



**AFRICA CENTRE OF EXCELLENCE FOR SUSTAINABLE POWER AND
ENERGY DEVELOPMENT**

(ACE-SPED)

UNIVERSITY OF NIGERIA, NSUKKA

INNOVATION AND ENTREPRENEURIAL CURRICULUM

COURSE CODE	COURSE TITLE	Developer(s)
Introductory Topics		
ENT-ACE 101	Developing Entrepreneurship	Dr. Ben Okpukpara
ENT-ACE 102	Developing Intrapreneurship in an Organization	Dr. Ben Okpukpara & Dr. Victoria Okpukpara
ENT-ACE 103	The Environment of Entrepreneurship in Nigeria	Agu, Reuben Amaechi & Okoli Ogonna
ENT-ACE 104	Technological Entrepreneurship	Dr. Robert Ezeanwu
ENT-ACE 105	Evaluation of Business Opportunity	Prof. A.B.C Ezeibe
ENT-ACE 106	Innovation and Entrepreneurship	Dr. (Mrs) E.U.Onwurafor
ENT-ACE 107	Intellectual Property Rights	Dr. J.N. Chikwendu
ENT-ACE 108	Laws of Contract	Agu Reuben/Dr. Glory Olorunfemi
ENT-ACE 109	Example of Untapped SMEs	Prof. Adaku B.C. Ezeibe
Advanced Topics		
ENT-ACE 201	Concept of Business and New Venture Creation	Ezama Sylvanus Ani
ENT-ACE 202	Business Growth	Dr. (Mrs) E.U. Onwurafor
ENT-ACE 203	Source of Funds	Mrs. Ogbuakanne M.U/ Dr. Ben Okpukpara
ENT-ACE 204	Book Keeping	Dr. (Mrs.) E.U. Onwurafor
ENT-ACE 205	Leadership	Dr. Chinyere Theresa Nwaoga & Mrs. Lovelyn Obayi
ENT-ACE 206	Time Management	Dr. J. N. Chikwendu/Uju Melugbo
ENT-ACE 207	Information Management	Dr. Robert Ezenwa & Ogonna Okoli
ENT-ACE 208	Decision Making Process	Dr. (Mrs) Omeke And Mrs. Glory Olorunfemi
ENT-ACE 209	Business Plan	Reuben Amaechi Agu & Chukwudi Christopher Nwokolo



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COURSE INFORMATION

Course Code: ENT-ACE 101
Course Title: Developing Entrepreneurship
Instructor: Dr. Ben Okpukpara

PRESENTATION OUTLINE

1. Why Entrepreneurship
2. Reasons for Entrepreneurship
3. Definition of Entrepreneurship
4. Who is the Entrepreneur
5. What creates an Entrepreneur?
6. Origin of Entrepreneurship and their concept of Entrepreneurship
7. Theories of Entrepreneurship
8. Contribution of Entrepreneurship
9. Challenges of Entrepreneurship

WHY ENTREPRENEURSHIP?

- **Entrepreneurship Promotes Innovation**

Entrepreneurs have a role in **solving problems that existing products and technology have not yet solved**. So by producing new products and services or bringing innovation to existing products and services, entrepreneurship has the potential to improve people's lives.

- **Entrepreneurship Can Promote Social Changes**

Entrepreneurs change or break the tradition or cultures of society and reduce the dependency on obsolete methods, systems, and technologies. Basically, entrepreneurs are the pioneer of bringing new technologies and systems that ultimately bring changes to society.

- **Entrepreneurship Promotes Research and Industrial Development**

Along with producing new business ideas and thinking out of the box, entrepreneurs also promote research and development. They cultivate their ideas, shape them into a new form, and turn them into a successful business endeavor.

WHY ENTREPRENEURSHIP, Cont'd

- **Entrepreneurship Develops and Improves Existing Enterprises**
We often think of entrepreneurs as inventing totally new products and ideas, but they also impact the existing business. Since entrepreneurs think differently, they can come up with innovative ways to expand and develop existing enterprises.
- **Entrepreneurship Accelerates Economic Growth**
Entrepreneurs are important to market economies because they can act as the wheels of the economic growth of the country.
- By creating new products and services
- A large number of new jobs and opportunities are created by entrepreneurship.

WHAT ENTREPRENEURSHIP IS NOT

❑ Entrepreneurship is not a Business

REASON FOR ENTREPRENEURSHIP

- THE MALAISE OF UNEMPLOYMENT IN NIGERIA
 - 71% of students who graduated from Nigerian Universities, Polytechnics and Colleges of Education in the last six years are yet to find jobs.
 - An online survey conducted by NUC on graduate employment shows that 20% are underemployed, 9% are employed.
 - In addition, 69% of unemployed graduates attribute their unemployment to the unavailability of paid work.
- POVERTY INCIDENCE IN NIGERIA
 - Poverty rate in Nigeria - Incidence - 69.0% and Subjective - 78.30%

REASON FOR ENTREPRENEURSHIP

- FLEXIBLE TIME OPPORTUNITY
 - He is a boss of himself
 - Their creativity doesn't fit the corporate environment.

DEFINITION OF ENTREPRENEURSHIP

- ✓ Entrepreneurship is traditionally associated with a particular form of business activity, the creation of firms, as well as an educational effort directed towards developing self-reliant and enterprising people.
- ✓ Entrepreneurship is not just an academic discipline. It is a way of life which denotes the creation of some combination that did not previously exist.
- ✓ Entrepreneurship is a vibrant assertion of the facts that individuals can be developed, then their outlook can be changed, and their ideas can be converted into action through an organized and systematic program.

DEFINITION OF ENTREPRENEURSHIP

“The entrepreneur, has been hunted by many entrepreneurial researchers using various trapping devices, but none so far has succeeded in capturing him/her”

Capturing the term “entrepreneurship “ in a comprehensive definition

*“ENTREPRENEURSHIP IS THE DYNAMIC PROCESS OF **CREATING INCREMENTAL WEALTH**. THIS WEALTH IS CREATED BY INDIVIDUALS WHO ASSUME THE MAJOR RISKS IN TERMS OF EQUITY, TIME AND/OR CAREER COMMITMENT OF PROVIDING VALUE FOR SOME PRODUCT OR SERVICE. THE PRODUCT OR SERVICE ITSELF **MAY NOT BE NEW OR UNIQUE** BUT VALUE MUST SOMEHOW BE **INFUSED BY THE ENTREPRENEUR** BY SECURING AND ALLOCATING THE REQUIRED SKILLS AND RESOURCES “*

CHARACTERISTICS OF AN ENTREPRENEUR

OPPORTUNITY SEEKER

- Finds the pursuit of that opportunity desirable in the context of his life situation.
- Believes that success is possible in pursuing the opportunity; and
- Takes action to actualize the pursuit of the opportunity.

CHARACTERISTICS OF AN ENTREPRENEUR CONT'D

➤ HAS PASSION:

They absolutely love what they do

➤ HAS BELIEF:

Their self-belief and belief in their ideas enable them to succeed.

➤ HAS COURAGE:

They have the courage to take on new challenges

CHARACTERISTICS OF AN ENTREPRENEUR CONT'D

- **HAS DETERMINATION:**
Highly successful entrepreneurs have great determination.
- **HAS INSTINCT:**
They are good at making decisions.
- **RISK TAKER:**
They are prepared to take risks and step outside their comfort zone to get what they want.
- **HAS VISION:**
They begin a dream of what they really want to achieve, and they set clear goals and objectives.

CHARACTERISTICS OF AN ENTREPRENEUR CONT'D

INSPIRES:

They motivate and inspire others to achieve results.

LEARNS:

They are always willing to learn and invest in their own personal development.

ACCOUNTABLE:

All successful entrepreneurs are highly accountable. They distinguish their personal finance from their business finance.

WHAT CREATES ENTREPRENEURSHIP

- Personality Or traits
- Culture Value System
- Economic Conditions
- Policies
- Political Stability Or Insatiability
- Market Opportunities

ORIGIN OF ENTREPRENEURSHIP AND THEIR CONCEPT OF ENTREPRENEURSHIP

- 18th century - French economist Richard Cantillon = risk bearing
- It was actually the Jean Baptiste Say that gave entrepreneur the meaning. He emphasized that entrepreneur create value in 19th century
- Joseph Schumpeter in 20th century describes the entrepreneur as innovator or creator of new ideas. He is regarded as the father of entrepreneur

ORIGIN OF ENTREPRENEURSHIP AND THEIR CONCEPT OF ENTREPRENEURSHIP

- Economists like Joseph Schumpeter (1883 to 1950) focus on entrepreneurs' drive for innovation and improvement creates change (better ways to do business).
- Business expert Peter Drucker (1909-1950) he said that entrepreneur searches for change, responds to it and exploits the change as opportunity.
- David McClelland a psychologist sees entrepreneur as achievement motivator through personality

ORIGIN OF ENTREPRENEURSHIP AND THEIR CONCEPT OF ENTREPRENEURSHIP

- Schumpeter, 1934; as an innovator.
- Rotter (1966) entrepreneur as one with an internal locus of control.
- Shapero (1975) viewed an entrepreneur as a displaced individual .
- Kets de Vries (1977) entrepreneurship was a product of childhood experiences.
- Brockhaus (1980) entrepreneur as one who had a high need for achievement.

THEORIES OF ENTREPRENEURSHIP

- Studies of Entrepreneurship is based on several theoretical background.
- Theories in Entrepreneurship determine the factors that influence the emergence, behavior and performance of Entrepreneurs in both developing and developed countries.
- Entrepreneurship behavior is influenced by fundamental factors such as Social Relations, Political Factors, Innovation, Structure of Organization, Training and development, The Environment etc.

THEORIES OF ENTREPRENEURSHIP

- Entrepreneurs differ because of complexity of the factors that affect their behavior.
- The existence of Entrepreneurship in orthodox economic history has almost been undetectable.
- A consistent theory of Entrepreneurship is missing; that is a theory that is adequate to combine the various strands of literature in order to eventually come to an empirically testable model is lacking.

THEORIES OF ENTREPRENEURSHIP

- The broadest view of Entrepreneurship are divided into classical and neo-classical views. The classical view studied these theories through schools of thought.
- There are two broad view of these school of thought. They are classified as ideas emanating from the macro and micro views of entrepreneurial thought.
- These are further divided into six distinct schools of thought, three within each entrepreneurial view.

THEORIES OF ENTREPRENEURSHIP

- **Macro view of entrepreneurship** presents a broad array of factors that relate to success or failure in contemporary entrepreneurial venture.
- They are external processes that are sometimes beyond the control of the individual entrepreneur
- They are
 - the environmental school of thought
 - the financial/capital school of thought
 - displacement school of thought

THEORIES OF ENTREPRENEURSHIP

- ❖ Financial/capital school of thought is based on capital seeking process. this school of thought see this as search for seed capital and growth capital. this is an important process in development of entrepreneurship behavior which is not in the control of the entrepreneur.
- ❖ The displacement school of thought holds that group affects certain factors that project individual entrepreneurial behavior.
- ❖ The summary of this school is that individual will not pursue a venture unless they are prevented or displaced from doing other things.

THEORIES OF ENTREPRENEURSHIP

The three major types of displacement are

- Political displacement, which hold a government regulations and policies that limits or redirect certain industries.
- Cultural displacement which holds ethnic, religious, racial and gender background excluding people from some entrepreneurial practices.
- Economic displacement, which holds job loss shrinking of capital, depression and recession can influence or create foundation for entrepreneurial pursuits.

THEORIES OF ENTREPRENEURSHIP

The Micro View Of Theories Of Entrepreneurship

- Micro view of entrepreneurship presents a broad array of factors that relate to success or failure in contemporary entrepreneurial venture, which can be controlled by individual entrepreneur. this means that the entrepreneur has the ability to direct or adjust the outcome of major influences.
- They are
 - The entrepreneurial trait school of thought
 - The venture opportunity school of thought
 - The strategic planning school of thought

THEORIES OF ENTREPRENEURSHIP

The Entrepreneurial Trait School Of Thought

- The entrepreneurial trait is the first and most recognized school of thought because many researchers are constantly looking for traits that usually lead to successful entrepreneurs.
- This theory holds that certain traits influence success or failure of an entrepreneur. This school of thought emphasized that when the traits that lead to success are identified, they could be copied by similar people to achieve the same success.

THEORIES OF ENTREPRENEURSHIP

- The venture opportunity school of thought hold the view that sources of ideas, development of concepts and implementation of venture opportunity should be the focus of entrepreneurial behavior.
- They viewed creativity and market awareness as essential.
- They advocate that the ability to recognize opportunities when they arise and implement the opportunities are key to entrepreneurial success.

THEORIES OF ENTREPRENEURSHIP

- The proponents of this school believe that proper preparation in the interdisciplinary segments of business will enhance the ability to recognize venture opportunity.

THEORIES OF ENTREPRENEURSHIP

Neo-classical/contemporary Theories Of Entrepreneurship

- Many contemporary writers in management and business have presented a wide range of entrepreneurship theories which aligned with classical theorist such as say schumpeter.
- The basic point about the new theorist is application of innovation in anything one does. Under this theories we have Peter Drucker, Marshallian, and Kirzner's entrepreneurship theories

THEORIES OF ENTREPRENEURSHIP

- Peter Drucker theory of entrepreneurship centres on inability of opportunity to drive entrepreneurship. He emphasized the fact that entrepreneur should search for opportunity and exploit
- Create change in it implementation by introducing innovation. He also emphasized on the no barrier issue on resources currently controlled.

THEORIES OF ENTREPRENEURSHIP

- ❖ Marshallian neo-classical entrepreneurship theory
- ❖ This theory explains the equilibrium condition in the market under perfect competition assumptions. It explains how changes and progress occurs in production through innovation by small competitors

THEORIES OF ENTREPRENEURSHIP

- Kirzner's entrepreneurship theory: alert entrepreneur
- This theory focuses on answering questions of whether a market economy works and, if it does what is the process that leads the economy towards equilibrium.
- The basic idea of this theory is differences in information and knowledge seeking behavior to motivate profit in an enterprise.

THEORIES OF ENTREPRENEURSHIP

- For Kirzner, the entrepreneur who sees (discovers) a profit opportunity, is discovering the existence of a gain which no body sees expect himself.
- His final talk is that profit promotes entrepreneurship.

ENTREPRENEUR'S CONTRIBUTION IN THE SOCIETY

- **Creates employment opportunities** country wide at relatively low capital costs.
- **Provides employment.** The small and micro enterprise group usually provides most jobs in an economy ranging from 75% to 90%.

CHALLENGES TOWARDS BECOMING AN ENTREPRENEUR

- The infrastructure in Nigeria
- Cost of doing business
- Getting finance
- Administrative barrier
- Socio-cultural barrier

CHALLENGES TOWARDS BECOMING AN ENTREPRENEUR

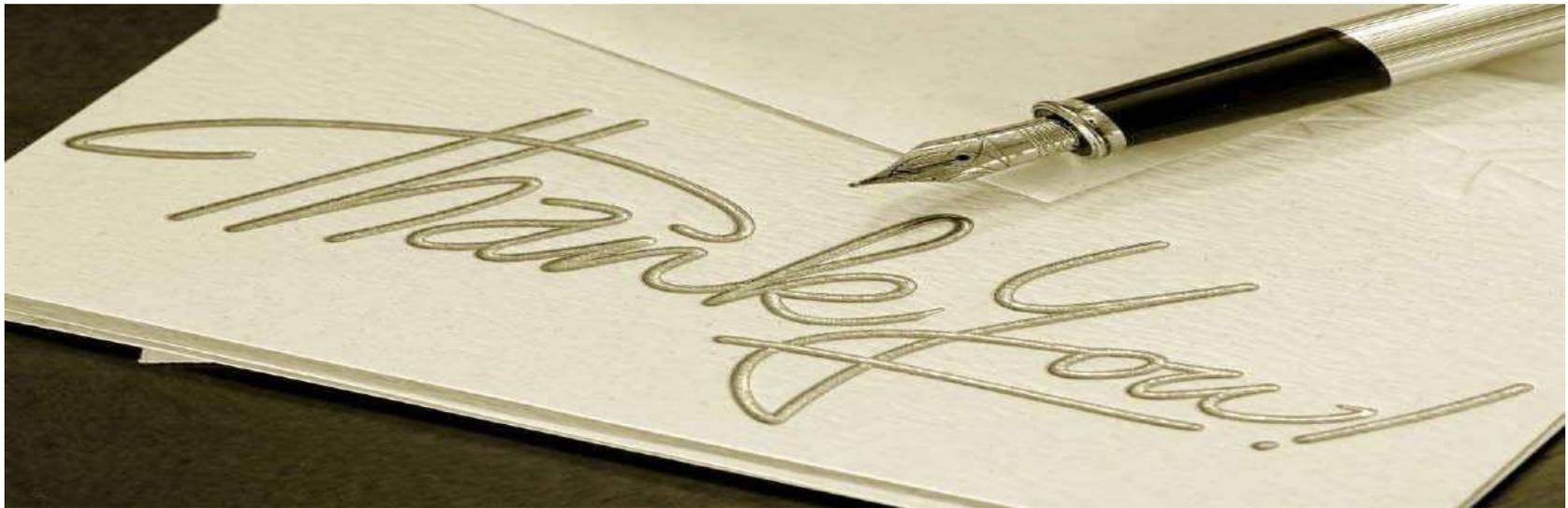
- **The Financial System**

- ✓ Rarely supports private sector initiative (demands enormous collateral)
- ✓ Almost impossible for a young graduate in nigeria to source funds from the formal financial sector

- **The Business Environment**

- ✓ Business registration requirements are stringent and costly
- ✓ Weak infrastructural base
- ✓ Poor security of lives and property in nigeria

- **Socio-cultural Barrier**





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COURSE INFORMATION

Course Code:	ENT-ACE 102
Course Title:	Developing Intrapreneurship in an Organization
Instructor:	Dr. Ben Okpukpara & Dr. Victoria Okpukpara

PRESENTATION OUTLINE

1. Meaning and concept of an organization
2. Concept of an organization
3. Why Intrapreneurship important in an organization
4. Definition of Intrapreneurship
5. Reasons for Intrapreneurship
6. How do we Encourage Entrepreneurship
7. What is cooperate Entrepreneurship
8. Challenges of entrepreneurship

MEANING OF AN ORGANIZATION

- Organization is the structural framework of duties and responsibilities required of personnel in performing various functions with a view to achieve business goals through organization.
- Organization is the process of identifying and grouping work to be performed, defining and delegating responsibility and authority and establishing relationships for the purpose of enabling people to work most effectively together in accomplishing objectives.

MEANING OF AN ORGANIZATION

- An organisation consists of various positions arranged in a hierarchy with well defined authority and responsibility. There is always a central authority from which a chain of authority relationship stretches throughout the organisation. The hierarchy of positions defines the lines of communication and pattern of relationships.

CONCEPT OF AN ORGANIZATION

There are two concepts of organisation:

- Static concept
- Dynamic concept

Static Concept

- Under the static concept, the term 'organisation' is used as a structure, an entity or a network of specified relationships.
- In this sense, the organisation is a group of people bound together in a formal relationship to achieve common objectives.
- It lays emphasis on position and not on individuals.

CONCEPT OF AN ORGANIZATION

Dynamic Concept:

- Under dynamic concept, the term 'organisation' is used as a process of an on-going activity.
- In this sense, organisation is a process of organising work, people and the systems.
- It is concerned with the process of determining activities which may be necessary for achieving an objective and arranging them in suitable groups so as to be assigned to individuals.
- It considers organisation as an open adoptive system and not as a closed system. Dynamic concept lays emphasis on individuals and considers organisation as a continuous process.

WHY INTRAPRENEURSHIP IMPORTANT IN AN ORGANIZATION

Improved employee morale and productivity

- ❑ Employees who are more engaged are less likely to leave the business and are also more productive.
- ❑ Intrapreneurship encourages individuals to fully engage with the business goals and take control of their work. This also makes their job more meaningful and provides greater autonomy, which research has found will further improve engagement, as well as improve productivity and well-being.

WHY INTRAPRENEURSHIP IMPORTANT IN AN ORGANIZATION

Attract top talent with Intrapreneurship

- ❖ Companies that encourage intrapreneurship will be seen as more innovative and creative
- ❖ It help to create a more favourable impression of your business.

Better retention

- Employees who are enjoying their work are obviously less likely to want to leave your company.
- It enables them to focus on those areas that they feel most passionate about, creating more meaning in their jobs.
- It also enables more opportunities for career progression as they develop key skills such as leadership.

WHY INTRAPRENEURSHIP IMPORTANT IN AN ORGANIZATION

Boost revenue and growth

- Another of the business benefits of intrapreneurship is it helps to facilitate innovation, which in turn can reveal new ways to improve efficiency as well as opportunities for creating new products and services.
- This will help your organization to identify new opportunities and gaps in the market and pursue them quickly and agilely.

WHY INTRAPRENEURSHIP IMPORTANT IN AN ORGANIZATION

Encourage widespread innovation

- Intrapreneurs within your business can act as innovation champions encouraging other employees to get involved and have their say.

Increase agility with Intrapreneurship

- In a rapidly changing world, your business needs to be able to transform to meet upcoming challenges.
- Having individuals who are completely focused on ensuring that change takes place will help your business to transform effectively and at an accelerated pace.

DEFINITION OF INTRAPRENEURSHIP

- Intrapreneurship as a process in which the individuals inside the organizations pursue opportunities without regard to the resources they currently control
- It a way of doing things and departing from the customary way to pursue opportunities
- As a employees who work within a business in an entrepreneurial capacity, creating innovative new products and process for the organization

DEFINITION OF INTRAPRENEURSHIP

- Intrapreneurship as a process in which the individuals inside the organizations pursue opportunities without regard to the resources they currently control
- It a way of doing things and departing from the customary way to pursue opportunities
- As a employees who work within a business in an entrepreneurial capacity, creating Innovative new products and process for the organization
- INTRAPRENEURSHIP is simply ENTREPRENEURSHIP within an organization or company. Intrapreneurs are entrepreneurs operating within the structure of a company. They are at the forefront of innovation and are given control of products and services that affect the company's future growth.

REASONS FOR INTRAPRENEURSHIP

- Required Changes, Innovation And Improvement In Market Place To Avoid Stagnation Or Decline.
- Perceived Weakness In The Traditional Method Of Corporate Management.
- The Turnover Of Innovative-minded Employees Who Are Disenchanted With Bureaucratic Organization.

HOW TO ENCOURAGE INTRAPRENEURSHIP

- Giving people the desired acknowledgement
- Motivating workers to achieve organizational goals
- Giving promotions based on achievement
- Spending resources to train workers

CORPORATE ENTRAPRENEURSHIP

- Corporate entrepreneurship is an organizational process for transforming individual ideas into collective actions through internally generated resource combination.
- It is birth of new business within existing organization or transformation of organization through renewal of key ideas on which they are built.
- It involves the employee innovation, which is created by subordinate without being asked, expect or perhaps even given permission by higher management to do so.

CORPORATE INTRAPRENEURSHIP

- ❏ The corporate entrepreneurship is defined as willingness of manager to facilitate and promote intrapreneurial behavior, including championing of innovation and providing the resources people require to take intrapreneurial actions

CHALLENGES OF INTRAPRENEURSHIP

- **ORGANIZATIONAL STRUCTURE**
 - Acting boss in all things
- **ATTITUDES OF THE MANAGEMENT**
 - Motivation by the management
- **WORKERS INTIMATE ATTITUDE**
 - Friendly attitude to your subordinates
- **GOVERNMENT INTENTIONS**





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COURSE INFORMATION

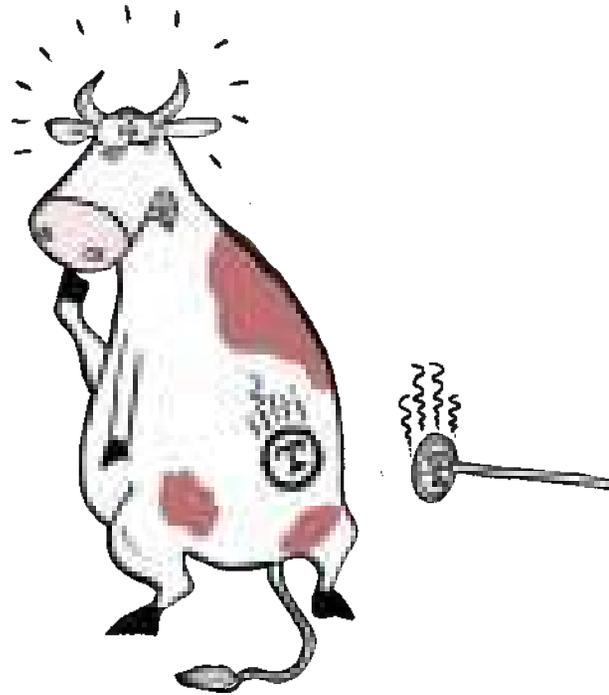
Course Code: ENT-ACE 103

Course Title: The Environment of Entrepreneurship in Nigeria

THE ENVIRONMENT OF ENTREPRENEURSHIP IN NIGERIA

INSTRUCTORS: AGU, RUBEN AMAECHI & OKOLI
OGONNA

YOU ARE WELCOME



ENVIRONMENT OF ENTREPRENEURSHIP

- ❑ Entrepreneurial action cannot be expressed in a vacuum: environment provides the medium and context for its expression
- ❑ While providing the medium and context for entrepreneurship, the environment significantly affects entrepreneurship, and is in turn also affected by entrepreneurship.
 - Environment is the totality of the factors that affect the workings of a system.
 - Environment as the entirety of all elements outside an organization that are relevant to its operations.
 - The way enterprises are organized and structured to operate, among other things, is to a large extent determined by the environment confronting it.
 - Thus the environment critically impacts on the life of individuals and organizations to such an extent that it determines what eventually becomes of the individuals and the organization.

ENVIRONMENT OF ENTREPRENEURSHIP

- ❑ Thus environment is the surroundings, external objects, influences or circumstance under which an organization or something exists.
- ❑ In scoping environment, the aggregate of all conditions, events and influences that surround and affect individuals, organizations, and or their activities are considered.

ENVIRONMENT OF ENTREPRENEURSHIP

- ❑ Thus the environment of entrepreneurship refers to the entirety of all conditions, events, and influences under which entrepreneurial actions are expressed.
 - Equally, entrepreneurship environment includes the totality of the interrelationships between enterprises and the communities.
 - Influences emanate from the environment and critically impacts entrepreneurship.
- ❑ We can categorize environment into two major types namely:
 - Internal environment which is made up of the day to day forces within the organization which provides the context in which managers perform their functions
 - External environment which is inclusive of all those forces acting on the organization from the outside.

ENVIRONMENT OF ENTREPRENEURSHIP

- ❑ Other authors named these two terms differently, for instance :
 - Kuratko called it Micro and Macro environments
 - Robbins & Coulter referred to it as: Specific environment – for everything that is directly relevant to the achievement of an organizations goals; and general environment which describes everything outside the organization.

- ❑ Environmental influences are mostly enterprise specific; a given environmental influence affects different enterprises differently and different enterprises react to same environmental influences differently. For instance, a legislation restricting movements during night hours (i.e. from 7.00pm to 6.00am) may have no effect on retail outlets selling bananas and or maize farmers, however the same legislation would have a crippling effect on the entertainment industry (ie cinemas, night clubs, casinos, etc).

CHARACTERISTICS OF THE ENVIRONMENT FOR ENTREPRENEURSHIP

Certain features characterize the entrepreneurship environment that makes it to be substantially unique and different from other types of environment. These features are:

❖ **Dynamism**

This environment of entrepreneurship is highly susceptible to frequent changes. These changes are both rapid and critical that entrepreneurs ought to keep pace with such developments. The dynamism of the entrepreneur's environment can be driven by natural events, demographic changes or even changes in the market place.

❖ **Complexity**

The entrepreneur's environment has many variables influencing it, and this imposes a very big challenge to entrepreneurs due to limited knowledge.

CHARACTERISTICS OF THE ENVIRONMENT FOR ENTREPRENEURSHIP

❖ **Multi-faceted**

Turbulence emanating from entrepreneurial environment affects enterprises differently. Thus a given turbulence may be an opportunity to some enterprises, while simultaneously being threats to other enterprises. For instance, the discovery of new business ideas or products may serve as opportunities for some enterprises while heralding the demise of some certain types of business enterprises. For instance the discovery of computer opened vast entrepreneurial opportunities to companies like Dell, Microsoft etc while enterprises like Olivetti, Olympia and other manufacturers of manual typewriter, faced imminent threat of closure.

❖ **Bilateral**

There is a bidirectional relationship between the environment and enterprises. Influences emanating from the environment affect enterprises and influences from enterprises also affect the environment. Thus the relationship between the environment and enterprises is bilateral.

CLASSIFICATION OF THE ENVIRONMENT OF ENTREPRENEURSHIP

Environment of entrepreneurship can be categorized into:

- Internal business environment
- External business environment

The Internal Business Environment

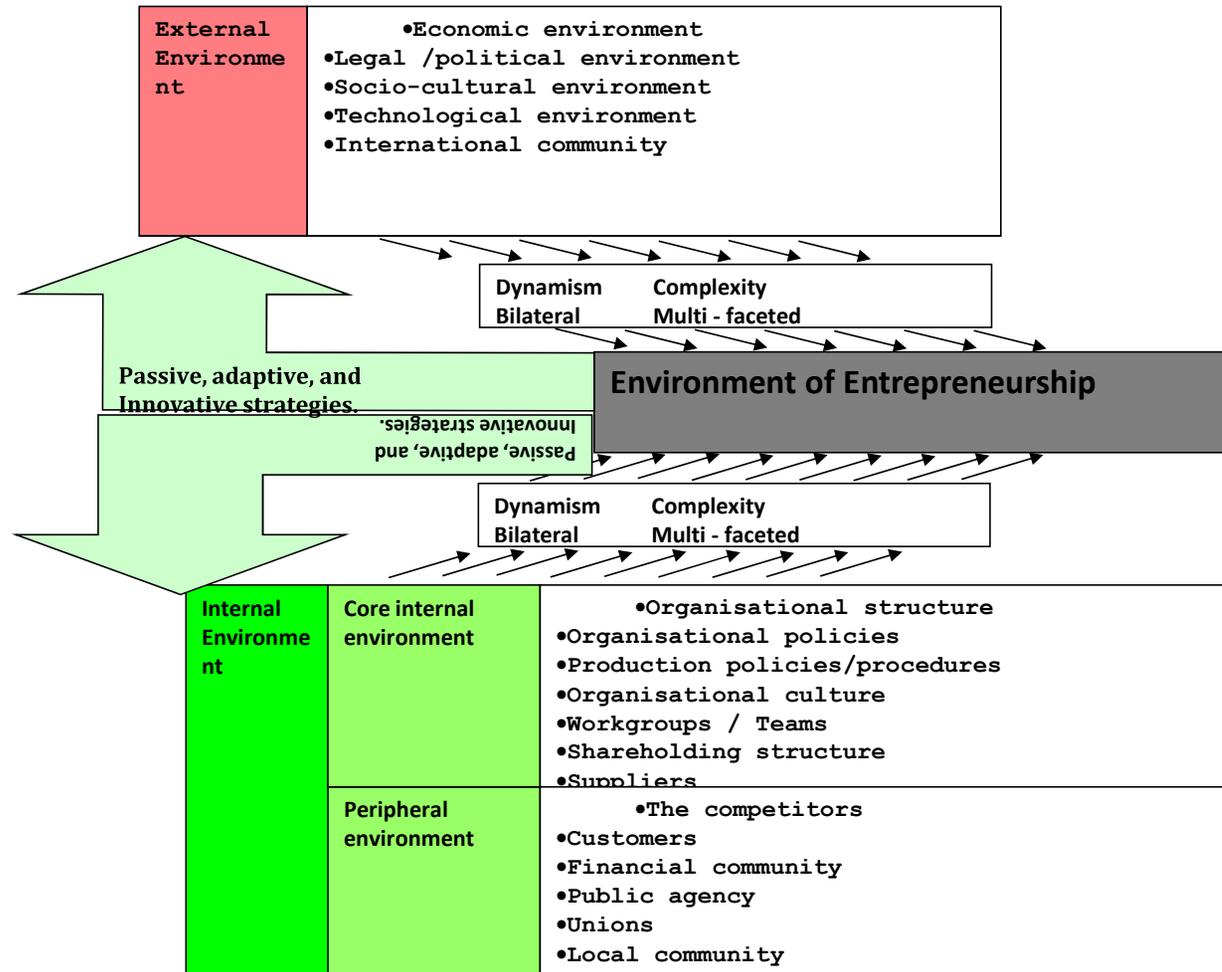
Here, we consider the entirety of influences directly affecting the operations of an entrepreneurial entity i.e. an enterprise). The influences here are within. Essentially, the internal environment can consequently be divided into two:

- Core internal environment
- Peripheral environment

Core Internal Environment

The cluster of influences here can be manipulated and controlled to achieve the goals of a given enterprise, these we refer to as core internal environment. The elements of this category pose fewer problems to the enterprise due to their predictability and susceptibility to manipulations. The elements of core internal environment of the entrepreneur are discussed below:

THE ENVIRONMENT OF ENTREPRENEURSHIP



THE ENVIRONMENT OF ENTREPRENEURSHIP

▪ **Organizational Structure**

The structure of an organization is the way in which various resources are arranged in order to ensure the realization of objectives. It also encompasses form of ownership and lines of authority and responsibility of members of the organization. Organizational structure also delineates the pattern and nature official employee relationships in the organization.

▪ **Organisational Policies**

Organizational policies are procedures and guidelines put in place by operating entities to help in achieving plans. Policies remove arbitraries and inconsistencies in the ways organizations do things. It also help in standardization of products and policies. Policies could be strategic, organizational, and or operational.

▪ **Production**

Production environment is constituted mainly by product policy, or service delivery policy. It also considers the production process and procedures adopted. Also the production environment shapes the type of inventory and control measures that is to be used in the organization.

THE ENVIRONMENT OF ENTREPRENEURSHIP

- **Culture** : Culture refers to the unique way of doing things in an organization. It derives from: experience; style of management or policy. It is usually formulated for the enterprise concerned and is monitored by managers to align it to serve productive purposes in line with the objectives of the organization. To this extent, culture is controllable. Organizational culture actually speaks volumes about the organization.
- **Work groups/Teams** : Work groups are formal groups that are established by the organization. Those working in the production department make up a group. Work groups are creation of management, usually created in line with the objectives of the organization. However the groups usually evolve a pattern of doing things which ultimately bear on what they do and how they relate with other segments of the organization. Being a creation of management, it could be dissolved, rearranged or reconstituted to serve organizational goals.
- **The Shareholding Structure** : Shareholders are the ultimate owner of the business enterprise. They appoint the board of directors who take strategic decisions for the organization.

THE ENVIRONMENT OF ENTREPRENEURSHIP

- **The Shareholding Structure** : Shareholders are the ultimate owner of the business enterprise. They appoint the board of directors who take strategic decisions for the organization. The shareholding structure sometimes determines the direction of board politics which have overwhelming implications on the organization in terms of what interests it and what it does and how it does it.
- **Suppliers**: Those who supply inputs like raw materials, labour, finance etc to the organization constitute a critical factor in the effective and efficient running of the enterprise. The extent to which supplier could affect the organization may derive from: the number of suppliers – is it just one supplier, are there many suppliers and are they competing or colluding?
- **Human Resource**: The human resources available to an organization constitute an important factor of its internal environment. How cooperative are the workers? How where they selected, recruited and placed within the organization. To properly harness an organization's human resources, it entails manpower planning, development, staff motivation etc.

THE ENVIRONMENT OF ENTREPRENEURSHIP

- **Elements of the Peripheral Environment**

These influences directly impact on the organization, however the organization may or may not be able to control and or manipulate it. In this category are:

- **The Competitors**

Usually in a free market economy, many enterprises operate. This leads to increases in competition, factor efficiency and economic growth. Competing enterprises try to create market niche. The actions of one competitor affect that of others, and pose a challenge to the survival of one another. Equally they could cooperate and be a source of strength.

- **Customers**

Every organization produce for the satisfaction of customers. Who are the customers, what do they like, where and how do they want to be served constitute into a body of influences the organization must contend. Enterprises can build up a stock of good will which may enable the organization retain the customers. The specific characteristics of existing and potential customers constitute a discernible shade in the peripheral internal environment of the entrepreneur.

THE ENVIRONMENT OF ENTREPRENEURSHIP

- **Financial Community**

Organizations need funds to function. Such capital needs could be financed through credits from the financial community. The funding required could be for the short term or the long term. The ability to attract the needed funding depends on : availability of collateral; capacity; character and; capital.

- **Public Agencies**

These are government owned agencies that necessarily have to interact with the organization in one way or the other; i.e. as a service provider, or as a regulator. Some of these agencies are: Corporate Affairs Commission; The Central Bank of Nigeria (CBN); SEC; SON; NAFDAC; NPA etc.

- **Unions**

These are associations of employees working for an enterprise. These types of association could transcend a whole industry and their main aim is to canvass for the rights and better welfare of the employees (workers). Industrial Unions have influence on the enterprises activities. Unions normally function through: advocacy; social activism; negotiation; and picketing, and it can through these activities make or mar the progress of organizations.

THE ENVIRONMENT OF ENTREPRENEURSHIP

- **Local Community**

The local community is the community in which an organization is located and as such is the host of the organization. The host community constitutes the organizations immediate environment. The host community has its traditions and culture which they certainly rub off on the organization in the process of their interactions. The host community and the organization should coexist in a mutually beneficial way. For this to happen, the organization should observe the norms and values of the society.

THE ENVIRONMENT OF ENTREPRENEURSHIP

- **The External Environment**

The external environment comprises of trends and changes occurring on a national and international level that critically impact the organization (both existing and new ventures). It is all elements outside an organization that are relevant to its operations. The changes emanating from the external environment are such that the entrepreneurs or their organization cannot do anything about it. What the entrepreneurs or their organisation do is to design and deploy strategies that are capable of mitigating the negative impacts of the changes. Some of such strategies in use are inclusive of:

- a. Passive Strategy*

Passive strategy is one in which the entrepreneur (or the organization) takes no action to counter observed changes in the environment. He simply hopes that whatever problem will correct itself with time. In some cases, this strategy happens to be the best approach in view of the fact that any attempt to react to environmental changes requires accurate information, understanding and foresight so as not to aggravate the problem in trying to solve it.

THE ENVIRONMENT OF ENTREPRENEURSHIP

b. Adaptive Strategy

When an entrepreneur (or his organization) uses the adaptive strategy, he essentially takes actions by designing ways to adapt to changes occurring in the environment. For instance, in some countries where it is common for natural disasters to happen i.e. earth quake, tornados, tsunamis etc. an entrepreneur cannot stop these things from happening, but he can insure his business against the risks associated with these events.

c. Innovative Strategy

This strategy requires that the entrepreneur to continuously carry out researches on its operations so as to be in tune with trends and changes in its environment. By that the strategy may lead the organization to contribute to changes in its environment – by innovating new ideas, products, programmes, etc. that other people may adopt or copy (Olagunju, 2004).

MAJOR ELEMENT OF THE EXTERNAL ENVIRONMENT

The major elements of the external environment are discussed below:

The Economy

The entrepreneur should consider trends in the economy very seriously. The economy influences the activities of the entrepreneur in many ways. The major variables that define the trends in the economy are:

- Economic growth of the economy (GDP growth rate)
- Unemployment
- Income level
- Economic Policies
- Movements in price level
- The competition level, etc.

MAJOR ELEMENT OF THE EXTERNAL ENVIRONMENT

The Legal/Political Environment

- ✓ The laws of any nation are made to engender orderliness, peace, equity and fairness. The laws are supposed to be adhered to by all persons, even legal personalities in a nation. Most entrepreneurial outfits are legal persons and should obey the law of the land. In fact, the entrepreneur should be prepared for any future legislation that may affect the product or service, channel of distribution, price, or promotion strategy, the deregulation of prices, restrictions on media advertising (e.g ban on cigarette ads or requirements for advertising to children), and safety regulations affecting the product or packaging are examples of legal restrictions (Hisrich, and Peters, 2002). In Nigeria, the companies and Allied Matters Decree (CAMD) 1990 amended as Companies and Allied Matters Act of (CAMA) 1999) defines the legal landscape for the conduct of businesses.
- ✓ The political environment on the other hand reflects the totality of government's attitude to business organization. Government attitude to entrepreneurship and business led to the classification of the economy in any of the following ways:

MAJOR ELEMENT OF THE EXTERNAL ENVIRONMENT

- (i) Market Economy** - Here, government allows private businesses to thrive and the means of production lie in private hands. In a market economy most business enterprises are privately owned, government concentrates in providing enabling for businesses. This type of economy encourages entrepreneurship
- (ii) Command Economy** - The government under this setting controls and owns the means of production and hence there is little or no room for private business enterprises. The defunct Soviet Union is an example of a state that operated a system of command economy (even though it was not a perfect command economic system).
- (iii) Mixed Economy** - Government, in a mixed economy, allows government businesses and private businesses to exist side by side. In reality, most economies of the world are mixed economies where the mix of government and private business can be defined over a spectrum running from a strict capitalist setting on one end to a strict command setting on the other end.

The threats and opportunities emanate from type of government (democracy, military or any others) and philosophy being pursued by the government.

MAJOR ELEMENT OF THE EXTERNAL ENVIRONMENT

(iv) Socio-Cultural Environment - The socio-cultural environment relates to the dominant value system of the people. This is variously referred to as norms, values, attitude and etiquette of the people. Social values like diligence, integrity, and sincerity favour the establishment and growth of business enterprises. Also, demographic factors like population, and its attributes like age, sex, etc. impact on the way businesses are conducted.

(v) The Cultural Environment - Culture refers to the way of life of a people. Culture can be discerned in what the people wear, value, aspire, and even eat. According to His rich and Peters (2002), an evaluation of cultural changes may consider shifts in the population by demographics, shifts in attributes, trends in safety, health and nutrition, as well as concern for the environment.

MAJOR ELEMENT OF THE EXTERNAL ENVIRONMENT

(vi) Technological Environment - It is difficult to predict advances in technology. Entrepreneurs should consider how the technology fact would impact on mode and process of production, competition, and financing. In this twenty first century, the rate of technology change is so high that it makes organization, and the caliber of staff to be employed.

(vii) International community

The effects of globalization and liberalizations on the flow of goods and services show that business organizations must be proactive to development in the international environment. This is because certain happenings in the international scene affect local business organizations. For example the recent financial crisis affects the country in 2008 and 2009 started in the U.S as a crisis in the mortgage industry.

Review Question

1. What do you understand by the environment of entrepreneurship?
2. Does the entrepreneur always have control over his environment; discuss.
3. In what context would an entrepreneur be unable to influence his environment, mention and explain the strategies he could use in such instances?



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COURSE INFORMATION

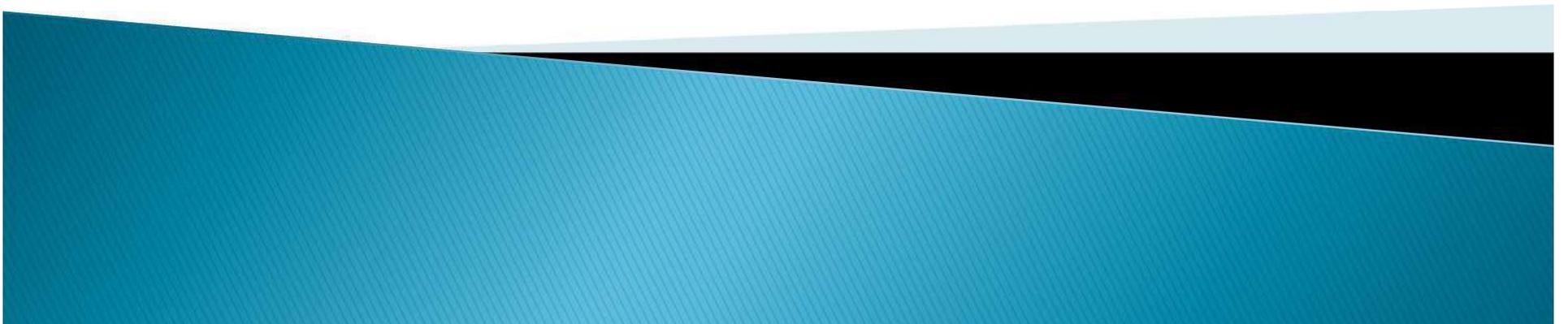
Course Code: ENT-ACE 104

Course Title: Technological Entrepreneurship

TECHNOLOGICAL ENTREPRENEURSHIP

By

Dr. Robert Ezeanwu



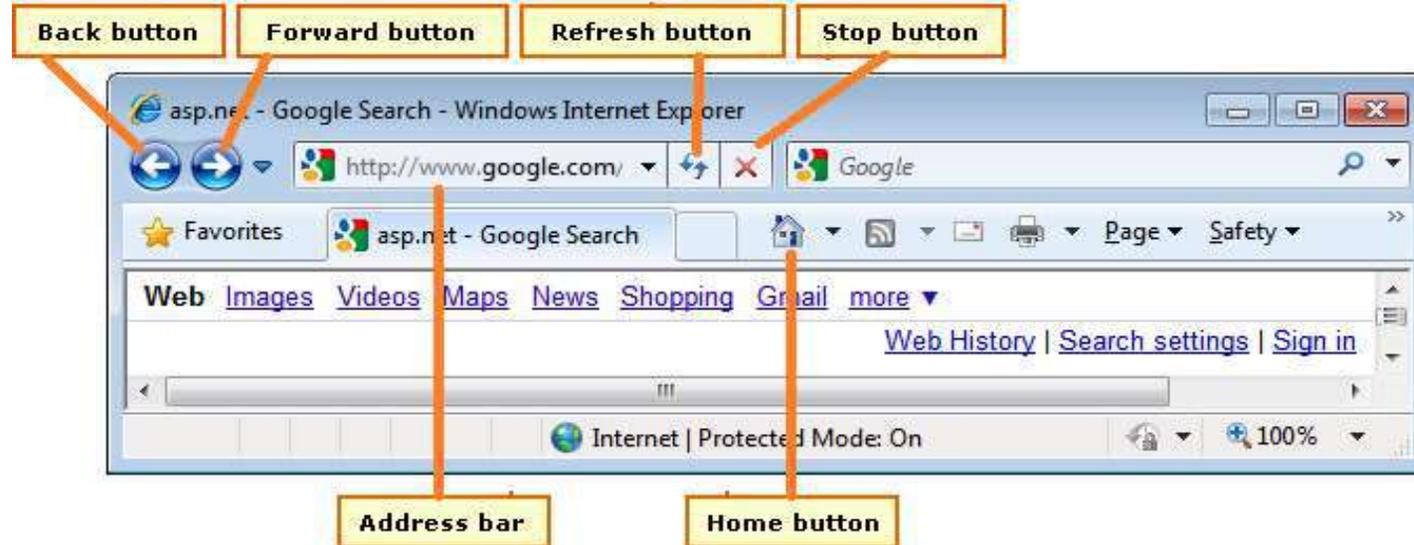
E-BUSINESS – AN INTRODUCTION

- ✓ E-business is any business transaction that takes place via digital or electrical processes over a network. It involves more than just selling or buying products online. It is the enabling technology that allows business entities to increase the accuracy and efficiency of conducting businesses.



INTRODUCTION contd...

- ❖ E-business can also be defined as the commercial exchange of goods, services, information and/or ideas between two or more parties enabled by an electronic medium.



INTRODUCTION contd...

- ❑ The creation of Web Enabled enterprise which has extended current IT-architecture across the borders of the company/country/nation to intensify the different relations that organizations have with their customers, partners and their employees.
 - ❑ The transition to the 'new world', the network economy, impacts on how businesses are organized and how it deals with customers and partners.
 - ❑ The activities of E-business collapses time and space between business partners across the world.
- 

INTRODUCTION contd...

- ▶ Business functions are the activities a company performs using its resources to fulfill the needs of, or the obligation the company has towards its publics.
 - ▶ Traditionally business enterprises set the rules and requirements for information systems to fulfill, however technology no longer follows business requirements but also creates possibilities.
 - ▶ Technology is the heart of business operations and a careful balance between business needs and technology is required to be successful.
- 

E-READINESS (ELECTRONIC READINESS)

➤ This is a measure of the degree of readiness, willingness and preparedness of a country, nation or economy to obtain benefits that arise from Information, Communication Technologies (ICTs). This measure is often used to gauge how ready a country is to partake in electronic activities .

➤ In developed countries, virtually all transactions are conducted electronically. This is made possible by the availability of requisite infrastructure or what is referred to as degree of electronic readiness.



E-READINESS (ELECTRONIC READINESS)

However, a prerequisite is that the customer has access to the network in this case the Internet. This puts countries where Internet access is limited in a precarious position.

❖ The communication same in the developed countries of the customers may not vicinity- they can be located



E-READINESS (ELECTRONIC READINESS)

- ❖ Organizations become part of a greater network where they communicate with different actors in a much flexible and transparent way than before, due to improved interfacing mechanisms, the same digital, information can be accessed from different parts of the world.

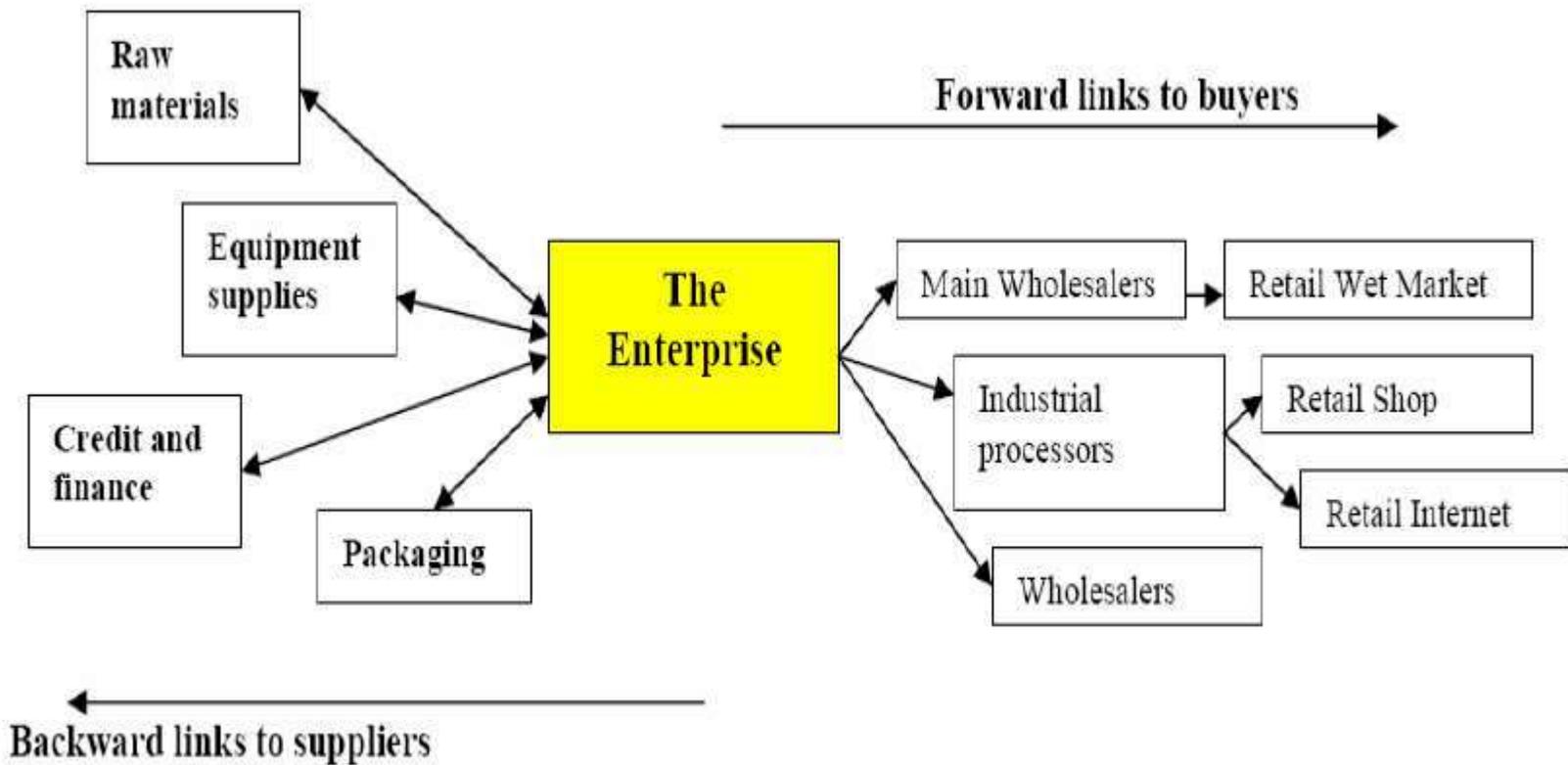


E-READINESS (ELECTRONIC READINESS)

- The driving force behind e-business is the Network Economy. The essence of the Network Economy is the position of the customer which is central as opposed to the Supply Chain economy in which the product has a central position.
- Here individual wishes drive the activities of the total demand-network. In traditional 'Push Economy' cum 'supply-driven' economy, consumers can be pushed by retailers towards certain products. But in a 'Pull Economy' it is demand that drives consumers towards certain products.



E-READINESS (ELECTRONIC READINESS)



Accessed from Aliu (2012)

BASICS OF E-BUSINESS

Basics of E-business include

- 1) The parties (actors you are dealing with), customers, suppliers, competitors, government
- 2) The resources you have at your disposal, investment funds, technology infrastructure, organization and personnel, strategy and policy, external rules and regulations
- 3) The business functions to be performed, delivery, providing information, acquisition and sales, promotions, procurement, management, product and service development, operations etc

BASICS OF E-BUSINESS

- ✓ In E-business, products are sold through the internet which makes it much more dependent on specific consumer demands. E-business is a flexible process that enables everyone in any geographical area to partake actively in business around the world.
- ✓ There are various aspects of this network economy and they include E-business, E-commerce and E-trading.



BASICS OF E-BUSINESS

- ❑ E-business involves all forms of online business transactions including the sales or purchase of any abstract and real objects goods or services which includes external-oriented process to carry out such tasks.
 - ❑ E-commerce deals with only the direct exchange of goods/services and their payment facilitated by electronic transaction. It involves exchanges among customers, business partners and the vendor.
 - ❑ E-trading deals with the selling of financial instruments such as stocks, bonds, foreign currency, treasuries and exchange traded derivatives electronically.
- 

BASICS OF E-BUSINESS

As organizations invent new ways of marketing, selling and partnering products/services in response to the changes evoked by the network economy new business models are therefore required to address customer demands. Basically, we have two classic types of flow business-to-business (B2B) and business-to customer (B2C) other variations are embedded in the above stated types.

E-business in an organizational context underlines the following basics;

- 1) The parties (customers, suppliers, competitors & government)
- 2) The resources (investment funds, technology infrastructure, organization & personnel, strategy and policy, external rules & regulations)
- 3) The business functions (delivery, providing information, acquisition and sales, promotions, procurement, service development, management, operations)

TECHNOLOGICAL CHANNELS OF E-BUSINESS

- Converging channels have enabled many new technologies which comprise of the supply-side of the equation to converge into a single medium, the Internet. Internet protocols and other open protocols will be the infrastructure of tomorrow carrying different types of content (text, sound, images and figures). Also access to educational content from geographically distant schools and Universities brings learning materials and opportunities closer.
- Diverging channels has through improved mechanisms has improved and enabled digital information to be accessed from different devices (computers, faxes, mobile phones, laptops, etc). Therefore obtaining information or ordering a product irrespective of one's geographic location.



TECHNOLOGICAL CHANNELS OF E-BUSINESS

Critical success factors in E-business in the developing world include;

- ▶ It fulfils a need for a group of users
- ▶ The users have sufficient means (financial resources) to make use of the service.
- ▶ The necessary equipment and infrastructure is accessible & adequate in relation to the physical and geographical environment.
- ▶ The target group has sufficient know-how to make use of the service.



E-BUSINESS PROCESS CYCLE

This is the implementation of strategy and approach to handle all interlinked issues from business perspective all the way to technology infrastructure, including security and governance to develop a successful e-business.

The stages are;

- (1) Awareness (vision);
- (2) Ambition (scope) ;
- (3) Concept (roadmap);
- (4) Realization (on the road);
- (5) Exploitation



E-COMMERCE (ELECTRONIC COMMERCE)

As stated e-commerce is the buying and selling of goods and services on the internet. E-commerce and E-business are often used interchangeably. For online retail selling the term e-tailing is sometimes used. E-commerce can be divided into;

- 1) E-tailing or virtual storefronts are on Web sites with online catalogues sometimes gathered into a virtual mall.
- 2) The gathering and use of demographic data through web contacts.
- 3) Electronic Data Interchange (EDI), the business-business exchange of data.
- 4) E-mails etc and their use as media for reaching prospects and established customers
- 5) Business-to-business buying and selling
- 6) The security of business transactions



E-COMMERCE (ELECTRONIC COMMERCE)

- E-tailing or virtual storefront and virtual mall is a place for direct retail shopping with its 24-hour availability, global reach, the ability to interact and provide custom information and ordering.
- The Web is providing a billion dollar source of revenue with Web retailing at sites such as Amazon.com, Jiji.com, E-bay, Alibaba etc. While e-commerce once required interface and personal security certificate, this is no longer the case. It offers turnkey solutions to vendors with little on no online experience.



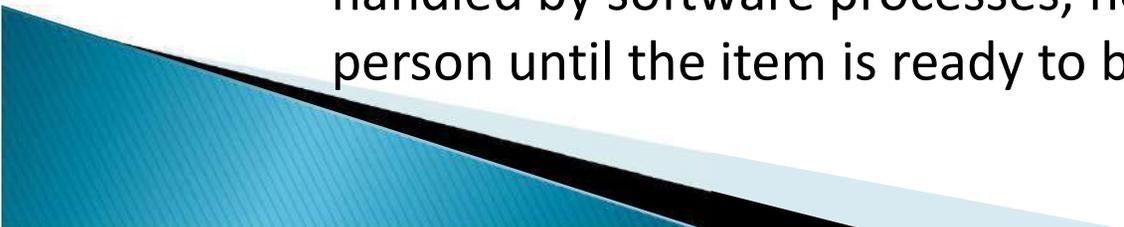
ADVANTAGES OF E-COMMERCE

- ❑ Tools for running successful websites are built into the hosting servers, eliminating the need for the individual merchants. Benefits like shopping carts, inventory and sales logs and the ability to accept a variety of payment options including credit card transactions.
 - ❑ E-commerce has an unbeatable advantage like making it easier to search for an item even in the middle of the night, from the comfort of your computer chair and find the best deals by allowing some sites sift through hundreds of sellers. Also transactions are handled by software process & employee overhead is virtually nonexistent and its website yearly fee is nominal.
- 

ADVANTAGES OF E-COMMERCE

- ❑ In the past, e-commerce required expensive interface and personal security certificates, but now virtual transactions are offered by a variety of hosting services and internet presence such as eBay, Yahoo, Alibaba etc which offer turnkey solutions to vendors with little or no online experience.
- ❑ Tools for running successful e-commerce websites are built into the hosting servers with benefits such as shopping carts, inventory, sales log and the ability to accept a variety of payment options including secure credit card transactions.

ADVANTAGES OF E-COMMERCE

- ❑ The growing popularity of e-commerce is understandable considering the time and hassle involved in running from store to store, searching for an item in the real world. It wastes valuable time and energy because of crowded cities and high energy prices, shopping online whenever the mood strikes even in the middle of the night has unbeatable advantages. Thus making it easier to shop at myriad of vendors from the comfort of your chair.
 - ❑ E-commerce main advantage is the issue of overhead expenditure which is virtually nonexistent and the yearly fee for an e-commerce website is nominal. Transactions are handled by software processes, never requiring a real person until the item is ready to be packed and shipped.
- 

E-TRADING (ELECTRONIC TRADING)

- As earlier stated this is a method of trading securities, foreign currencies and exchange traded derivatives electronically.
 - Info Tech is used to bring together buyers and sellers through electronic media to create a virtual market place eg New York Stock Exchange, Nigeria Stock Exchange are examples of market places.
 - These exchanges that facilitate electronic trading are regulated by the Securities and Exchange Commission. Despite the fact that e-trading is more reliable sometimes glitches and cancelled trades do occur.
- 

E-TRADING (ELECTRONIC TRADING)

There are broadly two types of trading in financial markets:

a) Business-to-Business (B2B) trading conducted by exchanges where large investment banks and brokers trade directly with one another, transacting large amounts of securities and

b) Business-2-Consumer trading where brokers and institutional clients organize retail buying and selling of relative small amount of stocks and shares by fund mgrs, insurance companies etc

E-TRADING (ELECTRONIC TRADING)

The increase in e-Trading has had some important implications:

- Reduced costs of transactions
- Greater liquidity
- Greater competition
- Increased transparency
- Tighter spreads

Practical applications of e-techniques in business, commerce and trading include electronic banking affects all works of life in relation to accessibility, cashless society, connectivity, information communication, payment solutions, security, seamless integration with existing web sites, persistent storage of customer payments history, data protection and fraud prevention mechanisms.



E-READINESS (ELECTRONIC READINESS)

- ❖ This is a measure of the degree of readiness, willingness and preparedness of a country, nation or economy to obtain benefits that arise from Information, Communication Technologies (ICTs).
- ❖ This measure is often used to gauge how ready a country is to partake in electronic activities.



CONCLUSION

Unequivocally evidence indicates that enterprises benefit substantially from e-business. New technologies and in particular the internet transform economic sectors and allow them to do business faster and better. Government can help by:

- Raising public awareness of the role of ICT
- Providing affordable and quality access to Internet & ICTs
- Promoting ICT among small and medium-sized enterprises
- Putting in place a legal framework for online transactions
- Ensuring that govt use ICT and encourage local business to do the same
- Supporting open content and open tech approaches, eg free and open source software
- Measuring and monitoring the current economic and social use of ICTs.



CONCLUSION

There is need to create strategy aimed at reducing the setup and operational costs of businesses, increasing the potential for sustainability and creating an environment that will encourage the development of the ICT infrastructure in developing countries for the use of e-business. The following strategy can be utilised:

- 1) Target the business in the supply industry with trading partners in industrialised countries with ICT Infrastructure & payment services
- 2) Reduce the requirements for participating in e-business by separating the trust, secure transaction from the network payment services
- 3) Build & integrate a scalable e-business commerce infrastructure that would be shared by multiple independent business with existing ICT.

CONCLUSION

- 4) Provide a mechanism to enable transfer of e-business technologies and increase public awareness of policies and regulatory framework.
- 5) Address ICT policy and regulatory issues for deployment and transition into digital economy.



CONCLUSION

CATALYSTS FOR E-COMMERCE REVOLUTION

- 1) Organize the retail industry,
- 2) Push for standardization across manufacturers and fulfillment partners.
- 3) Facilitating growth of technological automation across the value chain.
- 4) Standardize payment systems along with global trends.

This would expand the communication infrastructure in such a way that everybody has access to the internet.



Finally, be bold, **be courageous.**





AFRICA CENTRE OF EXCELLENCE FOR SUSTAINABLE POWER AND ENERGY DEVELOPMENT (ACE-SPED)

UNIVERSITY OF NIGERIA, NSUKKA

COURSE INFORMATION

Course Code: ENT-ACE 105

Course Title: Evaluation of Business Opportunity

EVALUATION OF BUSINESS OPPORTUNITY



by

PROF. A.B.C EZEIBE

INTRODUCTION



- ❖ One of the major functions of an entrepreneur is idea generation. And entrepreneur should be capable of generating business ideas. A good business idea is essential, or even a prerequisite for a successful business venture. However, good business ideas do not usually just occur to an entrepreneur. Rather, they are results of hard work and efforts on the part of an entrepreneur in generating, identifying and evaluating opportunities.

INTRODUCTION CONT'D

- ❖ How are opportunities identified? One of the central questions in the field of entrepreneurship has focused on the identification of opportunities. The identification of opportunities is important in part because it is often the first step in the entrepreneurial process. Historically, this line of inquiry has sought to understand why some people and others identify entrepreneurial opportunities.
- ❖ An attempt will be made to define some concepts. Criteria used by entrepreneur and Angel Investors to Evaluate Business Opportunity will also be discussed.

WHAT IS BUSINESS?

- ❖ Business is an economic activity, which is related with continuous and regular production and distribution of goods and services for satisfying human needs and wants preferably at a profit.
- ❖ In order to manage the projects efficiently and effectively, it is very important to gain knowledge about how to generate and evaluate business ideas.

WHAT IS BUSINESS IDEA?

- Business idea is a thought that results from business reasoning, which involves risk-taking and will eventually lead to profitability.
- A successful business idea must meet the following three conditions:
 - It must offer benefit to the customer by solving a problem or fulfilling a need.
 - It must have a market that is willing to accept it.
 - It must have a mechanism for making revenue.

REASONS FOR GENERATING GOOD BUSINESS IDEA?

There are many reasons why entrepreneurs or would-be entrepreneurs need to generate business ideas. Here are some of the reasons:

- An idea identification is the first step to successful business.
- To respond to market needs
- Changing fashions and requirements
- To stay ahead of the competition
- To exploit technology
- Because of product life cycle
- To spread risk and allow for failure

WHAT IS BUSINESS OPPORTUNITY?

- ❖ A major step in any entrepreneurial venture creation process is the recognition of the opportunity by the entrepreneur.
- ❖ As the role of an entrepreneurial opportunity becomes increasingly important, there continues to be a lack of clarity about its definition.
- ❖ An entrepreneurial opportunity are those situations in which new goods, services, raw materials and organizing methods can be introduced and sold at greater than their cost of production
- ❖ A business Opportunity is a business idea that has been researched upon, refined and packaged into a promising venture that is ready to launch. An opportunity is a favourable set of circumstances that creates a need for a new product, service or business. An opportunity has four essential qualities: it is attractive, durable, timely and anchored in a product, service or business that creates or add value for its buyer or end user.
- ❖ We define an entrepreneurial opportunity more specifically as a feasible profit-seeking situation to exploit a market efficiency that provides and innovative, improved or imitated product, service, raw material, or organizing method in a less-than-saturated market.

DIFFERENCE BETWEEN AN IDEA AND AN OPPORTUNITY

- All business opportunities are based on ideas, but most business ideas do not represent authentic business opportunities.
- An idea is a connection opportunity when there is a need, problem and either actual or potential demand for a product or service, while opportunities are ideas that will result in a successful business.
- It is true that the first step to identifying business idea will be to generate suitable ideas.
- A business idea is just a conception or thought, without an actual plan, while an opportunity is an idea with a plan. True opportunities are treasure, extremely rare and exceedingly valuable

STAGES IN IDENTIFICATION OF BUSINESS OPPORTUNITIES

- Monitoring of Business Environment
- Generation of Business Ideas
- Choice of Location
- Concluding a Feasibility Study
- Recognition of the Obstacles and Devising ways of Overcoming them
- Planning of Operational Strategy
- Deciding on the Nature of Business Formation
- Registration and Commencement of Business

CRITERIA USED BY ENTREPRENEURS TO EVALUATE BUSINESS

- ❖ An entrepreneur is an investor who implements changes within a market through the carrying out of new combinations.
- ❖ Entrepreneurs are those persons (business owners) who seek to generate value, through creation or expansion of economic activity, by and exploiting new products, process or markets.
- ❖ Successful entrepreneurs use the RAMP model to evaluate potential ventures. RAMP stands for the following:

CRITERIA USED BY ENTREPRENEURS TO EVALUATE BUSINESS

1. The first letter R stands for Return. Return really is return on investment. Is it profitable? Time to break even, Investment needed
2. The Second letter "A" stands for Advantages with the following components: Look at the cost structure, Barrier of entry, Intellectual Property, Distribution channel.
3. The Letter "M" stands for Market which comprises of: The need, Target market, Pricing.
4. The last letter "P" stands for Potential, which considers: Risk verse reward, The team, Timing, Goal fit.

By using the RAMP model, one will be able to do a thorough job analyzing the business ideas and opportunities presented.

CRITERIA USED BY ANGEL INVESTORS TO EVALUATE BUSINESS

- ❑ The term “Angel” comes from the practice in the early 1900’s of wealthy businessmen investing in the Broadway productions. Angels are wealthy individuals with high risk tolerance who invest in the very early stages of a start-up, usually in exchange for convertible debt or ownership equity. Angel investors are often retired entrepreneurs or executives, who maybe interested in angel investing for reasons that go beyond pure monetary returns.
- ❑ These angels are motivated to invest at the seed and start-up stage.
- ❑ Angel investors are classified into four categories based on their motivation, mode of operations and level of involvement. They are
 - a. Guardian Angels
 - b. Entrepreneurial Angels
 - c. Operational Angels
 - d. Financial Angels

CRITERIA USED BY ANGEL INVESTORS TO EVALUATE BUSINESS

Angels use certain criteria to evaluate a potential venture before embarking on it. They critically observe and evaluate venture before embarking on it so as to avoid pitfalls associated with investing.

The criteria used are as follows:

- ❖ Their first question is to consider how well it fits with their own personal investment criteria, an anchoring decision. This may include location, amount sought, knowledge of and interest in the sector and ability to add value.
- ❖ Angels approach this stage with negative mindset, expecting that the opportunity will be poor.
- ❖ The market and the entrepreneur are the key considerations at this stage;
- ❖ Evaluation
- ❖ Geography
- ❖ Industry
- ❖ Growth Potential
- ❖ Management Team

CRITERIA USED BY VENTURE CAPITAL (VC) TO EVALUATE BUSINESS

- ✓ The Venture Capital industry supplies capital and other resources to entrepreneurs in business with high growth potential in hopes of achieving a high rate of return on invested funds.
- ✓ Venture capital provides long-term, committed share capital, to help unquoted companies grow and succeed.
- ✓ Core skill within VC is the ability to identify novel technologies that have the potential to generate high commercial returns at an early stage. By definition, VCs also take a role in managing entrepreneurial companies at an early stage, thus adding skills as well as capital.
- ✓ Venture capital is attractive for new companies with limited operating history that are too small to raise capital in the public markets and have not reached the point where they are able to secure a bank loan or complete a debt offering.

CRITERIA USED BY VENTURE CAPITAL (VC) TO EVALUATE BUSINESS

- Management capabilities: VCs believe in management capability factor. They evaluate whether senior management is competent
- Market and Market growth
- Product
- Risk
- Return
- Exit
- Deal
- Strategy
- Customer
- Competition

CONCLUSION

- ❖ No opportunity is void of an accompanying challenge. The choice is absolutely yours to either allow challenges to block your progress or transform them into a greater opportunity.



AFRICA CENTRE OF EXCELLENCE FOR SUSTAINABLE POWER AND ENERGY DEVELOPMENT (ACE-SPED)

UNIVERSITY OF NIGERIA, NSUKKA

COURSE INFORMATION

Course Code: ENT-ACE 106

Course Title: INNOVATION AND ENTREPRENEUSHIP

**COURSE TITLE: INNOVATION AND
ENTREPRENEURSHIP**

FACILITATOR: DR. (MRS) E.U.ONWURAFOR



PRESENTATION OUTLINE

1. Course Objectives
2. Entrepreneurship and Entrepreneur
3. Meaning of Innovation
4. Innovation & Entrepreneurship
5. Drivers of innovation
6. Innovation Team
7. Types and Sources of innovation
8. Advantages/Disadvantages of innovation
9. Conclusion
10. References for further studies

COURSE OBJECTIVES

By the end of this unit:

- The student should be able to explain the terms 'Entrepreneurship, Entrepreneur and innovation'
- The students should have knowledge of relationship between innovation and entrepreneurship and
- Understand who make the innovation team in organization.
- Learn the drivers, types and sources of innovation
- Learn the importance of innovation
- Learn advantages and disadvantages of innovation

PACKAGING OF BOTTLED WATER



PACKAGING OF BOTTLED WATER





ENTREPRENEURSHIP AND ENTREPRENEUR

- The process of creating a business enterprise capable of entering new or established market.
- It involves deploying resources and people in a unique way to develop a new organization.
- An entrepreneur is an individual who creates an enterprise that becomes a new entry to a market.



MEANING OF INNOVATION

When people change their value (system), the old (economic) system will tumble over to make room for the new one, then innovation has occurred.

-Innovation is seen as encompassing the entire process, starting from a kernel of an idea continuing through all steps to reach a marketable product that changes the economy (Joseph Schumpeter).

-The process that renews something that exist (renewal) and not only the introduction of something new

-For renewal to take place an Entrepreneurs must change the way they make decisions, choose to do things differently and/or make choice outside their norm



MEANING OF INNOVATION CONT'D

- For Drucker, Innovation is the means by which the entrepreneur either creates new wealth-producing resources or endows existing resources with enhanced potential for creating wealth
- Creation of new value and new satisfaction for customers
- From organizational perspective
Innovation means the successful introduction of a new thing or new methods



MEANING OF INNOVATION CONT'D

- The multi-stage process whereby organizations transform ideas into new/ improved products, services or processes, in order to advance, compete and differentiate themselves successfully in their marketplace



INNOVATION AND CREATIVITY

- **Not identical to creativity**
 - Creativity the identification and idea generation, the very act of producing new novel approaches, ideas or actions
 - the development, formation or generation of new ideas within the innovation process by individuals, groups or bodies
 - Involves acting on creative ideas to make specific and tangible difference in the domain in which innovation occurs
- successful implementation of creative ideas within an organization

Hence, creativity is the starting point for innovation for both individuals and organizations



INNOVATION AND ENTREPRENEURSHIP

- The main difference between innovation and entrepreneurship is that **innovation involves introducing something new.**
- This can be a new business model, product, idea, or service.
- An idea must be replicable at an economic cost and must satisfy a specific need to be called an innovation
- However, Entrepreneurs need to search purposefully for the sources of innovation, the changes and their symptoms that indicate opportunities for successful innovation.



INNOVATION AND ENTREPRENEURSHIP CONT'D

Innovation is the specific tool of entrepreneurs, the means by which Entrepreneur exploit change as an opportunity for a different business or a different service”

(Drucker)

- It is capable of being presented as a discipline, capable of being learned, capable of being practiced.
- Hence, entrepreneurship involves turning a great idea (innovative ideas) into a business opportunity.



INNOVATION AND ENTREPRENEURSHIP CONT'D

- Innovation is the basic driving force behind entrepreneurship and the creation of small bizs
- Corporate entrepreneurship is the potent tool for delivering innovation
- Entrepreneurs cannot afford to stop innovating once they have established a successful biz



INNOVATION AND ENTREPRENEURSHIP CONT'D

- Innovation is the basic driving force behind entrepreneurship and the creation of small businesses
- Corporate entrepreneurship is the potent tool for delivering innovation
- Entrepreneurs cannot afford to stop innovating once they have established a successful business



DRIVERS OF INNOVATION

- Financial pressure
- One want to decrease cost
- Do more with less achievement
- Increased competition
- Shorter product life cycle
- Value migration, among others
- Entrepreneurs need to know and to apply the principles of successful innovation.

Successful Entrepreneurs continually innovate with regards to internal systems and process in order to create and sustain a source of competitive advantage



INNOVATION TEAM IN ORGANIZATION

- All Unit Heads in every department from finance to customer services
- Innovation should be planned and managed as core business process covering all parts of a biz



EXPLANATION OF INNOVATION PHENOMENA

3 paradigm are use to explain innovation:

- Entrepreneurial paradigm
- Techno-economic paradigm
- Strategic paradigm



EXPLANATION OF INNOVATION PHENOMENA

Entrepreneurial paradigm:

- Describe innovation activities that occur at the level of individual firms that have gain favourable market position
- The innovation focused on the entrepreneur ie the inventor who is the driver of innovation

Techno-economic paradigm:

- Associated with innovation policies of large coys through the use of mass technologies
- Key features of this type of innovation is the significance of involvement of technicians and engineers in the development of the new technologies under a coy umbrella



EXPLANATION OF INNOVATION PHENOMENA

These individuals can solve Coy's problems through

- i. in-house R&D
- ii. cooperation with other coy facing similar problem
- iii. buy-in solution from someone



EXPLANATION OF INNOVATION PHENOMENA

Strategic innovation paradigm:

The emphasis here are on:

➤ firm strategy

➤ market conditions

broad firm competences - including

- internal competences
- long-term marketing strategies
- market developments
- new market identification opportunities
- new market approaches
- fostering of networks
- creation of technological alliance etc



SOURCES AND TYPES OF INNOVATION

Two sources of innovation:

- **Internal sources**

- ✓ R & D
- ✓ Employee suggestion scheme
- ✓ Continuous improvement programme
- ✓ Annual biz meeting
- ✓ Quarterly innovation workshop
- ✓ Employment strategies



SOURCES AND TYPES OF INNOVATION

External sources

- ✓ Competitor's analysis
- ✓ Customer's Market Benchmarking



BASIC AREAS

Basic areas in which creative processes and analysis leading to innovation can occur include:

- Business innovation- new biz or supply chain innovation
- Product/ service innovation
- Market innovation- opening a new market or creating a new customer
- Process innovation- improving or changing internal processes

Innovation can be classified into 2

- **Manufacturer innovation:**

Here the agents of innovation innovate in order to sell the innovation

- **End-user innovation:**

Here agent(s) develop an innovation for their own personal or in-house use b/c existing product does not meet their needs



INNOVATION CATEGORIES

- End-user innovation cont'd
- It is the most important and critical categories of innovation
- Firm may incorporate users in focus group (users in focus approach)
- Work closely with lead users(lead user approach)
- Or adapt their products themselves



NATURE OF INNOVATION

- This affects how an entrepreneur brings innovation to the market
- Innovation technologies originate from R & D efforts
- Entrepreneur then commercializes these technologies and brings them to the marketplace
- The flow of product from producers to the consumers is the supply chain
- The supply side of the supply chain refers to the producers and the entities that assist the producers in manufacturing the product
- They collaborate with the manufacturer in order to develop the product
- An entrepreneur delegates most of his duties to different supply side divisions as his business grows, e.g., the R&D, product development division, marketing division



NATURE OF INNOVATION

➤ R&D, product development division, marketing division

↓
Invent Technology

↓
Develop the pdt

↓
Join with the
salesperson to sell
product

TYPES OF INNOVATION

- Application
- Process Innovation
- Product/Services
- Strategy or Business Concept

- Originality
- Radical Innovation
- System Innovation
- Incremental

TYPES OF INNOVATION

➤ Process Innovation

- Part of the process is improvement to bring benefit

- Occurs when there is introduction of:

(a) A new or significantly improved manufacturing method or method of producing good/services

(b) A new or significantly improved logistics/delivery or distribution methods for inputs, goods or services

(c) A new or significantly improved supporting activities for process such as maintenance system

TYPES OF INNOVATION

- Product/services Innovation
 - Commercializing of products which are technically different ie innovation is made when characteristics of products change, e.g
 1. Development of new product/service
 2. Changes in design of established products
 3. Use of new materials or components in the manufacture of established products

TYPES OF INNOVATION

➤ Strategy or business concept Innovation

This requires radically

- Reconceiving the products and services
- Redefining market space
- Redrawing industry boundary

TYPES OF INNOVATION

Innovation based on grade originality

- Radical innovation (a.k.a breakthrough (BT) innovation or out-of-blue innovation)
 - New application of a technology or combination of the original ones
 - The innovation employ new technology and create new market and new product/service
- BT Innovation are developed by the R & D gp
- It originate on the supply side of supply chains
- They come from labs and does not have what consumer want in mind
- The R&D gp has to educate the marketing gp about how useful the technology will be, lead the other gp in producing the technology and encourage marketers to seek new market for the developed technology

TYPES OF INNOVATION

Innovation based on grade originality

- System innovation
 - This create new functionality by assembling parts in a new way

- Incremental innovation
 - Extend the application of radical and system innovation

- Focuses on continuous improvement of products or services and involve the extension of products that are already in the market

- Both suppliers and customers know about the products and their values
- The demand side of the market generally motivate the supply side to launch incremental innovation since product characteristics are well define and customers can articulate their needs
- Most incremental innovation are develop in response to customer needs

IMPORTANCE, ADVANTAGES AND DISADVANTAGES OF INNOVATION

- Allows business to expand their customer base by refreshing the market with new and improved products
- Key component of competitive advantage and helps companies stay ahead of competitors before rivals' innovations take market share
- Provides incremental revenue and profit
- Increases share holder value

Note: Change is inevitable to remain in a competitive advantage in the face of constantly changing demographic, technological and globalization trends



ADVANTAGES OF INNOVATION

- Helps in the Identification and development of unique and distinctive consumer preferred products.
- Helps in the discovering of patentable opportunities and provides competitive insulation.
- Create new product categories to spring-up growth and development.
- Provides employment and serves as a means for self actualization.
- Increases demand for goods and services and thus the economy because consumers adapt to new innovative products.



DISADVANTAGES OF INNOVATION

- Involves risk through the introduction of new products, it creates tension between already existing products.
- Enhances negative competition between non-innovative and innovative companies.
- Sometimes slows down demand and thus the economy because it takes time for consumers to adapt to new innovative products.
- Because companies must innovate, many industries are disadvantaged because innovation is often long and difficult.
- Collapse of an organisation that cannot effectively innovate
- New development can lead to change and the throwing aside of old effective forms and practices which often effectively destroys knowledge and organisational practices.



CONCLUSION

- Innovation is often about small incremental changes to products, services and processes
- Innovation has to do with change - it is a positive, constructive and productive change
- All organizations possess the ability to innovate and if they do not innovate effectively, they may be wiped out by companies that innovate.



MATERIALS FOR FURTHER STUDIES

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AFRICA CENTRE OF EXCELLENCE FOR SUSTAINABLE POWER AND ENERGY DEVELOPMENT (ACE-SPED)

UNIVERSITY OF NIGERIA, NSUKKA

COURSE INFORMATION

Course Code: ENT-ACE 107

Course Title: Intellectual Property Rights



INTELLECTUAL PROPERTY RIGHTS

by

DR. J.N. CHIKWENDU

WHAT IS INTELLECTUAL PROPERTY?



❖ What are Rights?

- Intellectual property refers to an intangible creation of the mind translated into tangible form for which exclusive rights of property are granted. Intellectual property rights covers areas of patent, copyright, trademark and trade secret laws.
- The world Intellectual Property Organization (WIPO) in 1967) at Stockholm convention, related intellectual property rights to the followings:

WHAT IS INTELLECTUAL PROPERTY?



Literary, artistic and scientific work.

- Performances of performing artists, phonograms and broadcasts
- Scientific discoveries
- Industrial designs
- Inventions
- Trademarks, service mark and commercial names and designations
- Protection against unfair competition and all other rights resulting from intellectual activities in the industrial, scientific, literary artistic fields (Wikipedia, 2006).

PROTECTION OF IPR

Intellectual property right is a protection granted to creators of original works. Nigeria is a member of Paris and Berne Unions and WIPO. Intellectual property rights are protected in Nigeria through the registration of such rights with registries instituted by the Nigerian governments. They include:

- Trademark Registry (TR)
- Nigerian Copyright Commission (NCC)
- Others are National Office of Industrial Property,
- Nigerian Broadcasting Commission (NBC),
- National Office for Technology Acquisition and Promotion (NOTAP),
- The Performing Musicians of Nigeria (PMAN) and
- Federation of Intellectual Property Owners (FIPO) – all play significant roles in protecting members rights.

CATEGORIES AND TYPES OF INTELLECTUAL PROPERTY

1. Industrial property which relates to:
Patents, inventions, trademarks, industrial designs and geographical indications
2. Copyrights which covers: Literary works such as novels, poems and plays, films, musical works and artistic works such as drawings, painting, photographs, sculptures and architectural designs.

THE IMPORTANCE OF INTELLECTUAL PROPERTY



- It provides owners with the power to enforce their property right in civil court
- It gives owners the exclusive right to profit from a work for a particular limited time
- It encourages new technological and cultural creations
- It provides adequate environment for creativity and invention to grow

TYPES OF INTELLECTUAL PROPERTY

➤ **Common Types Of Intellectual Property Are:**

- Patent,
- Copyright,
- Trademarks,
- Trade secret,
- Industrial design and
- Geographical indication

WHAT IS PATENT?

□ Patent is the exclusive right granted to the inventor by government for a specific period of time e.g. 5, 10, 15 or 20 years. The patent protects the invention from being used, distributed or sold without the consent of the investor in the country. Patent right is renewable.

□ Types of Patent:

- Utility patent (20 yrs),
- design patent (14 yrs) and
- plant patents (20 yrs)

COPYRIGHT

□ **What is Copyright:** Copyright are exclusive statutory right granted to creators or inventors for their original and artistic work. According to Jones and Benson (2002), there are two sets of copyrights:

- i. An exclusive profit right to copy and exploit the copyrighted work or license.
- ii. A negative right to prevent any one from doing so without authors consent.
 - Requirement for copyright protection
 - Rights of a copyright holder
 - Limitations on rights

TRADEMARK

- ❑ **What is trademark?** Trademark is a distinct signs or indicator that identifies goods and services of a specific enterprise. It is originated from ancient times when craftsmen in scripts or engrave their signatures or marks on their artistic work. It is a symbolic information attached to good sand services of a business enterprise. Trademarks must be distinctive from others.

- In Nigeria, trademark is solely on goods or classes of goods. The initial period of registration is 7 yrs and renewable every 14 years.
 - Categories of trademark
 - Obtaining trade mark protection
 - Trademarks infringement
 - Advantages of trademarks

TRADE SECRET

- ❑ Trade secret is a legal protection against other revealing information that could be damaging to the business. Entrepreneurs usually keep such information, or process or idea confidential. Workers in the business signs confidential agreement not to disclose such information. any violation of such can be prosecuted in the court. So threft of trade secret is subject to law suit in many countries and criminal action in some countries.
- Protection guide against trade secret disclosure:

INDUSTRIAL DESIGN



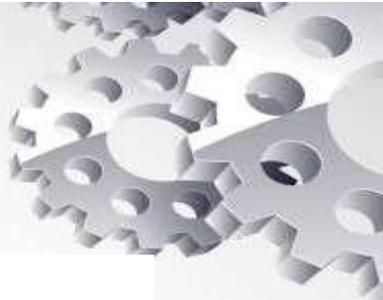
□ An industrial design is the ornamental or aesthetic aspect of an article. Industrial design adds to the commercial value of a product. It makes a product or article attractive and appealing and increase its marketability.

- Benefits of Industrial Design

GEOGRAPHICAL INDICATION



- This is a sign or symbol that identifies or signifies where goods and services originated from
- Differences between trademarks and geographical indications.

A cluster of interlocking grey gears is positioned in the top right corner of the slide.

Thank You!



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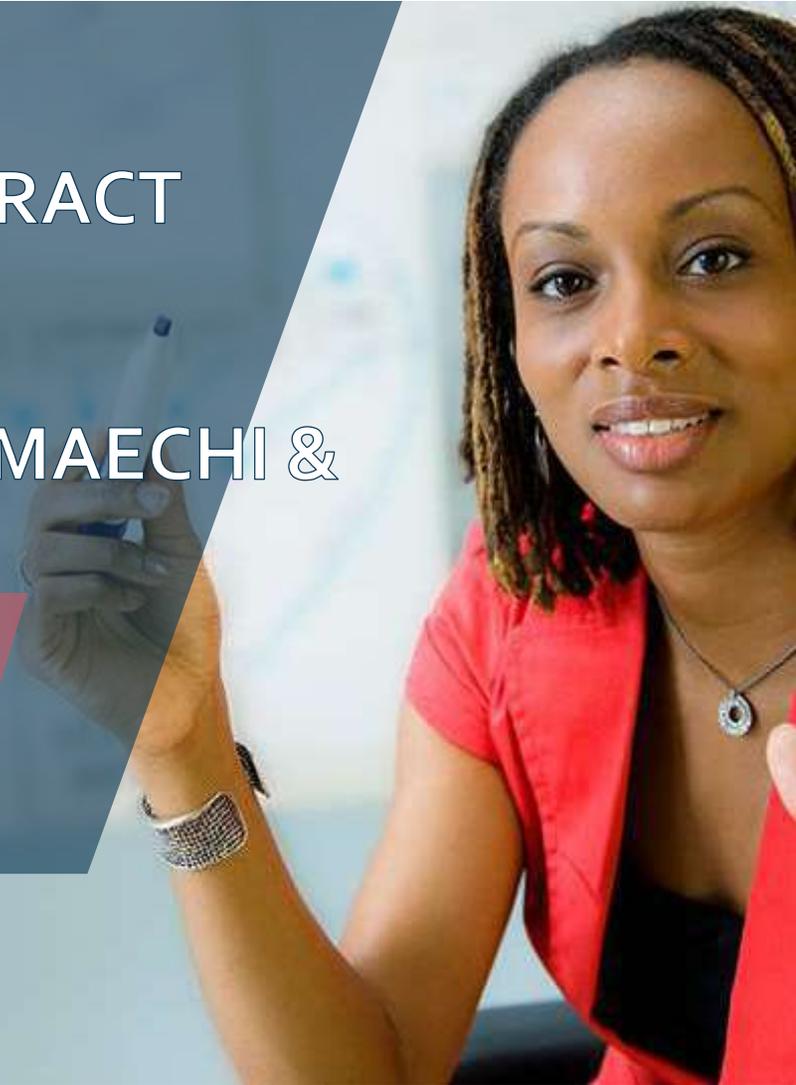
UNIVERSITY OF NIGERIA, NSUKKA

COURSE INFORMATION

Course Code: ENT-ACE 108
Course Title: Laws of Contract

COURSE TITLE: LAWS OF CONTRACT

FACILITATORS: DR. AGU RUBEN AMAECHI &
DR. GLORY OLORUNFEMI





INTRODUCTION

- Right from the start up stage, through growth from a small concern to maybe a big business enterprise, the entrepreneur must necessarily execute billions of transactions in which context, contracts occur uncountable times. In fact without contracts, the entrepreneur's activities may grind to a halt. Thus, the need to form laws, rules, principles that guide the intrinsic aspect of transactions the entrepreneur would wade through in business life. This is what the law of contract is all about.



DEFINITION OF CONTRACT

□ A contract is a legally binding agreement concerning a transaction which is essentially of a commercial nature which is enforceable under the law. A contract can also be seen as a set of promises that is enforceable under the law. A contract ought to have the following features:

- It must be an agreement
- It must be enforceable

Deriving from the above, it is obvious that an agreement between friends or relations usually cannot be enforced. The sanctions as to their breach are mostly moral sanctions, thus, they may not necessarily be called contracts. The Nigerian law of contracts has its source in the English common law, thus the discussions in the law of contract would be governed by the common law and of course the principles of equity.



CLASSIFICATION OF CONTRACTS

- There are of course different types of contracts which are discussed subsequently.
 - a. Simple contracts
 - b. Contracts under seal
- **Simple contracts:** A simple contract is one made orally or in written form. For this type of contract to be enforced
 - i. It must sanctions as to their branch are be an agreement
 - ii. It must be enforceable by the law. Thus an agreement between friends or perhaps, relatives and so on is not usually enforced by the courts of law. The sanctions as to their breach are mostly moral sanctions, and thus they may not necessarily be called contracts.
- The Nigerian law of contacts has its source in the English common law. Thus most of the discussions in the law of contract are governed by the common law and the principles of equity. There are different types of contracts or in other words different classification of contracts.



SIMPLE CONTRACTS AND CONTRACTS UNDER SEAL

- ✓ A simple contract is one made orally or in written form, and for it to be enforced by the courts, there must be a consideration attached to the promise made in the contract.
- ✓ However, a contract under seal could be said to be promise or set of promises which are characterized by signing, sealing and delivery of the document containing the contracts. They do not need considerations.
- ✓ However, for this discussion, we would be restricted to discussing simple contracts.



EXPRESS AND IMPLIED CONTRACT

- An express contract is one which is made by the specific agreement of the parties to the contract. However, implied contracts are those which the courts decide on the circumstances of the case.



BILATERAL AND UNIULATERAL CONTRACT

- A bilateral contract is one where there is the exchange of promises by both parties. In bilateral contracts, performance is not needed for the courts to enforce it, for it is said that one promise serves as consideration for the other.
- On the other hand, a unilateral contract is one whereby the promisee needs to fulfill some obligation so as to make the promise of the promisor binding on him. The promisor however has an option to perform or not, thus immediately he performs, the promise of the promisor becomes binding on him.
- The celebrated case and locus classicus case of Carlill v Carbolic Smoke Balls is an illustration of a unilateral contract. In his case, the defendants advertised that they would pay 100 pounds to anyone who used their smoked-balls and still succumbed to influenza, the plaintiff used their smoked-balls, and yet she succumbed to influenza, the defendants, were held liable.



FORMATION OF A CONTRACT

□ For a contract to be valid, some ingredients or elements must be present, and without any of these ingredients or elements, it cannot be said that what occurred between the parties was a contract. These elements are:

- a) Offer;
- b) Acceptance;
- c) Consideration;

The intention to enter into a legal relationship.

A photograph of a desk with a laptop, a notebook, and a pen. The laptop screen shows a Windows desktop with various icons. The notebook has some handwritten notes. The pen is blue.

FORMATION OF A CONTRACT

A) Offer:

An offer is been defined as the expression of willingness to contract, made with intention that it shall become binding on the offeror as soon as the offeree accepts. For a statement to be termed an offer it must be clear, unambiguous; complete, and final i.e. it must not leave the offeree in any iota of confusion, thus it must refer to one thing or a set of things.

It is important to distinguish an offer from “an invitation to treat”. An invitation to treat can be described as a preliminary to an offer, they are statements made by one party to the other or actions done by one to another which invites him to make an offer. Examples of invitation to treat are;



FORMATION OF A CONTRACT

Invitation for tender's auctions

Display of goods in shelves, trays, a shop, super market etc, public transportation, sale of shares [for though the word public offer is used, most times in the sale of shares, it is not an offer in the legal sense of the word], supply of information etc. Thus if A tell B the lowest price for his car is N1,000,000, and B agrees to buy, it is not an offer A, but an invitation to treat.



FORMATION OF A CONTRACT

B) Acceptance

An acceptance can be defined as an absolute, unqualified expression of assent to the terms of an offer. Thus a valid acceptance is one which is a total agreement to be bound by the terms stated by the offeror in his offer. An acceptance may be written or expressed orally, and in some situations, the courts would infer acceptance from actions carried out by the offeree.

Whilst an acceptance is a total unqualified expression of assets, any variations to the terms of the offer by the offeree becomes a counter-offer, and thus the offeree becomes the offeror and this counter-offer is open to the former offeror who has become the offeree to accept or decline. Thus if A tells B that he would sell his car to him for N1,000,000 and B says he would have the car at N999,999; it amounts to a counter-offer and not an acceptance.



FORMATION OF A CONTRACT

It must be noted that a request for further information as regards the subjects of the contract is not a counter offer and thus the offeree can still accept the first offer. It must be noted that such information as most times refer to other terms like date of delivery, time etc.

Also an acceptance of a tender and not the invitation to tender is a valid acceptance.

Cross-offers are in no way acceptance of an offer. For example if A sends a letter to B offering to sell a Laptop to him at N110, 000 and at the same time, B who did not have any knowledge of A's offer was also sending a letter to A offering to buy A's Laptop at N110,000, this would in no way be seen as an acceptance of A's offer. It would be cross-offer which logically either A or B is free to accept, without such acceptance, there can be no binding contract between A and B



FORMATION OF A CONTRACT

❖ This was well enunciated in the case of *Tim v Hoff man*.

Strictly speaking, there can be no acceptance in ignorance of any offer. For example if the police offers to reward anyone who could give information about a certain person with N100,000, and Mr. C who was unaware of such offer, being a good citizen, turned the wanted person in this would not be an acceptance of the previous offer.

❖ This was decided in the case of *Gibbons v Proctor*.

This stance has been criticized severely, with the criticism having been followed in some much liberal jurisdictions like the U.S.A and South Africa.



FORMATION OF A CONTRACT

Termination of an Offer

- ❖ An offer can be terminated in the following ways;
- ❖ 1. When the offeror revokes the offer before the offeree tenders his acceptance [Revocation]
- ❖ 2. If the offeree rejects the offer outright or tenders a counter offer [Rejection]
- ❖ 3. If there are conditions relating to the offer which remain unfulfilled.
- ❖ 4. If an acceptance of the offer is made impossible by either the death of the offeror or the offeree.
- ❖ 5. When sufficient time for acceptance was specified or in the case where no time was specified the offeree did not accept the offer in a reasonable time, there making acceptance of the offer unreasonable and of no meaningful effect to the contract.



FORMATION OF A CONTRACT

C) Consideration

As has been earlier said, in a simple contract, there must be some form of consideration for the promise or offer made by the offeror. Thus if A promises to give B a new camera phone, and A breaks his promise, the law would not hold A liable to B, however, if B having received A's promise, and because of that promise made by A to B, B swept, scrubbed and decorates A's apartment, A would be liable to B.

Thus, what can consideration be said to be? A well accepted definition of case that valuable consideration "consist in some rights, interest, profit or benefit, accruing to one party, or some forbearance, detriment, loss or responsibility given, suffered or undertaken by the other". In another way, consideration may be described as the basis of bargains, the quid pro quo of the transaction.

It must be noted that consideration need not be only in money, the plaintiff must show that he has given something in return for the promise made by the offeror, such things given could be either an act or a promise of his own.



RULES GOVERNING CONSIDERATION

1. Consideration need not be adequate, it must only be sufficient. That means that the consideration must be something of value in the eye of the law, the consideration for the promise needs not to be proportionate in value to the promise. This is because the law grants freedom of contract.
2. Consideration must move from the promisee 1.e. it is only the person who has furnished consideration that can maintain an action in case of breach. Thus B cannot sue A, if A has breached a promise he made to anyone who succumbed to chicken pox after taking A's vaccine where only C and not B took such vaccine and yet succumbed to chicken pox.



RULES GOVERNING CONSIDERATION

3. Consideration must not be past: a consideration may either be executory 1.e. where a promise is made for another promise. However, if an act or a promise has been done or made, and because of that act, the promisor makes a promise, this would not amount to consideration. For example, if A found and returned B's golden Tolex wristwatch, and because of this, B promised A N1,000, B would not be liable to A if he fails to fulfill his promise.

This was well illustrated in the case of *Oba of Benin v Benin Divisional Council*.



RULES GOVERNING CONSIDERATION

4. Consideration must not be illegal or unlawful 1.e. the consideration must not in the eye of the law be immoral because such a consideration is of no value in the eye of the law.
5. Where A promise to do something for B, which he is ordinarily bound to do, whether such a duty was imposed by law, or custom and trade or by contract with a third party, such would not amount to a consideration.



INTENTION TO ENTER INTO A LEGAL RELATIONSHIP

- ✓ So far, we have seen or established the elements required to be present for there to be a binding contract; namely offer acceptance and consideration. However, the law would hesitate to hold as binding some “contracts” made because the law would not want to dabble into the intricacies of family matters, love affairs, very close friendship etc. thus, promises made in such relationship would not held as binding by the courts, for the courts would infer that there was no intention to enter into a legal relationship.
- ✓ This decision by the law, promises on the fact that the law seeks to distinguish between social agreements on the one hand and commercial agreements on the other. Whilst the law would hold is binding contracts made in the latter, it hesitates to do such in contracts made in the former.



INTENTION TO ENTER INTO A LEGAL RELATIONSHIP

- ✓ It must be noted that the objective test is used in coming to the conclusion whether or not an agreement would be termed as a social agreement which is not binding or a commercial agreement which carries the force of law. The requirement for intention to create legal relationship is well laid down in the case of *Balfour v Balfour*.
- ✓ As regards the objective test hand to show whether an agreement is a social or domestic or on the other hand a commercial agreement is thus the test of reasonableness. To know whether the parties were entering into a binding one or one which in the eye of the law was not intended to be binding.



REMEDIES FOR BREACH OF CONTRACT

- Where there has been a breach of contract, several options are opened to the aggrieved party. The aggrieved party may decide to still hold the defaulting party to his promise i.e. the defaulting party still remains liable on the contract, thus enabling the injured party to recover damages for loss suffered. The injured party may also treat the contract as having come to an end i.e. treating the contract as discharged; he is thus free from further liability.
- He may go further by asking for a rescission of the contract. The innocent party may also sue for damages or he may sue for a compensation of the work already done by him. [Although this is a quasi-contractual remedy]



REMEDIES FOR BREACH OF CONTRACT

❑ Damages

- This is monetary compensation received by the innocent party as a result of the breach by the defaulting party.
- It is necessary to note that damages would not be awarded for a damage resulting from the breach of the contract that is too remote. [A damage that is too remote is one which the reasonable man would not have anticipated as arising from such a breach, it is damage that could not reasonably be known to arise from the breach of the contract.
- Also to note is the fact that there are two types of damages, they are; liquidated damages and penalties. In the case of liquidated damages [a genuine pre estimate of loss likely to be suffered as a result of breach], the sum as having been agreed between the parties is recoverable, whilst in the case of penalties [an amount fixed at random to prevent or penalize a breach], the plaintiff can only recover damages for the true loss regarding the damages he has suffered, that damage not being too remote.



REMEDIES FOR BREACH OF CONTRACT

❑ Specific performance

- In a case where the award of damages would not suffice, the court may order a specific performance which compels a party to a contract to perform as has been agreed, a disobedience to such an order would be a contempt of court and could in imprisonment.

This order was granted by the courts in the case of Beswick v Beswick



REMEDIES FOR BREACH OF CONTRACT

Injunction:

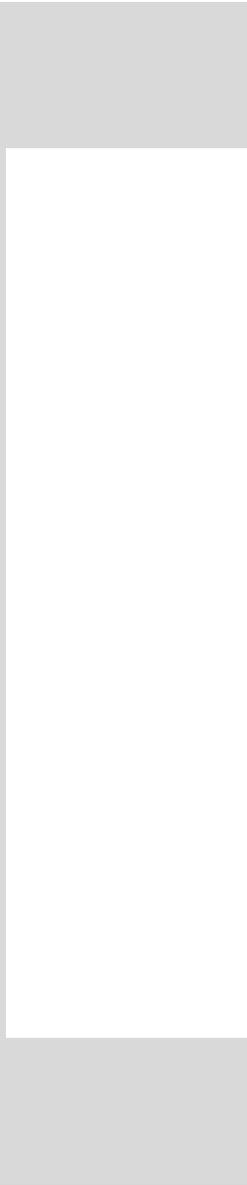
This is an order by the court restraining a party from carrying out what he has not contracted to do, or from doing acts inimical to the performance of the contract. An injunction could be either permanent or temporary.

Rescission:

Rescission is the option opened to the aggrieved to terminate the contract in its entirety. It is also opened to a party who has been induced by fraud, mistake or a misrepresentation to enter a contract.

Quantum meruit:

It means in its literal terms "payment due" 'money earned'. Thus a party who has performed to a certain extent, before the contract was terminated may sue for payment for the amount of work he has carried out.



Thank You!



AFRICA CENTRE OF EXCELLENCE FOR SUSTAINABLE POWER AND ENERGY DEVELOPMENT (ACE-SPED)

UNIVERSITY OF NIGERIA, NSUKKA

COURSE INFORMATION

Course Code:

ENT-ACE 109

Course Title:

Examples of Untapped SMEs



EXAMPLES OF UNTAPPED SMEs

BY

PROF. ADAKU B. C. EZEIBE

INTRODUCTION



- SMEs are a very important part of the Nigerian economy.
- In countries at same levels of development with Nigeria, SMEs contribute a much higher proportion to GDP than currently observed in Nigeria.
- Compared to other emerging markets, Nigeria has historically shown lack of commitment to building a strong SME sector;
- These economies have shown consistent commitment to the development of SMEs by implementing: access to finance and financial incentives, basic and technological infrastructure, adequate legal and regulatory framework, and a commitment to building domestic expertise and knowledge

INTRODUCTION CONT'D



- In light of recent events in the Nigerian macroeconomic environment, SMEs have compelling growth potential and like other emerging economies are likely to constitute a significant portion of GDP in the near future
- In this presentation, we will take a look at the concept of SMEs, features, problems, and the untapped SMEs
- SMEs are broadly defined(1) as businesses with turnover of less than N100 MM per annum and/ or less than 300 employees
- Studies by the IFC show that approx. 96% of Nigerian businesses are SMEs compared to 53% in the US and 65% in Europe

INTRODUCTION CONT'D

- SMEs represent about 90% of the manufacturing/ industrial sector in terms of number of enterprises,
- They contribute approx. 1% of GDP compared to 40% in Asian countries and 50% in the US or Europe
- In Nigeria, SMEs are distributed by clusters within regions. Nigeria is known with its association with Small and Medium scale Enterprises (SMEs) and there is no doubt that its development will enhance the country's sustainable growth and development.

OPPORTUNITIES OF SME



- ❑ SMEs have significant untapped growth potential
- ❑ Strong export and employment potentials
- ❑ SMEs in Nigeria are currently distributed along sectors within regions; creating potential operational and cost synergies
- ❑ New growing sectors, such as entertainment and leisure clusters
- ❑ Low-Tech Sectors clusters: Footwear, clothing & garment, agro-processing (cassava, oil palm and other oils).
- ❑ High Tech clusters: ICTs, Telecom, and Biotechnology (agric and health)
- ❑ SMEs require improved financial support
- ❑ Studies show that Nigeria has a low amount of domestic investment through loans vis-à-vis other emerging markets

CONCEPT OF SME

- ❑ There is no generally accepted definition of a small business because the classification of businesses into large-scale or small-scale is a subjective and qualitative judgement.
- ❑ In Nigeria, there is no clear-cut definition that distinguishes a purely small-scale enterprise from a medium-scale enterprise. The Central Bank of Nigeria, in its Monetary Policy Circular No. 22 of 1988, defined small-scale enterprises as having an annual turnover not exceeding N500,000

CONCEPT OF SME

- ❑ The National Economic Reconstruction Fund (NERFUND) put the ceiling for small-scale industries at 10 million naira. Section 37b (2) of the Companies and Allied Matters Decree of 1990 defines a small company as one with:
 - a) an annual turnover of not more than 2 million naira;
 - b) net asset value of not more than 1 million naira.

- ❑ In this Presentation, small and medium-scale enterprises are defined as those with investments in machinery and equipment not exceeding 500,000 naira and 2 million naira, respectively, with not more than 50 and 100 paid employees, respectively.

FEATURES OF SME

- Most SMEs have labour intensive production processes and centralized management.
- They have limited access to long and short-term capital.
- They are largely dependent on local raw material.
- They operate with modest technology, which are often locally sourced.
- The report shows the following features of SMEs business:
 - Ownership and Management to SMEs,
 - The chief executive, generally participates actively in the decision-making process and day to day operation of the firm with little or no adequate specialist support,
 - The chief executive can be known by all employees of the company or organization,
 - The chief executive is the owner,

GENERAL PROBLEMS OF SME

- Problems associated with SMEs and reasons for their failure have been widely identified. Some of these include:
 - Lack of planning
 - Inimical government rules and regulations
 - Poor marketing strategy
 - Lack of technical know-how
 - higher interest rates
 - Government policies seem to have constituted a serious problem area for SMEs
 - Huge gaps in infrastructure
 - Poor financial support and credit environment
 - High levels of unskilled workforce
 - Low investment commitment to bring pilot plants to commercial scale

GOVT PROGRAMS AND FINANCIAL INSTITUTIONS SUPPORT TO SMEs

- ❑ Industrial Development Centre (IDCs)
- ❑ Small and Medium Industries Equity Investment Scheme (SMIEIS)
- ❑ Small and Medium Enterprises Development Agency of Nigeria (SMEDAN)
- ❑ Nigeria Industrial Development Bank (NIDB)
- ❑ National Economic Reconstruction Fund (NERFUND) ETC.

CAUSE OF SMEs FAILURE

- Incompetence and Lack of Managerial Experience:
- Lack of experience in the chosen line of business
- Neglect and Fraud
- Inadequate capital and excessive withdrawal by owners
- Unplanned expansion
- Goals set by the entrepreneur are unreasonable
- Goals are not measurable

CAUSE OF SMEs FAILURE

- The entrepreneur has not made a lot of commitment to the business and the family
- No sense of potential threats or weaknesses to the business
- No customer need was established for proposed product or service.
- Insufficient turn over, wrong product and poor timing
- Poor management supervision and Lack of proper accounting
- Competition, Bad debts and poor granting practices
- Excessive numerations to the owners
- Inventory Mismanagement

THE UNTAPPED SMEs IN NIGERIA

- Nigeria is one of the Africa's most hardworking countries, with a declining unemployment rate. However, in a highly targeted market like Nigeria, the vast majority remain perplexed about what business to start for the biggest gain with the least amount of difficulty.
- Most of the time, they are considered as difficult to start and require a large amount of capital to get started. Untapped businesses in Nigeria are those that few people have ventured into, providing new business owners with the possibility to succeed due to minimal competition.
- As a matter of fact, venturing into an untapped business in Nigeria can bring a return of 90% gains monthly if it's properly set this is because, it's special and unique from what others are doing and upon its establishment has become instrumental in solving people immediate problem.

EXAMPE OF UNTAPPED SMEs

- ✓ Real Estate: Real estate is one of the best ways to invest your money in Nigeria. If you have extra cash, then consider investing it in real estate instead of leaving it in banks where it earns interest of only 2%.
- ✓ Finance: Finance is another great business to invest your money in Nigeria. It is one of the most stable industries with the highest returns on investment (ROI).
- ✓ Agriculture: Agriculture has been one of the biggest industries in Nigeria over the years due to its high demand by consumers who want fresh produce at affordable prices without compromising quality or taste which is why agriculture has always been profitable throughout history
- ✓ Tourism: Nigeria is home to some of the most beautiful beaches in Africa and its capital city, Abuja, is a growing tourist attraction due to its modern architecture and friendly residents.

EXAMPLE OF UNTAPPED SMEs

- ✓ Oil: Nigeria has substantial oil reserves in its national waters off the coast of the Niger Delta region where Chevron operates several offshore platforms extracting natural gas from underneath the seabed using modern technology.
- ✓ Alternative Energy for Homes: Solar Power, Biofuels, Wind Energy, Biomass Energy, and many more kinds of alternative energy may be utilized in houses.
- ✓ Transportation business: Transportation is well-represented on this list of Nigeria's most profitable companies.
- ✓ Food business: It is possible to operate a profitable food company if you have the appropriate location, the right skills, and the right people. This is a year-round business. It's in high demand all the time.
- ✓ Blogging Business: Starting a blog is a simple process. With a tiny amount of money. It will cost you roughly ₦4,000 for a domain name and ₦27,000 for a year of hosting to establish a self-hosted blog. For a year, you pay for both

EXAMPLE OF UNTAPPED SMEs

- ✓ Social media marketing: So many Nigerians spend much of their free time on social media, making this a very valuable company.
- ✓ Online Video business: People spend more time online than they do watching television. Consuming video on the internet is getting more and more common. YouTube and Netflix, in particular.
- ✓ Drop shipping business: There's a lot of money to be made in the drop shipping industry. It allows you the ability to establish your internet store without the requirement for a warehouse or the need for items.
- ✓ Management of Waste and Sanitation: Approximately 11 billion metric tons of rubbish are presently collected worldwide, generating a stunning \$410 billion in income.

ECONOMIC IMPLICATIONS OF SME DEVELOPMENT IN NIGERIA

- ❑ SMEs account for a large proportion of the total employment growth many countries. In such countries, SMEs produce a significant share of their increases in Gross Domestic Product (GDP), while the contributions of larger enterprises tend to remain stable
- ❑ In the case of Nigeria, well-managed and healthy SMEs constitute significant sources of employment opportunities and wealth creation.
- ❑ SMEs are regarded as the bedrock of industrialization. Because a number of them possess extensive knowledge of resources, as well as demand and supply trends, they constitute the chief supplier of input to larger firms
- ❑ Developing countries represent a huge, largely untapped market for large corporations. By working closely with SMEs, large corporations can develop new customer base that may not be accessible to the traditional distribution networks of these corporations.
- ❑ SMEs help in the development of local technology and mobilization and utilization of domestic savings. Thus, increases in SME efficiency can also improve the competitiveness of larger firms that depend on SME suppliers, and therefore improve the competitive position of a country's economy.

CONCLUSION

- ❑ Nigeria remains a country with high potentials, but an equally high inertia to develop. Nigeria has the largest market in the African continent where investment opportunities are beckoning to be exploited, but yet SMEs is faced with so many constraints.
- ❑ SMEs have significant roles to play in the Nigerian economy, via generating employment for the teeming population of unemployed youths; alleviating poverty through incomes to poor household; participating in the global economy and partnering with larger corporations and so on.
- ❑ Given the growing interests in SME development, it is necessary to assess global experiences, identify successful approaches which can be adopted, develop a policy and practical guidelines for SME development, in order to harness the benefits SMEs can bring to the Nigerian economy.



AFRICA CENTRE OF EXCELLENCE FOR SUSTAINABLE POWER AND ENERGY DEVELOPMENT (ACE-SPED)

UNIVERSITY OF NIGERIA, NSUKKA

COURSE INFORMATION

Course Code: ENT-ACE 201

Course Title: Concept of Business and New Venture Creation

COURSE TITLE: CONCEPT OF BUSINESS AND
NEW VENTURE CREATION

FACILITATOR: EZAMA SYLVANUS ANI



PRESENTATION OUTLINE

1. Course Objectives
2. Definition of Business Growth
3. Reason for Business Growth
4. Stages of Business Growth
5. Strategies for Business Growth
 - a. Internal Sources of Business Growth
 - b. External sources of Business Growth
6. Fundamentals of Business Growth
7. Conclusion
8. References for Further Studies

COURSE OBJECTIVES

By the end of this unit:

- ✓ The students should be able to explain the term 'business growth'
- ✓ The students should have knowledge of various stages in their business life cycle and how to resolve issues affecting their businesses
- ✓ Learn various strategies to grow their businesses to ensure effective entrepreneurship
- ✓ Learn fundamentals of business growth



CONCEPT OF BUSINESS GROWTH

Business Growth is always as a result of the positive motivated business intentions and actions of the owner or the entrepreneur. An entrepreneur may be desirous of his business growth, when certain conditions become inherent or noticeable. Such conditions are:

- if the business become stagnant
- the sales of the production began to decline
- the need to increase in sales than previously done
- expansion by introduction of new products



CONCEPT OF BUSINESS GROWTH

consequently, the entrepreneur characteristics, educational level, knowledge of the business and continued learning affects the growth potentials of the business. It is pertinent to note that the company's growth is also affected by internal factors such as the human resources, material resources and financial resources.

Also external factors such as the environment and poor market conditions. It is a common belief that company growth follows as a simple linear progression with sales and the company size will be consistently expanding. It is not bed of roses because some company or enterprise grows and at a point backslides while some skip growth stages (Eggers of Leahy, 1995)

The entrepreneur seeking business growth as Hisrich, Peters and Shephard (2009) puts it, must be knowledgeable about the product they are currently producing and selling and the group of customers to which they are selling the products to.



WHAT IS VENTURE CREATION?

Venture creation is the same thing with business creation. Business can be created for the purpose of employment, business growth or promotion, profit maximization and growth to earn sufficient income to meet the basic family obligations.

Venture creation may start as:

- A. ▪ Sole proprietorship business
- B. ▪ Partnership business and
- C. ▪ Company business



WHAT IS BUSINESS GROWTH OR TRANSITION?

- A considerable number of extant (old) literatures on business growth see growth from the perspective of a business from organically developing the capacity to increase the number of employments it is able to generate. In other words, a big number of business owners see the business growth as increase in sales, net assets and profit maximization. In this vein, some business firms start as microbusinesses and rapidly grow its operation overtime through internal means to become large scale businesses and as such create many employment opportunities. In this case one can say that business growth has taken place. However, firms can only increase their employment if there are maximum increases in the sales of their products or services coupled with commensurate profits. So, business transits from micro through small, medium to large scale enterprises.

- Micro \longrightarrow small \longrightarrow medium \longrightarrow large



GROWTH THEORIES IN BUSINESS FIRMS

- There are challenges inherent with firm growth. These challenges make it that not all firms desirous of growth actually grow. So if a firm fails to grow, it entails waste of resource, poor economy, increase in unemployment etc. Therefore, in an attempt to predict business, firm growth, several theories of firm growth have been developed

The theories include.

- a. chance models of growth theory
- b. stage models of growth theory (life cycle models of growth)
- c. predictive models of growth theory



CHANCE MODE GROWTH

- As the name implies, this theory states that the growth of business firm and its ability to survive the transition from small to big business depends on chance and luck. In this case If a chance or opportunity or a firm to grow occurs and operator or the entrepreneur fail to exploit it immediately, the growth will not come but if the opportunity is used by the operators of the business, the growth will ensue. Also, the growth or size is a random walk. This is to say that by luck a firm can randomly grow even beyond expectation and if it is unluckily it can fail and fold up.
- However, this model has been criticised by Westhead and Birley (1995) that growth of firms are dependent on some variables because chance growth cannot be born without other factors and other variables taken into account e.g. environment, finance, human resource etc.



STAGE MODEL OF GROWTH THEORY (LIFE CYCLE MODES OF GROWTH)

- Having criticised the chance models, Scscholars came up with stage models of growth. The stage models of growth believes that a business has life cycle to pass through. The life cycle are identifiable under the following: change characteristics, skills, management strategy, structure and resources requirements.
- Some of the stage models of growth or life cycle models of growth are:
 - i. Greiner's life cycle curve (model)
 - ii. Churchill and Lewis model and
 - iii. Stokes and Wilson composite model



STAGE MODEL OF GROWTH THEORY (LIFE CYCLE MODES OF GROWTH)

Greiner's life cycle curve or creativity (model)-

- ▪ Stage 1: start up/infancy
- ▪ Stage 2: fast growth/childhood
- ▪ Stage 3: adolescent (growth through delegation)
- ▪ Stage 4: maturity
- ▪ Stage 5: stage of growth through collaboration
- Stage 6: growth through extra-organizational solution
(Explanations during lecture)



STAGE MODEL OF GROWTH THEORY (LIFE CYCLE MODES OF GROWTH)

The Churchill and Lewis model of firm growth (under stages life cycle)-

- This model under the stage models according to Churchill and Lewis is saying that the characteristics of small business ventures vary widely from one to another. Here, growth can be triggered off at any point in time. Therefore, as the individual operators have different experiences, so it will affect the small firms growth. In this case, a small business may grow to a certain level and remain constant.



STAGE MODEL OF GROWTH THEORY (LIFE CYCLE MODES OF GROWTH)

Stokes, Wilson And Mador Composite Life Cyclemodels Of Growth - Griner and Churchill models were interested in continous growth but stokes and others came up with five stages which maintained that the business firm can crash out at any stage. The stages are:

- I. Concept/Test stage
- II. Development/Abort stage
- III. Growth/Decline stage
- IV. Maturity stage
- V. Regrowth/Decline stage



PREDICTIVE MODELS OF GROWTH

- This is the 3rd theory in business models of growth. According to Storey (1994) stage models prescribe and do not predict. It is on this background that predictive models of growth were postulated. The predictive models are two, financial models and non-financial models.
- Financial models are made up of two variate models:
- Univariate financial models and multivariate financial model (multiple discriminant analysis) (MDA).



MANAGING STRESS AND PRESSURE IN BUSINESS TRANSITION

- WHAT IS STRESS AND PRESSURE?
- In the words of Gibson and Kennedy, stress is simply defined as a person's adaptive response to a stimulus that places excessive psychological or physical demand on the person. The stimulus is known as stressor. Stressor refers to anything that induces stress. The stressor can be physical or psychological and must be excessive for a particular individual for stress to result. This means that what may be excessive for individual A may be tolerable for individual B.
- Pressure is unreasonable demands on our time, bad news and many others can cause stress. According to Moorhead of Griffin (1989), stress that emanates from good source, that is positive is called 'Eustress', for e.g. if a manager is promoted to a group manager, he is likely to face challenges of Eustress. The negative stress is called 'distresses. Stress can lead to many dangerous side effects.



MANAGING STRESS AND PRESSURE IN BUSINESS TRANSITION

- Organizational pressures are factors in the work place that can cause stress. Stress and pressure are potentially disruptive in business organization and therefore should be managed or checked. Changanani (2016) suggested the following coping stress strategies in managing stress and pressures in business organization under transition from start-up to growth (venture or business creation):
 1. Breaks are necessary
 2. Learn the art of streamlining work
 3. Intelligent use of limited resources
 4. Learn the art of diligence
 5. Learn to trust your instincts
 6. Have creative mind
 7. Failures are stepping stone to success (Explanations during lecture)



MANAGING STRATEGY FROM STARTUP TO GROWTH

According to Jeffrey Hall (2000), for an Entrepreneur to succeed in business, he need to carry his employees and business along. He should be able to plan, organize, staff, direct, and control to achieve the organizational objective. Therefore, some strategies that an entrepreneur should adopt to move business venture from start up (venture creation) to growth are:

- ▪ Be a good listener
- ▪ Align employees and business goals
- ▪ Create feedback loops
- ▪ Build peer to peer networks (Explanations during lectures)



FACTORS INFLUENCING THE GROWTH OF AN ENTERPRISE

The motive of every entrepreneur is to pursue expansion in his business. According to Anugwom (2007), business growth can be internal or external. The growth of enterprise from the start up is determined by internal and external factors some of the success factors that influence business start up to growth are:

- I. The idea: the strength of the entrepreneur's idea is one of the biggest factors that determine business success. Therefore, for the business growth, good ideas must be utilized.
- II. The leaders: leadership role is very important in growth of an enterprise. If the leader or entrepreneur has the vision to make the business forward, he will do it through encouragement of hand work from the employees. Negative leadership style could jeopardize the organization goals and the moral of the work force.
- III. The right team (human resources):
- IV. The capital (financial resources):
- V. The plan:
- VI. Execution:
- VII. The timing (Time management)
- VIII. The crisis response;
- IX. The marketing:
- X. The growth pattern: (Explanations during lectures)



THE FACTOR INFLUENCING THE DECLINE AND CLOSURE OF AN ENTERPRISE

Ojukwu (2000) maintained that faulty starting of business is one of the predictable causes of business failure. Muchoki enumerated the cause of decline and closure of an enterprise as follows:

- a) Lack of adequate technical knowhow,
- b) Lack of funds,
- c) Reliance on imported goods,
- d) Stringent government policies,
- e) Poor managerial training,
- f) High taxation,
- g) Lack of infrastructural facilities,
- h) Lack of raw materials
- i) Individual and group conflicts.



THANK YOU!



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COURSE INFORMATION

Course Code: ENT-ACE 202

Course Title: Business Growth

COURSE TITLE: BUSINESS GROWTH

FACILITATOR: DR. (MRS) E.U. ONWURAFOR



PRESENTATION OUTLINE

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- ✓ Learn fundamentals of business growth



DEFINITION OF BUSINESS GROWTH

Business growth is a phenomenon that occurs when business owners, employees and outside factors influence the success of a company.

A business grows when it expands a customer base, market share, increases revenue or produces more product

That is the expansion of the company in terms of growth in revenue, customer base, market share, or producing more goods.



DEFINITION OF BUSINESS GROWTH CONT'D

Business Growth is also a stage where the business reaches the point for expansion and seeks additional options to generate more profit

No universal formula exist for calculating business growth since each organization is a unique ecosystem.

However, an increase in revenue, customer base, or market share indicates business expansion



REASONS FOR BUSINESS GROWTH

- Prevent stagnation: Business growth is an A-list objective of each company because without expanding, a business stagnates. If you don't aim to grow, all your business spheres will suffer.
- To increase your income/generate more revenue.
- To fend off competitors, you should differentiate and provide a strong competitive advantage.
- For customer retention, loyalty and satisfaction: People help businesses grow both directly and indirectly. They can either buy more from you or provide you with valuable insights that will allow you to improve.



REASONS FOR BUSINESS GROWTH CONT'D

- To increase shareholder's value
- In addition, ongoing growth attracts job seekers.
- Business growth allows companies to
 1. blow up their income,
 2. expand their product line,
 3. partner with suppliers on the most favorable
 4. terms, reach new audiences,
 5. and create a team of professionals.



STAGES OF BUSINESS GROWTH

Companies face different challenges at each stage of their development. Having knowledge of each stage will help an entrepreneur understand how to cope with these difficulties.

- **Startup Stage** - the goal of each startup is to survive. task is to build brand, recognition and deliver their product value on a tight budget.
- The main challenges of each startup include ensuring that the product is competitive and can meet customers' needs and expectations.



STAGES OF BUSINESS GROWTH CONT'D

- **Growth Stage** - the startup has a business model and does its best to grow.
- Since scaling a business scares lots of entrepreneurs, they often never even risk taking any actions to grow, thus losing all the opportunities.
- However, it is vital to look for ways to increase the customer base.
- Challenge: the startup is limited in funds.



STAGES OF BUSINESS GROWTH CONT'D

- **Maturity Stage** - the business came to certain stability which no longer requires such output from the owner.
- All the processes have been set and worked well for sometimes/years.
- This stage makes the owners focus on geographical expansion, building worldwide recognition, and product diversification.
- Despite a more or less stable growth period, maturity requires more cash flows for implementing new strategies and promotions.



STAGES OF BUSINESS GROWTH CONT'D

- **Renewal/Decline Stage** - is a risky one, however, it may still seem stable to the owners.
- They have regular income and brand awareness and may stop looking for new ways to expand.
- However, if they don't invest in new ideas and technologies, their business can decay.



STRATEGIES FOR BUSINESS GROWTH

Growing a business is hard.

After reaching some point in business expansion, it can be a real challenge to find new ways of building your audience, increasing income, and producing more goods.

Several ideas that will help both startups and established businesses reach new prospects are shared in this section.



STRATEGIES FOR BUSINESS GROWTH CONT'D

An Entrepreneur seeking to grow his/her business must be knowledgeable about:

- ❖ Product they are currently producing and selling (existing products)
- ❖ About the customers they are currently selling the product to (the existing market)

NB - Combination of different type of this knowledge give rise to different growth strategies



STRATEGIES FOR BUSINESS GROWTH CONT'D

Strategies for Business Growth comes about in two ways.

- ❖ Managing current products
- ❖ Adding new products lines

To fill the gap between the future sales and projected sales, the entrepreneur has to develop or acquire new business through internal or external sources

STRATEGIES FOR BUSINESS GROWTH CONT'D

Internal Sources

- Intensive growth strategies
- Integrative growth strategies
- Diversification growth

External Sources

- Franchising
- Joint Venture
- Mergers
- Acquisition
- Leverage buyout

INTERNAL SOURCES FOR BUSINESS GROWTH

Intensive growth Strategies

- ✓ Market penetration
- ✓ Product development
- ✓ Market development

		PRODUCTS	
		Current	New
MARKET	Current	Penetrating existing markets with existing products 1	Add new products 2
	New	Add new markets 3	Add new products and new markets 4

Internal Expansion through Products and Markets

INTERNAL SOURCES FOR BUSINESS GROWTH CONT'D

Market Penetration

- Focuses on existing product in its existing market
- Strategies
 - Uses gift, discounts to draw away customers from competitors
 - Make an effort to convert customers
 - Does not entail something new
- Entrepreneur has the opportunity to gain more market share with its current product in the current markets



INTERNAL SOURCES FOR BUSINESS GROWTH CONT'D

PRODUCT DEVELOPMENT

- ❖ Based on developing and selling new products to people who are already purchasing the firm 's existing products. In this case many people may not have own your product
- ❖ The entrepreneur seek to increase sales by developing new products/improving products for its current customers



INTERNAL SOURCES FOR BUSINESS GROWTH CONT'D

Market Development

- New market for its current product
- New users and channel must be identified and develop
- Involves selling existing products to new group of users or customers

Categories of new group of customers

- New geographical market
- New demographic market
- New product uses

INTERNAL SOURCES FOR BUSINESS GROWTH CONT'D

New Geographical Market

- Refers to selling an existing product in new location
- lead to increase in sales by offering products to customers who have not been purchasing your products

Entrepreneur Must Consider:

- Entrepreneur must consider:
- regional differences in customer preferences,
- language,
- legal requirement
- that may necessitate slight change in product or packaging



INTERNAL SOURCES FOR BUSINESS GROWTH CONT'D

Advantages of Intensive Growth Strategy

1. Companies use own physical, financial and human resources and have control over the strategy.
2. Major changes are not required in the organization structure as companies deal in same or similar products
3. It leads to optimum utilization of resources
4. Firms enjoy economies of scale as they expand their area of operation



INTERNAL SOURCES FOR BUSINESS GROWTH CONT'D

Disdvantages of Intensive Growth Strategy

1. Growth cannot be achieved by firms that enjoy big share market already through internal resources. They can resort to external growth avenues.
2. It is slower than external growth strategies. The benefits of synergy by combining operations with other firms cannot be enjoyed by firms applying intensive growth strategies.
3. In the fast changing world of fashion and technology, consumers in the same or new markets may not want existing products even with minor modifications.
4. Firms confine their operations to current products and markets and cannot take advantage of environmental opportunities.



INTERNAL SOURCES FOR BUSINESS GROWTH CONT'D

Integrative growth strategies

- ✓ Involve identification of opportunities available through integration with other parts of marketing system
- ✓ Concern with what business area a coy can participate in order to maximize its long-run profit
- ✓ Can help a coy to establish complete advantage and competency at business level

Integrative growth strategies can be achieved through:

- i. Back ward integration
- ii. Forward integration
- iii. Horizontal integration



INTERNAL SOURCES FOR BUSINESS GROWTH CONT'D

Integrative growth strategies cont'd

Backward integration

- Involves a step back (up) in the value-added chain towards the raw materials

- Manufacturer also becomes a raw material wholesaler

- Firm becomes the supplier of his own raw material



INTERNAL SOURCES FOR BUSINESS GROWTH CONT'D

Integrative growth strategies cont'd

Forward integration

- Involved a step forward (down) on the value-added chain toward the customers

- The firm also becomes a finish good wholesaler

- The firm becomes its own buyer



INTERNAL SOURCES FOR BUSINESS GROWTH CONT'D

Integrative growth strategies cont'd

Horizontal integration

- It relates to diversification
- Occurs at the same level of the value added chain but involves a different but complementary value- added chain
- The product are complementary as they need each other to work
- The existing product and new product are bundled together
- It provide the opportunity to increase sales of existing product



INTERNAL SOURCES FOR BUSINESS GROWTH CONT'D

Diversification strategies

- Involve selling a new product to a new market
- Relates to entrepreneur/firm's knowledge
- Can involve product and market expansion in entering the new product market

3 types of diversification exist

- Concentric- firm add new but related product or services to its current product
- The new product have technology or market synergy (soap & cream by Unilever)



INTERNAL SOURCES FOR BUSINESS GROWTH CONT'D

Diversification strategies

- Horizontal - adding new unrelated products for the present customers (CEDR establishing amusement park for the university)
- Conglomerate - when a giant firm adds new but unrelated products or services
- Firms pursue conglomerate diversification based on expectation of profit by breaking up acquired firm and selling the division in piece meal



INTERNAL SOURCES FOR BUSINESS GROWTH CONT'D

Benefits of diversification

- Enhancement of skills and abilities of workers
- Reduction of business risks. Loss in one line of business can be compensated by profit in the other
- Profitability of the firm. A firm that ventures into different product lines can earn more profits
- Contribution to firms growth in size, turnover, capital, workforce, sales revenue and profits thus, facilitates growth and sustainability



INTERNAL SOURCES FOR BUSINESS GROWTH CONT'D

Benefits of diversification

- High competitiveness and reduction of the ill effects of monopoly as firms produce goods offered by other firms also
- Optimization of the use of resources and technology
- Stabilization of earnings of the firm when existing products reach declining stage of their life cycle



STRATEGIES BASED ON EXTERNAL SOURCES

- Franchising
- Joint venture
- Mergers
- Acquisition
- Leverage buyout



STRATEGIES BASED ON EXTERNAL SOURCES CONT'D

Franchising

Meaning - Is an arrangement whereby the manufacturer of a trademarked product or services gives exclusive rights of local distribution to a franchisee in return for their payment of royalties and conformance to standardized operating procedure



STRATEGIES BASED ON EXTERNAL SOURCES CONT'D

Types of franchising

1. Product franchising
2. Manufacturing franchising
3. Business format franchising



STRATEGIES BASED ON EXTERNAL SOURCES CONT'D

Advantages of franchising to franchisee

- Limited risk associated with creating new business
- Product acceptance
- Mgt expertise
- Meeting capital requirements
- Knowledge of the market
- Operating and structural control



STRATEGIES BASED ON EXTERNAL SOURCES CONT'D

Joint Venture

Is a separate entity that involves a partnership between 2 or more active participants. An entrepreneur must carefully appraise the situation and potential(s) of the participant

Factors that result in Joint Venture

- ✿ Accurate assessment of parties involved
- ✿ Degree of symmetry (both in objectives and resource capabilities)
- ✿ Agreement of the partners in terms of the objective matter



STRATEGIES BASED ON EXTERNAL SOURCES CONT'D

Mergers

- A merger is a transaction involving 2 or more coys in which one coy survives
- 2 coys combine to form a single coy
- Existing stakeholders of both coys involved retain a shared interest in the new coy
- Entire merger process is kept from the public and majority of the employees of the coy involved



STRATEGIES BASED ON EXTERNAL SOURCES CONT'D

Mergers cont'd

- 'merger of equals' occurs when 2 coys agrees to go forward as a single new coy
- The firms are about the same size
- Example - merger of Glaxo Welcome and Smithkline Beecham
- Both firm cease to exist but now exist as Glaxo-Smithkline
- Merging process is handled by investment bank through strategic issuance and sale of stock



STRATEGIES BASED ON EXTERNAL SOURCES CONT'D

Types of Mergers

1. Horizontal merger
2. Vertical merger
3. Market extension merger
4. Product extension merger
5. Conglomeration



STRATEGIES BASED ON EXTERNAL SOURCES CONT'D

Acquisition

- An acquisition means buying of a whole company or fraction of a business by another company. Acquisition in contrast to merger create an uneven balance of ownership in the new company
- It the purchase of entire coy or part of a coy by another coy one company purchases a bulk of a second company's stock.
- The purchased company is wholly engrossed in the acquired company
- Purchased coy ceased to exist separately.
- An acquisition can be private or public. If listed in public market- public; if not listed- it is private



STRATEGIES BASED ON EXTERNAL SOURCES CONT'D

Types of Acquisition

- Reversed takeover -a smaller firm purchase a larger one acquire the mgt control of a large coy or long establish coy
- Reverse merger- private coy get publicly listed though buying publicly listed coy within a short period

Leverage buyout

- An entrepreneur or an employee of a coy borrowed fund to purchase an existing venture for cash
- The current owner is usually an entrepreneur, other owners who want to retire or a large corporation desiring to divest itself of a subsidiary that is too small or that does not fit its long term strategic plans



STRATEGIES BASED ON EXTERNAL SOURCES CONT'D

Leverage buyout

- Would be entrepreneur believes he could run the company more efficiently
- Huge amount of capital is required
- Capital is acquired in form of long term financing
- The asset being acquired serve as collateral
- Bank provides the long-term financing



FUNDAMENTALS OF BUSINESS GROWTH

- For your business to grow successfully, **Hire talented marketing enthusiasts.** Your team is fundamental to the success of the company since, at the very beginning, a business owner performs several roles.
- **Work on customer retention.** Since acquiring new customers is expensive, especially for startups that are on a tight budget, consider retaining existing clients.
- **Build your sales funnel and pipeline.** The sales funnel allows you to realize the way a lead goes through before converting into a client.
- Understanding the customer's path allows an entrepreneur find out his/her most successful strategies, the techniques bringing the best results, top-performing marketing acquisition channels, and reasons why you lose clients.



FUNDAMENTALS OF BUSINESS GROWTH CONT'D

For your business to grow successfully,

- **The sales pipeline shows the status of the deal:** lead generation, prospecting, qualification, contact, proposal, negotiations, and retention which allows you to control the work of your sales reps and make informed decisions.
- **Analyze your competitors:** conducting competitive intelligence research will help the entrepreneur uncover industry trends, get insights into clients' expectations, predict competitors' actions, analyze their weaknesses and strengths, and increase your income to enable you save money and invest in successful strategies.
- **Make use of a customer relationship management system (CRM)** to enable the entrepreneur monitor all the customer interactions with his/her brand at each stage.



FUNDAMENTALS OF BUSINESS GROWTH CONT'D

- Store all the data about your customers in one place so you can access client cards anytime for easy contacting of the customers by your sales reps to make personalized offers and work collaboratively.
- **Build an online presence:** Online presence is vital for every brand nowadays since users spend hours on Facebook, Instagram, and Twitter daily. You can't miss this chance to build brand awareness and recognition for free.
- Demonstrate your product, share cases, and testimonials, collect customer feedback, ask their opinion, post content regularly, run ads, and maintain brand consistency.
- **Run online and offline events:** Webinars, conferences, and workshops help brands bring in new clients, communicate with the fans of their brand, share expertise and knowledge, collaborate with partners for more business opportunities, and boost brand awareness.
- Consider hosting regular events to grow your business effectively.



CONCLUSION

- Getting all the employees to personally engage in day-to-day organization's growth effort is the key to creating a vibrant and sustainable company. Education, training and employee development programs can contribute to human development and subsequently business growth.



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AFRICA CENTRE OF EXCELLENCE FOR SUSTAINABLE POWER AND ENERGY DEVELOPMENT (ACE-SPED)

UNIVERSITY OF NIGERIA, NSUKKA

COURSE INFORMATION

Course Code: ENT-ACE 203

Course Title: Sources of Funds

SOURCES OF FUNDS

BY

Dr. Ben Okpukpara/MRS. OGBUAKANNE M.U.

WHAT IS FUNDING?

- ❑ Funding is the process of generating finance for business activities such as making purchases or investing.

WHY DOES BUSINESSES NEED FUNDING?

- Business require funding due to various reasons and purposes.
- Funding is to business, what butter is to bread, this means funding the soul of every business.
- Funding is an indispensable part of every business, as it enables Entrepreneurs generate finance for working capital, purchase of machinery, expansion of business, research and development and employment of more expertise.

WHY DOES BUSINESSES NEED FUNDING?

- Both startups and existing businesses need funding in order to handle startup costs and running costs.
- Startups requires funding in order to handle startup costs such as, purchase of assets, raw materials, technology, research and development, hiring of staff /experts, marketing or advertising etc.
- On the other hand, an already established business requires funding for expansion, replacement of depreciated Assets, to improve efficiency, research and to fund new product development.

CLASSIFICATION OF SOURCES OF FUNDS FOR BUSINESSES

Sources of Funds For Business

Internal Sources

External Sources

INTERNAL SOURCES OF FUNDS

- This involves raising of funds from within the business.
- Internal Sources of funds are money a business can generate on its own without any external assistance. This is only applicable with already existing businesses.

TYPES OF INTERNAL SOURCES OF FUNDS

- Owner's investment/Capital
- Retained profits
- Sale of unwanted or spare assets
- Debt Collection

OWNERS CAPITAL/INVESTMENT

An Entrepreneur will often invest personal savings, redundancy or inheritance money into a startup. This can also be in the form of providing assets for the business, for example, an entrepreneur using his own car.

ADVANTAGES OF OWNER'S CAPITAL

1. It is interest free.
2. Readily available and maximizes the control the Entrepreneur has over his business.

DISADVANTAGES OF OWNER'S INVESTMENT/CAPITAL

1. The amount that is available may be limited resulting in the Entrepreneur having to use other sources of finance to fund the business.
2. Growth may be slow if it is dependent on only the owner's investment/ capital, as it may not be enough to finance the growth quickly.

RETAINED PROFIT

When a business has worked out its profits, the owners or shareholders can decide whether to take the profits for themselves or re-invest the profit back into the business.

ADVANTAGES OF RETAINED PROFITS

1. A cheap form of Finance, as no interest has to be paid.
2. It is flexible, as business owners have complete control over how all profit are reinvested and the proportion that is kept in the business rather than paying it out as dividends.
3. Retained profit does not dilute or reduce the ownership of the Organization thus, there is no risk of takeover.

DISADVANTAGES OF RETAINED PROFITS

1. A business faced with financial problem and needs some temporary finance cannot rely on this source of funding as the company is no longer making profit
2. Growth may be slow if it is dependent on retained profits, as profits may not be enough to finance the growth quickly.
3. Relying only on profit in a business may be detrimental to the shareholders whose dividend may be affected negatively.

SALE OF UNWANTED OR SPARE ASSET

- Selling spare or unwanted non-current assets such as, spare land, buildings, machinery or equipments that are no longer in use can result to extra finance being generated on a one off basis.
- Sale of a firm's unwanted/spare assets is the most profitable internal funding option for an already established business.

ADVANTAGES OF SALE OF UNWANTED OR SPARE ASSET

1. It allows the business owner retain control of their business as there is no risk of take over by a bigger firm which might have extended finance to them.
2. A cheap form of Finance, as no interest has to be paid on the fund generated.

DISADVANTAGES OF SALE OF UNWANTED OR SPARE ASSET

1. It is unlikely to be a long term solution for most business that needs to raise finance, as money will be raised on an one off basis.
2. It reduces the value of the business, as the business will no longer own these assets.
3. When selling the assets, it is unlikely that the business will gain the value that it originally paid for it, due to depreciation.
4. It is not an option in an emergency situation.

DEBT COLLECTION

- This is when business owners recover money from their debtors in order to generate funds. This is usually money owed for products or services supplied in the past.

ADVANTAGES DEBT COLLECTION

1. A cheap form of Finance, as no interest has to be paid.
2. It is interest free.

DISADVANTAGES DEBT COLLECTION

1. Sometimes the debt recovery procedure is cumbersome and expensive.
2. More often than not, the debt are never recovered by the business owner who is in need of funds.

EXTERNAL SOURCES OF INCOME

- It involves raising funds from outside the business. This allows business to raise larger amounts of funds.
- Examples of External sources of funds
 1. Bank overdraft
 2. Hire purchase
 3. Trade credit
 4. Loans- friends/family, banks

BANK OVERDRAFT

- It is a short-term source of finance that is available to cater for the day-to-day running of the business. It allows the business to withdraw funds from its account in excess of what is available in the account.

ADVANTAGES OF BANK OVERDRAFT

1. Offers flexibility.
2. It is an Important sources of finance for a business that has a short-term shortage of cash or unexpected cost to carter for.
3. Interest is only paid on the amount used.

DISADVANTAGES OF BANK OVERDRAFT

1. A bank may lower or even withdraw the overdraft facility at any time
2. The interest rates on Bank overdrafts are usually very high thus not entirely a good option for sourcing funds for startups.

LOAN FROM FRIENDS AND FAMILY

- Friends and family, who are supportive of the business idea, may be willing to provide money either directly to the entrepreneur or into the business.

ADVANTAGES OF LOAN FROM FRIENDS AND FAMILY

1. This is a quick and cheap way to access funds for business (certainly compared with a bank loan).
2. The interest and repayment terms may be more flexible than a bank loan.

DISADVANTAGES OF LOAN FROM FRIENDS AND FAMILY

1. Increased stress for the entrepreneur, particularly if the business gets into difficulties, as it can cause family/friends disagreements.
2. The amount available may be limited, resulting in this source of finance having to be combined with other sources of finance.

LOAN (BANK)

- A bank loan is an amount of money borrowed for a certain period with an agreed repayment schedule. The repayment amount will depend on the size and duration of the loan, as well as the rate of interest.

ADVANTAGES OF LOAN (BANK)

1. The money is granted for a certain period of time – usually three to ten years thus enabling the business time to repay comfortably.
2. No need to provide the bank with a share in the business, so no control is lost.
3. Interest rates may be fixed for the term, making it easier for an entrepreneur to forecast interest payments and cash flow
4. Repayments are made in installments, meaning the business can access substantial amounts of cash that does not need to be paid back at once.

LONG-TERM-CROWD FUNDING

- This is a way of raising money through a crowd funding platform, by publicizing a proposal seeking to attract a large number of world wide small investors.

ADVANTAGES OF CROWD FUNDING

1. Provides cheap investment when other sources of external finance may not be available.
2. If the business idea is appealing and promising, it might attract good publicity.
3. Social media can be easily used to keep investor informed of the progress of the business venture, which might then provide on going finance.
4. Investors may have experience or skills that they can offer the business.

DISADVANTAGES OF CROWD FUNDING

1. Investors will need to be offered a return, this might be free use of the goods or services produced or even shares, which dilutes the control of the original owners of the business.
2. Risk that there will be a limit to the amount of money investors are willing to invest.
3. The business idea may not be of interest and attract little finance, thus the time and money spent organizing the crowd funding campaign will be lost.

EXAMPLES OF CROWD FUNDING SITES

1. NDIEGOGO
2. JUSTGIVING
3. GOFUNDME
4. KICKSTARTER
5. CROWD FUNDERS

NEW SHARE ISSUE

- Small or new business that are setup as private limited companies can raise finance by selling shares in their company.
- Alternatively, large public limited companies can raise large amount of funds by issuing new shares for sale.

ADVANTAGES OF NEW SHARE ISSUE

1. Large sums of money can be raised.
2. Capital does not have to be repaid.
3. There is no interest-dividend payments can be missed if profit are low.

DISADVANTAGES OF NEW SHARE ISSUE

1. Possible loss of control if the original owners sell more than 50% of the total shares.
2. Need to satisfy share holders expectations of dividends and share price growth.
3. Sometimes it can stall the growth of the business as there may be conflict of interest among the shareholders.

MAJOR ELEMENT OF THE EXTERNAL ENVIRONMENT

The major elements of the external environment are discussed below:

The Economy

The entrepreneur should consider trends in the economy very seriously. The economy influences the activities of the entrepreneur in many ways. The major variables that define the trends in the economy are:

- Economic growth of the economy (GDP growth rate)
- Unemployment
- Income level
- Economic Policies
- Movements in price level
- The competition level, etc.

MAJOR ELEMENT OF THE EXTERNAL ENVIRONMENT

The Legal/Political Environment

- ✓ The laws of any nation are made to engender orderliness, peace, equity and fairness. The laws are supposed to be adhered to by all persons, even legal personalities in a nation. Most entrepreneurial outfits are legal persons and should obey the law of the land. In fact, the entrepreneur should be prepared for any future legislation that may affect the product or service, channel of distribution, price, or promotion strategy, the deregulation of prices, restrictions on media advertising (e.g ban on cigarette ads or requirements for advertising to children), and safety regulations affecting the product or packaging are examples of legal restrictions (Hisrich, and Peters, 2002). In Nigeria, the companies and Allied Matters Decree (CAMD) 1990 amended as Companies and Allied Matters Act of (CAMA) 1999) defines the legal landscape for the conduct of businesses.
- ✓ The political environment on the other hand reflects the totality of government's attitude to business organization. Government attitude to entrepreneurship and business led to the classification of the economy in any of the following ways:

MAJOR ELEMENT OF THE EXTERNAL ENVIRONMENT

- (i) Market Economy** - Here, government allows private businesses to thrive and the means of production lie in private hands. In a market economy most business enterprises are privately owned, government concentrates in providing enabling for businesses. This type of economy encourages entrepreneurship
- (ii) Command Economy** - The government under this setting controls and owns the means of production and hence there is little or no room for private business enterprises. The defunct Soviet Union is an example of a state that operated a system of command economy (even though it was not a perfect command economic system).
- (iii) Mixed Economy** - Government, in a mixed economy, allows government businesses and private businesses to exist side by side. In reality, most economies of the world are mixed economies where the mix of government and private business can be defined over a spectrum running from a strict capitalist setting on one end to a strict command setting on the other end.

The threats and opportunities emanate from type of government (democracy, military or any others) and philosophy being pursued by the government.

MAJOR ELEMENT OF THE EXTERNAL ENVIRONMENT

(iv) Socio-Cultural Environment - The socio-cultural environment relates to the dominant value system of the people. This is variously referred to as norms, values, attitude and etiquette of the people. Social values like diligence, integrity, and sincerity favour the establishment and growth of business enterprises. Also, demographic factors like population, and its attributes like age, sex, etc. impact on the way businesses are conducted.

(v) The Cultural Environment - Culture refers to the way of life of a people. Culture can be discerned in what the people wear, value, aspire, and even eat. According to His rich and Peters (2002), an evaluation of cultural changes may consider shifts in the population by demographics, shifts in attributes, trends in safety, health and nutrition, as well as concern for the environment.

MAJOR ELEMENT OF THE EXTERNAL ENVIRONMENT

(vi) Technological Environment - It is difficult to predict advances in technology. Entrepreneurs should consider how the technology fact would impact on mode and process of production, competition, and financing. In this twenty first century, the rate of technology change is so high that it makes organization, and the caliber of staff to be employed.

(vii) International community

The effects of globalization and liberalizations on the flow of goods and services show that business organizations must be proactive to development in the international environment. This is because certain happenings in the international scene affect local business organizations. For example the recent financial crisis affects the country in 2008 and 2009 started in the U.S as a crisis in the mortgage industry.

Review Question

1. What do you understand by the environment of entrepreneurship?
2. Does the entrepreneur always have control over his environment; discuss.
3. In what context would an entrepreneur be unable to influence his environment, mention and explain the strategies he could use in such instances?



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UNIVERSITY OF NIGERIA, NSUKKA

COURSE INFORMATION

Course Code: ENT-ACE 204

Course Title: Book Keeping

BOOK KEEPING BY

DR. (MRS.) E.U. ONWURAFOR

PRESENTATION OUTLINE

- 1.1 Course objectives
- 1.2 Definition of book keeping
- 1.3 Importance of book keeping
- 1.4 Qualities of a book keeper
- 1.5 Ethics, rules and principles
- 2.1 Principle Double Entry
- 2.2 Operation of double Entry
- 2.3 Source documents and Types
- 2.4 Book of Accounts
- 2.5 Trial Balance

WHAT IS BOOK KEEPING?

- Book keeping is an act of recording daily business transactions in a systematic manner, that the financial position of a business can be ascertain anytime
- The name derives from the fact that financial information used to be recorded using pen and ink in paper books – hence "bookkeeping"
- It is also a name used to describe the recording of cash and credit transaction(s)

WHAT IS BOOK KEEPING?

- These transaction are recorded in the book of account. The principal book of account is called ledger
- The person who makes such entries in an office is called a book keeper

IMPORTANCE OF BOOK KEEPING TO AN ENTREPRENEUR

- Helps to show the result of business activities for a given period to ascertain if the business is making profit or loss
- Helps in making vital business decision
- Helps prevent fraud by dishonest staff
- Helps in future planning of the business
- Helps to save losses
- Helps to know the amount of money owned by customers and the amount of money owned by business too

QUALITIES OF A BOOK KEEPER

- Must be organize - accurate reporting is ultimately rooted in good organization
- Trustworthiness is one of the most important qualities of a good bookkeeper ie honest and loyal
- Knowledgeable: A well-qualified bookkeeper will be knowledgeable in everyday bookkeeping practices
- Professional competence
- Detail Oriented.
- Client-Centered

ETHICS OF BOOK KEEPING

- Book keeping ethics are moral, rules and principles or behavior for deciding what is right and wrong that apply to the profession.
- They are the code of conducts that guide and drive the book keepers at work
- The ethics are: Transparency, Accountability, Probity, Objectively & confidently

PRINCIPLE OF DOUBLE ENTRY

- The basic principle of double-entry according to Henriksen was first published by Revd. Father Luca Pacioli- a well known mathematician.
- The first system of book keeping records each transaction in two accounts. One account receives value while the other gives equivalent value. The values are in form of money, goods or services
- Double-entry system is a set of rules for recording financial information in a financial accounting system in which every transaction or event charges at least two different nominal ledger.
- These books were called journals and ledgers (hence nominal ledger, etc.) – and that each transaction must be entered twice (hence "double-entry"), with one side of the transaction being called a debit and the other a credit.

PRINCIPLE OF DOUBLE ENTRY

- There are two different approaches to the double entry system of bookkeeping
- They are Traditional Approach and Accounting Equation Approach.
- Irrespective of the approach used, the effect on the books of accounts remains the same, with two aspects (debit and credit) in each of the transactions

The traditional approach is also called personal account

1. Personal account - relates to account of person who may be debtor or creditor to the business organization

Mrs Obi's account, Chioma's account

Rule for recording an entry for personal account are:

Debit- the receiver of value

Credit- the giver of value

PRINCIPLE OF DOUBLE ENTRY

Accounting equation approach- is also called the American approach. Under this approach transactions are recorded based on the accounting equation, i.e., $\text{Assets} = \text{Liabilities} + \text{Capital}$.

For the purpose of the accounting equation approach, all the accounts are classified into the following five types: assets, liabilities, income/revenues, expenses, or capital gains/losses

Accordingly, the following debit and credit rules in respect to the various categories of accounts can be obtained. The rules may be summarised as below:

1. Assets Accounts: debit increases assets and credit decreases assets¹¹

PRINCIPLE OF DOUBLE ENTRY

2. Capital Account: credit increases capital and debit decreases capital
3. Liabilities Accounts: credit increases liabilities and debit decreases liabilities
4. Revenues or Incomes Accounts: credit increases incomes and gains and debit decreases incomes and gains
5. Expenses or Losses Accounts: debit increases expenses and losses and credit decreases expenses and losses

These five rules help learning about accounting entries and also are comparable with traditional (Britain) accounting rules.

The rule of this approach are summarized in the next slide

PRINCIPLE OF DOUBLE ENTRY

ii) Impersonal account- relates to real and nominal accounts

Real accounts- account that relates to property e.g plant and machinery, land and building, stock in trade, cash in the hand and cash at bank

-accounts of tangible asset which can be seen or touch

▪ For this type of account, the rule of entry is:

Debit:- incoming asset

Credit- outgoing asset

iii) Nominal Accounts- accounts that relates to gains and losses, expenses and incomes.

E.g, wages and salaries, discounts, rents, rates, sales, purchase etc, they exist in names only and cannot be touched or seen as they have no physical form

Rules for making an entry;

Debit- losses and Expenses

Credit- Gains and Income

PRINCIPLE OF DOUBLE ENTRY

The above rule applied when making entry into different accounting books, hence constitute 'The Rule of Double Entry'

The Rule states;

FOR EVERY CREDIT ENTRY, THERE MUST BE DEBIT ENTRY OF THE SAME VALUE

It follows that the sum of debits and the sum of the credits must be equal in value.

Double-entry bookkeeping is not a guarantee that no errors have been made – for example, the wrong ledger Account entries may have been debited or credited, or the entries completely reversed

Accounting entries that debit and credit related accounts typically include the same date and identifying code in both accounts, so that in case of error, each debit and credit can be traced back to a journal and transaction source document, thus preserving an audit trail

OPERATION OF DOUBLE ENTRY

- A typical account format is divided into two halves
- Left hand side- Debit
- Right hand side- credit
- Title of the account is written across the top of the account at the centre
- Date written along the entry

Illustration of account formats are shown below:

OPERATION OF DOUBLE ENTRY

Account Format 1

Amaka Account

DR

CR

Date	Details	Folio	Amount	Date	Details	Folio	Amount

Note: In the First Column format, the debit and credit are shown on different sides of the account

Account Format 11

Amaka Account

Date	Details	Ref	DR	CR	BAL

In the second format, both the debit and credit entries are shown on the same side

OPERATION OF DOUBLE ENTRY

- Double Entry illustrations
- Illustration 1: On 1st January, 2022, the Director of Lion Water PLC started business with N1, 000,000 cash
- In this transaction, two accounts are involved, namely Cash account and capital account
- The entries for each account are as below:
- Capital account gives value (credit) while cash account received value (debit)

CAPITAL ACCOUNT

Date	Details	Folio	Amount N' 000	Date	Details	Folio	Amount N' 000
				1-01-2022	Cash		1,000

OPERATION OF DOUBLE ENTRY

- Double Entry illustrations
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CAPITAL ACCOUNT

Date	Details	Folio	Amount N' 000	Date	Details	Folio	Amount N' 000
				1-01-2022	Cash		1,000

OPERATION OF DOUBLE ENTRY

DR				CASH ACCOUNT				CR			
Date	Details	Folio	Amount N' 000	Date	Details	Folio	Amount N' 000				
1-01-2022	Capital		1,000								

The double entry in the capital account is completed by the word 'cash', meaning that the capital account gives value in the form of cash; likewise the double entry in the cash account is completed by the word 'capital' meaning that the cash account received in the form of 'capital'

OPERATION OF DOUBLE ENTRY

Illustration 2: On Jan. 10, 2022, the Director of Lion water PLC bought Company distribution bus (vehicle) @ N500, 000 cash

Again 2 accounts are involved

(a) Cash leaves the company, (hence cash is credited)

(b) Bus (vehicle) enters the company, (vehicle account is debited)

Cash Account

Date	Details	Folio	Amount N'000	Date	Details	Folio	Amount N'000
1/01/2022	Capital		1,000	10/01/2022	Vehicle		500

OPERATION OF DOUBLE ENTRY

Cash Account

Date	Details	Folio	Amount N'000	Date	Details	Folio	Amount N'000
1/01/2022	Capital		1,000	10/01/2022	Vehicle		500

Illustration 3: The company purchased goods for resale worth ₦600,000 from Mr. Eze on credit on 15th, Jan., 2022

- a. Purchases account is debited because good came into the company through purchases
- b. Mr Eze's account is credited because he parted with the goods

For the purpose of account settlement in future, there is need to keep track of the supply by name

OPERATION OF DOUBLE ENTRY

Cash Account

Date	Details	Folio	Amount N'000	Date	Details	Folio	Amount N'000
1/01/2022	Capital		1,000	10/01/2022	Vehicle		500

Illustration 3: The company purchased goods for resale worth ₦600,000 from Mr. Eze on credit on 15th, Jan., 2022

- a. Purchases account is debited because good came into the company through purchases
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For the purpose of account settlement in future, there is need to keep track of the supply by name

OPERATION OF DOUBLE ENTRY

DR		PURCHASES ACCOUNT				CR	
Date	Details	Folio	Amount N'000	Date	Details	Folio	Amount N'000
15/01/2022	Mr. Eze		600				

DR		PURCHASES ACCOUNT				CR	
Date	Details	Folio	Amount N'000	Date	Details	Folio	Amount N'000
15/01/2022	Mr. Eze		600				

The debit entry made in purchases account is to show the movement of stock in the form of purchases while the credit entry made in Mr. Eze's Account is to show an increase in liability of the firm

OPERATION OF DOUBLE ENTRY

Illustration 4: On Jan 17th, 2022, cash of N100,000, was paid for goods bought for resale

- a. The asset stock is increased, hence a debit entry is required in the purchases account as the change in the level of stock arises from purchases
- b. The asset cash decreased because of the payment for stock purchased

CASH ACCOUNT

Date	Details	Folio	Amount N'000	Date	Details	Folio	Amount N'000
1/01/2022	Capital		1,000	10/1/2022	Vehicle		500
				17/1/2022	Purchases		100

OPERATION OF DOUBLE ENTRY

PURCHASES ACCOUNT

Date	Details	Folio	Amount N'000	Date	Details	Folio	Amount N'000
10/01/2022	Mr. Eze		600				
17/1/2022	Cash		100				

- Illustration 5: Goods worth 300,000.00 were sold to Mrs. Obi on credit on 19th Jan, 2022
 - a. Stock is decreased, a credit entry is required to show reduction in the stock arising from sales, hence sale's account is to be credited
 - b. The asset account which indicated that Mrs. Obi become a debtor is increased. The increase requires a debit entry be made in Mrs obi's account

OPERATION OF DOUBLE ENTRY

Dr				SALES ACCOUNT				CR			
Date	Details	Folio	Amount N'000	Date	Details	Folio	Amount N'000				
10/01/2022	Mr. Eze		600	19/1/2022	Mrs Obi		300				
17/1/2022	Cash		100								

Dr				MRS OBI'S ACCOUNT				CR			
Date	Details	Folio	Amount N'000	Date	Details	Folio	Amount N'000				
19/01/2022	Sales		300								

OPERATION OF DOUBLE ENTRY

- Illustration 6: Goods worth N70,000 cash were sold on the 21st Jan.2022
 - a. The cash is increased, requiring a debit in the cash account
 - b. The stock is reduced, the movement of stock s represented by sales, the entry needed is a credit entry in the sales account

Dr		SALES ACCOUNT				CR	
Date	Details	Folio	Amount N'000	Date	Details	Folio	Amount N'000
10/01/2022	Mr. Eze		600	19/1/2022	Mrs Obi		300
17/1/2022	Cash		100	21/1/2022	Cash		70

OPERATION OF DOUBLE ENTRY

Dr				CASH ACCOUNT				CR			
Date	Details	Folio	Amount N'000	Date	Details	Folio	Amount N'000				
10/01/2022	Capital		1,000	10/1/2022	Vehicle		500				
21/1/2022	Sales		70	17/1/2022	purchases		100				

- Illustration 7: Supposing Mrs Obi returned part of good sold to her on 22nd Jan, 2022 and the returned good worth ₦40,000
 - a. Stock increased by the return good. The movement of stock is that of 'return Inwards', Debit entry is required in the 'Return Inward account' to reflect the increase in stock
 - a. The debt of Mrs Obi to the firm is reduced because of the returned goods, hence a credit record is created in Mrs Obi's account

OPERATION OF DOUBLE ENTRY

Dr				Return Inwards Account				CR			
Date	Details	Folio	Amount N'000	Date	Details	Folio	Amount N'000	Date	Details	Folio	Amount N'000
22/01/2022	Mrs Obi		40								

Dr				MRS OBI'S ACCOUNT				CR			
Date	Details	Folio	Amount N'000	Date	Details	Folio	Amount N'000	Date	Details	Folio	Amount N'000
19/01/2022	Sales		300	22/1/2022	Return Inward		40				

OPERATION OF DOUBLE ENTRY

- Illustration 8: Part of the goods (worth N50,000) previously bought by Lion Water PLC from Mr. Eze was returned to him on Jan 23, 2022
 - a. The good sent out decreased the asset stock. The movement of the stock is that of 'Returns Outwards', 'Return Outward account should be credited'
 - b. The liability of the firm to Mr. Eze is decreased by the value of goods returned to him, the decrease requires a debit entry in Mr. Eze's account

Dr

RETURN OUTWARD ACCOUNT

CR

Date	Details	Folio	Amount N'000	Date	Details	Folio	Amount N'000
				23/1/2022	Mr. Eze		50

OPERATION OF DOUBLE ENTRY

Dr				MR. EZE'S ACCOUNT				CR			
Date	Details	Folio	Amount N'000	Date	Details	Folio	Amount N'000				
23/01/2022	Returns Outward		50	15/01/2022	Purchases		600				

- Illustration 9: On Jan 25, 2022, motor vehicle was bought on credit from Kudos Motor Company for ₦200,000 for use in the balance

- a. Vehicle account should be debited
- b. Credit Kudos Motor PLC Account

OPERATION OF DOUBLE ENTRY

Dr				Vehicle Account				CR			
Date	Details	Folio	Amount N'000	Date	Details	Folio	Amount N'000				
10/01/2022	Cash		500								
25/1/2022	Kudos Motors PLC		200								

Dr				KUDOS MOTOR PLC 'S ACCOUNT				CR			
Date	Details	Folio	Amount N'000	Date	Details	Folio	Amount N'000				
				25/1/2022	Motor Vehicle		200				

From the record Kudos Motor handed over the vehicle worth N200,000 to Lion Water PLC without paying for it immediately

OPERATION DOUBLE ENTRY

Illustration 10, On 30th Jan., 2022, Lion Water PLC paid Rent of ₦5,000 for the month in cash, Wages and Salaries of ₦10,000 in cash, Telephone expenses for the month of ₦3,000 in cash

Entries

a. Debit Rent account

Credit cash account

b. Debit Wages and salaries Account

Credit cash Account

c. Debit Telephone Account

Credit cash Account

OPERATION OF DOUBLE ENTRY

Dr				RENT ACCOUNT				CR			
Date	Details	Folio	Amount N'000	Date	Details	Folio	Amount N'000				
30/1/2022	Cash		5								

Dr				WAGES AND SALARIES ACCOUNT				CR			
Date	Details	Folio	Amount N'000	Date	Details	Folio	Amount N'000				
30/1/2022	Cash		10								

OPERATION OF DOUBLE ENTRY

Dr				RENT ACCOUNT				CR			
Date	Details	Folio	Amount N'000	Date	Details	Folio	Amount N'000				
30/1/2022	Cash		5								

Dr				WAGES AND SALARIES ACCOUNT				CR			
Date	Details	Folio	Amount N'000	Date	Details	Folio	Amount N'000				
30/1/2022	Cash		10								

Dr				TELEPHONE ACCOUNT				CR			
Date	Details	Folio	Amount N'000	Date	Details	Folio	Amount N'000				
30/1/2022	Cash		3								

OPERATION OF DOUBLE ENTRY

Dr

CASH ACCOUNT

CR

Date	Details	Folio	Amount N'000	Date	Details	Folio	Amount N'000
10/01/2022	Capital		1,000	10/1/2022	Vehicle		500
21/1/2022	Sales		70	17/1/2022	purchases		100
				30/1/2022	Rent		5
					Wage/Salari es		10
					Telephone		3

BALANCING ACCOUNT

Note: Each account should be balanced @ the end of each period to determine the differences between the debit and credit sides

- This is because both sides of the account are unlikely to be equal
- The balance in each account is the difference between the 2 sides
- The process of balancing brings the account side with lower value to the same total with the side with a higher value
- If we balance the Lion Water PLC cash Account, the position @ the end of the month would be thus:

DR		CASH ACCOUNT		CR			
Date	Details	Folio	Amount N'000	Date	Details	Folio	Amount N'000
10/01/2022	Capital		1,000	10/1/2022	Vehicle		500
21/1/2022	Sales		70	17/1/2022	purchases		100
				30/1/2022	Rent		5
					Wage/Salari es		10
				31/1/2022	Telephone		3
					Bal. c/d		452
			1070				1070

FEATURES OF DOUBLE ENTRY BOOK KEEPING

1. The system records each transaction from a dual view point ie a debit and a credit transaction
2. Ensures completeness in the recording of financial data
3. The recording process begins with the writing up of book of original entry and then the principal book
4. The accuracy of all entries made in the ledger can be proved by extraction of a Trial Balance
5. It provides for the preparation of terminal financial statement usually, profit and loss account and balance sheet
6. Observing the rule of double entry ensures that balance sheet would always balance

BOOKS OF ACCOUNT

- Subsidiary book may be defined as a book of prime entry in which transactions of a particular category are recorded.
- A number of subsidiary books are opened to record all business transactions. In practical system of book-keeping, subsidiary books are:

BOOKS OF ACCOUNT

Cash Book- serve as both a ledger and a day book

Transactions held in cash or by cheque are recorded in this book.

As a day book- used for day-to recording of all cash receipts and disbursements

There are two sides in a cash book. In the left hand side all cash receipts and cheques receipt are recorded and in the right hand side all cash and cheque payments are recorded.

Cash Book is of five types:

single column cash book, double column cash book, triple column cash book, bank cash book and petty cash book. In the single column cash book only receipt of cash and payment of cash are recorded.

BOOKS OF ACCOUNT

In the double column cash book, receipt of cash, receipt of cash discount, payment of cash and cash discount allowed are recorded.

In the triple column cash book along with the transactions which are recorded in double column cash book, cheque received and cheque paid are recorded.

In the bank cash book the receipt of cheque, payment of cheque, cash discount allowed and cash discount

CASH BOOKS

- Illustration of one column Cash book

DR RECEIPTS

CASH BOOK

PAYMENTS CR

Date	Particulars	L/F	Amount	Date	Particulars	L/F	Amount
			₦				₦

Example 1: In Jan, 2022, Mr. Emma started business with a capital of ₦20,000 cash, other transactions by Mr. Emma in the month of Jan, 2022 are: On Jan 2- bought goods for cash- ₦8,000; On Jan 4- furniture for cash ₦9,760, On Jan 5- sold good for cash- ₦7,000, On Jan 7- Cash purchases- ₦7,560, On Jan 8- paid postage- ₦600, On Jan 10- paid stationary- ₦800, On Jan 20- Cash sale to date- ₦4,000, On Jan 26- paid expenses- ₦3,200, On Jan 27- paid wages ₦4,680, On Jan 28- paid rent- ₦3,000, On Jan 30- cash sales till date- ₦8,760
Write up Mr. Emma's Cash book for the month of Jan., 2022

CASH BOOKS

Illustration of one column Cash book

Mr. Eze's Cash book

RECEIPTS

CASH BOOK

PAYMENTS

Date	Particulars	L/F	Amount	Date	Particulars	L/F	Amount
Jan 1	Capital		₦ 20,000	Jan 2	Purchases		N 8,000
5	Sales		7,000	4	Furniture		9,760
20	Sales		4,000	7	Purchases		7,560
30	Sales		8,760	8	Postages		600
				10	Stationary		800
				26	Expenses		3,200
				27	Wages		4,680
				28	Rent		3,000
					Bal. c/d		2,160
			39,760				39,760
Feb.1	Bal b/d		2,160				

CASH BOOKS

Two column Cash book

In small business, part of cash taking is used to pay for purchases/expenses while balance is banked

For large business organization,

1. all cash received should be paid into bank account
2. All payment except the petty cash expenses should be made by cheque drawn on the bank account to minimize the risk of misappropriation of cash

The cash book of large business organization has two columns in both sides of account for recording cash and cheque (bank), respectively

Cash column for cash transaction recording

Bank column for recording transaction involving the bank

Lodgments → receipts side of the bank column

Payments by Cheque → payments side of the bank column

CASH BOOKS

Two column Cash book

Mr. Eze is a petty trader, and has requested you to enter the transactions below in a double column cash book for the month of February, 2022

Feb. 1	Bal. in hand	₦25,000
	Bank Balance	₦12,000
3	Cash sales	₦12,500
4	Deposit cash into bank	₦15,500
5	Rent paid by cheque	₦3,500
15	Paid Joy by cheque	₦19,000
20	Wages paid by cash	₦2,000
	Bank charges	₦6,000
21	Purchase good for cash	₦2,000
22	Paid cash into bank	₦25,000
23	Cash sales	₦16,000
24	Withdrawal cash from bank	₦4,000
27	Paid for office expenses by cash	₦3,000

Note: Entering involving the payment of cash or withdrawal of cash into/from the bank constitute a 'contra entry' and is denoted by letter 'C' in 'Folio column'

A 'contra entry' is the transfer of item from one side of an account to the other side of the same account

CASH BOOKS

Illustration of two column Cash book

RECEIPTS

Mr. Eze's CASH BOOK

Payments

Date	Particulars	L/F	Cash	Bank	Date	Particulars	L/F	Cash	Bank
Feb			₦	N	Feb.			₦	₦
1	Bal. b/d		25,000	12,000	4	Bank	C	15,500	
3	Sales		12,500		5	Rent			3,500
4	Cash	C		15,500	16	Joy			19,000
22	Cash	C		25,000	20	wages		2,000	
23	Sales		16,000		20	Bank charges			6,000
24	Bank	C	4,000		21	Purchases	C	2,000	
					22	Bank	C	25,000	
					24	cash			4,000
					27	Expenses		3,000	
					28	Bal. c/d		10,000	20,000
			57,500	52,500				57,000	52,500
Mar,1	Bal b/d		10,000	20,000					

CASH BOOKS

Three column Cash book:

- A three column cash book or treble column cash book is one in which there are three columns on each side - debit and credit side.
- One is used to record cash transactions, the second is used to record bank transactions and third is used to record discount received and paid.
- Main advantage of a three column cash book is that it is very helpful to businessmen, since it reveals the cash and bank deposits at a glance

CASH BOOKS

Example of Three Column Cash Book of Mr. Eze's 3 column Cash book illustrated

Jan	Bal. in hand in hand in Jan. 1,2022	N1,550
1	Bank Balance @ bankfor	₦13,575
1	Purchase of computers	₦750
1	cash sales	₦315
4	Deposit cash	₦500
4	Received from Akin by cheque in part payment of his account	₦2,550
6	Purchase good by cheque	₦1,005
8	Deposit cheque received from Akin	
10	Received from cheque from Uche for full settlement of his account	₦775
	Discount allowed for Uche	₦15
12	Sold goods to Mr Obi who paid by cheque through bank deposit	₦1,500
16	Paid Odo by cheque	₦915
	Discount received from Odo	₦15
27	Paid Chy	₦650
30	Paid Salaries by bank	₦1,750
31	Deposit into bank the cheque of Uche	
31	Drew from bank for office use	₦250

CASH BOOKS

Illustration of three column cash book

Date	Particulars	L/ F	Disco unt	Cash	Bank	Date	Particulars	L/F	Dis count	Cash	Bank
Jan 1	Bal. b/d			N'000 1,550	N'000 13,575	Jan. 1	Off.Com		N'000	N'000 750	N'000
1 3	To Sales			315		3	Bank	C		500	
4 8	Cash a/c	C			500	6	purchase				1,005
10	Akin a/c			2,550		8	Bank	C		2,550	
12	Cash	C			2,550	16	Mr.Obi		5		915
31	Uche		15	775		27	Odo				650
31	Sales				1,500	30	salaries				1,750
	Cash	C			775	31	bank	C		775	
	Bank	C		250		31	cash	C			250
Feb 1							Bal. c/d			1,865	14,330
			15	6,440	18,900				5	6,440	18,900
	Bal b/d			1,865	14,330						

CASH BOOKS

Petty Cash Book: In almost all businesses, it is found necessary to keep small sums of ready money with the cashier or petty cashier for the purpose of meeting small expenses such as postage, telegrams, stationary and office sundries etc.

- The sum of money so kept in hand generally termed as petty cash and book in which the petty cash expenditures are recorded is termed as petty cash book
- Expenses of a petty cash nature are recorded on the credit side
- Illustration of Petty Cash book are shown in the next slide

CASH BOOKS

Enter the following in the petty Cash Book using separate column for 1. postage and telegrams, 2. carriage, 3. stationary. Balance the book as at 10th Jan, 2022.

Jan.4 Balance at hand	N1,500
4 Paid for postage	N 550
5 Paid for stationary	300
5 Paid for carriage	50
6. Paid for postage stamps	150
7. Paid for telegrams	50
8. Paid for carriage	50
8. paid for stationary	150

CASH BOOKS

RECEIPTS

PETTY CASH BOOK

PAYMENTS

RECEIPTS ₦	Date	Particulars	Total payment	L/F	Postage & Telegram	Carriage	Stationary
1,500	Jan4	Bal. b/d	₦		₦	₦	₦
	4						
	5	Postage stamp	550		550		
	5	stationary	300				300
	6	Carriage	50			50	
	7	Postage stamp	150		150		
	8	Telegrams	50		50		
	8	stationary	150				150
	8	carriage	50			50	
	10	Total	1,300		750	100	450
1,300		cheque					
		Bal. c/d	1,500				
2,800	11	Bal. b/d	2,800				
1,500							

CASH BOOKS

Purchases book or purchases day book:

- is a book of original entry maintained to record credit purchases. The
- You must note that cash purchases will not be entered in purchases day book because entries in respect of cash purchases must have been entered in the cash book and the entry amount is from invoice
- It is not ruled like the ordinary journal. The first column in this book is for date. In the second column, the name of the supplier or the seller, quantity of each article bought, description of the article, rate etc., are recorded.
- Sometimes a separate column to record the details of the transactions is added in the purchases day book.
- The third column is for invoice number Posting
- The fourth column is for ledger folio. The last column gives the total amount to the supplier.
- At the end of each month, the purchases book is totaled. The total shows the total amount of goods purchased on credit. Purchases book is written up daily from the invoices received. The invoices are consecutively numbered. The invoice of each number is noted in the purchases book.
- The purchases day book is illustrated below

CASH BOOKS

Illustration of Purchases Day book

Example: From the following transactions of a Mr Eze's credit purchases in the month of January , 2022, prepare the purchases day book and post it into ledger:-

5 Purchased 10 Toyota cars from Lion & Co. at each 1,000, 000

15 Purchased 5 bicycles from Joe Associate at 6,000 each

25 Purchased 5 racer bicycle from To & Co. at 3,000 each

30 Purchased 10 Tyres from Chy & Co. at 3,000 each

CASH BOOKS

Illustration of Purchases Day book

MR. EZE'S PURCHASES DAY BOOK

Date	Particulars	L/F	Unit Price	Total
Jan 5	Lion & Co -10 Toyota cars at ₦1,000, 000 each Joe Associate- 5 bicycles at 6,000 each	20	1,000,000	10,000,000
Jan15	To & Co Ltd, 5 racer bicycle from at 3,000 each	15	6,000	30,000
Jan25	Chy & Co. Plc,10 Tyres at 3,000 each	17	3,000	15,000
Jan30		21	3,000	30,000

Total credit purchases for the period

= ₦10,075,000

SALES DAY BOOKS

A sales book (also known as sales day book) is a book of original entry for detailed recording of credit sales made by a businessman.

- Total of sales book shows the total credit sales of goods during the period concerned.
- Usually the sales book Posting: is totaled every month. The sales day book is written up daily from the copies of invoices sent out.
- The total of the sales book is credited to sales account. Customers whose names appear in the sales book are debited with the amount appearing against their names.

SALES DAY BOOKS

EXAMPLE: From the following transactions of a Mr Eze, prepare the sales day book, for the month of May,2022

January 5 -Sold goods to ideal college for ₦20,000

10 - Sold 10 cartons of three crown milk to Chy & Co. ₦5,000 each

20 Sold 5 cartons of omo to Ngozi & Sons at ₦4,000

31 Sold 5 cartons three crown milk to Kachi at ₦5,000

CASH BOOKS

Illustration of Sales Day book

MR. EZE'S SALES DAY BOOK

Date	Particulars	L/F	Unit Price ₦	Total ₦
May5	Sold goods to ideal college for ₦20,000			20,000
	Sold 10 cartons of three crown milk to Chy & Co.	5		50,000
May10	₦5,000 each	7	5,000	
May20	Sold 5 cartons of omo to Ngozi & Sons at ₦4,000 each	8	4,000	20,000
May31	Sold 5 cartons three crown milk to Kachi at ₦5,000 per carton	9	5,000	25,000

Total credit Sales for the period

= ₦115,000

DEBIT NOTE

Debit Note:

- Are debited (because they receive the goods)
- Used when goods are returned to the suppliers
- An intimation is sent to them through what is known as a debit note.
- These debit notes serve as vouchers for these entries.
- A debit note is a statement sent by a businessman to another person, showing the amount debited to the account of the later.
- Debit notes are usually serially numbered and are prepared in the same form as that of the invoice

SALES RETURN BOOK

Sales returns book is also called returns inwards book.

- It is used for recording goods returned to us by our customers. The ruling of this book is exactly as for sales day book.
- The total of the returns inwards book or sales returns book is debited to returns inwards account or sales returns account.
- The customers who have returned the goods are credited with the amount shown against their names.

CREDIT NOTE

Credit Note: Customers who return goods should be sent a credit note.

- It is a statement sent by a business to another person showing the amount credited to the account of the later.
- Credit notes are serially numbered and are similar in form to the invoices. These are usually printed in red ink.
- Credit notes issued to customers are vouchers Form of Credit Note: for the entries appearing in the sales returns book.

A TRIAL BALANCE

- Having posted all the transactions into the ledger, it is necessary to check the correctness of the work done before proceeding further.
- In order to test the arithmetical accuracy of our ledger we should prepare a statement called A trial balance
- A trial balance is a statement prepared by taking out the debit and credit balances of all accounts appearing in the ledger

A TRIAL BALANCE

➤ The following are the main objectives of preparing a trial balance.

1. Trial balance helps in knowing the arithmetical accuracy of the accounting entries
2. Trial balance forms the basis for preparing financial statements such as income statement / Trading and profit and loss account and balance sheet.

Trial balance represents a summary of all ledger balances and, therefore, if the two sides of the trial balance tally, it is an indication of this fact that the books of accounts are arithmetically accurate.

A TRIAL BALANCE

- The entire ledger is summarised in the form of a trial balance. Thus the position of a particular account can be judged simply by looking at the trial balance
- How to Prepare a Trial Balance - An Example: totals of the trial balance are equal and also correspond with the total of journal, we may be satisfied that the posting have been properly made and are arithmetically accurate.
- The trial balance is usually prepared on a loose sheet of paper.
- The ruling of trial balance is similar to that of a journal. We may prepare a trial balance in one of the following forms:

A TRIAL BALANCE

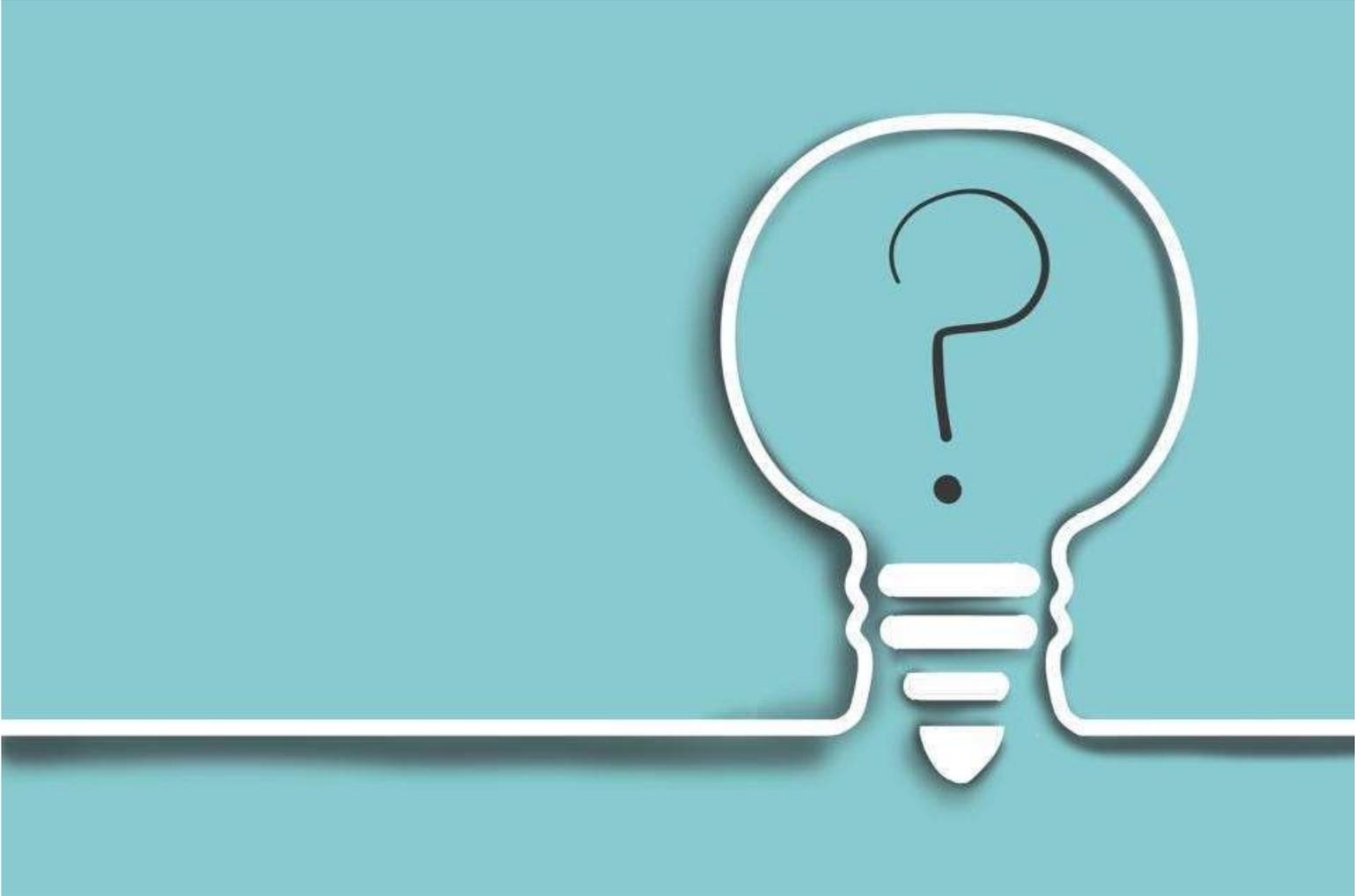
1. Total Trial Balance Method
2. Balance Trial Balance Method

Total Trial Balance Method: According to total trial balance method, two sides of each ledger account i.e., debit and credit side are added up and debit and credit totals so obtained are placed in the debit and credit columns of the trial balance, respectively.

Thus we may draw the following trial balance by taking out the debit side total and credit side total of each account in the ledger

➤ Rules of Balancing Accounts:

1. Add up both sides of the account
2. Find out the difference in a separate slip.
3. Put the difference on the lighter side.
4. Add up both sides again.
5. Rule off.





AFRICA CENTRE OF EXCELLENCE FOR SUSTAINABLE POWER AND ENERGY DEVELOPMENT (ACE-SPED)

UNIVERSITY OF NIGERIA, NSUKKA

COURSE INFORMATION

Course Code: ENT-ACE 205
Course Title: Leadership



LEADERSHIP

Dr. Chinyere Theresa Nwaoga & Mrs. Lovelyn Obayi

Introduction

- In today's business world, leadership has a major role to play in entrepreneurial development. As an entrepreneur who knows your leadership abilities and skills, it is necessary that you make necessary efforts to improve your leadership skills and to change your styles as your business grows and/or develops.
- Running a developing company needs an effective leader with some basic leadership skills.

The learning Objectives

01

How leadership can be defined

03

The distinction between leadership and management

02

The characteristics of successful and effective leadership

04

Various leadership theories

05

Different styles of leadership

06

Standard roles of leadership, etc

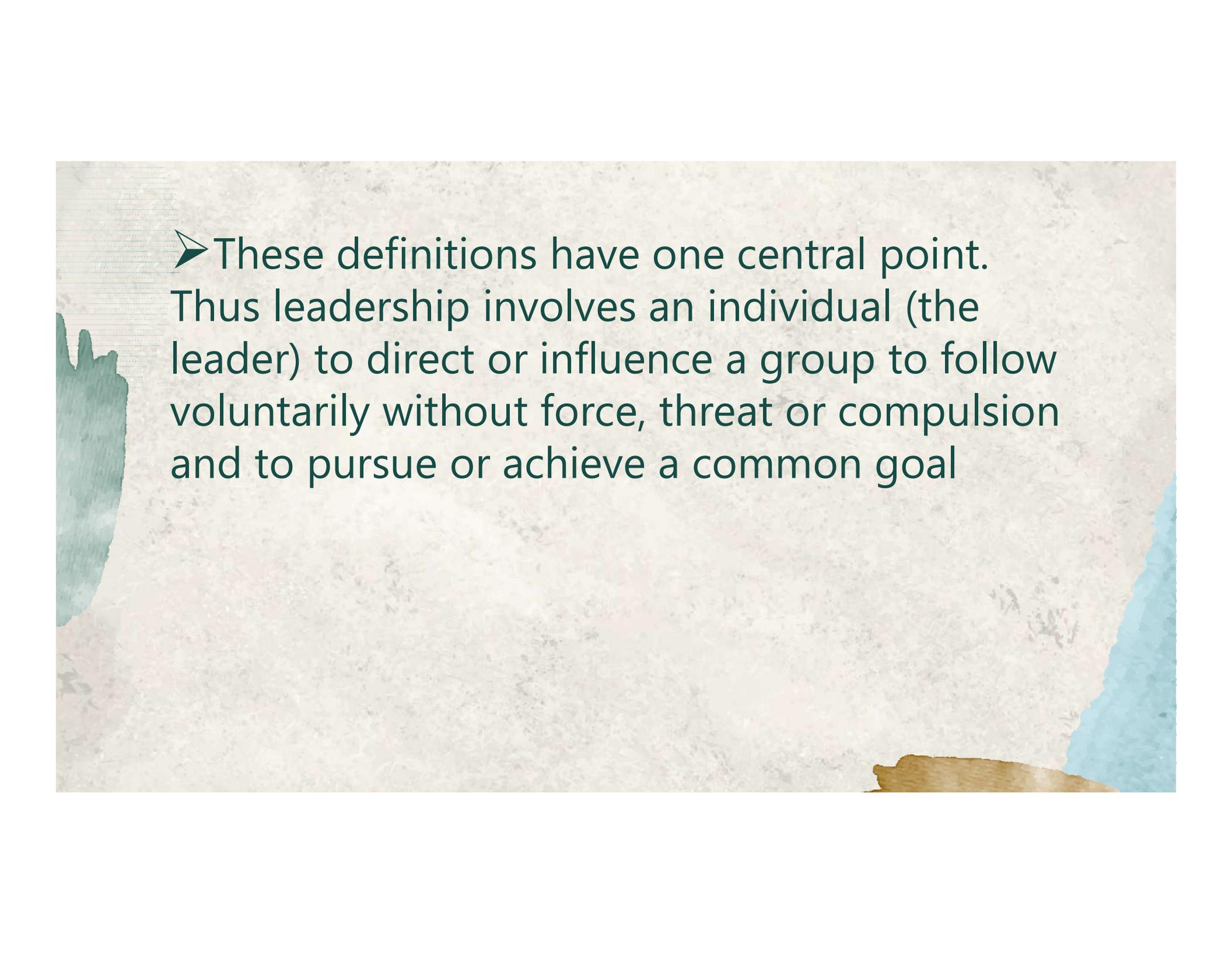
Definitions of Leadership



Leadership is a process that enables managers to get their employees to willingly do what must be done, do well what ought to be done in order to achieve the organizational goals—Cribbin 1981



Leadership has been described as a social process in which one individual influences the behaviour of others without the use of threat or violence –Anon 2011



➤ These definitions have one central point. Thus leadership involves an individual (the leader) to direct or influence a group to follow voluntarily without force, threat or compulsion and to pursue or achieve a common goal

Characteristics of Successful and Effective Leadership



Inspiration



Competence



Self-confidence



Determination



Personal integrity



Creative



Risk taking



Competitiveness

Differences between Leadership and Management

- ❑ In comparing leadership and management one should note that they are not mutually exclusive. They are both concerned with working with people, influencing people, setting goals and following methods to accomplish the goals and objectives and so on.
- ❑ The distinction between leadership and management was pointed out by Kotter (1988). While management is concerned with the planning of the goals of an organization, recruitment of the staff and resources and organizing and supervising them to ensure successful execution of the set plan, the leader goes beyond management functions to championing course for the future.

Comparison of a Leader and a Manager

<i>Leader</i>	<i>Manager</i>
A leader is someone who people follow voluntarily as a result of influence	The manager must be obeyed due to his position or power or authority
The leader though may not have the skills but his vision unites people together to pursue a common goal	A manager usually is someone who is experienced in his field
Leaders develop and improve the condition, increasing confidence and trust of the people	Managers focus on and try to maintain the status quo
Leaders are concerned with the people	Managers are concerned with tasks
Leaders have followers in whose interest the organization is focused	Managers work with subordinates
Leader uses persuasion, charisma and transformational style to improve the condition	Managers exhibit authoritarian and transactional style

Theories of Leadership



Trait Theory



Situational theory



Behavioural Theory



*Transactional
/Management Theory*



The Contingency Theory



*Transformational or
Relationship theory*

Styles Of Leadership

● Styles of leadership involves the way and manner of approach used by a leader to control or give direction to his followers. They include

- ✓ Authoritarian or autocratic leadership style
- ✓ Participative or democratic leadership style
- ✓ Delegative or laissez-faire leadership style
- ✓ Bureaucratic leadership style
- ✓ Transformational leadership style
- ✓ Transactional leadership style
- ✓ Creative leadership style

The Standard Roles of the Leader

Leadership in an organization requires that the followers have confidence in the leader. Followers will like to work with a leader who has some desirable habits. These habits include:

- Negotiating on behalf of the followers
- Coaching and motivating the followers
- Team Builder
- Friendly to followers
- Advise, guide, and mentor the followers
- Good planning
- Ability to take good decision
- Effective communication and timely information relay
- Supportive, concerned and committed to sub-ordinates/employees welfare

The Responsibilities of a Team Leader

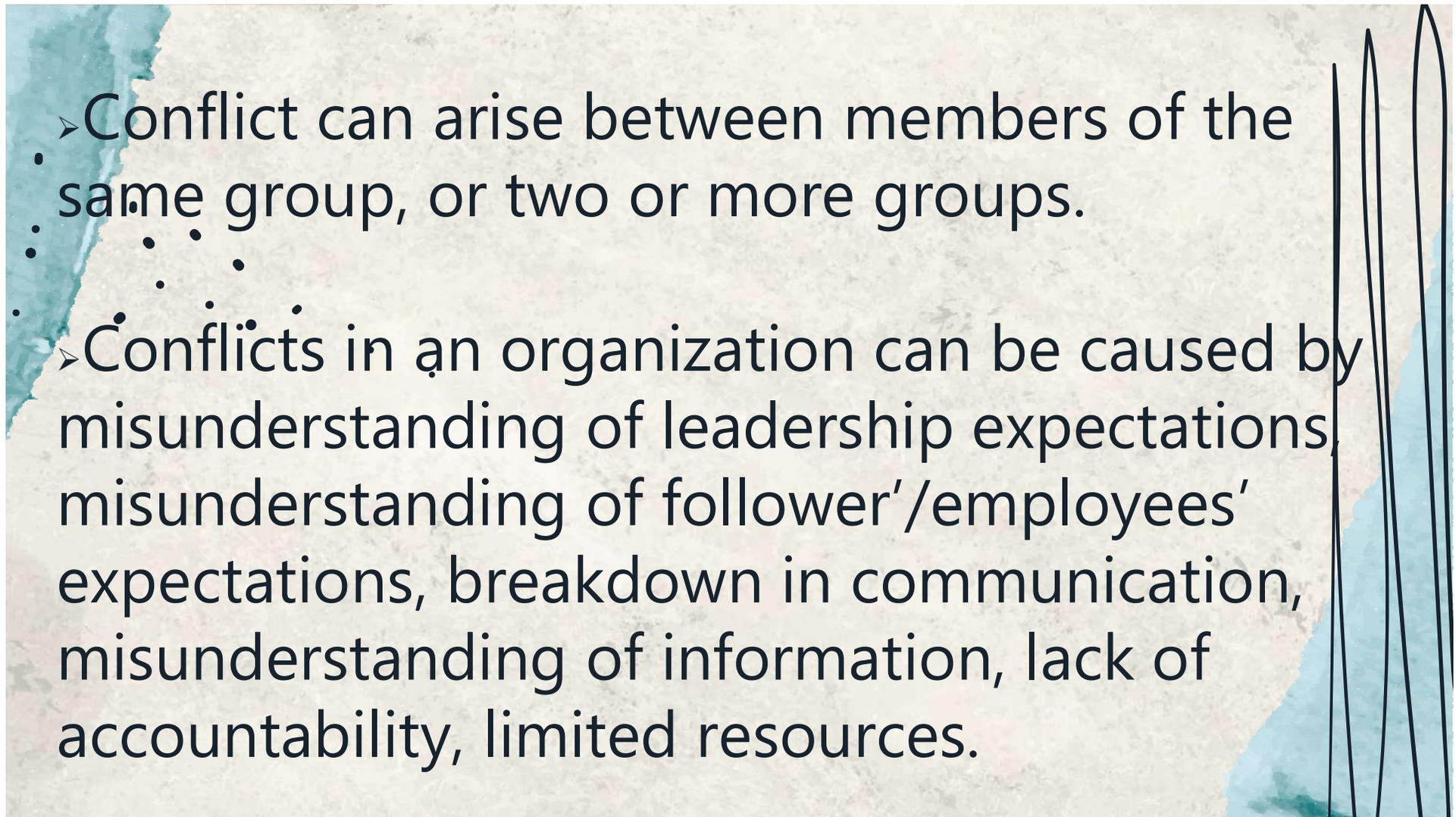
- To make the followers to agree to work together.
- To design a project with the projected objectives
- To provide members with the necessary training to achieve the project objectives
- To ensure that members have motivation and inspiration to participate in the business
- To demonstrate to members what he wants them to do or be
- To coach and help develop team members

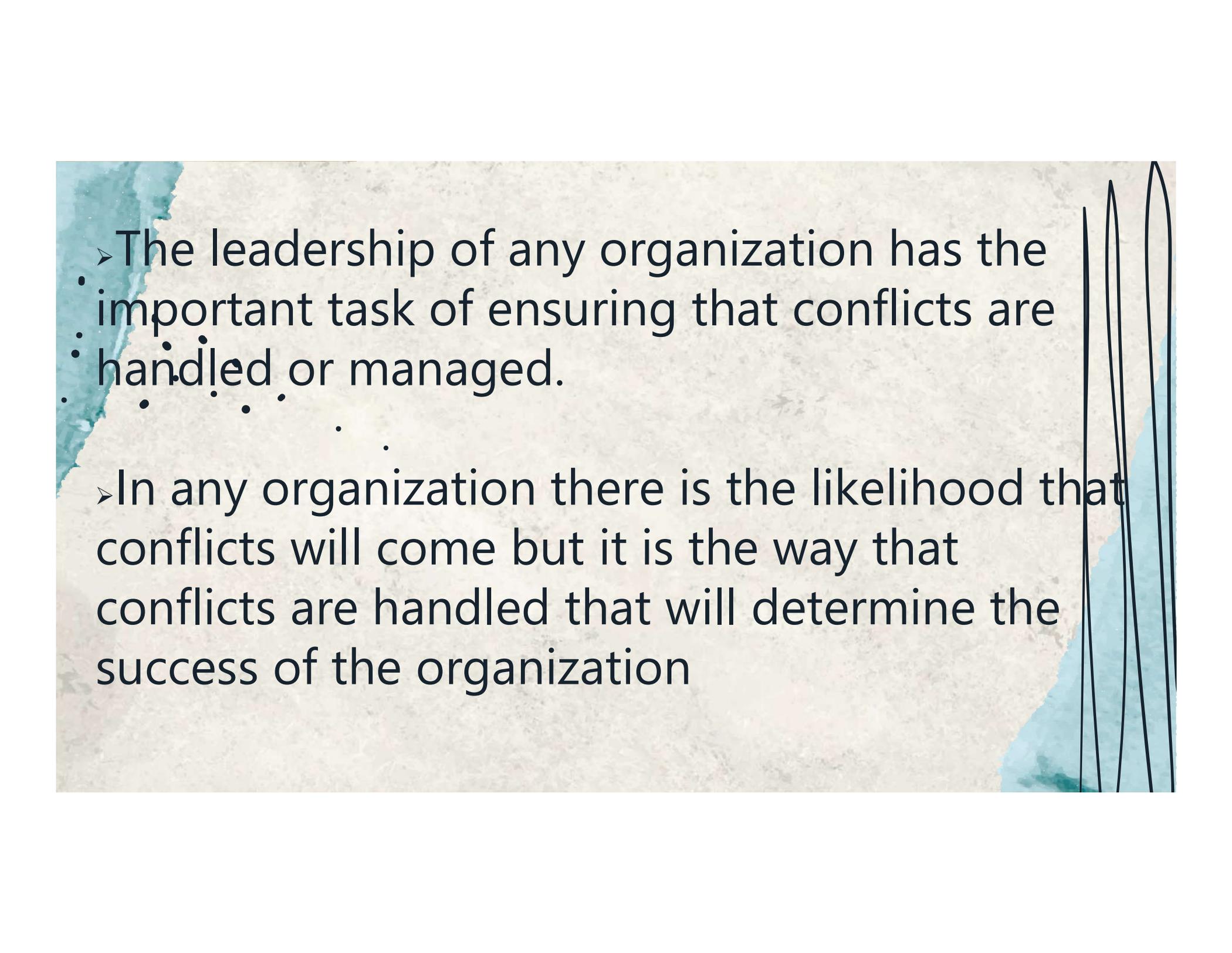
Setting Goals

- A model to guide leaders in developing their goal setting skills include is captures in S-M-A-R-T.
- - S—Specific
 - M—Measurable
 - A—Attainable
 - R—Reliable
 - T—Time Bound

Handling Conflicts/Conflict Management/ Resolution

- Conflict is a form of active disagreement between two opposing groups as a result of friction arising within a group when the beliefs, opinion or actions of one or more members of the group is unacceptable to one or more members of two or more groups.

- 
- Conflict can arise between members of the same group, or two or more groups.
 - Conflicts in an organization can be caused by misunderstanding of leadership expectations, misunderstanding of follower'/employees' expectations, breakdown in communication, misunderstanding of information, lack of accountability, limited resources.

- 
- The leadership of any organization has the important task of ensuring that conflicts are handled or managed.
 - In any organization there is the likelihood that conflicts will come but it is the way that conflicts are handled that will determine the success of the organization

- The higher the ability of the leader to handle conflicts, the more power he has to control the group:
- In conclusion, a leader should be one who has the interest in his mission and eagerness to accomplish. He should be committed to achieving results.

THANK YOU VERY MUCH



A good leader motivates, doesn't mislead, doesn't exploit



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UNIVERSITY OF NIGERIA, NSUKKA

COURSE INFORMATION

Course Code: ENT-ACE 207

Course Title: Information Management

INFORMATION MANAGEMENT BY

DR. ROBERT EZENWA & OGONNA OKOLI

INFORMATION MANAGEMENT - INTRODUCTION

- Information is always about something and as a concept it relates to different contexts derived from everyday usage.
- As a rule, it is closely related to concepts such as knowledge, instruction, meaning, communication, mental stimulus, pattern, perception, data, control, constraint and representation.
- Its English word was apparently derived from the Latin accusative form 'informationem' of the normative 'informatio'; this noun is in turn derived from the verb 'informare' (to inform) in the sense of to give form to the mind, to discipline, instruct, teach etc.

INTRODUCTION CONT'D

- The word inform itself comes (via French) from the Latin verb informare, to give form to, that is to form an idea. Simply stated, information is a message received and understood.
- In terms of data, it can be defined as a collection of facts from which conclusion can be drawn. Message is information materialized while information is the state of a system of interest.
- There are many aspects of information since information is primarily derived from knowledge acquired through study, experience or instruction and
- It occurs as a result of processing, manipulating and organizing data in a way that adds to the knowledge of the person receiving it.



The picture above shows a lady on Facebook. The close up picture portrays a perception different from the wide picture. This highlights the need to always view information properly.

INTRODUCTION CONT'D

- ✓ In a business organisation information is absolutely essential and there exists the need to give a better and clear understanding of how information systems support the information requirements of the functional areas in the business environment.
- ✓ O'Brien (1996) buttresses this by noting that that "information is a vital resource which needs to be managed like any other important assets".
- ✓ For any business enterprise to succeed the firm must strive to gain quality information about their internal operations and external environment.

FUNCTIONS OF INFORMATION MANAGERS

- (a) Strategic planning and control: This includes development of information base on organizational goals, strategies, policies and objectives through strategic planning by top level executives.

- (b) Tactical planning and control: This relates to the allocation, monitoring and development of middle management information base for medium range plants and budgets. It also specifies policies, procedures and objectives for sub-units.

- (c) Operational planning and control: This relates to the use of information resources in the performance of task according to recommended schedules and budgets. Managers here develop short-range planning devices for improved production schedule.

KINDS OF INFORMATION MANAGEMENT SYSTEMS

The advent of Information Technology has facilitated the strategic role of Information management. It has aided the creation, organization, procurement, storing, retrieval and dissemination of information as never before. Popular Information Management Systems can be listed as follows:

- **Document management system (DMS)** focuses primarily on the storage and retrieval of self-contained electronic data resources in their document form.
- **Content management system (CMS)** assists in the development, distribution, publishing, and management of business enterprise information.

KINDS OF INFORMATION MANAGEMENT SYSTEMS

- **Learning management system (LMS)** known as the learning management system is mostly used to automate the e-learning process in many organizations
- **Library management system (LMS)**, helps primarily to facilitate the library technical functions and services that include tracking of the library assets
- **Records management system (RMS)**, refers to all the recordkeeping systems that ensure the timely and efficient capture, maintenance and provision of access to all organizational records.
- **Geographic information system (GIS)**, Geographic information system most often serve as special purpose, computer-based systems that facilitate the capture, storage, retrieval, display and analysis of the spatial data.
- **Digital imaging system (DIS)**, Digital imaging system assists in automation of the creation of electronic versions of the paper documents such as PDFs or Tiffs.

KINDS OF INFORMATION MANAGEMENT SYSTEMS

- ❖ **Management information system (MIS)**, refers to all aggregate systems in an organization that allows managers to make decisions for the successful operation of their day to day business enterprises. It also refers to the organization that develops and maintains most or all of the computer systems in a business enterprise so that those at management level can make decisions.
- MIS provides the information necessary to manage an organization effectively.
- Management information system (MIS) can also be referred to as “a computer-based system that provides the information necessary to manage an organization effectively.
- An MIS should be designed to enhance communication among employees, provide an objective system for recording information and support the organization's strategic goals and direction”.

THE STRUCTURE

In business functional Information Management lines are structured as follows:

- **Accounting management information systems:** This relates to all accounting reports which are shared by all levels of accounting managers within a firm.
- **Financial management information systems:** Financial management information system makes available financial information to all financial managers within an organization
- **Manufacturing management information systems:** Manufacturing management information systems operations have been impacted directly by great advances in technology.
- **Marketing management information systems:** Sources for marketing management information system mostly stem from competition and customers.
- **Human resources management information systems:** This is mostly concerned with activities of persons employed by the organisation especially workers, managers etc.

THE STRUCTURE

Information that should be included in a mini proposal include;

- Information on your mini proposal from 1-3 years ahead.
- Information about yourself. What qualifies you to run the business, what is your personal financial situation?
- Information about your products and production methods including location of raw materials.
- Information about your market – Who your target customers will be, why should they buy from you, your pricing strategy, your unique selling point, how are you going to attract customers etc.
- A list of initial start-up and pre-operating expenses.
- Reasons why you require financing – how are you going to utilize the funds, for how long, your repayment plan, will you use debt or equity financing, exit strategies etc.

THE STRUCTURE

- Information about your financing including your beginning balance sheet, cash flow, assets, liabilities and net worth.
- Information relating to pro forma income statement which indicates expected profit yearly.
- If you intend to acquire a business, you will need the income statement of the business for the past years including reasons for being sold and justification.
- Business functions are the activities a company performs using its resources to fulfill the needs of, or the obligation the company has towards its publics. Traditionally business enterprises set the rules and requirements for information systems to fulfill, however technology not only follows business requirements but also creates possibilities.

INFORMATION LIFE CYCLE MANAGEMENT

- The information that your institution creates and uses can either represent an asset or a liability.
- Information lifecycle management is about making sure you ask yourself the right questions at the right time regarding the management requirements of internally produced information.
- It does this by breaking down the 'lifecycle' that all information moves through into four distinct phases and identifying what are the most pertinent issues that influence how information should be managed during each phase.
- Consideration of these issues at the outset helps ensure the effective management of your internal information throughout its entire lifecycle: from cradle to grave.

INFORMATION LIFE CYCLE MANAGEMENT

- A host of factors, both from within the institution (operational) and from outside it (regulatory, legal) will need to be considered.
- Influences will vary over time and are dependent upon the type of information being created, its purpose, content and usage. What is therefore required is a consistent framework within which the management of information can be considered.
- This framework needs to be flexible enough to accommodate the variety and range of information now being created and ultimately to ensure that the right decisions regarding its management are being considered and made at the right time throughout its 'lifecycle'.
- The Advantages is not dependent on the installation of expensive new technology nor does it assume that all information will be captured and managed in a single place by a single system. Instead it seeks to provide a conceptual framework which can be applied whenever and wherever a new system or process is to be introduced, or as part of a review of the management of information created by existing systems and processes.

INFORMATION LIFE CYCLE MODEL

1. Creation
2. Active Use
3. Semi-Active Use
4. Final Outcome

Reasons for using this model

- **Consistency:** By following a common model and addressing the same fundamental questions, this approach ensures a consistency in the way in which information is managed regardless of the particular system it is created by.
- **Inclusiveness:** This approach is equally as useful when considering the management of ephemeral information and raw data as it is formal business records. It also applies regardless of the format of the information, be it electronic or hard copy

INFORMATION LIFE CYCLE MODEL

- Pro-activeness: Forward planning on what the management implications for a particular type of information are likely to be in the future to avoid unpleasant surprises.
- Proportionality: Decide which elements of the lifecycle model are relevant to the information concerned and to their individual circumstances. Don't seek to impose a heavy management burden (and cost) where such measures are not warranted and where a more lightweight approach is called for.
- Flexibility: The model is not dependent upon any particular technology. It is equally valid when new technologies emerge, and will inevitably vary from system to system and process to process.

INFORMATION LIFE CYCLE MODEL

- ❖ It should be noted that this is not the only version of the information lifecycle in existence, nor does it in any way represent the definitive version.
- ❖ A quick search of the web will locate several examples of lifecycle models, some very similar to those outlined previously, others substantially different.
- ❖ Alongside those using the lifecycle methodology as a framework for managing internal information are others who are adopting the same fundamental 'cradle to grave' approach to the management of library materials or storage management.
- ❖ Of those using the lifecycle model for information management, some have more complex models which include a greater number of phases whilst others use fewer.
- ❖ Indeed there are those who believe the concept of the lifecycle to be fundamentally flawed with regards to information management and argue instead that the notion of the records continuum represents a more useful and practical model, particularly when managing electronic information.

RECORDS MANAGEMENT

➤ What Is Records Management?

Records management is an established theory and methodology for ensuring the systematic management of all records and the information they contain throughout their lifecycle.

- ❑ According to International Standard ISO 15489: 2001, records management is defined as:
- ❑ The field of management responsible for the efficient and systematic control of the creation, receipt, maintenance, use and disposition of records, including the processes for capturing and maintaining evidence of and information about business activities and transactions in the form of records.

WHAT IS A RECORD?

- The ISO defines records as "information created, received, and maintained as evidence and information by an organization or person, in pursuance of legal obligations or in the transaction of business".
- Three key properties inherent in all records, that is that they must possess:
 1. Content (i.e. information or data)
 2. Context (i.e. it must be possible to ascertain how it relates to other records and to the organisation which created it)
 3. Structure (i.e. there must be an inherent logic to the way in which the information it contains - and the metadata which is likely to define its context - are laid out and which is ultimately interpretable by the human eye)

HOW TO CREATE COMPLETE RECORD

- When designing a new record-creating system, define exactly what information it is appropriate to capture (time/date, location, author, purpose, outcome etc) and
- where possible use system design to capture this information automatically as part of carrying out the transaction
- When designing document and form templates consider their design and specify which elements must or should be completed. Use document properties to enforce completion of all mandatory elements
- When archiving emails as records ensure that all component parts of the message are retained as a complete set (for example, content of message, transmission information and attachment(s)).

HOW TO CREATE COMPLETE RECORD

- Ensure any files containing OLE links to other associated files are managed consistently and that the links are retained. This may be especially important when moving files from one location within the file plan to another, or when deleting some files.
- Object Linking and Embedding (OLE) is a technology that allows embedding and linking to documents and other objects, developed by Microsoft. It is founded on the Component Object Model. For developers, it brought OLE custom controls (OCX), a way to develop and use custom user interface elements.
- Consider the appropriate 'unit of management' for a record. For example, when managing web resources, does each webpage stand alone as a complete record, or is it more appropriate to consider the complete website as the record?

HOW TO DECLARE RECORDS

- At this point the contents of the record are frozen and should remain un-editable from thereon.
- Also that any associated metadata is likewise fixed to reflect their state at the point of declaration. Particular attention may need to be paid to ensure dates do not alter (e.g. not updating the date last edited every time the record is subsequently viewed after declaration).
- It is important that the principles of provenance are also considered . For example, that the name of the creating department as stated in the metadata remains as it was at the time the record was created, even if subsequently changed during a restructuring process.
- Care should be taken to consider the entirety of the record at the point of declaration. For example, ensuring that any OLE embedded files are also declared at the same time, or that external information on which that record is reliant (such as a page on the intranet) is also captured. It is useful to amend file names or other unique identifier codes to reflect the declared status of the record. Once declared it should still provide the user with the ability to create a new record based on that declared which will then be treated as a separate entity.

ACTIVE USE

- The life of a record begins at the moment of its declaration . This means it is already information of some maturity by the time it enters its active use. For records then the active use phase may be characterised less by constant use and rapid change than for other, more informal types of information. Instead the emphasis remains on ensuring the maintenance of the specific quality.
- Retaining The Audit Trail As we have seen, records represent our best, and often our only, link with the past - whether that be to satisfy our historical curiosity or to prove the legitimacy of our actions. Knowing what a record said at a particular point in time and being able to demonstrate how its content has evolved is key to preserving this link between the record and the process or event it describes

ACTIVE USE

- Managing The Master Copy: new records can be created, copied and circulated, it is inevitable that multiple copies of records will still exist - even if the creation and version control advice featured in previous sections is followed. For example, all members of a committee each receiving their own copies of the minutes and associated papers.
- How To Manage The Master Copy Identify the agreed source of the master copy Consider establishing procedures for ensuring the capture of master copy at the point defined as the end of its active use (end of project, year end etc).
- This will be linked to the steps outlined in the Information Lifecycle Management - semi-active use - Do you know what information is being held and why? Section. Issue an umbrella policy statement regarding whether the institution considers the paper or electronic version of records to be the master copy (where appropriate). This will need to consider the institution's ability to preserve digital records in the long term, plus the legal position regarding the use of electronic information as evidence.

CATEGORIES OF VITAL RECORD PLUS EXAMPLES

- Legal Charters - Insurance certificates, deeds etc
- Financial Accounts - payroll, pensions etc
- Operational Timetables- exam papers, student records
- Commercial Contracts, memoranda of understanding etc
- Intellectual capital Research data
- Disaster recovery Out of hours staff contact details, estate plans, utility and emergency service contact details.

Undertaking A Record Survey

Undertaking a comprehensive audit of the records you hold, the processes which create them and the measures taken to manage them represents a significant task. However, its findings are a crucial weapon in helping you manage records throughout their semi-active use and through to their final state.

CATEGORIES OF VITAL RECORD PLUS EXAMPLES

- Retention schedule is a list of records for which pre-determined destruction dates have been established. One of the principle aims of the records survey is to establish those categories of records for which there is a known disposal date.

HOW TO PRESERVE RECORDS

- How to preserve records Where possible allocate separate, fit for purpose physical storage facilities with adequate security and acceptable levels of stability in both temperature and humidity fluctuations. Ensure you create appropriate finding aids for archival records, which also include details of where the records have come from (their provenance) as well as what they are and where they can be found. Arrange and describe archival records according to established principles of archival description (i.e. by preserving their original order, describing them in a hierarchical order, and keeping a record of the administrative history of the department or unit which created them). See the General International Standard Archival Description, Second edition. Conduct tests prior to migrating records to a new software version. Does the move to a new version introduce any changes to the content, structure or metadata of the record (e.g. changes to formatting, lost header or footer information etc)? If so you must consider whether such changes are acceptable, or whether they could invalidate the records evidential status and take measures accordingly

Finally, be bold, be courageous.





AFRICA CENTRE OF EXCELLENCE FOR SUSTAINABLE POWER AND ENERGY DEVELOPMENT (ACE-SPED)

UNIVERSITY OF NIGERIA, NSUKKA

COURSE INFORMATION

Course Code: ENT-ACE 208

Course Title: Decision Making Process

COURSE TITLE: DECISION MAKING PROCESS

FACILITATOR: DR. (MRS) OMEKE

MRS. GLORY OLORUNFEMI



INTRODUCTION

- ❑ Decision making is an important element in leadership
- ❑ It is a factor in successful management
- ❑ It is a key management function
- ❑ Manager or administrator must make decision concerning organizing, staffing and human resources management.
- ❑ No management without decision
- ❑ Making decisions is critical to the success of a business

INTRODUCTION

- ❑ Decisions come from the need to solve problem or the need for a potential opportunity
- ❑ In our regular day to day activities whether in personal lives or in our professional lives, we very often face situations filled with choices or alternatives.
- ❑ Choices may involve options for solution to a problem in hand, choosing a path at cross road (such as go or no-go decisions) etc.



MEANING OF DECISION MAKING

- Decision making has been variously defined. Vroom and Yetton(1996) describe it as “a resolution to adopt a particular course of an action in preference to alternative policies”.
- Bedeian defines decision making “as the act of choosing between two or more alternative.
- And according to Taylor decision making is that “thinking that results in the choice among alternative courses of action.
- Decision making, therefore entails identifying alternatives and selecting the one adjudged the best.
- The decision-making process involves identifying a goal, getting the relevant and necessary information, and weighing the alternatives in order to make a decision.



MEANING OF DECISION MAKING

- Decision making is a habit as well as a process. Decisions should neither be taken in haste nor be procrastinated indefinitely.
- Decision making is the process of making choices by identifying a decision, gathering information, and assessing alternative resolutions.
- A decision-making process is a series of steps taken by an individual to determine the best option or course of action to meet their needs.
- In a business context, it is a set of steps taken by managers in an enterprise to determine the planned path for business initiatives and to set specific actions in motion. Ideally, business decisions are based on an analysis of objective facts, aided by the use of business intelligence ([BI](#)) and analytics tools.
- Entrepreneurs need to make various decisions for these business he/she needs good decision making skills because of the Market problem and defending the market situation

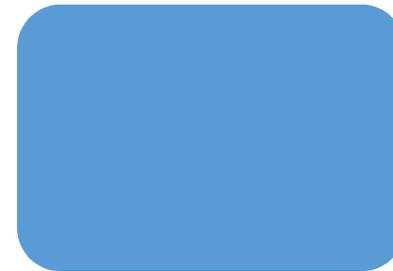
TYPES OF DECISION MAKING



INDIVIDUAL
DECISION



ORGANIZATION
DECISION



PROGRAMMED
DECISION



NON-PROGRAMMED
DECISION

LEVELS OF DECISION MAKING

- LEVELS





KEY STEPS IN DECISION MAKING

Articulate the decision

Gather information

Identify your option

Evaluate the information

Select your decision

Implement the decision

Review the your decision



DECISION MAKING MODEL

❖ **Rational models;** Rational decision-making is the most popular type of model. It is logical and sequential and focuses on listing as many alternative courses of action as possible. Once all options have been laid out, they can be evaluated to determine which is best.

A rational decision-making model typically includes the following steps:

- Identify the problem or opportunity.
- Establish and weigh decision criteria.
- Collect and organize all related information.
- Analyze the situation.
- Develop a variety of options.
- Assess all options and assign a value to each one.
- Decide which option is best.
- Implement the decision.
- Evaluate the decision.



DECISION MAKING MODEL

❖ **Intuitive models.** These decision-making models focus on there being no real logic or reason to the decision-making process. Instead, the process is dictated by an inner knowledge -- or intuition -- about what the right option is

❖ **Recognition primed models.** These models are a combination of rational and intuitive decision-making. Its defining element is that the decision maker only considers one option instead of weighing all of them.

The recognition primed decision-making process involves:

- ❖ Identifying the problem, including all its characteristics, problem cues, expectations and business goals.
- ❖ Thinking through the plan and performing a mental simulation to see if it works and what modifications might be needed.
- ❖ If the plan seems satisfactory, then the final decision is made, and the



DECISION MAKING MODEL

❖ **Creative models.** In this decision-making model, users collect information and insights about the problem and create some initial ideas for solutions. Then, the decision maker enters an incubation period where they do not actively think about the options



ENTREPRENEURSHIP DECISION PROCESS ! DECISION MAKING

- The entrepreneur needs to follow the steps of the entrepreneurship decision process.
- 1. Identification of problem or opportunity.
- 2. Generate alternative solutions.
- 3. Analyse the alternative solutions.
- 4. Selection of the best alternative.
- 5. Implementation of the alternative.
- 6. Review the performance.



STEPS

Problem	Opportunity
•Identify of the problem	•Listen to your potential clients and past leads
•Search for alternatives way	•Listen to your customers
•Weighing of alternatives	•Look at your competitors
•Decide a choice	•Look at industry trends and insights
•Evaluate of the all results	



FACTORS INFLUENCING DECISION MAKING

- Personality characteristics
- Decision support system or decisional aids
- Organizational structure
- Gathering Too Much Information
- Placing Too Much Confidence in an Option that May Cause Bad Results
- Solving for the Wrong Problem
- Being Too Rigid with or Wedded to the Process



CONCLUSION

- Timely and well-thought decision making is extremely important for success in today's time. We must take a logical approach for decision making. We must also inculcate the habit of decision making.



THANK YOU!



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UNIVERSITY OF NIGERIA, NSUKKA

COURSE INFORMATION

COURSE CODE: ENT-ACE 209
COURSE TITLE: BUSINESS PLAN

DOCUMENTING A WINNING BUSINESS PLAN

2

BUSINESS PLAN

BY
REUBEN AMAECHI AGU
&
CHUKWUDI CHRISTOPHER NWOKOLO

Objectives/Aims

3

- ✓ The aim of this guide is to assist the up starting entrepreneur to write their business plan. It is ideal for those writing business plans for the first time. It can also be of help for existing businesses who have no business plan.
- ✓ Starting a new business venture is like going into a tropical forest on a treasure hunt; with rewards to be won, both in material wealth and in personal satisfaction, but there are dangers lurking and you can easily lose your way (Blackwell, 2004) .
- ✓ To avoid losing and possibly facing the dire consequences associated with losing, a lot of precaution ought to be taken before dabbling into enterprise setting.
- ✓ One of such precautionary measures is to prepare a business plan.

INTRODUCTION

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- There is this popular saying – look before you leap. In setting up a business, preparing a business plan helps to serve the purpose of looking before leaping.
- The business plan helps answer many questions about a proposed business project.
- According to Abrams (2009), a business plan is expected to answer the following questions:
 - ✓ What is your business idea or what is your existing business?
 - ✓ Who are your existing and /or potential customers and what motivates them to buy from you?
 - ✓ How will you let your customers know about your business?
 - ✓ Who are your competitors and how are you different from them?
 - ✓ How will you carry out the basic functions of your business?
 - ✓ Is your management team capable of guiding your business to success?

INTRODUCTION CONT'D

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- ✓ What is the long – range future of your business?
- ✓ What is your company's financial picture?
- ✓ How much money will it cost to set and run your business and how much money will you make?

INTRODUCTION CONT'D

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What is a Business Plan

- There are several definitions of a business plan as there are several scholars in entrepreneurship, some of which are:
 - A comprehensive set of guidelines for a new venture (Holt, 2006) .
 - A document prepared by the entrepreneur that describes all the relevant external and internal elements involved in starting a new venture (Hisrich and Peters, 2002).
 - The culmination of a usually lengthy, arduous, creative, and iterative process that transforms a raw idea into a magnificent opportunity by carefully articulating the merits, requirements, risks, and potential rewards of the opportunity and how it will be seized (Timmons and Spinelli, 2007).

INTRODUCTION CONT'D

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- A business plan is a powerful document telling the story of your company (Abrams, 2009).
- A business plan is a comprehensive document that helps an entrepreneur analyze the market and plan a business strategy (Lambing and Kuehl, 2007).

Other definitions are

- A document which specifies in details the goals and objective of a business shows in details how and when they will be achieved
- A structured guideline to accomplish a business goal
- A proposal that describes a business opportunity for financing agencies or investors
- An action programme which outlines in detail all necessary aspect of the proposed business.

INTRODUCTION CONT'D

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- A document that comprehensively describes the goals and objectives of a business, and equally shows in details how and when they will be achieved.
- A structured guideline on how to accomplish a business goal.
- A proposal that explains a business opportunity for financing agencies or investors.
- An action programme that outlines in detail all necessary aspect of a proposed business.

Thus we can define a business plan as

“a detailed document of intent by an entrepreneur showing the existence of business opportunities and the ideas developed to exploit them with details of all the relevant external and internal elements involved as well as the merits, risks and the potential rewards inherent in exploiting the opportunities”

Introduction contd: The Theoretical Rationale for documenting a business plan

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- The writing of a business plan can be rationalized by the theory of Strategic Planning. This theory envisions a set of desired objectives as an end and then sets up plans as a means to achieve the desired end. Under this theory of strategic formulation, the business plan becomes a tool that communicates the existence of a desired vision, and specifies the systematic process that can be operationalized to achieve this desired goal (i.e. the vision statement).
- In fact, the business plan translates the entrepreneurs' vision into broadly defined goals (i.e. mission statement) and documents a sequence of steps to achieve them.
- The business plan is contrasted from long-term planning (which begins with the current status and lays down a path to meet estimated future needs), strategic planning (in this case the business plan) begins with the desired-end and works backward to the current status. At every stage of long-range planning the planner asks, "what must be done here to reach the next (higher) stage", and at every stage of strategic-planning the planner asks, "what must be done at the previous (lower) stage to reach the next higher stage".

INTRODUCTION CONT'D

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- The business plan contrasts to tactical planning (which focuses at achieving narrowly defined interim objectives with predetermined means). The business plan takes a panoramic view of issues and is flexible as it allows a lot iterative processes (Schmidt, Enock, and Laycook, 2009).
- The theory of strategic formulation describes how the ends will be achieved by the means (resources) currently controlled, it can be planned and also be observed as a pattern of activity as the organization adapts to its environment or competes.
- Strategic formulation processes, include processes of formulation and implementation with inbuilt mechanisms to coordinate both.

INTRODUCTION CONT'D

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- Formulation of competitive strategy involves deep deliberation on four key areas: strengths and weaknesses of the organisation; the key implementers (i.e., management and the board) and their personal values; industry opportunities and threats; and broader societal expectations (Porter, 1980).
- The first two emanate from the internal environment, while the last two are external and cannot be manipulated and as such needs some coping strategies to withstand it. The business plan indeed is a type of strategic formulation that allows business promoters to define an end and work towards this end with available means within the context of a dynamic and complex environment.

WHO NEEDS THE BUSINESS PLAN?

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- All businesses:
 - Existing business
 - Start – up businesses

DESIRABLE ATTRIBUTES OF A BUSINESS PLAN?

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Desirable attributes of a Business Plan

The desirable attributes are:

- Simple and clear.
- Concise but precise
- Sequential and logical
- Models reality
- Use figures where necessary.

❖ **Simplicity and Clarity**

You would likely be ready a very busy person, and there have a very busy schedule; also are other business to compete with your business plan. So business plan needs to be simple and clear. Efforts should be made to avoid cramming many ideas into one sentence; and using tables where it can help to bring out information more clearly and sharply.

Introduction contd: Desirable attributes of a Business Plan contd.

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❖ Concise but Precise

Where the business plan is bulky, the person reading it may get tired even before forming opinion about the business proposal. This might rub a business plan the due consideration it deserves. To avoid this, all unnecessary details are removed from the business plan. In fact, only essential information necessary for the reader to form opinion and take decisions should be left.

❖ Sequential and Logical

The business plan should have its ideas and facts presented sequentially and logically. This makes it easier for people to read and understand the plan. Efforts should be made to ensure that what is written in one section of the plan fits together with what is written in other sections. In fact, all the sections should have strategic fit with one another. This makes the business plan a one whole business plan.

Desirable attributes of a Business Plan contd.

15

❖ **Models Reality**

For a business plan to be a valid document it ought to be as real as possible. That is to say that it should be as close to reality as possible. Operations, market analysis, estimates of sales and expenses should reflect what is happening in real life. Where a business plan models what obtains in real world situation, it becomes an instrument on which decisions could be based.

❖ **Use Figures where Necessary**

Most bankers or investors that would read the plan are highly numerate, mainly thinking in terms of numbers. Experience has shown that most bankers and investors are impressed when ideas are backed with figures – albeit account data or information. In other words, it is advantageous to put your information in numbers and figures wherever it is possible.

The Business Plan and Intellectual Property Protection 20

16

- ❑ Developing a business from the scratch requires a lot of intellectual capital that would amount to much if the present values of possible cashflows that could result from it is considered.
- ❑ Thus such intellectual property ought to be protected. During the process of documenting a business plan,

The Business Plan and Intellectual Property Protection 20

17

- ❑ Some of the intellectual capital that form the basis of a good business might need to be disclosed especially where the plan is used to attract investors and lenders. In this instance, wide circulation becomes potentially dangerous.
- ❑ Where the business plan is discussing a business idea that have not be patented or copyrighted, it becomes very wise to include a strong non-disclosure statement on the cover page that states that information in the plan is not to be disclosed. In some instances, the cover page of the plan, in addition to signing the non-disclosure documents, may carry the ISBN number showing that it is copyrighted.

Why write a business plan?

18

- To have an integrated view of your business
- To keep you focused on your goals and strategies.
- For the purpose of obtaining finance from outside sources
- It guides the opinion of a business
- It also help to guide the managing of a business
- As an instrument that helps to communicate clearly with all interested parties
- It helps to evaluate before hand if there are chances of success for the business
- It helps to convince other parties that you can manage the business
- It also shows the available market for the business's product/service

Why write a business plan (contd.)?

19

When do we write a business plan?

- a. When contemplating going into business
- b. Before you start the business
- c. When new information is obtained
- d. When new expediencies are gained
- e. When you need to update your business

How do we write business plans?

- a. By identifying all questions that can be asked regarding the business
- b. By determining if more information needs to be sourced to answer all the necessary questions
- c. By getting all needed information
- d. By analyzing different alternatives and comparing them
- e. By taking a decision on each question

What we do with a business plan & information we get from it

20

What do we do with a business plan?

- It is an instrument of control
- It is used to negotiate for bank loans
- It is used to predict how viable a proposed business is.

What information is contained in a business plan?

Information about:

- Customers
- Competitors
- Suppliers
- Cash flows
- Financiers
- Employees
- Products
- Location
- Equipment
- Loan repayment schedule, etc.

The structure of a business plan

21

Ordinarily, a business plan is usually structured to contain the following major topics and sub headings:

Part 1

- Executive summary

Part 2

- Background
- Market
- Marketing Plan

Part 3

- Production Plan
- Organization and Management
- Legal, regulatory, social and environmental issues

Part 4

- Financial Plan
- Risk Analysis, Contingency Plan and Exit Strategy
- Other considerations, conclusion, and recommendation.

Appendix

Contents of a business plan

22

1. Executive summary

2. Background

1. Introduction
2. Vision and mission statements
3. Ownership
4. Legal status
5. Location and facilities
6. Products/services
7. Industry analysis trend
8. Business strategy
9. Key success factors

3. Market

1. Nature, location, size and attribute analysis
2. Sales and market share analysis
3. Key competitors and competitive edge
4. Service delivery

1. SWOT Analysis

2. Demand/supply analysis
3. Installed capacity

4. Marketing Plan

4. Market segmentation
5. Target market
6. Market positioning strategy
7. Marketing mix implementation tools
8. Alliances
9. Marketing calendar and budget

5. Production plan

5. Production process
6. Production schedule
7. Machinery, equipment and other requirements
8. Technology
9. Quality assurance and standardization

Contents of a business plan

23

6. Organization and Management

1. Shareholders and directors
2. Management team
3. Organizational structure
4. External support
5. Personnel plan
6. Value and norms of the company

7. Legal, regulatory, social and environmental issues

1. Legal issues
2. Regulatory issues
3. Social issues
4. Environmental issues

8. Financial Plan

1. Cost of Machinery, equipment and others
2. Forecast of sales
3. Estimate of costs

1. Working capital projection
2. Startup capital required
3. Proposed financial structure
4. Depreciation/Depreciation schedule
5. Loan repayment and interest payment schedule
6. Projected profit and loss account
7. Capital allowance
8. Cash flow projection
9. Projected balance sheet
10. Financial analysis

9. Risk Plan and Exit Strategy Analysis, Contingency

1. Risk analysis and mitigants
2. Contingency plan
3. Exit strategy

Executive Summary

24

➤ **The Company:**

Here you give the basic information about your business.

➤ **Products and services:**

In a very brief but clear way, the products and or services to be offered by the business are discussed.

➤ **Target Market:**

Individuals who are used to analyzing a business plan are interested to know your target market. Who are the customers? To be credible here, you can include a summary of the underlying market research results.

➤ **The competition:**

It is very important for you to identify who the competitors are. If you know the relative market share of the competitors, you should state it. In a short and direct way, state what competitive edge your business has.

Executive Summary contd.

25

❑ **Marketing Plan:**

This is a brief highlight of the marketing and sales strategy. Essentially you need to say how you will market and sell your products and or services.

❑ **Operations:**

Certain operational features define your business and make it unique. You are to state the critical operational features of your business.

❑ **Management:**

State the key members of your management team and their qualifications – briefly stating the nature of the experience each brings into the business.

❑ **Legal, Regulatory, Social and Environmental Issue:**

Is there any legal or regulatory issue pertinent to the success of the business? This must be highlighted together with the accompanying environmental issues.

Executive Summary cont'd

26

- **Funds Sought and Uses:**

You have to show the total required investment (required start up capital) and the proposed financial structure.

- **Financials:**

Almost all stake holders would be interested to know the expected financial performance of the business. You are therefore expected to state the company's expected gross sales and net profits. Stating the outcome of some ratio analysis will be of good help.

Part 2

Introduction (background)

27

- In this part of this business plan – basic details about the business plan is provided.
- Unlike the executive summary which strives to persuade readers of the expected success of the business, the background or company description provides all necessary specific information about the business.
- Expectedly some individuals spend more time than necessary trying to write this part, but this need not be so. All that is really needed is for you to quickly provide the relevant background information about the name of the company, and other details like your company's structure, ownership, and important milestones.
- It is also in this section that you give a brief of sector and industry developments relevant to your business.
- It is important to relate these industry/sector developments to your current and or expected business performance.

Introduction (background)

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Product or Service Features

- Briefly explain what the product (s) or service (s) is. Are there features that are going to give you the edge in the market place? Mention clearly what you are actually going to sell.

- **Market Analysis**

- Mention what market the product or service is going to be aimed at and why. Is there any research to support your business expectation?

- **Marketing Strategy**

- Mention generally the marketing plan and the tools to be used.

Key Objectives and Financial Overview

- List a few of your key objectives. Those that is essential for you to achieve.

Introduction

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Introduction

- Here we go into the details that will make the Business Plan a ‘working’ and ultimately a ‘control’ document. It is not just a collection of important things that care is taken to get it right. It is not just a collection of words but a document that really sets out what is going to happen and can be reviewed at any time to check progress. This Business Plan is going to be used for obtaining financial assistance, thus it will be critically reviewed.
- Generally, the information here will be presented under the following sub headings:
- Introduction of the planned business
- vision and mission
- Ownership of the enterprise
- Legal status (its registration)

Introduction Contd.

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- Legal status (its registration)
- Location or planned location and facilities
- Your products/services
- Your business strategy
- Key success factors
- Revenue base

Part 3: Market Analysis

31

- Is there any sound customer base for the business? You should:
- Explain who will buy your products or services.
- What is the geographical area?
- Is the market growing or declining?
- What influences will affect the market?
- How are you going to reach your customer?
- Are there seasonal trends?
- What competitive edge do you have?
- We present the above issues under the following sub heading:
- Prospective customers
- Product description Describe the product (s) or service (s) you are going to offer. Discuss the branding, the packaging (where applicable), ongoing product development, etc. An analysis should be done of the features and their benefits and they should be compared to the major competitors

Part 3: Market Analysis

32

- Market demand: Describe how you have carried out your customer and market research. Customers want to know what the benefits of the product or service are, especially with a new product. Why do you think the customer will leave other products/services for your own?
- Competitive edge: Be very careful to identify competitive products, services or business. Do not “assume” that there are no competitors look hard. Check the Yellow Page, look in magazines, check the internet and look in places you would expect them to advertise. How do you compare with your competitors on pricing, product, promotion and distribution? Tabulate a list that shows your features against their and what gives you a competitive edge. Do not ignore the negatives if there are any, as you must address them.
- Technology
- Quality assurance

Marketing Plan

33

- Generally describe in detail how you planned your marketing activities.
- Promotion Strategy: Promotion, what type, where and how often
- Marketing Strategy: A good marketing Strategy is vital to the success of a business. Customers must know about the product (s) or service(s) to be exposed to buying them. List in detail the key strategies and explain how they will work and dovetail together if relevant. The strategies might include:
 - ✦ Pricing – how it will be used?
 - ✦ Literature - what type and how it will be used
 - ✦ Customer Service - what benefits?
 - ✦ Advertising what and where and the outline cost.
 - ✦ Product or Service launch plan
 - ✦ etc.

Part 3: Market Analysis

34

- Market Positioning:

What are you known for regarding the market offering you are making? Is it quality? Excellence? Reliability? Flexibility? Or what?

- What will be your total marketing spending for the first three years?

Management, Organization and ownership:.

35

Management, Organization and ownership

Provide a clear description on the proposed ownership structure and why it is being chosen. Refer to the background of the key persons in the business and what other staff or contractors will be required. What level of remuneration it? Either expected or anticipated. Briefly list any issues that might be pertinent with the employment of staff. You use the subheading below to present your discussions.

- 6.0. Shareholders/Directors: who is the main promoter of the business, his experience, qualifications and other attributes? Who are the other members of the management team and what benefit do they bring to the company?

Management, Organization and ownership:.

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- 6.1. External Support: From where else does the organization draw help, mention the sources and what they do?
- 6.2. Personnel plan: What of: organizational structure; positions in the business; does the positions arise from the structure; how many employees; and how much do you pay in wage bill?
- 6.3. Value and Norm of the enterprise: Does the company adopt: best practices; integrity; accessibility; do business within the ambits of the law.

Legal, Environmental, Social and regulatory issues

37

Legal, Environmental, Social and regulatory issues

- 7.1 Legal Issues: Will the business be registered? What legal form and why? Registered with whom? There are many options as to how a new business can be structured. For example, is it going to be registered as a Sole Trader; a Partnership; a Limited Partnership or a Proprietary Company? Will there be Trade Marks or Patents and will the company trade under a business name or a company name?
- What of the necessary business permits, and lessening etc.

Legal, Environmental, Social and regulatory issues

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- 7.2 Environmental: Are you environment friendly? Do you comply with environmental laws and requirements, etc?
- 7.3 Social: How does the business affect the wider society, economically, in poverty reduction and job creation?
- 7.4 Regulatory: Who are the regulatory authorities? Do you keep to the rule?

Risk analysis, contingency plan, and exit strategy

39

Risk analysis, contingency plan, and exit strategy

- 8.0 Risk analysis: What risks are the business open to? Have you identified such risks and what are the mitigants?
- 8.1 SWOT Analysis: Strengths, Weaknesses, Opportunities and Threats A SWOT analysis highlights the strengths and weaknesses within the business and identifies opportunities and threats in the external business environment. This is a very important analysis. Strengths are those that the company can exploit. Weaknesses are areas of the business that need to be addressed. Opportunities show the market place areas that can be built on.

Risk analysis, contingency plan, and exit strategy

40

- Threats are those issues that could affect the business. Not only should you list each of the Strengths. Weaknesses, etc. but you should also assess what each means to the shape, direction, and tactical running of the business.
- 8.2 Exit Strategy: Are there plans for exit? The owner might contemplate diversification and not exit. Also there could be buy off.

Other considerations and conclusion

41

- Economic Justification: Does the project offer good benefits to the industry, economy, and the society?
- Commercial Viability: Is the project viable commercially? Can this be shown through the profit and loss projection, cash flow estimates and the net worth in the balance sheet?
- Conclusion and Recommendation: In view of you have seen about the project, are you recommending it?

Part 10: Company Financial

42

- Schedule of production: You should spell out how the product(s) or services(s) are to be produced and costed and the quantity. For instance, is it a manufacturing process or is it a bought-in-item. The cost and price should be clearly stated. It might also be necessary to state what proportion is material, labour and overhead recovery, and how they relate to the selling prices. If it is a service on what basis is the cost charged?

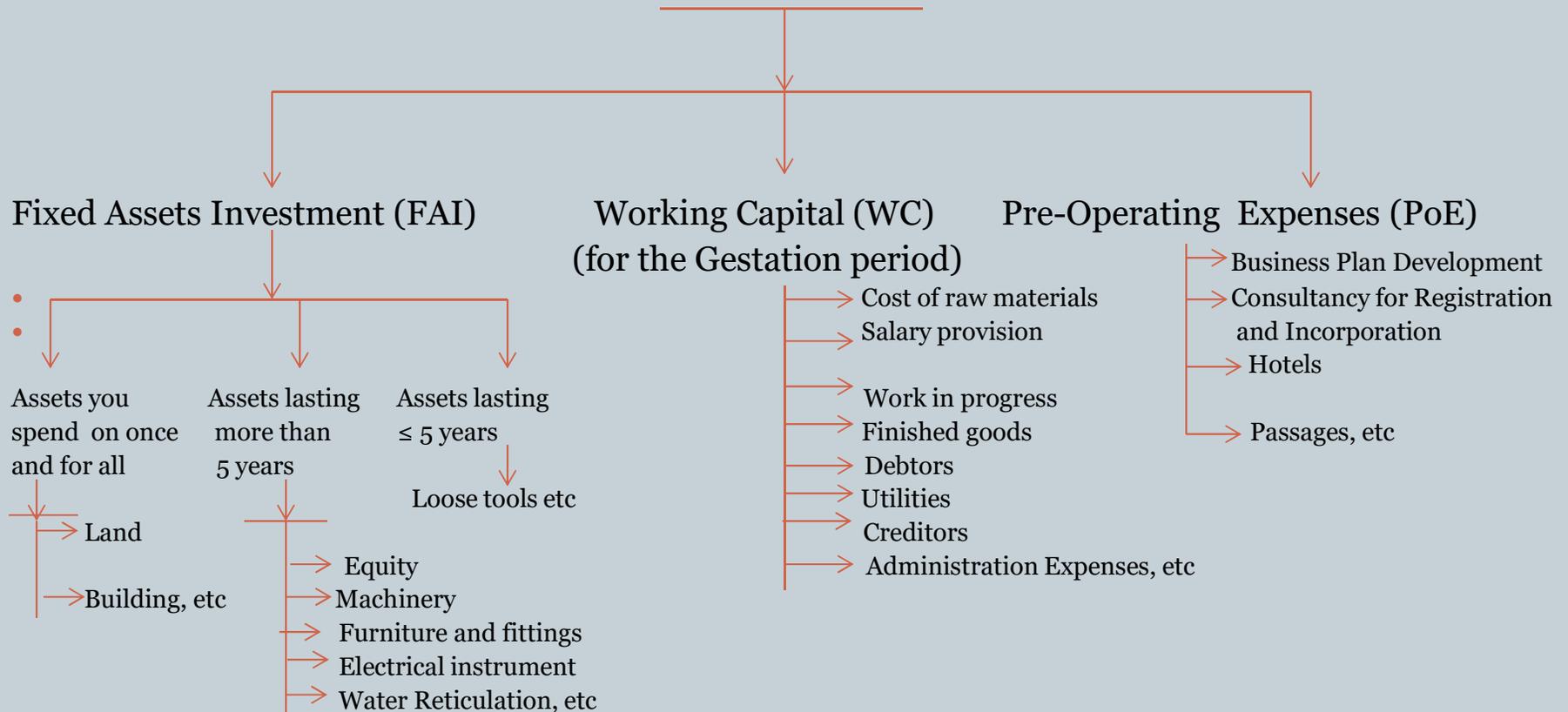
Part 10: Company Financial

43

- Estimate of Sales: Based on the production schedule show the sales estimate.
- Cost Estimate: Also based on the schedule of production show the cost estimate.
- Fixed Assets Cost: Also called Establishment Costs. It is vital to assess the total funds required to set up the business and cover its operating costs until it becomes profitable. These should be listed and totaled. They should be split between fixed assets cost (pre-business cost) and working capital.

Schema for Total Initial Investment Outlay in Business Plan Writing

Enterprise Business



NOTE

$FAI + WC + PoE = \text{Total Initial Investment Outlay (TIIO)} // \text{Equity} + \text{Bank Loan or Grant} = \text{TIIO}$

Executive Summary Contd.

(45)

Particularly the following points should be discussed:

- **Part I**

- Executive Summary

- Name of Business

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- Legal Form of Business

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- Contact Address

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..... Tel E-mail
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Executive Summary Contd.

- Type of Business

A. Manufacturer B. Service provider C. Wholesaler D. retailer

- Concise description of the business idea

- Products or Services

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- Customers

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Executive Summary Contd.

47

- Owner(s)
- Name(s), address, qualification, function in the business, relevant qualification (if any)
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- Number of jobs to be created
- Start – up capital
 - Investment (Equipment, machinery and others).....
 - Working Capital.....
- Total.....

Executive Summary Contd.

48

- Owner(s)
 - Name(s), address, qualification, function in the business, relevant qualification (if any)
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- Number of jobs to be created
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- Start – up capital
 - Investment (Equipment, machinery and others).....
 - Working Capital.....
- Total.....

Executive Summary Contd.

Source of Capital

The following are the planned sources of capital for the planned business: (

- Owners' Capital.....
- Donations/Grants.....
- Bank loan.....
- Total.....

Profitability

(The figures below are from the profit & loss account i.e. the Net profits)

- Year 1.....
- Year 2.....
- Year 3.....

Level of liquidity

- Year 1.....
- Year 2.....
- Year 3.....

Part II

50

- **Background:**

Give general description of the business idea. What made you to contemplate going into this type of business? I.e what are the identified needs, who are the customers, type of services and how to satisfy the needs, how to reach the customers, etc

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- **Vision statement**

The vision statement is the owner's mental picturesque of the ultimate future dream of the business. I.e. the vision statement of Dangote Group is: *"To be a world-class enterprise that is passionate about the standard of living of the general populace and giving high returns to stakeholders"*

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Part II (Contd)

- **Mission statement**

This is a statement of what the business entity essentially does in order to realize his/ her vision. The mission statement must be in sync with the vision. I.e the mission of Dangote Group (Nig) is ***“Touch the lives of people by providing their basic needs”***.

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- **The Company**

Name of company, is it registered, what is the registration number, is the company already existing as a business (if yes attach 3 years audited account), Brief history of the company. What are the company’s milestones? Specify if the current plan is for expansion, rehabilitation, integration, modernization, diversification, others), or is it new in business

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Part II (Contd.)

- **Legal Status / Ownership:**

What is the form of business, is it registered, Who is the main promoter of the business, if owned by several individuals, show the shareholding structure. Any trademarks, copyrights, or patents? What are the other legal issues relevant to the company? I.e. Is there any distribution or franchising or licensing agreements etc.

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- **Location and Facilities:**

Where is the business located and why is it located there? What facilities are available in such locations? State the specific address of the business. Alternatively the general area or city could be named if a particular location has not been chosen. Sometimes, the company might have more than one operational base from where it operates, list the, or the areas you plan to operate.

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Part II (Contd.)

- **Products or services offered:**

What is the product/service, is it totally a new product/service, is it to compete with already existing product/service

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- **Industry Trend and analysis:**

Your business is part of an industry, so discuss industry trend. Stating industry trends helps in providing facts that could be used to buttress claims made for the desirability of your business. Address the following questions: what industry does your company belongs; is the industry a growth industry; and what are the challenges of the industry? Particularly state the opportunities and threats in the industry and how you would utilize them.

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Part II (Contd.)

- **Business Strategy (BS)**

“Business strategy is the firm's working plan for meeting its vision, prioritizing objectives, competing successfully, and optimizing financial performance with its business model”.

Business strategy is part of your success factors. Here you consider those things you need to do to distinguish your business and make customers to see you as an option of first choice. BS can be any of the following: to be known as the company that produces the best quality product without endangering the environment; a reliable source of product supply at any point in time; the player with the best ethical standards; etc.

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- **Key Success Factors:**

Generally what are those factors that predispose your company to success? Is it location, product quality, etc? Specifically discuss them.

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Part III The Market

55

- **Nature, location, size, and attribute analysis:**

Specify the geographic location and reach of your target market i.e. city, country or region. Is your area urban or rural? Consider impact of population density, climate, seasonality issues, culture, etc. For attribute analysis comment on the consumers' income, taste/buying behaviour, etc.

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- **Sales and market share analysis:**

What is the percentage of sales to projected output? What is the market share of the product compared with that of competitors in the industry?

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The Market

56

Key competitors and competitive advantage:

Competition could be direct (pertaining to companies in your line of business) or indirect (relating to companies whose products or services could act as substitutes to your products/services).

Indirect Competition (i.e. Broiler)

Products/Services	Degree of substitution	Strengths	Weaknesses
Turkey	80%	White meat	Costlier, more LDL
Goat	60%	Better taste	Red meat
Beef	45%	Better taste	Red meat

Direct Competition

Products/services	Strengths	Weaknesses	Others attributes

The Market

57

- **Competitive positions and specific advantage**

Rank	Competitor	Strengths	Weaknesses	Your edge over competitor
1	Phinomar Ltd	Economies of scale, network of customers, etc	Impersonal with customers, products not customized to customers	Direct relationship with customers
2				
3				

- **SWOT Analysis**

What are the risks, weaknesses, opportunities and threats

- Strengths (These are firm specific factors. I.e. experience and expertise of work force)

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The Market (Contd.)

- **Weaknesses:**

These are firm specific issues. I.e. inexperience and uncooperative attitude of work force. These can impede superior firm performance.

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- **Opportunities**

This is given as part of the external environment for all businesses. I.e. Growing market as a result of growing population

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- **Threats**

Also given as part of the external environment for all business operators. I.e. Security

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The Market (Contd.)

59

Demand and Supply Analysis and Estimating the Initial Installed Capacity

Details	Size/number
Potential demand to be served	XX
Less 30% existing competitors	XX
Available market (in the absence of expansion and very high entry wall)	XXX
Less 10% due to possible expansion of existing competitors and entrant of new ones	XX
Available market	XXX
Less 5% due to error in estimation	XX
Available demand / Qualified market/Demand supply gap	XXX
Initial installed capacity cat most 60% of available demand (served market)	XXX

The Market (Contd.)

- **Marketing Plan**

- **Market segmentation:**

This enable the accurate targeting of marketing efforts in such a way as to yield best results. Segmentation can be by way of: industry – where efforts are made to identify the needs of each industry like technology, production process, etc; financial muscle – whereby cognizance is given to different financial capacities of customers; location - which considers level of consumption that varies with location. i.e. the preferences of customers may vary with their location, i.e. rural and urban dwellers usually differ in their taste, and consumption.

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- **Target Market**

Which of the market above are you focusing on? For the selected segment, we consider: user profile and purchaser profiles, existing core customers, high potential new customers, buyers decision making and buying processes; and secondary market/customer or low potential customers.

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The Market (Contd.): Marketing plan price

61

Product/Service	Product 1			Product 2		
How much are customers willing to pay?	Highest	Averag	Lowest.	Highest	Average	Lowest
What are the competitors price	Highest	Average	Lowest	Highest	Average	Lowest
My Price						
Reason for setting my price						
Margin for discount?	Yes (%) No			Yes (%) No		

The Market (Contd.)

62

- **Market Positioning Strategy:**

What is the firm's standing in the market compared to its competitors. How has the market been changing? State the strategy with which you plan to enhance market positioning i.e. How do you plan to use the 4Ps of marketing?

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- **Marketing Mix Implementation Tools:**

State how you would use any of these tools: products/services; advertising message; pricing, publicity; packaging, merchandising, personal selling operations; branding; and media.

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The Market (Contd.)

63

- **Chanel of distribution**

How do you reach the customers? Do you sell to

- Individuals Retailers Wholesalers Others

Reason for choosing this way of distribution.

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- **Start – up promotion.**

Description of the planned actions to inform customers about the opening of the new business (i.e. posters, fliers, advertisement, radio, opening ceremony, church announcements, etc. Find out the cost of each form of promotion).

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The Market (Contd.)

64

- **Alliances:**

How do you form and maintain relationships with other business? Will the alliance help you to gain more clients and customers, shareholders, business associates, suppliers, workforce, technical and market knowledge skills, and business guidance

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The Market (Contd.)

65

Marketing Calendar and Budget:

Use the important deadlines for executing specific marketing functions? The marketing budget is shown below:

Date	Marketing Plan Activity	Evaluation Index	Personnel Involved	Estimated Costs (N)
Start..... End.....				
Total				

Part IV: Technical Analysis

66

- **Production plan:**

The Project:

Recapitulate on your products and services. Is the project a small scale or medium scale business? Is it labour intensive or capital intensive?

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- **Production Process:**

Give a brief description of the proposed production process showing the relationship of the different machines and equipment to each other, show the basic steps to be followed in the production chain.

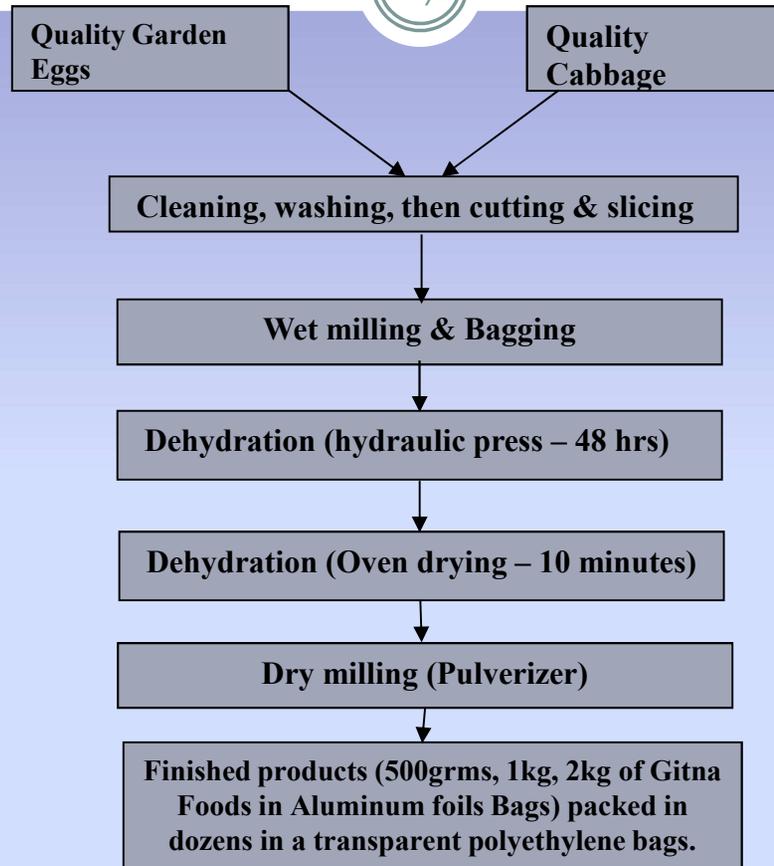
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Part IV: Technical Analysis (Contd.)

67

- The Production flow Chart
Draw the production flow chart showing the sequence of producing the product/service



Part IV: Technical Analysis (Contd.)

(68)

Projected production schedule

		Output	Raw input 1	Raw input 2	Raw input 3	Raw input n
1	Jan							
2	Feb							
....							
12	Dec							
Yr 1	Total							
13	Jan							
14	Feb							
....							
24	Dec							
Yr 2	Total							
25								
....								
36	Dec							
Yr3	Total							

Part IV: Technical Analysis (Contd.)

69

- Machinery, equipment, and other requirements.

S/n	Investment (Equipment and others)	Qty	Life Span	Other comments
1	Land			
2	Building			
3	Equipment and Machine:			
	i			
	ii			
	iii			
	.			
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	n			

Part IV: Technical Analysis (Contd.)

- **Technology:**

Technology plays vital roles in businesses today. Particularly, some issues that need to be considered here are: is the technology product or process technology; is it complex or simple; does it easily get obsolete; is it local or foreign; is it expensive; and does it need special training?

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- **Quality assurance and standardization**

In this section, steps to be taken to ensure quality assurance.

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Part IV: Technical Analysis (Contd.)

71

- **Management and Organisational Structure**

- Shareholders / Directors:

Who are the key promoters and or board member? What is the shareholding structure? Identify the advisors, and consultants.

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- **Management team**

Highlight your key members, stating their qualifications, training, experiences, functions in the company.

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- **Predict future management needs.**

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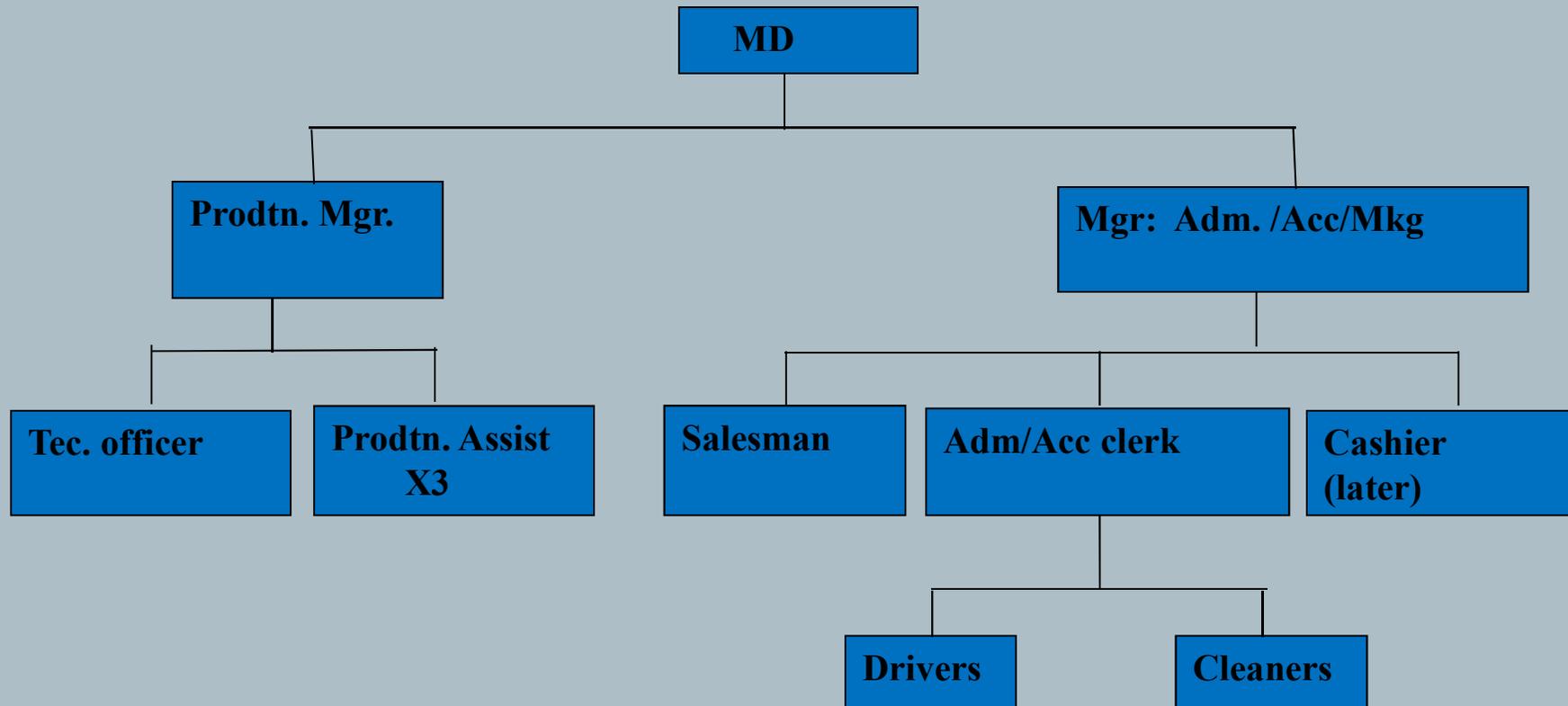
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Part IV: Technical Analysis (Contd.)

72

- **Organizational structure:**

Show the hierarchy in the management using an organizational chart.



Part IV: Technical Analysis (Contd.)

Table 6: The personnel plan example (staffing and salary structure)

S/n	Position	No. of staff	Salary per staff	Total salary /Month	Total annual Salary
1	Managing Director	1	200,000.00	200,000.00	2,400,000.00
2	Unit Managers	2	100,000.00	200,000.00	2,400,000.00
3	Technical officer	1	40,000.00	40,000.00	480,000.00
4	Production officers	3	40,000.00	120,000.00	1,440,000.00
5	Sales/Admin & Acc Officer	2	40,000.00	80,000.00	960,000.00
6	Driver	1	25,000.00	25,000.00	300,000.00
7	Cleaners	1	10,000.00	10,000.00	120,000.00
	Sub Total			675,000.00	8,100,000.00
	Add 5% Bonus				405,000.00
	Total				8,505,000.00

Part IV: Technical Analysis (Contd.)

- **External support (Out sourcing):**

The capacity of the managing crew and the organisation as a body might not be adequate to handle all manner of tasks pertinent to the organisation. In this instance the organisation may need to outsource certain roles or tasks. What are the tasks that might be outsourced, and who are the professionals or consultants that might be invited?

.....
.....
.....
.....

- **Organization's values and norms:**

What is the company's disposition towards best practices; integrity; ethics; and doing business within the ambits of the law?

.....
.....
.....

Part IV: Technical Analysis (Contd.)

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- **Legal Issues:**

Is there any legal agreement, memorandum of understanding, intellectual property right issue, etc

.....

- **Regulatory and Environmental Issues**

- Regulatory Issues:

- Is the product/ service regulated and who is the regulating body/agency?

.....
.....
.....

- Is the product/service registered with the regulating body?

.....
..... (if registered, please attach the certificate)

-

- What is the registration number? Also state the registered address

.....

Part V: Legal, regulatory, social, and environmental issues

- **Environmental Issues**
- What are the by – products of this product/service
.....
.....
- What are the effects of these by – products on the environment?
.....
.....
- How do you propose to treat and dispose the by – products
.....
.....
- Have you obtained a certificate from the ministry of environment indicating that the by product shall not constitute environmental danger?
.....
.....

Part VI: Financials(Contd.)

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•What are the Equipment, Machinery and others Needed to Produce the Products/Service

S/n	Investment (Equipment and others)	Qty	Unit cost (₦)	Total cost (₦)
1	Land			
2	Building			
3	Equipment and Machine:			
	i			
	ii			
	iii			
	iv			
	v			
	vi			
	.			
	.			
	.			
	.			
	n			
	Total Investment			

Part VI: Financials(Contd.)

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To successfully estimate workings capital needs of the business, sales and cost of inputs must be estimated. See the two tables below:

Details of Sales items	Year 1	Year 2	Year 3
Product/Service			
Product/Service Quantity (Volume)			
Price per unit			
Sales			

Details of Cost Input items	Year 1	Year 2	Year 3
Product/Service			
Product/Service Quantity (Volume)			
Cost per unit			
Cost of raw inputs			

Part VI: Financials(Contd.)

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Sometimes, it may be a requirement details regarding input items be given. An instance is as shown below:

• Imported Raw Materials & Other Inputs (at Full Capacity)

Items	Unit Cost ₱	Quantity Required/Annum		Customs Duty Rate (%)
		Current (Existing)	Proposed (After Expansion)	
α.				
b.				
c.				
d.				
e.				
f.				
g.				
h.				
Total				

Part VI: Financials(Contd.)

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- Local raw materials and Other Inputs

Items	Unit Cost ₱	Quantity Required/Annum	
		Current (Existing)	Proposed (After Expansion)
a.			
b.			
c.			
d.			
e.			
f.			
g.			
h.			
Total			

Part VI: Financials(Contd.)

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- **Indicate The Sources of The Raw Materials**

Item	Source
a.	
b.	
c.	
d.	
e.	
f.	
g.	
h.	
i.	

- **Has any contractual arrangement been made for raw materials procurement?**

.....

.....

.....

.....

Part VI: Financials(Contd.)

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Item	<u>Current</u> (for existing projects Only) (₹)	<u>Proposed</u> (for new /expansion projects) (₹)
α. Rents and Rates		
b. Traveling Expenses		
c. Stationery & Sundry Exp.		
d. Vehicle Running Expenses		
e. Insurance		
f. Professional Fee		
g. Other Expenses (Specify)		
TOTAL		

• Preliminary & Pre-Operating Expenses (For New Projects Only)

Item	Amount (₹)
α. Company Incorporation	
b. Increase in Authorized Share Capital	
c. Traveling Expenses	
d. Preparation of Business Plan/F.S.	
e. Others (please specify)	
Total	

Part VI: Financials(Contd.): Working capital projection:

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- How do you provide for your initial operating expenses?
- Start up capital required: Totaling Fixed assets and working capital.
- Financial structure proposed: How do you intend to fund the needed start up capital. How much is equity and how much is to be borrowed
- Depreciation: How do you plan for asset replacement as they are worn out in the business?
- Loan repayment and interest payment schedule: When do you start paying what you borrowed? When will you finished and how much interest and principal do you pay per period?
- Projected profit and loss account: The profit and loss for the first one year or 12 months should be calculated. As a new business this should be done on a monthly basis and include the establishment costs. You include all Sales Revenue, costs of sales, the gross profit/loss and every overhead expense. Make sure that you do not overestimate the sales and underestimate the overhead costs. Below is an example of a simple profit and loss schedule.

Part VI: Financials(Contd.): Working Capital Projection

Working capital items	Year 0 (N)	Year 1 (N)	Year 2 (N)	Year 3 (N)
- Stock of raw materials #1 (n.....days/months value)				
- Stock of raw materials #2 (n.....days/months value)				
- Stock of raw materials #3 (n.....days/months value)				
- ...				
- ...				
- n				
- Stock of raw materials #n (n.....days/months value)				
- Stock of WIP (n.....days/months value)				
- Stock of FG (n.....days/months value)				
- Provision for utilities and others: n... months need				
- Salaries/wages				
- Debtors: n... days value of annual sales				
Sub Total				
- Less creditor: n... days need of raw materials				
- Working capital				
- Increase/Decrease in working capital				

Part VI: Financials(Contd.): Working Capital (Example)

Working Capital Projection				
Working capital items	Year 0	Year 1	Year 2	Year 3
Stock of cars: 3 months need of annual cost	18,550,000.00	18,550,000.00	21,541,250.00	26,291,250.00
Provision for Utilities: 3 months need	60,000.00	60,000.00	61,500.00	63,037.50
Provision for General Admin: 3 months need	1,623,000.00	1,623,000.00	1,663,575.00	1,705,164.38
Provision for Salaries: 3 months need	2,425,500.00	2,425,500.00	2,486,137.50	2,548,290.94
Account Receivables: 2 weeks of annual sales	0.00	3,719,615.39	3,812,605.77	3,907,920.92
Sub Total	22,658,500.00	26,378,115.39	29,565,068.27	34,515,663.73
Less provision for creditors: 3 months annual cost	12,370,000.00	12,370,000.00	14,361,000.00	17,528,000.00
Working Capital	10,288,500.00	14,008,115.39	15,204,068.27	16,987,663.73
Increase in Working Capital		3,719,615.39	1,195,952.88	1,783,595.46

Part VI: Financials(Contd.)

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Start Up Capital Needed

S/n	Item of Expenditure	Amount
1	Fixed asset investment (Equipt. Machinery and other requirements)	
2	Working Capital	
3	Pre - operating Expenses	
	Initial Total Investment Outlay	

Financing Plan (Financing structure)

S/n	Source of Fund	Amount
1	Owner's capital	
2	Bank Loan	
3	Others (Specify)	
	Total	

Part VI: Financials(Contd.)

Loan Repayment and Interest payment schedule.

Year	Loan/ Loan Bal B/d	Interest	Annual installment	Loan Repayment	Loan Bal c/f
	A	B	C	D	E
	A	B = r(A)	C (A value in eqn. 1)	D = C - B	E = A - D
0					
1					
2					
.					
.					
n					
Total					

$$PV = \frac{A(1 - (1 + r)^{-n})}{r} \dots\dots\dots(1)$$

Where: PV = Loan amount; A = Annual installment; r = rate of interest per annum; and n = tenure of loan in years.

Part VI: Financials(Contd.)

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Schedule of Depreciation

S/n	Item of Depreciation	Initial value	Scrap value	Life span	Depreciation
1					
2					
3					
4					
5					
.					
.					
.					
n					
Total Depreciation					

$$\text{Dep.} = (\text{iv} - \text{sv}) / \text{ls} \dots\dots\dots (2)$$

Where; Dep. = Total depreciation; iv = initial value; sv = scrap value; and ls = life span of asset.

Projected Profit and Loss Account

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- **Projected profit and loss account:**

Attempt is made here to know whether the business would be profitable or not.

- The profit and loss for the first one year or 12 months should be calculated.
- As a new business this should be done on a monthly basis and include the establishment costs.
- You include all Sales Revenue, costs of sales, the gross profit/loss and every overhead expense.
- Make sure that you do not overestimate the sales and underestimate the overhead costs.
- The table below illustrates a hypothetical format for estimating the profit and loss account

Estimate of Profit & Loss Account

Profit & Loss Account

Particulars	Year 1	Year 2	Yr. 3
Sales			
Net Sales			
Less: Cost of Goods / Services sold			
Gross Margin			
Less Expenses			
Salaries			
Rent			
Etc			
Total Expenses			
Profit before Interest & Taxes (PBIT)			
Less Interest			
Profit Before Tax (PBT)			
Less Tax			
Profit After Tax (PAT)			
Less Depreciation			
Net Profit			

Estimate of Profit & Loss Account (Appropriations)

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- Note:

There could be more than one items for sales, hence the term net sales. Also there are many items that can come in as expenses, some of them are: telephone; legal; marketing; entertainment; maintenance premises, machines, furniture, computer, etc; and such others.

In some climes, depreciation is tax deductible. If this is the case, the depreciation amount is removed before tax deduction. Here in Nigeria, depreciation is not tax deductible, hence the treatment above.

After the Net Profit is arrived at, the next is to show appropriation. See the box below.

Net Profit	Year1	Year 2	Year 3
Net Profit	XX	XX	XX
Appropriations			
Dividend (X%)	x	x	x
Retained earnings ((100-X)%)	y	y	y
Total	XX	XX	XX

Cash Flow Projections

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➤ Cash Flow

This is almost the most important control schedule that any new business needs. Whatever the profitability of the business might be, it is critical to ensure that your business does not run out of cash. The projected cash flow shows periods of surpluses and shortfalls of cash. In its simplest form it records when you actually receive cash from sales. It also records when cash payments are made for; buying product, overheads, tax, etc. It is ideal to draw your plan with the cash flow schedule starting right at the beginning of the new business set-up with a zero Bank Balance and with the initial cash investment inserted. This helps us have a more realistic figure for the cash requirement of the business. See an example of a simple Cash Flow schedule below.

Cashflow Projection

7.12 Cashflow Projection

	Yr 0 Total (₦)	Yr 1 Total (₦) 94	Year 2 Total (₦)	Year 3 Total (₦)
Cash In				
Bank Loan				
Sales Income				
Other Income (state)				
Total Cash In				
Cash Out				
Admin. Outgoings				
Cost of Goods				
Interest Expenses				
Loan Repayment				
.				
Other Payments				
Total Cash Out				
Net Cash Flow				
Opening cash Bal				
Closing cash Bal				

Balance of Sheet

Balance Sheet Assets	Start Date Yr 0	Year End i.e. Yr 1	Yr 2	Yr 3
Fixed Assets:				
Land, Machinery & others				
Less Cum. Dep.				
Total Fixed Assets (A)				
Current Assets:				
Cash (<i>use as balancing item</i>)				
Debtors				
Stock				
Total Current Assets (B)				
TOTAL ASSETS (C)				
Liabilities:				
Current liabilities:				
Creditors				
Accrued expenses				
Overdraft				
Short Term Loan				
Total Current Liabilities (D)				
<i>Capital Employed (A - D)</i>				
Long Term liabilities:				
Long Term Loan				
Other (specify)				
Total Long Term Liabilities (E)				
Long + Short Term Liab. (F)				
Shareholders Equity (C - F)				
Shareholders Equity:				
Capital (Shares)				
Retained Profits				
Total shareholders fund (G)		95		
TOTAL LIABILITIES(F+G)				

Balance of Sheet (Contd.)

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- **Notes:**

- Total Assets = Fixed Assets + Current + assets
- Total Liabilities = Long term Liabilities + Current Liabilities + Shareholders Fund
- Shareholders' Equity = Total Assets – Total liabilities
- Capital Employed = Total Assets – Current Liabilities
- Working Capital = Current Assets – Current Liabilities

- Ratio Analysis

$$CR = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

- Acid test Ratio or Quick Ratio =

Balance of Sheet (Contd.)

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$$CR = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

$$ATR = \frac{\text{Current Assets} - \text{Stock}}{\text{Current Liabilities}}$$

$$DER = \frac{\text{Long Term Loans}}{\text{Net Worth}}$$

$$DCR = \frac{\text{Long Term Loans}}{\text{Equity} + \text{Long Term Loans}}$$

$$ICR = \frac{\text{Profit before Interest \& Taxes}}{\text{Financial Charges (i.e. Interest Charges)}}$$

Notes:

1. Current ratio = CR
2. Acid Test Ratio = ATR
3. Debt Equity Ratio = DER
4. Debt Capitalization Ratio = DCR
5. Interest Coverage Ratio

Balance of Sheet (Contd.)

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$$ACT = \frac{\text{Net Assets}}{\text{Total Loans}}$$

$$ROCE = \frac{PBIT \times 100}{\text{Capital Employed}}$$

$$NPM = \frac{PBIT \times 100}{\text{Sales}}$$

$$BEP = \frac{\text{Fixed Cost (FC)}}{\left\{1 - \frac{\text{Variable Cost (VC)}}{\text{Sales}}\right\}}$$

Notes:

1. **Assets Coverage Ratio = ACT**
2. **Return on Capital Employed = ROCE**
3. **Net Profit Margin = NPM**
4. **Break Even Point (₹) = BEP**

