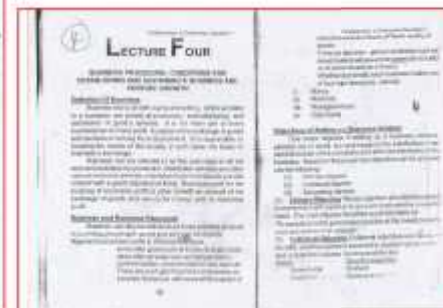


GST 105: Introduction to Entrepreneurship

The 3 Lecture Note Provided by Prof. Remi Famiwole



1

Chapter One

ENTREPRENEURSHIP: THEORIES AND CONCEPTS

- Introduction
- Historical Background
- Definition of Entrepreneurship
- The Entrepreneurial Theories
- 30 Mistakes Business Beginners Must Avoid
- Types of Entrepreneur
- Summary
- Review Questions
- References

BUSINESS SLOGANS

*"The future does not belong to Those
who are CONTENT with today...
TIMID and FEARFUL
in the face of New Ideas
and bold projects."*

— Robert Kennedy

*One of the Most Needed Aspects of Management
is the Ability to Bring out the Best in Others.*

1.1 INTRODUCTION

Entrepreneurship, small and medium enterprises (SMEs) involve an amalgamation of many business issues to give a meaningful and progressive result. What makes an entrepreneur or small business owner? Is an entrepreneur different from other individuals or can anyone be an entrepreneur given sufficient resources? Can anyone set up a business or do you need to have special skills or characteristics? These are questions, which occupied researchers and theorists for sometime; indeed theories on what makes an entrepreneur dates back from the early industrial revolution.

We will attempt to answer some of these questions later when we examine factors that can encourage successful new business creations and entrepreneurial success. However, it is useful to review the contributions of the major theorists on entrepreneurship first. It is only when these have been examined that we can understand the characteristics, traits, and factors that researchers have sought to find in the modern entrepreneur.

SME classification varies in countries but companies employing fewer than 10 people are commonly called micro-enterprises and those with 10-100 workforces are small enterprises. Medium enterprises employ between 100-500 people.

1.2 HISTORICAL BACKGROUND

The term "entrepreneur" is French in origin. A literary meaning might translate it as "one who takes between." Richard Cantillon, an Irish man living in France, in 1755, first applied the term to business. He (Cantillon) said that the essence of the function of the entrepreneur is to bear risk (uncertainty).

The word, entrepreneur, originates from the French language and was first used to describe people engaged in military expeditions. Since 1700, the entrepreneur was frequently applied by the French to contractors handling government projects like roads, bridges, harbour and fortification contracts. Cantillon was the first to recognize the crucial role of the entrepreneur in economic development, which was founded on individual property right. Of the three classes in society recognized by Cantillon, entrepreneurs were the most important class and were the central economic actors. The other two classes comprised landowners and workers or hirings.

Another early propagator of entrepreneurship was 'Say' who also made the entrepreneur the pivot of the economy and a catalyst for economic change and development. The entrepreneur provided a commercial stage in three stages of production. Both Cantillon and 'Say' belonged to a French school of thought known as the "physiocrats", so called because the physical nature of the agrarian economy dominated their thinking (David Deskins, 1996:9).

Physiocrats

1.3 DEFINITION OF ENTREPRENEURSHIP

The definition of entrepreneurship is likened to the story of seven blind men and elephant. The blind men according to the side touched differently explained the description of the elephant. The same thing is applicable to the definition of entrepreneurship, which is viewed by different authorities through different professional or interest perspectives. An enterprising person according to Jim Rohn is one who comes across a pile of scrap metal and sees the making of a wonderful sculpture. An enterprising person is one who drives through an old descript part of town and sees a new housing development. An enterprising person is one who sees opportunity in all areas of life.

To be enterprising is to keep your eyes open and your mind active. It is to be skilled enough, confident enough, creative enough, and disciplined enough to seize opportunities that present themselves...regardless of the economy.

Enterprising people always see the future in the present. Enterprising people always find a way to take advantage of a situation, not be burdened by it. And enterprising people aren't lazy. They don't wait for opportunities to come to them; they go after the opportunities. Enterprise means always finding a way to keep yourself actively working toward your ambition.

Enterprise is two things; the first is creativity, you need creativity to see what is out there and to shape it to your advantage. You need creativity to look at the world a little differently; you need creativity to take a different approach to be different. What goes hand-in-hand with the creativity of enterprise is the second requirement: the courage to go against the crowd, courage to stand alone if you have the courage to choose activity over inactivity.

Lastly, being enterprising doesn't just relate to the ability to make money. Being enterprising also means feeling good enough about yourself, having enough self-worth to want to seek advantages and opportunities that will make a difference in your "future. By doing so you will increase your confidence, your courage, your creativity and your self-worth- your enterprising nature.

Developments in entrepreneurship are sometimes seen as stemming from three sources: firstly, from the contributions of economic writers and thinkers on the role of the entrepreneur in economic development and the application of economic theory. Secondly, from the psychological trait approach on personality characteristics of the entrepreneur which is examined critically later. Thirdly, is a social behavioural approach, which stresses the influence of social environment, as well as personality trait. Each approach is considered in this chapter, and it can be claimed that all three approaches have something to contribute to our understanding of the entrepreneurship process.

From the different perspectives outlined above, we shall use the economists/managerial perspective to define entrepreneurship. In this vein, entrepreneurship shall be defined thus: the willingness and ability of an individual

to seek out investment opportunities in an environment, and be able to establish and run an enterprise successfully based on the identified opportunities.

From the above explanations, it could be seen that any attempt to look at entrepreneur from only one dimensional approach will not work as it has to be a holistic approach. This embraces when an entrepreneur's personality traits are influenced by his behaviour (psychologist's view), when he is influenced by the society in which he lives (sociologist's view), when he is influenced by the economic opportunities and government incentives (economist's view), *e.t.c.* Current and Stallworth (1989) state that:

Entrepreneurship, rigorously defined, refers to the creation of a new economic entity centred on a novel product or service or, at the very least, one which differs significantly from products or services offered elsewhere in the market.

Schumpeter (1911) insists that only certain extraordinary people have the ability to be entrepreneurs and they bring about extraordinary events. In an attempt to summarize what an entrepreneur is, Okpara (2000) opines that

an entrepreneur is a human bulldozer, who can convert a stumbling block into a stepping stone. To an entrepreneur there is no mountain that is unmovable. He is, therefore, a creative and aggressive innovator. Hence an entrepreneur is the man who promotes the necessary relationships required for the new business to come into existence. He is the man who consolidates a new venture. He is the man who manages and operates the enterprise once established. He is the man who risks his capital in new ventures.

To cap it up, we can say that entrepreneurship is the creation of new enterprise that gives value to humanity by filling up neglected area(s). That means the new enterprise created must give value to humanity or fill up a yearning vacuum left unfilled. The individual who creates the new enterprise is therefore called the entrepreneur.

However, entrepreneurs are not contractors, but are the pivot on which the economy of a nation rotates. A nation that has entrepreneurial deficiency will find it difficult to industrialize and grow economically.

1.4 ENTREPRENEURSHIP THEORIES

Entrepreneurship was viewed from many perspectives by the early scholars, who described it from the perspective of functions of an entrepreneur, whether as an inventor, imitator, innovator, or more appropriately, as a calculated risk taker.

Nine scholars shall be briefly discussed here to point out their major early contributions to the entrepreneurship developments.

1. Richard Cantillon

Richard Cantillon was the first to recognize the crucial role of the entrepreneur in economic development, which was founded on individual property right. He said that the essence of the function of the entrepreneur is to bear **risk (uncertainty)**.

2. Kirzner

An entrepreneur, to Kirzner, is someone who is alert to profitable opportunities for exchange. The entrepreneur operates on opportunities that arise out of new technology. Recognizing the possibilities for exchange enables the entrepreneur to benefit by acting as a middleman who facilitates the exchange.

The Kirznerian entrepreneur is alert to opportunities for trade. He or she is able to identify suppliers and customers and acts as the intermediary. Note that there is no necessity to own resources, and profit arises out of the intermediary function.

These possibilities for profitable exchange exist because of imperfect knowledge. The entrepreneur has some additional knowledge, which is not possessed by others and this permits the entrepreneur to take advantage of profitable opportunities.

3. Joseph A. Schumpeter

Schumpeter introduced the **concept of innovation and power**. He believes that entrepreneur brings about change through the introduction of new technological processes or products, unlike Kirzner who believes that anybody has the potential to be an entrepreneur and they operate within set production constraints. For Schumpeter, only certain extraordinary people have the ability to be entrepreneurs and they bring about extraordinary events. He disagrees with Weber and other theorists of entrepreneurship that entrepreneurship is a function of social, cultural or religious factors; rather, he believes that individuals are motivated by "Atavistic" will to achieve power. He insists that this desire could occur randomly in ethnically homogeneous group.

4. Knight

Knight's view of an entrepreneur is one of a "calculated risk taker." For knight, the entrepreneur is an individual who is prepared to undertake risk and the reward profit - is the return for bearing uncertainty, and is an uninsurable risk.

The opportunity for profit arises out of uncertainty surrounding change. If change is perfectly predictable then no opportunity for profit exists. The entrepreneur is someone who is prepared to undertake risk in an uncertain world.

5. Casson

Casson recognizes that the entrepreneur will have different skills from others. He attempts to synthesize some of these entrepreneurial attributes and concepts that have been discussed with the major writers above. These skills according to him enable the entrepreneur to make judgements, to co-ordinate scarce resources, etc.

He emphasises that entrepreneurs require command over resources if they are to back their judgements and that this is likely to imply that they will have personal wealth. Lack of capital would thus be a barrier to successful entrepreneurship.

6. Shackle

Shackle introduced the concept of "Creative and Imaginative Thoughts." Uncertainty gives rise to opportunities for certain individuals to imagine opportunities for profit. Shackle's entrepreneur is creative and original.

7. Max Weber

Max Weber, a German, published his work on "Protestant Ethics and Spirit of Capitalism" in 1958. This is the concept that encourages hard work and sizzles work on daily existence, accumulation of capital and investments.

He argues that business leaders and owners of capital, as well as the higher grades of skilled labour, and even more, the higher technically and commercially trained personnel of modern enterprises are overwhelmingly Protestants, especially in Western Europe. Before coming to this conclusion, Weber surveyed the main participants of different religions, Protestants, Catholics and Muslims, in order to find out their attitude and behaviour toward profits. Consequently, he concludes that the Protestant ethics tends to go well with high profit generation and accumulation of capital.

8. David C. McClelland

Psychologist McClelland introduced the concept of need for achievement (n/Ach) and goal setting. He maintains in his book, "The Achieving society," that the drive towards achievement is the basis of activity for most entrepreneurs.

He used the Jew in his illustration. According to him, the Jewish child is shown from the beginning that he has to maintain and remain on top in order to counteract the attitude of the society to him. McClelland concludes that because of this method of rearing, which the Jewish operates, they are always on top and strive for excellence anywhere they live.

9. Everett Hagen - "Creative Personality"

Hagen, in his book, "The theory of social change," argues that creative personality in an individual is characterized by a high need for achievement, law, order, autonomy and problem solving.

Economic development, to him, is basically a process of ecological change brought about by the technological activity of individual concerned. He sees the entrepreneur as a reactive problem solver, interested in solving practical problems in most cases through the application of creative technologies. At times, entrepreneurs are motivated by some internal forces as a duty to do something unique before they die.

1.5 30 MISTAKES BUSINESS BEGINNERS MUST AVOID

The term "business" has come to be one of the most applicable, used, abused, bastardized, misunderstood, misinterpreted and controversial word in all of man's

existence. Many go into it for the love of it, while others do so ignorantly, committing mistakes never thought of but which have unfortunately ended their dreams. But what are these mistakes? Listen to those who have passed through this business pilgrimage as they speak from their experiences.

1. Wrong Bearing

Many people are in business because others are or because they have just lost their present jobs and feel that the only solution to their joblessness is to be in business.

These are wrong motives says Mr. Olushogan Aderinokun, a management consultant with Michael Stevens and Associates. He says, as a beginner, you must first of all get your bearing right, evaluating your abilities and capabilities, and most of all convincing yourself that your goals are achievable.

2. Not Getting Registered

It is possible because business is often seen and understood to mean different things in different people that most beginners often embark on it at any time, anywhere, anyhow and for anything without due registration and compliance with the law. According to Aderinokun, beginners of business should not make the mistake of not being registered both with their professional bodies and Corporate Affairs Commission.

Not being on the register of your professional body will mean not benefiting from any of their supportive services, while you stand the risk of losing all you have worked for, should Corporate Affairs Commission discover that you are operating an illegal enterprise.

3. Big Bites

It is always an exciting experience to see one's dream come true. But many beginners in this euphoria had made the mistake of taking jobs they cannot professionally and competently handle; experts warn that as a beginner you can conveniently muster a little if frustration is to be avoided. Small jobs have the potentials of bringing bigger ones.

4. Mortgaging Your Ethics

Another common mistake beginners must avoid is capitalizing on their newness in business to do things that are against their business ethics. Beginners must not, at any cost, mortgage their professional ethics in order to maintain standard as well as be principled.

5. Credit Sales

Credit sales are a good thing that has happened to the business world. But as a beginner you must watch against credit sales, as you need money most at this

stage, to keep your business running. You should know that customers are not as willing to pay, as they are to buy. So while buying may be rapid, payment may be at snail speed; thus crumbling your business. Watch out.

6. Diversification

Depending on the nature of your business, it is often dangerous to diversify (or not) from the beginning of operation. If, for instance, your product is seasonal, not diversifying will only tie your fortune to seasons only, while you are dry for the rest of the year. On the other hand, diversification from inception might mean having too much to chew. This may spell doom for your business. Beginners therefore, must not make the mistake of diversifying when the need for it has not arisen.

7. Profit First

One of the most common mistakes business beginners make is their early emphasis on profit. According to Mr. Ishake J. Lawal, MD/CEO of RollyBow Cards Ltd., when he started business he was not interested in the early profit but believed that what he is doing will definitely bring in money later. He said he concentrated all his attention in making his product (Greeting Cards) acceptable, which he achieved. As a beginner, you should sell your profit to buy confidence and trust, which you will later fetch in the much-desired profit.

8. Not Having a Business Plan

Another common trap beginners fall into is their inability to make business plan (feasibility study). The absence of a business plan can obscure the opportunities that exist, and deprive you of financial support as well as business partners. Possibly because of its cost, many business beginners have been dodging this very important aspect of business. Never start a business without a plan for it is your compass and flagpole.

9. Taking the Market for Granted

Another of the many sins of beginners is their not conducting market research before embarking on their ventures. According to Wilson Aghaje-Ojo, an advertising consultant with Grafik Advertising Associates Ltd., "even market women need to conduct market research." Beginners must not take the market for granted. Knowing what your consumers want and what they are ready to part with can be the sustaining factor in your business.

10. Under pricing

One other web that beginners often get trapped in is that of under pricing of their services for the simple reason that they are just beginning and as such will use lower price tag to fetch in customers. While this might be true, normalization of your price with others in the market may see all your customers returning to their old buying spots.

Experts advise that you charge the on-going market price, while at the same time creating differences with the quality product; even at reduced prices, poor quality product will not command buyers.

11. Ignore Your Competitors

An in-depth knowledge of those in the same line of business is important in business. This is often ignored by most starters, says Moshond Shabiolegbe, the president of Nigerian Association of Small-scale Industrialists, Lagos State Chapter. As he puts it: Never consider your competitors as being obstructive factors with nothing good to offer. Rather, see them as partners in progress and do not hesitate to seek advice from them when such need arises. Robbing minds will give impetus to your problem handling ability; this again has a way of enhancing your faith in whatever action you take.

12. Convert Your Employees into Sex Toys

The excitements that come with the jargon, "this is my company, I am in charge of everything" have enormously driven some business owners into seeing their staffers of the opposite sex as objects for satisfying their lecherous desires, with the least thought on the implications of such behaviours on the business. This has sent many business enterprises to their early graves.

13. Not Advertising

If a very good product is manufactured today, and there is no advertisement to bring it to the notice of its intending consumers, it will not be noticed, says Chris A. Doghudje, a former managing director of Lintas, Lagos, a foremost advertising company in Nigeria. The mistake of sneaking into market place is one major cause of business failures.

14. Ignoring Your Responsibility to Your Staff

A business organization needs human resources as part of its inputs, says Mrs. Margaret K. O. Taiwo, CEO of PCI Ltd. Individuals joining the company have their own objectives and this is an important element, any business owner must accept first and foremost. If you want to kill your company in the fastest possible way, you should ignore the fact that all your employees take up jobs because they believe that the company can help them achieve their needs.

15. Don't Invest on Your Staff

One mistake most business owners make is to see the human elements in their organization as temporary assets, in which nothing should be invested on. They take for granted the fact that human development programmes are aimed at increasing productivity and boosting business profitability.

When you do not invest on staff development, your organization would not be in a position to know new developments and changing trends in the industry and would sooner or later find itself caught in the web of obsolescent in its service or product delivery.

16. Not Being Interested in Your Cash Movement

One most common mistakes business beginners often make is to have an "I don't care" attitude towards the movement of cash in their organizations. Many business owners do not pay adequate attention to their cash flow management, that is incoming and outflow of funds in the company.

As this happens, the entrepreneur would not be able to ascertain the cash position of the company and therefore cannot identify the movements of assets, liabilities and capital and of course, the effects these have on net liquid funds. According to Bashceer Dolapo Alli, a chartered accountant with Ighodalo and Associates, cash flow management is "an essential ingredient for entrepreneurial success."

17. Accepting Partial Loan

Most people venturing into business on their own, and in a desperate bid to raise cash, often commit the mistake of under borrowing.

Some business owners would rather accept part of the loan requested from their banks with the hope that they will be able to source the balance from other sources, says Innocent I. Emah of the Corporate and Institutional Banking of Rims Merchant Bank Limited. When you allow this, and there is none elsewhere to source the balance, as to get the project going, you, no sooner than later, realize that the economic essence of the loan is lost, and paying back the part-loan becomes difficult.

18. Dishonesty

Starting your business on dishonest note is one practice most emerging entrepreneurs find difficult to avoid in spite of its devastating consequences on the business future. According to Shabiolegbe, real business growth should be anchored on sincerity of purpose, fuelled by a commitment to customer's satisfaction. This is the very essence of doing business and prospective business owners, must as a matter of policy, guide against dishonest and sharp business tendencies that manifest in companies' inability to give customers value for their money.

19. Don't Care About Your Image

Jesus said, "What do they say I am?" If Jesus Christ is concerned about his image, then every individual especially business owners should likewise, be concerned about their image. Because the reaction of people and the progress and the survival of the company depend on what they say you are. It is public perception of your image that determines the realization of your business mission.

20. Not Learning

As a chief executive, you will be running down your organization if you do not

live above the outmoded notion of seeing yourself as the sole performer and hero, with answer to all questions. When business is run this way, you isolate yourself from your employees, clients and most importantly, your operating environment, a development not healthy enough for business success.

21. Ignoring the Lonely Voice

Many beginners are often being lured into believing the critics are enemies of their progress. As you launch your business, there is every possibility that both consumers and non-consumers alike will have one thing or the other to complain of. Rather than turning a deaf ear on these useful consumers, beginners are advised to avoid their failure by accepting criticisms in good faith. Ignoring the lonely voices may mean premature death of your business.

22. Biting the Finger that Fed You

Every business owner, especially at the early stage of operation, received assistance from one source or the other. Many beginners often make the mistake of cutting off all relationships with those who had at one time or the other been of help to them. Isolating yourself from those who helped you might not be good to your business health.

If you received a loan from a friend or an institution, that you are unable to pay, does not mean you should discontinue seeing your financier again. Continue going there, for your presence alone can even grant you additional support from them.

23. Putting the Cart before the Horse

According to Sunny Obazu Ojogbasc, a renowned publisher, one other unnatural act of business beginners is over anxiousness. Possibly because they have just struck a new idea that offers them a bright and exciting future, most beginners care less to put the first things first before embarking on their ventures. Because they put the show on the road before they are ready, frustration is often unavoidable, as they have to return to the bases.

24. No Secrets About Your Plans

Every business, irrespective of its nature, has secrets not to be shared by others. But it is surprising, how most business beginners sit at every available corner, blowing their business plans to every ear that is kind enough to listen. The danger of not being secretive about your plans, before you launch your business, is that you will already have made so many competitors, people who shared from your ideas, and, of course, added something extra to it.

25. One Way

Another of the weird things business beginners do is they think there's only one way of launching an idea. You may have the right idea, but the approach may be

wrong. So sticking to only one approach may mean killing the idea. Open up to many alternatives and count your failures as learning processes and not mistakes.

26. What is Failure?

A lack of proper understanding of this term has sent so many promising and viable business to the cooler. As a beginner you must have a proper understanding of what failure is; e.g. that you are experiencing set-backs or disappointment does not mean you have failed, per se; rather it is a pointer that you have not hit the right way of doing it yet.

Have you heard or remembered the story of Thomas Edison, the inventor of fluorescent tubes. He never believed to have made 999 mistakes in his attempt to invent the fluorescent; but according to him, has learnt 999 ways of how not to make a fluorescent tube.

27. Inefficient Service or Product

There is this wrong notion that in Nigeria anything sells. Hence so many people have gone into business to produce any service or product with the vain belief that it will be bought. No matter how needful your service or product may be, they need to be efficiently produced otherwise your warehouse shall ever remain pregnant with goods.

28. Strike a Balance

Yes, you are the boss. You are not answerable to anybody. You can resume and close from work at any time; but for you to be successful; you must be able to strike a balance between your work and your relaxation. Working too much may result to ill health and stress, which might drain all you have been working for. While, on the other hand, too much of relaxation and freedom will spell doom for your business, spending wantonly what would have been invested back into the business. The choice is yours. But be advised to strike a balance.

29. Ignoring Your Competitive Edge

A competitive edge is that feature that is unique in your product or services that make you stand out or different from your competitors. It is your advantage over others and it is what makes your customers look out for you. Among the crowd playing down on this advantage will mean retreating backward to join the pack.

30. Not Having Accounting Books

One other unwholesome attitude which beginners of business have found difficult to slough off is the habit of not keeping records of their business transaction. They regard themselves and the business as being one; hence business monies can be withdrawn anyhow, anytime.

Most of them keep no records of daily dealings; hence making it

extremely difficult for them to determine whether they are growing or not. Record keeping is important for evaluation and assessment, as well as measurement of enterprise performance. Not having records will make you not to be able to determine your debtors' and creditors' position. Records are reference points, have them.

Conclusively, this list is not exhaustive, but a starter; this is enough road map for you. Others may be learnt by experience. Happy launching (Abong & Inang, 1996: 8-10).

1.6 TYPES OF ENTREPRENEUR

There are many different types of entrepreneur, each distinguishable by the manner in which they operate. Read through the following description of entrepreneurial styles. Ask yourself which type you prefer and why. Then write your thoughts down to use as a reference point, from which you can explore your preferences. Which type of entrepreneur you think you want to be? (Gray, 1995: 13-18).

1. Soloist

A soloist is a self-employed individual who operates either alone or with a few employees only. Soloists include trades-people, brokers, small family businesses, and so on.

2. Key Partners

A key partner is an individual in partnership with others, but the partners are either inactive or they assume a minor role. A key partner is like a soloist; he or she is a person who needs a lot of personal autonomy, but requires partner for financial support.

3. Grouper

These are individuals who prefer the psychological and/or financial relief of working with a group of partners. They are less autonomous than key partners as the group shares decisions. Medium large legal and accounting firms are good examples of where these types of entrepreneurs can be found.

4. Professional

This category includes traditional professionals such as solicitors, accountants, dentists, doctors, architects, and engineers. Consultants can also be included in this group. These self-employed experts are highly specialized and have had considerable higher education. The consultants may or may not have advanced education, but they do have very clear and marketable expertise. Professionals

generally do not perceive themselves as entrepreneurs, but they do have the entrepreneurial traits required to survive and succeed.

5. Inventor- Researchers

Inventor- researchers are usually thinkers or frustrated professionals who decide to start another business, such as laboratory to test a new products or service. They generally have good ideas, but frequently lack managerial skill. They can also become emotionally involved with pet projects, or enjoy the challenge of discovery, without focusing on the practical market applications.

A variation of the inventor-researcher is the creative innovator who has ideas for better products, perceives the market need, then creates a company to develop, manufacture and sell the product.

6. High Tech

A high tech entrepreneur generally has advanced education, and technical expertise, particularly with electronics or computers. He or she may have the capacity to assimilate complex concepts, is generally competitive, and enjoys the challenge of being on the leading edge of new technological developments.

7. Workforce Builder

An individual who starts working on his or her own, then build a large company through astute hiring, delegation, and organizational abilities, is a workforce builder. The carpenter who works individually, gradually quotes for larger jobs, subcontracting as required, and ends up with a large shop fitting firm, is an example, of a workforce builder.

8. Inveterate Initiator

This person enjoys the challenge of initiating new enterprises, but quickly loses interest in maintaining them, once the challenge has been met. The inveterate initiator is frequently looking for opportunities to start new enterprises; he or she usually sells the existing business and uses the money produced to start the next. Generally, this type of person goes into business with the specific goal of selling it for project.

9. Concept Multiplier

This type of individual recognizes a successful business concept that has the potential to be duplicated with additional profit. Franchising is one concept multiplier approach; another is licensing; another still is chain expansion.

10. Acquirer

This person prefers to take over an existing business rather than start a new one. That way, the risk is reduced because there is established good will. A lot of the

difficulties and struggles experienced in the initial years are eliminated, allowing energy to be directed to increasing profit and enhancing business growth.

11. Speculator

Many speculators have their fortune in property. This can take many forms - buying rented residential property, upgrading the premises, increasing the rent and then selling it; buying and renovating houses for profit; or subdividing land, thereby increasing its value. Land provides the leverage to allow you collateral to borrow against. This type of entrepreneur has the potential to acquire enormous assets on which capital gains can be earned. Other commodities, such as antiques, art and stamps can also provide a profitable business return.

12. Turn-About Artist

The turn-about artist buys companies with problems, but potential for profit. He or she first identifies the areas of weakness in the business, and makes a low offer. The entrepreneur then reduces costs and payrolls to eliminate losses, removes unprofitable lines, and adds more promising ones. Generally, he or she makes the company a lean, efficient business. The business is then sold at a profit.

13. Value Manipulator

A value manipulator is an entrepreneur who acquires an asset at a low price, then legally manipulates the financial structure so that it appears to be worth a lot more. It can be resold at a higher price. For example, if a company's balance sheet shows an unfavourable current ratio and you persuade creditors to accept longer term notes on the debt, the current ratio would be suddenly much larger, which would result in a higher resale value.

14. Lifestyle Entrepreneur

An individual who enjoys the fringe benefits of success and looks on business as a means to attain the trappings of the "good life" can be considered a lifestyle entrepreneur. This type of a person is not interested in any business that might involve personnel or growth problems, or extensive financial or time commitments. The primary interest is consistent cash flow. Therefore this individual seeks a business that commonly involves putting together deals, acting as the middleman. Normally the success of the lifestyle entrepreneur is attributable to the numerous contacts he or she has a specialized branch of industry.

15. Committed Manager

The committed manager looks on his or her business as lifetime employment to

be nurtured and developed at every stage from start-up to profitability. Personal satisfaction comes from the challenges of directing the growing concern and managing all changing problems.

16. Conglomerator

This is the kind of entrepreneur who obtains control of one company, then uses shares of that company to buy control of their business, thereby creating a conglomerate. One common technique is to buy companies with lower price earnings ratios through the parent company. The acquisition's price earning ratio will generally increase after merging with the parent company, as will the overall conglomerate stock value.

17. Capital Aggregator

The capital aggregator has the capacity to raise large sums of money, through investors or otherwise, then acquire very attractive business through extensive financial leverage.

18. Matriarch or Patriarch

A matriarch or patriarch is an individual who heads a family owned business. His or her desire is to continue to have family members control the business, whether the company is privately held or publicly quoted.

19. Going Public

Some entrepreneurs start or acquire a company with the sole intention of taking the company public. This means the company sells its shares on the unlisted securities market, the alternative investment market or the stock exchange. Private investors can sell their stake in part or in full and achieve a substantial profit on their investment.

1.7 SUMMARY

Chapter one has been a stimulating chapter, which has introduced what entrepreneur and entrepreneurship are with a historical background.

Entrepreneurship has been defined by many authorities' approaches, namely: economic perspective, social perspective and psychological perspective, which, in a holistic form, explained the full and detailed meaning of the word, entrepreneurship.

The early theories of entrepreneurship by many theorists were equally explored and discovered that an entrepreneur was described by some authorities as an innovator, imitator, risk taker, creative thinker, achiever and motivator.

A comprehensive list of 30 mistakes, which a beginner must avoid were all synthesized to help the would-be beginner achieve new utmost goals.

Review Questions

1. How could you trace the historical background of the entrepreneurship?
2. Attempt a critical comparative analysis of early entrepreneurship theorists.
3. What concrete reasons will you give to your client who has just started a "fashion design business" to guide him from sudden business failure?

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CHAPTER TWO**FACTORS INFLUENCING ENTREPRENEURSHIP**

- Introduction
- Personal Characteristics
- Life-Path Circumstances
- Favourable Environments Conditions
- Perceptions of Desirability and Feasibility
- Summary
- Review Questions
- References

BUSINESS SLOGANS

"The men who try to do something and fail are infinitely better than those who try nothing and succeed."

— Lloyd Jones

Nothing worthwhile will be achieved without knowledge.

2.1 INTRODUCTION

Researchers have been engaged in the quest to explore more on what makes some entrepreneurs create a successful new business. Focus has been placed on the characteristics of the entrepreneur, the life path circumstances of individuals that might influence them in becoming entrepreneurs. Equally examined by the researcher are certain environmental factors that might encourage entrepreneurship and the perceptions of the desirability and feasibility of becoming an entrepreneur, which also appears to affect the decision to engage in entrepreneurship.

2.2 PERSONAL CHARACTERISTICS

A research on the background characteristics of entrepreneurs focused mainly on the childhood family environment, which considers issues like birth and occupations of the parents. Another focus of inquiry has been the level of entrepreneurs' education, which in most cases, entrepreneurs tend to be better educated than the general population. However, Nigeria, there is a wide variation in educational attainments, with some entrepreneurs lacking in higher school education, while others having university degrees.

Age has been another variable of interest in explaining entrepreneurial activity. Although individuals are more likely to become entrepreneurs between the ages of 25 and 40, some do so across a wider span-more like 25-55. Individuals can become entrepreneurs before the age of 22, but such endeavours are less likely because these individuals do not have the education, experience, and financial resources needed to create new ventures. By mid-50s, reduced energy and physical problems can impede some, though certainly not all would be entrepreneurs.

There is evidence that work history and related experience are important factors in initiating a new enterprise. Several studies indicate that, in new ventures, at least one of the company founders had previously worked in the same industry as the new ventures seem to become easier after the first one, giving rise to the corridor principle. The *corridor principle* states that the process of beginning a new venture helps entrepreneurs visualize other opportunities that they could not envision or take advantage of, until they started the initial venture (Albert, 1988:31-40). Generally there does appear to be a few characteristics that separate the entrepreneur from the general population and even, in some cases, from managers.

2.3 LIFE - PATH CIRCUMSTANCES

There are some life path, or individual, circumstances that seem to increase the probability of one becoming an entrepreneur. The four major types of

circumstances are: unsatisfactory work environment, negative displacement, career transition point and the presence of positive-pull influences (Albert and Sokol, 1982).

Unsatisfactory work environment is a job situation characterized by circumstances like work dissatisfaction, employer's refusal to recognize the value of innovative ideas, which may impel the worker to think about leaving and forming or starting a new venture.

Negative displacement, or disruption, occurs when circumstances in person's life situation cause the person to make major changes in life style. Factors in this category include being fired, getting a divorce, becoming widowed, reaching middle age, or emigrating from another country, etc.

Career transition points are circumstances in which an individual is moving between one type of career related activity and another. Such points are completing studies or degree, being discharged from military service, finishing a major project, or having children leave home.

Positive-pull influences are individuals, such as mentors, investors, customers, or potential partners, who urge individual to start a business.

2.4 FAVOURABLE ENVIRONMENTAL CONDITIONS

A number of environmental conditions appear to influence entrepreneurs. Generally, they deal with the basic prerequisites of running a business, such as adequate financing, a technically skilled labour force, accessibility of suppliers, accessibility of customers or new markets, availability of land or facilities, accessibility of transportation, and availability of supporting services. Other, more indirect conditions provide support as well, such as the presence of experienced entrepreneurs and incubator organizations, government influences, proximity of universities, attitude of the areas, population, and living conditions.

An *incubator* is an organization whose purpose is to nurture new ventures in their very early stages by providing space (usually at a site housing other new ventures as well), stimulation, support, and a variety of basic services, often at reduced fees. The idea is to help the new ventures during their first 2 or 3 years or so, until they have grown enough to "hatch" and join the normal business world (Barbara, 1989).

2.5 PERCEPTION OF DESIRABILITY AND FEASIBILITY

Even when personal characteristic, life-path circumstances, and/or environmental conditions are either pushing or pulling individuals toward entrepreneurship, such individuals are still unlikely to take action unless another element is present, they must perceive entrepreneurship as both desirable and feasible (Albert, 1982).

Some factors that influence desirability are related to the personal

characteristics mentioned earlier, such as family members who have owned their own business and/or who encourage independence.

Even with perceived desirability, would-be entrepreneurs must also make an assessment of the feasibility of creating a new enterprise, while personal characteristics and life-path, environmental conditions are an important aspect of feasibility assessment.

2.6 SUMMARY

Amongst some of the factors influencing entrepreneurship include: personal characteristics, life-path circumstances, favourable environmental conditions and perception of desirability and feasibility. The factors influencing entrepreneurship as explained here are not exhaustive but varied.

Review Questions

1. What is corridor principle?
How would the idea help a would-be entrepreneur?
2. Your client who was fired in his former work place approached you for a professional advice on how he could set up his own business. Advise him.

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CHAPTER THREE

FUNCTIONS OF ENTREPRENEURSHIP

- Introduction
- Creative Thinking
- Identification of Investment Opportunities
- Acquisition and Selection of Opportunities
- Taking Decisions
- Risk Bearing
- Establishing the Business Enterprise
- Creation of Employment Opportunities
- Marketing and Innovation
- Management, Planning and Control
- Summary
- Review Questions
- Reference

BUSINESS SLOGANS

*"Enjoy What You Do,
Show the Enthusiasm You Feel
For Your Business and Your Product
and Others Will Tend to Believe What You Say."*

— Pz Nwafor

*You Cannot Climb the Ladder of Success
With Your Two Hands in Your Pocket;
— Act Now.*

3.1 INTRODUCTION

For the success of entrepreneurial business pursuit, a number of activities are involved which constitute the functions of an entrepreneur. These activities include: creative thinking, identification of investment opportunities, making decisions, bearing risks, establishing the business enterprise, creation of employment opportunities, marketing and innovation, management, planning and control of the enterprise.

Economic and social emancipation of any country has a great focus on the seriousness placed on the entrepreneurship pursuit by such country. Entrepreneurship is now gaining a firm ground in Nigeria as a viable academic discipline, which if properly harnessed will propel Nigeria economic reliance in this contemporary world.

Let us now examine, one by one, these entrepreneurial functions:

3.2 CREATIVE THINKING

"This involves new ideas and the capability of an entrepreneur to do something in a new way, that nobody has thought of. It is the duty of an entrepreneur to be creative. In fact as long as he lives, he has to continue to develop new products, new marketing territories or new techniques in doing things to improve efficiency" (Gana, 1995: 11).

However, creativity can come in different forms: duplication of ideas in a more creative form, filling up the missing things in original ideas, synthesis of information or ideas from newspapers, journals, magazines, salesmen and consumers into integrated filtered creative thought for usual works. Creative thinking can equally come in different ways like innovation which enables the entrepreneur to develop new products, new distribution outlets, new suppliers, new technology, etc. and extension, which involves expanding the current boundaries of the enterprise, by making use of the already worked ideas in other ventures in one area or country.

3.3 IDENTIFICATION OF INVESTMENT OPPORTUNITIES

One of the major functions of an entrepreneur is to be able to identify the business or investment opportunities surrounding him. The entrepreneur should be able to identify the consumer's needs and wants and how best to satisfy them through adequate provision of goods and services.

In identifying these investment opportunities the entrepreneur should have certain things clearly in his mind, namely: an audit of himself as per his capacity to provide or fill the needs through the provision of goods and services. Secondly, the ability of such needs to create a satisfactory profit for the entrepreneur through

size or volume of the market therein. Thirdly, availability of the present unsatisfied needs and wants of the consumers in given environment which the entrepreneur will set out to satisfy.

These business opportunities are not always easy to identify unless one has "entrepreneurial eye," which will help him to intuitively recognize those opportunities. Such business opportunities could equally be recognized through market research, business survey or Industrial Development Centers (IDCS) or any financial institutions, like Nigeria Bank for Commerce and Industrial (NBCI) and Nigeria Industrial and Development Bank (NIDB) or through research institutions like Project Development Institute (PRODA) Enugu, Universities and Federal Institute for Industrial Research Oshodi (FIRO) Lagos.

3.4 ACQUISITION AND SELECTION OF OPPORTUNITIES

Right acquisition and resources by entrepreneur would enable him achieve his objectives. As a function he has to do it well and how well and qualitatively these resources are chosen determine how efficiently and effectively these resources are managed. These resources are materials, men, money and machinery, also known as the 4Ms.

3.5 TAKING DECISIONS

Taking decisions is one of the crucial functions of an entrepreneur. Usually, a decision has to be taken from myriad of investment opportunities facing an entrepreneur on which one to pursue.

In taking decision, the entrepreneur should take many things into consideration like his personal capabilities and interest which will propel him to pursue aggressively the venture despite its attendant problems. The entrepreneur should equally take decision on how to cope with the risks involved, the technical capacity he has on the venture involved and the availability of resources to start the project. Lastly, the entrepreneur should take decision on whether the profit of the venture will be able to cover the risks involved so as to ensure continued growth, with the regular supply of infrastructure like electricity, water, telephone services and good roads.

3.6 RISK BEARING

Risk bearer, is another name for the entrepreneur. One of the major functions of the entrepreneur is risk bearing, which is borne in two ways, namely: the insurable risk or unsystematic risks. These risks are avoidable or diversifiable, which means they can be reduced or transferred to a third party, for example an insurance company, such as risk of accident, theft, fire, flood and other disasters.

Secondly, the entrepreneur bears the non-insurable risk or systematic risks. These are risks that cannot be passed to a third party (i.e. non diversifiable or unavoidable), such as overall market risks, as changes in government, policy, tax reform by government, changes in interest rate and foreign exchange, adverse natural accidents, etc. The entrepreneur can minimize these risks through proper training, forecasting and experience.

3.7 ESTABLISHING THE ENTERPRISE

Establishment of the enterprise is another major function of the entrepreneur because after having identified the opportunity, selected the identified opportunity, taken the decision and borne the inherent avoidable and non-avoidable risks, without establishing the enterprise, the entrepreneur cannot claim to have succeeded, unless the enterprise is established and properly managed.

3.8 CREATION OF EMPLOYMENT OPPORTUNITY

The whole idea about entrepreneurship is about self-employment, which will generate employment opportunity to others that must work with him as he cannot work alone.

3.9 MARKETING AND INNOVATION

The whole concept of marketing is about consumer satisfaction; so the objectives of any business should lie outside the business by satisfying the customer through innovation of ideas, goods and services. The provision of new skills, improvement of management, modification of modern technology and changes in the actual production, all constitute innovation, which the entrepreneur must articulate, if he is to deliver properly.

3.10 MANAGEMENT, PLANNING AND CONTROL

These three elements of entrepreneurial function are paramount because they are the anchor point in the success or failure of the entrepreneur who must plan, manage and control his enterprise if he is to survive in this highly dynamic and turbulent business landscape that characterizes the contemporary business world. The entrepreneur should be advised that as he plans with the expected, he should equally plan to cope with the unexpected.

3.11 SUMMARY

The mastery of the necessary function of the entrepreneur by the entrepreneur himself goes a long way in helping him achieve his set goals. It becomes an easier

task when an entrepreneur knows what he is supposed to do as his own function, which is already enumerated above though not exhaustive.

For a successful entrepreneurship programme to take root in any country, government should equally play its own role, which is as important as the entrepreneurs' role.

Review Questions

1. Do a comparative analysis of the entrepreneur's functions and show which function in your own opinion is the most germane?
2. Decision making can make or mar entrepreneur's success. Discuss?

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CHAPTER FOUR

CHARACTERISTICS OF THE ENTREPRENEUR

- Introduction
- Self Confidence (High Internal Locus of Control)
- Originality (Uniqueness)
- Task (Result) Oriented
- Leadership
- Future-Oriented (Visionary)
- Drive and Energy
- Creativity (Innovative Behaviour)
- Long Term Involvement
- Taking Personal Responsibility
- Risk Taking Ability
- Taking Initiative (Conceptual Ability)
- Need for Achievement
- Deviant Behaviour
- Summary
- Review Questions
- References

BUSINESS SLOGANS

"It is the Outstanding that Captures the Interest."

— Pz Nwajor

*When Starting in Business
Make Sure it is the Kind of Business
That Will Suit You.
If You Want to be a Manager of a Business,
Enter a Trade that You Will be Happy to be in.*

4.1 INTRODUCTION

So far, the search for personality characteristics has yielded some results that may be helpful in separating potential entrepreneur from the general population given the variety of business that entrepreneurs have created. It then becomes a formidable task identifying their characteristics. In looking at the entrepreneur; who he is, his personality, his make-up, we shall use a holistic approach, that is, looking at the entrepreneur from different disciplinary dimensions like sociological, psychological and economical perspectives as enumerated below.

4.2 SELF CONFIDENCE (HIGH INTERNAL LOCUS OF CONTROL)

Entrepreneurs with high internal locus of control tend to feel that they control their fate largely through their own efforts. In contrast, individuals with an external locus of control view their fate as mainly determined by outside forces and luck. This means that an entrepreneur believes in himself and not on fate. An entrepreneur always sets his goals and objectives, goes all out to achieve them without minding any obstacle on the way. He converts all stumbling stones before him into stepping stones towards achieving his success. He is always confident, independent in thought and optimistic in his actions.

4.3 ORIGINALITY (UNIQUENESS)

A mere copying or duplicating an already existing idea does not make one an entrepreneur. Entrepreneurs are always original and unique in their thoughts, innovations and creations with knowledge and versatility. As entrepreneur can only *stand out* when he is thorough, original and unique in his way of doing things. Take for example, the Nigerian artists. It is only those of them that possess these qualities and characteristics are being noticed and admired, while those who are ordinary and normal are seen as that. It is the outstanding that captures the interest. Always endeavour to stand out in anything you do or say.

4.4 TASK (RESULT) ORIENTED

A task or result oriented entrepreneur must equally be goal oriented. An entrepreneur in achieving results must set clear and measurable goals. For the result (profit) to be achieved, an entrepreneur should be persistent, determined and persevering, so as to meet the set target, which must always be defined and prioritized. It is these defined target and priority that will propel him to action and eventually success.

4.5 LEADERSHIP

A good leadership quality in an entrepreneur is very important in the successful discharging of his duties (functions). A good entrepreneur should not be too rigid or dogmatic in his pattern of leadership. He should blend democratic leadership with autocratic leadership, depending on the situational disposition. The entrepreneur should get along well with others, and be responsive to suggestions and criticisms, if he should lead effectively well.

4.6 FUTURE ORIENTED (VISIONARY)

The ability to be visionary and focused is an attribute a good entrepreneur should possess. He should have foresight and perception of the future because an entrepreneur does not work for today alone, but for tomorrow mostly. All his investments are for future, so he should have a clear focus of what he wants the future to be like, with a continuous growth in his investments.

4.7 DRIVE AND ENERGY

Entrepreneurial jobs are complex and demanding. So for a proper and coherent articulation of these activities, an entrepreneur must have a high powered drive and energy to enable him run about, going to the banks, offices and most times staying very late in his office, and being able to resume very early in the morning, the following day. A serious and determined entrepreneur should be able to be working 6 days a week and a minimum of 12 hours daily.

4.8 CREATIVITY (INNOVATIVE BEHAVIOUR)

Creative or innovative characteristics of an entrepreneur make his business to outlive him. The entrepreneur is always flexible enough to effect changes in his products to suit what the consumers need. An entrepreneur with low or no creative or innovative ideas will definitely find it difficult to build a business of tomorrow.

4.9 LONG TERM INVOLVEMENT

The entrepreneur's eyes, are set for tomorrow so he sets out for a long term lasting business, which will outlive his children and grand children. So an entrepreneur puts all he has because he knows that he is preparing for a long-term business; hence, he compromises nothing in seeing the success of his business. Many of these big companies we see today started from such humble beginnings.

4.10 TAKING PERSONAL RESPONSIBILITY

This is one of the good characteristics of a good leader (entrepreneur). As Joua (1995:19) points out:

Taking personal responsibility for our actions decreases our dependence on others. A person who takes personal responsibility for his actions assumes control for his own decisions and will be willing to stand by his actions. An entrepreneur does not believe in chance, he plans to determine his future. This is better achieved if he takes responsibility for his actions. To have control over the future (his own future), he plans and sets his targets. When things go wrong he assumes that responsibility for correcting it.

To take personal responsibility of ones actions means self-confidence and optimism.

4.11 RISK TAKING ABILITY

The higher the risk, the higher the profit most times. Entrepreneurs are propelled by this axiomatic expression. Entrepreneurs have the knack in taking risks most probably because of the expected rewards. When there is no expected reward, the propensity to engage in the venture reduces, but if there is high expectation of reward the entrepreneur now exhibits his entrepreneurial risk taking ability, not minding the obstacles that may be on his way.

4.12 TAKING INITIATIVE (CONCEPTUAL ABILITY)

The entrepreneur is his own boss and he takes all the initiatives and does all the considerations in his business when the need arises.

4.13 NEED FOR ACHIEVEMENT

Psychologist David C. McClelland, who is the chief architect of acquired need theory, argues that entrepreneurs tend to have a high need for achievement (*nAch*). Such individuals gravitate toward situations in which they can achieve results through their own efforts, pursue moderately difficult goals, and receive relatively immediate feedback on how they are doing (Bartol et al, 1994: 660).

4.14 DEVIANT BEHAVIOUR

Entrepreneurs are characteristically known to exhibit deviant behaviours when in other's employment. That high propensity to leave and open up their own business is always inherent in their behaviours in their places of work. This singular characteristic always acts for the usual short stays of entrepreneurs when in other's employ, both private and public. That inherent desire to leave, and be

on their own, always sets the potential entrepreneurs to be alert and industrious, putting eyes on any slightest opportunity that may come up which may necessitate early exit.

4.15 SUMMARY

These characteristics mentioned above are all interrelated. One characteristic leads to the other and that does not mean that every entrepreneur must possess all of them before he performs. Since different disciplines and environments require different handling, it means that knowledge, versatility and experience must be very important to the entrepreneur, to be able to handle the situation adequately and maturely.

Review Questions

1. What qualities would you look for in a client who approached you to counsel him on whether or not he is fit to engage in his chosen business?
2. What would you put into consideration in advising your friend who works in a ministry, but always disturbs you about resigning to form his own business?
3. A trained entrepreneur is better than a trained manager in any organization. Discuss.
4. Originality and creativity if adopted will always make an entrepreneur to "stand out" in whatever he does, do you agree and why.

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Chapter Five

INNOVATION AND ENTREPRENEURSHIP

- Introduction
- Difference Between Entrepreneurship and Intrapreneurship
- Identifying the Innovative Entrepreneur
- Issues in Innovation and Entrepreneurship
- Performance of Entrepreneur Concerned with Innovation
- Supporting the Innovative Entrepreneur
- Summary
- Review Questions
- References

BUSINESS SLOGANS

*"Happy Are Those Who Dream Dreams
And Are Ready to Pay the Price
To Make Them Come True"*

— Leon J. Suenenes

*"We Do not Meet With Success
Except By Reiterated Efforts"*

— Françoise de Maintenon.

5.1 INTRODUCTION

Innovation is a tricky concept to pin down. Writers often consider the high technology-based small firms when discussing entrepreneur concerned with innovation. Yet innovation can occur with low technology-as well as high technology-based firms. It may simply involve "managing changes," the entrepreneur may find a novel method of changing the process of production as well as the product. The product here can equally mean services; innovation in services can occur through new variations in the service product. Schumpeter identified three distinct phases in the definition of innovation and diffusion. The diffusion stage requires the development of the technology so that it can be applied and adopted in different uses.

Freeman (1982) defines innovation as all those activities that give rise to a new product or process of production. These include:

1. Basic research, which generates new knowledge without necessarily a specific use intended.
2. Invention, which includes the application of knowledge to achieve a specific end, such as the building of prototype model
3. Development, which involves refinement of the prototype model into the final product or process.
4. Wider take-up and absorption of the technology into society.

Innovation may be categorized into product innovation and process innovation. Innovation can further be defined as the transformation of an idea into a new or improved product or operational process in industry or commerce.

5.2 DIFFERENCE BETWEEN ENTREPRENEURSHIP AND INTRAPRENEURSHIP

Intrapreneurship is the practice of innovating by developing new products, processes, or services while one is still part of an organization. Intrapreneurship as we have seen, also involves innovating, but creating a new organization carrying out the innovations. From this distinction, anybody who practices entrepreneurship inside the organization he works, is an Intrapreneur, but if he practices the same outside the organization probably on his own, this time around he is an entrepreneur.

5.3 IDENTIFYING THE INNOVATIVE ENTREPRENEUR

In order to illustrate the elusive nature of the concept of innovation and entrepreneurship, consider a small craft manufacturer making carvings. Let us assume he is skilled and finds that he is able to use new material that has been developed elsewhere, say in the aircraft industry by major manufacturers. He is taking technology that has been developed elsewhere and applying it to an everyday use. The question is whether he is an innovative entrepreneur?

There is no R & D (i.e. Research and Development), it can be merely an application or incremental change to existing technology. For the purpose of this chapter, he is an innovative entrepreneur having found a way of applying technological change in a new way, perhaps from the commercialization of technology developed elsewhere. Thus, the innovative entrepreneur is more than just the pure scientist. He has to have the additional skills and abilities to recognize the commercial application of technological advancement. To identify entrepreneurs who are concerned with innovation is, therefore, a problem that is not easily overcome for researchers or for our purposes in this chapter. One way that has been adopted is to identify high technology small firms by industrial sector and hence assume that they will include the entrepreneur who is concerned with R&D. This approach assumes that the key entrepreneur can be identified.

5.4 ISSUES IN INNOVATION AND ENTREPRENEURSHIP

The act of entrepreneur sets the innovation process in motion. The reward is extraordinary profit, but this is eroded by imitation. More competition increases the likelihood of imitation, and hence the reward for innovation is reduced. The contribution of Schumpeter and Galbraith would suggest that entrepreneur and small firms are at a disadvantage, compared to the larger firm, in the innovatory process. Schumpeter (1942) is more concerned with the effect of market structure. For him, the entrepreneur is a person who creates new ways of filling currently unsatisfied needs or creates more efficient ways of satisfying those needs. The first issue in innovation and entrepreneurship is that entrepreneur and small firms are disadvantaged, compared to the larger firms, in the innovation process. As developed by Galbraith (1967), large firms are seen to have distinct advantages in the innovation process.

The second emerging issue is that the innovative entrepreneur faces disadvantages in raising finance and obtaining other resources. This is due to a number of factors, which include:

- Banks are primarily concerned with short-term finance. They will not be prepared to lead seed capital.
- Banks face increased problems in risk assessment due to increased uncertainty associated with new or high technology.
- Entrepreneurs and small firms may not be able to protect their investment, through patents or other means. Hence this can increase the difficulties they face in obtaining funding.
- Banks do not place any value on R&D in the balance sheet, because it is an intangible asset.

The third issue is that entrepreneurs face difficulties in protecting Intellectual Property Right (IPR). The IPR system worldwide can operate against the successful protection of the IPR by entrepreneurs and small businesses, due to the time involved and the legal complexities of the system. Registration of IPR can be a lengthy and expensive process since the entrepreneur will often have to engage special legal experts.

Main methods of protection of IPR:

- Patents system
- Copy right
- Trade marks
- Others

For full explanation of these, see chapter 22.

The fourth issue is that entrepreneurs are not provided with special supportive environments such as science parks and incubators, especially in Nigeria where little or no attention is given to the entrepreneurship pursuits. Though, recently, the Nigerian government is beginning to gear attention into solving embarrassing youth unemployment, by the introduction of national youth employment scheme programme through her Poverty Alleviation Programme (PAP) effort. This programme has been change to National Poverty Eradication Programme (NAPEP). This programme has four components namely:

- (i) Youth Empowerment Scheme (YES)
- (ii) Rural Infrastructure Development Scheme (RIDS)
- (iii) Social Services Programme Scheme (SSPS) and
- (iv) National Resources Development Scheme (NRDS)

This programme (NAPEP) put in place to reduce massive youth unemployment is headed by the Nigerian president, assisted by the vice president, while the secretary to the government of the federation (SGF) acts as the secretary of the NAPEP.

5.5 PERFORMANCE OF INNOVATIVE ENTREPRENEURS

It has not been cheering news for innovative entrepreneurs especially in Nigeria where little attention is given to R&D in all fields. This has made innovative entrepreneurs face tremendous barriers to development. If we consider that R&D periods are often long, resources are scarce, equity will be exhausted, and patents are expensive, then we can appreciate that the innovative entrepreneur faces special and acute barriers and problems. An entrepreneur may face ten years developing his product, and even after development, there are marketing and promotion problems after prototypes have been produced. Despite the occasional special assistance, these problems are often insurmountable.

Given the difficulties that have been outlined above that face the entrepreneur concerned with the innovation process, it is recommended that "innovative" support mechanisms be provided for the development of innovative entrepreneurs nationwide.

5.6 SUPPORTING THE INNOVATIVE ENTREPRENEUR

Both high technology-based entrepreneurs and low technology-based entrepreneurs face the same problem of funding. Funding should take a holistic approach where R & D and other aspects should be taken into consideration. Philpot (1994), has shown

from his research that there are information and funding gaps with innovative entrepreneur. Networking between external support agencies and financial institutions has not been encouraging because the financial climate in Nigeria does not favour or encourage the development of innovation within their small firm/entrepreneur. This is because banks still suffer from short termism and are pre-occupied with collateral.

5.7 Summary

All we have been trying to do in this chapter is to synthesize and present some of the issues that surround entrepreneurship and innovation. We have equally attempted to suggest some policy measures that could be taken to encourage the important function of the entrepreneur in terms of innovation. There are some signs of the beginnings of specialized targeted support. Yet to make any significant impact, changes are required in all the institutions concerned with the support infrastructure. This infrastructure includes banks, chambers of commerce and local authorities. Even universities need to be more entrepreneurial in their outlook.

With the situation in Nigeria now as compared to other countries like South Africa, U.S.A and Germany, we can see that a radical change in the infrastructure is required if Nigeria will ever wake up and compete with these countries. This situation will only change if the government abandons its laissez-faire attitude to innovative entrepreneurship and small business enterprises.

Review Questions

1. What importance would you attribute to the provision of special environments like "incubation centres" to the entrepreneurial development?
2. Discuss the problems faced by small (business) firm entrepreneurs in the innovation process?
3. Highlight important differences between entrepreneurship and intrapreneurship?

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EST 101

A Human BULLDOZER

- An Entrepreneur

2

INTRODUCTION TO ENTREPRENEURSHIP.

THE CONCEPT, ENTREPRENEUR

The entrepreneur is an innovating individual who has developed an ongoing business activity where none existed before. The entrepreneur is described as being opportunistic, innovative, creative, imaginative, person of ideals, proactive and an agent of change. He does not stop at bringing the ideal unto fruition; he goes on for continuous change. Henry Ford, even at his death willed that the Ford Foundation be funded.

The individual who sits down managing a successful company ceases to be an entrepreneur. He becomes a manager. ^{An} The entrepreneur seeks continuous change and improvement in his organization and in the lives of the people around him. According to Schumpeter, you cease to be an entrepreneur when the business commences operation. You becomes a manager. But if it is a growth business, you continue to be an entrepreneur.

The Webster's New World Dictionary (1972) defines the entrepreneur as a person who organizes and manages a business undertaking, assuming the risk for the sake of profit. He is also an individual who purchases or inherit existing businesses with the intention of (and works towards) expanding it.

Creator of a new economic entity centered on a novel product or service.

Meredith et al see entrepreneurs as people who have the ability to see and evaluate business opportunities to gather the necessary resources to take advantage of them and to initiate appropriate action to ensure success. In essence, the entrepreneur is an initiator and an innovator.

Innovation

According to Schumpeter, innovation may be of various types. Innovation may be the outcome of:

- ❖ The creation of a new product or the alteration in its present quality.
- ❖ The development of a new method of production

As a product least not various aspects of above products

- ❖ The opening of a new market
- ❖ The capture of a new source of supply, and
- ❖ A new organization of enterprises.

The entrepreneur is someone who specializes in taking judgemental decisions and handles the co-ordination of scarce resources.

The entrepreneur is therefore an individual who perceives needs, conceives goods or services to satisfy the needs, organizes the factor of production. The role he performs is called the co-ordination of scarce resources.

The entrepreneur is therefore an individual who perceives needs, conceives goods or services to satisfy the needs, organizes the factor of production. The role he performs is called the entrepreneurial function and the process is called entrepreneurship.

Entrepreneurship

Prof. W. A. Cole defined entrepreneurship as "the purposeful activity (including an integrated sequence of decisions) of an individual or group of associated individuals, undertaken to initiate, maintain, or aggrandize a profit orientated business for the production or distribution of economic goods and services". Thus the activities of the entrepreneur or the process of being entrepreneurial is called entrepreneurship. Alfred Marshall says "the task of directing production so that a given effort may be most effective in supplying human wants is so difficult under the complex conditions of modern life that it has to be broken up and given into the hands of a specialized body of employers, or to use a more general term, of businessman who adventure or undertake its risks; who bring together the capital and labour required for the work; who arrange or engineer its general play, and who superintend its minor details". This encapsulates the modern view of who an entrepreneur is. He can be an individual working for himself or one working for an organization. Where he works for an organization and still does the work of an entrepreneur, he is called an intrapreneur. His task remains entrepreneurial and he is still engaged in entrepreneurship.

Intrapreneur

THEORETICAL POSTULATIONS

The entrepreneur is an important figure in capitalist societies. A key element in capitalism is the undertaking of activities in the expectation that it will yield gain in the future. Because the future is unknown, the risks of loss or gain abound. This assumption of risks is a special activity of the entrepreneur.

Joseph Alois Schumpeter made a vital contribution in his theory of the entrepreneur in business. He emphasized the entrepreneur's role in ^{cd} creative destruction. According to him, creative destruction occurs when innovation renders old ideas and technologies obsolete.

Thus, the entrepreneur is an innovator developing ^{new} view products, new production processes and new markets. n.p, n.p, m.k.d

S/C
V/C
G/C

Peter Drucker sees the entrepreneur as a person who searches for change, who responds to the change and who exploits the change as an opportunity. He thus sees the entrepreneur as someone who is proactive, unassuming and ready to move at the slightest opportunity, who pursues the opportunity and who brings together all other factors of production to make profits.

In today's world, especially in more developed countries, multinational corporations and big businesses are taking over the place of the entrepreneur. They undertake researches, they take advantage of available opportunities and they launch new products into existing and new markets. With the required financial muscle and global network at their possession, they tend to do the work better.

However, behind the façade of multinational innovations are men who undertake entrepreneurial tasks as employees. These are intrapreneurs. They are innovative employees working with big corporations. They give the organization the impetus to surge ahead in the ever-increasing competition that pervade modern business. The current globalization of businesses, ideas and systems support this trend.

Whether as an intrapreneur, the innovative individual keeps feeding the world with new ideals and new products. For example, such individuals engineered the merger of computers, communications and electronic technologies. The trend to bring out improved products at reduced prices is entrepreneurial in all respects.

History is replete with entrepreneurs. Henry Ford (1866-1947) pioneered the development of the automobile industry. As an engineer in Edison Illuminating Company he built a car as a hobby. Ten years after (in 1903) he started his own business, the Ford Motor Company. By 1945, apart from motor cars, his company had produced more than 8000 planes. On his death, a substantial part of his estate went into the founding of the Ford Foundations. He was an innovator and an entrepreneur.

William Hesketh Lever (1851-1925) started up in the family grocery businesses. The reforms and refinements he introduced into the business encouraged his father who admitted him as a partner. With the introduction of the Trade Mark Act in 1875 he came up with the name "Sunlight" for the family soap. He cut the soap into tablets, wrapped each tablet to preserve the freshness and the smell, and put the tablet to cartons. This innovation brought substantial success. He went public in 1894 and later merged with Vande Berge of Netherlands to become Unilever. He was an innovator and an entrepreneur.

The entrepreneur is an action-oriented, highly motivated person who takes risks to achieve goals. The Ford and Unilever examples show motivated, active individuals who moved against all odds to build powerful organizations.

III HISTORY OF ENTREPRENEURSHIP IN NIGERIA

Four principal factors were responsible for the emergence of the entrepreneur in Japan (Johannes Hirschmeter quoted by Akeredolu-Ale) These are:

- ❖ The development orientation of the Meiji political leadership (1868-1921) and the deliberate activities of the Japanese government which resulted from the orientation.
- ❖ The progressive ideology, especially reactive nationalism, that originated with the opening of the Japanese port in 1853.

List 10 descriptions of an entrepreneur.

- ❖ The change in the image of business
- ❖ Certain attribute of the entrepreneurs themselves

The environment could be more fortuitous when Japan came up, but the factors are important when considering the take off of the entrepreneurial class in Nigeria. The deliberate effort of government and the political class in glaring in the emergence of the entrepreneur.

In Nigeria, even during the colonial era, there were efforts to develop indigenous entrepreneurs. The Nigerian Local Development Board (NLDB) was formed in 1946 with the basic function of giving out loans of entrepreneurs. The NLDB was dissolved in 1949 and its functions were transferred to the three Regional Development Boards. The Regional Boards operated for seven years, and the Federal Loans Board was established in 1956.

Shortly after independence, in 1962, the government established the Yaba Industrial Estate. It served as a nursery for entrepreneurs. They paid subsidized rents, received free technical and marketing advice from the Ministry of Industries, and learnt from the concentration. The emerging entrepreneurs engaged in tailoring, printing, saw-milling, cabinet-making, furniture, hotel and catering services and banking. By 1969, four other industrial estates (in Ikeja, Iganmu Apapa and Ilupeju) had joined. There were about 180 companies in the five industrial estates.

Furthermore, the government made some incentive regulations as a measure to help entrepreneurs. These are:

<u>Year</u>	<u>Incentives Regulations</u>
1952	<u>Aid to pioneer Industries Act</u>
1957	<u>Industrial Development (Import Duty Relief) Act</u>
1958	<u>Industrial Development (Income Tax Relief) Act</u> (Superseded the 1952 Act)
1958	<u>Customs Duties (Dumped & Subsidised Goods) Act</u>
1959	<u>Income Tax (Amendment) Act</u>

Economic
political environment for
entrepreneurs

In this way, the federal government created the economic and political environment for entrepreneurs to emerge and grow. These incentives and efforts increased the number of available feasible investment opportunities that entrepreneurs could exploit. The benefits of these efforts could not be felt by the people as 60 to 90 percent of the ownership of the companies rested in the hands of foreigners. To ^{reverse} the trend the Nigeria-Enterprises Promotion Decree (the Indigenisation Decree) was promulgated in 1972. Enterprises were divided into three categories. Nigerians were to fully own the first set, own 60% shares in second set and 40% shares in the third set of business activities. This led to a restriction of the level of foreign ownership in those enterprises.

people
NEP

Challenges

In spite of this, there remained some problems that still faced the development of entrepreneurs in Nigeria. (1) There was the shortage of capital (2) There was a deficiency in entrepreneurial capacity. (3) Thirdly, the economic environment was not conducive. (4) Skilled labour, adequate infrastructure, input supplies, markets and required equipment were still inadequate to support economic take-off.

This situation did not continue for long. Some factors helped in changing the situation thereby bringing up an entrepreneurial class in Nigeria. These are:

- The post civil war continuous trade surplus
- The involvement of the federal and state governments in economic activities
- The transition from political nationalism to economic nationalism
- The sudden prominence of petroleum in the world market
- The return of Nigerians who studied abroad and the concomitant infusion of new ideas.

Petroleum exports proceeds helped in improving the living conditions of Nigerian and in providing the needed capital for entrepreneurship. This also resulted in rapid urbanization and the creation of ready markets for goods and services. Social clubs and community unions

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sprang up in the cities helping in the dissemination of ideas and the mobilization of support to supplement governmental efforts. In 1888 the Lagos Chamber of Commerce and Industry was established. By 1970 the Chamber established the Organization of Nigerian Indigenous Businessmen. All these further helped in raising a crop of Nigeria entrepreneurs.

CHARACTERISTICS OF THE ENTREPRENEUR

In a workshop on entrepreneurship organized and conducted at the East-West Centre, Honolulu, Hawaii, USA in 1977, the profile of the entrepreneur was prepared. The profile contained the list of characteristics and the accompanying traits of the entrepreneur. These are:

<u>Characteristics</u>	<u>Traits</u>
Self-confidence	Confidence, independence, individuality, optimism
Task-Result Oriented	Need for achievement, profit oriented, persistence, perseverance, determination, hard work, drive, energy, and initiative.
Risk-taker	Risk taking ability, likes challenges
Leadership	Leadership behaviour, gets along well with others, responsible to suggestions and criticisms.
Originality	Innovative, creative, flexible (openness of mind), resourceful, versatile, knowledgeable
Future-oriented	Foresight, perceptive

Taking these characteristics in turn and conducting an examination of the traits, one would see the entrepreneur as one poised for actions. He takes responsibility for his actions. He embraces failure as learning from past experience. He accepts success as the outcome of perseverance and persistent effort. He pursues goals consistent with his abilities and skills. He concentrates on things he does best. He provides a product that brings value to people in a bid to improve their living conditions. This in return leads to increased reward for his labour.

The entrepreneur is mentally alert. He has a positive mental attitude. He paints a big positive mental picture of his ideas, hopes and aspirations and maintains a good sense of humour, and a good self-image. This attitudes rubs on his employees who become optimistic and identifies with his ideals.

As a leader, the entrepreneur develop on his persons, but he uses situations around him to improve on his ability as a leader. He trains his employees, studies them to know how best to develop them, and evaluates their performances. He delegates authority and responsibility to train them in handling functions. He does not boss; he directs and organizes staff. As a leader, he takes risks, accepts new challenges and makes innovative moves. His constant concern is how to make improvements in the organization.

FUNCTIONS OF ENTREPRENEURS

The entrepreneur is an individual who establishes and manages a business venture for the main objective of making profits and growing the business. His principal characteristic is innovativeness and he employs his also in the way he runs the business. He performs some specific functions in achieving his objectives. These functions were summarized by Kilby as quoted by Kenneth Loucks (1990). These are:

- i. Searches for and discovers new ideas
- ii. Transforms the new idea into new products, processes and markets
- iii. Searches for and discovers business opportunity
- iv. Evaluates the business opportunity
- v. Mobilises resources for the business
- vi. Enters into contractual relationships
- vii. Becomes responsible for managing the business
- viii. Motivates employees
- ix. Leads others
- x. Bears the risks

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LECTURER 5:

ENTREPRENEURSHIP is the willingness of an individual to seek out investment opportunities in an environment; and be able to establish and run an enterprise successfully, based on the identifiable opportunities. The entrepreneur is thus one who perceives business opportunities and takes advantage of available scarce resources to opportunities profitably. He bears the non-insurable risk in his enterprise, and directs the human and material resources in his business object. It is also the process of creating something new with value added; by devoting the necessary time and efforts, assuming the accompanying financial and social risks and receiving the resulting reward. He is a risk taker.

The word 'entrepreneurship' was taken from the French word, where it was birthed and originally meant to designate an organizer of musical or other entertainment. Oxford English Dictionary (1897) also defined an entrepreneur in similar way as lithe director or a manager of a public musical institution, one who 'gets-up' entertainment especially musical performance. In the early 16th century, it was applied to those who were engaged in military expeditions. It was extended to cover civil engineering activities such as construction and fortification in the 17th century. It was only in the beginning of the 18th century that the word was used to refer to economic aspects. In this way, the evolution of the concept of entrepreneur is considered over more than four centuries. Since then, the term entrepreneur has been in use in various ways and in various view.

THEORIES OF ENTREPRENEURSHIP

Many scholars define entrepreneurship with reference to the functions of an entrepreneur, whether as an innovator, or as an imitator or appropriately as a calculated risk taker. Entrepreneurship is therefore, the willingness and ability of a person to seek out investment opportunities, establish and run an enterprise successfully. It involves creation of value through the fusion of capital, risk taking, technology and human talent. It is a multidimensional concept, the distinctive features of characteristics or dimensions of entrepreneurship are summarized in the nine theories propounded by different eminent thinkers, and are constructed from either psychological or sociological elements. For a start, let us consider seven of these theories; taking four psychological, (Schumpeter, McClelland, Hagen, Kunke) and three Sociological theories, (Weber, Conhran and Young):

MAX WEBER-PROTESTANT ETHICS AND THE SPIRIT OF CAPITALISM

Max Weber was born to German parent. He was a product of experience. His work, "Protestant Ethics and the spirit of Capitalism" was published in 1958. The protestant Ethics encourages hard work and predicaes hard work on daily existence, accumulation of capital and investment. Apart from innovation, other motivating forces of entrepreneurship are created by the adoption of the religious belief of an individual. According to him, certain religious beliefs create either a positive or a negative attitude towards profit generation and accumulation of wealth.

He argues that "business leaders and downers of capital as well as higher grades of skilled labour, and even more, the higher technically and commercially trained personnel of modern enterprises are overwhelmingly protestants" especially in Western Europe. Before arriving at this concussion, Weber surveyed the 3 main participants of different religion-Protestants, Catholics and Muslims in order to find out their attitude and behaviour towards profit making.

He therefore, concludes that the protestant ethics tend to go well with higher profit generation and accumulation of capital. Therefore, the driving entrepreneurial energies in the Weberian system are generated by the adoption of exogenously supplied religious factors, which are purely outside the business realm. These beliefs ginger them to generate signs of a favourable predestination, produce intensive exertion in occupational pursuits, the systematic ordering of means to end and the accumulation of productive assets. To Weber, these are the critical characteristics of a successful entrepreneur.

JOSEPH A. SCHUMPETERS (ASPIRATIONS TO POWER)

Schumpeter's theory dwells on the economic development of various nations. Contrary to Weber and other theorists of entrepreneurship, he maintains that entrepreneurship is not a function of social, cultural or religious factors, but individuals motivated by "atavistic" will to achieve power. This desire can occur randomly in any ethnically homogenous group.

Schumpeters argues that one of the major attributes of such entrepreneurs is ability to see things in such a way that will eventually prove to be correct; i.e., they must have a great capacity for instruction and ability to forecast with certain degree of accuracy. It is therefore this degree of such forecasts that determines the success of his entrepreneurial skill. He also asserted that a successful entrepreneur must be able to overcome fixed habits of thought and develop the capacity to withstand social ills.

To Schumpeters, a successful entrepreneur must develop a special characteristics and be a shock absorber, to see things in a way, which afterwards proves to be correct. He must be able to exhibit energy of will and mind and the capacity to withstand social opposition.

DAVID McCLELLAND *Psychological*

"THE ACHIEVEMENT MOTIATION" His theory is a further development of Weber's "protestant Ethics" in which an intermediating psychological motive (The need for achievement) is introduced. In his book, "the achieving society", he argues that the drive towards achievement is the basis of activity for most entrepreneurs. However, Weber's postulation was extended by McClelland on the issues bordering on ideological values, family socialization and need for achievement. McClelland, like Everett, ascribes the inculcation of the achievement motive to a child rearing practices which stress standard of excellence, maternal warmth, self reliance, training and low father dominance.

McClelland maintains that the special entrepreneurial qualities are being embodied in the following characteristics: little interest in performing routine tasks, or in situation of high risks, a desire for responsibility and a desire for concrete measure of task performance. He emphasizes achievement orientation as most important factor for entrepreneurship. Individuals with high achievement orientation are not influenced by considerations of money or any other external incentives. Profit and incentives is merely yardstick of measurement of success of entrepreneurs with high achievement orientation. The achievement orientation can be acquired through training and improved on by deliberate efforts. The struggle to achieve more and more is thought to children by their parents. The individual with high achievement.

EVERETT HAGEN-"CREATIVITY AND TECHNOLOGICAL INNOVATION" *Psychological*

Hagen view an entrepreneur as a creative problem solver-interested in things in the practical and technological realms and driven by a duty to achieve. In his book, "The theory of Social Change", he argues that the creative personality in an individual is characterized by a high need for achievement, law order and autonomy.

Economic development, to him, is basically a processes ecological change brought about by the technological creativity of the individuals concerned. He sees the entrepreneur as a creative problem solver, interested in solving practical problem sin most cases, through the application of creative technologies. At times, entrepreneurs are motivated by some internal forces as a duty to do something unique in their lifetime.

THOMAS COCHRAN

This is a sociological theory of entrepreneurship. The key elements are cultural values, role expectations and social actions. He argues that the environment in which an individual is reared, determines the entrepreneurial urge of the individual.

Entrepreneurs are not seen as being deviant or supernormal individuals, but rather as representing society's model personality. The individual's performance, as an entrepreneur, could be influenced by three factors. They are:

1. His own attitude towards his occupation
2. The role expectations held by sanctioning groups
3. The operational requirement of the job

Cochran, to an extent, shares the views of McClelland that good and successful entrepreneurs are reared from early age through such factors as culture, social action, etc.

FRANK YOUNG

This is another sociological theory. Although Young shares Cochran's position as to the importance of personality factors, he does not share Cochran's focus on values and societal-wide phenomenal. Young's theory is a theory of change based on society's incorporation of reactive sub-groups. That is, inter group relationship and how they affect the entrepreneurial activities.

A group will become reactive, in Young's scheme, when two conditions coincides. These are:

1. A group is experiencing low status recognition and denial of access to important social network.
2. A group possesses a greater range of institutional resources than other groups in society at the same system level.

JOHN KUNKEL *Psychological Sociological*

This is basically a behaviour-elastic model. He argues that entrepreneurial behaviour is a function of the surrounding social structure. Both past and present, and can be readily influenced by manipulably identified

sociological variables as the determinants of entrepreneurship. His focus is based on reward/punishment syndrome. Entrepreneurship entails risk bearing and as such, should be rewarded.

The conclusion here is that the types of social values that exist in the environment (society) determine the types of entrepreneurial skill. One of the major applications of Kunkel theory is that, in an environment, there must be very minimal degree of government control on enterprises, i.e. certain government policies can be a distinctive to entrepreneurship.

REVIEW QUESTIONS

- Discuss any three of the entrepreneurship theories and highlight the relevance to the Nigerian Entrepreneur today.
- To what extent do Young share Cochran's view on Entrepreneurship
- What three factors, in Cochran's view, influenced the performance of the individual as an entrepreneur?

LECTURER 6: THE INTRAPRENEURIAL CULTURE AND ENTREPRENEURIAL DEVELOPMENT

Intrapreneurship is a method of stimulating and capitalizing on individuals in an organization who thinks that something can be done differently and better. There is a difference in Entrepreneurial and managerial way of working. Intrapreneurship is another dimension which enhances the entrepreneurial efforts in an organization. An Entrepreneur starts an organization and in due course, employs hundreds of talented engineers, technicians, accountants etc. to work in his company. These employees, go involved in the organization work and they too would have entrepreneurial skills and talent to display in their Departments and areas of jurisdiction. If they are allowed to exhibit their entrepreneurial skills and innate abilities, rather than routing work, then their innovative efforts and contribution will help them to grow better with reward. This process is referred to as Intrapreneurship and the word "Intra" means within the organization. "Developing a spirit of entrepreneurship within an existing organization is referred to as Intrapreneurship." Intrapreneurship is necessitated due to pressure of competitive calls for extra market share, business leadership, price supporting business reliability and brand image. To engender creativity and enhance continuous innovation, intrapreneurship, as a factor, plays a vital role. Developing a corporate intrapreneurial culture could take as long as about 3 years.

It requires a persistent and deliberate effort to involve all employees and get commitment of top management to play a supportive role for monetary and non monetary motivation.

Intrapreneurial leaders, just like entrepreneurs, have to be visionary and flexible, understand the business environment, stimulate and support the team work and encourage suggestion and open discussion. The intrapreneur gets involved with the dream, mission and vision of the newly created venture, and will do almost everything possible to help ensure its success.

Reward system should take care of the intrapreneur for the energy and efforts and risks taking expended in the creation of the new venture. The reward should be based on the attainment of an established performance goal. (TQM)

CLIMATE FOR INTRAPRENEURSHIP

To establish an intrapreneurial climate, the following factors are important and imperative:

- ❖ Organization functions on technology
- ❖ New ideas, suggestions to be encouraged
- ❖ Trial and error method in development is essential
- ❖ Failure to be taken as part of work
- ❖ Resources to be made available
- ❖ Multidiscipline team work
- ❖ Intrapreneurship is a voluntary effort
- ❖ Ensure reward system
- ❖ Top management support

TECHNOPRENEURSHIP

Technopreneurship are entrepreneurs who are into core businesses involving technology-based industries. They employ technology to come out with new or innovative products through the process of commercialization. Such businesses are generally marked with high growth potential and high level of knowledge and intellectual property. Potential technopreneurs must be equipped with both technical and business skills.

He is an entrepreneur who is technology savvy, creative, innovative, dynamic, dares to be different and takes the unexplored path, and is passionate about their work. They take challenges and strive to lead their life with greater success. They don't fear to fear. They take failure as a learning experience. Technopreneurs continuously go through an organic process of continual improvement and always try to redefine the dynamic digital economy.

Technopreneurship is not a product but a synthesis in engineering the future of a person, an organization, a nation and world. In a digital, knowledge based society, strategic directions or decision making processes will be demanding and complex. This requires tertiary level and professional development programs and training to produce strategic thinkers who will have the skills it takes succeed in a dynamically changing global environment. Traditional educational programmes, however, lack of methodology to transform today's students into creative, innovative, visionary global leaders who understand the importance of technopreneurship.

Examples of Technopreneurs are: Bill Gates (Microsofts), Steve Job (Apple), Sergey Brin and Larry Page (Googles)

LECTURE 7 & 8: CREATING A NEW VENTURE

Many factors prompt individuals in creating a new business venture. The most important is that the person identifies that he has entrepreneurial traits. The next in rank is that he has the desire to start a new business. The third is that he has a feasible business venture in view. A person may fulfil these conditions and remain passive and some factors force him into entrepreneurship.

These factors are called the push and pull factors. The push factors are unwarranted conditions that force the individual to look for means of survival. Examples are dissatisfaction with present employment, unemployment and loss of a good job. Contrarywise, the pull factors are fortuitous circumstances that encourage the individual into business. Examples are the desire to be independent, encouragement of others, government incentive programmes, and the availability of capital to take off.

Yet the entrepreneur must have business ideas that can lead to the formation of viable businesses. These ideas come from various sources. A few of them are discussed below:

- Incentives:** The inventions of the entrepreneur can bring up the idea to go into business e.g. Henry Ford.
- Modifications:** The Japanese engaged in improvement engineering at the early stage of their development. They take old ideas, improve on them and come up with modified products. Also old ideas can be rebuilt to generate a new one.
- Copying Existing Ideas:** This is directly related to the above. But in this case, there are no major modifications.
- Professional Advice:** A consultant on new business endeavours, outlets and projects can advise an entrepreneur.
- Work Experience:** Experience gathered from a career in a big organization can bring up a business idea. In the era of the Structural Adjustment Programme in Nigeria, many engineers who lost their jobs decided to establishing equipment manufacturing shops.
- Existing Hobby:** A hobby can be developed into a major business concern. A lady who designs and sews attires and apparels as a hobby may decide on setting up a business on the same idea.
- Profession:** By their training professionals like accountants, lawyers, doctors, pharmacists and engineers can set up businesses and consulting outfits.
- Availability of some natural resources in the environment of the entrepreneur**
- Literature:** The individual may come across ideas in books trade association reports, journals, magazines government publications, newspaper adverts, bulletins and newsletters.
- Franchise:** Owners and operators of successful business ideas usually offer opportunities to young entrepreneurs to own and operate businesses along the same line on the payment of regular franchise fees.
- Technology Transfer:** Either as a result of the import substitution initiative of government or an opportunity to invite foreigners to participate in a business venture via technology transfer, a new business idea may be born.
- Government Promotions:** Trade fairs, trade exhibition, industrial incentives, etc. are government programmes to promote the generation of business ideas.

14

Lecture 10

MANAGEMENT AND ADMINISTRATION OF SMALL AND MEDIUM BUSINESS

MANAGEMENT

Good management makes modern business succeed. Management, according to Drucker (1977) is a process of working with and through individuals and groups to accomplish organisational or business goal. It is a process. The process of managing a small or medium business requires the capability to take decision, formulate policy, co-ordinate, solve problems and take appropriate action at the right time and using the resources of the organisation effectively or business effectively and efficiently.

In business circle, management process is defined as the process of:

- Planning
- Organising
- Leading
- Controlling
- Entrepreneurship and the utilization of resources to accomplish the organisation or business purpose.

Managing a business or an organisation therefore involves an efficient process of planning, organising, leading, motivating and controlling of human and material resources to accomplish the goals and objective of setting up the business or organisation.

BUSINESS AND THE BUSINESS PURPOSE

The best way to spell business is with a "y". Then it appears as business which leads to its best definition. The activities of helping people through selling. Business has as its basic purpose to fill a human need - to make a profit - in that order. It is also an emergent goodwill. Goodwill is the one and only asset that competitors cannot undersell or destroy. Successful business people live to serve. They serve to live.

The major or basic problem of business men are related to

STARTING THE NEW BUSINESS

The entrepreneur goes through six stages and many key tasks at each stage of starting a new business according to Allan A Gibb (as adapted by Maryke Deasing). This was in his paper titled 'stimulating New Business Development: What Else Beside EDP?' that he presented to the first Asia-Pacific Symposium on Small Enterprise and Entrepreneurship Development in Manila, between 25-28th February 1987.

Stage 1: Acquisition of Raw idea. It requires the following tasks:

- Find an idea
- Generate an idea
- Explore personal capability
- Motivation for self-employment

Stage 2: From Raw idea to valid idea. It requires the following tasks:

- Clarify idea
- Clarify what needs it meets
- See it works in operating conditions
- Ensure practicability
- Satisfactory quality
- Customer identification
- Explore legality
- Check for business barriers
- Identify competition and learn from it

Stage 3: From valid idea to scale of operation and resource identification. It requires the following tasks:

- Identify market: number, location, type of operation and resource customers
- Clarify how to reach the market (promotion)
- Identify minimum desirable scale for a living
- Identify physical resource requirements at that scale
- Estimate additional physical resource requirements
- Identify any additional financial requirements needed

Stage 4: From 'scale' to Business plan and negotiation. It requires the following tasks:

- Develop business plan and proposal
- Negotiate with customers; labour, and suppliers of materials, premises, capital, and land; to ensure physical supply capability
- Negotiate with banks and financial for resources

Stage 5: From negotiation to Birth. It requires the following tasks:

- Complete all legal requirements for business incorporation
- Meet all statutory requirements
- Set up basic business systems

Stage 6: From Birth to survival. It requires the following tasks:

- Consolidate business systems for processing
- Ensure adequate financial control (debtors, creditors, banks, etc.)
- Develop market, attract and retain customers
- Meet all legal obligations
- Monitor and anticipate change
- Maintain good relations with banks, customers, suppliers and all environment contacts
- Provide effective leadership development for staff

The entrepreneur is methodical in his approach. The idea is nurtured to become a surviving business entity. Even at this he does not rest. If he does, he becomes a manager. He goes on expanding the surviving business, introduce new ideas, new products, new processes and new markets. In this way, he keeps on being entrepreneurial.

- what to produce or sell
- how to produce or sell their products
- who to produce for
- Distribution and marketing
- Current and future uses of resources
- And efficiency of resources use.

To plan a business therefore, individual should first decide what business to go into. At this stage, one may either

- Identify a need and the product to supply that need OR
- Find a product idea and determine the extent of the need

SMALL SCALE BUSINESS

Generally, the term small or medium scale business is vague, depending on who is defining it and, at what location. However, a small business has the following features

- It is owned, in most cases, by one person (a sole proprietor) or by few people (in partnership) or at best a private company.
- The sole owner is in most cases the manager, director, chairman, proprietor etc.
- The capital requirement for starting off is often relatively small, depending though on the nature of the business, the product or service.
- The number of labour or employees in most cases is about (50) fifty.

Famiwole 1997 suggested that in selecting the product or service to produce, the following three criteria are relevant.

- The product should serve a presently unmet or unserved need.
- The product or service should serve can existing market in which demand exceeds supply or
- The service or product can successfully compete with similar ones because of an "advantageous" feature service or characteristics like quality, quantity or price.

In looking or searching for a business to do, one should consider the following

- investigate local material and other sources
- examine import substitute
- study the local skills available
- identify the implication of new technologies, political

system and situation, weather and business forecast etc. on the new business or products.

- attend trade fair, shows and inventors exposition.
- explore published sources of ideas such as in business magazines, journals websites and internet.

A new business person must know one basic thing; that however new the business is to you, someone, somewhere should have done to similar thing, someone, somewhere may be thinking along the same line as you. The extent of competition therefore depends on the skill required and acquired in the business and perhaps on the capital needed to start such a business. It is important to note that one can make both ends meet if one goes well organised.

MAJOR FACTORS TO BE CONSIDERED BEFORE STARTING A SMALL OR MEDIUM BUSINESS

A good business man is an entrepreneur. An entrepreneur is seen as one of the human factors of production, who organises human material resources for maximum production of goods and services. He is the risk-bearer of the business. He organises and co-ordinates other factors of production and business activities, makes policies and decisions about present and future production activities.

An entrepreneur is a risk-taker, who ventures where others fear to tread in business. He possesses initiative, foresight, intelligence, speculative acumen for future trends and a good understanding of the market situation. He is the central agent of the economic process. He is always at alert to discover and quick to take a chance.

To start a business therefore, an entrepreneur always consider the following points.

- Time
- National law and regulations
- Locality
- Extent of risk involved in the business
- Involvement of other people
- Ones existing job or situation
- Co-operation of members of the family
- Sources of resources
- Capital, initiative or proposal.

- TIME:** The type and size of a business determines the time to allocate to it. In some cases, one may have to give up all leisure time for a business.

to grow. It is important to have some time devoted to a business of choice, because no amount of training or faith can make a helper perform better than the owner. There is therefore the need to face ones business, most especially at the initial stage.

(b) **GOVERNMENT LAW AND REGULATIONS**

Certain laws and regulations govern the establishment and operation of some business. There is the need to obtain certain licence annually. It is therefore required to find out the appropriate professionally local, state and federal law governing the establishment and operation of the business you intent to go into.

(c) **ENVIRONMENT OR LOCALITY:** A progeny farmer may not do well in the business if it is located in Zamfara State. But fast food will do well in Big towns and cities. So think about the environment where you like to stay and determine what will flourish well in the locality.

(d) **THE RISK INVOLVED IN YOUR INTENDED BUSINESS**

The magnitude of risk vary from one business to the other. You should find out the volume of risk involved before you dabble into a business. A discussion with somebody in same business, or somebody in similar business or an experience, if possible to dynamic people usually gives a good divide.

There is no business without a risk. One can only think of minimum risk and get prepared for it.

(e) **INVOLVEMENT OF OTHER PEOPLE**

In most cases you may need the service of other people to operate your business. So it is good to determine the skills required, how to pay them, and how to manage the human and material resources involved. To start with employ only the few that are most relevant and immediately necessary and make sure you can always pay their wages.

(f) **YOUR PRESENT SITUATION OR EXISTING JOB**

It is important to take into consideration your present situation or existing job. For example you may be offered a job where you are only being paid a stipend. From where you are financing this your new

business. You have to hold firmly to the job. If you are starting a fresh, you should be ready to bear some difficulties.

(g) **CAPITAL OR INITIATIVE**

Many prospective business people think about the money before the business. Since capital is not always easy to come by, some never come to actualise their dreams. According to Adegeye (1996) it is sometimes difficult to identify viable projects that precisely is the beginning of starting a business.

It should be emphasised that the ability to effectively implement a plan to start a business goes a long way in determining the success of the enterprise. It is therefore very important to consider various aspects that affect enterprise or business implementation, such as the financial and human resources as well as the existing structures and policies that will have a bearing on the business implementation.

For any business or project to be successful, it has to be effectively implemented. Even though planning and feasibility study could be done properly, the failure to employ effectively implementation strategies may adversely affect the programme. The planning and implementation stages of any business greatly determines the extent of survival and viability of the business

Lecture 11

THE FUTURE OF BUSINESS AND SUCCESSION ISSUES.

In May 2002, Mr. White completed a "study of the businessman" under a grant from the University of Wisconsin in U.S.A. People who grow in business "Growers" were compared with those who did not grow - Non growers in five cities and in Africa, in manufacturing, wholesaling, retailing and service business. The causes of growth in business were found in 20 different methods used by 52 owner managers. The following summary will therefore interest those who want to grow faster in their business.

WHY SOME BUSINESS GROW FASTER THAN OTHERS.

1. Those who like their business best grow the most. This suggests they will continue to grow in the future.
2. The purpose of the growers are less selfish. They aim to serve their customers more than themselves.
3. Of the exceptional growth cases studied, all were married. None had been endured or divorced.
4. They spend more time working than the slow growers and many more hours thinking.
5. The rapid growers averaged fewer years in school but they do more studying now.
6. They strive for balanced growth in sales, profit and net worth, they try to mind unit their managing abilities.
7. The growers are more selective in their sources of information
8. The growers sell their business by advertising using effective and modern channels
9. They seek experienced' advice from men in their line- even from competitors.
10. They depend less upon for advice from those who supply the with products, loan and insurance.

Generally it was observed that though people who grow fast in their business could name more problems, yet they mid also name twice as man solutions. They have more ideas and plans for the future. The growing

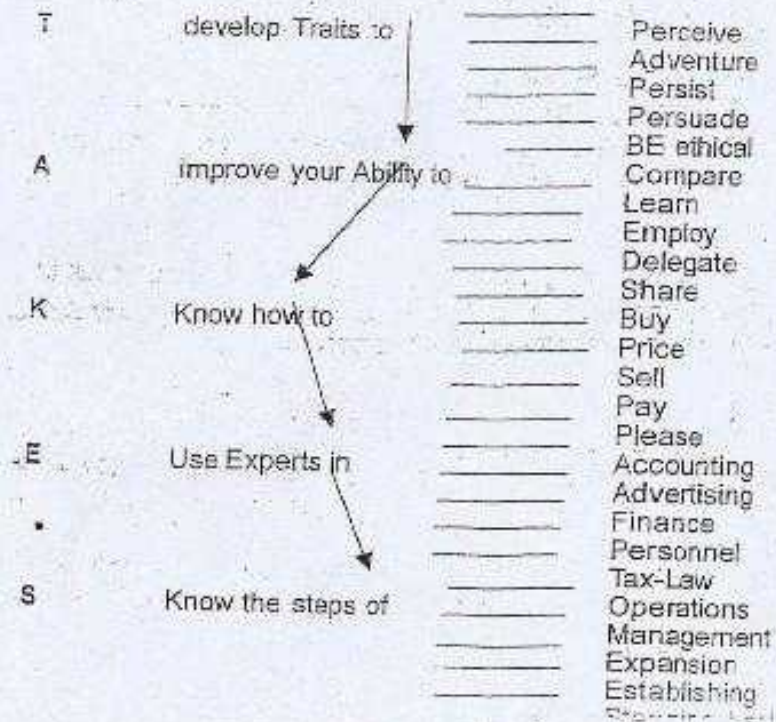
men realize their mistakes of the past. They readily admit that "they might be wrong " in their attitudes towards current situation.

WATH IT TAKES TO BUILD A BUSINESS.

Growing businessmen develop themselves by examples. They select a person to admire and Imitate. The rapid growers could quickly name the qualities in others, which they deserve for themselves. The growers are more accessible, courteous, expressive and helpful. The majority of those who head growing business are middle aged. The very young have difficulties and the aged "have it made"

Most of those who have grown have more employees. They pian to add still more employee than those who have grown less. The rapid growers are incorporated. They took this step earlier and gave more reasons for it. They are less reluctant to tell stock to the public than the slow growers are.

Some businessmen prefer not to grow at all. Too bad. They avoid the headaches of hired labour and borrowed money. To make it in business, here are some common slogan and acronyms.



WHAT IT TAKES TO BE A SUCCESSFUL BUSINESS PERSON.

It is important to have the Talent Ability and Interest (TAI) to start and operate a business venture with initiative and energy, but to see a successful business man or woman, the following are required of you.

1. **ABILITY TO GET ALONG WITH PEOPLE**
You must have customers, suppliers and employers. A surly or in grown person will lose out. A pleasant outgoing person attracts people. A mind to give service is what brings in sales.
2. **HEALTH AND ENERGY**
Good health is important. It allows actual ability to work hard.
3. **A strong desire to build and to create**
4. **An optimistic spirit. This is natural. Pessimists don't take chances.**
Risks are inherent in business.
5. **A SENSE OF ORGANISATION** A businessman must maintain an attractive place of business, an orderly and tidy inventory. He must keep a number of records and be able to direct the people under him. He should be able to co-ordinate the activities of others and frequently, he must delegate duties.
6. **SOME BUSINESS BACKGROUND**
You don't have to be strong in all phases of business management. You can look to experts, but you need a basic understanding of functions, such as selling, accounting, buying or production.
7. **DRIVE**
A good businessman must have the ambition plus determination to be ahead to concentrate on the business, to enlarge it creatively, to live with it, and to fulfill a competitive interest.
8. **CONFIDENCE**
Shrinking violets do not as a general rule do well in business. A good business man must be an adventurer, courageous and confident.
9. **SELF RELIANCE**
A business man must have the willingness to shoulder responsibility, to make decision at the appropriate time and stand by them.
10. **INDEPENDENCE**
A desire to master one's own destiny – to be one's own boss.

11. **WILL POWER**

Strength to see a thing through, rather than to vacillate or to procrastinate

12. **PATIENCE**

Business has many imitations and frustration. If you cannot take risks, if you are inclined to fly off the handle easily, to become upset about small pressures – don't go into business. You will live longer.

13. **ABILITIES TO TAKE WORRIES OR TO LEAVE THEM.**

Responsibilities and anxieties go hand in hand from time to time in business. So get prepared for worries.

14. **INTEGRITY.**

Honesty is the set policy for a business that wants to last and be successful. It is hard to fool the public all the time. The smart angle promoters just don't last long.

A FEELING FOR COMMUNITY SERVICE.

Always, remember that there is no business that can remain isolated for long. The need of the immediate society or community must always be put as first consideration.

It is important to stress that as a businessman, one does not need all of these qualities to succeed. But a combination of some of them is essential. It is important to assess how many of the mentioned qualities you have.

Here is a short definition of successful Business from England

Business exists to create value/satisfaction at a profit

Business means the activities of helping people through selling

What do you feel?

HOW TO REMAIN A SUCCESSFUL BUSINESS PERSON.

To be a successful business man therefore, you should be ready to adopt the following.

- (a) make decisions – tersely
- (b) Develop a purpose/objective or a focus
- (c) Plan well
- (d) Set your policies right
- (e) Organize well and hire skilled or relevant employees
- (f) Manage resources efficiently
- (g) Communicate clearly
- (h) Direct and supervise to secure actual performance from employees
- (i) Control business activities
- (k) Do periodic evaluation for feedback.

4

LECTURE FOUR

BUSINESS PROCEDURE: CONDITIONS FOR ESTABLISHING AND SUSTAINING A BUSINESS AND VENTURE GROWTH

Definition Of Business

Business has to do with buying and selling. All the activities in a business are aimed at production, manufacturing, and distribution of goods and services. It is the main aim of every businessmen to make profit. Business is the exchange of goods and services or money for mutual benefit. It is responsible for creating the needs of the society, in wish case, the basis for business is exchange.

Business can be referred to as the sum total of all the economic activities like production, distribution services and other various economic pursuits undertaken by an individual to provide oneself with a good standard of living. Business exist for the purpose of economic profit or other benefit as a result of the exchange of goods and service for money, and to maximize profit.

Business and Business Resources

Business can also be defined as all those activities involved in providing people with goods and services for a profit.

Nigerian businesses come in all forms and sizes.

- some offer goods such as books & chairs, beds
- other offer services such as transportation, communication, accommodation and haircuts
- There are such giant business enterprises as Leventis Stores Ltd, with several thousands of

shareholders and millions of Naira worthy of assets

There are also one - person business such as street hawkers whose entire wares do not add up to some thousands of Naira

Whether big or small, each business makes use of four major resources, namely

- (i) Money
- (ii) Materials
- (iii) Management and
- (iv) Opportunity

Objectives of Setting up a Business Venture

One major objective of setting up a business venture, whether big or small, is to work towards the satisfaction of an identified need of the consumers and all those interested in the business. Based on this, a business objective can be grouped into the following:

- (1) Primary objective
- (2) Collateral objective
- (3) Secondary objective

(1) **Primary Objectives** Primary objective provides the society or consumers with a product or services that satisfies a specific need. The main objective therefore could be stated as "To manufacture the best product possible at the lowest possible cost and deliver it on schedule"

(2) **Collateral Objectives** Collateral objectives are values or benefits, which a business is expected to supply to groups within and outside the business. Some examples are:

Group	Benefits Expected
Shareholder	Divident
Customer	Good products

	<i>Fundamentals of Enterprise Education I</i>
3. Suppliers	Regular orders, prompt payment
4. Management	salaries, bonuses
5. Employees	Adequate Wages, Job Satisfaction
6. General Public	Efficient operation

Collateral objectives could be stated as follows "We are committed to the principle of fair wages and salaries based on the nature and scope of services performed."

(3) **Secondary Objectives** Secondary objectives are values needed by a business to enable it to accomplish its primary and collateral objectives, economically and effectively. Secondary objectives enable the business to operate properly with respect to quantity, quality, cost and time. The following state secondary objectives.

"We aspire to use the most modern method of production of vegetable oil"

"We strive, constantly, and through research and through better methods to improve our products and create new one"

Guides to Establishing a Business:

There are many phases, or stages to go through by entrepreneurs or entrepreneur before establishing a business venture. The stages and phases can be summarized as follows:

1. Self analysis or personal assessment in terms of Interest, Talent and Aptitude, (TAI), other are experience, training, financial capability and entrepreneurial traits
2. Business opportunities available
3. The basis factors needed to bring about success in the new business
4. Writing the viability appraisal and feasibility study and report.
5. Learning from people on the job, directly or through journals, books etc

- | | |
|----|---|
| | <i>Fundamentals of Enterprise Education I</i> |
| 6. | Good management of the business |
| 7. | Learning fast on the job |
| 8. | Plan well to be successful and remain in business |
| 9. | Constant appraisal and re-evaluation |

STAGES AND PHASES OF VENTURE OF BUSINESS GROWTH

Awe (2002) evolved the following 6 phases of small business development or growth. According to him an entrepreneur, should consider going through the following six (6) major phases and tasks when planning to start a business.

Phase 1: Raw Idea Phase (RIP)

At the Raw Idea Phase (RIP) an entrepreneur generates or finds an idea, explores personal capability and got motivated for self-employment to own a personal business. A business opportunity exist the moment an entrepreneur discovers a product or service for which there is significant market

PHASE 2: Valid Idea Phase (VIP) According to Awe, Valid idea Phase (VIP) involves the following.

- i. The entrepreneur classifies the idea made in RIP
- ii. clarifies what needs to meet, ensure practicability of the ideas acquired,
- iii. identify possible consumers,
- iv. think about legal implications of the business to establish,
- v. checks for business services, [ensure that the ideas developed will work

Phase 3: Scale of operation and resource identification (Sori) Phase

Here an entrepreneur will identify possible market and marketing channels, location of business and customers. The entrepreneur will identify both the physical, material and human resources required, estimate the financial requirement and

implication.

PHASE 4: Business Plan and Negotiation (B-PLAN)

An entrepreneur, here, develops the business plan or proposal, negotiate with customers, decide the labour requirement, suppliers of materials and other factors of production. He negotiate with banks and financiers for financial resources and support.

PHASE 5: Business Birth Phase (BBP)

Business Birth Phase according to Awe requires the entrepreneur to completes all legal requirements for business incorporation and meets all statutory requirements. He or she at this stage should set up all basic business systems.

Phase 6: business survival phase: the entrepreneur at this stage consolidated business systems for progress. He/She develops the market and evolve strategies to attract and retain customers. He /she maintains good relationship with banks, customer, suppliers and provide effective leadership development programme for staffers.

The process continues. The entrepreneur should go on expanding the surviving business by introducing new ideas, new product, new process and new market so as to remain in business successfully. (AWE 1998).

PROCEDURES FOR STARTING A BUSINESS OF YOUR OWN

To start a business of your own and succeed, an intending entrepreneur should put into practice the following strategies and guides

1. Identify business opportunities – by considering the existing Gap, and the Strength, Weakness, Opportunity and Threat to the business i.e. the SWOT of the business.
2. Planning for short-term and long-term.

3. State business objectives and write mission statement of the business. The mission statement should answers basic questions about the business venture like
 - a. the type of business,
 - b. scope of business,
 - c. vision of the entrepreneur and
 - d. growth directions.
4. Carry out feasibility study to examines costs, markets, sources of supplies (raw materials), expected profit and technical data, to evaluate the new business. Indicates a possible banker, promoter, sponsor, suppliers of goods, governmental agencies that could help the entrepreneur.
5. Plan for effective services so as to be able to start with a few number of people or employee.
6. Find out who the largest consumers of the goods and services are
7. Plan how to appeal to target consumers
8. Write adverts based on quality, accessibility and availability of your products
9. Decide source for funds either from family, friends, savings and well wishers, banks, finance house etc.
10. Decide on whom to hire – personnel
11. Look for innovative ways to deal with customers pleasantly
12. Take business to where it is wanted
13. Take every customer as a king
14. Give tips (gifts) to customers e.g. coupons, key-holders, calendars, present at festivals or end of year (Igbo 2004)

Practice Questions

1. List and explain the six major phases involved in Business or Venture establishment and growth.
2. What are the major mission or objectives of establishing

a business?

3. What is Business
4. List some of the requirements for starting a business of your own?
5. By now you must have identified a business, to establish after graduations
 - i. List Three (3) of them.
 - ii. Which one do you prefer most?

LECTURE FIVE

SOURCES OF BUSINESS IDEA, SUCCESS AND FAILURE

Nothing is so vital as an idea whose time has come. When an entrepreneur gets an idea he should put it into instant action. Therefore if an entrepreneur should ask a successful businessman what causes him to be successful or what are the sources of his business ideas? The entrepreneur will be surprised how often the businessman will be sparked by a word or thought. He will tell you how to make better use of your five resources namely market, money, men, methods and materials.

So when you are in doubt of which business to explore, try the following options and you will get an existing business GAPS to fill

Sources of Business Opportunity or Ideas

Fadakini and Famiwole (2002) identified the following as the major indicators of Business Opportunities. That is, you can explore any of these gaps and seize the opportunity to establish your own business too.

1. Business opportunities or GAPS occur when there is poor delivery of a particular service or product to the consumer, which needs to be improved upon.
2. When a particular product is over priced, there could be opportunity for another product at lower cost (price)
3. Ideas can be turned and developed from the existing product or services, thereby allowing a competitive

product or services hence a new business idea.

4. Rapidly expanding market for a product or services may pave ways for another business, more so the existing product or services cannot cope with the demand
5. Awareness of products or services that are not existing or under serviced in a locality can gear up an interest in a new business.
6. Improved or advanced technology may call for new products, creating new services thereby paving way for new business.
7. Changes in the society can create business opportunity. The changes can be in form of government regulations, technological advancement, demographic change, unexpected occurrences environmental changes, as well as inefficiencies and dissatisfaction with the current state of affairs

Tips At every point in time, when you wish to establish a business of your own, always ask these questions.

Ask yourself:

1. Q1 Is there a cup (NEED)? i.e. Need for New Business.
Thought If there is
Q2 Is it full or Empty? i.e. Can I come in
2. Q3 If it is empty then A Big chance?
- Q4 There is a large space (business) for you to fill
Thought If it is half full, there is still a space for you to make it full. A chance to develop.
But if it is full
- (3) Q5 Ask the question: is there a need to make the cup bigger. i.e. Action - To improve on the available opportunity and excel in the Business?

NOTE Many business opportunities abound in Nigeria, but only

those with foresight can identify them.

Formula for Success (FFS) in a Business.

Fatunsin (2000) suggested the following ideas as the formula for success of a small business

If a beginner or a young entrepreneur is to start a business and be successful on it, he / she should ask himself /herself the following basic guiding questions

1. **Idea** - Do I have any idea to be translated into a product or service or improved upon?
2. **Motivation** - Do I have the moving force for resourcefulness and business ownership?
3. **Time** - Do I have time and can I manage my time effectively?
4. **Ability** - Do I have the physical, mental, technical and managerial skills for the business now and in the future to sustain the business?
5. **Capital/Fund** - Do I have the means to get the part or whole required for effective management of the business?
6. **Initiative and Resourcefulness** - Do I have initiative? Am I resourceful.
7. **Laws regulating the Business** - am I aware of the necessary Federal, State, Local and professional rules and laws guiding the establishment of the business?
8. **Proximity to Raw Material** - How do I strike a balance?
9. **Extent of risk involved** - Are they well calculated and determined? What strategy can I use for risk management? What is the % risk and return rate on the business?
10. **Level of family or friends commitments** - Can I manage these? Do they pose a problem?
11. **Social responsibility of business** - Do I have this and how do I meet the challenge?
12. **Can I lead** - Can I control the personnel and material requirement of the business?

13. Are you a good workman? – Do I have the Talent, Ability and interest to work hard?

14. Can I make a decision and effect it? – Is my managerial skill very strong?

Formula for failure (FFF) of a Business or an Entrepreneur in Business

Just as there is a formula for success, there is also one for failure. The following will lead to the failure of an entrepreneur (business man). If not taken care of.

1. Low aspiration – Lack of drive force to achieve.
2. Unwillingness to accept responsibility, inability to take difficult decisions promptly
3. Lack of self discipline – inability to control ones action and emotional stability
4. Sentiments – inability to differentiate between business and a charitable organization.
5. Unwillingness to take calculated risk
6. Inadequate commitment – inability to endure the trials, tribulations and personal/family sacrifices or commitments needed to achieve your ambitions.

Igbo (1995) observed that many reasons can be identified for the failure of business. Some Reasons for failure could be summarized as lack of entrepreneurial skill. Other reasons according to her include the following

- i. Incompetence: A business can fail when an entrepreneur does not know how to run the enterprise and so makes wrong decisions, which might lead to failure, due to incompetence or low skill.
- ii. Lack of managerial experience: the entrepreneur may lack knowledge in the management of Men, Money, Material and Machinery.
- iii. Lack of experience in the chosen line of business. The

entrepreneur may lack the knowledge of operational methods, procedures, and policies. He or she may also lack knowledge in the nitty-gritties of the area of the business he intends to undertake.

iv. Neglect: some entrepreneurs may have hands in many pies or jobs and may end up neglecting some; this could lead to failure because of lack of adequate supervision.

v. Fraud: this is a situation where employees cheat on goods and money from the business. If this is not quickly detected and nipped in the bud, it could lead to the collapse of the business.

vi. Inadequate capital: a situation where an entrepreneur did not start a business with adequate capital can lead to the collapse of that business because of interest rate or low funding.

Advertising – Selling Your Business to a wider world. – a step towards Business or Venture growth

The aim of Entrepreneurs is to sell goods and services to members of the public at a profit. Members of the public can only make purchases if they are aware of the existence, use and place of purchase of such goods and services.

Advertising means calling attention of members of the public or the audience to a product, service or an idea in order to induce them to buy. Advertising must therefore be distinguished from advertisement, which is the oral or written words, illustrations and pictures that convey the intentions and message of advertising. The feature of good advertising in business can be summarized to include

- arrest attention of customers or the public
- convince the prospective buyers to buy, and
- create a permanent, good impression of the commodity in the minds of the buyers

Advertising Media

Advertising of business is done through the following

- Newspaper or magazine
- Television
- Radio
- Poster and Handbills
- Catalogues
- Free samples
- Window dressing
- Mechanical devices through Internet and from website

Roles of Advertising and Modern Technology in Promoting your Business

1. Advertising makes consumers to be aware of the existence of new products, services or ideas and the continued existence of older ones.
2. Advertising informs and educates the people on how to make use of a product or service.
3. Advertising informs consumers of where to obtain goods and services.
4. Advertisement improves the quality of goods and services in order to capture the best share of the market. It also researches into the taste of the consumers.
5. It associates specific goods and services with identifiable producers so that the merit and demerit of such goods and services become easily attributable to a particular manufacturer.

Practice Questions

1. Differentiate between advertising and advertisement.
2. List 5 reasons why you should advertise your business, service products.
3. What are the common sources of business opportunities you have or would consider when you are to establish your own business?
4. To be successful on your chosen or intended business, what are the factors to be considered?

LECTURE SIX

FORMS OF BUSINESS OWNERSHIP

Business is made up of the following three (3) major forms of business ownership. They are:

- (1) the Sole Trader, one Sole Proprietorship,
- (2) Partnership
- (3) Limited Liability Company

Sole Proprietorship: In Sole Proprietorship only one individual owns the business. This type of business is the oldest and commonest type of business organization. However, it does not mean that only the owner works in the business, rather it denotes the ownership of the business.

The sole owner may be aided in his business by his wife or other members of his family and may even engage the services of others, outside his family. The management is however his; as the sole proprietor he takes the major decisions in the business. His capital for business is usually from his personal savings, bank loans and money borrowed from relations and friends.

Advantages: The advantages of Sole Proprietorship can be summarized as follows:

1. The sole owner places personal interest foremost.
2. The owner is entitled to all profits and gains.
3. Sole proprietorship is easy to form.
4. There is speed of action in business matters. No bureaucratic bottleneck.
5. There is personal supervision which helps to minimize

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