

MODULE 9

**Enterprise
Education**



NIGERIA

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MODULE 9

ENTERPRISE EDUCATION

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FOREWORD

African Ministers of Education have long been aware of the growing number of social problems which affect the lives of young Africans, particularly girls, and determined some time ago that their education systems had to play a much more active and positive role, in promoting the growth and development of the young people entrusted to their care.

Before taking action they took into account the declarations and recommendations of the Pan-African Conference on the Education of Girls (Ouagadougou, Burkina Faso, 1993), and the Fourth World Conference on Women (Beijing, China, 1995), and other international gatherings on matters related to women. They then convened a series of technical meetings in English and French-speaking countries, at both the regional and the national level, to decide in greater detail what should be done. The consensus reached was that Guidance and Counselling should be an integral part of the education of children, and should be included in teacher training programmes.

This coordinated effort resulted in the establishment in April, 1997, of a Board of Governors, made up of African Ministers of Education, who would be responsible for policy decisions, and for establishing procedures in the development of the Guidance and Counselling Programme. In preparing the programme African countries would collaborate so that it would benefit from the best African expertise. It was also agreed that '**The Guidance, Counselling and Youth Development Centre for Africa**', designed to provide training for teacher trainers and youth and social workers from all over the continent, would be set up in Malawi. While this programme was intended for use with boys and girls, its content and organization are such that special attention is given to the needs and requirements of girls.

Assistance is being given by a number of international and regional agencies such as UNESCO, UNICEF, UNFPA, FAWE (the Forum for African Women Educationalists), DANIDA, the Rockefeller Foundation, and from countries such as Finland and the USA.

A Training Package on Guidance and Counselling has been prepared by African specialists from various countries in consultation with other competent persons. It consists of eight training modules – *Guidance, Counselling, Social Work, Behaviour Modification, Gender Sensitivity, Guidance and Counselling Programme Development, Adolescent Reproductive Health*, and *Workshop Administration and Conduct Guidelines*. The modules encourage the use of non-threatening approaches, particularly

with regard to sensitive issues, and are accompanied by charts, transparencies, and video films as teaching aids. Supporting materials are also drawn from other relevant programmes being implemented in the respective countries.

Although intended for use in the training of trainers, the suggested activities are also generally suitable for use with school-age children. Each module is comprised of units, and sets out objectives and activities for small and large groups. Because of the shortage of appropriate reference materials for Guidance and Counselling, each module includes additional reading.

MODULE 9

Enterprise Education

INTRODUCTION

It is undeniable that more than ever before there is an army of neglected young people, particularly girls. This is because there was no proper planning for the future of young people who, after the completion of their academic efforts, were not absorbed in the formal world of work.

There is a growing need, that in a highly competitive world, the economic future indeed its future as a society, is closely linked to, or depends on, a well-educated and skilled workforce. It does not depend on people who can fill places at factory benches, or conveyor belts, in the bureaucracies of the public sector or in big companies – since many of those jobs have gone. It is on this premise that the Enterprise Education Module was based.

The whole purpose of enterprise education is to empower people to rise above the boring jobs of the past, and to avoid unemployment. It is essential to be able to apply what is learnt in schools to practical work. The enterprise education module will serve as an impetus towards self-reliance among people who are both employed and unemployed in order to become more creative.

Furthermore, the curriculum, which though it has been expanded in content has continued to teach subject matter without addressing the problem of what is taught, is utilized. It is, therefore, necessary to provide a carefully organized and well articulated curriculum which promotes enterprise for all.

Education for work is a vital element in UNESCO's determination to encourage young people, particularly for girls, to take their first steps into the world of work. It is about schools and the business community working together effectively. It is about trying to bring an increased level of coherence to the disparate links between education and business.



The Benefits of Enterprise Education

A well-articulated enterprise education will benefit young people, particularly girls, parents, and the business community among others. To young people, particularly the girls who are economically more disadvantaged than their male counterparts, enterprise education would assist them to:

identify the world of work, and make choices in consonance with their potential and interests;

identify the world of work and its prospects and challenges;

choose an enterprise, and a career;

identify the enabling environment for an enterprise;

stimulate them to look for funds to go into business;

bring job satisfaction (economically, psychologically and socially);

discourage girls from becoming prostitutes if what they need is money to survive; and

make the individual her or his own boss, and be free from job rules, regulations, routine work, external annual assessments for promotion, worries about gratuities and pensions, working place politics, and the likes and dislikes of bosses.

To the parents:

it will take away economic dependence on their children; and

it will put more money at their disposal to improve their standard of living.

The business community:

it reduces the high level of unemployment;

it reduces the number of dependent relatives;

it encourages healthy competition among entrepreneurs;

it produces a variety of products and services;

it increases productivity;

it reduces some of society's vices.

UNIT 1

Enterprise Education

RATIONALE

The purpose of this unit is to provide the knowledge, and sensitize participants about enterprise education in a world where unemployment is on the increase.

LEARNING OUTCOMES

By the end of the unit, you should be able to:

- explain why some people fail in their enterprises
- list some myths about enterprises
- describe a business life cycle
- list and describe two types of business enterprises
- define enterprise education
- list the purpose of enterprise education
- highlight the rationale for enterprise education

CONTENT

This unit includes the following topics:

Topic 1:	Enterprise Education: The Realities and Experiences of Entrepreneurs
Topic 2:	Business Life Cycle
Topic 3:	Types of Enterprise
Topic 4:	Rationale Behind Enterprise Education

Topic 1.

ENTERPRISE EDUCATION: THE REALITIES AND EXPERIENCES OF ENTREPRENEURS

When a business is started people expect immediate profits which may, or may not, be forthcoming. Some start businesses, and make profits at the beginning or middle of the business, and some do not make profits until they have spent months in the business. Some start by losing out after making an initial profit in the conduct of their business – this is caused by intervening variables from within the individual and the environment.

The individual variables may include the lack of skills e.g.:

- leadership/supervision skills;
- communication skills;
- financial management skills;
- advisory skills;
- record keeping skills;
- monitoring skills;
- marketing skills; and
- the individual engaging in every emerging, and similarly profitable business. Some people lack the focus, and others lack the potential for the business they are starting.

Some people want to go into business and play only a supervisory role, rather than become directly involved. For example, an individual who opens a sewing enterprise and equips it with the necessary accessories, and visits there once in a while, might suffer considerable loss because the workers use the accessories for their own private benefit, and then report that no work was done.

The intervening variable from the environment could manifest itself in the following ways:

- competition with others
- the location of the business
- the availability of cheaper and substitute goods and services, etc.

Activity 1.1: The Realities and Experiences of Entrepreneurs – break into groups:

1. List and discuss six individual skills that can help an enterprise to thrive;
2. List and discuss three environmental factors that can hinder the success of an enterprise; and
3. Suggest ways of overcoming them.

Experiences in enterprise

Funmi, a university graduate in home economics looked for an office job for two years, but to no avail. She decided to start a small canteen, where she sold foo-foo and rice on a small scale, with the assistance of a younger sister, who joined her in the shop after school.

After three months, Funmi discovered that she needed more staff, because of the expansion of the business, as many people started to patronize her because of the quality of her food. This was due to her training as a home economist. She prepared her food in a very clean environment. She knew how to attract customers with courtesy and a sense of humour, using all factors needed to run a business as an educated person.

Funmi was able to get more staff, and some other trained home economists decided to work with her, and she paid them salaries. Before the end of the year, the small place had turned into a very big restaurant where important people in the area came to eat.

Today, Funmi is a very successful business woman who has diversified into other related businesses, like packaging African food items and exporting them abroad.

Activity 1.2: Experiences in Enterprise

1. From Funmi's story, bring out factors that aided her success in the business; and
2. Narrate a similar story of success you have come across in your community.
3. Narrate a story of a failed enterprise

Topic 2.

BUSINESS LIFE CYCLE

The business life cycle deals with the birth, growth and death of an enterprise. Each enterprise starts from birth, develops, and dies later. It may be started all over again. The time between the birth, growth and death of an enterprise is not fixed. It is determined by:

- an articulated business plan;
- the execution of a business plan;
- finance;
- the management of resources; and
- market factors relating to the goods and services produced

Birth Stage:

This starts with the making of business plans by an individual or group of people. The plan is synthesized, and a decision reached on the goods to produce, and the services to render, based on the abilities and interests of the individual(s), and perceived market forces. Once a decision is taken and executed, an enterprise is born.

Growth Stage:

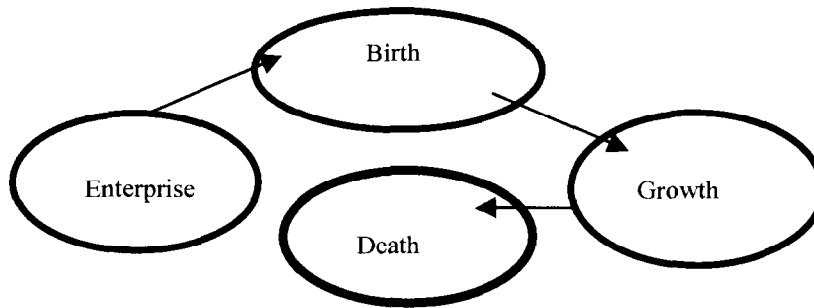
The growth period of an enterprise follows the birth stage. This is when an enterprise is expanding in terms of the quantity and quality of the services rendered, the number of personnel, the profit margin of the enterprise, increased stock, and when the goods and services are being demanded more frequently.

Death Stage:

This is when an enterprise is said to be on the decline. It is when:

- there is no more profit
- turnover is low
- the cost of production is too high
- the goods and services are not demanded
- the high indebtedness of the enterprise to funding sources

Diagrammatic representation of the business life cycle:



Activity 1.3: Business Life Cycle:

1. List three stages of the business life cycle
2. Illustrate with a diagram, the business life cycle
3. List four features of each of the three stages of the business life cycle

Topic 3. TYPES OF ENTERPRISE

Business enterprises can be divided into two types, formal and informal.

Formal enterprise is characterized by the following:

- is always backed up with formal training;
- taxable goods and services;
- rules and regulations abound;
- has legal backing;
- strict rules and regulations for appointments and dismissals;
- promotion and wages are systematic; and
- pensions and gratuities are available.

Informal Enterprise:

An informal enterprise is characterized by the following:

no formal training;
has no legal backing;
non-taxable goods and services;

no employers/employees bond;

no pension and gratuity;
no notice of withdrawal on the part of the employee; and
no formal rules guiding employment and dismissal.

Activity 1.4: Classification of Enterprise

1. List two types of enterprise
2. Write out four differences between the two
3. Mention and discuss three classes of enterprise
4. List four features of each class of enterprise
5. Describe three examples for each class of enterprise

Classes of Enterprise – small, medium and large scale (discuss features).

The Concept of Enterprise Education

The term “enterprise” can be variously expressed. It could be viewed as a venture, a business, an establishment or a reward-oriented activity. Some people consider it to mean a buying and selling activity. Others think of it as the commercial activities of manufacturing, and the distribution of goods and services.

Whichever way business or enterprise is described, the tendency is towards the achievement of the objective for which it is established. That is, profit-making, returns, or reward. Any attempt to marry the various views together is to say that enterprise is any legal activity undertaken solely, jointly, or corporately, for the purpose of making a profit.

An enterprise can also mean an organization set up with definite objectives. Resources are invested for a purpose. It is concerned with the production of goods or services. Real goods are tangible materials for satisfying needs and desires. The needs and desires expected of an enterprise might be physiological needs like food, shelter, clothes, etc; or may be social or psychological needs like recognition, promotion, and ego-boosting goods and services. In meeting these needs, a price is attached out of which costs are met, and a margin of profit realized.

An enterprise is also described as small, medium or large scale, depending on the size of the investment, and the complexity and scope of performance. Whatever the description, resources are committed, and management techniques are employed for operation and performance purposes. Definite objectives are set for the business to survive, and to do so profitably. Rational decisions are made in the interests of the enterprise, and of the consumers.

Operational decisions involve the following:

- what to produce;
- the size of the firm (e.g. petty trading);
- the price of production (item produced);

- how to promote sales;
- how to handle competitors;
- the expansion of the business;
- what to do with capital or profit;
- the inventory of the finished product; and
- where to get raw materials, etc.

Who takes decisions, and much more depends on the type of business. Decisions can be taken by a person (a one-man business), a group of two or three (a partnership), or a large number of people (in the case of large companies). These decisions are affected by the prevailing economic environment.

What is Enterprise Education?

Recent trends in the economic climate of many African countries have indicated an increasing awareness on the business programmes run at the secondary and post-secondary levels of education. This is, however, accorded recognition in some countries. In Nigeria, for instance the Federal and State governments at all levels of the school system place some premium on business education.

Different people look at enterprise education from different angles. Osuala (1981) considered it as “vocational training, which is given in schools to fit individuals for gainful employment in recognized occupations as semi-skilled workers or technicians or sub-professionals”. Earlier, Popham, et al. (1975), viewed enterprise education “as the preparation for individuals’ entry into an advancement in jobs. Enterprise education also prepares individuals to handle their own business affairs, and to function intelligently as consumers and citizens in a business economy”.

Furthermore, Eni (1987) quoting the policies commission for enterprise and economic education reported that:

“Enterprise Education is a broad and diverse discipline that is included in all types of educational delivery systems, elementary, secondary and post secondary. Enterprise Education can begin at any level; it can be interrupted for varying periods of time, and it can be continued throughout the life span of an individual”.

Enterprise education includes education for office, distribution and marketing occupations, business, teaching, business administration and economics.

Purposes of Enterprise Education

These include:

1. Educating individuals for, and about, business

2. Providing a continuous programme of planned learning experiences designed to equip individuals to fulfil effectively three roles.
 - (a) Producing and distributing goods and services as workers
 - (b) Using the products as consumers and;
 - (c) Making wise socio-economic decisions as citizens
3. Providing career information that helps individual students relate their interests, needs and abilities to occupational opportunities in business.
4. Providing educational opportunities for students who are preparing for careers in fields other than business, to acquire business knowledge and skills needed to function effectively; for example, to handle effectively both oral and written communications, and to develop interpersonal and human relations skills.

Topic 4.

RATIONALE BEHIND ENTERPRISE EDUCATION

The education provided in most African countries, especially the developing ones, does not inform students of the level of jobs to which they have access, or the standard of living they offer. But education helps learners to think of what they can actually do. It also promotes the ability to handle situations leading to self appreciation. Education is important, but it is not automatically a path to success in life. Instead education provides the individual with the ability to know what is good for him or her, and how to achieve success in life. Economic uncertainty is ever present in most African countries.

Sometimes periods of relative prosperity are followed by recession or depression. At other times mismanagement and political instability aggravate the situation.

Activity 1.5: Concept of Enterprise Education

1. List five features of an enterprise
2. What is enterprise education?
3. List three purposes of enterprise education in your country
4. Outline four reasons for the introduction of enterprise education in your country.

UNIT 2

How to Start an Enterprise

RATIONALE

The economic downturns experienced throughout the world show how fragile an economy can be, even after years of relative prosperity. The effects of the global economic recession on the work force have been devastating. Companies are compelled to cut costs, often resulting in sweeping layoffs. Even in the wealthier, industrialized member states of the Organization for Economic Cooperation and Development, a total of 25,000,000 people have been unemployed at one time.

The obsession with the acquisition of money has led even the well-off to chronic anxiety, depression, and other ills that have been humorously given the name of “affluenza”. But there is nothing more vital than money in any enterprise. Instead of this, there is a need to equip young people, particularly girls, to learn and understand the rudiments of how to start and succeed in an enterprise.

LEARNING OUTCOMES

By the end of this unit, you should be able to:

- identify steps in conducting a needs assessment for an enterprise
- identify a viable enterprise
- identify the enterprise laws that were instituted to protect businessmen and women
- examine the limitations of such laws
- describe and discuss the laws of cooperative enterprise

CONTENT

This unit includes the following areas:

- Topic 1: Core Idea Approach
- Topic 2: Needs Assessment
- Topic 3: The Sources of Funds
- Topic 4: The Protection of an Enterprise

Topic 1. THE CORE IDEA APPROACH

The business concept is a vision, not just of what goods and services can be made or offered, but of how profits can be made. This means that a business idea should be one:

which will create profits;
for which there will be a demand;
that is legally acceptable; and
that is technically feasible and acceptable.

The core idea approach considers primarily one line of business. The lines of business can be in four main areas, viz.:

1. The making line, which is basically manufacturing, e.g. furniture making, tailoring, etc.
2. The selling line is basically trading, i.e. buying and selling goods
3. The service line is the provision of services
4. The wild card is an assortment of ideas but springs from your core idea.



The wild card is the spin-off point of your business – What other things can you do which are related to your current business idea?

Example:

Emily and her sisters opened a hairdressing saloon. They decided to sell cosmetics as well since most of their customers were young women who were using different types of cosmetics. They also decided to offer a home service on special occasions like weddings, parties and other functions. Then they decided to sell soft drinks, some snacks and ice-cream to their customers. This completed the whole business idea.

Topic 2. NEEDS ASSESSMENT

In starting an enterprise, there is a need for a needs assessment. The essence is to find out what is needed. It is the basis for accountability. It ensures the viability and relevance of an enterprise before it is started. Any enterprise should be worthwhile. There is a need for an accurate and continuous assessment of an enterprise in order to ensure the success of the enterprise.

Conducting a needs assessment when establishing an enterprise allows for an evaluation of it. When conducting a needs assessment, the goods and services available, as well as the environment, are taken into account.

Steps in Conducting a Needs Assessment for an Enterprise:

Step 1: The identification and listing of the goods and services available and indicating the extent to which such services are present. Also to be identified are the class of people in the area and the goods and services they need.

Step 2: Here, data are collected using any of the following instruments, techniques and records.:

- a) Questionnaires;
- b) Interviews;
- c) Brainstorming;
- d) Various types of random sampling;
- e) Follow-up studies; and
- f) Business records in magazines and the dailies

Any of the above could be used singly, or in combination.

Step 3: After the successful collection of data, has been completed, classified and analysed. If this is objectively and carefully done, it will help to determine the goods and services the people need.

Activity 2.1: Conducting a Needs Assessment for an Enterprise

1. Describe as vividly as possible how you will conduct a needs assessment to start an enterprise.

How to identify a viable enterprise:

Ideally your idea of starting an enterprise should have a unique selling proposition, which means making your idea different from those of your competitors, by providing a variety of products, assorted designs, and attractive packaging. It means providing a personalized service to enable your business idea to look attractive to your customers. To be in this unique position you have to carry out a number of activities which are listed below:

1. Market research:

As an entrepreneur you must identify the needs and wants of customers which are not being met by existing businesses in your catchment area. You must be able to establish what your competitors are offering in terms of quality, quantity, the packaging of goods, delivery costs, and advertising. It is important to note that packaging as a marketing strategy is of paramount importance, as your goods

have to be attractive to the buyer. This means that the entrepreneur needs to be creative.

2. Investigation of the economy:

A thorough investigation of the economy has to be made in order to try and identify emerging business opportunities. Most liberal economies in Africa have a lot to offer, but how many of them are aware of what is actually happening in the various sectors of agriculture, commerce and industry, tourism, etc.? What policies are in place? What items can be imported, and how much duty do they exact? The availability of raw materials, for production purposes is also an important aspect to be examined. Changes in the law can create business opportunities.

3. Adapting and adopting ideas:

It is common for many to keep business ideas to themselves for fear of other people doing better. How do we know that an idea is the best one and does not require modification or adaptation? Perhaps it requires replacement – which is actually to adopt a completely new idea. This can only be done when a business idea is discussed with others, and new ideas and suggestions are exchanged, so as to tell whether or not to adapt, or adopt, another idea to improve on the original idea.

4. Self individual assessment:

A trainer has to examine the characteristics and interests of the target group. It is of great help to have some background information on trainees, i.e. their traditional and acquired skills, hobbies, interests, dreams and wishes, as these are good sources of business opportunities. As an entrepreneur it is necessary to choose an activity that will best use ability and skills.

5. Access to Capital:

For any business idea to come to fruition, there is a need for capital. It is, therefore, necessary to know the possibilities for obtaining some start-up capital from a family member or a credit scheme.

Activity 2.2: How to identify a viable enterprise

1. List the activities you can engage in to identify a viable enterprise
2. Discuss each of the activities

Topic 3. THE SOURCES OF FUNDS

Raising the money to go into business is often the most formidable barrier for many potential small business owners. In some cases, the prospective small business owner possesses the creativity and skills required to start and manage an enterprise, but lacks the knowledge and ability to sell himself or herself and the idea to potential lenders. Without adequate financing, the small business will never get off the ground. The entrepreneur is often trapped in a vicious circle.

Under-capitalization is a contributing factor to many business failures. Financial institutions are unwilling to lend or to invest in new small businesses because of the high mortality rate. This inaccessibility to start-up capital leaves the new business on a weak financial foundation, and vulnerable to the causes of business failure.

The money an entrepreneur needs to begin a business is called 'seed money', 'adventure capital', or 'injection capital'. Where to find this seed money depends, in part, on the nature of the proposed business, on the amount required, and on the purpose for which it is to be used.

In searching for funds to operate, or expand, an existing small business, the owner faces most of the same questions as the prospective entrepreneur. However, some of the sources and types of funds are different. Still, both new and existing businesses almost invariably encounter the need to turn to external sources to meet their financial needs.

The Sources of Funds Open to the Entrepreneur

While searching for funds, either to get the business going, or to prevent under-capitalization, two sources of financing are open to the entrepreneur. These are equity financing and debt financing

A. Equity Financing:

This represents the personal investment of the owner or owners of businesses and is sometimes called **RISK CAPITAL**. This is so called because the investors assume the primary risk of losing their funds if the business fails. They also share the benefits of the venture's success. The primary advantage of equity capital is that it does not have to be repaid as a loan would be repaid. The investor is only guaranteed a voice in the operation of the business and a percentage of its future earnings.

The Sources of Equity Financing

1. Personal Savings: (i.e. the entrepreneur's personal savings and assets to create proprietorship). As a general rule, the entrepreneur is expected to provide half of the start-up funds in the form of equity financing. This is to encourage

other investors, and to reduce an excessive level of borrowing and reduce pressure on cash flows.

2. Friends, Relatives and Angels: If the entrepreneur lacks sufficient capital to begin the business, there are still several options available for raising the start-up funds. The business owner should first approach wealthy friends. Relatives might also be willing to invest in the venture. Another group of promising investors is known as angels. Angels are outsiders in search of tax shelters who are willing to invest money in potentially profitable ventures. These are professionals in high tax brackets, namely doctors, lawyers, dentists, accountants, and others.

3. Partners: An entrepreneur can choose a partner to expand the capital base of the proposed enterprise. There are two basic types of partners: general partners who are personally responsible for the debts of the business, and 'limited partners' whose limited liability protects their personal assets from the claims of the firm's creditors. Before entering into a partnership arrangement, the owner must consider the impact on the business of some personal control over operations being lost, and of sharing the profits with one or more partners.

4. Public Stock Sale: The owner of a small business could choose to go public by selling stock.

5. Venture Capital Companies: These can be a source of equity financing. Venture companies are private organizations that purchase equity positions to launch new enterprises, and to encourage the growth of fledgling businesses with risk features.

6. Bank Loans: This is another major source of funds as the banks collect funds, and lend them to business enterprises so long as their lending conditions are satisfied.

7. Retained Profit is another source of funding. This is part of the profit that is not distributed to the owners at the end of the year. This is mostly used to finance expansion, or the replacement of worn-out equipment.

8. Credit purchase, or trade credit provides another means of financing business. By allowing the enterprise to obtain, and make use of, materials on credit, the creditor is helping to fund the enterprise.

9. Trade Bills are often a way of funding an enterprise, e.g. by post-dated cheques and bills of exchange.

10. Debenture is a way of lending money to an enterprise by individuals and corporate bodies.

11. The sales of shares is a very important way of financing a public limited liability company. In this case the buyers of the shares contribute a lot of money for the running of the business. There are two main types of shares – ordinary shares and preference shares.

12. **Other financial institutions** such as insurance houses, investment houses, industrial development banks, mortgage banks, etc., grant medium and long-term loans to business enterprises.

B. Debt Financing:

This involves the funds which small business owners have borrowed, and must repay with interest. Very few small business owners possess adequate personal savings to finance the complete start-up costs of a small business without incurring some debt. Virtually all small business owners engage in some form of debt financing.

Activity 2.3: Sources of Funds

1. As a prospective entrepreneur, how would you search for funds to establish a block/brick making industry, or start petty trading?
2. Describe the steps or process you would adopt to do this.

Topic 4.

THE PROTECTION OF AN ENTERPRISE

Legal requirements for running a business may encompass the legal aspects of obtaining land, building premises, financing, importation and exportation guidelines, etc. The basic legal requirements for private enterprises vary with the kind of business organization.

Types of business organizations:

1. Private enterprise;
2. Cooperative enterprise; and
3. Public or state enterprise.

1. Private Enterprise

i. Sole Trader or One-man business:

The ownership, control, and financing of private enterprise is the concern of an individual, or groups of people. A one man-business (otherwise referred to as sole trader), partnerships, and private and public limited liability companies fall into this category. The most characteristic feature of the global economy is the great diversity and multiplicity of private business enterprises. In almost every village, town or metropolitan city, there exist numerous business enterprises. These private enterprises employ, on the average, two to ten people. Their economic activities cover a very wide area of goods and services, such as

clothing, shoes, banking, furniture, vehicle maintenance and repairs, secretarial services, food items, etc.

Legal requirements:

A one man business enterprise is formed by simply deciding to do business as an individual or group of people, and going on to do it. All it takes is for the individual to start a business. It requires no permission provided the goods and services are not legally restricted, or does not require a licence or permission of the government, e.g. firearms, narcotic drugs, etc. Besides such goods and services, a one-man business requires no permission, even to deciding to put a stop to the business any time the owner wishes.

ii. **Partnership**

A partnership business emerges when two or more persons come together, and agree to run a business jointly with a view to making a profit.

Legal requirements

The basic elements of a partnership business is the agreement. The agreement may be oral, by conduct, or in writing, so that it becomes a contractual relationship. In most cases, partners want to enter into a written agreement. For example in Nigeria the Partnership Act, 1890, provides the legal basis for the formation, operation, and dissolution of a partnership business. There is also the partnership deed. This is the documented agreement among the partners. In the absence of such a written agreement, the Partnership Act of 1945, prevails. The deed clarifies the respective positions of the partners in the business. It regulates every matter affecting the partners that is likely to arise in the process of running the business, or in the event of a dissolution. However, the provision of the business can be varied only by the agreement of the partners.

The common provisions of a partnership business based on agreement covers:

- (a) The name of the firm/business
- (b) The names of the partners.
- (c) The location and type of business
- (d) The distribution of profit and losses.
- (e) The amount to be contributed by each partner.
- (f) The rate of interest, if any, payable on capital
- (g) A provision for partners' salaries if need be
- (h) Limitations on withdrawals
- (i) A statement of procedure for the admission of new partner(s)
- (j) The procedure for dissolution

2. Cooperative Enterprises

This is a form of business organization in which individuals become members of a group or association, to contribute money for the purpose of running a business, either as an agricultural producer, consumer or thrift and credit business cooperative.

Legal Requirements

The cooperative form of business is formed and operated under the provisions of a charter, authorized by the laws of the government of the country. The provisions in the bye-laws and the charter specify what kind of business activity it may engage in, and how its affairs may be conducted. The provision establishes the Registrar of Cooperatives, to which each cooperative association should register. After registration formalities, the bye-laws become applicable to the operations of the society. The law stipulates that:

- (a) The management of the society is by an elected committee.
- (b) Capital is provided by an entrance fee and the sale of shares to members.
- (c) Each member is entitled to one vote, regardless of the amount of shares held.
- (d) Service to members is based on the principle of welfarism, hence it is not profit-oriented.
- (e) The accumulation of funds resulting from operations is returned to members as dividends.
- (f) Members are not liable for the debts of the cooperative.
- (g) The death or withdrawal of a member does not normally affect the operations of the business.

Private and Public Liability Organizations

These are statutory companies whose formations and operations are guided by an Act, Edict or Decree, and according to the principle of limited liability. Limited liability here means that the liability of the shareholders is limited to the fully paid up value of the shares they hold.

If the companies should be in financial trouble, the shareholders can only lose the amount they invested. A limited liability organization is owned by shareholders and operated as a legal person, on behalf of the owners. It is operated for profit making. People become members by buying shares in the company. Such an organization is an **artificial person**. It has perpetual succession, authorized by the law on a specific line of business.

Legal Requirements

There are various Acts, Edicts or Decrees, of various countries guiding the operations of the private/public limited organizations. The law requires the following for the formation and operations of the business:

- (a) A statutory list of company promoters. Those who conceived the idea of forming the company.
- (b) A Memorandum of Association – a document containing the “external” rules of the company and its relationship with the outside world.
- (c) Articles of Association – a document containing the “internal” rules and regulations of the business.
- (d) Prospective (only for public organizations) – A document of invitation to the members of the public for share subscriptions to the capital stock of the business.

3. Public or State Enterprises

These are business organizations owned, financed and controlled by the government in the interests of the public. They are established by the

government to provide essential services to the public. They are established by an Act of Parliament or Decree. The act specifies its mode of operations, its objectives and powers. In many countries, such organizations provide water, electricity, telecommunications services, etc.

Activity 2.4

1. Describe and discuss the laws of a cooperative enterprise.
2. Identify and discuss the strength and weakness of the legal structures and procedures constituted by your country or society to protect a cooperative enterprise from neglect, abuse, and oppression by the government of your country.

UNIT 3

Skills Development

RATIONALE

For an enterprise to thrive, some skills are required. These skills are the appropriate training acquired for a specific job. They are many, and are acquired when put into practice. The absence and/or the inappropriate and inadequate use of enterprise skills could spell doom for an enterprise.

LEARNING OUTCOMES

By the end of this unit you should be able to:

- explain how to run an enterprise;
- list and discuss the necessary skills that are appropriate for specific jobs;
- discuss leadership attributes that influence the smooth running of a profit-oriented enterprise;
- identify reasons for the monitoring and evaluation of an enterprise; and
- list and discuss the benefits of monitoring an enterprise.

CONTENT

This unit includes the following:

Topic 1:	Running an Enterprise
Topic 2:	Needs Assessment
Topic 3:	Record Keeping
Topic 4:	Financial Management Skills
Topic 5:	Monitoring Skills
Topic 6:	Marketing Skills

Topic 1.

RUNNING AN ENTERPRISE

Running a business is more than getting your goods out and selling them to others. It requires certain skills to be able to continue in the business world. We are in a world of increasing competition, and if we are to succeed in the business environment it is important that we are able to understand, and respond to, the needs and interests of our customers and win their trust. Investing in enterprise education is the answer to achieving this.

Furthermore, an enterprising business culture should take into consideration the environment's responsive business culture if it is to succeed in maintaining the loyalty and support of customers. To run an enterprise, and to succeed in it, the following entrepreneurial approach could be adopted.

Entrepreneurial Approach

Running an enterprise concerns itself with results, not processes. The entrepreneurial approach is employed to achieve this aim, and it involves:

- 1) focusing on the needs of those we serve;
- 2) being flexible in work practices in the face of continuous change;
- 3) creativity;
- 4) the will to innovate and use imagination;
- 5) learning the "how" as well as the "what" of business;
- 6) providing a first class service;
- 7) training the service provider regularly;
- 8) safeguarding quality control; and
- 9) working in partnership with other relevant private, local and even government sectors, in their particular areas of expertise to add to the enrichment of the enterprise.

Topic 2.

NEEDS ASSESSMENT

The most critical factor in achieving success is management, and the leadership that it provides. Leadership has been defined as taking ordinary people and building them into extraordinary teams.

The role of a leader is to put things in order in the interests of the enterprise. A leader must be a change agent to ensure the continued success of the organization. The question has to be continually asked as to what value the

leadership is creating. He or she has to anticipate, plan, coordinate, direct, monitor, control and reward performance in an integrated manner, while ensuring

that entrepreneurship strategies are in consonance with the external environment with regard to general, economic and political factors, government policies, or competitor activity.

Some of the additional attributes required of a leader are:

- being a “lone thinker” and appreciative of the importance of non-conformity and creativity;
- developing a “can do” approach and constantly meeting challenges
- taking personal responsibility for continued excellence in whatever is done;
- awareness and confidence in dealing with complex issues – often issues with no clear or easy answers;
- humility in success, and courage in failure;
- taking responsibility for the growth and development of others – helping everyone to realize his or her potentials;
- learning to relate to others and have professional respect for colleagues;
- balancing thinking with action;
- loyalty to the organization and above all, to society and the country; and
- integrity in all dealings

Activity 3.1: Leadership Skills

1. What leadership skills should an entrepreneur possess to manage his or her enterprise well?
2. How can the leader demonstrate these skills in concrete terms?

**Topic 3.
RECORD KEEPING**

What is record keeping?

Record keeping is writing down all receipts and payments made in business transactions (exchange of money for purchasing). Proof is needed to show that some money or goods have been received, or paid out of a business on a particular day of the month, and the only proof is vouchers in the form of receipts. This may be viewed as an ideal situation. It is necessary to be flexible and acquire an exercise book, and record every time goods come in, or go out (transaction).

Is record keeping necessary?

Absolutely, although a number of business activities in the informal sector do not keep records, and run business from day to day without realizing the importance of records. Record-keeping is necessary, and records should be kept for the following reasons:

- Neatly prepared accurate records will help to maintain a correct course of business, and can show the state of the business early enough to avoid impending disaster, e.g. the temporary closure of the business for lack of capital.
- Record keeping gives a clear picture of business finances each day/month (how much money is coming in and going out), and monthly figures can be compared and sales and costs analysed.
- Records make it easy to check accounts and protect business from fraud. It is a management tool, as it provides information for decision-making and the planning of future activities, e.g. by tracking where the business is making a loss, what is owed, what is owned and how effectively, or ineffectively, it works.

It also makes it easy to show and convince others how business is doing, e.g. the banks, etc. Record-keeping will enable the entrepreneur to prepare business plans. It also makes it easy to account for money, whether borrowed or donated.

What happens in the absence of record-keeping?

There is a possibility the entrepreneur will forget some of the transactions. It becomes difficult to account for some of the money spent. There is a possibility of fraud which would remain undetected.

How do we maintain records?

In every enterprise there are three major transactions that take place and these are:

1. Cash that comes into the business through sales, which can be written in a receipt book or daily cash book.
2. Cash that goes out of the business for all costs, i.e. receipts for buying raw materials or goods.
3. If goods are sold on credit, all items and amounts are written in a customers' accounts record. Likewise if purchases are made on credit keep all the unpaid suppliers' invoices are kept properly recorded and filed.

At the close of business each day, an entrepreneur is required to record all receipts, invoices and other vouchers in the record book. Details like dates, items bought or sold, how much was paid or received, etc., should be clearly documented.

The Record Book:

This is a record of all the cash that is paid into, and out of, the business, either by cash transactions or through the bank. Some examples of cash being paid into the business are cash from sales, or from people who owe the business money (creditors). Examples of cash being paid out are expenses for materials and indirect costs.

The transactions in the record book are recorded on a daily basis, and balanced at the end of the month.

How to fill in the Record Book

The record book should basically have nine columns in which details of figures should be entered. These are as follows:

Date: This is the date of the transaction

Details: This is the description of the transaction, e.g. sales, electricity, and fabric. The first detail every month should be the balance brought forward (b/f) of cash and bank.

Voucher No.: The voucher number for every transaction should be entered.

Cash: This column is divided into three, namely, IN, OUT, and BALANCE. The balance shows the amount of money in the cash box at any given time.

Bank: This column is only necessary if the business has a bank account. As in the cash column, the bank column is also divided into three columns being IN, OUT, and BALANCE. The balance is the amount of money in the bank.

Sales: All sales should be written in this column.

Direct Materials Costs: All material costs should be indicated in this column.

Direct Labour Costs: All wages for people in production should be entered here.

Indirect Costs: All indirect costs should be written here.

Activity 3.2: Record Keeping skills

1. List four important roles that record keeping play in an enterprise.
2. Write out five items that a record book contains.

Topic 4.

FINANCIAL MANAGEMENT SKILLS

There are many issues to be addressed in financial management, and the order of addressing these issues can bear relevance to the success or otherwise of management. For the purpose of this unit, it is necessary to distinguish between

the feasibility and viability of an enterprise, and to see how relevant they are to financial management in an enterprise.

Feasibility: This seeks to answer such questions as:

- Will the benefit of the project justify the costs?
- Will it be financially worth undertaking the project?

Viability: This will respond positively to questions like:

- Can the venture stand the test of time?
- Is it capable of growth?
- Is it workable?

In general however both terms are used interchangeably, i.e. meaning the same thing.

Preparing a Simple Feasibility Report of a Business

In preparing a simple feasibility report of the cost of a business the following questions on the economic and financial nature of the business could be asked:

- How much will the project cost?
- How will the funds be secured?
- How soon will the project repay itself?
- What will be the extent of returns, e.g. from sales?
- How would such returns compare with alternative investments and returns within the industry?
- What is the project's discount value of the investment? Is it positive or negative?
- How does the internal rate of return compare with the operating costs of capital?

Apart from all these questions, a simple feasibility report, to evaluate expected cost and the expected income will include statements on:

A. The Capital Investment Structure:

As no project can take off without funds, a well calculated estimate must be carried out, taking into account the various costs, both at present and in the future. Such a total cost package will include.

- (i) The total cost of the project to be supported with valid documents such as:
 - a quotation for supplies of equipment; and
 - construction costs as analysed by qualified estimators.
- (ii) A list of all machines and equipment with their respective costs; and
- (iii) A list of all other items and their costs, e.g., working capital, preliminary expenses, provision for contingencies and miscellaneous items.

B. The Financial Structure:

Because an enterprise requires a strong financial base on which to start, and to continue successfully, a well laid out programme of the financial structure of the

enterprise is imperative. An ideal financial plan would call for the following information:

- (i) The proportion of the total investment to be raised from contributions by partners, equity, or personal savings.
- (ii) The proportion of total investment to be raised through loans.
- (iii) Evidence of a loan already secured, or a letter of intent by banks to provide any loans.
- (iv) Proof of owners' contributions.
- (v) Terms of a loan already secured, or about to be secured, showing the principal and interest repayment terms, etc. The document should be attached to the feasibility report.

Financial Projections:

This requires that sufficient evidence be shown to justify the viability of the proposed investment. These should touch on the following financial statements:

- (i) Cash flow statement, which deals with services and the application of funds (income statement);
- (ii) The profit and loss account, which deals with income and expenditure over a period of time; and
- (iii) The balance sheet, which summarizes the balance of assets and liabilities on a particular date. Adequate information is required on the profit margin return on investment, the capital employed, the profit paid out, and the earning per contribution.

Activity 3.3: Preparing a feasibility report on a business

1. Break the participants into groups. Let each group give reasons why there should be a solid feasibility study before a project is embarked upon.
2. Let each group write a feasibility report on a chosen venture.

The Ingredients of a Typical Enterprise Plan

1. A brief description of a business (product), including its operating history, if any;
2. Directors, including names and corporate affiliation;

3. Management team - brief resumes, covering qualifications for attaining company objectives;
4. Management compensation and incentives;
5. Outside professional assistance;
6. Organizational chart;

7. Capital required, and its specific uses (flow in and outflow) project balance sheet, profitability analysis, and evaluation of profit;
8. Company's current financial conditions;
9. Major products.
 - (a) Detailed description including photographs, and/or drawings
 - (b) Uses
 - (c) Unique characteristics
 - (d) Warranties
 - (e) Profit margin
 - (f) Cost
 - (g) Patent protection
 - (h) Technological advantage
 - (i) Research and development
 - (j) Product liability
10. Market to serve:
 - (a) Overall market
 - (b) Market studies
 - (c) Ease of entry
 - (d) Overall growth rate
 - (e) Names of potential competitors
 - (f) Expectations concerning percentage market share
11. Market strategy
 - (a) market segments
 - (b) channels of distribution
 - (c) advertising plan
 - (d) methods of financial sale
 - (e) pricing
 - (f) sales organization
12. Manufacturing
 - (a) assembly characteristics
 - (b) vertical integration (if any)
 - (c) product cost breakdown
 - (d) tooling cost
 - (e) special or general-purpose equipment
 - (f) economies of scale
 - (g) supplier relations
 - (h) availability of raw materials

Activity 3.4: Ingredients of a typical enterprise plan

1. Break into five groups and work in your group to discuss a typical enterprise plan in detail
2. Present your group discussion to the class

Topic 5.

MONITORING SKILLS

The programme of enterprise education can have far-reaching effects on the rate of development of the country where it is mounted, as a result of effective monitoring skills. This is because the programme attempts to shape the future work and lives of young people and even adults.

The extent to which the established goals and objectives of an enterprise are being, or have been achieved, needs to be determined. Monitoring or evaluating the programme assists the programme planners to make appropriate judgements about the worth or value of the programme.

Who should evaluate the enterprise?

- (a) Those who are responsible for the improvement of the enterprise, particularly those who participated in the establishment and development of the enterprise.
- (b) States, local boards, administrators or local directors, or supervisors of the enterprise education scheme.
- (c) Those who will be beneficiaries of the changes that may result from the programme.
- (d) Every school staff member, particularly those who have responsibilities for the specialized occupational programme.
- (e) Staff Steering Committee – This should be made up of representatives of the departments, or vocational areas constituting the programme.
- (f) Vocational guidance counsellors.
- (g) The enterprise education curriculum planners.
- (h) Outside experts and consulting agents.

Scope of evaluation

The scope of the evaluation of the enterprise education programme will vary with the programme curriculum, administrators and teachers of the programme. All courses in the curriculum that have entrepreneurial objectives at all levels of instruction may be given special consideration. However, because all subjects in a school curriculum contribute directly, or indirectly, to the preparation of trainees for the world of work, the total school curriculum may be considered in the evaluation process.

The benefits of monitoring and evaluating the enterprise education programme

- i. It facilitates the development of an up-to-date programme that reflects the training needs of the students in terms of the dynamic world of work, and changing economic trends.
- ii. It assists the entrepreneurial career guidance efforts of the planners and evaluators of the programme.

- iii. It assists the development of the trainees' needed traits, vocational attitudes, and skill competencies for entrepreneurial undertakings.

Activity 3.5: Monitoring of an Enterprise

1. Identify the essential roles of those connected with the monitoring of enterprise education.
2. Discuss in small groups why the benefits of monitoring of enterprise education are so crucial to businessmen and women.

Topic 6.
MARKETING SKILLS

Marketing is the process by which sellers promote and sell goods and services (products) to buyers in the market place for a price. It is everything done to find out who the customers are, and what they need and want. It is how to satisfy them and make profit by:

- Providing the products or services they need;
- Setting prices that they are willing to pay;
- Getting products or services to them; and
- Informing or attracting them to buy products or services

Marketing can best be understood by reference to the seven 'Ps' of marketing:

Person No. 1: The Customer

- Who is it?
- Have potential customers been approached and some customer research done?
- What is it that they want in this product?
- Why are they buying it?

- When is it most convenient for them to buy?
 - How is it most convenient for them to buy?
 - Is a list kept of regular customers?
 - What method is used to analyse customers' purchasing habits?
- 2. Product:**
- What is it?
 - What are some of its benefits?
 - What is unique about the product that makes it stand out from other similar products?
 - Why should the customer buy the business's product and not a competitor's product?
 - Is the product nicely packaged? Are the benefits clearly written on the package?
 - Where is the product located in the store?
- 3. Price:**
- How is a price set? The price must be set to cover costs within a fair profit?
 - What is a fair and reasonable price for the value of the product to the customer?
 - The best price must be low enough to attract customers and high enough to make a profit.
 - How much are customers willing to pay?
 - What is the competitor's price?
 - What is the total cost for making and selling the product?
- 4. Place of business:**
- Location – where is the business located?
 - How much customer traffic is there?
 - How easy is it for customers to find?
 - How does the location make it more convenient for the customer?
 - Where are competitors located?
 - How easy is it to get the product or services to the customers?
- 5. Promotion:**
- How are customers attracted to buy?
 - Advertising
 - Word of mouth
 - Product display
 - The sale of old stock at a reduced price
- 6. Person No. 2: The Seller (Entrepreneur)**
- What kind of reputation does the business have?
 - Who can help?
 - Why would the customer buy from the business?
 - What can be done to make customers happy when they express their dissatisfaction with their purchase?
 - Be honest in dealing with customers

7. **Profit:**
- How much is it hoped to gain from the business?
 - Why is it necessary to know this?
 - What is done with the immediate profit?

Activity 3.6: Marketing Skills

1. Mention and discuss the seven 'Ps' of marketing
2. Discuss in detail how 'Promotion' (fifth P) can affect the sales of products

UNIT 4

Expanding an Enterprise

RATIONALE

The purpose of this unit is to provide relevant information and guidelines necessary when expanding an enterprise both in magnitude and demand.

LEARNING OUTCOMES

By the end of this unit, you should be able to:

- appreciate that basic skills in education are necessary tools to expand an enterprise;
- list the various factors that would enhance expanding an enterprise;
- state how each factor can influence the success and expansion of an enterprise; and
- identify the characteristics of a failing enterprise.

CONTENT

This unit includes the following:

Topic 1:	The Business Environment
Topic 2:	Changing the Mind-Set
Topic 3:	Being Creative for Entrepreneurial Activities
Topic 4:	Competition and How to Deal with It
Topic 5:	How to Identify a Failed Enterprise
Topic 6:	How to Expand an Enterprise
Topic 7:	The Business Entity Concept
Topic 8:	Ethics in Business Management

Topic 1. THE BUSINESS ENVIRONMENT

The business environment in developing countries increasingly poses greater challenges to the players or stakeholders in the economy. In this kaleidoscopic economy many changes in the business environment are predictable; but many more are unpredictable. The degree of predictability and unpredictability depends on many key issues, some of which include:

- the relative stability or otherwise of government legislation on business enterprise operations in the economy;
- the rate and extent of government intervention in organized private sector operations;
- the credit policies of banks and other financial institutions;
- macro-economic changes;
- technological advancement and its bearing on organized business enterprises. This connotes the ability of business enterprises to have a full grasp, and ability to adopt these technologies and the attendant structural changes they bring; and
- environmental threats and opportunities.

In recent times, economic indices show that many business enterprises have been threatened out of existence, while others, though still existing, are moribund. The few surviving ones have a myriad of economic, political and environmental intricacies to contend with, in order to be able better to adapt to the rapidly changing environment, giving rise to wide disparities in economic performance among business enterprises.

While dealing with external changes, the internal economies must not be overlooked. The survival and expansion of business enterprise depends, to a large extent, on the following factors:

- a) Management ability in adjusting the enterprise to meet changes. This involves:
 - innovations
 - planning and research
 - optimization of available opportunities for expansion
 - entrepreneurial discipline
 - redefinition of business policies and objectives for a more articulate market coverage
- b) Entrepreneurial foresight: sensitivity is the watchword. The entrepreneur together with the management must be promptly sensitive to changes.
- c) The level of capital and human resources available, or accessible to management, for expansion.

In approaching this study, conscious and calculated effort would be made to reveal the issues involved in expanding a business enterprise. Issues to be discussed include:

- business objective formulation and/or redefinition – changing the mind-set;
- innovation as an antidote to obsolescence and extinction or eventual failure;
- competition and how to deal with it;
- the causes and indicators of failure in business enterprises
- the basics for business expansion
- the business entity concept and entrepreneurial discipline
- ethics in business management, and its relationship to the expansion and survival of a business enterprise.

Topic 2. CHANGING THE MIND-SET - BUSINESS OBJECTIVE FORMULATION AND/OR REDEFINITION

Business objectives can be defined simply as the aggregate of goals set to be conceptually achieved by a business enterprise within a period of time. It sets out to answer, in an active and decisive manner, the following questions:

- What actually does the enterprise want to achieve?
- What should be the planned and articulated activities of the enterprise in the target market(s)?
- Whom, and at what level and effectiveness, are products or services intended to reach?
- Who are the competitors?
- How will the business enterprise produce its products or services in the most efficient manner, given the structural variables available to the business?
- What is the target growth, or expansion rate and level, the enterprise intends to achieve?
- How can the business enterprise influence, in the most economic way, the opportunities available to it in the political economy, in order to survive competition?

Expanding a business enterprise depends on how effective the set objectives are engineered and monitored. Wrong and ill-planned objectives lead to an economically ill-favoured enterprise heading only for subsequent failure.

Bearing in mind that business objectives serve as the nerve centre and hub of the enterprise's operational network, they define the 'destiny' of the enterprise. For an enterprise to expand and have the capacity for sustaining this expansion, the objectives have to be constantly reviewed or evaluated vis-à-vis present performance. This is to make sure the business enterprise flows along the rapid stream of change due to the following:

- government legislation;
- technological advance
- the internal/external combination or trade-off of economies, depending on options available to the business enterprise;
- the emergence, or prevalence, of competitors and their strengths/weaknesses; and
- ethical factors and social responsibility.

In other words, the following must be taken into consideration when making, or reappraising, the performance of specific and workable objectives:

- The objectives must be clearly stated;
- The objectives must be measurable
- Objectives must be for a specific time period, if they are not reappraised they put the organization in the wrong direction. This is because they cannot effectively meet current changes. This is the reason why many enterprises stagnate;
- The objectives must be clearly understandable to all individuals responsible for their achievement; and
- the objectives must be challenging, but still capable of achievement

Activity 4.1: Changing the Mind-Set

1. Go through the reading on changing the mind-set, or the redefinition of objectives
2. List five problems that would necessitate the mind-set, or that would lead to a redefinition of enterprise objectives
3. Discuss two factors that would lead to changing the mind-set.

Topic 3.
BEING CREATIVE FOR ENTREPRENEURIAL ACTIVITIES

This section deals with the question of innovation. The expansion of a business enterprise involves, inevitably, an aggregated network of the creativity, innovative, capacity and ingenuity of the entrepreneur and management.

Creativity measures the planned effort to liberate the business enterprise from obsolescence, and launch it into competitive challenges. Innovation places the business enterprise on the right track in its drive to achieve the following:

- Improved products and services to target consumers;
- Expansion of production and productive capacity;

- Adjust to competition, and see how to beat competitors or gain a higher market share; and
- Consolidate the goodwill already enjoyed.

The entrepreneur and the management must be well-focused in identifying strategic objectives and reorientation for their improved performances. Innovation and creativity can border on areas of enterprise activities such as the following:

- New products and services planning and development;
- Evolving a better marketing strategy;
- Manpower training and retraining for a new business orientation. The entrepreneur himself needs to overhaul constantly his knowledge of the business. This calls for versatility

Activity 4.2: Being Creative for Entrepreneurial Activities

1. What is creativity?
2. List four roles of innovation in entrepreneurial activities

A case study to illustrate creativity in entrepreneurial activities:

Adetola learnt Creative Arts in the University of Ibadan. She joined the State Ministry of Education as a Fine Arts teacher after graduation. In her teaching, she had discovered that she could put all the knowledge and skills she had acquired to more practical and valuable use, by teaching the students without a chance to go beyond the subject syllabus.

She knew at that time, that men and women liked native dress, but most of the traditional wares produced were too plain. She then opened a sewing business where she created various designs, and converted them into motifs of different shapes, kinds and colours, and sewed them on to the plain native dresses. She made sure that she did not repeat or produce the same design on more than one, or at most two, native dresses. Each time a customer demanded to have a design on his or her attire, she developed another one.

This creative ability enabled her to get more customers than other people in the same business, and she was not faced with competition as they could never guess the design she would next come up with. She started sending her products beyond Nigeria as the products were admired, and demanded not only by African people but elsewhere as well.

Activity 4.3: Success Story on Creativity in Entrepreneurial Activities

1. Narrate a similar success story in your country, to illustrate entrepreneurial activities.

Topic 4.

COMPETITION AND HOW TO DEAL WITH IT

Competition is as old as business enterprises. Business competition can be defined as the activity emanating from the existence of a common goal for which an enterprise contends or strives to attain, in rivalry with others. This definition connotes a system best described as a test of relative ability.

Competition naturally evolves when more than one enterprise produces similar products, or provides similar services to the same market. The spirit of competition is the idea and strategies being created by the players in the market, to get a better response, and a higher market share at the expense of others.

Thus, when a business enterprise is formed, the conceptual understanding of the nature of competition that already exists, or is likely to exist, must be brought into focus. This is done by taking the following steps:

- identifying the competitors in the same industry on which the enterprise wishes to embark;
- a critical evaluation of the strength of the competitors in terms of: manpower, internal and external economies, technological advancement, and involvement in their production, etc.;
- the goodwill already enjoyed by them – this depends on the society. Developing societies are conservative in their choices and would hardly respond rapidly to new products. This poses a threat to new entrants; and the quality of the product(s) and services of the competitors.

The entrepreneur must note the following in dealing with competitors in order to expand an enterprise:

- the strength of the enterprise must be such that it can withstand consistent competition;
- the enterprise is well positioned to respond immediately to changes imminent in the industry amidst competition;
- a better promotion and marketing strategy must be evolved. The strategy must have the capacity to diffuse the total market share already enjoyed by the competitors;
- the product quality should be at a manageable level, and relatively higher than that of competitors;

- there is a need for the proper monitoring of objectives – obsolete objectives must be replaced by dynamic ones that can stand the test of time;
- improved welfare and social responsibility must be enhanced to accelerate or consolidate goodwill among target consumers

Activity 4. 4: How to deal with competition

1. Using role-playing demonstrate a strategy to deal with competition involving two or more people selling the same thing.

Topic 5. HOW TO IDENTIFY A FAILED ENTERPRISE

In recent times, many enterprises, especially the small and medium scale ones have witnessed difficult times. This led to the collapse of many of them. It is necessary at this point to identify the causes of failures of business enterprises.

The causes of failure of business enterprises

The following are some of the causes of business failure:

- the lack of a proper strategic plan before, and after, starting a business enterprise;
- the lack of a conceptual understanding of the industry before starting a business enterprise;
- the inability to meet competitive demands, or pressure from competitors;
- the lack of innovation and experience to meet current technological changes;
- unfavourable government legislation and credit policies; and
- the mismanagement of business resources.

Indicators of failure in an enterprise

When the following factors are prevalent in an enterprise, it cogently indicates failure on its part:

- the inability to create, sustain and expand customers' satisfaction over a long period of time;
- the inability of the business enterprise to manage effectively its resources (human and material) to meet organizational objectives;
- bankruptcy – the inability of the business enterprise to meet its various financial obligations;

- intractable labour – a resource crisis which hinders production and services;
- the lack of entrepreneurial strength to compete with other firms in the industry;
- the loss of customers' confidence in the product and services of the enterprise, leading to a near “zero-push” demand, and attendant supply for such products and services; and
- the lack of profit from business activities over a long period of time.

Activity 4. 5: How to identify a failed enterprise

1. List six causes of a failed enterprise
2. Write out eight ways to measure a failed enterprise

**Topic 6.
HOW TO EXPAND A BUSINESS ENTERPRISE**

Expanding a business has to do with the actions and policies of that organization or firm, in a bid to attain the corporate objectives. It is not the intention here to go into a detailed discussion of certain functions of marketing. It is to provide some insight into some aspects of it that, if properly articulated, will enhance the performance, or otherwise, of the business.

Expansion of the business enterprise depends on so many factors. Some of these factors to be discussed for purposes of clarity:

- the statement and re-evaluation of company objectives.

This issue has been discussed earlier under changing the mind-set. However, there has to be a reason for a business to exist. For most business enterprises, the major reasons could be:

- to make a profit
- the need to be self dependent and self-reliant on the part of the entrepreneurs, etc.

However, whatever the objectives and reasons are, there has to be an economic demand before a business enterprise can survive. The objectives must be well delineated, in line with economic realities.

- The identification of opportunities:

The entrepreneur must confirm that there is the need for the enterprise. The entrepreneur should detail why the firm was needed originally, what niche it has been filling, and what (if any) competition has arisen, and why. In this case, a thorough market analysis is required. The entrepreneur may do this himself or engage a market analysis firm to do it. In any case, certain key economic, geographical, demographic and other indices are required for a detailed analysis.

- Specifications of external variables include:
 - Gross National Product (GNP), though some enterprises are not big enough to be influenced by this;
 - Credit facilities available to the business to aid expansion;
 - Competitive pressures;
 - Environmental threats and relative opportunities; and
 - Governmental legislation, and how it affects the survival and expansion of the business.
- All these can be used to provide a tool for a workable policy and strategy for expansion.

- Pin-point determinants of success likely to come as a result of expansion. If expansion will make little or no improvement in business fortune, there should be no need for it.

- Outline major strengths:

The entrepreneur should outline major strengths which provide a basis for expansion and success. For some it could be:

- the provision of a new product that has no competitive alternative;
- selling a product similar to others in the market at a lower price, to get a wider acceptance and market share;
- better services and higher quality product;
- the financial strength of the enterprise;
- the ability to grant credit terms to customers;
- the lack of indebtedness;
- cost effectiveness and the efficiency of plant and equipment;
- existing contracts and the promise of more from major customers; and
- the location and accessibility to customers.

- Outline major weakness:

The major weakness arising from the nature of business, marketing strategy, competition, market size and financing should be matched with the strength to create a balanced analysis.

- The analysis of economic variables available in the industry and political economy, and whether they create a favourable environment for expansion.

When all these factors are satisfactorily identified and settled, the entrepreneur should expand. This may come in one, or a combination, of many ways:

- human resources expansion
- material resources (plant, machine, etc.), expansion

- capital (financial, credit facilities, etc.)

It should be summarily stated that expansion is geared towards an increase in size, level and quality of the product, services and general customers' satisfaction, culminating in a higher profit for the business enterprise.

Activity 4. 6: How to expand an enterprise

1. State five ways of expanding an enterprise
2. Outline five factors that promote enterprise expansion

**Topic 7.
THE BUSINESS ENTITY CONCEPT**

This concept clearly provides an ideological boundary between the entrepreneur and the enterprise. The enterprise is a separate legal entity. It can sue, and be sued. It is a legal person.

If this concept is fully enforced in a business enterprise, it goes a long way towards solidifying the basis for independent determination. Many businesses fail when the entrepreneur fails to observe this demarcation, leading to financial misappropriation. Business enterprises' profit, property and finances must be separated from private property and finances.

Activity 4. 7: The Business Entity Concept (separating self from business financially).

1. Discuss the importance of separating self from business financially

**Topic 8.
ETHICS IN BUSINESS MANAGEMENT**

Business is a fabric of human relationships – relationships between manufacturers (providers) and consumers, employers and employees, managers and stakeholders, members of the business enterprise, and members of the

community in which the enterprise operates. These are economic relationships created by the exchange of goods and services; but they are also moral relationships.

Thus, questions concerning growth, profit and technological advancements have ethical dimensions. Some of these include the effects of pollution and the depletion of natural resources on society at large, the quality and character of the work environment, and the safety of consumers.

For a business to survive, it must develop cultural values that would help in the attainment of its goals. Such cultural values must be consistent with the organizational structure, the strategic goals, the human resources and the reward system of the enterprise. A cultural conflict will result in irritation and would be counter-productive.

Ethics may, therefore, be defined as the study of what is good or right for human beings. It stipulates what business enterprises should observe as basic necessities for existing in an environment without a negative impact. It asks what people ought to pursue, and what actions they ought to perform, in the course of their business activities. In a nutshell, the following should include some of the ethical parameters for business enterprises:

- the enterprise should not produce products or render services that are dangerous, to society, e.g. products and services that can jeopardize human and animal lives;
- the business enterprise should not produce and distribute products that are inimical to the social values of society;
- the enterprise should not produce and distribute products, or render services that are contrary to laid down rules and regulations governing society, e.g. producing or selling contraband goods or rendering services capable of increasing criminal activities in a society;
- the best ways of reducing and limiting pollution must be observed by the business enterprise;
- there must not be a rigorous profit drive at the expense of quality and customers' satisfaction;
- the enterprise must render welfare services to its staff;
- there must be a rendering of social services (social responsibility) to the community in which the enterprise is in operation;
- loyalty to the enterprise and a total commitment to the goals and aspirations of the business enterprise;
- team spirit – the complementary role of every facet of the organization should not be taken for granted, as a team spirit brings about cooperation and effective performance of the system; and
- punctuality is the soul of business (says an old adage); missing minutes or so everyday of productive work life, multiplied by the number of days in a year, will significantly expose the wastage, and then the need, for punctuality.

Activity 4. 8: Ethics in Business Management

1. List eight business ethics
2. What is the relevance of business ethics to business management?
3. Explain what you understand by each of the business ethics
4. Write out the business ethics that you might want to add to the existing ones

UNIT 5

The Liquidation of an Enterprise

RATIONALE

Enterprises, whether formal or informal, might have filled up all the nooks and crannies of our society if not for the fact that they are liquidated at one time or another. The reasons for liquidation abound. The liquidation of an enterprise could be by the choice of the owners, or by circumstances. It is, therefore, important to know when, and how, to liquidate an enterprise.

LEARNING OUTCOMES

By the end of the unit, you should be able to:

- Identify four indicators of a dying enterprise;
- Identify steps to take to save a failing enterprise;
- Mention some reasons for the liquidation of an enterprise; and
- Determine when to liquidate an enterprise.

CONTENT

This unit includes the following:

- Topic 1: Indicators of a Dying Enterprise
Topic 2: Liquidation and Reasons for Liquidation – Meaning of Liquidation
Topic 3: How to Liquidate an Enterprise

Topic 1.

INDICATORS OF A DYING ENTERPRISE

Some enterprises die off as soon as they are started, some strive and later on decline, and die off. The reasons for the death of an enterprise, whether formal or informal, abound. The reasons could emanate from bad management, and the management processes of both human and material resources. The dying of an enterprise could be gradual or sudden. However, there are indicators of a dying enterprise. These include the following.

- declining consumer demand for goods and services;
- shrinking, stagnating or slowing of growing markets;
- cash squeeze; and
- high interest rate;

a) Declining consumer demand for goods and services:

This is one of the indicators of a dying enterprise. It has been said earlier that making a profit is, generally, the prime objective and/or desire for establishing an enterprise. The profits do not just come out of the blue. They come when consumers demand the goods and services of an enterprise. It therefore follows that if the goods and services of an enterprise are not demanded by customers, they will stockpile, and by extension capital will remain fixed, and not much profit will be made.

If the situation continues, the enterprise will reach the point of having no funds for its daily needs, let alone the money to produce, since it then seems useless to continue to produce, when what has already been produced has not been sold.

b) Shrinking, stagnating and slowly growing markets:

When an enterprise starts to have a reduced market the owner(s) do not usually sit and watch it collapse. They make attempts to revive it. If all efforts to revive it do not yield positive results by way of an increased market, the entrepreneur(s) should read the signs on the wall. They should know that their enterprise is declining as the market continues to shrink or stagnate.

c) Cash Squeeze:

Every enterprise needs funds to flourish. It needs money to hire labour, buy raw materials and run the enterprise. Usually, no enterprise takes off without funds. But a situation where it produces goods and services and there is no market, or there is a very small market, turnover will be reduced. The reduction will depend on the availability of the market. A situation where this persists for a long time and the enterprise keeps producing, a cash squeeze is likely. Where the cash squeeze persists after attempts to improve it fails, it is an indication that the enterprise is dying, and an early preparation for its burial in the form of

liquidation should be put in place. Some banks in Africa have failed because of a cash squeeze. They were unable to pay depositors their money, perhaps because of one.

Some banks lent money above their lending ability, and without collateral. Individual enterprises that sell more on credit are not left out the possibility of experiencing a cash squeeze, especially if they make it the order of the day. They are very likely to run short of money to continue production.

d) High Interest Rate:

It was pointed out earlier in this module that one of the sources of funds available for establishing an enterprise is loans from individuals, banks, etc. The lenders are likely to charge interest. These interest rates may be high. In situations where the interest rate is high, and an entrepreneur borrows in order to keep afloat, he or she may end up using profits to service the debts accruing from high interest rates. Furthermore, the enterprise is likely to die a sudden death if there are no sales of products and services. This will come about when the interest rate accumulates, and the owner of the enterprise is unable to pay the interest on the money he or she borrowed to start or boost the business. Once this happens, it indicates that the enterprise is dying. Apart from the above, there are other indicators of a dying enterprise.

Steps to save a dying enterprise:

Individuals do not always give in if their enterprise is dying. They try to fight back against the odds, in an attempt to revitalize the enterprise. They do this because it will be tantamount to a loss of profit and income which consequently affects their standard of living. In addition, the failure of an enterprise creates a picture of inability in the owner to succeed in business. This brings shame on the individual, and might stimulate him or her to take any, or a combination of, the following options to revitalize the enterprise:

- a) Shutting down the enterprise and sending everybody home: This sounds naïve but it is an option. This simply involves the owner of the enterprise in closing down his or her enterprise. He or she sends everybody packing.
- b) Aggressive marketing: This implies moving the marketing practice from the pedestrian level to the extraordinary. For this to happen, there should be a constant appraisal of the marketing mix, and close contact with the consumers as well as the trade. This will stimulate and gain shares in stagnating or shrinking markets.
- c) Taking care of little things: Enterprises spend a lot of money on little things by way of expenses and wastages. It is necessary for companies or enterprises to work out strategies to curb unnecessary expense and wastage even on pins and clips.
- d) The critical appraisal of existing enterprises: This involves examining the various units that make up the enterprise, and shedding unproductive units.

e) **Shrewd purchasing:** there are times when consumers resist price increases so that the enterprise starts to fail. The owners of the enterprise should thin out and implement ways of purchasing wisely in terms of cost effectiveness. This requires discipline, and a thorough understanding of the enterprise's operating conditions, especially, in purchasing things for use.

g) **Dropping excess personnel:** This involves dropping or sacking personnel who are not productive. Only personnel who perform well are retained, and encouraged, in a dying enterprise.

Activity 5.1: Indicators of a dying enterprise:

- a) As an owner of an enterprise what things would suggest to you that your enterprise is dying?
- b) How would you feel if your enterprise is dying?
- c) What things would you try to do in such a situation?

Topic 2.

**LIQUIDATION AND REASONS FOR LIQUIDATION -
MEANING OF LIQUIDATION**

An enterprise may not stay forever. It dies and after some time, it is liquidated. The liquidation of an enterprise means bringing it to an end.

Reasons for liquidation:

The liquidation of an enterprise may be caused for the following reasons:

- 1) A situation when demand is lower than supply;
- 2) When profit ceases to exist in the enterprise;
- 3) An inability to meet market demands;
- 4) When superior substitute products and services are available and cheaper;
- 5) Poor supervision of the enterprise, so that personnel eat up both capital and profit;

- 6) An inability to separate self from the finances of the enterprise or financial misappropriation;
- 7) Selling below cost price in order to attract and impress customers; and
- 8) Selling at exorbitant prices, etc.

Activity 5.1: Reasons for the Liquidation of an Enterprise:

- a) Why would you want to liquidate your enterprise?
- b) What are the possible effects of the liquidation of an enterprise on an individual, and society?

Topic 3. HOW TO LIQUIDATE AN ENTERPRISE

A dying enterprise is on the verge of liquidation. An enterprise owned by a singular individual may not need any formal way of liquidating it. The owner of the enterprise could decide to sell his stock, or stop giving his or her services and close the shop. He or she does this without replenishing the stock. The story may be different when an enterprise is owned by more than one person. The consent of others is required in this regard before liquidating the enterprise.

The liquidation of an enterprise can take place when any of the following occur:

- a partnership ends at the expiration of the fixed period for which the partnership was entered into;
- when on the completion of a particular venture, i.e. the partnership was entered into for a particular purpose, and when that purpose is realized automatically, the business comes to an end;
- bankruptcy, resignation or the death of a partner, may lead to the end of the business when others show an inability to sustain it;
- by an event which makes it illegal to carry on the business of the firm, for example, a partnership with an alien enemy at the outbreak of war;
- by mutual consent, partners may decide on their own to end the business;
- by notice of intention to dissolve; and/or

- by court order which could be for the following reasons:
 - (a) when it is noticed that the enterprise is operating at a loss;
 - (b) one of the partners wilfully or persistently breaks the partnership agreement; or
 - (c) one of the partners is mentally incapacitated to continue the business, expressed in his or her ability to take decisions, good judgement, etc., and which is certified by a medical doctor.

Activity 5. 3: How to Liquidate an Enterprise

How would you liquidate:

- i) your own enterprise?
- ii) an enterprise owned by members of your class?

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Appendix


POSSIBLE BUSINESS VENTURES

One or two of the following vocationally oriented ventures can be taken up for self-employment. Success will depend on the skills, talent, endurance business attitudes, self-encouragement, sincerity in transactions, and ability to adjust to emerging business situations.

Service-Oriented Venture:

1. Business name registration; volunteer messengerial services as a reward, e.g. engaging in trip-making for, and on behalf of people, such as obtaining and processing forms and documents on behalf of clients at a fixed charge.
2. Proprietorship: Secretarial Education Services e.g. typing, training institute, typing and duplicating of documents, photocopying, lamination, and data processing.
3. Product advertising and promotion services.
4. Petty trading in wares and other goods in general demand.
5. Office equipment, machine repair and servicing business.
6. Estate brokerage venture, i.e. estate management business/caretakership.
7. Table-tennis, billiards and games business services
8. Barbing business/services
9. Recreation services, e.g. commercializing recreations like the domestic games of 'ayo', chess, monopoly, etc., for reward.
10. Coaching/continuing education services.
11. Trading in locally produced consumable food items such as garri, yam flour, beans, rice, etc.
12. Fast food vending
13. Soap making.
14. Hairdressing.

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15. Dry-cleaning service
 16. Soft furnishing/interior decorating services.
 17. Candle-making venture.
 18. Day care services.
 19. Embroidery/knitting business
 20. Trading in home economics equipment.
 21. Firewood supply
 22. Growing vegetables during the dry season
 23. Meat retailing
 24. Backyard poultry raising
 25. Rabbit raising
 26. Designing and making children's dresses
 27. Piggery
 28. Purchasing for groups of friends
 29. Sign writing
 30. Taxi driving
 31. Typing school
 32. Supplying logs to sawmills
 33. Litter packing from poultry houses
 34. Production of conference bags
 35. Homemade bread and cakes
 36. Refuse packing
 37. Speech writing
 38. Training workshops for various groups of people
 39. Organizing tours

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40. Lessons/classes for selected groups
 41. Clearing and forwarding
 42. Renting out generating sets
 43. Barbing Saloon
 44. Hairdressing
 45. Consultancies
 46. Hiring trucks for the movement of goods
 47. Selling farm produce
 48. Land surveying
 49. Gifts for special occasions
 51. Telephone operation
 52. Running approved boarding houses
 53. Hunting and fishing
 54. "Gari" - cassava making industry
 55. Weaving traditional clothes
 56. Patent medicines
 57. Debt collecting
 58. Children's recreation centres
 59. Moral and guidance services
 60. Brewing local gins and beer
 61. Entertainment and information centres
 62. Preparing business papers of feasibility studies
 63. Campaigners for political organizations
 64. Fund raising for social groups, etc., at a fee
 65. Hire purchase