DIRECTORATE OF GENERAL STUDIES

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ENTREPRENEURSHIP AND INNOVATION
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LECTURE NOTE

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CONCEPT OF ENTREPRENEURSHIP

1. Introduction

The genesis of business ideas has to do with discovering and enabling. Behind enterprise we find individuals' sense of and faith in opportunities, irrespective of whether the origin of these perceptions is technical, production orientated or market based. Translating these sense and faith in reality is what has been termed entrepreneurship. Entrepreneurship is the process of seizing an opportunity to introduce new products or services in an effort to transform inventions and innovations into monetary value. Entrepreneurship has also been defined as the process by which individuals pursue opportunities without regard to resources they currently control for the purpose of exploiting future goods and services. According to Entrepreneurship Centre Miami University, entrepreneurship is the process of identifying, developing and bringing a vision to life. The vision may be an innovative idea, an opportunity or a better way to do something.

According to Aminu (2012) entrepreneurship is the pursuit of lucrative opportunities by enterprising individuals with hope of making a fortune. It involves creating new system, resources or process to produce new goods or services at profit. Entrepreneurship refers to the activities and process of new venture creation and management of the new venture to a stable state. The various definitions of entrepreneurship identify two basic elements of entrepreneurship namely: - Innovation and Risk bearing

- Innovation: - innovation is doing something new or something different. Entrepreneurs constantly look out to do something different and unique to meet the changing requirements of the customers.
- Risk bearing: - Giving birth to a new enterprise involves risk and also doing something new and different is riskier. The enterprise may earn profit or incur loss, which depends on various factors like changing preferences, increased competition, shortage of raw materials etc.

1.2 Entrepreneur

SchumPeter defined entrepreneur as a dynamic agent of change who transform physical, human and material resources in to production possibilities. An entrepreneur is a person who create a venture or startup a business and nurture it, takes risks of bringing together the factors of production to meet the society's need at a profit. An entrepreneur can also be defined as a person who tries to create something new, organizes production and undertakes risk and handles economic uncertainty involved in enterprise. Peter Drucker sees entrepreneur as one who always searches for change, respond to it and exploit it as an opportunity. The concept of entrepreneur is associated with three elements: *risk bearing, organizing and innovating*.

Entrepreneurs come from all backgrounds and operate within industries as diverse as construction, wholesale, retail, financial services, accounting services, manufacturing, drug development, medical device, transportation, and food service. Although individuals engaged in any of the above economic sectors are entrepreneurs in every respect, this guide concentrates on characteristics of persons seeking to start new ventures that require a high degree of scientific knowledge.

An entrepreneur is typically a highly motivated individual possessing a clear vision to reach goals unimagined by the general population. He or she must have a high willingness to take risks ("If it fails, I will fix it"), display exceptional creativity (inventions and innovations), be fiercely independent (from formal supervision), can tolerate an atmosphere of continuous chaos, and yearn for controlling his or her own destiny.

1.3 Characteristics of Successful Entrepreneurs

Although many behaviors have been ascribed to entrepreneurs, several are common to those who are successful. Those in new ventures and those who are already part of an entrepreneurial firm share these qualities, which includes; passion for their business, product/customer focus, execution intelligent and tenacity despite failure.

Passion for their business: The number-one characteristic shared by successful entrepreneurs is a *passion for their business*, whether it is in the context of a new firm or an existing business. This passion typically stems from the entrepreneur's belief that the business will positively influence people's lives. Passion is particularly important for both for-profit and not-for-profit entrepreneurial organizations because although rewarding, the process of starting a firm or building a social enterprise is demanding. There are five primary reasons passion is important, as reflected in Table below. Each of these reasons reflects a personal attribute that passion engenders. Removing just one of these qualities would make it much more difficult to launch and sustain a successful entrepreneurial organization.

Five primary reasons passion is important for the Launch of a successful entrepreneurial Organization

Reason passion is important	***Explanation***
The ability to learn and iterate	Founders don't have all the answers. It takes passion and drive to solicit feedback, make necessary changes, and move forward. The changes won't always be obvious. Passion makes the search for the right answers invigorating and amusing.
A willingness to work hard for an extended period of time	Commonly, entrepreneurs work longer hours than people with traditional jobs. You can only do that on a sustained basis, if you're passionate about what you're doing.
Ability to overcome setbacks and "no's"	It's rare that an entrepreneur doesn't experience setbacks and hear many "no's" from potential customers, investors, and others while building an entrepreneurial business or social enterprise. The energy to continue comes from passion for an idea.
The ability to listen to feedback on the limitations of your organization and yourself	You'll meet plenty of people along the way—some with good intentions and some without—who will tell you how to improve your organization and how to improve yourself. You have to be willing to listen to the people with good intentions and make changes if it helps. You have to be able to brush aside feedback from people with bad intentions without letting them get you down.
Perseverance and persistence when the going gets tough	Perseverance and persistence come from passion. As an entrepreneur, you'll have down days. Building an entrepreneurial organization is troubled with challenges. Passion is what provides an entrepreneur the motivation to get through tough times.

Product/Customer focus

A second defining characteristic of successful entrepreneurs is a **product/customer focus**. The two most important elements that lead to success in any business are the products and customers. While it's important to think about management, marketing, finance, and the like, none of those functions makes any difference if a firm does not have good products with the capability to satisfy customers. "The philosophy that an entrepreneur or business have always stuck to is that, everything we build has to provide real value to both our users and customers. The best measurement of whether or not the entrepreneur is successful at delivering something valuable is if his customers are willing to pay." A product/customer focus also involves the diligence to spot product opportunities and to see them through to completion.

Tenacity despite failure

Because entrepreneurs are typically trying something new, the possibility of failure exists. In addition, the process of developing a new business is somewhat similar to what a scientist experiences in the laboratory. A chemist, for example, typically has to try multiple combinations of chemicals before finding an optimal combination that can accomplish a certain objective. In a similar fashion, developing a new business idea may require a certain degree of experimentation before a success is attained. Setbacks and failures inevitably occur during this process. The litmus test for entrepreneurs is their ability to endure through setbacks and failures.

Execution intelligence

The ability to fashion a solid idea into a viable business is a key characteristic of successful entrepreneurs. Commonly, this ability is thought of as **execution intelligence**. In many cases, execution intelligence is the factor that determines whether a start-up is successful or fails. An ancient Chinese saying warns, "To open a business is very easy; to keep it open is very difficult." The ability to effectively execute a business idea means developing a business model, putting together a new venture team, raising money, establishing partnerships, managing finances, leading and motivating employees, and so on. It also demands the ability to translate thought, creativity, and imagination into action and measurable results. As Jeff Bezos, the founder of Amazon.com, once said, "Ideas are easy. It's execution that's hard." For many entrepreneurs, the hardest time is shortly after they launch their firm.

2. ROLES OF ENTREPRENEURS IN ECONOMIC DEVELOPMENT

Entrepreneurs are dynamic force in an economy, envisioning the possibilities of new types of economic activity and doing everything necessary to realize their visions. As a result, entrepreneurs give birth to new enterprises, new commercial activities and new economic sectors. They generate jobs for others; they produce goods and services for citizens; they introduce new cost-cutting or product-improving production technologies and improved or lower-cost outputs; they earn foreign exchange through exports expansion or the substitution of imports; they save, raise funds, and invest. They also generate the income and wealth that permit the collection of taxes by governments for expenditure on human development (education, health, and social services), physical infrastructure and public goods generally. They promote the process of learning and adapting to changing circumstances as technology changes, market evolve; and policies change. In summary the roles of entrepreneurs in economic development includes the following among others**:**

i. **Employment Creation: -** Entrepreneur is expected to create employment for the increased population and also to prevent rural-urban drift. This actions of entrepreneur reduce the high rate of criminal activities in the economy and bring about peaceful and prosperous society.
ii. **Improve Standard of Living**: - The entrepreneurs are expected to improve the standard of living of the people through quality products/services and also through a well-motivated workforce employed by the MSMEs. Improving standard of living must be the responsibility of the entrepreneurs as healthy people will bring about a wealthy economy.
iii. **Increase in government Revenues: -**Entrepreneurs will also bring about an increase in the government revenues in the areas of value added taxes, company income taxes and income taxes of the employees of these small businesses.
iv. **Utilization of local resources: -** The domestic entrepreneurs are also expected to look more inward by sourcing for the raw material locally and rely more on the employment of domestic experts.
v. **Development of domestic /Indigenous technology: -** The entrepreneurs are also expected to develop indigenous industrial machinery and equipment, evolve a management approach in consonance with the indigenous culture. Most technologically advanced countries also started from somewhere.
vi. **Supplier of raw material for larger industries: -** The entrepreneur should also provide the larger industries with raw materials for the expanded output. This will

reduce the cost of production, reduce the price level and increase the level of economic welfare.

3. IDENTIFYING OPPORTUNITIES

Essentially, entrepreneurs recognize an opportunity and turn it into a successful business. An *opportunity* is a favorable set of circumstances that creates a need for a new product, service, or business. Most entrepreneurial ventures are started in one of two ways. Some ventures are externally stimulated. In this instance, an entrepreneur decides to launch a firm, searches for and recognizes an opportunity, and then starts a business. Other firms are internally stimulated. An entrepreneur recognizes a problem or an *opportunity gap* and creates a business to address the problem or fill the identified gap.

Regardless of which of these two ways an entrepreneur starts a new business, opportunities are tough to spot. Identifying a product, service, or business opportunity that isn't merely a different version of something already available is difficult. A common mistake entrepreneurs make in the opportunity recognition process is picking a currently available product or service that they like or are passionate about and then trying to build a business around a slightly better version of it. Although this approach seems sensible, such is usually not the case.

The key to opportunity recognition is to identify a product or service that people need and are willing to buy, not one that an entrepreneur wants to make and sell. An opportunity has four essential qualities: (1) attractive, (2) timely, (3) durable, and (4) anchored in a product, service, or business that creates or adds value for its buyer or end-user. For an entrepreneur to capitalize on an opportunity, its **window of opportunity** must be open. The term *window of opportunity* is a metaphor describing the time period in which a firm can realistically enter a new market. Once the market for a new product is established, its window of opportunity opens. As the market grows, firms enter and try to establish a profitable position. At some point, the market matures, and the window of opportunity closes.

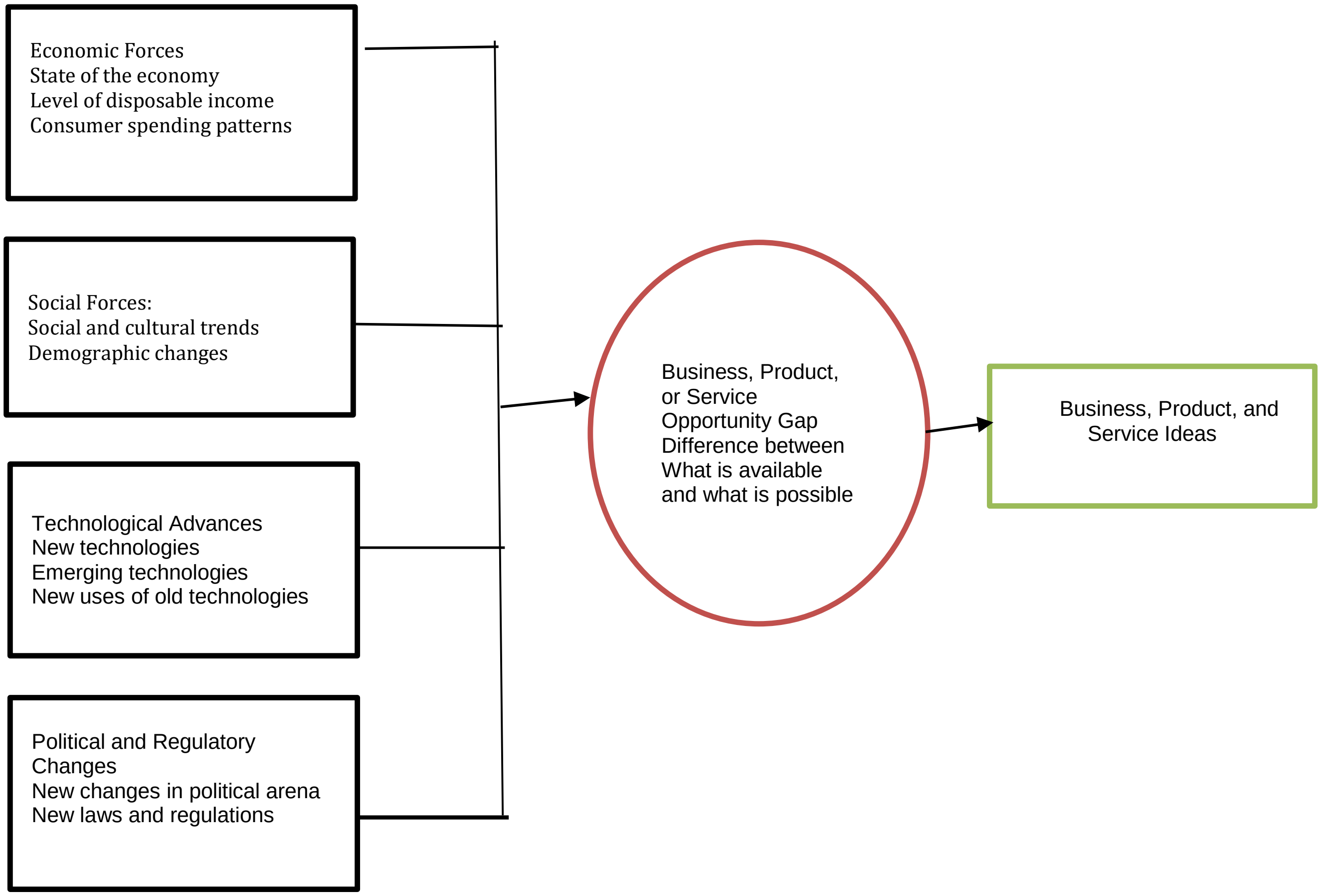
It is important to understand that there is a difference between an opportunity and an idea. An **idea** is a thought, an impression, or a notion. An idea may or may not meet the criteria of an opportunity. This is a critical point because many entrepreneurial ventures fail not because the entrepreneurs that launched them didn't work hard, but rather because there was no real opportunity to begin with. Before getting excited about a business idea, it is crucial to understand whether the idea fills a need and meets the criteria for an opportunity.

There are three approaches entrepreneurs use to identify an opportunity their new venture can choose to pursue. Once an entrepreneur understands the importance of each approach, she/he will be much more likely to look for opportunities and ideas that fit each profile.

Observing trends

The first approach to identifying opportunities is to observe trends and study how they create opportunities for entrepreneurs to pursue. The most important trends to follow are economic trends, social trends, technological advances, and political action and regulatory changes. As an entrepreneur or potential entrepreneur, it's important to remain aware of changes in these areas. One of the most important attributes of a good entrepreneur is having a keen observation ability. Basically seeing what's needed in people's everyday lives and coming up with innovative ideas and services that meet those needs. It been established that those entrepreneurs that anticipate trends and maintain observations of what's needed to solve those needs will have a higher chance of succeeding in the marketplace.

Even though entrepreneur observe several trends individually to identify opportunity, however, they are interconnected and should be considered simultaneously when brainstorming new business ideas. For example, one reason that smartphones are so popular is because they benefit from several trends converging at the same time, including an increasingly mobile population (social trend), the continual miniaturization of electronics (technological trend), and their ability to help users better manage their money via online banking and comparison shopping (economic trend). If any of these trends weren't present, smartphones wouldn't be as successful as they are and wouldn't hold as much continuing promise to be even more successful in the future.



Solving a problem

The second approach to identifying opportunities is to recognize problems and find ways to solve them. Problems can be recognized by observing the challenges that people encounter in their daily lives and through more simple means, such as intuition or chance. There are many problems that have yet to be solved. Commenting on this issue and how noticing problems can lead to recognizing business ideas. Philip Kotler, a marketing expert, said: “Look for problems. People complain about it being hard to sleep through the night, get rid of clutter in their homes, find an affordable vacation, trace their family origins, get rid of garden weeds, and so on”. As the late John Gardner, founder of Common Cause, observed: “Every problem is a brilliantly disguised opportunity.” Consistent with this observation, many companies have been started by people who have experienced a problem in their own lives, and then realized that the solution to the problem represented a business opportunity.

Finding gaps in the Marketplace

Gaps in the marketplace are the third source of business opportunities. There are many examples of products that consumers need or want that aren't available in a particular location or aren't available at all. A common way that gaps in the marketplace are recognized is when people become frustrated because they can't find a product or service that they need and recognize that other people feel the same way. A related technique for generating new business opportunities is to take an existing product or service and create a new category by targeting a completely different target market. This approach essentially involves creating a gap and filling it.

4. FEASIBILITY STUDY

Feasibility analysis is the process of determining if a business idea is viable. If a business idea falls short on one or more of the four components of feasibility analysis, it should be dropped or rethought, as shown in the figure. Many entrepreneurs make the mistake of identifying a business idea and then jumping directly to developing a business model to describe and gain support for the idea. This sequence often omits or provides little time for the important step of testing the feasibility of a business idea.

The reason why it's important to complete the entire process, according to business experts is to avoid falling into the "everything about my opportunity is wonderful" mode. In their views, failure to properly investigate the merits of a business idea before developing a business model and writing a business plan runs the risk of blinding an entrepreneur to inherent risks associated with the potential business. There are basically four key areas of feasibility analysis: product/service feasibility, industry/target market feasibility, organizational feasibility, and financial feasibility.

Product/service Feasibility Analysis

Product/service feasibility analysis is an assessment of the overall appeal of the product or service being proposed. Although there are many important things to consider when launching a new venture, nothing else matters if the product or service itself doesn't sell. There are two components to product/service feasibility analysis: product/service desirability and product/service demand.

Product/Service Desirability

The first component of product/service feasibility is to affirm that the proposed product or service is desirable and serves a need in the marketplace. An entrepreneur should ask himself, and others, the following questions to determine the basic appeal of the product or service:

- ✓ Does it make sense? Is it reasonable? Is it something real customers will buy?
- ✓ Does it take advantage of an environmental trend, solve a problem, or fill a gap in the marketplace?
- ✓ Is this a good time to introduce the product or service to the market?
- ✓ Are there any fatal flaws in the product or service's basic design or concept?

The proper mind-set at the feasibility analysis stage is to get a general sense of the answers to these and similar questions, rather than to try to reach final conclusions. The best way to achieve this is to “get out of the building” and talk to potential customers. A tool that is particularly useful in soliciting feedback and advice from prospective customers is to administer a concept test.

Concept Test: A **concept test** involves showing a preliminary description of a product or service idea, called a *concept statement*, to industry experts and prospective customers to solicit their feedback. It is a one-page document that normally includes the following:

- A description of the product or service. This section details the features of the product or service; many include a sketch of it as well.
- The intended target market. This section lists the consumers or businesses who are expected to buy the product or service.
- The benefits of the product or service. This section describes the benefits of the product or service and includes an account of how the product or service adds value and/or solves a problem.
- A description of how the product or service will be positioned relative to competitors. A company’s position describes how its product or service is situated relative to its rivals.
- A brief description of the company’s management team.

After the concept statement is developed, it should be shown to at least 20 people who are familiar with the industry that the firm plans to enter and who can provide informed feedback. The temptation to show it to family members and friends should be avoided because these people are predisposed to give positive feedback. Instead, it should be distributed to people who will provide candid and informed feedback and advice. The problem with not talking to potential customers prior to starting a business is that it’s hard to know if a product is sufficiently desirable based simply on gut instinct or secondary research. A common reason new businesses fail is that there isn’t a large enough market for the venture’s product.

Product/Service Demand

The second component of product/service feasibility analysis is to determine if there is demand for the product or service. The most commonly utilized methods for doing this include is talking face-to-face with potential customers.

Talking Face-to-Face with Potential Customers: The only way to know if your product or service is what people want is by talking to them. Curiously, this often doesn't happen. One study of 120 business founders revealed that more than half fully developed their products without getting feedback from potential buyers. Business specialist maintained that potential entrepreneurs learn more from talking to five customers than you will from hours of market research (at a computer)." The idea is to gauge customer reaction to the general concept of what you want to sell. Entrepreneurs are often surprised to find out that a product idea that they think solves a compelling problem gets an unexcited reception when they talk to actual customers.

In some instances, you have to pause and think carefully about who the potential customer is. For example, in health care the "customer" is typically not the patient who will use the drugs or benefit from a medical procedure. Instead the actual customer, or the entity that will be paying the bill, is often an insurance company, hospital, or Medicare or Medicaid. Entrepreneurs should also talk to as many of the relevant players in an industry as possible. Sometimes this involves a complex list of people, but it is necessary to fully vet the initial feasibility of an idea. One approach to finding qualified people to talk to about a product or service idea or to react to a concept statement is to contact trade associations and/or attend industry trade shows.

Industry/target Market Feasibility Analysis

Industry/target market feasibility is an assessment of the overall appeal of the industry and the target market for the product or service being proposed. There is a distinct difference between a firm's industry and its target market; having a clear understanding of this difference is important. An **industry** is a group of firms producing a similar product or service, such as computers, children's toys, airplanes, or social networks. A firm's **target market** is the limited portion of the industry that it goes after or to which it wants to appeal.

There are two components to industry/target market feasibility analysis: industry attractiveness and target market attractiveness.

Industry Attractiveness

Industries vary in terms of their overall attractiveness. The top three factors are particularly important. Industries that are young rather than old, are early rather than late in their life cycle, and are fragmented rather than concentrated are more receptive to new entrants than industries with the opposite characteristics. Entrepreneurs also want to pick an industry that is structurally attractive—meaning start-ups can enter the industry (in various target markets) and compete effectively. Some industries are characterized by such high barriers to entry or the presence of one or two dominant players that potential new entrants are essentially shut out.

Other factors are also important. For example, the degree to which environmental and business trends are moving in favor rather than against the industry are important for the industry's long-term health and its capacity to spawn new target or niche markets. Are changing economic and societal trends helping or hurting the industry incumbents? Are profit margins increasing or falling? Is innovation accelerating or waning? Are input costs going up or down? Are new markets for the industry's main products opening up or are current markets being shut down by competing industries? You can't cover every facet of an industry, but you should gain a sense of whether the industry you're entering is a good one or a poor one for start-ups.

Target Market Attractiveness

We noted previously that a target market is a place within a larger market segment that represents a narrower group of customers with similar needs. Most start-ups simply don't have the resources needed to participate in a broad market, at least initially. Instead, by focusing on a smaller target market, a firm can usually avoid head-to-head competition with industry leaders and can focus on serving a specialized market very well. It's also not realistic, in most cases, for a start-up to introduce a completely original product idea into a completely new market. In most instances, it's just too expensive to be a pioneer in each area. Most successful start-ups either introduce a new product into an existing market or introduce a new market to an existing product. The challenge in identifying an attractive target market is to find a market that's large enough for the proposed business but yet is small enough to avoid attracting larger competitors at least until the entrepreneurial venture can get off to a successful start.

Organizational Feasibility analysis

Organizational feasibility analysis is conducted to determine whether a proposed business has sufficient management expertise, organizational competence, and resources to successfully launch. There are two primary issues to consider in this area: management prowess and resource sufficiency.

Management Prowess

A proposed business should evaluate the prowess, or ability, of its initial management team, whether it is a sole entrepreneur or a larger group. This task requires the individuals starting the firm to be honest and candid in their self-assessments. Two of the most important factors in this area are the passion that the solo entrepreneur or the management team has for the business idea and the extent to which the management team or solo entrepreneur understands the markets in which the firm will participate. There are no practical substitutes for strengths in these areas.

A collection of additional factors help define management prowess. Managers with extensive professional and social networks have an advantage in that they are able to reach out to colleagues and friends to help them plug experience or knowledge gaps. In addition, a potential new venture should have an idea of the type of new-venture team that it can assemble. A **new-venture team** is the group of founders, key employees, and advisers that either manage or help manage a new business in its start-up years. If the founder or founders of a new venture have identified several individuals they believe will join the firm after it is launched and these individuals are highly capable, that knowledge lends credibility to the organizational feasibility of the potential venture. The same rationale applies for highly capable people a new venture believes would be willing to join its board of directors or board of advisers.

Resource Sufficiency

The second area of organizational feasibility analysis is to determine whether the proposed venture has or is capable of obtaining sufficient resources to move forward. The focus in organizational feasibility analysis is on nonfinancial resources. The objective is to identify the most important nonfinancial resources and assess their availability. An example is a start-up that will require employees with specialized skills. If a firm launches in a community that does not have a labor pool that includes people with the skill sets the firm needs, a serious resources sufficiency problem exists. To test resource sufficiency, a firm should list the 6 to 12 most critical nonfinancial resources that it will need to move its business idea forward and determine if those resources are available.

Financial Feasibility analysis

Financial feasibility analysis is the final component of a comprehensive feasibility analysis. For feasibility analysis, a preliminary financial assessment is usually sufficient; indeed, additional rigor at this point is typically not required because the specifics of the business will inevitably evolve, making it impractical to spend a lot of time early on preparing detailed financial forecasts. The most important issues to consider at this stage are total start-up cash needed, financial performance of similar businesses, and the overall financial attractiveness of the proposed venture. If a proposed new venture moves beyond the feasibility analysis stage, it will need to complete pro forma (or projected) financial statements that demonstrate the firm's financial viability for the first one to three years of its existence.

Total Start-up Cash Needed

This first issue refers to the total cash needed to prepare the business to make its first sale. An actual budget should be prepared that lists all the anticipated capital purchases and operating expenses needed to get the business up and running. After determining a total figure, an explanation of where the money will come from should be provided. Avoid cursory explanations such as "I plan to bring investors on board" or "I'll borrow the money." Although you may ultimately involve investors or lenders in your business, a more thoughtful account is required of how you'll provide for your initial cash needs.

If the money will come from friends and family or is raised through other means, such as credit cards or a home equity line of credit, a reasonable plan should be stipulated to repay the money. Showing how a new venture's start-up costs will be covered and repaid is an important issue. Many new ventures look promising as ongoing concerns but have no way of raising the money to get started or are never able to recover from the initial costs involved.

When projecting start-up expenses, it is better to overestimate rather than underestimate the costs involved.

Financial Performance of Similar Businesses

The second component of financial feasibility analysis is estimating a proposed start-up's potential financial performance by comparing it to similar, already established businesses. Obviously, this effort will result in approximate rather than exact numbers. There are several ways of doing this, all of which involve a little gumshoe labor. First, substantial archival data, which offers detailed financial reports on thousands of individual firms, is available online. The easiest data to obtain is on publicly traded firms. These firms are typically too large, however, for meaningful comparisons to proposed new ventures.

There are additional ways to obtain financial data on smaller firms. If a start-up entrepreneur identifies a business that is similar to the one he or she wants to start, and the business isn't likely to be a direct competitor, it's perfectly acceptable to ask the owner or manager of the business to share sales and income data. Even if the owner or manager is only willing to talk in general terms (e.g., our annual sales are in the million range, and we're netting around 9 percent of sales), that information is certainly better than nothing.

Overall Financial Attractiveness of the Proposed Venture

A number of other factors are associated with evaluating the financial attractiveness of a proposed venture. These evaluations are based primarily on a new venture's projected sales and rate of return (or profitability). At the feasibility analysis stage, the projected return is a judgment call. A more precise estimation can be computed by preparing pro forma (or projected) financial statements, including one- to three-year pro forma statements of cash flow, income statements, and balance sheets (along with accompanying financial ratios). This work can be done if time and circumstances allow, but is typically done at the business plan stage rather than the feasibility analysis stage of a new venture's development.

To gain perspective, a start-up's projected rate of return should be weighed against the following factors to assess whether the venture is financially feasible:

- ✓ The amount of capital invested
- ✓ The risks assumed in launching the business
- ✓ The existing alternatives for the money being invested
- ✓ The existing alternatives for the entrepreneur's time and efforts

5. BUSINESS PLAN

A business plan is a selling document that conveys your irrepressible excitement and vision to potential investors and stakeholders. The creation of your business plan is the first step on your path to financial success. The business plan is your key to achieving the entrepreneurial goals of the 4 Cs: (1) cash, (2) control, (3) creativity, and (4) challenge. A business plan is your most crucial business document. Without a persuasive business plan, no one will seriously consider investing in your startup venture; and without investors, it is unlikely you will ever get off the ground.

As you go through this topic, remember that the greatest beneficiary of the business plan is not your investor, customer, or banker—it is you. Whether your enterprise is a startup, small, medium-sized, or rapidly growing business, develop a winning business plan to enable you to:

1. Persuade financial investors.
2. Assess if your business ideas will work.
3. Outline each area of the business and maximize your resources.
4. Establish financial and technical milestones.
5. Define your target market and set profitable directions.
6. Secure additional funding or loans for continuing growth.
7. Determine your long-term financial needs.
8. Attract and retain top-level personnel.
9. Help monitor the progress of your business over time.
10. Devise contingency plans and avoid obstacles.

Your plan will be read by two primary audiences: investors and other stakeholders (for the Summary and Full Plans), or your own employees (for the Operational Plan). Thus, your business plan must make the case that it will serve the interests of investors and stakeholders. The key is to include facts generated through a properly conducted feasibility analysis. A business plan rings hollow if it is based strictly on what founders project or envision will happen.

Why Business Plan

Most entrepreneurs view the business plan as a chore, secondary to technological achievement and innovation. On the contrary, a business plan is worth your considerable investment of time, effort, and energy. A business plan is your only chance to demonstrate that you know what you are doing and can be trusted with the money you are seeking. Your full business plan should be structured to answer the following investor questions:

What?	Business are you in?
How?	Much money do you really need?
Who?	Is in the deal?
What?	Is unique about this deal?
Why?	Should I invest now?

"If you don't know where you are going, any road will take you there." While you may be tempted to be creative with your business plan, at present, most business plans follow an accepted and pre-described format. It forces the entrepreneur to set objectives, define budgets, engage staff, anticipate problems, and identify how the innovation will solve market needs. It attempts to prevent the entrepreneur from catching the well-known Christopher Columbus syndrome:

- ✓ When he left, didn't know where he was going.
- ✓ When he got there, didn't know he had arrived.
- ✓ When he returned, didn't know where he had been.

The Essential Components

According to the Federal Development Insurance Corporation (FDIC), every business plan should include four essential components:

1) Overview of the business: Describes the business, including its products and services.
2) Operations and management plan: Describes how you will manage the core processes of your business, including use of human resources.
3) Marketing plan: Describes the target market for your product and explains how you will reach that market.

4) Financial management plan: Details the costs associated with operating your business and explains how you will pay for those costs, including the amount of financing you may need.

Summary of Common Parts Needed in a Business Plan

1	Cover sheet	Company information Name, title, and phone number of corporate officers
2	Executive Summary	Critical because many investors only read the summary Market opportunity Capital requirements Competitive advantage
3	Company Description Business Concept	Shows evidence that your product or service is viable and capable of fulfilling an unmet market need What you sell; benefits, features, description Captures and highlights the value proposition in your product or service offerings
4	Marketing Plan Market Analysis Industry Analysis and Trends Competition Sales Strategy	Defines your target market Segments your customers Market growth and forecast Projects your market share and trends Positions your products and services
5	Management Team and Organization	Highlights the track record of the key members; you may also offer details about key employees including qualifications, experiences, or outstanding skills, which could add a competitive edge to the image of the business Management gaps and personnel plan
6	Technology and Innovation Risk Assessment Operations and Management Plan	Intellectual property portfolio Governmental regulations to be followed and their impact Organizational structure of the company provides a basis for projected operating expenses because these statements are heavily scrutinized by investors.
7	Milestones and Exit Plan	Clearly defines what successful outcomes entail; your plan isn't merely a prediction; it implies a commitment to

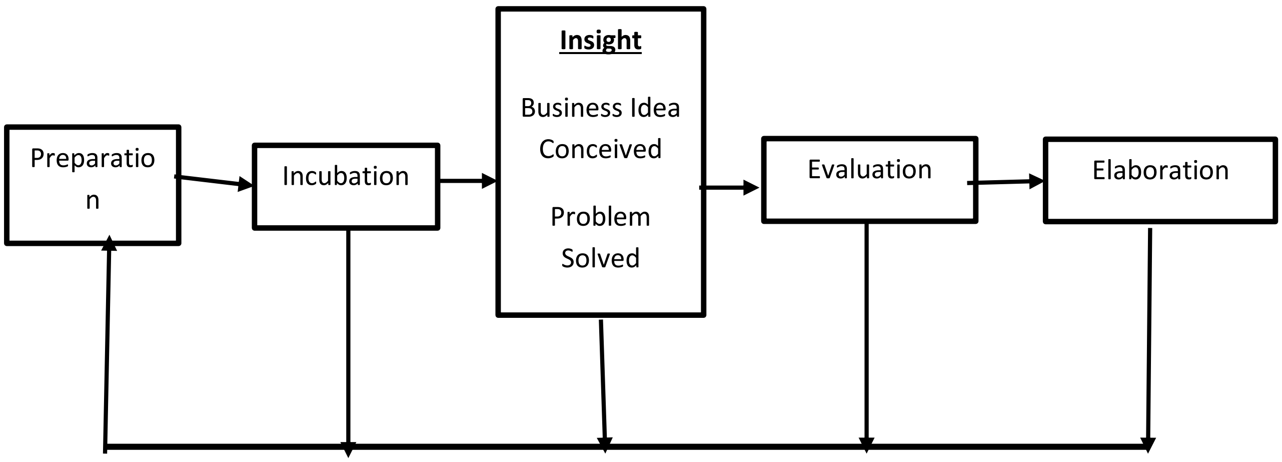
		making the targeted results happen and establishes milestones for gauging the organizational progress. Timetable of expected business outcomes (start/end dates) How investors will get their money back, with interest
8	Financial Plan	Provide a framework for determining the financial impact and the effects of various corrective actions Three-year income, balance sheet, and cash flow projections. Break-even analysis Sources and uses of funds for the first three years. Monthly financials are necessary for the first three years Annual projections will suffice for the fourth and fifth years If your business is established, you will include actual statements
9	Supporting Documents	Leases, mortgages, business agreements, contracts, etc.

Creativity and Innovation

Innovation is a firm's commitment to creating and introducing new products, processes and organizational systems. Innovation is the process of doing something new or different. Entrepreneurs constantly look out to do something different and unique to meet the changing requirement of the customers. According to Knight (1997) innovativeness entails creativity and experimentation that result in new products, new services, or improved technological processes. The importance of creative thinking today needs no emphasis. In your profession or sphere of work you will have a competitive advantage if you develop your ability to come up with new ideas. In your personal life, too, creative thinking can lead you into new paths of creative activity. It can enrich your life – though not always in the way you expect. Among other things, creativity will help you to:

- **i.** develop your understanding of the creative process;
- **ii.** overcome barriers or blocks to having new ideas;
- **iii.** enlarge your parameters of vision;
- **iv.** learn to build on ideas as well as criticize them;
- **v.** increase your tolerance for uncertainty and doubt;
- **vi.** listen, look and read with a creative attitude;
- **vii.** make time to think;
- **viii.** become more confident in yourself as a creative person

Creativity is the process of generating a novel or useful idea. Opportunity recognition may be, at least in part, a creative process. On an anecdotal basis, it is easy to see the creativity involved in forming many products, services, and businesses. Increasingly, teams of entrepreneurs working within a company are sources of creativity for their firm. For an individual, the creative process can be broken into five stages, as shown in Figure below. Let's examine how these stages relate to the opportunity recognition process. In the figure, the horizontal arrows that point from box to box suggest that the creative process progresses through five stages. The vertical arrows suggest that if at any stage an individual (such as an entrepreneur) gets "stuck" or doesn't have enough information or insight to continue, the best choice is to return to the preparation stage—to obtain more knowledge or experience before continuing to move forward.



Preparation. Preparation is the background, experience, and knowledge that an entrepreneur brings to the opportunity recognition process. Just as an athlete must practice to excel, an entrepreneur needs experience to spot opportunities. Over time, the results of research suggest that as much as 50 to 90 percent of start-up ideas emerge from a person's prior work experience.

Incubation: Incubation is the stage during which a person considers an idea or thinks about a problem; it is the "mulling things over" phase. Sometimes incubation is a conscious activity, and sometimes it is unconscious and occurs while a person is engaged in another activity. One writer characterized this phenomenon by saying that "ideas churn around below the threshold of consciousness."

Insight: Insight is the flash of recognition when the solution to a problem is seen or an idea is born. It is sometimes called the "eureka" experience. In a business context, this is the moment an entrepreneur recognizes an opportunity. Sometimes this experience pushes the process forward, and sometimes it prompts an individual to return to the preparation stage. For example, an entrepreneur may recognize the potential for an opportunity, but may feel that more knowledge and thought is required before pursuing it.

Evaluation: Evaluation is the stage of the creative process during which an idea is subjected to scrutiny and analyzed for its viability. Many entrepreneurs mistakenly skip this step and try to implement an idea before they've made sure it is viable. Evaluation is a particularly challenging stage of the creative process because it requires an entrepreneur to take a candid look at the viability of an idea. This has been discussed in the feasibility of new business ideas.

Elaboration: Elaboration is the stage during which the creative idea is put into a final form: The details are worked out and the idea is transformed into something of value, such as a new product, service, or business concept. In the case of a new business, this is the point at which a business plan is written.

Form of Business Ownership

There are three major form of business ownership: these are the sole proprietorship; partnership and corporations.

Sole proprietorship:- This is a business that is usually owned and managed by one person. It is easy to get started in this form of business. You can begin a word processing service out of your home, open a car repair center, start a restaurant or go about meeting others wants and needs of the community.

Advantages

1. Ease of starting and ending the business: all you have to do to start a sole proprietorship is to buy or lease the needed equipment and put up some announcement that you are in business. It is just as easy to get out of business; you simply stop. There is no one to consult or disagree with about such decision. You may have to get a permit or license from the local government but often that is not problem in Nigeria.
2. Being your own boss: working for others simply does not have the same excitement as working for yourself. Sole proprietors enjoy the rose of living independent.
3. Pride of ownership: people who own and manage their own businesses are rightfully proud of their work. They deserve all the credit for taking the risks and providing needed goods or services.
4. Retention of profit: - other than the joy of being your own boss there is nothing like the pleasure of knowing that you can earn as much as possible and do not have to share that money with anyone else.
5. No special taxes: All the profit of soles proprietorship are taxed as personal income of the owner, and the owner pays the normal income tax on the money

Disadvantage

1. Unlimited Liability: - Any debts or damages incurred by the business are the debt of the proprietor and must pay for them, even if it means taking the personal asset of the proprietor to honour the obligation of the creditors.

2. Limited financial resources: - Fund available to the business is limited to the funds that the sole owner can gather. Thus rising additional fund for expansion and development of business is limited.
3. Difficulty in management: all businesses need some management; that is someone that must keep inventory record and so forth. Sole proprietors may have no one to help him keep these records.
4. Over helming time commitment: it is hard to own a business, manage it and have time for anything else in life. This is true of any business but sole proprietor has no one to share the burden with. The owner of a store for example may put in at least 12 hrs a day throughout the week or at least six days.
5. Few fringes benefits:- As a self-employed you lose the fringe benefits that come from working for others. You have no health insurance no disability insurance and no vacation pay and so on.
6. Limited growth: if the owner becomes incapacitated, the business often comes to a standstill. Expansion is often slow since a sole proprietorship relies on its owner for most of its creativity.
7. Limited life span: if the sole proprietor dies the business no longer exist unless it is sold or take over by the sole proprietors heirs.

Partnership

Partnership is a legal form of business with two or more owner. That is a business in which partners agree to pool their resources together in anticipation of receiving larger return in future.

Advantage of partnership

1. More financial resources: when two or more people pool their money and credit it is easier to pay the rent, utilities and other bill that will be incurred by the business.
2. Shared management and pooled knowledge: it is simply much easier to manage the day – day activities of a business with careful chosen partners. Partners give

each other free time from the business and provide different skills and perspectives

3. Longer survivals: with two or more partners looking over the business serve as a check this make active partner become more discipline.

Disadvantage of partnership:

Any time two people must agree on anything there is a possibility of conflict and tension. Partnerships have cause split among families' friends and marriage. Thus the following are some disadvantage of partnership business.

1. Unlimited liability: Each general partner is liable to debts of the firm, no matter who was responsible for causing these debts. Personal assets of active or general partner are liable in an event where the business fail to honour it obligation to creditors.
2. Division of profits: sharing the risk means sharing the profit, and that can cause conflicts. For example two people form a partnership, one put in more money and the other put in more hours. Each may feel justified in asking for a bigger share of the profit.
3. Disagreement among Partners: Disagreement over money is just one example of potential conflict in partnership. Who has final authority over employees? Who works what hour? What if one partner wanted to buy expensive equipment for the firm and the other partner disagree? Potential conflicts are many. Thus to avoid such problem all terms of partnership should be spelled out to protect all parties and to minimize misunderstandings and avoid litigation.
4. Difficult to terminate: once a partner has committed himself to a partnership, it is not easy to get out of it, it is only through the agreement of all partner or by court order.

Types of Partnership

These are two main types of partnership: Ordinary partnership and limited partnership.

In an ordinary partnership all partners has equal responsibilities and equal power. Each partner in an ordinary partnership may participate in the management of the business, but all partners are equally responsible for debt of the partnership. Existing partnership laws require that all partners are agents of the business thus are liable to the extents that their personal assets would be use for business debt and liabilities.

Partner may however limit their liabilities under limited partnership. But limited partner are prohibited from playing an active role in the partnership and these render the limited partnership opinion of little practical significant. The liabilities of limited partners are limited to the capital invested in the business.

Kind of Partnership

Whether in an ordinary partnership or a limited partnership is classify in accordance with the contribution made into the business.

a) Active partner. An active partner takes part in the general management of the business. An active partner has unlimited liability for the debt of the business.
b) Special/Limited partner. A special partner does not take part in the management of the business. The liability of the special partner is limited to the capital invested in the business. The death, bankruptcy or mental disorder of a special partner does not lead to the dissolution of the partnership. His consent is not required in order to take a decision.
c) Dormant partner. A dormant partner does not take an active part in the business or may have retired from active participation in the business affairs. A dormant partner in spite of the dormancy is liable for the debt of the business. In other word dormancy does not mitigate liability.

d) Nominal partner: The name of these partner is use to boost the prestige or public standing of the business. A nominal partner does not take part in the management of the business and also does not share in the profit.

e) Secret partner: This partner takes an active part in the management and organization of the business, however a secret partner is not known to the public as a partner in the business.

Relationship between partners in partnership:

The relationship between partner in partnership is govern by the deed of the partnership, however, the right and duties of a partner as provided in the partnership act, 1890 are examine below.

Right of Partner

1. All partner to participate in sharing of profit and loss.
2. There should be no interest on contributed capital
3. No remuneration for the saving the partnership.
4. Each member may participate in the running of the business.
5. No new member will be admitted, unless with the agreement of all partners.
6. Any disagreement on non-fundamental matters may be decided through a simple majority by the partners. However fundamental issue will need the support of all partners.
7. No partner can be expels by other partners.
8. A partner is entitles to be indemnity in respect of expenses incurred on behalf of the partnership.
9. A partner who provides a loan to the partnership is entitles to an interest of 5% per annum.
10. The partnership record should normally be kept at the place of business of the firm and such record must be accessible to all partners.

Duties of Partners

1) Each partner must render accurate account and give accurate information on matter which affect the partnership
2) Each partners must account to the partnership for any benefit received in connection with the partnership affairs
3) Each partner must not compete with the partnership through any act of competeing business.

Dissolution of partnership

A partnership can be terminated with or without a court order.

Without a court order

Unless partnership agreement stipulated, partners can be dissolved without the court order under the following circumstances.

1. At the stated expiration time of the partnership
2. On the termination of ventures for which the partnership was originally formed.
3. Partner has entered into for an undefined term, the partnership stand dissolved.
4. The death or bankruptcy of one of the partner
5. If a partner fall to pay his contribution.
6. If as a result of new legislation the business of the partnership becomes illegal.

Dissolution with court order

On application by partner the court may order the dissolution of partnership under the circumstance which follows:

1. When a partner by a reason of mental disorder is incapable of administering his personal affairs
2. When a partner is incapable of performing the duty of partners.
3. When a partner is found guilty of gross misconduct, either in partner business or personal life.

4. When a partner willfully or persistently breaks the partner's agreement or made it impossible for the other partner to carry on the business of the partner.
5. When the partnership is unable to break – through
6. When a court of law think it just, and equitable to dissolve the partnership.

Application of partnership Assets on Dissolution

When a partnership is dissolved some of the assets are normally sold for cash, while others are taken over by interested partners at value mutually agreed upon.

The processes for the disposals of these assets are applied in order which follows:

1. Payment of debt and liability to outsider
2. Payment of loan grant to the partnership
3. Payment of capital contributed by partners
4. Any amount left is distributed among partners in accordance to the profit sharing agree upon during the formation of the partnership.

   If the revenue realized from the sale of partnership assets is insufficient to settle the indebtedness of the partnership, the outstanding amount is made from current account balance which represent the accumulated return profit fall short to settle the outstanding amount the stipulated fixed capital of partner would be utilized after these any outstanding amount will be made through individual contribution in accordance with profit sharing ratio.

Corporation

Although the word corporation makes people think of big business like Dangote, AUC, Nasco, IBM, General motors' etc. it is not necessary to be big in order to incorporate (start a corporation). Obviously many corporations are big. However, incorporating may be beneficial for small business also. A corporation simply means an association of person which is granted personal status by law. It can also be define as a state charted legal entity with authority to act and have liability and assets separate from its owners. This mean that company as a legal being has specifics object, right and obligation as describe by law.

In Nigeria, companies are governed by the various provisions of the company and allied matter act CAMA 1990. Companies have certain basic feature which more or less accord with the concept of a legal personality which they have. These are: -

(a) Separate entity: A company is separate from its owner. The owners deal with it as if it was a completely different entity, and the owners' relationships with it are regulated by law.
(b) Limited liability: The owner of the company does not take responsibility for the company debt beyond the money they have invested into the company.
(c) Perpetual succession: The company life is not tied to that of its owners. A company does not cease to exist through the death of it owner. Once brought into being it continuous to exist until it is formally liquidated in accordance with the relevant provision of the law.
(d) Other feature of a corporation arising from its distinct personality include: Power to owned asset in its own name; power to borrow (subject to the provision of the article of association) and power to sue and be sued.

Private versus Public Company

A private company is customarily define in section 22 of CAMA 1990 as a company which by it article

- Restrict the right to transfer it share
- Limit the number of it share holder to fifty
- Prohibit any invitation to public to subscribe for share of the company.

The implication of the provision of this law is that private company is company which declared it to be such and confirm itself within the limitation and restriction so define. This means therefore that any company which does not declared itself to be a private company must be regarded as a public company even if it is effectively applies to itself the same limitation or restriction as those applied to a private company

Formation of Company

There are basically two ways in which a company can be formed in Nigeria: -

(1) Through registration with corporate affairs commission
(2) Through an act of parliament.

Registration is most popular and simplest method of forming a company. On the other hand formation by an act of parliament is mostly reserved to the incorporation of company owned by government.

Procedure in Registering a Company

The procedure in registering a company evolved the filing of prescribe document with the corporate affairs commission with supported evidence of haven paid the appropriate stamp duties and filing fee to the government treasury.

The relevant documents are as follow:

Under Private Company

1. Memorandum of Association
2. Article of Association
3. Statement of nominal capital
4. Notice of situation of registered office
5. Particulars of Directors and secretary
6. Statutory declaration of compliance with the above requirement made by solicitors.

Public Company

In addition to the above, the following documents are also required:

7. Form of consent for director to act.
8. List of person consenting (agree to be directors).

On the receipt of the above document and when it is satisfied as it is complied with the provision of relevant section of CAMA 1990. The registrar corporate affairs commission issues a certificate of incorporation. This certificate is normally regarded as evidence that the company has duly comply with relevant incorporation procedure.

A private company must have not less than two members and a public company cannot have less than seven. While the membership of private company is limited to Maximum of fifty (50) there is no limitation as to the Maximum number of members a public company may have.

In addition to the certificate of incorporation, public company also needs a certificate to commerce business issued by corporate affairs commission.

Document of a Company

There are basically two major documents that regulate the affairs of a company: Memorandum of association and article of association.

Memorandum of Association

This is a document that regulates or guides the relationship between the company and external world. It usually contains the following items:

1. The name of the company with (LTD) as the last word. The name must not be identical or likely to be confused with any other companies.
2. The object of the company (nature of its desire to undertake).
3. The registered named of the company.
4. The amount of share capital with which the company propose to be registered and its division into classes of shares.
5. The signature of the at least two members (private company) and seven members (for public company) subscribing to at least one share each per members
6. Any other public information the commission may require.

Article of Association

This is a document that contain the detail regulation governing the operation of the company and specifying not only the power right and obligation vested in the company officers but also of the relationship among members of the company.

The following may be specified in the article of association.

1. Issue of share and the right attached to each class of share.
2. Transfer and commission of share
3. Meeting
4. Voting right and procedure
5. Power, duty and qualification of director
6. Division of profit
7. Accounting and Auditing procedure
8. Winding up.

FINANCING ENTREPRENEURIAL OPPORTUNITY

Finance refers to funds or money required to run a business enterprise. No matter how good an entrepreneur's business idea and plan is, it may not see the day light without adequate financing. Finance is essentially required during establishment and operating small business.

Sources of Entrepreneurial Financing

Sources of business capital maybe classified in to short term, medium and long term sources. Short term sources refer to the fund granted and payable within 12 month. They are used for financing inventories, raising working capital. Medium term source are those sources of debt that matured within 1-5 years. Whereas long term sources of finance are those sources of financing fixed assets with long life. It usually takes 10-15 years before it matures. Although sources of finance may be classified in to short, medium and long term sources; this chapter attempts to provide a general examination of all the major sources of finance without any classification. Thus, the following are some of the major sources of finance:

1. ***Owner's personal previous saving****:* - the personal previous savings made by the business man constitute one of the major and primary start-up capitals especially for small business. It is advisable for the business man to start the business with his personal money instead of borrowed capital. This is because borrowed capital normally has fixed interest charges and specific repayment dates which constitute serious obligation for the business firm whenever they become due. Hence, if the business does not make enough profits at the initial stages, it will find it difficult if not impossible to meet these maturing obligations.
2. ***Loans from friends and business associates*****: -** sometimes the new business may be fairly large enough that the initial capital requirement maybe too much that cannot be provided by the owner(s) alone. Start-up capital can be obtained from friends, relatives and business associates. However, it is advisable for any business man who obtains his capital from this source to repay such loans as quickly as possible, this is because sometimes, these people who provide the loan tend to feel as if they are co-owners of the business.
3. ***Trade credit:*** - this is an agreement between a seller of merchandise and a purchasing firm which allows the purchasing firm to defer payment until goods purchased are

sold and repayment received. Thus, during the in-trim, some kind of credit facilities has been extended to the purchasing firm which forms a good source of business capital. Alternatively, if the purchasing firm can pay trade bills at once, or before the stipulated date spelt out in terms of credit; it receives cash discount which represents potential savings on its account payable. E.g. of trade discount is 2, 10 net 30. This means, 2 percent cash discount would be enjoyed by the purchasing firm if it can settle the bill with in the first ten 10 days of the month.

4. ***Retained Earnings:* -** for an existing business firm, capital may be obtained through the use of internally generated income. That is, profit generated from past operation may be ploughed back into the business instead of going out looking for loans. However, the use of retained earning cannot be used as a startup capital for new business.
5. ***Financial institution:* -** financial institution such as commercial bank, development bank, merchant bank and insurance companies provide short, medium and long term loans to meet the capital requirement of any business firms.
6. ***Other financing options: -***
    i. Mortgage
    ii. Debenture
    iii. Hire-purchase
    iv. Leasing
    v. Factoring etc.

6. MARKETING FUNCTION OF AN ENTREPRENEUR

The marketing concept emerged in the mid-1950s. When instead of a product –centered ''make- and sell'' philosophy business shifted to a customer – centred, ''sense and respond'' philosophy. Instead of ''hunting'' marketing is ''gardening'' the job is not to find the right customers for your product but right product to your customer. The marketing concept hold that the key to achieving organizational goals consist of the company being more effective than competitors in creating delivering, and communicating superior customer value to its chosen target market.

Marketing has many definitions by different scholars and organized bodies. Philip Kottler defined marketing as human activities directed at satisfying human wants and needs through exchange processes. American Marketers Association defined marketing as performance of business activities that direct the follow of goods and services from the producer to the final consumers. While London Institute of Marketers defined marketing as a management process of identifying, anticipating and satisfying customer's requirement profitably. The beauty of this definition lies in the following:

(i) Marketing is a management process indicating that it is a function which management needs to perform in an organization.
(ii) Customer needs have to be anticipated. This means that the need of customer are many and that they are dynamic and as such the need of today may not be that of tomorrow and so the need of tomorrow must be predicted and taken note of
(iii) Customer needs have to be satisfied after identifying them
(iv) The reaction of customer to the goods sold to them must be sought and known as a key of continuous serving the customer and thus keeping the organization in business.

Marketing process:

The marketing process is about stating the various activities or stages that will be involved in marketing a product. The various activities involved in the marketing process include:

(i) Identifying market to serve

(ii) Discovering the needs of the market

(iii) Research into the need to discover the product that will satisfy the needs.

(iv) Develop the product in accordance with the need of the market identified.

(v) Develop the marketing programmes

(vi) Discovering the reaction of the market to the marketing programmes (feedback)

(vii) Using the information from the feedback to improve various marketing programmes so as to make marketing a continuous and satisfactory activity.

Marketing programmes

When the needs of the market have been discovered, it becomes essential to make business out of this discovery by way of designing product/service that will be offered to satisfy the needs. This include finding appropriate value for the product, making the product known to those who need and actually taken the product to where it will be exchange. In common market parlance, these marketing programs are otherwise described as marketing mix.

The marketing mix is therefore the mix of elements that a marketer may require to make him meet the satisfaction of the market. Jromme Mc. Carthy has code name these mix as 4ps a tag to classify all the activities of a marketer stated above. The 4ps include: product price, promotion and place.

Product: This is define as anything done or made to bring satisfaction to a set of buyers who are ready to accept the offer for a price in order to satisfy the needs. A product is the core of the marketing element, that is, the success of marketing activities depends largely on the quality and the benefit customer sought to gain from it. To successfully launch an acceptable product, entrepreneur must recognize the components of successful product. The product must possess the following five (5) components:

i. Core
ii. Basic
iii. Expected
iv. Augmented

v. Potentials

Stages of product development:

(1) Idea Generation
(2) Idea screening
(3) Concept testing
(4) Product development
(5) Test marketing
(6) Launching

Another important task ahead of manager in product development or planning is packaging and branding.

Pricing: when a product has been successfully produced, tested and discovered that it is accepted in the market becomes necessary to determine how much the product will sell in the market. The price is the value at which the product will exchange in the market. What the price of the product will eventually be is determined by a lot of things among which are the following:

- the cost of production
- the demand of the product
- availability of substitutes
- the government laws and policies
- the organization pricing objective
- competitors pricing strategy

Pricing techniques:

There are number of methods which are used in practice to set the price of a product. These include:

(1) skimming pricing: A method in which the price of a product is made very high at the introductory stage of its life cycle

(2) Prestige pricing: A method which intend to give a kind of high profile image to a product. As such the product is given high price, even though the product is no more in its introductory stage. This method of pricing is common among luxurious products.

(3) Penetrating pricing: is a method of pricing in which a product is given a low price at it introductory stage in order to allow the product gain quicker and wider acceptance in the market.

Promotion: This is the process involved in communicating a message to a target market. When the product has been produced it has to be communicated to the market to make the potential buyers aware of its existence. In marketing, the elements that are used in communicating to the market include:

Advertising: personal selling, sale promotion, public relations, publicity and sponsorship.

Place/Distribution: The product produced priced and promoted cannot get to the market unless the deliberate effort are made to take the product to those who are made to take the product to those who are ready to buy it. When effort designed to get the product to the market, the totality of such efforts constitutes what is called distribution. Specifically, distribution involves products movement from the stage of procuring raw materials, through manufacturing stage to the final stage of selling the product. Generally, distribution consist of three phases.

1. Physical distribution of product (transport and warehouse
2. Channel distribution
3. Channel management

7. ENTREPRENEUR PERSONNEL FUNCTION

Human resource is essential resources of an organization because it is the resource that organizes other resources of the organization. An organization must therefore regard human resources as its assets and guard them. In a modern organization that emphasizes division of labour, the function of manpower recruitment is delegated to the human resource department. It is the function of this department to select, train, develop, assimilate and remunerate employee.

A good human resource manager establishes a very close working relationship with all the departments and unit within the organization. He does not actually do the selection of employee, he recommend to the department head for final selection after the necessary process have been completed unless he has functional authority to act on their behalf.

Definition: Flippo (1984) defined personnel management as the planning, organizing, directing and controlling, of the procurement, development, compensation, integration, maintenance and separation of human resources up to the end that individual, organizational and societal objective are accomplished.

Manpower planning: this is concerned with forecasting future manpower needs, comparing it with present workforce and determines the number of employee to recruit. Manpower planning serves the following important purposes. To make short and long run planning to ensure steady supply of personnel and to always have at hand the people necessary to filled an opening. Before an employee is hired, it is important to undertake a thorough analysis of the organization to determining the number of position that exists in the enterprise. This called for job design and analysis.

Job Design: This is also known as job engineering. It is concern with characteristics and purposes of the job. More specifically it is the process of deciding of the task and responsibility to be included, and method to be use in carrying out this task.

Job Analysis: This is known as job diagnoses. It involve picking and existing job and then describing and recording it characteristics, purposes and pre-requisite skill. This simply means/preparing job description and job specification.

Job Description: This is the simple statement of the component task duties and other attribute of the job.

Job specification: This outline the skills, knowledge and experience as well as other qualities for effective performance on the job.

Staffing: Staffing comprises three activities, recruitment, selection and placement. **Personnel Recruitment**: Adequate personnel recruitment programme requires that the organization should anticipate vacancies as fast as possible in advance. Recruitment invites all prospective applicants for job position in the organization. Recruiting activities identify and attract a pool of candidate for change in employment status from which some will later be selected to receive offer.

Sources of Application

There are two broad sources of applicant, internal and external sources first consideration be given to internal candidate although some organization with powerful equal opportunities policies insist that all internal candidates should apply for vacancies on the same foots as external candidate.

The major sources of recruitment are:

1. Within the company/organization
2. Other companies
3. Educational institution
4. Advertisement
5. Employment Agencies
6. Unsolicited application
7. Professional organization
8. Employee referrals

It is important for management to know which source of recruitment produce the best result.

Selection: After prospective applicants have been recruited, a systematic effort is made to identify the most suitable candidate to fill identified positions. Selection is a very important process which requires planning and objectivity. No organization is better than the people who make it up. A selection exercise should not be left in the hand of amateur or the less initiated in the art of selection. The following are the logical procedure or process of selection.

1. Application form
2. Test
3. Interview
4. Physical examination
5. Reference check
6. Employment decision
7. Offer

Induction/placement: Induction includes all activities that are engaged by the organization to introduce a new employed to his company co-worker, job and working environment. The essence of induction programs is to ease the initial shock that an employee is exposed to in an unfamiliar environment. ''first impression is everlasting''. The orientation aims at instilling first impression and attitude of the company, its objective and its people. It helps to meet the employee's need to acceptance and identity.

God planned orientation program would ensure that the information about the employee immediate concern are provide this would include his pay's work schedule special facilities break period and any other information that would prevent embarrassment.

8. ENTREPRENEURIAL PRODUCTION FUNCTION

Production has been considered as a functional area of manufacturing enterprises. However, production is also an important area in service concern as it needs to blends resources together to satisfy the need of the target market. Production can be defined as a function of transforming inputs: raw materials; labor; machines and cash into finished products. In economics, production is the process by which value or utility is added to a goods or services. Utility is created by not only changing the form of the scarce resources but also their place and time.

Production management is therefore defined as the process of planning, organizing, coordinating and controlling the operation of organization activities of transforming inputs into outputs.

9.1 *Types of Production*

There are basically three types of production:

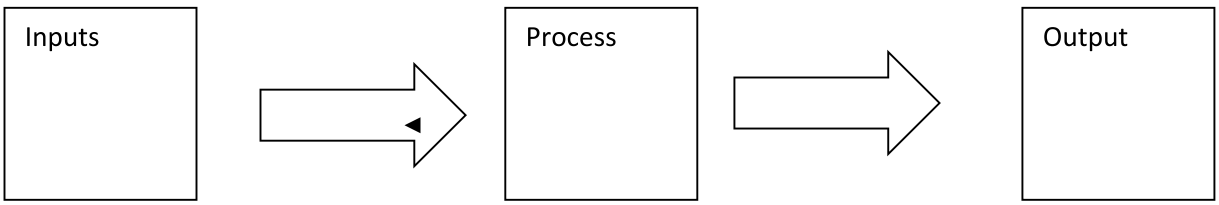
i. **Job Production:** This type of production involved the production of single complete product based on the customer request. Under this type of production there is little or no provision for stock. The fact that production is based on customer request and specification, there is needs for variety of machines and equipment to do all the types of works and in most cases requires high skill and it is capital-intensive.

ii. **Batch Production:** This occurs where there is production of large quantity of similar and identical nature of goods at the time. This type of production requires proper entrepreneurial planning to avoid materials wastage and ensure that time is minimize. There is repetition but not continuous production.

iii. **Flow Production:** this type of production occurs where there is continuous flow of goods passing from one process to another until it is completed. There is little or no waiting between the execution of one operation and another. It is a kind of sequential production such that until one operation is completed, the other cannot continue. Soft drink companies usually operate this type of production.

9.2 *Production System*

Production system consists of the inputs, process and output.



Inputs: This refers to the ingredients required for the production of goods or services. It includes the manager, workers, land, finance, raw materials machine/equipment and information.

Process: This is the sub-system within production system that blends the inputs together to produce the goods or services. Process simply means any activity that takes one or more inputs, transform and add value to them. Processing of inputs into output may take any of the following forms:

a) **Transformation**: This is a process in which the raw materials are taken into a machine to produce output of different characteristics. Example taking grains of maize or wheat and fed it into machine to produce flour.
b) **Fabrication**: This is the process in which raw material are taken into machine to produce output of the same feature but with different characteristic. For example metal fabricated into key.
c) **Assembling**: This is a process where raw materials in their solid form are group and combine together to produce the product without losing their initial substance. Example combining pieces of wood, nails, mattresses, spring and clothes to makes a cushion seat.

Output: This refers to the outcome of production process. That is the finished product that has undergone transformation, fabrication or assembling. Finished product can be grouped into two: those that can serve for direct consumption e.g bread condense milk, cake etc or those that serve as raw materials to other business.

9.3 Production Planning and Control

Production Planning simply mean developing a production frame work of reference which would serve as a guide telling what to do, when to do, where and whom to do it. Production planning is the bases upon which efficiency could be achieve. The activities started under production department before the job order includes:

i. Preparation of Plant Selection
ii. Preparation of Material List
iii. Design of Special Production Aids
iv. Preparations of Material Requisition

Plant Layout: This is concern with the economic use of space. That is the arrangement of various machine and equipment in order to facilitate smooth and efficient functioning of operation. The main areas involves product layout and production process

Production layout: Preparation of specification of the product and its components, producing drawing of the product, along with all important details in drawing are the cores to production layout. In production layout machine are laid out in sequential order with the operation to be carry out on the product.

Production Process: under production process machines are grouped in sections according to their functions.

9.4 Site Location

Before locating an enterprise an entrepreneur must takes into consideration the following factors:

a) Availability of Land: an entrepreneur needs to consider when locating his enterprises; the location, price and provision for expansion of the area.

b) Availability of Labor: in determining the availability of labor, an entrepreneur needs to consider such things as cost in term of incentives, training, housing facilities for staff and likely turnover and absenteeism, competition for labor, activities of unions and the community attitude to work.
c) Proximity to Market: Nearness to markets is an important factor to consider when locating the enterprise. This depends on the nature of the product especially for enterprises involved in perishable, fragile and bulky goods.
d) Nearness to Raw Material: proximity to raw material source is also very important factors. Nearness to sea, river, road or rail in most cases are the important determinant of availability of raw materials.
e) Access to Utility: Adequacy of transport facilities for both inward and outward of raw materials and finished goods; availability of water and access to communication must be consider in site location.
f) Government Incentives and Regulation: entrepreneur needs to consider government incentives and regulations that are likely to affect the operation of his enterprises. For example standardization policy; price control and quality control etc. In Nigeria an entrepreneur must know and familiarize him/herself with the function of National Agency for Food and Drugs Administration and Control (NAFDAC), Standard Organization of Nigeria (SON) and Nigeria Industrial Standard (NIS).
g) Personal Preference of Entrepreneur: in spite of the above personal preference of the entrepreneur can outweigh the other consideration

ETHICS AND SOCIAL RESPONSIBILITY

Business Ethics

Ethics is a subject of social science that is related with moral principles and social values. 'Business Ethics' can be termed as a study of proper business policies and practices regarding potentially controversial issues, such as corporate governance, insider trading, bribery, discrimination, corporate social responsibility, and fiduciary responsibilities. Businesses must abide by some basic principles. It should provide quality goods and services at reasonable prices to their consumers. It must also avoid adulteration, misleading advertisements, and other unfair malpractices. A business must also perform other duties such as distributing fair wages, providing good working conditions, not exploiting the workers, encouraging competition, etc.

1. **Definition of Business Ethics:**

   There are many definitions of business ethics, but the ones given by Andrew Crane and Raymond C. Baumhart are considered the most appropriate ones.

   a) According to Crane, "Business ethics is the study of business situations, activities, and decisions where issues of right and wrong are addressed."

   b) Baumhart defines, "The ethics of business is the ethics of responsibility. The business man must promise that he will not harm knowingly."

2. **Features of Business Ethics:**

   There are eight major features of business ethics:

   i. **Code of Conduct:** Business ethics is actually a form of codes of conduct. It lets us know what to do and what not to do. Businesses must follow this code of conduct.

   ii. **Based on Moral and Social Values**: Business ethics is a subject that is based on moral and social values. It offers some moral and social principles (rules) for conducting a business.

   iii. **Protection to Social Groups:** Business ethics protect various social groups including consumers, employees, small businesspersons, government, shareholders, creditors, etc.

iv. **Offers a Basic Framework**: Business ethics is the basic framework for doing business properly. It constructs the social, cultural, legal, economic, and other limits in which a business must operate.

v. **Voluntary:** Business ethics is meant to be voluntary. It should be self-practiced and must not be enforced by law.

vi. **Requires Education & Guidance**: Businessmen should get proper education and guidance about business ethics. Trade Associations and Chambers of Commerce should be active enough in this matter.

vii. **Relative Term**: Business ethics is a relative term. It changes from one business to another and from one country to another.

viii. New Concept: Business ethics is a relatively newer concept. Developed countries have more exposure to business ethics, while poor and developing countries are relatively backward in applying the principles of business ethics.

Principles of Business Ethics

The principles of business ethics are related to social groups that comprise of consumers, employees, investors, and the local community. The important rules or principles of business ethics are as follows:

a) Avoid Exploitation of Consumers: Do not cheat and exploit consumer with measures such as artificial price rise and adulteration.

b) Avoid Profiteering: Unscrupulous business activities such as hoarding, black marketing, selling banned or harmful goods to earn exorbitant profits must be avoided.

c) Encourage Healthy Competition: A healthy competitive atmosphere that offers certain benefits to the consumers must be encouraged.

d) Ensure Accuracy: Accuracy in weighing, packaging and quality of supplying goods to the consumers has to be followed.

e) Pay Taxes Regularly: Taxes and other duties to the government must be honestly and regularly paid.

f) Get the Accounts Audited: Proper business records, accounts must be managed. All authorized persons and authorities should have access to these details.

g) Fair Treatment to Employees: Fair wages or salaries, facilities and incentives must be provided to the employees.

h) Keep the Investors Informed: The shareholders and investors must know about the financial and other important decisions of the company.

i) Avoid Injustice and Discrimination: Avoid all types of injustice and partiality to employees. Discrimination based on gender, race, religion, language, nationality, etc. should be avoided.

j) No Bribe and Corruption: Do not give expensive gifts, commissions and payoffs to people having influence.

k) Discourage Secret Agreement: Making secret agreements with other business people to influence production, distribution, pricing etc. are unethical.

l) Service before Profit: Accept the principle of "service first and profit next."

m) Practice Fair Business: Businesses should be fair, humane, efficient and dynamic to offer certain benefits to consumers.

n) Avoid Monopoly: No private monopolies and concentration of economic power should be practiced.

o) Fulfill Customers' Expectations: Adjust your business activities as per the demands, needs and expectations of the customers.

p) Respect Consumers Rights: Honor the basic rights of the consumers.

q) Accept Social Responsibilities: Honor responsibilities towards the society.

r) Satisfy Consumers' Wants: Satisfy the wants of the consumers as the main objective of the business is to satisfy the consumer's wants. All business operations must have this aim.

s) Service Motive: Service and consumer's satisfaction should get more attention than profit-maximization.

t) Optimum Utilization of Resources: Ensure optimum utilization of resources to remove poverty and to increase the standard of living of people.

u) Intentions of Business: Use permitted legal and sacred means to do business. Avoid Illegal, unscrupulous and evil means.

Benefit of ethics practice:

Ferrel, Fraedrich and Ferrell (2005) point out these for a strong commitment to ethical values:

a) Ethical companies have been shown to be more profitable.
b) Making ethical choices results in lower stress for corporate managers and other employees.
c) Our reputation, good or bad, endures.
d) Ethical behavior enhances leadership.
e) The alternative to voluntary ethical behavior is a demanding and costly regulation.

SOCIAL RESPONSIBILITY (SR)

SR is generally understood to be a form of voluntary self-regulation by private enterprises, organizations, and other entities. SR "encompasses the economic, legal, ethical, and discretionary or philanthropic expectations that society has of organizations at a given point in time". As such, SR has a dynamic and evolving nature that changes according to societal expectations. Stakeholders can also provide a more comprehensive view of a company and its impacts than the company would be able to achieve on its own. Companies in many sectors have begun using SR tools to promote stakeholder involvement in corporate decision-making as well as to address the impacts of their industry on local communities. For instance, mining activities often have serious consequences for local communities, such as an increase in infectious diseases, pollution, and conflicts over land rights. These impacts are generally external to a company's operations and may only be raised and addressed through proper stakeholder engagement. Several mining companies are currently using SR tools to address these concerns. As noted above, the notion of SR has evolved over time. It began with a focus on philanthropy and external community affairs, but the concept has now evolved to address strategic concerns that incorporate mainstream business issues, such as brand, strategy, marketing, and general decision making.

Although there is currently no universally accepted definition of SR, at a minimum, it requires that "***companies go beyond their legal obligations*"**. As noted by the United

Nations Global Compact, SR goes beyond minimum legal requirements governing private entities and includes both absolute as well as aspiration elements. In this sense, SR "***encourages the private sector to exceed legislation and aim for best practices and experimentation with new technologies and approaches, thereby stimulating the company to attain a leadership role***". Trade unions also support a definition of SR that includes both "***compliance and voluntarism",*** underlying the importance of voluntary approaches in supplementing mandatory requirements. Another crucial aspect of SR is that it encourages companies to not only serve the traditional needs of shareholders, but also the needs of other stakeholders including civil society groups, community leaders, customers, employees, government entities, international organizations, media, suppliers, trade unions, trustees, and future generations.

A UN Global Compact training guide notes that SR "***is the continuing commitment by business to behave ethically and to contribute to economic development, while improving the quality of life of the workforce and their families, as well as the local community and society at large"*** Stakeholders provide important feedback to a company that may allow company executives to address social or environmental concerns before they become high-profile problems.

1. **Benefits of SR:**
   - **a)** Cost savings (due to recycling and resource efficiency);
   - **b)** Greater access to capital;
   - **c)** Enhanced productivity; Enhanced product quality (through enhanced employee morale and better working conditions)
   - **d)** Attraction and retention of human resources;
   - **e)** Enhanced reputation and brand; and
   - **f)** Reduced legal liability.
2. **Principles of SR:**

   The United Nations Environment Program (UNEP), in their publication titled Corporate Social Responsibility and Regional Trade and Investment Agreements with the aid of Canadian government depicted social responsibilities principles as summarized below:

   a) Organizational governance

b) Environment
c) Human rights (to include civil and political rights, economic rights, and fundamental rights at work);
d) Labor practices;
e) Fair operating practices;
f) Consumer issues;
g) Community involvement and society development.