without the consumers. Therefore, the main aim or objective of business is consumer satisfaction. If the consumer is not satisfied, then there will be no sales and thus no profits too. Consumer will be satisfied only if the business follows all the business ethics.
9. **Importance of labour:** Labour, i.e. employees or workers play a very crucial role in the success of a business. Therefore, business must use business ethics while dealing with the employees. The business must give them proper wages and salaries and provide them with better working conditions. The employees must also be given proper welfare facilities.
10. **Healthy competition**: The business must use business ethics while dealing with the competitors. They must have healthy competition with the competitors. They must not do cut-throat competition. Similarly, they must give equal opportunities to small-scale business.

**Ethical Principles for Entrepreneurs**

1. **Honesty:** The virtues of honesty and truthfulness are the hallmark of ethical executives. Such entrepreneurs do not deliberately mislead or deceive others by misrepresentations, over-statements, partial truths, selective omissions, or any other means.
2. **Integrity:** In a nutshell, ethical entrepreneurs are principled, honourable and upright. They courageously fight for their beliefs. They exhibit personal integrity and the courage of 8 their convictions by doing what they consider to be right even in the face of pressure to do otherwise.
3. **Promise-keeping and trustworthiness** : Ethical entrepreneurs make a very reasonable effort to fulfill the letter and spirit of their promises and commitments. They are trustworthy. They call a spade by its name. They do not interpret agreements in an unreasonably technical or legalistic manner as a means of rationalizing non-compliance, or creating justifications for escaping their commitments.
4. **Loyalty:** Ethical entrepreneurs are ever loyal to persons in their business organization and the organization they are working for. They demonstrate friendship in adversity, and support and devotion to duty. They do not divulge confidential information no matter what they personally stand to gain by so doing. Such executives ensure they do not compromise their right to independent professional judgment by guarding against undue influences and conflict of interest. They cannot accept another employment without providing reasonable notice to their former employer. They will ever refuse to seek cheap popularity with their new organization through castigation of their former employers or engaging in any activities that take undue advantage of their previous positions.
5. **Fairness:** Ethical entrepreneurs are fair, just, and treat individuals equally. They tolerate and accept diversity, are willing to admit they are wrong and, where appropriate, are to change their positions and beliefs. They do not exercise power arbitrarily, and neither 9 use overreaching nor indecent means to gain or maintain any advantage. They do not take undue advantage of another’s mistakes or difficulties.
6. **Concern for Others** : Ethical entrepreneurs strive to achieve their business objectives in a manner that causes the least harm and t he greatest positive good. They treat others the way they would like to be treated. They are caring compassionate, benevolent and kind.
7. **Respect for Others** : One of the traits of ethical entrepreneurs is respect for others. They show great respect for the human dignity, autonomy, privacy, rights and interests of all stakeholders in their decisions. They are imbued with the sense of courtesy. They treat all persons with equal respect and dignity irrespective of gender, race, socio -economic status and race: **Law abiding** Ethical entrepreneurs meticulously abide by laws, rules and regulations guiding their business activities. **Commitment to Excellence:** Ethical entrepreneurs are sticklers to excellence. In the performance of their duties they are informed and prepared and always striving to increase their proficiency in all areas of responsibility.
8. **Leadership** Ethical entrepreneurs appreciate the responsibilities and opportunities of their position of leadership. In keeping with this they strive to be positive role models by their own 10 conduct and by helping to create an environment in which principled reasoning and ethical decision making are highly prized.
9. **Reputation and morale:** Ethical entrepreneurs appreciate the need to maintain their organizations’ good reputation while at the same time building the morale of their employees. They do these by engaging in no conduct that might undermine respect and taking whatever actions are necessary to correct or prevent inappropriate conduct of others.
10. **Accountability:** Ethical entrepreneurs are willing to be held accountable for the ethical quality of their decisions and omissions to themselves, their colleagues, their companies, and their communities.

**Importance of Ethics in Business**

Learning to recognize ethical issues is the most important step in understanding business ethics. An ethical issue is an identifiable problem, situation, or opportunity that requires a person to choose from among several actions that may be evaluated as right or wrong, ethical or unethical. In business, such a choice often involves weighing monetary profit against what a person considers appropriate conduct. The best way to judge the ethics of a decision is to look at a situation from a customer’s or competitor’s viewpoint

1. **Provision of moral compass:** During times of fundamental change, values that were previously taken for granted tend to be strongly questioned. Many of such values are no longer adhered to. Leaders and staff at such periods are left with no clear moral compass to guide them through complex dilemmas about what is right or wrong in the business environment. It is at such moments of crises and confusion that the beauty of business ethics manifests since the ethics provide them with the moral compass to navigate the troubled times.
2. **Ethics implicitly regulate area and details of behaviour that lie beyond governmental control**.: This is necessary because much as governments use laws and regulations to point business behaviour in what they perceive to be beneficial directions, not all areas and details of business lie within such controls. For example, governments may establish minimum wage but how much a worker is paid beyond the minimum wage is expected to be addressed by business ethics.
3. **To meet stakeholder’s expectation:** Stakeholders have the right to expect a business to be ethical. If business has no ethical obligation, other institutions could make the same claim which would be counterproductive to the corporation (Duska, 2007).
4. **Definition of the rights and duties between a company and significant others.**  Business ethics help to define the rights and duties between a company and its employees, suppliers, customers and neighbours. They also help to define the company’s fiduciary responsibility to its shareholders (where applicable) as well as how companies should relate to other companies or business ventures.
5. **Enhancement of business performance:** Studies have shown that good CSR correlates positively with good business performance in the long run. It must be noted that CSR is an aspect of business ethics hence this positive correlation is seen as one between business ethics and performance.

**Application of Business Ethics and Social Responsibilities to the Operations and Success of Ventures**

With regard to business ethics, the need arises daily for the entrepreneur to make specific judgments about what is right or wrong; what ought to be done and what ought not to be done. These decisions call for action based on ethical principles of the venture as well as those of the entrepreneur involved. Sometimes, the scenario may not just be as simple as deciding on what is right or wrong. It could take such complexity as in the case of deciding on situations where there may be conflict between the interests of the employee, the commercial enterprise, and society as a whole. Ethical issues can arise when business ventures have to generate and succeed in an environment with conflicting legal or cultural standards. For example an entrepreneur may be operating a business venture in a part of the country where child labour is an acceptable practice as opposed to the situation in the entrepreneur’s home state or region where such practice is abhorred.

Incorporating the CSR into the company’s business strategy may take the form of keeping a policy that makes the business venture source certain cadres of its manpower from the host community. This creates a commensally relationship between the business venture and the host community.

The last but not the least approach is the CSV. The shared value model is based on the idea that corporate success and social welfare are interdependent. This approach appreciates the need to invest in developing local manpower through scholarship schemes with a view to creating an informed citizenry capable of enthroning good governance needed for the successful operation of their ventures.

**Social Responsibility among Business Organizations in Nigeria**

CSR among business organizations in Nigeria can be assessed across all cadres of business in Nigeria ranging from the small, micro, and medium to large business enterprises. The most active sector in Nigeria is the oil industry. Over 70 per cent of Nigeria’s revenue comes from this sector. The sector has such big players as Shell, Chevron –Texaco, Exxon Mobil, Total Elf, among others. The age long struggle by the Niger Delta people which produced scores of militant groups agitating for social responsibility from the oil giants operating in their areas speaks volume of their CSR failure.

The above, however, does not suggest that the oil companies are doing nothing regarding CSR. The truth however is that a few things they are currently doing do not yet add up to what they could have done were they operating in their parent countries. A few instances of CSR from the oil sector have been documented.

The case of the Nigerian banking sector appears to be different. There has always existed a symbiotic relationship between Nigerian banks and the society over the years (Ademosu, 2008). Banks in Nigeria perceive and practice CSR as a corporate philanthropy aimed at addressing socio-economic development challenges (Amaeshi, Ogbechi, Amao, & Adi 2006). Even without having any social responsibility objectives enshrined in their corporate philosophy, most banks have demonstrated understanding in their practices, behaviors and operations (Nwankwo, 1990).

**MODULE 7:**

**MANAGING TRANSITION: FROM START UP TO GROWTH**

Business transition is the process in which a business organization changes from one state to another. It's not the failure to identify change that hurts organizations, but it is the failure to implement change and implementing change is transition. The number one reason why most businesses (small and large) are failing today is that they did not recognize the need for effective transition management.

Managing transition in business from start up to growth has so many elements involved such as planning, decision making, business control, self discipline, handling stress and pressures. The entrepreneur/manager will have to be self - disciplined to ensure his/her thoughts are translated to actions.

**MANAGING TRANSITION IN BUSINESS: PHASES AND STAGES OF GROWTH**

Change is the way things will be different, and transition is how you move people through the stages to make change work. Efforts at leading change, however, can be serious, if not outright disastrous, unless the entrepreneurs manage transition.

Entrepreneurs manage business transitions from one state to another in one or two basic ways, either the business transforms itself i.e. do things differently, or it can replicate its existing routines, processes and actions. The steps involved are identifying the needs, setting up the transition team, laying out the plan, getting inputs from stakeholders, finalising the plan, clearing the path and marking the progress of the transition by milestones.

**The Phases of Business Growth**

Most people agree that organizations have a life cycle; that, like people, businesses pass through some identifiable stages. Some authors have identified four stages, some five, some six while some seven. In spite of disagreement in number, the important thing is that all authors agree that movement from one stage to the next must be managed. Failure to do this might lead inevitably to the demise of the business.

**Phase one: Start up/infancy (growth through creativity)**

An **overview for this phase** is that the entrepreneurs who founded the firm are busy creating products and opening up markets. There aren't many staff, so informal communication works fine, and rewards for long hours are probably through profit share or stock options. However, as more staff join, production expands and capital is injected, there's a need for more formal 5 communications. This phase ends with a **Leadership Crisis**, where professional management is needed. The founders may change their style and take on this role, but often someone new will be brought in.

**Major functions of a Start-up Entrepreneur**:

1. Mentoring and Being Mentored- Attend seminars, read books, and take advice from successful people in the industry or a related-industry.

2. Teaching everything he knows to his employees that will make the business to grow

3. Setting business targets - for him and his employees who should be focused on increasing his customer base and improving the quality of customer service.

To transit from start up to growth, the entrepreneur must:

i. Be flexible- for instance, flexible to try different marketing strategy;

ii. Ask for advice from smart people;

iii. Make sales his top priority; and

iv. Discover their optimum selling strategy- this might be a combination of media, pricing and quality.

**Basic challenges of Start-up phase**: Completing a sound business plan; pitching the business plan with confidence to people who can help; finding the first customers; having a team that work together well; delays in processing intellectual property protection claims; managing cash flow effectively; finding the funding required for your business start-up costs; insufficient cash; creating a business not a job; gaining marketplace acceptance and support – from your family, friends and customers.

**Phase two: Fast growth/childhood (growth through direction)**

An **overview for this phase** is that growth continues in an environment of more formal communications, budgets and focus on separate activities like marketing and production. Incentive schemes replace stock as a financial reward. However, there comes a point when the products and processes become so numerous that there are not enough hours in the day for one person to manage them all, and he or she can't possibly know as much about all these products or services as those lower down the hierarchy.

The fast growth/childhood phase of business is characterized by an increase in employee size and income. The main task should be on aggressive proliferation of new products or goods and services. The manager/entrepreneur is to focus on how to double the business revenue.

How to manage fast growth/childhood and double business revenue:

1. Create new adaptations of products/services that customers already know and love

2. Work hard

3. Work with smart people

4. Find a productive way to engage your employees so that you become a group that reproduces great products/services

5. Increase the speed in the delivery of goods and services

Formula for Creative Brainstorming:

* + Have a team of 3-8 persons
  + Have a limited amount of time (1-3 hours)
  + Have an agenda/goals and objectives
  + Let everyone contribute
  + Have strict rules- such as time limit for each contribution, no specific criticism, be positive
  + Encourage a culture of creativity in solving problems

**Basic challenges for fast growth/childhood phase**: Having the discipline to maintain a narrow strategic focus; transitioning from owner to leader; confronting future growth; managing cash flow effectively; founder conflicts on roles and tasks; sticking to product schedules; building and growing a customer base; having the right business leadership skills; and getting overwhelmed by growth.

**Phase three: Adolescent (growth through delegation)**

Phase 3 of business growth is the Adolescent phase. This is characterized by more employees and revenue. The focus of the Entrepreneur is fostering growth through delegation.

Functions of the Entrepreneur:

1. Create an organizational chart or a corporate structure for the organization

2. Spend more time with the marketing manager and less time with others like 80% to 20%

3. Explain business objectives to the corporate managers, draft a report format and meet with each one every week

**Phase four: Maturity (growth through coordination and monitoring)**

An **overview for this phase** is that growth continues with the previously isolated business units re-organized into product groups or service practices. Investment finance is allocated centrally and managed according to Return on Investment (ROI) and not just profits. Incentives are shared through company-wide profit share schemes aligned to corporate goals. Eventually, though, work becomes submerged under increasing amounts of bureaucracy, and growth may become stifled.

**Roles of an Entrepreneur**:

1. ***Employee***- contribute positively

2. ***Manager***- develop procedures to get work done, supervision etc.

3. ***Business builder***- articulate values, philosophy and vision, supervision

4. ***Wealth builder***- determines what the company is worth and what to do to increase its worth.

**Phase 5: Growth through collaboration**

The formal controls of phases 2-4 are replaced by professional good sense as staff group and re-group flexibly in teams to deliver projects in a matrix structure supported by sophisticated information systems and team-based financial rewards. This phase ends with a crisis of **Internal Growth.** Further growth can only come by developing partnerships with complementary organizations.

**Phase 6: Growth through extra-organizational solutions**

Greiner's recently added sixth phase suggests that growth may continue through merger, outsourcing, networks and other solutions involving other companies. Growth rates will vary between and even within phases. The duration of each phase depends almost totally on the rate of growth of the market in which the organization operates. The longer a phase lasts, though, the harder it will be to implement a transition.

**Difference between change and transition in business**

* **Transition** is defined as the process in which something changes from one state to another (Collins Cobuild English Dictionary). Real change is about doing something about it. It is not the failure to identify change that hurts organizations. It is the failure to implement change that hurts organizations. And implementing change is a transition.
* Change is made up of events, while transition is an on-going process.
* Change is visible and tangible, while transition is a psychological process that takes place inside of people.
* Change can happen quickly, but transition, like any organic process, has its own natural pace.

**Managing Transition from Start up to Growth: The STARS Model**

All businesses go through natural stages of development and evolution. Businesses are dynamic entities with somewhat predictable courses of action derived from their natural product/industry growth cycle and their specific current business situations. A business must adjust and adapt to survive – no matter the economy. They need to understand and be responsive to changes in the marketplace. This requires strong leadership, a strategic plan and good information about the marketplace among others. This means that business owners must make necessary changes from time to time and know how to manage transition effectively.

**The STARS Model**

The STARS model (Watkins 2003, 2009) in Figure 6 provides a perspective on business evolution and development that identifies the most common business transition:

• Startup

• Turnaround

• Accelerating growth

• Realignment

• Sustaining success.

The ability to navigate successfully in each situation is crucial to the success of individual businesses. These basic concepts were developed by Michael Watkins, Professor at Harvard Business School, and have been applied to business analysis and development, group management, leadership transitions, and career planning.

**Start-up stage:** When starting a business, your focus should be on generating cash, gathering skilled labour for your business, product and marketing development, securing adequate inventory, and acquiring production technology.

The challenges are in designing new production systems and business structures, selecting business strategies, recruiting, and building teams, all with limited resources. These are some of the most important aspects to be effectively managed during the start- up phase:

* Have good vision, get your vision right, get your strategies right and get your action plans right.
* Assemble a talented business team.
* Gather sufficient capital and operating cash.
* Work to remove problems in your production system.

**Turnaround stage:** A turnaround is critical when there is a need to save a failing business. It is similar to radical surgery to save the life of the business. The focus should be on business restructuring and obtaining external advice as needed. It is a period when employees may be demoralized and facing layoffs, when decisions have to be made under time and financial pressures. A turnaround may still fail, due to poor handling of required changes of the new management in the form of wrong decisions, inappropriate timing, no sense of urgency/ slackness, or complacency

**Managing and accelerating growth:** There are times when entrepreneurs have to deal with the challenges and opportunities of increasing demand. Opportunities arise from a demonstrated potential for growth, which help to motivate stakeholders through earnings, revenues or bonuses. Your focus should be on managing the pressures of scaling up production by ensuring the resources required, improving the existing systems, and creating new business structures.

**Sustaining growth/success:** Some businesses reach their desired level of growth/success but struggle to sustain it. Sales are adequate, and the business is performing well, with a strong and experienced team or teams and production lines. The positive impact is that employees and staff are motivated to continue their history of success. The focus should be on business-model innovation – developing a persistent competitive advantage through continuous improvement of the business model. An emphasis on innovative new products and plant quality has also helped companies to sustain their successes.

In order to sustain growth/ success, you also need to:

* Focus on your most productive areas for innovation
* Provide sustained benefits for all stakeholders
* Expand business-model innovation
* Pursue higher potential business-model improvements
* The entrepreneur should put in place: marketing plan and marketing strategies; a financial planning; a production plan; and a business plan.

**Transition Managers and the Transition Management Process:** Transition managers are in a unique position to facilitate the Transition Management Process, working simultaneously with new business development project teams, divisional interfaces and senior management.

The common causes of failure in business transitions include:

* Choosing a business that isn't very profitable
* Inadequate cash reserves
* Failure to clearly define and understand your market, your customers, and your customers' buying habits
* Failure to price your product or service correctly
* Failure to adequately anticipate cash flow
* Failure to anticipate or react to competition, technology, or other changes in the marketplace
* Overgeneralization
* Over reliance on a few key customers
* Putting up with inadequate management
* Lack of experience of managers
* Poor cash flow management
* Absence of performance monitoring
* Over borrowing and poor debtor management
* Lack of financial skills and planning
* Failure to innovate
* Poor inventory management
* Poor communications throughout the organization
* Competition
* Poor location and low sales
* Over investments in fixed assets
* Personal use of business funds and
* Unexpected growth (Mason, 2012).

**“PLANNING AND DECISION MAKING IN TRANSITION SITUATION”**

Planning is deciding in advance what to do, how to do it, when to do it and who is to do it. Without plans, managers cannot know how to organize people and resources and they cannot lead with confidence. The important principles of planning are primacy of planning, contribution of planning to objective, efficiency of plans, planning comprehension, flexibility and planning control.

**PLANNING:-**

Planning can be defined as the process of setting goals (targets) for the organization and developing strategies or approaches to accomplish them. Goal setting is very important to managers. According to Peter Drucker, choosing the right goals and choosing the right means for attaining them are very vital to the process of management. However, some managers do fail to set goals. **On the other hand,**  Planning is generally in two forms. It can be at the corporate level or lower levels and it may be of long term nature or short term. Strategic planning is concerned with the long term planning while operational planning is concerned with the short term planning.

**Principles of Planning**

A plan is for the entrepreneur to be able to achieve his organizational objectives. In addition to knowing the steps in the planning process, it is also necessary for the entrepreneur to know the planning principles. The important principles of planning are: primacy of planning, contribution of planning to objective, efficiency of plans, planning comprehension, flexibility and planning control.

**Eight Steps in the Planning Process:** The eight steps in the planning process below are essential for effective planning:

1. Analyzing the environment/identifying investment opportunity

2. Setting objectives

3. Forecasting the environment/developing the planning premise

4. Determining alternative courses of action

5. Evaluating the alternative courses of action

6. Selecting a course of action

7. Formulating support plans

8. Budgeting for the plan.

**The benefits of planning:**

* Maximizes Company value
* Minimizes or defers estate and income taxes
* Controls how and when you exit
* Sets and helps establish actions to achieve your business and personal goals
* Determines the path for moving away from the day to day business responsibilities
* Ensures survival of the business and strategies for growth
* Preserves family harmony

**DECISION MAKING IN BUSINESS TRANSITION**

**Introduction:** A decision is a choice made from at least two alternatives while decision-making involves the selection of one alternative from two or more possible alternatives, based upon some criteria. Decisions can either be programmed or non-programmed. However, to make an effective decision, a manager should create a constructive environment, generate good alternatives, explore these alternatives, choose the best alternative, check the decision, communicate the decision, and take necessary actions.

**Definition of Decision Making:** Decision-making is the process of identifying and selecting a course of action to solve a specific problem. Decision-making involves the selection of one alternative from two or more possible alternatives, based upon some criteria. Decision-making is the art and science of giving thought to, and making a choice or judgment about an idea or a problem.

Simple decisions usually need a simple decision-making process. But difficult decisions typically involve issues like these:

* **Uncertainty** - Many facts may not be known.
* **Complexity** - You have to consider many interrelated factors.
* **High-risk consequences** - The impact of the decision may be significant.
* **Alternatives** - Each has its own set of uncertainties and consequences.
* **Interpersonal issues** - It can be difficult to predict how other people will react.

**The Characteristics of Decision-Making**

* Decision-making permeates all management.
* It is essential to the operation of the management process in any form of organizational setting.
* It involves judgment.
* It includes risk and uncertainty, since it deals with future values.

The basic process of rational decision-making involves diagnosing and defining the problem, gathering and analyzing the facts relevant to the problem, developing and evaluating alternative solutions to the problem, seeking the most satisfactory alternative, and converting this alternative into action.

**Conditions under which Managers make Decisions**

In general, managers make decisions under three possible conditions, namely: certainty, risk and uncertainty. Each of these conditions is briefly discussed below.

**i. Decision-making under conditions of certainty:** Under conditions of certainty, a manager will have had enough information to know exactly what the outcome of his decisions will be. With enough information at his disposal, it simply becomes convenient for him to act as if a condition of certainty exists. The results or outcomes of such decisions are known with certainty.

**ii. Conditions of risk:** Conditions of certainty are the exception rather than the rule in today's complex, rapidly-changing business organisations. Under this, managers can know the probability of each of the various possible outcomes associated with a decision, even though they cannot be completely certain which particular outcome will actually occur.

**iii. Conditions of uncertainty:** When the exact probabilities attached to the alternatives available to a decision-maker are unknown, a condition of uncertainty is said to exist. Most managerial decisions involve varying degrees of uncertainty. There are usually too many variables, or too many unknowns that can affect a decision, for managers to be able to precisely predict its outcome. When such cases arise, managers must use their experience, judgment and intuition to assign approximate probabilities to each of the alternatives available. By so doing, they will be able to narrow the range of choices and simplify the decision.

**“BUSINESS CONTROL”**

**What is business control?** This is the process of measuring and correcting the activities of subordinates to ensure that plans are completed and goals are achieved. Control is implemented by comparing actual results to planned results and correcting any significant differences. Managers control their organization by continually monitoring the use and performance of resources especially money and people.

Controlling can be defined as the task of ensuring that the firm’s objectives are being achieved. It entails establishing standards, comparing performance against these standards and correcting deviations. Standards are set during the planning process. Standards form part of the objectives of the company.

The control process can therefore be said to start with the formulation of objectives.

**Different types of control include the following:**

1. Financial control

2. Inventory control

3. Quality control

4. Credit control

**Establish Business Controls to Focus on Goals**

Controls place accountability within the business. Some employees may feel that controls are restrictions. However, the success of the company and the employees’ pay depends on the business success. The controls are not meant to be a trap, but rather a quick check to allow everyone to do the job right.

**Control of business activities**

Control of business activity takes place at two levels - control from within the organisation and external control.

**Internal control**

Internal control involves the creation of management systems to control business activity. For example, there will be control systems:

 For managing the consistency and quality of products coming off a production line

 For the management of waste and pollution

 For monitoring employee absence rates

 To ensure that the best candidates are recruited to a company, etc.

**External control** involves the use of external auditors and independent assessors among others.

**Business Span of Control and Hierarchies in Transition**

**Span of Control and Hierarchies**

In a business of more than one person, unless the business has equal partners, then there are managers and subordinates. Subordinates are workers controlled by the manager. A hierarchy describes the structure of the management of the business, from the top of the company – the managing director, through to the shop floor worker, who reports to their foreman, in a manufacturing business.

A span of control is the number of people who report to one manager in a hierarchy. The more people are under the control of one manager, the wider the span of control. Less means a narrower span of control (see Figure 2).

The advantages of a narrow span of control are:

 A narrow span of control allows a manager to communicate quickly with the employees under them and control them more easily

 Feedback of ideas from the workers will be more effective

 It requires a higher level of management skill to control a greater number of employees, so there is less management skill required.

**“PERSONAL DISCIPLINE IN BUSINESS TRANSITION”**

Self-discipline will ensure that your thoughts are translated to actions during the most difficult times in business. It involves deciding what you want, writing it down, setting a deadline, organizing the lists of things to do to achieve your goal by sequence and priority, taking steps daily in the direction of the goal.

**Personal Discipline**

Self-discipline means doing what needs to be done, when it needs to be done, whether you like it or not. It is for this reason self-discipline is required for starting and growing a business, it will get you through all the difficult obstacles that will get in your way. (Patience + Motivation + Determination = Self Discipline). Successful entrepreneurs are usually hard-driving and highly focused on some specific goals. It is indiscipline for entrepreneurs to talk for hours about all their ideas, and how they intend to change the world, but without any specific goals or milestones. Many entrepreneurs are very hesitant to set specific goals, due to lack of self-confidence or whatever. The result is that they don’t ever get anywhere, because they never really knew where they wanted to go.

**How to Capitalize on the Positives and Minimize the Negatives to Entrepreneurial Spirit**

A little self-discipline added to the wonderful creativity and passion of the entrepreneurial spirit will help the entrepreneur to achieve business success.

Here are some suggestions for the self-disciplined entrepreneur:

 Keep staff on track with the vision and mission of your business.

 Find an accountability partner.

 **T**he more successful the entrepreneur is in his business, the more opportunity is created for him to be able to do other things.

 The entrepreneur needs to have adequate funding, a stable competent team, strong systems and processes, and excitement behind his vision.

**Benefits of Entrepreneurial Self Discipline**

 Self-discipline will ensure that the entrepreneur’s thoughts are translated to actions during the most difficult of times. Self-discipline must be cultivated.

 Self-discipline will help the entrepreneur accommodate additional responsibilities.

 Discipline will make the entrepreneur dependable, both for himself and others.

 It will aid in building character by keeping the entrepreneur in the fight as difficult as it may be to ensure that his goals are fulfilled.

 It will help the entrepreneur have a strong desire and passion

 Discipline helps the entrepreneur learn to manage stress and allow him think critically and clearly about the task at hand in any environment.

 It keeps the entrepreneur in focus and does not let external factors distract him from his original goals.

 It leads to judicious use of the limited resources and helps the entrepreneur have the will power not to be distracted by momentary desires.

**“STRESS AND PRESSURES IN BUSINESS TRANSITION”**

Stress is a state which affects the nervous system and causes it to swing into action and stimulate the various body organs to slow down or increase their normal activities. There are many stressors that cause destabilization of the nervous system. When the stress has been removed or overcome, the nervous system gradually restores everything to its usual state. However, it is important to note that stress is not dangerous if it is little because it helps to increase performance. It is only dangerous when it is too much because it becomes counterproductive. Performance improves with increasing amounts of stress up to an optimum point. Beyond that point performance falls off and the individual expresses stress. However, it is important to note that the optimum point varies from individual to individuals and it varies in the same individual from time to time.

**Recognizing pressure and avoiding stress**

Most people would agree that a certain amount of pressure is tolerable, even enjoyable. Different people, of course, react in different ways to pressure. Some people tolerate more than others do. But we are often at our best when the adrenalin is flowing and when we are working under pressure to achieve good results within a limited time. Problems start when the pressure becomes too great or continues for long periods. It then becomes stress. It ceases to be enjoyable. In the UK, employees are absent for an average of eight days a year and stress is the fourth major cause of this absence (CIPD, 2008). The five main causes of work-related stress that CIPD identified were:

 Workload

 Management style

 Relationships at work

 Organizational change and restructuring

 Lack of employees’ support from line managers.

**Common Causes of Stress**

The most common causes of stress are:

A. **Demand**: For the manager, demand will include responsibilities such as:

 Responsibility for the work of others and having to reconcile overlapping or conflicting objectives – between group and organization, between individuals and group, and between one’s own objectives and those of other managers

 Responsibility for innovative activities, especially in organizations where there is a cultural resistance to change.

B. **Control**: A manager’s role as coordinator can be stressful, especially where authority is unclear or resources are inadequate.

C. **Role ambiguity, incompatibility and role conflicts:** Ambiguity about management roles is often inevitable: they invariably combine a number of overlapping roles. Indeed, it is precisely this overlap that makes management jobs interesting and offers scope for creativity. Role incompatibility occurs when a manager’s expectations of role are significantly different from those of his or her staff and colleagues. Pressure to do things that do not feel appropriate or ‘right’ is stressful. While role conflict may occur when someone has to carry out several different roles.

D. **Relationship problems**: People who have difficulties with their manager, their staff or their colleagues may exhibit symptoms of stress.

E. **Support:** All staff need adequate support from colleagues and superiors.

F. **Career uncertainty**: Uncertainty often occurs as a result of rapid changes in the economic situation inside and outside the organization, in technology, in markets and in organizational structures.

G. **Job related sources:** Sources of stress could be job related such as quantitative work overload, qualitative work overload, job insecurity, poor communication networks, power tussle, no participation, insufficient funds, insufficient facilities and essential equipment, lack of promotion, lack of recognition, role conflict and role ambiguity.

H. **Interpersonal relations sources:** Those from Subordinates: absenteeism, lateness, high labour turnover, staff indiscipline, interpersonal relations between self and subordinates. Those from the Boss: Poor interpersonal relations between self and the subordinates, frustration and discrimination.

I. **Family and individual sources: e**xtended family problem, financial problem, excessive travels, over ambition, fear of failure, low self-esteem and self-doubt, poor time management and disappointment.