

### NIGERIAN BUSINESS ENVIRONMENT

1. The concept business environment means; (a) the totality of the interaction between business and the environment (b) a set of forces and conditions outside the business boundaries that have the potential to influence the my business operates.....(Bourgeois, 1985 and Jones et al, 2000).
2. The term Business means ; (a) a human activity that is concerned with the production and distribution of goods and services (b) an activity that seeks profit by providing goods and services to others....(Nickels et al, 2002).
3. A business operates within several environments, which affect the survival and growth of the business, as well as the effectiveness and efficiency of the business managers.
4. The managers cannot control the environment, but can make decisions that are beneficial and must understand the challenges and prospects of the business environment....(Madura 2004)
5. A task environment is the set of forces and conditions that originate with supplies, distributors, customers and competitors and affect the ability or an organization to obtain inputs and dispose output done to the pressure and influencing of the managers.
6. A general environment is the economics, technological, socio-cultural, demographic, legal political and global forces that affect the organization and its task environment.
7. Suppliers are individuals and organizations that provide an organization with the input resources (raw materials, components parts or employee) needed for production.

8. Economic forces consist of the general health of the country in which the business operates...(Daft and Marcic, 2001). The economic ricks of starting up a business consist of the economic system and how government relates to business. The components of the economic forces are; per capital income, unemployment rate, government spending, inflation, deflation and interest rates, infrastructures and facilities, credit availability, taxation, etc.
9. Technological forces are the combination of skills and equipment that are use in design, production and distribution of commodity. It is also the new developments in the transformation methods of resources. When existing technologies are suitable for entrepreneurial needs, then opportunity conditions will be even more favorable....(Enivorom 1994)
10. Demographic forces are outcomes of changes in attitudes towards the features of population. E.g. age, gender, ethnic origin, race, sexual orientation and social class (Jones et al 2000). Examples of demographic forces are: population density and distribution. Demography is the statistical study of the human population, with regard to size, density and other features such as age, income etc (Nickel 2002).
11. Political and legal factors are outcomes of changes in laws and regulation. Examples of these forces are deregulation and privatization, environmental protection, conservation, workshop safety and social discrimination.
12. Global forces are outcomes of changes in international relationships, technology and a carry economic, political and legal systems, as

well as, the increasing economic integration of countries (a) general agreement on traffic and trade (GATT) (b) North American free trade agreement (NAFTA) (c) European union (EU) (d) Economic community of west African States (ECOWAS) (e) African Union (AU)

13. For Small and Medium Enterprises (SMEs) to make meaningful contributions. The factors are; (a) availability of foods and markets (b) the operating environment (c) level of competition (d) level of technology (e) level of management....(Owualah, 2001)

### ENTREPRENEURSHIP AND ENTREPRENEURS

1. The term 'entrepreneur' is derived from a 17<sup>th</sup> century French word "preneur" meaning a person who "takes on" or "initiates" a task. The word "entre" means "between".
2. The word entrepreneur was introduced from the French word "entreprendre" by cantillon in 1955, which means ability to take charge and bear risk.
3. An entrepreneur is risk-taking, innovative individual who establishes and manages a business for the purpose of profit and growth (Olson 1987, and car) and et al 1984).
4. An investor is a provider of capital who receives. Reward as interest on the capita supplied, while an entrepreneur receives reward through profit earned.
5. An entrepreneur is determined by the activities or actions of the individual.
6. A small business owner –manager as an individual who establishes and manages a business firm for the principal purpose of furthering personal goals.
7. The common characteristics between the entrepreneur and owner-managers are; (a) need for independence and achievement (b) internal loans of control over the environment

- (c) ability to live with uncertainty (d) taking calculated risks
- 8. Entrepreneurship is the art of operating in an exceptional way (Vesper 1987).
- 9. Entrepreneurship is the process of creating something different with value by devoting the necessary time and effort, assuming the accompanying financial, psychological and social risks and receiving the resulting rewards of monetary and personal satisfaction....(Hisrich 1990).
- 10. Corporate entrepreneurship is entrepreneurial behavior in an established large organization. Corporate venturing (a) It is concerned with investments by larger firms in strategically important smaller firms and entrepreneurship (b) it is concerned with individual employees and how they might be encouraged to act in an entrepreneurial manners with a larger organization.
- 11. Intreprenurship implies entrepreneurs within large firms' aims at cutting the bureaucracy in such firms to develop new products or services for the markets.
- 12. Social entrepreneurship is the use of entrepreneurial behavior for social objectives. It primary purpose is creating superior social value for clients.
- 13. Motivations of Women Entrepreneurs are; Need for money, Desire for independence/self-accomplishments, and Unemployment.
- 14. The Barriers to Women Entrepreneurship are; Finance, Gender gap in property rights, Marriage, Inheritance , Types of business engaged, Period of experience, and Access to education and skill acquisition.
- 15. The defining characteristic of social enterprises is their ability to earn revenues

which are reinvested to achieve the social goal. Social enterprises encompass social firms, cooperatives, credit unions, foundations, trading arms of charities.

- 16. The Factors affecting women's entrepreneurial aspirations are; Increased media coverage, Positive role models, and Affirmative action and access to support services.

**CHARACTERISTICS OF ENTREPRENEURS**

- (a) Opportunistic: Seeking opportunities where others eek challenges or don't even see at all.
- (b) Innovation: ability to spot or create and exploit opportunities (Schumpeter 1934)
- (c) Self-confidence: taking responsibility for decision making and accept consequences
- (d) Decisiveness and self-motivation: acting fast to take advantage of opportunity
- (e) Risk-taking
- (f) Commitment and hard-work
- (g) Need for independence
- (h) Internal locus of control

**FACTORS INFLUENCING ENTREPRENEURIAL BEHAVIOR**

The contingency model assumes that the environment emits signal that are capable or influencing people towards entrepreneurship. The model was postulated by....(Gilad and Levine, 1986). These signals are called 'push and pull variables'.

Push variables	Pull variables
Job dissatisfaction	Influence of
Career set back	Educational background
Unemployment	Acquired experience
Bad labor market	Expected opportunities
Decreased Production	

Another approach or model is;

- 1. Predisposing, triggering factors as well as the existence of a business idea.

**BARRIERS TO ENTREPRENEURIAL CULTURE**

- (a) Uncertainty of income
- (b) Risk of losing investment
- (c) Long hours and hard-work
- (d) Capital and customs
- (e) Educational background and training
- (f) Government policy of support

**ECONOMIC ROLE OF ENTREPRENEURSHIP IN NATIONAL DEVELOPMENT**

- (a) Utilization of local resources
- (b) Dispersal of economic activities
- (c) Diversification of economic activities
- (d) Mobilization of saving

**SOCIAL ROLE OF ENTREPRENEURSHIP IN NATIONAL DEVELOPMENT**

- (a) Creation of jobs
- (b) Stimulation of indigenous entrepreneurship/technology
- (c) Transformation of traditional industry
- (d) Redistribution of wealth and income

**PROMOTION OF ENTREPRENEURSHIP**

- 1. In the past, the industrialization policy of most countries is centered on economy of scale.
- 2. Economy of scale is a concept which emphasizes cost-effectiveness through large scale production. The concept was common in the 20<sup>th</sup> century
- 3. Peter F. Drucker in "Innovation and entrepreneurship (1985), discuss the unique features that made the American economy greater in the past years over, that of Europe and Japan. The response was the activities of small and medium business.

4. The post independence government adopted the import-substitution, large-sale industrialization strategy to accelerate industrial development in Nigeria.
5. The Nigerian industrial development bank (NIDB) was established 1964 to promote large-scale industrial projects to aid growth and development.

**CONTRIBUTION OF MICRO, SMALL AND MEDIUM SCALE ENTERPRISES TO SOCIO-ECONOMIC DEVELOPMENT**

1. SMEs are the bedrock of any nation's economy
2. The small business act in 1953 was enacted by the United States of America
3. Netherland issued its white paper on the development of small-scale industrial in 1954.
4. The federal republic of Germany had a policy framework on SMEs which was enacted in 1959.
5. Japan enacted the fundamental laws on SMEs in 1963.

**FUNCTIONS OF SMEs.....(Owualah 1999)**

- (a) Transformation of traditional or indigenous industrial
- (b) Creation of jobs
- (c) Redistribution of wealth and income
- (d) Utilization of local resources
- (e) Mobilization of savings
- (f) Dispersal and diversification of economic activities

**CLASSIFICATION OF SMEs**

The criteria for identifying SMEs are;

- (a) Number of persons employed
- (b) Value of investment
- (c) Annual turn-over

According to IFC (2003), the World Bank group's SME department, the classification is;

**MICRO ENTERPRISES**

Employees is 10 or less  
 Total assets: US \$100,000 or less  
 Total annual sales: US \$100,000 or less  
 Small Enterprise  
 Employees: between 10 and 50  
 Total assets: US \$100,000 to \$3 million  
 Total annual sales: US \$100,000 to \$ 3million

**MEDIUM ENTERPRISES**

Employees: 50 to 300  
 Total assets: \$ 3million to \$15 million  
 Total annual sales: \$ 3million to \$ 15 million  
 According to National Council on Industry (NCI) at the 31<sup>st</sup> meeting at Makurdi, Nigeria in 2001, SMES were classified as:

**(A) MICRO/COTTAGE INDUSTRY**

Labour: 10 or less  
 Capital: N1.5 million or less

**(B) SMALL –SCALE INDUSTRY**

Labour: 11-100  
 Capital: n1.5million to N50million

**(C) MEDIUM-SCALE INDUSTRY**

Labour: 300 or more  
 Capital: N50million to N200million

**(D) LARGE SCALE INDUSTRY**

Labour: 300 or more  
 Capital: N200million or more

**APPRAISAL OF PAST POLICIES OF GOVERNMENT AT PROMOTING ENTREPRENEURSHIP**

Nigerian government has established various programmes/schemes to ensure growth development of SMEs. They are;

- (a) Monetary, fiscal and industrial policy at the macro level.
  - (b) Financing arrangement at the micro level
- Nnanna (2001) stated the schemes as;

1. Provision or local finance through government agencies, likes; federal ministry of industry (FMI) central bank of Nigeria (CBN), Nigerian Industrial Development Bank (NIDB), Nigeria Bank for Commerce and Industry (NBCI), Nigeria Export-import bank (NEXIM) etc.
2. Facilitating external finance through agencies like; world bank, African development bank (ADB) etc
3. Establishment of the National Economic Reconstruction Fund (NERFUND)

**PERFORMANCE OF SMES PROGRAMMES/SCHEMES**

1. Small-scale industries credit scheme (SSICS): It was set up in 1971 by the federal government through the federal ministry of industry (FMI) to provide financial and technical support for SMEs. It was launched in the 3<sup>rd</sup> national development plan (1975-1980) as matching grants between the federal and state governments. It became inactive in 1979.
2. Central bank of Nigeria (CBN): In 1979/80 fiscal year, 10% of the total loans was given to SMEs. It was later increased to 16% in 1980 and 20% in 1990. It became inactive in 1996.
3. Nigerian bank for Commerce and Industry (NBCI): It was set up I 1973. It approved about N965.5million for 797 projects between 1973 and 1989. It became inactive in 1989.
4. Nigerian Industrial Development Bank (NIDB): The bank empowered SMEs who has capital up to ₦750,000. The bank gave loan of ₦174.6million between 1980 and 1988. It became inactive in the late 1990s. It was later merged with NBCI and NERFUND to form the bank of industry (BOI).
5. World Bank: It gave loan of \$270million in 1988. The SME apex office which was established in the central bank approved

\$132.8million for 211 projects between 1990 and 1994.

6. National Economic reconstruction fund (NERFUND): It was introduced in 1989 during the structural adjustment programme (SAP). It approved \$144.9million or N681.5million between 1989 and 1998.
7. The Capital Market: The Second Tier Securities Market (SSM) was established in 1985.

#### CONSTRAINTS TO FINANCING SMES IN NIGERIA

1. Lack of depth of the financial system
2. Inadequate infrastructural base
3. Poor management
4. Overbearing regulatory and operational environment
5. Low equity base
6. Unfavorable traffic policy

#### NEW APPROACHES AT PROMOTING ENTREPRENEURSHIP

1. Nigerian investment promotion commission (NIPC): It was established by decree No: 16 of 1995. It replaced the industrial development coordination committee (IDCC). Its achievements are;
  - (a) Participating at Nigerians in Diaspora forum Atlanta and London 2000.
  - (b) Participating at Hanover, Germany 2000
  - (c) Participating at the investment forum in China and South Africa
  - (d) Match-making of Nigeria businessmen with their foreign counterparts
2. National directorate of employment (NDE): It was established by the NDE Act of 1989. Its organs are the board, director-general, national advisory council and state advisory committee.
3. National Poverty Eradication Programme (NAPEP): The increased global oil prices boosted exports from N4billion in 1975 to

N26 billion in 1980 while GNP per capita increase from \$360 to \$1000. According to the federal office of statistics in 1960, about 15% was poor, but by 1980, it was 28%, in 1985 was 46% and in 1992, it was 43%. In 1996, it was 66% (76.6million) of 110million.

#### CAUSES OF POVERTY

- (a) Corruption
- (b) Bad governance
- (c) Debt overhang
- (d) Unemployment
- (e) Low productivity
- (f) Burgeoning population growth
- (g) Lack of effective skills training

#### POVERTY ALLEVIATION LEGACIES

1. Between 1976-79, General Olusegun Obasanjo initiated the Operation Feed the Nation (OFN)
2. Between 1979-83, Alhaji Shehu Shagari initiated the Green revolution
3. Between 1985-1993, General Ibrahim Babangida initiated the following; (a) people bank (b) community bank (c) Nigerian agricultural land development authority (NALDA) (d) National Directorate of Employment (NDE) (f) Better life for rural women
4. Between 1993-98, General Sani Abacha initiated; (a) Family Support Programme (FSP) (b) Family Economic Advancement Programme (FEAP)
5. Between 1999-2007, Chief Olusegun Obasanjo initiated; (a) National Poverty Eradication Programme (NAPEP) (b) Youth Empowerment Scheme (YES) (c) Rural Infrastructures Development Scheme (RIDS) (d) Social Welfare Services Scheme (SOWESS) (e)

National Resource Development and Conservation Scheme (NRDCS)

NAPEP had a take-off grant of N6 billion. The Capacity Acquisition Programme (CAP) trained 100,000 unemployed youths, 5000 were trained as tailors and fashion designers. The Mandatory Attachment Programme (MAP) also empowered 50,000 unemployed graduates

6. Small and Medium Enterprises Development Agency of Nigeria (SMEDAN): It was established the SMEDAN act of 2003. It is posited as "one stop shop". Its available services include, (a) Business support centres (b) Business Information Centres (c) Capacity Building and Promotional Services
7. Small and Medium Enterprises equity Investment scheme (SMEEIS): it is an initiative of Bankers' committee 9CEO of banks). As at Sep. 2004, a total of N26.8billion was created by 82 banks while N9.3billion (32.3%) had been disbursed by 56 banks to 173 projects.
8. Micro-Finance Bank (MFBs): are created to fund the poor who are not assisted by major financial institutions.

#### FUNDING BY MULTI-LATERAL AGENCIES

1. International finance corporation (IFC) is a veritable source of finance and promotion of private sector development. It has a project portfolio of \$21million through the SME capacity building facility, with an annual budget of \$7.1 million, and has given over \$120million loan to private SME in Nigeria
2. International Development Association (IDA) is focused on poverty reduction by giving credit at 0% rate to maturity of 35-40years at a grace period of 10years. It has about \$8billion to develop countries. IDA lends to countries with PCI of less than \$875 (N122,

500), and Nigeria has PCI of less \$300 (N42,000) which makes her eligible to borrow from IDA.

#### EXTERNAL/INTERNATIONAL BUSINESS ENVIRONMENT

- The structure of Nigerian economy consist of; (a) Low PCI (per capita income) (b) Overdependence on foreign inputs/importation (c) high level of inflation (d) rural under-development (e) increasing unemployment rate (f) reliance on export of crude oil
- Nigeria joined the organization of petroleum exporting countries (OPEC) in 1971. OPEC is a body of countries which produces about 40% of total world oil.

#### Export Trade and Incentives

- The occasional shortages of Petroleum products on the domestic markets are caused by the downstream petroleum sector policy instruments
- The downstream petroleum sector policies are; (a) state trading (b) import licensing (c) exclusive import rights (d) administered pricing (e) restrictions on foreign commercial presence and administering subsidies
- The overall objective of Nigeria's trade policy is to diversity the country's export base and to liberalize the import trade

#### Export Incentives for Non-oil Sector

- Retention of export proceeds in foreign currency
- Export Development Fund (EDF or FUND)
- Export Expansion Grant Fund Scheme (EEGF)
- Duty draw-back/suspension and manufacture-in-bond scheme
- Export adjustment fund scheme
- Nigeria export import bank
- Rediscounting of short-term bills

8. Export processing free zone scheme. It was established in 1991

9. Tax and other incentives

#### The World Trade Organization (WTO)

- It was founded on January 1, 1995 by the Uruguay round negotiations (1986-94)
- It operates based on negotiation, and currently under the "Doha development Agenda" launched in 2001
- It has 150 member countries, with headquarters at Geneva, Switzerland

#### New Partnership for Africa's Development (NEPAD)

- It is a vision and strategic framework for Africa's renewed, which focus on socio-economic development (poverty, women empowerment, etc)
- It was formed by 5 Africa states; Algeria, Egypt, Nigeria, Senegal and south Africa
- It highest organ is the heads of state and government of the AU. It also has the steering committee and secretariat
- The African growth and opportunity act (AGOA) was passed in 2000

#### GLOBALIZATION

- If is the increasing global connectivity, integration and interdependence in the economic, social, technological, cultural, political) and ecological spheres.
- According to index, the most globalised country is Belgium, Austria, Sweden, UK and Netherland while the least globalised countries are Haiti, Myanmar, CAR and Burundi
- Pro-globalists are the supporters of democratic globalization
- In East-Asia, the percentage of people Living less than \$2 a day decreased by 50.1%, while in sub-Saharan Africa, it increased by 2.2%

5. Between 1950 and 1999, global literacy increased from 52% to 81%. The female literacy as a percentage of male literacy has increased from 59% in 1970 to 80% in 2000.

6. Also, the percentage of children in the labor force has fallen from 24% in 1960 to 10% in 2000.

#### GENERATING BUSINESS IDEAS AND INFORMATION CATHERING

- The following are necessary for starting and managing a business/project; (a) motivation, desire and talent (b) research and planning
- The reasons for starting business are; (a) desire to be a boss (b) financial independence (c) creative freedom (d) utilization of skills and knowledge
- Starting a business can be done in 3 days; (a) starting from the scratch (b) buy an existing operation (c) obtain a formalize

#### ENVIRONMENTAL SCANNING

- It is the internal communication of external information about issues that may potentially influence an organization's or business decision-making process.....(Albright, 2004).
- It focuses on the identification of emerging issues, situations, opportunities and potential pitfalls that may affect an organization's failure.
- Business opportunities are daily springing up in all the sectors of the Nigeria economy, as the nation's population increases and new communities are established.....(Awaiko, 2004)

#### REASONS FOR ENVIRONMENTAL SCANNING

- To discover the rapid changes in market and emerging business practices
- To address competitions and issues

3. To learn external response of environment and influence

#### PROCESS OF ENVIRONMENTAL SCANNING

1. Identify the environment and organization need
2. Gather the information
3. Analyze the information
4. Communicate the result
5. Make informed decision

#### SOURCES OF BUSINESS INFORMATION

1. Information is the bedrock of a successful business operation
2. The sources of business information can be classified into;
  - (a) External sources: Personal contact, journals/magazines, books, newspapers, customers, commercial database, radio, television, internet, professional conferences/meetings
  - (b) Internal sources: Internet reports, conference papers, internal memoranda, committees/meetings, sales staff, of her managers, after employees, internal database.
3. Some categories of business projects or ventures; are; agricultural/agro-alhed, leather, paper products, textile, metal and engineering, chemical and allied products, wood and woodwork, service, word and woodwork.

#### CHECK LIST OF FACTORS TO BE CONSIDERED IN SELECTING A NEW PROJECT/VENTURE IDEA

1. Basic feasibility of the venture
2. Competitive advantages of the venture
3. Buyer decisions in the venture
4. Marketing of the commodity
5. Production of the commodity
6. Staffing decisions in the venture
7. Control of the venture
8. Financing the venture

#### FORMATION OF BUSINESS ORGANIZATION

1. Incorporated business associations are organized and conducted through company law regulation
2. The principal legislation governing the registration of companies is the companies and Allied matters Act (CAMA 1990).

#### FORMS OF BUSINESS ORGANIZATIONS

- (a) The sole proprietor: Is registered with a share capital (sec 21 CAMA)
- (b) Company limited by guarantee: Is not required to have a share capital. It promotes commerce, art, science, religion, sports, culture, education, research (Sec 26, CAMA)
- (c) Unlimited company: It is required to be registered with a share capital. The name of the company must end with "unlimited" and it either a private or public company. (Sec 25, CAMA).

The private companies are usually small-sized, and the shareholders are also the directors. Its membership does not exceed 50. Its shares cannot be sold on the stock exchange floor. The name of the company must end with "limited". (Sec 22 & 23 CAMA)

The public companies have a minimum of 2 and maximum of no limit. Its shares may be traded on the stock exchange. It must end with PLC.

#### FAMILY BUSINESS

1. It is a owner-managed enterprise with family members predominantly involved in its administration operations and the determination of its destiny...(Pourziouris 1994)
2. It is a owner-managed and whose goals are associated with its owner's personal objectives....(Harper&Churchill 1987)
3. It is a firm in which majority ownership (shares) or control lies in a single family and in which two or more family members are or at

some time were directly involved....(Rosenblatt et al 1785).

#### REGISTRATION OF COMPANIES (INCORPORATION DOCUMENTS)

1. Memorandum of Association: It is a company's charter that contains; name, registered address, nature of business, regulatory statement, type share capital authorization statement and the subscription clause of the company.
2. Articles of Association: Is signed by subscribers to the memorandum of association. It states the internal management of the company.

The above documents are prepared and registered by an accredited legal practitioner, accountants and chartered secretaries by Corporate Affairs Commission (CAC).

#### PREPARATION OF BUSINESS PLAN

1. Planning is necessary to avoid business failure, ensure success and to tackle uncertain.
  - a. It is a written document that identifies the nature and he context of the business opportunity and presents the approach the entrepreneur plans to follow in order to exploit the opportunity....(Longenecker, et al, 1997:15).
  - b. It is a written document specifying the business idea concisely but in details....(Owualah, 2000:12). It is a deliberate and conscious effort to state the business goals or objectives, manner of assets and resources utilization in order to achieve profitably and meet long-term goals.
  - c. It is a blueprint for success or for creating a new business enterprise by an entrepreneur (Longenecker et al, 1997:15; Green 1995:32).

Precisely, a business plan serves as; A model, a selling document, a game plan, a disciplinarian. It must put into consideration;

- a. The insiders: Management and Employee
- b. Deciding where you want to go
- c. Planning how to get there

Elements of good business plan are; financial plan, marketing plan, Personal plan, and Production plan

#### OVERVIEW OF EFFECTIVE BUSINESS MANAGEMENT

##### Definition of Management

1. It is the basic, integrating process of the organizational activity that surrounds our daily life.
2. It is a universal process in all organized living. It is an operative force in all complex, purposive organizations

The concept of management is necessary due to the scarcity of resource to satisfy wants, and the diverse, complex human activities. The development and application of management skills determines the success of a person.

##### Uses of the term "Management"

- i. As a process: It is conceptual, theoretical, scientific and analytical
- ii. As a discipline: It is a field of learning
- iii. As people: It is a managerial group. It is also called administration
- iv. As a career: It is an occupation

##### Functions of Management

Basically, it creatively solves problems. It is done through; Planning, Organizing, Staffing, Directing, and Controlling

Management Success is gained through accomplishment of missions and objectives. Success requires both effectiveness and efficiency. Efficiency describes the relationship between the amount of

resources used (input) and the extent to which objectives are accomplished (output).

##### Management Skills

1. Technical skill: Use of tools, techniques and knowledge....(Higgins, 1994:13)
2. Human skill: Used to build positive relationships, solve problem
3. Conceptual skill: Solving organization's problem to the benefit of all...(Fliggins, 1994:15). It consists of analytical, creative and intuitive talents.

Code of Conduct for Managers is a set of guideline to ensure the profession of management continues to play a vital and ethical role in contemporary business....(Australian institute of management 2008 code).

##### Guides to Good Management Practice

1. The manager, as a person: must process positive personal attitudes and responsibilities
2. The manager and the organization: Must take strategic and appropriate actions to achieve the organization's objectives.
3. The manager and the community: Must recognize the interests of the community and act to it.

##### MARKETING FUNCTION

1. It is getting the right commodity in the right quantity to the right place at the right time and making a profit out of the operation.
2. It deals with every aspect of the product from its inception, design, pricing, distribution, selling and promotion until it get to the consumer.
3. It focuses on what, how, when and where a product is to be sold.

##### Functions of Marketing

- a) It deals with the promotion and presentation of the product through strategies

- b) Planning of sales
- c) Establish sales forecast, ensure intact allocation of resource and give accurate information
- d) Detect the attitude of the consumer about the product
- e) Assessment of the market and the competitor, to ensure product necessity and competitive merit

##### Marketing Mix

1. It was popularized by Neil IT
2. It was published in the 1964 article, "The concept of the marketing mix" by Borden, used began the use of the term in his teaching in the late 1940's, after James Cullition who described the marketing manager as a "mixer of ingredients".
3. Borden's marketing mix ingredients are; planning, pricing, branding, distribution channels, personal selling, advertising, promotions, packaging, display, servicing, physical handling and fact funding analyses.
4. Borden's ingredients were later grouped by Jerome McCarthy; into 4p's of marketing; (Product decision) (price, decision) and (promotion decision)

##### Marketing Strategy

1. It is a process that can allow an organization to concentrate its limited resources on the greatest opportunities to increase sales and achieve a sustainable comparative advantage
2. It key principle and goal is consumer satisfaction
3. It key component is to keep marketing in line with company's overall mission statement
4. It is the foundation of a marketing plan, as well as tactics to make it effective

##### Marketing Plan

It is a set of specific actions required to successfully implement a marketing strategy.

#### Strands of Marketing Strategy

- Advertising
- Channel marketing
- Internet marketing
- Promotion and public relations

#### Types of Strategies

- Market dominance: It types are; leader, challenger and follower (Late or early and late followers)
- Porter Generic: It consist of product differentiation and market segmentation
- Innovation: It types are; pioneers, close and late follower
- Growth: It is classified into; Horizontal and vertical integration, diversification, intensification, analyzer prospector, and defender
- Marketing warfare

#### PERSONNEL FUNCTION

##### Recruitment

- It consists of a set of activities that improve the number and quality of individuals, who apply for employment, as well as the probability that qualified and competent applicant will accept employment offer (Hill & Mc Shane, 2008).
- It involves the request for job candidates, and looking for the right people to take up the job.

##### Types of Recruitment

- Internal: It is achieved through company's notice boards and memo circulation.
- External: It is done through, employee recommendations, advertisements, manpower service commission, private employment bureau, universities and colleges and professional organizations.

##### Employee Training

- It is the process to teaching technical staff how to perform their present duties more effectively and efficiently.

- Tactics is a procedure or learning experience engaged to achieve and empowerment organization to further its goals (Peterson x Tracy, 1979)
- Strategic scope is by market penetration
- Strategic Methods of training are; Apprenticeship, On the job.

Vestibule, Classroom: consist of; seminar, case studies, programmed earning, role playing and business game

#### Management Development

- It is the process of performing managers and other professional to assume increased responsibility in both present and future positions.
- It is learning experience planned for high-level employees, possibly for longer duration with less structure (Peterson x Tracy, 1979)

#### Welfare Services

It categories are; Individual or personal service, Group service.

#### TIME AND PROJECT MANAGEMENT

##### Time Management

- It is the various means by which people effectively use their time and other closely related resources in order to make the most out of it.
- It refers to principles and systems that individuals use to make conscious decision about activities that occupy them.

##### Strategies for Managing and Evaluating Time

It is determined by the nature and size of the job. It consist of;

- Crisis management
- Project management: It stages are; need identification, initiation, planning, execution and control of the project
- Time evaluation
- Delegation and control

#### HEALTH AND SAFETY ISSUES IN SMALL BUSINESS

- Attention to safety issues helps business avoid legal penalties, improve employee morale, productivity and retention

##### Safety Issues

- Electrical safety
- Fire safety: It could be classified into;
  - Class A fires: caused by wood, paper and furniture
  - Class B forces Caused by flammable gases
  - Class C: Fires: caused by electrical equipments
- Repetitive strain injury (RSI)
- Slips, falls and trips
- Violence

#### MODULE 4 (FINANCING YOUR OWN BUSINESS)

- Long-term fixed need: rents, equipment and machinery, repair and maintenance
- Working / circulating capital need: salaries, raw material, input.
- Preparation of financial reports or statement determine the access to fund from financial institution

##### Sources of Finance

- Diver's Funds
- Relations or Friends
- Co-opted partners
- Money lenders, and other informed financial bodies e.g.: Rotating savings, credit bodies, cooperative etc.

##### Formal financial Institution

- Formal market is regulated and controlled by government. it institutions can be classified into

- a) The conventional Banks: Commercial and merchant banks
- b) The specialized Banks: Development people and community banks.
- 2. At 2004, Nigeria had about 89 deposit banks, with over 3000 branches, but by December 2005, due to recapitalization policy, it reduced to 25

Development banks/Development finance institution

- a) Nigeria industrial development Bank (NIDB)
- b) Nigeria bank for Commerce and Industry (NBCI) established in 1973
- c) Nigeria Agricultural and Cooperative Bank (NACB)
- d) Federal Mortgage bank, of Nigeria (FMBN)
- 1) However, NIDB and NBCI, as well as NEFUND merged to become the Bank of Industry (BOI) in 2001.
- 2) NACB (peoples Bank) and family economic advancement programme (FEAP) merged to become the Nigeria Agricultural Cooperative and Rural Development Bank (NACRDS).

Specialized Funding Schemes

- 1. In the late 1980, the Babangida tenure established NERFUND
- 2. World bank
- 3. Africa Development Bank, Managed by Nigeria Export import Bank (NEXIM)
- 4. Leasing: Is a practice of entering into an agreement with a firm for the use of an equipment and machinery for business.
- 5. Sub-contracting: Is also called ancillarization (India) or Forster-father (Indonesia). It is when a big firm contracts out the production

of some of the parts of the product it produces to the small firm. The small firm is called sub-contractor and big firm is called parent.

The availability of loans to SMEs or SSEs by banks, there is a strategic on both quantitative and qualitative considerations. Between 1980 and 1986, Nigeria banks empowered the SSEs with N3,988. 6 million from 1987 to 1989, it was N15,043. 5 million, while between 1992 – 2002, it was 251,604. 55 million.

In 1999, the CRN through the banker’s committee of the cratered institute of Bankers of Nigeria (CIBN) initiated the small and medium Industries Equity Investment Scheme (SMIEIS) to fun SMEs, through the 10% of banks’ pre-tax profits. It also requires banks pump 60% in the manufacturing, 30% to the service and 10% to other sector.

Financial Statement

- 1. It is a useful instrument to determine the profitability and liquidity of an organization
- 2. It is a quantitative and qualitative statements of the actives and performance of an organ within a year (revenue and expenses, assets and liabilities and profit x loss).

Cash Budget It is a statement of projected monthly cash inflows and cash outflows from different sources to an organization and the net cash balance for a year.

Reasons for Holding Cash

- (a) Transactionary purpose: daily needs of cash for business. e.g. raw material, fueling, salaries, personal needs
- (b) Precautionary purpose: for unforeseen contingencies e.g. sudden rise of raw material, illness, accident etc
- (c) Speculative purpose: for taking advantage of profitable opportunity in the future.

Cash flows of an organization

It consists of sources of cash to an organization and how its been invested to increase the earning capacity.

- (a) Borrowing from bank in form of short-term loan or overdraft. Banks considers firms in the following ways; capital, capacity, competence, credibility, collateral, confidence.
- (b) Selling of securities such as commercial paper, bankers acceptances, certificate of deposits, treasury bills, stocks, debenture, shares.
- (c) Commercial finance companies
- (d) Sales

The investment of excess or idle cash is influenced by; safety and liquidity.

Estimating Cash Balances

- 1) The Bourmol model: If adopt tools of inventory management in the cash management
- 2) The miller model: it assumes an uncertain cash-flows by determining an upper limit and return points of cash balance, which is the limit at which is set either when cash is converted to marketable security.

Users of Financial Statement

- a) a shareholder or prospective investor
- b) government and its agencies
- c) lenders and creditors
- d) workers and employees
- e) customers
- f) management

Framework for Analyzing

- a) Time series method: It is called trade analysis. It identifies the GDP
- b) Cross industrial averaged sectional method: it identifies the across business
- c) The peer group method: It compares performance similar companies.

Tools for Analysing Financial Statement

1. Financial ratio: Is used for evaluating company's profit performance and assessing credit risk.

Kinds of ratio

a) Profitability or efficiency ratio

i) Return on asset (ROA) = 
$$\frac{\text{Net Operating Profit after tax (NOPAT)}}{\text{Average Assets}}$$

ii) Gross Profit Margin (GMP) = 
$$\frac{\text{Sales} - \text{cost of good sales}}{\text{sales}}$$

iii) Net Profit Margin (NPM) = 
$$\frac{\text{PAT} + \text{Interest}}{\text{sales}}$$
 or 
$$\frac{\text{profit after tax}}{\text{sales}}$$

iv) Return on equity (ROE) = 
$$\frac{\text{Profit after tax}}{\text{net worth}}$$
  
 Note = Net worth = total assets – total liabilities.

v) Return on capital employed (RCE) = 
$$\frac{\text{Gross before tax}}{\text{capital employed}}$$
 Note: Capital employed = total asset – current liabilities

B) Credit Risk Ratios: It is the ability and willingness of a borrower to pay his debt

Liquidity: It is the company's ability to generate cash for circulating assets and immediate debt repayment. It can be measured by;

i) Current ratio = 
$$\frac{\text{current asset}}{\text{curentent liability}}$$
 (cash, debt and stock account)

ii) Quick ratio/acid test = 
$$\frac{\text{current asset} - \text{stock}}{\text{current liability}}$$

iii) Cash ratio: Cash is the most liquid financial assets  
cash + Marketable Securities

Activity ratio: It indicates how efficiently on organization's assets are used

(a) Inventory turnover ratio: It shows how effectively inventory is managed.

$$\frac{\text{cost of good sold}}{\text{average inventory}}$$

b) Account payable turnover ratio: it helps the analyst to understand the company pattern of payment to supplier.

$$\frac{\text{Inventory purchases}}{\text{Average accopunt payable}}$$

c) Solvency ratios:

1. Long term solvency: It the ability of a firm to generate a stream of cash inflow to maintain its productive capacity and meet interest and payment obligation. It is the level of the organizational financial leverage.

Financial leverage is the proportion of debt in the capital structure. The higher the debt ratio, the higher the solvency risks.

(a) Long term debt to asset ratio = 
$$\frac{\text{longterm debt}}{\text{total asset}}$$

- (b) Interest coverage =  $\frac{\text{earning before interest expenses}}{\text{interest expenses}}$
- (c) Long-term debt to tangible asset =  $\frac{\text{longterm debt}}{\text{tangible asset}}$
- (d) Gearing =  $\frac{\text{fixed interest capital (debt+preference)}}{\text{equity capital+reserve}}$

### WORKING CAPITAL MANAGEMENT

1. The main goal of any forward-looking and profit seeking organization is to remain in business and it is determine by effective management of working capital.
2. Working capital management involves the financing and management of working capital, i.e. current and current liabilities.
3. NET CURRENT ASSETS is current assets less current liabilities
4. Working capital decision is of short-term decisions, which determines whether the firm would see the long run.
5. The key management of working capital items that are commonly located under current assets are; management of stocks, debtors and cash.
6. The key current assets and current liability items are; trade debtors and creditors; bank overdraft and cash at hand or bank, and they are linked by stocks.

### Management of Stock

1. These are 3 forms of stocks; raw materials, work-in-progress (WIP) or finished goods (FG).
2. Effective management of stock involves the minimization of all costs pertaining to stocks.

Ordering Costs is the cost of placing an order to stock into a firm/company. It include clerical and related costs. .e.g. cost of raw material, maintenance of machine.

Holding Cost It is also called carrying cost. It is space and storage cost. E.g. rent of warehouse, insurance, lighting, opportunities cost of fixed capital, wastage, leakage loss etc.

Stock-out Cost is a penalty cost for not having a required level of necessary stock available for use when needed.

### THE ECONOMIC ORDER QUANTITY (EOQ) Model

It is the level of stock held by a company that minimizes all the ordering, holding and stock-out costs. It is the optimum level of maintainable stock.

### Debt Management

1. Trade debt and discounts are means of increasing sales of a firm.
2. Factoring of trade debts is the major means of minimizing the incidence of bad debts. Factoring is sell trade debts for immediate cash. It involves 3 basic services;
  - (a) Provision of accounting facility
  - (b) Provision of credit insurance facility
  - (c) Provision of finance
3. Over trading is when a business trying to support large volume of trading activity with little long-term capital at its disposal.

### CORPORATE GOVERNANCE

Companies that neglect the tenants of corporate governance, result in bankrupting, liquidation and total entropy.

### Concepts of Corporate Governance

1. It has become a catch-all concept, meaning; many different things to people.
2. It deals with the ways in which suppliers of finance to corporations assure themselves of getting a return on their investment.....(Shleiferand Vishny, 1997' 1937 cited in OECD, 2002).
3. It is the relationship of a company to its shareholders or more broadly as its relationship to society (financial times 1997).
4. It is a field of economics that investigates how to secure and motivate efficient management of corporations by the use of incentive mechanism (contracts, designs, legislation).....(Mathiesen, 2002).
5. It is concerned with holding the balance between economic and social goals and between individual and communal goals. 9Sir Adrian Cadbury, Global corporate governance Forum, World Bank, 2000).
6. It is the system by which companies are directed and managed (ASX Principle of Good corporate governance and best practices recommendations, 2003).
7. It is the system by which business corporations are directed and controlled (OECD April 2002).
8. It is the relationship between corporate managers, directors and the providers of equity (international chamber of commerce).
9. The central theme of corporate governance is financial control. It focuses on; accountability, equity, and transparency.

10. In Nigeria, corporate governance watch word is DUE PROCESS with emphasis on honesty, probity, accountability and objectivity
11. It is a system of which companies are lawfully managed to obtain the greatest practicable enhancement of investment.....(Barrister Assue Ighodalo).
12. It is about promoting corporate fairness, transparency and accountability...(J. Wolfensohn, Financial times of June 21, 1999).
13. Company governance operate through 2 relationships;
  - (a) Owners/stakeholders and corporate management
  - (b) Corporate management and employee

Essence of Corporate Governance

- a) To still confidence in owners and operators of an enterprise
14. Corporate governance has to be planned and institutionalized. It is driven by well articulated vision and mission.
15. A major thrust of corporate governance is economic efficiency, and the critical issue is profit maximization

GUIDING PRINCIPLES OF GOOD CORPORATE GOVERNANCE

Vision and Mission

- a) It is a glimpse of the future wished for
- b) Organizational vision is the ability to perceive the many possibilities that are available to your company and to create an ideal picture of the future.
- c) The making of vision statement is the function of top manage

Vision and Mission

- (a) It is a glimpse of the future wished for
- (b) Organizational vision is the ability to perceive the many possibilities that are available to your company and to create an ideal picture of the future
- (c) The making of vision statement is the function of top management, so it can change from time to time.
- (d) Visions are not some with mottos. Motto is a creed.
- (e) Mission statement is statement of being-the reason for your company's existence
- (f) Core values are enduring character of an organization
- (g) Core purpose is the organization's reason for being

Vision Statement

1. Coca Cola: "Putting a coke within arm's reach of every consumer in the world".
2. Procter and gamble: "be either the first or second consumer products and services company in the world in market share"
3. UNILAG: "To be a top class institution for the pursuit of excellence in knowledge through learning and research, as well as in character to humanity"

Mission Statement

1. Emzor: "we have an unwavering commitment to provide our consumers with healthcare products and services of consistently high quality, made reality available at prices, which create value for all stakeholders".

2. Unilever: "To add vitality to life. We meet everyday needs for nutrition, hygiene and personal are with brands that helps people feel good, and get more out of life".

Core Purpose

1. HP: "to make technical contributions for the advancement of welfare of humanity".
2. Walt Disney's: "to make people happy"

Principles of Good Corporate Governance

1. they are guidance for implementation
2. They are defined by the Organization for Economic Corporation and Development (OECD) in 2004.

They include;

- (a) promote transparent and efficient markets
- (b) protect the exercise of shareholders rights
- (c) ensure equal treatment of shareholders
- (d) recognize the shareholders right
- (e) ensure disclosure
- (f) ensure strategic guidance of company

BOARD AND MANAGEMENT DUTIES AND RESPONSIBILITIES

Board of Directors

1. it has the primary responsibility to oversee the company's management
2. it is the ultimate decision-making of the company
3. it is headed by a chairman, appointed by the proprietor or shareholders at AGM

4. A director a person duly appointed by the company to direct and manage the business of the company.

#### Roles and responsibility of BOD

- a) Establishing the company's mission, vision and values
- b) Setting the strategy and structure
- c) Delegating to management
- d) Holding the management accountable
- e) Supporting assessing the CEO
- f) Ensure legal, ethical and financial integrity
- g) Recruiting, mentoring and assessing the board
- h) Setting and reviewing employee's compensation
- i) Establishing an effective management succession plan

#### Barriers to the Effectiveness of Boards

- a) Micro-management
- b) Ineffective nominating committee
- c) Absence of rotation plan
- d) Non-removal of unproductive members
- e) Small membership boards
- f) Lack of functioning committee structure

#### BUSINESS ETHICS AND CORPORATE INTEGRITY

The most classical anecdote to the essence and need of business ethics and corporate integrity was introduced Kaptein and Scott Avellino (2005).

#### Concept and Dimension of Ethics

1) Ethics is a system of accepted beliefs and principles of conduct typically based on moral imperatives that govern the behavior of individuals

and organizations to which they belong. It may be viewed from 3 perspectives, which are;

- (a) a general pattern of life e.g. Christian or Buddhist ethics
- (b) a set of rules of conduct e.g. professional ethics
- (c) a branch of philosophy

2) Professional ethics can be; situational or moral ethics

Ernest Hemmingway said in "Death in the Afternoon", what is moral is what you feel good after, and what is immoral is what you feel bad after.

- (a) Personal leadership proceeds corporate leadership and private victories proceed public success. - Stephen
- (b) The more we build our lives on principle the more effective and successful we become in the long-term – Convey