**COURSE GUIDE**

# ENT 204
# ENTREPRENEURSHIP AND CHANGE MANAGEMENT

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**CONTENTS**

Introduction

Course Contents

Course Aims

Course Objectives

Working through This Course

Course Materials

Study Units

Textbooks and References

Assignment File

Assessment

Tutor-Marked Assignment

Final Examination and Grading

How to get the Best out of this Course

Facilitators/Tutors and Tutorials

Useful Advice

Summary

**Module 1**


| | | |
|---|---|---|
| Unit 1: | Introduction to entrepreneurship | 6 |
| Unit 2: | Understanding the modern concept of entrepreneurship | 19 |
| Unit 3: | Psychological Approach to Entrepreneurship | 33 |
| Unit 4: | Socio-Economic Approach to Entrepreneurship | 38 |
| Unit 5: | Business Expansion and the Changing Role of the Entrepreneur | 44 |


**Module 2**


| | | |
|---|---|---|
| Unit 1: | Corporate outlook in Nigeria | 51 |
| Unit 2: | Transformational leadership and organizational effectiveness | 57 |
| Unit 3: | Models of Effective Change | 65 |
| Unit 4: | Entrepreneurship in a Changing Environment | 76 |


**Module 3**


| | | |
|---|---|---|
| Unit 1: | Teamwork in a Dynamic Business Environment | 85 |
| Unit 2: | Team Building in Business Set-Up | 97 |
| Unit 3: | The Quality Gurus | 106 |
| Unit 4: | Quality Improvement for Positive Change | 114 |


**Module 4**


| | | |
|---|---|---|
| Unit 1: | Basic quality improvement tools and techniques | 119 |
| Unit 2: | Management of change | 131 |
| Unit 3: | Responses and Resistance to Change | 137 |
| Unit 4: | Business Plan for Business Growth | 149 |

## INTRODUCTION

**ENT 204: Entrepreneurship and Change Management** is a one-semester course for students offering Bsc course in Entrepreneurship. It is a 2 unit course consisting of 17 units. Each unit is expected to be covered in three (3) hours. This course guide explains briefly what the nature of the course is as well as the course material you will be using. It also tell you how to use the course materials, issues regarding timing for going through the units are explained. Activities and Tutor-Marked assignments are also explained.

## What you will learn in this course

The overall aim of this course on Entrepreneurship and change management is to explore and explain the nature of entrepreneurship and management of organizational change. This is done in order to widen your knowledge of entrepreneurship in relation to organizational effectiveness.

During this course, you will learn about different aspects of entrepreneurship, transformational leadership, nature and types of organizational change amongst others.

## Course Aims

As pointed out earlier, the aim of this course is to expose the students to the concept of entrepreneurship and management of organizational change. This will be achieved by:

- Explaining the concept of entrepreneurship
- Introducing to you the nature of corporate outlook in Nigeria
- Examining transformation leadership and corporate growth.

- Evaluating the dimensions of quality management for corporate growth.
- Exploring ways of improving organizational effectiveness.
- Appraising the nature of planned organizational change
- Providing an overview on management of change.
- Having an overview of models of change
- Explaining reasons for resistance to change.

**Course objectives**

The overall objective is to enable you gain knowledge in the area of entrepreneurship and change management. To achieve this, each unit also has specific objectives. The unit objectives are included at the beginning of the unit. You are advised to refer to them as you study each unit both at the beginning of each unit. This will ensure that you check your progress and do what is expected of you by the unit.

**Working through this course**

In order to complete this course you are required to read the units thoroughly. You should also study the recommended textbooks and explore recent materials on the internet. Each of the unit contains exercise or activities to test your knowledge of the contents therein. At a point in the course of you study, you will be required to submit assignments for assessment purposes. At the end of the course, you will be required to sit for the final examination.

Below you will find listed all the components of the course. What is required of you is to allocate time to each in order to complete the course successfully on time.

**Course Materials**

The main components of the course are:

1. Course guide
2. Study units
3. Further readings
4. Activities and tutor-marked assignments

**Study Units**

There are seventeen (17) units in this course. These are:

**Module 1**

Unit 1: Introduction to entrepreneurship

Unit 2: Understanding the modern concept of entrepreneurship

Unit 3: Psychological Approach to Entrepreneurship

Unit 4: Socio-Economic Approach to Entrepreneurship

Unit 5: Business Expansion and the Changing Role of the Entrepreneur

**Module 2**

Unit 1: Corporate outlook in Nigeria

Unit 2: Transformational leadership and organizational effectiveness

Unit 3: Models of Effective Change

Unit 4: Entrepreneurship in a Changing Environment

**Module 3**

Unit 1: Teamwork in a Dynamic Business Environment

Unit 2: Team Building in Business Set-Up

Unit 3: The Views of Quality Gurus

Unit 4: Quality Improvement for Positive Change

**Module 4**

Unit 1: Basic quality improvement tools and techniques

Unit 2: Management of change

Unit 3: Responses and Resistance to Change

Unit 4: Business Plan for Business Growth

**Textbooks and References**

Although there are no compulsory textbooks for this course. The frequency of appearance of some particular recommended textbooks at the end of each unit indicate the importance of the book to more than one (1) unit.

**Assignment File**

The major assignment required of you is the Tutor-Marked Assignment (TMA). You are expected to complete the TMA at the end of each unit and submit to your tutor.

**Assessment**

Your assessment for this course is made up of two components namely:

| | |
|---|---|
| Tutor-Marked Assignment | 40% |
| Final Examination | 60% |
| Total | 100% |

The practice exercise (or activity) are not part of your final assessment, but is useful to complete them. If you practice the exercises, it will enhance your understanding of the topic or the subject matter and by extension your Tutor-Marked assignment.

**Tutor Marked Assignment (TMAs)**

As you can see, each unit of this course has a TMA attached to it. You can only do this assignment after covering the materials and exercise in each unit. Usually, the TMA are kept in a separate file. Your tutor will mark and comment on it. Pay attention to the feedback from your tutor and use it to improve your other assignments.

You can use the materials in your study units or textbooks to write your assignments. You can also use materials from other relevant sources for your assignments. Your demonstration of evidence of wide reading is essential to enhance good scores. Therefore, you should consult textbooks and other sources to widen your scope of knowledge. The assignments in most cases are essay questions. When answering questions, practical examples from your personal experiences or your environment will serve useful purpose.

**Conclusion**

Entrepreneurship and change management is an interesting course. Entrepreneurship is flourishing in many parts of the world. Here in Nigeria, new venture creation has been the chief source of economic vigor for the last decade. Change descends on all entrepreneurs. Change is inevitable and inescapable. It is often referred to as the only thing in life that is permanent.

## MODULE 1

## UNIT 1: INTRODUCTION TO ENTREPRENUERSHIP

**CONTENTS**

1.0 Introduction
2.0 Objectives
3.0 Main Contents
3.1 Definitions and Conceptual Clarifications
3.1.1 Concept of Entrepreneurship
3.2 Factors Influencing Entrepreneurship
3.2.1 The individual characteristics
3.2.2 Ethno cultural factors
3.2.3 Circumstances in the society
4.0 Conclusion
5.0 Summary
6.0 Tutor-marked assignment
7.0 References/further reading

## 1.0 INTRODUCTION

In this unit effort is made to present the basic idea about entrepreneurship as well as the factors influencing entrepreneurship. You will need to understand these factors to be able to appreciate issues you will follow in the subsequent units.

## 2.0 OBJECTIVES

At the end of this unit, you should be able to;

- Explain the meaning of entrepreneurship.
- Understand the individual factors influencing entrepreneurship.
- Appreciate the ethno cultural factors in entrepreneurship.

## 3.0 MAIN CONTENT

### 3.1 Definitions and Conceptual Clarifications

Scholars from different academic background or professions define the term entrepreneurship differently. There is no precise definition of the concept as different scholars define it differently. Gartner noted that there are as many definitions as there arc scholars. This notion was emphasized by Kilby (1967), when he noted that trying to define the concept is like trying to search for an animal called Heffalump. Many have tried to describe it but there is no commonly accepted description. This as Kilby (2003) observed, there is no precise or agreed definition of entrepreneurship.

Entrepreneurship is derived from the French term "entreprendre" which means to undertake, to pursue opportunities, to fulfill the needs and wants through innovation and starting businesses. Many scholars simply equate it with starting one's own business. Schumpeter (1883-1950) viewed entrepreneurship as an "established way of doing business are destroyed by the creation of new and better ways to do them. Most economists today agree that entrepreneurship is a necessary ingredient for stimulating economic growth and employment opportunities in all societies. In the developing world like Nigeria,

successful small businesses are the primary engines for job creation, income growth and poverty reduction.

### 3.1.1 Concept of Entrepreneurship

Peter Drucker, an authority on management theory, noted that although the term entrepreneur has been used for over 200 years, "there has been total confusion over the definition. Substantial disagreement concerns the concept of entrepreneurship and the individual who is called an entrepreneur.

In an article published in the Advanced Management Journal, Michael Moms states that early definitions of entrepreneurs were developed by economists. These definitions emphasized factors such as risk and financial capital. Thus, one of the earliest references to the term entrepreneurship has been traced to Richard Cantillon's work in the field of economics in 1734. To Cantillon, entrepreneurship was self-employment with an uncertain return by the early 1900s, Joseph A. Schumpeter had described an entrepreneur as "a person who carries out new combinations, which may take the form of new products processes, markets, organizational forms, or sources of supply." Schumpeter is known for his concept of "creative destruction,' which states that entrepreneurs are a force for change and make existing products obsolete. This definition and others during this time period emphasized innovation.' Research in the later 1990s often focused on personality traits of entrepreneurs, trying to determine if entrepreneurs had different personality traits than people who chose to work in corporations.

Michael Morris and his coauthors have tried to combine many of these varying concepts of entrepreneurship by developing the following definition:

Entrepreneurship is a process activity. It generally involves the following inputs, an opportunity; one or more proactive individuals; an organizational context; risk, innovation; and resource It can produce the following outcomes; a new venture or enterprise; value; hew products or processes; profit or personal benefit; and growth.

## 3.2 Factors Influencing Entrepreneurship

There is still no agreement on why some people choose self-employment and others choose to work for someone else. One recent study has identified four spheres of influence in determining entrepreneurial behaviour; the individual, the ethno-cultural environment, the circumstances in society, and a combination of these. These factors are discussed next.

### 3.2.1 The Individual Characteristics

Despite the fact that personality traits have not been found to be reliable predictors of future behaviour, many studies still focus on the entrepreneur some people, such as Peter Drucker do not believe that traits are a deciding factor and believe that anyone can be taught to be an entrepreneur.

There is also concern as to cause and effect. Since many studies of entrepreneurs are completed once the person is a successful business owner, it is possible that the experience of entrepreneurship affects the

individual's personality. Michael Morris points out that the psychology and behavior of the entrepreneur may change as the business evolves.

There is also concern as to cause and effect. Since many studies of entrepreneurs are completed once the person is a successful business owner, it is possible that the experience of entrepreneurship affects the individual's personality. Michael Morris points out that the psychology and behaviour of the entrepreneur may change as the business evolves.

As Stan Cromie noted in his article on entrepreneurship, many vocational counselors consider personality in helping people decide on a career choice. Factors that may be considered include basic values and beliefs, personality traits, personal needs, and the person's self-concept. It is often argued that people choose jobs that fill their needs and are consistent with their self-image.

One recent study found that "personality is a core antecedent of entrepreneurship." This study looked at how views on self-employment are related to personality. The study explored the "Big Five" personality characteristics and the impact of these on views of entrepreneurship. The Big Five characteristics include extraversion, conscientiousness, agreeableness, openness, and neuroticism. The study found that the characteristic of openness is an important factor for entrepreneurship. This is the "part of personality that fosters creativity, originality, and receptiveness to new experience.

Whether entrepreneurial tendencies exist at birth or are developed as a person matures, certain traits are usually evident in those who enjoy success, Many of these traits have been found in successful managers as well as entrepreneurs. Let's examine some of these traits.

- **Passion for the Business**

  The entrepreneur must have more than a casual interest in the business because he or she must overcome many hurdles and obstacles. If there is no passion or consuming interest, the business will succeed. This personal or emotional commitment was described by someone saying, "I couldn't live without giving this a full try.

- **Tenacity despite failure**

  Because of the hurdles and obstacles that must be overcome, the entrepreneur must be consistently persistent. Many successful entrepreneurs succeeded only after they had failed several times. It has been stated that "Successful entrepreneurs don't have failures. They have learning experiences." They know that "difficulties are merely opportunities in work clothes." Paul Goldin, CEO of Score Board Inc., says, "You can't be afraid of failing. You may have to try seven or eight times."

- **Confidence**

  Entrepreneurs are confident in their abilities and the business concept. They believe they have the ability to accomplish whatever they set out to do. This confidence is not unfounded, however Often they have an in-depth knowledge of the market and the industry, and they have conducted months (and sometimes years) of investigation. It is common for entrepreneurs to learn an industry while working for someone else.

This allows them to gain knowledge and make mistakes before striking out on their own. One successful entrepreneur described this advantage by saying, “I’d rather learn how to ride a bike on somebody else bicycle than on my

- **Self Determination**

Nearly every authority on entrepreneurship recognizes the importance of self-motivation and self-determination for entrepreneurial success. Jon P. Goodman, director of the University of Southern California Entrepreneur Program, states that self-determination is a crucial sign of a successful entrepreneur because successful entrepreneurs act out of choice; they are never victims of fate.33 Entrepreneurs believe that their success or failure depends on their own actions, This quality is known as an internal locus of control. A person who believes that fate, the economy, or other outside factors determine success has an external locus of control and is not likely to succeed as an entrepreneur.

- **Management of Risk**

The general public often believes, that entrepreneurs take high risks; however, that is usually not true. First, more than two-thirds of those trying to get a business started have a full-time or part-time job or they are running another business. They do not put all of their resources and time auto the venture until it appears to be viable. Entrepreneurs often define the risks early in the process and minimize them to the extent possible.

- **Looking at Changes as Opportunities**

To the general public, change is often frightening and is something to be avoided, Entrepreneurs, however, see change as normal and necessary. They search for change, respond to it, and exploit it as an opportunity, which is the basis of innovation.

- **Tolerance for ambiguity**

The life of an entrepreneur is unstructured. No one is sating schedules or step-by-step processes for the entrepreneur to follow. There is no guarantee of success. Uncontrollable factors such as the economy, the weather, and changes in consumer tastes often have a dramatic effect on a business. An entrepreneur's life has been described as a professional life riddled by ambiguity - a consistent lack of clarity. The successful entrepreneur feels comfortable with this uncertainty.

- **Initiative and a need for achievement**

Almost everyone agrees that successful entrepreneurs take the initiative in situations where others may not. Their willingness to act on their ideas often distinguishes them from those who are not entrepreneurs. Many people have good ideas, but these ideas are not converted into action.

Entrepreneurs act on their ideas because they have a high need for achievement, shown in many studies to be higher than that of the general population. That achievement motive is converted into drive and initiative that results in accomplishments.

- **Detail orientation and perfectionism**

Entrepreneurs are often perfectionists, and striving for excellence, or "perfection," helps make the business successful. Attention to detail and the need for perfection result in a quality product or service. However, this often becomes a source of frustration for employees, who may not be perfectionists themselves. Because of this, the employees may perceive the entrepreneur as a difficult employer.

- **Perception of passing time**

Entrepreneurs are aware that time is passing quickly, and they therefore often appear to be impatient. Because of this time orientation, nothing is ever done soon enough and everything is a crisis. As with the tendency for perfectionism this hurry-up attitude may irritate employees who do not see the same urgency in all situations.

- **Creativity**

One of the reasons entrepreneurs are successful is that they have imagination and can envision alternative scenarios.43 They have the ability to recognize opportunities that other people do not see, Nolan Bushnell, who created the first home video game and the Chuck E, Cheese character, believes the act of creation is nothing mart than taking something standard in one business and applying it to another For example, Bushnell had worked in amusement parks while in college and was able to combine his knowledge of amusement with video technology to create a home video game. He believes that entrepreneurs must know what the customers want sometimes a little before they know they want it and before they know it's possible.

- **Ability to see the big picture**

  Entrepreneurs often see things in a holistic sense; they can see the "big picture" when others see only the parts.' One study found that successful owners of manufacturing firms gathered more information about the business environment, and more often, than those who were less successful. The process known as scanning the environment, allows the entrepreneur to see the entire business environment and the industry and helps to formulate the larger picture of the business activity This is an important step in determining how the company will compete.

- **Motivating Factors**

  Although many people believe that entrepreneurs are motivated by money, other factors are actually more important. The need for achievement, mentioned earlier, and a desire for independence are more important than money Entrepreneurs often decide to start their own businesses in order to avoid having a boss. Many are self-employed for less pay than they would receive if they worked for someone else.

- **Self Efficacy**

  A recent study has suggested that the concept of self-efficacy influences a person entrepreneurial intention. Self-efficacy has been defined as a person's belief in his or her capability to perform a task. One study found that a sense of personal efficacy that is both accurate and strong is essential to the mi- nation and persistence of performance in all aspects of human development. Therefore, a person who believes he or

she would be successful as an entrepreneur is more likely to pursue it as a career option.

### 3.2.2 Ethno Cultural Factors

A common finding Is that ethnic enterprise is often overrepresented in the small business sector; that is, members of some ethno-cultural groups typically have a higher rate of business formation and ownership than do others, However, the effect of culture on entrepreneurial tendencies is not completely clear, because individuals from different cultural groups do not all become entrepreneurs for the same reason.

The effect of culture and traits may be intertwined since some studies have shown that different cultures have varying value and beliefs. For example, the Igbo's in Nigeria have been known to have an achievement-oriented culture that helps entrepreneurs persist until they succeed. Another potentially important factor is whether a culture generally has an internal locus of control. For example, U.S. culture tends to support an internal locus of control whereas the Russian culture does not. Individuals from a culture with an internal locus of control may be more predisposed to believe they have a chance of succeeding as entrepreneurs.

Cultures also affect the image or status of entrepreneurs. One study of immigrant entrepreneurs in Canada found that those from India saw entrepreneurship as something positive while the Haitian respondents tended to view entrepreneurship as an occupation of low self-esteem. Cultural expectations were also an obstacle for one Puerto Rican woman

in Washington, D.C. While she was thinking of starting a business, her brother was reminding her that she should be married.

### 3.2.3 Circumstances in Society

In all societies, there are those who had not planned to be entrepreneurs but who find at some point that they are pushed toward sell-employment. Workers in the United States who have been downsized might be included in this group. The decision to become an entrepreneur was precipitated by the changes in the marketplace. Immigrants in many countries follow this route if they find that their language and job skills do not meet the needs of employers. This is considered an adaptive-response behavior. One study of ethno-cultural factors found that although some people do not come from an ethno-cultural group that values entrepreneurship, they those entrepreneurship as an adaptive response to marginality and a means to social integration.

Entrepreneurship is an interdisciplinary concept. Hence it contains various approaches that can be used to increase one's understanding of the field. Theories pounded by various scholars include: psychological, sociological and economic.

## 4.0 CONCLUSION

In this unit, we have seen the philosophy behind entrepreneurship and the factors that drive entrepreneurs toward successful endeavours. As noted by a scholar, entrepreneurship is characterized by a particular approach to wealth creation. The entrepreneur undertakes an activity

and he is also an agent of economic change. As can be seen in this unit, entrepreneurs are uniquely different from other types of people involved in the generation from other types of people involved in the generation of wealth such as investors and 'ordinary' managers.

## 5.0 SUMMARY

Let us recall the major things that were discussed in this unit.

Entrepreneurship is derived from the French term "entrepredre" which means to undertake, to pursue opportunities, to fulfill needs and wants through innovation and business. Individual characteristics, ethno-cultural and societal circumstances are factors influencing entrepreneurship.

## 6.0 TUTOR-MARKED ASSIGNMENT

There is no precise definition of entrepreneurship: discuss. Describe the factors influencing entrepreneurial mindset in an individual.

## 7.0 REFERENCES/FURTHER READING

Acheneje, S.S. (2009). The Theory and Practice of Business Entrepreneurship. 1st Edition, Kaduna: Tessyma Publisher.

Bolton, B. and Thompson P. (2003). The Entrepreneur in Focus Achieve Your Potential. Austria: Thompson Publisher.

Gakure, R.W. (2009). Theories of Entrepreneurship. Jomo Kenyatta: University of Agriculture and Technology.

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McClelland, D.C. (1961). The Achieving Society. New Jersey: Prince Town.

**UNIT 2:**

**UNDERSTANDING THE MODERN CONCEPT OF ENTREPRENUERSHIP**

**CONTENTS**

1.0 Introduction
2.0 Objectives
3.0 Main Content
  3.1 Early Concept of Entrepreneurship
    3.1.1 Modern Concept of Entrepreneurship
    3.1.2 What it takes to be an Entrepreneur
    3.1.3 Characteristics of Successful Entrepreneurs
  3.2 Advantages and Challenges of Entrepreneurship
4.0 Conclusion
5.0 Summary
6.0 Tutor-Marked Assignment
7.0 References/Further Reading

## 1.0 INTRODUCTION

In this unit, attempt is made to explain the early references to the entrepreneur. You will also find the description of entrepreneurship by both earlier and modern scholars. Although entrepreneurship can be

exciting, there are some challenges faced by entrepreneurs. This unit provides both the benefits and difficulties in entrepreneurship. Entrepreneurship is a dynamic process and as described by Schumpeter (1934), Entrepreneurship is a forced of "creative destruction" whereby established ways of doing things are destroyed by the creation of new and better ways to get things done.

## 2.0 OBJECTIVES

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

- Distinguish between the early and modern views on entrepreneurship.
- Explain in greater details the modern concept of entrepreneurship.
- Examine the essential of successful entrepreneurs.
- Analyze the merits and challenges of entrepreneurship.

## 3.0 MAIN CONTENT

### 3.1 Early Concept of Entrepreneurship

Entrepreneurship is one of the four mainstream factors of production in economics, land, labour and capital being the others. The word entrepreneurship derived from 17th century French entreprendre; which refers to individuals that were "undertakers", that is, those who "undertook" the risk of the new enterprise. They were "contractors" who bore the risk of profit or loss. Many early entrepreneurs were soldiers of fortune, adventurers, builders, merchants and even funeral directors.

Early reference to the entrepreneur in the l4th century spoke about tax contractors and individuals who paid a forced sum of money to a government for the license to collect taxes in their region. In the 19th century, entrepreneurs were the "captains of industry", the risk takers, decision makers, the individuals who aspired to wealth and who gathered and managed resources to create new enterprises-Schumpeter (1934). Notable early French, British and Austrian economists wrote enthusiastically about entrepreneurs as the "change agents" of progressive economies.

Richard Cantillon, a French economist, was credited with giving the concept of entrepreneurship a central role in economics. In his *Essaisur la nature du commerce en general*, Cantillon described an entrepreneur as a person who pays a certain price for a product to resell it at an uncertain price, thereby making decisions about obtaining and using resources while consequently assuming the risk of enterprise. A critical point in Cantillon's argument was that entrepreneurs consciously make decisions about resource allocations O'neile (1989).

Adam Smith spoke of the "enterprise?' in his 1776 Wealth of Nations as an individual who undertook the formation of an organization for commercial purposes. In Smith's view, entrepreneurs reacted to economic change, thereby becoming the economic agent who transformed demand into supply. In 1848, British economist John Stuart Mill elaborated on the necessity of entrepreneurship in private enterprise. The term entrepreneur subsequently became common as a description of business founders, and the fourth factor of endeavour

was entrenched in economic literature as encompassing the ultimate ownership of a commercial venture (Mintsberg 1990).

Joseph Schumpeter, Austrian economist revived the concept of entrepreneurship when he joined Harvard University and his work was published in United States in 1934. Schumpeter described entrepreneurship as a force of "creative destruction" whereby established ways of doing things are destroyed by the creation of new and better ways to get things done (Schumpeter 1934). In Schumpeter's word, the entrepreneur seeks to reform or revolutionized the pattern of production by exploiting an invention or, more generally, an untied technological possibility for producing a new community or producing an old one in a new way, by opening up new source of supply of materials or a new outlet for products.. .Entrepreneurship, as defined, essentially consist in doing things that are not generally done in the ordinary course of business routine (Cunningham & Lischeron 1991).

The revolution of the concept has generated many definitions, but perhaps the definition by writer Robert Rostad captures its essence. Rostad defines entrepreneurship as the dynamic process of creating incremental wealth. This wealth is created by individuals who assume the major risks in terms of equity, time, and/or career commitment of providing value for a product or service. The product or service itself may or may not be new or unique but value must somehow be infused by the entrepreneur by securing and allocating the necessary skills and resources. Inegbenebor (2006).

### 3.1.1 Modern Concept of Entrepreneurship

The concept of an entrepreneur is further refined when principles and terms from a business, managerial, and personal perspective are considered. In particular, the concept of entrepreneurship from a personal perspective has been thoroughly explored today. This exploration captures three key areas identified by Bailey (2003). According to Bailey, in almost all of the definitions of entrepreneurship, there is agreement that we are talking about a kind of behavior that includes: (1) initiative taking, (2) the organizing and reorganizing of social and economic mechanisms to turn resources and situations to practical account (3) the acceptance of risk or failure.

Although each of the different definitions views entrepreneurs from a slightly different perspective, they all contain similar notions, such as newness, organizing, creating wealth, and risk taking. Yet each definition is somewhat restrictive, since entrepreneurs are found in all professions education, medicine, research, law, architecture, engineering, social work, distribution and government (Kuratto and Hodgetts, 2004).

Entrepreneurship is the process of creating something new with value by devoting the necessary time and effort, assuming the accompanying financial, psychic, and social risks, and receiving the resulting rewards of monetary and personal satisfaction and independence. This definition stresses four basic aspects of being an entrepreneur regardless of the field. First, entrepreneurship involves the creation process-creating something new of value. The creation has to have value to the entrepreneur and value to the audience for which it is developed (Brockhaus & Howitz 1986).

This audience can be (1) the market of organizational buyers for business innovation, (2) the hospital's administration for a new admitting procedure and software, (3) prospective students for a new course or even college of entrepreneurship, or (4) the IDP camp for a new service provided by an ENACTUS (Entrepreneurship Action in US) Team. Second, entrepreneurship requires the devotion of the necessary time and effort. Only those going through the entrepreneurial process appreciate the significant amount of time and efforts it takes to create something new and make it operational. As one new entrepreneur so succinctly stated, "while I may have worked as many hours in the office when I was in industry as an entrepreneur I never stop thinking about the business" (Bailey 2003).

Assuming the necessary risks is another important aspect of entrepreneurship. These risks take a variety of forms, depending on the field of effort of the entrepreneur, but usually, it center around financial, psychological, and social areas. The final part of the definition involves the rewards of being an entrepreneur. The concept of entrepreneurship involves the consideration of a number of opportunities to enhance living standards and business profits. The entrepreneur is expected to employ strategic planning to assess if the opportunities provided for growth are worthwhile and how they could be successfully exploited. Strategic planning is an essential part of the concept of entrepreneurship and effective application helps to ensure successful operation.

### 3.1.2 What it takes to be an Entrepreneur

Many people dream of running their own business. They would like to become entrepreneurs. Entrepreneurship can be exciting. But running your own business is difficult. In fact, many companies that are started by entrepreneurs go out of business few years after their establishment. These companies often fail because of poor planning or lack of business knowledge. They also may fail because the entrepreneur chooses the wrong business or does not have entrepreneurial characteristics.

An entrepreneur can be anyone who has a great idea that can 'be turned into a business reality. Ideas may come from hobbies or interests. They also may come from other work experience, such as a part time job. Entrepreneurs can be any age and from any educational background. They have good business ideas that meet the needs of customers. They also have the desire and drive to see their idea become a business. Examples of successful businesses started by young entrepreneurs are:

- Buketaria (restaurant)
- Car washing or detailing
- Shoe making
- Web site creation and design
- Photocopying centre
- Lawn mowing or landscaping
- Bakery and catering
- Video centre
- Internet café

These are only few of the kinds of business young entrepreneurs have started. Owners of these businesses saw their ideas as an opportunity and started their businesses.

Entrepreneurs also are customers, or consumers. As a customer, you know what you like. You know what you want to buy. For example, you may have a favorite restaurant. Maybe it's your favorite because it serves great food. Or, maybe it's your favorite because it has a video game arcade. Entrepreneurs can use this knowledge to their advantage. When thinking about starting a business. You can make a list of the things you like and dislike about similar companies or products. You can think about these likes and dislikes when starting your business. Then, you can offer products or services that will meet your customers needs better than those offered by competitors.

### 3.1.3 Characteristics of Successful Entrepreneurs

Characteristics are qualities that make a person different from others. Researchers have found several characteristics that set successful entrepreneurs apart from those who fail.

1. Successful entrepreneurs are independent. They want to make their own decisions. They also want to do something they enjoy.
2. Successful entrepreneurs are self-confident. Entrepreneurs make all the decisions. They must have the confidence to make choices alone. They also must be able to bounce back if they make a poor decisions.
3. Successful entrepreneurs are determined. Entrepreneurs will keep trying even in hard times until goals are met.
4. Successful entrepreneurs are focused. They know what they want, and they focus on achieving it. They persevere positively.
5. Successful entrepreneurs set high standards for themselves. They constantly set challenging new goals. The pursue the right goals.

6. Successful entrepreneurs are creative. They think of new ways to promote their businesses. They are always looking for new and better solutions to problems. They think outside the box.
7. Successful entrepreneurs are able to act quickly. They are not afraid to make quick decisions. Acting quickly help them beat their competitors.
8. Successful entrepreneurs take calculated risks.

As a high school student, Musa always had a talent of getting things done. He was class captain throughout his undergraduate school. He also helped plan and organize events like the prom and graduation. By taking part in these activities, Musa gained self-confidence. He learned that he had to stay focused to succeed. These experiences led him to open his own business centre. Today he owns and operates a success photo studio in Kaduna.

**Self Assessment Exercise**

- List the features of an entrepreneur.

## Advantages and Challenges of Entrepreneurship

There are many advantages and disadvantages to self-employment and the entrepreneur must he aware of both before starting a business.

### Advantages

1. **Autonomy:** The idea for independence and the freedom to make decisions is one of the major advantages. The feeling of being your

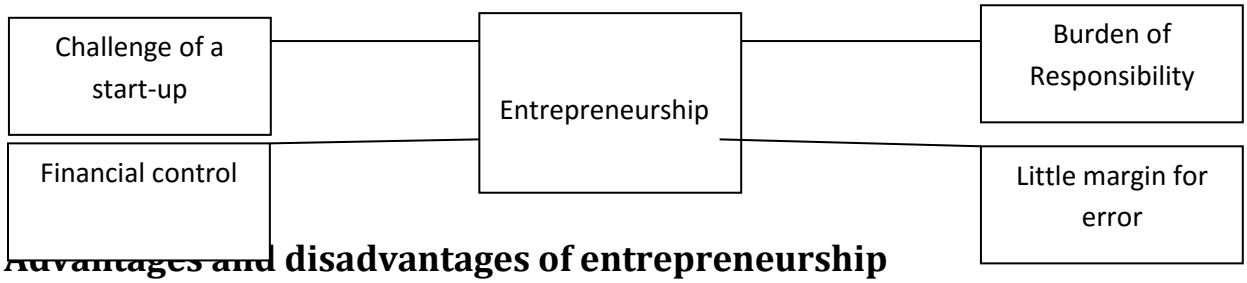
own boss is very satisfying for many entrepreneurs. Entrepreneurs control their own future.

2. Challenge of a start-up and feeling of achievement for many entrepreneurs is exhilarating. The opportunity to develop a concept into a profitable business provides a significant feeling of achievement, and the entrepreneur knows that he or she is solely responsible for the success of the idea. Entrepreneurs work in fields that interest them. they combine hobbies and interest with business.
3. **Financial control**: Because it is often stated that entrepreneurs have financial independence, one might get the impression that they are wealthy Many are not necessarily seeking great wealth, but they do want more control over their financial situation. They do not want a boss who can unexpectedly announce a layoff after they have dedicated years of work to a company.
4. Entrepreneurs can be creative. Many entrepreneurs use their own creative ideas to make a product or offer a service.

**Advantages and Disadvantages of Entrepreneurship**

There are several advantages to being an entrepreneur. There are also some challenges. Before starting your business, you should think about both. If sell-employment were easy, the number of employed people would be much higher. In fact, it is one of the most difficult careers one can choose. A few of the disadvantages are:

**ADVANTAGES** **DISADVANTAGES**




**Advantages and disadvantages of entrepreneurship**

1. **Personal Sacrifices:** Especially in the early years of a business, the entrepreneur often works extremely long hours, possibly six or seven days each week. This leaves almost no time for recreation, family life, or personal reflection. The business consumes the entrepreneur's life. This often results in a strain on family relationships and a high level of stress. The entrepreneur must ask how much he or she is willing to sacrifice to make the business successful. Remi Toh, a successful entrepreneur who immigrated to the United States from Africa, found that his friends became jealous of his success. In addition, Remi and his wife separated because they could not agree on the business venture. Remi though was willing to pay this price of success. He stated, 'I promised myself I would become somebody even if I had to kill myself trying.
2. **Burden of responsibility/jack-of-all-trades**: The entrepreneur has a burden of responsibility unlike that of corporate workers. In corporations, employees are usually surrounded by other people at the same level with the same concerns. It is possible to share information at lunch or after work, to have a sense of camaraderie. The entrepreneur, however, knows that it is lonely at the top. No one else in the company has invested his or her life savings; no one else must ensure that enough money is available to meet the payroll on

Friday. One entrepreneur described this feeling of loneliness by saying, "I feel like I'm on an island yelling for help and no one can hear me.

The entrepreneur must also be a jack-of-all-trades. While corporate or public servants usually specialize in specific areas such as marketing, finance, or personnel, entrepreneurs must manage all of these functions until the business is profitable enough to hire employees with necessary expertise. The need to be an expert in many areas is an enormous burden.

3. **Little margin for error**: Large corporations often make decisions that prove to be unprofitable. They introduce products that are not well accepted and they open stores in unprofitable locations. Large corporations will usually survive because they have adequate financial resources to pay for the losses. Small businesses, however, operate on a thin financial cushion because the only financial resources available are those of the entrepreneur. Even after years of successful operation, one wrong decision or weakness in management can result in the end of the business.
4. **Uncertain incomes**: Entrepreneurs face uncertain and irregular incomes. Entrepreneurs may make money one month and lose money the next month. Because they often are the sole owner of the business, they cannot afford many loses. Entrepreneurs must take all decisions by themselves unless they have partners. This can be a problem if the entrepreneur does not have the necessary knowledge.

Entrepreneurship is not easy. The business may fail. The entrepreneur could lose his or her investment and possible more. The more you think

of how to overcome these challenges, the more entrepreneurial you become.

## 4.0 CONCLUSION

There is no consensus concerning the definition of entrepreneur but most include a willingness to take risks in the pursuit of an opportunity Paths to entrepreneurship are varied, including starting a business based on a new concept, starring a business based on an existing concept, or buying an existing business. Many forces interact to determine whether a person chooses to be self-employed or to work for someone else. These forces include the individual traits, the culture, the circumstances in society, or a combination of these factors. There are many advantages and disadvantages of being an entrepreneur, and the life of an entrepreneur is one of challenge, personal satisfaction, personal sacrifices, and stress. Anyone considering self-employment should consider these factors carefully before making a personal and financial commitment.

## 5.0 SUMMARY

The concept of entrepreneurship is understood as a combination of creativity and innovation. It is a stance taken within the business applying inherent creativity as the act of thinking of new things. It involves coming up with innovative ideas and trying out new methods within the operations. The concept of entrepreneurship is also concerned with new ways of looking at opportunities and identifying a new approach towards solving problems. Entrepreneurship requires

the entrepreneur to shift paradigms and do away with old assumptions and perspectives.

## 6.0 TUTOR-MARKED ASSIGNMENT

1. Discuss critically and with supporting practical examples, the likely advantages and disadvantages of being self employed.
2. describe the early scholars views on entrepreneurship.
3. Today, the concept of entrepreneurship is refined to include both business and managerial perspectives. Discuss.

## 7.0 REFERENCES/FURTHER READING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## UNIT 3: PSYCHOLOGICAL APPROACH TO ENTREPRENEURSHIP

**CONTENT**

1.0 Introduction
2.0 Objectives
3.0 Main content
  3.1 Personality of the entrepreneur
    3.1.1 Need for Achievement
    3.1.2 Risk taking propensity
    3.1.3 Internal focus of control
  3.2 Criticism of psychological approach
4.0 Conclusion
5.0 Summary
6.0 Tutor-marked assignment
7.0 References/further reading

## 1.0 INTRODUCTION

In this unit an attempt would be made to explain the contributions of psychologists to the understanding of entrepreneurship. You would be exposed to those personal characteristics that distinguish entrepreneurs from others. You will also understand the criticisms of psychological approach.

## 2.0 OBJECTIVES

At the end of this unit, you would be able to:

- Outline the personality traits of entrepreneurs.
- Discuss those characteristics that set the entrepreneurs apart from others.

## 3.0 MAIN CONTENT

### 3.1 Personality of the Entrepreneur

There has been a very considerable contribution to the study entrepreneurship by psychologists. Prominent scholars who espoused this approach Schumpeter, McClelland, Hagen and Kunkel.

Much of it is focused on the personality of the entrepreneur and their characteristics. This revolves around the most commonly discussed personal characteristics, which have been identified that differentiate entrepreneurs from others. They include:

- High need for achievement
- Risk taker
- Internal locus of control and
- Autonomy

#### 3.1.1 Need for Achievement (N-arch)

Desire to do well, not so much for the sake of social recognition or prestige, but for the sake of an inner feeling of personal

accomplishment. McClelland (1961) proposes that people with high n-Arch have:

- Strong desire to solve problems on their own
- Enjoy setting goals and achieving them through their own efforts
- Like receiving feedback on how well they are doing
- Highly motivated
- Likely to take moderate risks
- Need for achievement is acquired during middle childhood family socialization.
- Emphasizes the importance of child rearing as the intrinsic determination of achievement motive.

### 3.1.2 Risk-Taking Propensity

New venture creation is fraught with risk and financing of such ventures is referred to as risk capital. McClelland "ascribes the inculcation of' the achievement motive to child rearing practices which stress standard of excellence, maternal warmth, self-reliance training and a low father dominance".

### 3.1.3 Internal Locus of Control

Argues that there are two types of people: -

1. Externals: Those who believe that things that happen to them is a result of fate, change, luck, or forces beyond their control.
2. Internals: Those who believe that for the most part of the future is their control through their own effort.

## 3.2 Criticism of Psychological Approach

- Failed to discuss competencies

- Ignores the influence of the external environment

Robor Levine (1989) posited that:

- Socialization of children will be regulated by the type of status mobility system that prevails in that society.
- Where higher status is attained through outstanding performance in one's occupation role, parents will try to foster in their children initiative, industriousness, and foresight through self-reliance and achievement training.

McClelland (1961) revised his theory as a result of criticism and conceded that "it is the ideology and values that shape the modes of family socialization which in turn develop in entrepreneurial behaviour.

## 4.0 CONCLUSION

This unit has attempted to explain the psychologist's perspective of entrepreneurship. There is also an insight into the various personal characteristics (traits) of a successful entrepreneur. Entrepreneurs are seen as those with high need for achievement (N-arch), calculated risk takers as well as those with internal locus of control. There is also a highlight of criticism of the psychologists perspective of entrepreneurs.

## 5.0 SUMMARY

In a nutshell, the unit highlighted the psychological approach to the understanding of entrepreneurship and the criticisms of their approach.

## 6.0 Tutor-marked Assignment

1. There have been a very considerable contribution of psychologist to the study of entrepreneurship. Discuss !
2. What are the personal attributes of a successful entrepreneurs?
3. List and discuss the criticisms of the psychologists perspective of entrepreneurship.

## 7.0 REFERENCES/FURTHER READING

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A.M. Webber (1999), "Learning for a Change", Fast Company

P.S. Goodman and D.M. Rosseau (2004) "Organizational Change that Produces result: The Linkage Approach" Academy of Management Executive

## UNIT 4: SOCIO-ECONOMIC APPROACH TO ENTREPRENEURSHIP

**CONTENT**


1.0 Introduction

2.0 Objectives

3.0 Main content

- 3.1 Sociological dimension to Entrepreneurship
  - 3.1.1 Max Weber's paradigm
  - 3.1.2 Protestant work ethnic thesis
  - 3.1.3 Behaviouristic model
  - 3.1.4 Cochran's performance factors
- 3.2 Economic approach to entrepreneurship

4.0 Conclusion

5.0 Summary

6.0 Tutor-marked assignments

7.0 References/Further Reading


## 1.0 INTRODUCTION

This unit attempt to explain the sociological dimension to the study of entrepreneurship. There is also the economic approach to the understanding of entrepreneurship. You would be exposed to Max

Weber's paradigm and his views on the protestants work ethics. Other scholar's position on the behaviour of entrepreneurs is also contain in this unit.

## 2.0 OBJECTIVES

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

- Enumerate the assumption of sociological approach to the study of entrepreneurship.
- Explain Max Weber's paradigm and views on protestant work ethics.
- Advance the behavioural pattern of entrepreneurs in societal context.
- Outline the economic incentives for entrepreneurial activities.

## 3.0 MAIN CONTENTS

### 3.1 Sociological Approach to Entrepreneurship

This approach assumes that:

- Entrepreneurship is likely to get a boost in a particular social culture.
- Society's values, religious beliefs customs, taboos influence the behaviour of individuals in a society.
- The entrepreneur is a role performer according to the role expectations by the society.
- Some entrepreneurs have a strong social facet. They are able to meet challenges, social needs and in so doing create significant new social capital, they make the world a better place for all of us (Bolton B. and Thompson P., 2003).

- A strong ego facet is a must for the entrepreneur. By this we do not mean or need to be self-centered individuals who get others and gaining at somebody's else expense.

### 3.1.1 Max Weber's Paradigm

The accurate description of Weber's paradigm might be "the development ethics and the spirit protestant ethic. In the former he argued that charismatic leader is constrained neither by tradition nor law and that his/her appeal is the very fact he/she undertakes to break the constraints imposed by established customs and roles in order to bring change.

Weber however, conceded also that in capitalist exchange economies, the influence or charismatic leadership is somewhat constrained as change is due to activities of enterprises and their pursuit of profit in the market.

### 3.1.2 Protestant Work Ethic Thesis

- On protestant ethic, Weber identified the positive change that took place in public attitudes towards entrepreneurship after the reformation in the western world and proposed that Protestantism had helped bring about this change.
- According to him "Calvinists become noted for their moralistic dedication to work and their willingness to deny immediate gratification in order to invest effort and wealth in the long term improvement of their worldly condition.

- It was such attitudes that made protestant Europe the locus for the development of the modem capitalist economy.
- Once such attitudes were accepted, it not only became legitimate to make money, but society became imbued with a new, more disciplined and methodical approach to work.
- A British industrialist Cather wood argued that, it is the duty of the Christian to use his abilities to the limit of his physical and the mental ability. He cannot relax as soon as he has got enough money or as-soon as he has mastered his job. He should not stop until it is quite dear .he has reached his ceiling (Kirby 2003).

Weber therefore advanced the theory of protestant ethic and the spirit of capitalism.

### 3.1.3 Behaviouristic Model

Kunkel elaborated behaviouristic model explains that behavioural patterns are determined by reinforcing and aversive stimuli present in the societal context, such rewards and punishments not being limited to the child-rearing period entrepreneurial behaviour.

- Is a function of the surrounding social structure, both past and present, and can be readily informed by manipulative economic and social incentives.
- Based upon experimental psychology, identifies sociological variables as the determinants of entrepreneurial supply while at the same time implying much more optimistic.

Kunkel posited that the entrepreneurial behaviour is a function. If' the surrounding social structure and can be readily influenced by manipulative economic and social incentives.

### 3.1.4 Cochran's Performance Factors

Performance of the entrepreneur is contingent on three factors and the key elements are.

- Cultural values — hinges on societal values
- Social sanctions — hinges on societal values
- Role expectations — hinges on skills possessed by the individual
- Sociological approach tries to explain the social conditions from which entrepreneur emerge and the social factors that influence their decision to become entrepreneurs.

## 3.2 Economic Approach

Entrepreneurship and economic growth take place when the economic conditions are favourable. Economic incentives are the main motivators for entrepreneurial activities.

Economic incentives include:

- Taxation policy
- Industrial policy
- Sources of finance and raw materials
- Infrastructure availability
- Investment and marketing opportunities

- Access to information about market conditions
- Technology etc.

## 4.0 CONCLUSION

This unit has attempted to present the basic assumptions of sociological approach to the understanding of entrepreneurship. There is also an insight into Max Weber's paradigm and his views on protestants work ethics. There is also the explanation of some scholars on the factors influencing the performance of entrepreneurs. With economic factors you will gain knowledge on the economic incentives required for entrepreneurial activities. Entrepreneurship and economic growth occur when the economic conditions are favourable.

## 5.0 SUMMARY

in summary, the unit highlighted sociological perspective to the understanding of entrepreneurship. Taxation policy, investment opportunities and market accessibility and among others are economic incentive factors.

## 6.0 TUTOR-MARKED ASSIGNMENTS

1. Describe Max Weber's views on protestant work ethics.
2. List and explain the economic incentives that can serve as motivators for entrepreneurial activities.

## 7.0 REFERENCES/FURTHER READING

Robert K. and Angelo K. (2007), "Organizational Behaviour". McGraw Hill Irwin

A.M. Webber (1999), "Learning for a Change", Fast Company

P.S. Goodman and D.M. Rosseau (2004) "Organizational Change that Produces result: The Linkage Approach" Academy of Management Executive

## UNIT 5: BUSINESS EXPANSION AND THE CHANGING ROLE OF THE ENTREPRENUER

**CONTENT**

1.0 Introduction
2.0 Objectives
3.0 Main Content
    3.1 The entrepreneur and business expansion
        3.1.1 Issues with business expansion
    3.2 The changing role of the entrepreneur
        3.2.1 Limiting business growth
        3.2.2 The entrepreneurial spirit and expansion options
        3.2.3 Business change alternative
4.0 Conclusion
5.0 Summary
6.0 Tutor-marked assignment
7.0 References/further reading

## 1.0 Introduction

The desire of many entrepreneurs is to start a small business that will eventually grow and become a large one. This is the dream of many entrepreneurs. But business expansion carries with it some challenges. This unit provides you with issues relating to business expansion. You will also learn about the changing role of the entrepreneur in this regard. As the business grows, the skills required of the entrepreneur will also change.

## 2.0 Objectives

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

- Understand the challenges with business expansion.
- Analyze the changing role of the entrepreneur.
- Identify the alternative solutions to problems of business expansion.
- Know the different reactions to business change by entrepreneurs.

## 3.0 Main Content

### 3.1 The Entrepreneur and Business Expansion

One of the most exciting times for an entrepreneur is the start-up or early ownership phase. Building a company from the idea stage takes creativity and vision and is a great challenge. Even for the entrepreneur who buys an existing business plans to improve it, the early ownership phase requires innovation and presents the entrepreneur with exciting goals to be accomplished. For these reasons, the early years of business ownership are usually very rewarding. However, once the start-up phase is over and the company is past the survival stage, the level of

challenge may seem to decrease. Despite the constant problems to be solved, this is often not as enjoyable as developing the company.

### 3.1.1 Issues with Business Expansion

If the company is small, in the first few years the family atmosphere is an enjoyable experience for both the entrepreneur and employees. The entrepreneur knows the employees, works directly with each of them, and closely manages the daily company operations. His or her direct involvement is usually crucial for the survival of the business. As the company grows, however, the atmosphere of the company changes. The entrepreneur no longer works directly with all of the employees and it may be more difficult to main the "family atmosphere". This is often a source of discontent for both the company founder and the original group of employees.

Keith Dunn discovered this problem the hard way when he started McGuffey's Restaurant. After working at large restaurants for many years, he planned to open one where the employees would enjoy working as much as the customers would enjoy eating. When he opened his first restaurant in Asheville, North Carolina, the employees had many benefits, including the freedom to give away free appetizers and desserts. A special camaraderie existed among the employees and the restaurant was a huge success.

Two years later, Dunn and his partners opened two more restaurants, assuming that the success of the first would be repeated. The were surprised to find that the new restaurants were not as successful. In

addition, many problems developed at the first restaurant. Sales at the original outlet dropped 15 percent and employee turnover skyrocketed. Three years later, sales continued to decline, restrooms were not maintained, and employee turnover was 220 percent. After attempts to solve the problems were unsuccessful, Keith Dunn and his parents each assumed ownership of separate outlets so the small, family atmosphere could be restored.

## 3.2 The Changing Role of the Entrepreneur

As stated earlier, the skills the entrepreneur needs will change as the business grows. He or she should no longer be involved in daily tasks but instead should concentrate on management and motivation. Despite the need for strong leadership and management skills, however, the entrepreneur often feels trapped in a less important role. Once other managers and salespeople are hired, the entrepreneurs job is less well defined. A common complain at this point is, "I don't know what my job is anymore. I used to be the head salesperson and cheerleader for my company but now I've got a sales manager who does that. What my job?"

Another problem that often occurs is that a business grows much larger and faster than the entrepreneur expected, which conflicts with personal goals. For example, Carolyne Blakeslee founded ArtCalendar, a publication that lists grants , art shows, and other articles of interest to artists. She began the company believing that it would be a part-time venture that she could operate from her home while raising her new baby. For the first few years, the company experienced a growth rate of

more than 100 percent per year and the business consumed much more of her time than expected. She left torn between a desire to grow the company and a desire to spend more time with her child. She admits that she "has a perfectionist streak" and "can see what the magazine ultimately could be. "on the other hand, balancing both full time, demanding job and a child was not what she wanted when she started the business. In such a situation, crucial decisions regarding personal and company goals need to be made.

## OPTION FOR GROWTH

If the entrepreneur becomes unhappy with growth or finds that outside management skills are needed, he or she has several options, some of which are discussed next.

### 3.2.1 Limiting business growth

When faced with a growing company, the entrepreneur often makes a conscious decision to limit company growth or even reduce the company size. Although the potential exists to own a large business, the entrepreneur forgoes the financial rewards in favor of a smaller, simpler one. By limiting the customer base, the number of hours of operation, the number of outlets, and so on, the business remain at a given level for the entrepreneur's entire career.

### 3.2.2 The Entrepreneurial Spirit and expansion options

Some entrepreneur adjusts to the growing business and use their skills to build a company that is strong enough to let the founder be entrepreneurial again. This may be accomplished within the same company.

Entrepreneurs may develop a company to a mature phase and then hire a good team of managers to run the business on a daily basis. The entrepreneur can then use his or her skills to decide where the company is going next and what opportunities should be pursued. One entrepreneur says she believes that entrepreneurs should know their own strength and build on them. Mary Kay Ash, founder of Mary Kay Cosmetics, gave similar advice to entrepreneurs. Her advice was to "stay in the area that you do best" and find qualified people to handle the other tasks.

The entrepreneurial spirit can also be discovered by keeping the larger business and starting a second one. This allows the founder to experience the challenge of a start-up while maintaining the larger, more profitable business. In one small study of entrepreneurs who had been self-employed for more than six years, 44 percent indicated that they owned more then one company.

### 3.2.3 Business Change Alternative

Other entrepreneurs at the same stage may have different reactions. Cashing in is always an option, but even then there are several alternatives.

Some entrepreneurs realize that they do not want sole responsibility for the company's management but they still want to be involved. For many, the solution is to sell a portion of the company to a key employee. One entrepreneur who started an auto repair firm sold a portion of the company to an employee when the business became too large and time-consuming for one person to handle. This time for family and leisure activities.

Others decide to sell the business to an outsider and take a break from self-employment. One owner of a rapidly growing automotive equipment company found the business overwhelming. He choose to sell to another entrepreneur and then accepted a job at an engineering firm.

Still others sell one business and start another. One veterinarian's successful animal hospital became too demanding. His solution was to sell the practice to another veterinarian and start a muffler repair shop instead.

## 4.0 Conclusion

We have considered the issue of business expansion and reactions of entrepreneurs concerning business growth in this unit. As business grows, the skills required of the entrepreneur also changes. As employees increase in numbers, the change will be from direct to indirect management. Also, financial and personnel management become significant factors. One way of solving the problems associated with expansion is to match the size of the company with the personality of the entrepreneur.

## 5.0 Summary

Many people engage in starting a small business that will grow to become large. The dream of achieving this business growth successfully is also the entrepreneur's nightmare. This transition carried with it many challenges with entrepreneurial spirit; the problems associated with business expansion can be solved.

## 6.0 Tutor-Marked Assignment

1. How does the entrepreneur's role change as a business expand?
2. What alternatives are available to an entrepreneur if he becomes dissatisfied with the business growth.

## 7.0 References/Further Reading

# MODULE 2

## UNIT 1: CORPORATE OUTLOOK IN NIGERIA

**CONTENTS**

1.0 Introduction
2.0 Objectives
3.0 Main content
3.1 Overview of corporate outlook
3.1.1 Causes of corporate failure
3.2 Measures to minimize corporate failure
4.0 Conclusion
5.0 Summary
6.0 Tutor-marked Assignment

## 1.0 Introduction

In this unit you will be introduced to the challenges confronting the corporate world. You will also discover the causative factors for corporate failures in Nigeria as well as measures that can reduce the problem of corporate failures.

2.0 Objectives

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

- Analyze the nature of corporate outlook in Nigeria.
- Understand the causes of corporate failure.
- Prescribe the preventive and curative measures to minimize corporate failures.

## 3.0 MAIN CONTENT

### 3.1 Management Challenge and Poor Corporate Outlook in Nigeria

The negative experiences of corporate failures in Nigeria in the recent past gives credence to the need for organizational effectiveness and good management practices. Corporate failure is not limited to Nigeria alone, Harnando and Nicholas (2006) pointed out that the **1990's** witnessed several failures of companies around the world. Also Shleifer, Andrei and Vishny (1997) point to the fact that the sheer scale of mismanagement, fraud, embezzlement and graft in the financial service sector bought into question the reliability and effectiveness of the corporate.

#### 3.1.1 Causes of corporate failure

Corporate failure can be attributed to the following factors:

i. **Poor liquidity management decisions:** Effective financial management practice is necessary for sustained growth of any firm. Richard and Steward (1986) emphasized that poor investment decisions, dividend policy and other financing decisions affects the sustainability of firms.

ii. **High cost of production:**

When production cost of a firm is on the high side, it's products cannot compete favourably with other similar products in the market. According to Bowen, Marara and Mureithi (2009) high production cost can result from over employment of both human and material resources. It can also be as a result of technical inefficiency in the production process.

iii. **Faulty sales policies:**

Inappropriate commercial sales policies often have adverse effects that could lead to debt build up and subsequent liquidity problems (Alo, 2003).

iv. **Poor risk management strategy:**

When risk associated with investment decisions are not properly evaluated, the survival of a firm will be threatened. This is because investment in assets is an important source of corporate earnings. As pointed out by Mbat (2001) corporate income will reduce where risk assessments is improperly done.

v. **Inadequate capital:**

Sufficient capital is required to buy the needed fixed assets for a firm. Therefore, a firm that is undercapitalized is bound to fail. An undercapitalized firm will also not be able to invest in enough income generating assets; and working capital will also be affected. Inappropriate capital structure can also lead to corporate failure. An example is where the capital structure is highly geared thereby creating income sharing problems.

vi. **Unnecessary expansion:**

When a company engages in over expansion, short term funds will be immobilized thereby leading to corporate failure. Mbat (2001) posits that

where corporate expansion does not comply strictly with corporate strategic plan, the firm's existence will be under severe threat.

vii. **Ineffective sales management:**

The essence of production is to make sales. If sales force, is not adequately trained, the firm may record low sales. Low sales in a competitive market will create a cash flow deficit which in effect leads to solvency problems (Gilman, 2001).

viii. **Government policy:**

Where government policy contradicts the interest of a firm, the firm can be adversely affected. Government policy can be external source of corporate failure. Robson (1996) affirms that if government places a ban on importation of a firm's input, production will be impossible, especially when the existing stock of inputs are exhausted.

ix. **Instability in income:**

Economic meet down can lead to corporate failure. Such downturn in the economy can create financial difficulties for the firm due to its inability to sell products to users aballero and Hammour, 1994).

x. **Socio cultural factors:**

Where a firm's products cannot be absorbed in the immediate environment, it will be forced to search for distant market outlets. This can increase costs and other related problems.

## 3.2 Measures to minimize corporate failure

The single most important measure of minimizing corporate failure is the institution of an effective management. The management should focus on the following areas:

1. **Business process re-engineering:**

   Areas to concentrate on here are

i. improvement in productivity;

ii. Application of appropriate financial structure; and

iii. Increase in level of competitive advantage.

2. **Staff training and development:**

   The essence of training is to enhance skills necessary for improved job performance. This is important as employees are expected to use knowledge, skills and right attitudes to lead in job performance.

3. Compliance with the provisions of relevant laws, such as, Companies and Allied Matters Act (CAMA).

4. Effective management of the product and the market. The product market is where the firm generates its income and ensures its long-term survival. Management should continuously monitor the following:

   i. Sales price variance

   ii. Sales volume variance

   iii. Sales mix variance

   iv. Sales quantity variance

   v. Market size variance

   vi. Market share variance

   For example, it is a common knowledge that the sales price variance is the actual selling price P. minus the budgeted selling price — b0 multiplied by the actual number of units sold no is equal to sales price variance. That is, (P0 —b0) X0 = sales price variance. Strategic performance measurement system is very important in averting corporate failure. Effective and efficient functional Research and Development (R&D) unit is essential for the continuous monitoring of internal and external factors that can affect a firm's survival.

## 4.0 CONCLUSION

We have discussed an overview of cooperate outlook in Nigeria. This unit also contain the factors commonly attributed to cooperate failures discussion in the unit learned from the discussion in this unit that business is dynamic. As such business process re-engineering staff training and development are amongst the measures required to minimize incidence of cooperate failures in Nigeria

## 5.0 SUMMARY

This unit essentially focused on the causes and remedial measures for cooperate failure in Nigeria.

## 6.0 TUTOR- MARKED ASSIGNMENT

1. Describe the nature of cooperate outlook in Nigeria.
2. With the aid of practical examples, list and discuss the challenges faced by cooperate business organization in Nigeria.

## 7.0 REFERNCES/ FURTHER READINGS

## UNIT 2: TRANSFORMATIONAL LEADERSHIP AND ORGANIZATIONAL EFFECTIVENESS

**CONTENTS**

1.0 Introduction

2.0 Objectives

3.0 Main content

- 3.1 Transformational Leadership and Corporate Growth
  - 3.1.1 Components of Transformational Leadership
  - 3.1.2 Guidelines for Transformational Leadership
- 3.2 Improving Corporate Organizational Effectiveness
  - 3.2.1 Approaches to Organizational Effectiveness

4.0 Conclusion

5.0 Summary

6.0 Tutor-Marked Assignment

7.0 References/Further Readings

## 1.0 INTRODUCTION

In this unit an attempt will be made to explain transformational leadership as a major factor in organizational effectiveness. You will appreciate the distinction between two fundamental forms of leadership – transactional and transformational. Transformational leadership is comprised of four basic components; namely, idealized influence, inspirational motivation, intellectual stimulation, individualized consideration. You will also be confronted with various approaches to organizational effectiveness.

## 2.0 OBJECTIVES

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

- Advance reasons for transformational leadership in corporate growth
- Explain the components of transformational leadership
- Understand the guidelines for transformational leadership
- Outline the approaches to organizational effectiveness

## 3.0 MAIN CONTENTS

### 3.1 TRANSFORMATIONAL LEADERSHIP AND CORPORATE GROWTH

Increasing business competitiveness and the need for the most effective use of human resources has resulted in writers on management focusing attention on how leaders revitalize or transform organizations.

Based on the work of writers such as Burns this has given rise to a distinction between two fundamental forms of leadership: transactional or transformational

- Transactional leadership is based on legitimate authority within the bureaucratic structure of the organization. The emphasis is on the clarification of goals and objectives, work task and outcomes, and organizational rewards and punishments. Transactional leadership appeals to the self-interest of followers. It is based on a relationship of mutual dependence and an exchange process of 'I will give you this, if you do that.
- Transformational leadership, by contrast, is a process of engendering higher levels of motivation and commitment among followers. The emphasis is on generating a vision for the organization and the leader's ability to appeal to higher ideals and values of followers, and creating a feeling of justice, loyalty and trust. In the organizational sense, transformational leadership is about transforming the performance or fortunes of a business.

### 3.1.1 Components of transformational leadership

According to Bass, the transformational leader motivates followers to do more than originally expected and the extent of transformation is measured in terms of the leader's effects on followers. Applying the ideas of Burns to organizational management, Bass proposed a theory of transformational leadership that argues that the leader transforms and motivates followers by:

1. Generating greater awareness of the importance of the purpose of the organization and task outcomes;

2. Inducing them to transcend their own self-interests for the sake of the organization or team; and
3. Activating their higher-level needs.

Transformational leadership is comprised of four basic components:

- **Idealized influence** - the charisma of the leader, and the respect and admiration of the followers;
- **Inspirational motivation -** the behaviour of the leader which provides meaning and challenge to the work of the followers;
- **Intellectual stimulation** - leaders who solicit new and novel approaches for the performance of work and creative problem solutions from followers; and
- **Individualized consideration** - leaders who listen and give special . concern to the growth and developmental needs of the followers.

### 3.1.2 GUIDELINES FOR TRANSFORMATIONAL LEADERSHIP

YukI provides a set of guidelines for transformational leadership:

- Articulate a clear and appealing vision of what the organization could accomplish or become to help people understand the purpose, objectives and priorities of the organization, and to help guide the actions and decisions of members.
- Explain how the vision can be attained and establish a clear link between the vision and a credible conventional yet straightforward strategy for attaining it.

- Act confidently and optimistic about likely success, demonstrate self- confidence and conviction, and emphasize positive aspects of the vision rather than the obstacles and dangers.
- Express confidence in followers and their ability to carry out the strategy for accomplishing the vision, especially when the task is difficult or dangerous, or when members lack confidence in themselves.
- Use dramatic, symbolic actions to emphasize key values and demonstrate leaders behaviour through dramatic, highly visible actions including risking personal loss, sacrifice or acting unconventionally.
- Lead by example by recognizing actions speak louder than words, through exemplary behaviour in Day-to-day interactions with subordinates and by demonstrating consistency in daily behaviour .

## 3.2 IMPROVING CORPORATE ORGANIZATIONAL EFFECTIVENESS

Corporate organizational effectiveness is the process of meeting organizational objectives, prevailing societal expectations in the near future, adapting and developing in the intermediate future, and surviving in the distant future.

The idea of trying to characterize the corporate outlook in Nigeria as totally effective or a failure is problematic. In the corporate world there may be some companies that function well and suggest effectiveness while other companies in the same corporate world may perform

poorly.A key factor in organizational effectiveness is the successful management of change and innovation, and corporate renewal.

Traditional views of managerial behaviour have placed emphasis on planning, organizing, directing and controlling. However, increasing the international competitiveness and the need for organizations to respond rapidly to constant change in their environment have drawn renewed attention in recent years to the concept of the organizational effectiveness. It is therefore often associated with organization development. The original idea has been around for many years, however, and was popularized in the 1960s-90s by major writers such as Argyris.

### 3.2.1 APPROACHES TO ORGANIZATIONAL EFFECTIVENESS

A good way to better understand this complex subject is to consider four generic approaches to assessing a corporate organization's effectiveness. These effectiveness criteria apply equally well to large or small business organizations. The key thing to remember is "no single approach to the evaluation of effectiveness is appropriate in all circumstances or for all organization types." These include:

1. **Goal Approach:** Effectiveness is the ability to excel at one or more output goals. Key organizational results or outputs are compared with previously stated goals or objectives. Deviations either plus or minus, require corrective action. Effectiveness relative to the criterion of goal accomplishment is gauged by how well the organization meets or exceeds its goals. Productivity improvement involving the relationship between inputs and outputs is a common organization level goal. Goals may be set for

organizational efforts such as minority recruiting, pollution prevention, and quality improvement. Given today's competitive pressures and e-business revolution, innovation and speed are very important organizational goals worthy of measurement and monitoring."

2. **Resource Acquisition Approach**: This second approach relates to inputs rather than outputs. An organization is deemed effective in this regard if it acquires necessary factors of production such as raw materials, labour, capital, managerial and technical expertise. Cooperative societies judge their effectiveness in terms of how much money they raise from members savings and how much loans they give out to members.
3. **Internal Processes Approach**: Some refer to this third approach as the "healthy systems" approach. An organization is said to be a healthy system if information flows smoothly and if employee loyalty, commitment, job satisfaction, and trust prevail. Goals may beset for any of these internal processes. Healthy systems, from a behavioral standpoint, tend to have a. minimum of dysfunctional conflict and destructive political maneuvering.

**Multiple Effectiveness Criteria: Some Practical Guidelines**

Experts on the subject recommend a multidimensional approach to assessing the effectiveness of modern organizations. This means no single criterion is appropriate for all stages of the organization's lifecycle. Nor will a single criterion satisfy competing stakeholders, Well-managed organizations mix and match effectiveness criteria to fit the unique requirements of the situation. Entrepreneurs need to

identify and seek input from strategic constituencies. This information, when merged with the organization's stated mission and philosophy, enables management to derive an appropriate combination of effectiveness criteria. The following guidelines are helpful in this regard:

- The goal accomplishment approach is appropriate when goals are clear, consensual, time-bounded, measurable.
- The resource acquisition approach is appropriate when inputs have traceable effect on results or output. For example, the amount of money a cooperative society receives through member's savings dictates, the level of services provided.
- The internal processes approach is appropriate when organizational performance is strongly influenced by specific processes (e.g. cross-functional teamwork).
- The strategic constituencies approach is appropriate when powerful stakeholders can significantly benefit or harm the organization.

## 4.0 CONCLUSION

We have seen in this unit the basis for transformational leadership approach to organizational effectiveness. As noted by Bass, the transformational leader motivates the followers to exceed the expectations of the leader. As against transactional leadership, transformational leadership enhances higher levels of motivation and commitment amongst followers.

## 5.0 SUMMARY

In a nutshell, in this unit we looked at the essential role of transformational leadership in achieving organizational effectiveness.

## 6.0 TUTOR-MARKED ASSIGNMENT

1) Discuss the importance of transformational leadership in a business organization
2) Provide an informed discussion on the components of transformational leadership
3) Describe the approaches to organizational effectiveness

## 7.0 REFERENCES/FURTHER READINGS

# UNIT 3: CHANGE MODELS

## CONTENTS

1.0 Introduction
2.0 Objectives
3.0 Main Content
3.1 Some important change models
3.1.1 Lewin's Model
3.1.2 Beckhard Model
3.1.3 Thurely Model
3.1.4 Quinn Model

3.1.5 Nadler and Tushman Model
3.1.6 Bandura Model
3.1.7 Beer Elsenstat and Spector Model
3.2 Management errors and change management
3.2.1 Kotter's steps for organizational change.
4.0 Conclusion
5.0 Summary
6.0 Tutor-Marked Assignment
7.0 References/Further Readings

## 1.0 INTRODUCTION

This unit presents the important contributions by scholars on change management, change models developed by various change management experts. You will learn the theoretical approach to the change process using models of change. The ways in which people change were described by some models. Others believe that change in attitude lead to change in behaviour. Some experts are of the view that organizational change typically fails because management commits one typically fails because management commits one or more errors. You will also see the steps for organizational change in this unit.

## 2.0 OBJECTIVES

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

- Understand the basic elements in change management.
- Identify the methods of analysis change
- Analyze the restraining or driving forces that will affect transition

## 3.0 Main Content

### 3.1 Some Important Models of Change

The best known change models are those developed by Lewin (1951) and Beckhard (1969). But other important contributions to an understanding of the mechanisms for change have been made by Thurley (1979), 'Quinn (1980), Nadler and Tushman (1980), Bandura (1986) and Beer et al (1990).

#### 3.1.1 Lewin's Model

The basic mechanisms for managing change, according to Lewin (1951), are s follows:

- **Unfreezing** - altering the present stable equilibrium which supports existing behaviours and attitudes. This process must take account of the inherent threats that change presents to people and the need to motivate those affected to attain the natural state of equilibrium by accepting change.
- Changing - developing new responses based on new information.
- Refreezing - stabilizing the change by introducing the new responses into the personalities of those concerned.

Lewin also suggested a methodology for analyzing change which he called 'field force analysis'. This involves:

- Analyzing the restraining or driving forces that will affect the transition to the future state; these restraining forces will include the

reactions of those who see change as unnecessary or as constituting a threat.

- Assessing which of the driving or restraining forces are critical.
- Taking steps both to increase the critical driving forces and to decrease the critical retraining forces.

### 3.1.2 Beckhard Model

According to Beckhard (1969), a change programme should incorporate the following processes:

- Setting goals and defining the future state or organizational conditions desired after the change.
- Diagnosing the present condition in relation to these goals.
- Defining the transition state activities and commitments required to meet the future state.
- Developing strategies and action plans for managing this transition in the light of an analysis of the factors likely to affect the introduction of change.

### 3.1.3 Thurley Model

Thurley (1979) described the following five approaches to managing change:

- Directive - the imposition of change in crisis situations or when other methods have failed. This i done by the exercise of managerial power without consultation.

- Bargained - this approach recognizes that power is shred between the employer and the employed and that change requires negotiation, compromise and agreement before being implemented.
- Hearts and minds - an all embracing thrust to change the attitudes, values and beliefs of the whole workforce. This 'normative' approach (i.e one that starts from a definition of what management thinks is right or 'normal') seeks 'commitment' and 'shared vision' but does not necessarily include involvement or participation.
- Analytical - a theoretical approach to the change process using models of change such as those described above. It proceeds sequentially from the analysis and diagnosis of the situation, through the setting of objectives, the design of the change process, the evaluation of the results and finally the determination of the objectives for the next stage in the change process. This is the rational and logical approach much favoured by consultants - external and internal. But change seldom proceeds a smoothly as this model 'would suggest. Emotions, power politics and external pressures mean that the rational approach, although it might be the right way to start, is difficult to sustain.
- Action-based — this recognizes that the way mangers behave in practice bears little resemblance to the analytical, theoretical model. The distinction between managerial thought and managerial action blurs in practice to the point of invisibility. What managers think is what they do. Real life therefore often results in a 'ready, aim, fire' approach to change management. This typical approach to change starts with a broad belief that some sort of problem exists, although it may not be well deflned. The' identification of possible solutions, often on a trial

and error basis, leads to a clarification of the nature of the problem and a shared understanding of a possible optimal solution, or at least a framework within which solutions can be discovered.

### 3.1.4 Quinn Model

According to Quinn (1980), the approach to strategic change is characterized a process of artfully blending 'formal analysis, behavioural techniques and power politics to bring about cohesive step-by-step movement towards ends which were initially conceived, but which are constantly refined and reshaped was new information appears. Their integrating methodology can best be described as "logical incrementation". Quinn emphasizes that it is necessary to: .

- Create awareness and commitment incrementally
- Broaden political support
- Manage coalitions
- Empower champions

### 3.1.5 Nadler and Tushman Model

The guidelines produced by Nadler and Tushman 91980) on implementing change were:

- Motivate in order to achieve changes in behaviour by individuals.
- Manage the transition by making organizational arrangements designed to assure that control is maintained during and after the transition, and by developing and communicating a clear image of the future.

- Shape the political dynamics of change so that power centres develop that support the change rather than block it.
- Build it stability of structures and processes to serve as anchors for people to hold on to. Organizations and individuals can only stand so much uncertainty and turbulence (hence the emphasis by Quinn (1980) on the need for an incremental approach).

### 3.1.6 Bandura Model

The ways in which people change were described by Bandura (1986) as follows:

1. People make conscious choices about their behaviour
2. The information people use to make their choices comes from their environment.
3. Their choices are based upon:

- The things that are important to them
- The views they have about their own abilities to behave in certain ways
- The consequences they think will accrue to whatever behaviour they decide to engage in.

For those concerned in change management, the implications of this theory are that:

- The tighter the link between a particular behavaiour and a particular outcome, the more likely it is that we will engage in that behaviour.
- The more desirable the outcome, the more likely it is that we will engage in behaviour that we believe will lead to it.

- The more confident we are that we can actually assume a new behaviour, the more likely we are to try it.

To change people's behaviour, therefore, we have first to change the environment within which they work, secondly, convince them that the new behaviour is something they can accomplish (training is important) and, thirdly, persuade them that it will lead to an outcome that they will value. None of these steps is easy.

### 3.1.7 Beer, Elsenstat and Spector Model

Michael Beer (1990) and his colleagues suggested in a seminal Harvard Business Review article, "Why change programs don't .produce change', that most such programmes are guided by a theory of change that is fundamentally flawed. This theory states that changes in attitudes lead to changes in behaviour. According to this model, change is like a conversion experience. Once people "get religion", changes in their behaviour will surely follow'. They believe that this theory gets the change process exactly backwards.

In fact, individual behaviour is powerfully shaped by the organizational roles people play. The most effective ways to change behaviour, therefore, is to put people into a new organizational context, which imposes dew roles, responsibilities and relationships on them, This creates a situation that is a sense "forces" new attitudes and behaviour on people.

They prescribe six steps to effective change, which concentrate on what they call "task alignment' - reorganizing employees' roles, responsibilities and relationships to solve specific business problems in

small units where goals and tasks can be clearly defined. The aim of following the overlapping steps is to build a self-reinforcing cycle of commitment, coordination and competence. The steps are:

1. Mobilize commitment to change through the joint analysis of problems.
2. Develop a shared vision of how to organize and manage to achieve goals such as competitiveness.
3. Foster consensus for the new vision, competence to enact it, and cohesion to move it along.
4. Spread revitalization to all departments without pushing it from the top don't force the issue, let each department find its own way to the new organization.
5. Institutionalize revitalization through formal policies, systems and structures.
6. Monitor and adjust strategies in response to problems in the revitalization process.

## 3.2 Management Errors and Change Management

The successful management of change is clearly essential for continued economic and competitiveness and is the life-blood of business success. New ideas and innovations should not be perceived as threats by entrepreneurs.

Christensen and Overdorf suggest a framework to help entrepreneurs understand what types of change the organization is capable and incapable of handling. They identify three factors that affect

organizational responses to different types of change and what an organization can and cannot do:

- Resources - access to abundant, high-quality resources increases an organization's chances of coping with change;
- Processes - the patterns of interaction, co-ordination, communication and decision- making employees use to transform resources into products and services. Processes may be formal and explicitly defined and documented, or informal and routines or ways of working that evolve over time;
- Values - the standards by which employees set priorities that enable them to judge whether an order is attractive, whether a customer is more or less important, whether an idea for a new product is attractive or marginal.

The factors that define capabilities and disabilities evolve over time - they start in resources, then move to visible, articulated processes and values, and finally migrate to culture. Christensen and Overdorf maintain that when an organization faces the same sort of problem that its processes and values were designed to address, managing can be straightforward. However, when the problem facing the organization is fundamentally different these same factors constitute disabilities, especially when the organization's capabilities have come to reside in processes and values. There are three possible ways in which managers can develop new capabilities to cope with change:

- Create organizational structures within corporate boundaries in which new processes can be developed;
- Spin out an independent organization from the existing organization and develop new processes and values;

- Acquire a different organization whose processes and values match closely the new requirements.

## 4.0 Conclusion

In conclusion, we have described in this unit some of the best known change models developed by experts. These change models have contributed to the understanding of the mechanisms for change. According to the Lewin (1951), the basic mechanisms for managing change include unfreezing, changing and refreezing. Understanding and application of the change models discussed in this unit will help managers and entrepreneurs the things that actually need to change.

## 5.0 Summary

This unit focused on different models of change developed by experts. The way managers behave in practice bears resemblance to some of the models described in this unit.

## 6.0 Tutor-Marked Assignment

1. Describe the differences between the basic mechanisms for managing change developed by Lewin (1951) and Thurley (1979).
2. List and discuss Kotler's eight (8) steps for organizational change.

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## UNIT 4: ENTREPRENEURSHIP IN A CHANGING ENVIRONMENT

**CONTENTS**

1.0 Introduction
2.0 Objectives
3.0 Main Content
- 3.1 Change in markets
  - 3.1.1 Outsourcing and virtual organizations
  - 3.1.2 Fragmentation
  - 3.1.3 Influence of technology
- 3.2 Competitive advantage of small business

3.2.1 The power of innovation

4.0 Conclusion

5.0 Summary

6.0 Tutor-marked assignments

7.0 References/further reading

## 1.0 INTRODUCTION

It will be right to say that the most important feature of today's business environment is change. Although it is more dramatic in some sectors of our economy than in others none is immune to the threat of change. Change is the only permanent thing, it is everywhere, and it will continue to grow. It has significant implications for entrepreneurs. In this unit, attempt is made to discuss this implications as it affect the market place and the competitive advantage for the small firms.

## 2.0 OBJECTIVES

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

- Understanding the nature of changes in the market place.
- Know the meaning of outsourcing.
- Examine the gains of fragmentation.
- Advance the role of modern technology in a dynamic environment.
- Outline the competitive advantage of small business in a business environment.

## 3.0 MAIN CONTENTS

## 3.1 Changes in Markets

A tactic commonly used when a company's management feels the pressure of competitors using aggressive pricing is to reduce costs to the lowest possible levels. The target of these cost reduction efforts is frequently the workforce. Fewer people on the payroll obviously means lower costs, but the need to produce the product or provide the service remains. Many firms have handled this dilemma by having an outside supplier perform the tasks.

### 3.1.1 Outsourcing and Virtual Organization

Outsourcing has become an increasingly common practice, an opportunity for small firms. The tasks performed by the victims of downsizing usually have to be taken care of, and small companies are typically used to do so. Consequently, as big firms experience threats, small firms are given opportunities.

In addition to receiving such outsourcing requests, small businesses can also compete in markets where size and scope are required to compete effectively by themselves contracting with outsiders to provide services. Using this method in the extreme, an individual can enter into alliances with a variety of suppliers to design a product, produce it and even market it. The relationship or alliance between the company and supplier continues until the contract requirements are met, after which the relationship ceases to exist. Should a new opportunity emerge, a new set of alliances is formed. By creating such relationships to cover all the tasks needed to bring the product to market, the entrepreneur can

enter markets that otherwise would have been out of reach. The term for a business that operates this way is virtual organization, a firm that operates as though it has all of the customary parts of an ongoing business, when in fact it may consist of only the entrepreneur and a file contacts for establishing relationships.

### 3.1.2 Fragmentation

Another change taking place in markets is one of continued fragmentation or the development of niches. The population of Nigeria is so large that for almost any product, the overall size of the market would preclude small business from competing effectively. Within markets, however, are small groups of customers looking for a unique set of attributes in a product; these groups constitute a niche. Many niches are too small to interest large firms and therefore provide small firms with opportunities. Benefiting from these opportunities requires focusing on a clearly defined niche in the market, understanding exactly the expectations of the customer in that niche, and filling those expectations.

### 3.1.3 Influence of Technology

As technology develops, we will see a change in the way commerce is conducted. This change has been called the transformation from "market place" (meaning physical business activities) to "market space" (business done electronically). Predictions of how this new technology driven process will develop are always hazardous, but it seems likely that some of the major players will be companies we have not heard of,

and many of them will be companies that have not even been started. Among the ingredients for success in this kind of embryonic industry are insights as to what it takes to serve customers who have not yet been identified and the inspiration to follow through on those insights. Someone with those characteristics will move us in the direction toward market space from marketplace and that someone is likely to an entrepreneur.

## 3.2 The Competitive Advantage of Small Business

Regardless of whether it is an upheaval in existing markets or the emergence of a new one, small businesses have important advantages that allow them to succeed. One is their responsiveness to conditions and trends in the market, which comes from a close relationship with customers and therefore a thorough understanding of their needs. For many entrepreneurs the relationship with the customer is a personal one and that means the first to learn of changes in preferences that will affect the market. Not only does such a relationship give the entrepreneur the chance to reverse the communication process to give the customer the message that he or she matters to the business. Large companies spend considerable amounts of money and energy to learn from the customer and to send messages of concern; for small firms both learning and showing concern are natural parts of the process of doing business.

### 3.2.1 The Power of Innovation

Another factor that distinguishes the successful small business from the typical large company is its ability to innovate. The independence of an entrepreneurial company allows it to move quickly when something changes or a new opportunity arises. While many large firms recognize the need to change directions quickly, most seem to be burdened with procedures and administrative controls that slow things down, no matter what the sense of urgency might be. This ability of small businesses to innovate can take on many forms, including product innovation (new features, improvements), process innovation (improvements to how production is carried out) and service innovation (offering something new to serve the market). Regardless of its form, innovation enables small business to compete successfully.

Closely related to innovation is flexibility. For many successful small businesses, a change requested for even hinted at by the customer or a new product feature developed by a competitor typically becomes a call for action that leads to new ways of doing things or modifications to the product line. The reasons for this flexibility are both attitudinal and practical. Entrepreneurs know that responding to the customer is important enough to deal with the disruption brought on by change; it "goes with the territory". As a practical matter, small companies trend to invest less than many big firms in expensive, single purpose machines, large inventory levels and rigid production tools and techniques. As a result, they can change what they do, or the way they do it, with far less difficulty.

Taken together, the characteristics- responsiveness, the ability to innovate and flexibility – provide a small business with what it takes to

compete in a rapidly changing environment. But clearly the entrepreneur, the individual is at the core of any success achieved by the small company.

### 3.2.1 The Entrepreneurial Spirit and Expansion Options

Some entrepreneurs adjust to the growing business and use their skills to build a company that is strong enough to let the founder be entrepreneurial again. This may be accomplished within the same company.

Entrepreneurs may develop a company to a mature phase and then hire a good team of managers to run the business on a daily basis. The entrepreneur can then use his or her skills to decide where the company is going next and what opportunities should be pursued. One entrepreneur say she believes that entrepreneurs should know their own strengths and build on them. Mary Kay Ash, founder of Mary Kay Cosmetics gave similar advice to entrepreneurs. Her advice was to "stay in the area that you do best" and find qualified people to handle the other tasks.

The entrepreneurial spirit can also be rediscovered by keeping the larger business and starting a second one. This allows the founder to experience the challenge of a start-up while maintaining the larger, more profitable business. In one small study of entrepreneurs who had been self employed for more than six years, 44 percent indicated that they owned more than one company.

### 3.2.2 Business Change Alternative

Other entrepreneurs at the same stage may have different reactions. Cashing in is always an option, but even then there are several alternatives.

Some entrepreneurs realize that they do not want sole responsibility for the company's management but they still want to be involved. For many, the solution is to sell a portion of the company to a key employee. One entrepreneur who started an auto repair firm sold a portion of the company to an employee when the business became too large and time consuming for one person to handle. This provided additional management expertise and also gave the entrepreneur more time for family and leisure activities.

Others decide to sell the business to an outsider and take a break from self-employment. One owner of a rapidly growing automotive equipment company found the business overwhelming. He chose to sell to another entrepreneur and then accepted a job at an engineering firm.

Still others sell one business and start another. One veterinarians successful animal hospital became too demanding. His solution was to sell the practice to another veterinarian and start a muffler repair shop instead.

## 4.0 CONCLUSION

We have considered the issue of business expansion and reactions of entrepreneurs concerning business growth in this unit. As business grows, the skills required of the entrepreneur also changes. As employees increase in numbers, the change will be from direct to indirect management. Also, financial and personal management; also

financial and personal management significance factors. One way of solving the problems associated with expansion is to match the size of the company with the personality of the entrepreneur.

## 5.0 SUMMARY

Many people engage in starting a small business that will grow to become large. The dream of achieving this business growth successfully is also the entrepreneur's nightmare. This transition carries with it many challenges. With entrepreneurial spirit, the problems associated with business expansion can be solved.

## 6.0 TUTOR-MARKED ASSIGNMENT

1. How does the entrepreneur's role change as a business expand?
2. What alternative are available to an entrepreneur if he becomes dissatisfied with the business growth.

## 7.0 REFERENCES /FURTHER READING

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## MODULE 3

## UNIT 1: TEAM WORK IN A DYNAMIC BUSINESS ENVIRONMENT

### CONTENTS

1.0 Introduction

2.0 Objectives

3.0 Main Content

- 3.1 The Work-Team Idea
  - 3.1.1 Why firms are turning to teams
  - 3.1.2 Types of team
- 3.2 Work-Team Formation Stages
  - 3.2.1 Team Roles

3.2.2 Team Learning Factors
4.0 Conclusion
5.0 Summary
6.0 Tutor-Marked Assignment
7.0 References/Further Reading

## 1.0 INTRODUCTION

This unit introduces you to the concept of teamwork in an organized business set-up. You will also learn the reasons for a change of focus to teamwork by business firms rather than only groups. Teams are a major feature of a business firm's life. An entrepreneurial organization is made up of sub-units and groups of people. Most activities of the firm require at least some degree of co-ordination through the operation functional team work. An understanding of the nature of teams is vital if the entrepreneur is to influence the behaviour of people in the work situation. The entrepreneur in this ever-changing business environment must be aware of the impact of teams and their effects on firm performance.

## 2.0 OBJECTIVES

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

- Explain work-team idea
- Know why firms are now turning to teams
- Understand different types of teams
- Identify the stages of work team formation

- Examine the team learning factors

## 3.0 MAIN CONTENT

### Team Work in a Dynamic Business Environment

### 3.1 The Work-Team Idea

Many entrepreneurs have tried to focus on team. Team is an instrument of sustained and enduring success in business ventures. It is essentially a desirable adaptation in creating a sharper vision and engender better approaches to performance delivery in this changing business environment. Emphasis has now shifted all over the world, from the qualities of an effective manager to what makes a team-tick. Work team offers the potential and prospect for positive growth and development in the area of entrepreneurial development..

Now, as more knowledgeable employees get employed in government agencies on both moral and intellectual grounds, it becomes expedient for more people to have a say in management. The work-team has infact become the stable alternative, a means of running public sector organizations effectively, so long as the right combination of employees can be found. Work-organizations are therefore changing at such a fast pace that solutions to problems are no longer found in books, journals or in the mind of the "expert", but in team members themselves.

### Work Team-Idea

Teams have been around as long as organizations have been around. Whenever people interact regularly to accomplish goals, whether in formal or informal setting team exist. However, work team is not a group of friends located in a single office room.

### 3.1.1 Why Firms are Turning to Teams

Organizations are turning to teams for a myriad of reasons. These include the following advantages:

- Work-team increases productivity
- Work-team means improved work-processes and facilitates work force diversity.
- Work-team improves organizational communication climate and speeds decisions making.
- Work team delivers better quality goods and services.
- Work team is more creative and efficient at problem solving.
- Work-team makes better use of resources and allows management to think strategically.
- There is advantage of synergy

Work-team does work that ordinary group cannot do. Abundant knowledge resides in a group of professionals working together as a team. Team work allows work organization to blend people with different kinds of knowledge together, without differences rupturing the fabric of the organization. There is therefore no doubt that with an optimum mix, the work-team can achieve far more than the individuals.

### 3.1.2 Types of Team

Broadly in any organization, there are 3 types of work-team

- Management team (to direct the whole organization).
- Functional or operational team - Departments with Heads, e.g. Administration, Entrepreneurial Development, Technology, infrastructure and Innovation, Co-ordination and Extension services, Finance and Accounts etc.
- Project team - Task force or venture group. This is formed to tackle a specific problem or task.

Work teams cannot exist in isolation. It must function within an organization that has a certain culture a way of doing things. Unless the organizational culture is favourable to team work, any team building is bound to fail.

## 3.2 WORK TEAM FORMATION STAGES

Work teams do not simply come together and achieve because they are together. Work teams develop over time and go through four distinct stages of development.

**The Forming Phase**

| | **Characteristics** | **Potential problems** |
|---|---|---|
| **Stage One** | • Uncertain as to rules<br>• Dependence upon leader<br>• Variety of comfort of knowing | • Concern for personal safety and acceptance.<br>• Discussions are abstract |

| | |
|---|---|
| team members | and unfocused.<br>• Testing as to acceptable behaviour.<br>• Members discuss unrelated issues. |

**The forming phase**

| | **Characteristics** | **Potential problems** |
|---|---|---|
| **Stage Two** | • Members take more risk with their increased comfort level and try to influence direction of decision making.<br>• Conflicts arise around projects, actions and timelines.<br>• Members become testy and uncooperative.<br>• Members are impatient about rate of progression and resist attempt to move forward. | • Resistance to action and to the problem solving methods.<br>• Member's attitudes may fluctuate and slow or hinder progress.<br>• Arguing may create subgroups and divide the group.<br>• Some members may begin to dominate or withdraw.<br>• Interest, enthusiasm and atmosphere may begin to deteriorate.<br>• Leader may be openly challenged. |

**The Forming Phase**

| | Characteristics | Potential problems |
|---|---|---|
| **Stage Three** | • Members may continue to resolve conflicts from the storming phase.<br>• Members focus on team goals and feel more committed.<br>• Members update ground rules.<br>• Competitive relationship becomes cooperative.<br>• Trust grows<br>• Facilitator delegates more | • Unresolved conflicts may resurface.<br>• Team may need to learn more about each other and how to select appropriate tools to work together.<br>• Team may not move forward to accomplish goals. |

**The Performing Phase**

| | Characteristics | Potential problems |
|---|---|---|
| **Stage Four** | • Work is being accomplished.<br>• Members are enjoying working together.<br>• Members know how to solve problems.<br>• Relationships are trusting and cooperative.<br>• Communication is open and honest.<br>• Shared leadership role. | • Team may become sp cohesive that they exclude others.<br>• Team may become impatient with others outside their team.<br>• Not all members will progress through the stages at the same rate.<br>• Teams may become stagnant (no innovation)<br>• Reduced decision making |

| | |
|---|---|
| | ability (group thinking) through the pressure to conform. |

### 3.2.1 Team Roles

All team members have a responsibility to oil the wheel that keeps the team running smoothly. Essentially, eight key roles are instrumental to effectiveness in team-work. Each of these are being associated with particular personality. They are:

Leader: Calm, confident and controlled

Office worker: Conservative, dutiful and predictable

Searcher: Extroverted, enthusiastic and curies

Designer: Individualistic, orderly and conscientious

### 3.2.2 Team Learning Factors

Team-learning is the starting point in the work-team. It is an adaptation of the action-learning focusing on providing solutions to organizational problems. Team learning is fundamental to the performance of a team. It provides a structure and language to ensure that the essential roles for excellence in team work are continually implemented. Without the team-learning, a work team can never achieve its potentials.

Team learning factors are arranged in a model of team-tasks known as the team-work wheel. This wheel describes nine essential team activities or topics. These are:

- Advising - Gathering and reporting information
- Innovating - Creating and experimenting with ideas

- Promoting - Exploring and presenting opportunities
- Developing - Assessing and testing the applicability of new approaches
- Organizing - Establishing and implementing ways of making things work
- Producing - Concluding and delivering outputs
- Inspecting - Controlling and auditing the working of systems
- Maintaining - Upholding and safeguarding standards and processes
- Linking - Coordinating and integrating the work of others

- **Advising:** When faced with a difficult problem, the starting point for team discussion is advising. What information do we need? Why? Where will we get it? Who will get it? When do we need it? How will we get it?

This ensures that all currently available data is gathered for consideration.

- **Innovating:** The innovating role ensures that the work team will spend time discussion ideas around the problems being faced. Most successful innovating sessions follow a procedure designed to ensure an open and diverging discussion. Such sessions should be free from any commitment to make a decision.

- **Promoting:** Promoting has two aspects to it. Each team member needs to learn how to present ideas and solutions in a way that will influence other team members. Equally important is a focus on the

key stakeholders outside the team. Who outside the team needs to be persuaded if the idea is to proceed? Many ideas are impracticable and can never be implemented, due to organizational and cultural constraints.

- **Developing:** Developing sessions focus on which ideas are likely to work and how can they be tested for verification.

- **Organizing:** Organizing is action oriented and ensures that the team will implement agreed solutions and assign accountabilities and responsibilities. It is predictably the colour of action. The team learning process is established on team building cycle. This will discussed later.

- **Producing:** Producing addresses the output aspects of any decision. What are our jobs what is the organization duty. To what quality levels? To what standards? When? Producing defines the bottom line on which many team are evaluated.
- **Inspecting:** this is an evaluative phase. How many ideas fail because the detailed aspects were not thought? Unforeseen problems difficulties, security issues, financial predicament, bad interpersonal relationship. Many of these inspecting problems earn be eliminated by focusing discussion on this aqua-blue aspect of work. .Blue is the colour of cool, clear, detailed thinking.

- **Maintaining:** Maintaining the agreed decisions and the team processes will ensure that the team stays together and learns together. Your car will fail if it is not regularly maintained. Your team will also fail if it is not maintained. Maintenance involves regularly reviewing mistakes in a non-recriminatory way and establishing guidelines to prevent them from reoccurring.

- **Linking:** Linking is in the middle of the model because it is a shared responsibility of every team member. Each person working on a team task must undertake to link with other team members so that everyone is fully informed. The team-learning process is established on a team-building cycle.

## 4.0 CONCLUSION

In this unit, we discussed the idea behind teamwork as well as the importance of teamwork in this dynamic business environment. The underlying feature of team work is a spirit of cooperation in which members work well together as a united team and with harmonious and supportive relationships. As has been explained in this unit, you will note that work teams do not just happen, they develop over time and go through stages of development.

## 5.0 SUMMARY

The use of the word 'teams' has become increasingly fashionable. Work is a group based activity and if business firms are to function effectively it requires collaboration and cooperation amongst its members. Team work is essential for enhanced performance in a competitive business environment.

## 6.0 TUTOR-MARKED ASSIGNMENT

1. Evacuate the importance of teamwork for effective organizational performance.
2. List and discuss four (4) development stages of teams.

## 7.0 REFERENCES/FURTHER READING


Adair J. (1986) Effective Team Building, Gower

Crainer S. (1998); Key Management Ideas: Thinkers That Changed the Management World, (3rd edition) Financial Times Prentice Hall p. 237

ACAS Team work (2007) Success Through People Advisory Booklet

Boynton A. and Fischer B. (2005); Virtuoso Teams: Lessons from Teams that Changed their Worlds, Financial Times Prentice Hall

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Farrell E. (2009) Take the Lead in Setting Standards of Behaviour in your Team;, Professional Manager vol. 19 No. 1

## UNIT 2: TEAM BUILDING IN BUSINESS SET-UP

**CONTENT**

1.0 Introduction
2.0 Objectives
3.0 Main Content
3.1 Meaning of Team Building
3.1.1 Team Building cycle
3.2 Factors Affecting Team Building
3.2.1 Team Factors
3.2.2 Characteristics of a Work Team

3.2.3 Guidelines for Effective Team Participation
4.0 Conclusion
5.0 Summary
6.0 Tutor-Marked Assignment
7.0 References/Further Reading

## 1.0 INTRODUCTION

As you study through this unit, you will discover that the process of team building as work teams to become more effective in carrying out their tasks. How people behave and perform as members of a group is as important as their behaviour or performance as individuals. Harmonious working relationships and good teamwork help make for a high level of employee morale and work performance. Effective teamwork is an essential element of modern management practices for entrepreneurs such as quality circles, total quality management and how firms manage change. Teamwork is important in any organization but is especially significant in entrepreneurial firms where there is a direct effect on customer satisfaction.

## 2.0 OBJECTIVES

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

- Explain the meaning of team building
- Analyze the nature of team building cycle
- Review characteristics of a work team.
- Examine the guidelines for effective team members participation.

## 3.0 TEAM BUILDING IN BUSINESS SET-UP

### 3.1 Meaning of Team Building

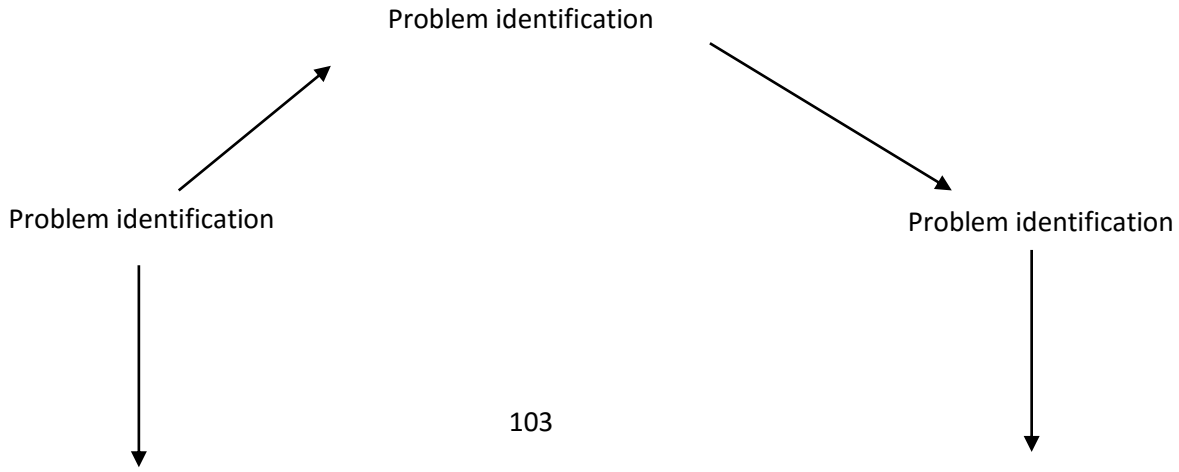
Team building is the process of helping the work team become more effective in accomplishing its tasks/roles and in satisfying the needs of the team members. It is a strategic intervention by which differences in organizations are ironed out through sectional solutions of the misunderstanding within the various units, sections, department and divisions in the organizations.

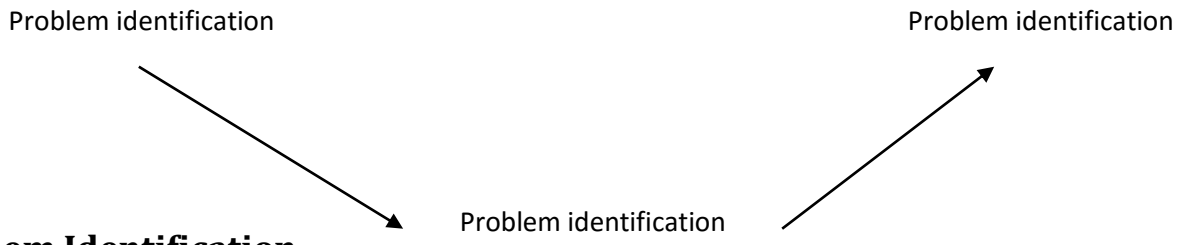
Team building is a group of activities designed to enhance the effective operation of the entire system in a firm. It is a potential resource for problem solving. Team building may relate to task issues such as:

- The way things are done
- The needed skill to accomplish job-tasks
- The resource allocations necessary for task accomplishment
- Nature and quality of inter-personal relationship in the organization

#### 3.1.1 Team Building Cycle

**Team building is usually in a cycle**






**Problem Identification**

The team building cycle starts with the identification of the problem. Members of the work-team diagnose how they work-together and plan changes that will affect their effectiveness. Their focus might to be on:

- Setting goal or priorities for the work-team
- Analyzing or allocating the way the job is performed
- Examining the way the team is working
- Examining relationships among the work-team

**Data Gathering**

After identifying the problems, the team goes about to collect data. This involves getting together as a team of family to ask questions on what is responsible for the problem.

**Diagnosis**

The diagnostic stage involves what is the cause of the problem. Is the cause of the problem, human or material SWOT analysis can be conducted is it knowledge, skill or attitude problem.

**Planning**

This is the way and means of resolving the problems and making the team cohere for effectiveness progress and growth.

**Implementation**

Implementation of the planning is the fifth stage, while evaluation of the implementation, which is sometimes referred to as monitoring is the last stage of the cycle.

The cycle is in form of a price system. If the problem has not been solved to the desired standard, the cycle goes to the problem stage. The pin-pointing of performance standard.

P - Pinpoint performance standard

R - Record current achievement

I - Investigate the cause of deviation

C - Coach for better performance

E - Evaluate the achieved performance

In its simplest term, the stages involved in team building are:

- To clarify the collective goals.
- To identify those inhibitors that prevents from researching the goals and removes them.
- To put in place enable that assists the removal.
- To measure and monitor progress, to ensure the goals are achieved.

## 3.2 FACTORS AFFECTING TEAM BUILDING

Variables affecting team building can be classified into three main types.

**External Factors**

Management or employees may not have control over these, but may have to management them. Examples are;

- Union constraints
- Legal/regulatory measures
- Socio/cultural factors
- Political/economic factors
- Customers requirement.

### 3.2.1 Team Factors

These revolve around the interaction of team-members with one another and over which the team-members and team leader have the greatest direct control.

**Individual Factors**

The individual factors focus on interpersonal relationship and attitudes of individual members towards the organization or their work schedules. These are mainly attitudinal factors involving team behaviours which are difficult to control, but need careful management and which the team-leader can do a lot to influence. The approach is to encourage those in opposition since there will be different personalities in the team to function effectively as part of the team. This is necessary in order to achieve the corporate goals and objectives.

### 7.1.1 Characteristics of Well Functioning Work Team

These are:

**Purpose:** Team-members proudly share a sense of why the team exists and are invested in accomplishing its mission and goal.

**Priorities:** Team members know what needs to be done next, by whom, and by when to achieve team goals.

**Roles:** Team members know their roles in getting tasks done. and when to allow a more skillful member to do a certain task.

**Decision:** Authority and decision making lines are clearly understood.

**Conflict:** Conflict is dealt with openly and is considered important to decision making and personal growth.

**Personal Traits**: Team-members feel their unique personalities are appreciated and well utilized.

**Norms**: Group norms for working together are set and seen as standards for everyone in the groups.

**Effectiveness:** Team members find team meetings efficient and productive and look forward to this time together.

**Success:** Members know clearly when the team has met with success and share in this equally and proudly.

**Training:** Opportunities for feedback and up-dating skills are provided and taken advantage of by team members.

### 7.1.2 Guidelines for Effective Team Participation

The following are useful guidelines for team participation

- Contribute ideas and solutions
- Recognize and respect differences in others
- Value the ideas and contribution of others
- Listen and share information
- Ask questions and get clarification

- Participate fully ad keep your commitment
- Be flexible and respect the partnership created by the work team strive for win-win
- Have fun and care about the team and the outcomes.

## 8.0 CONCLUSION

In this unit, you have been presented with the nature and importance of building successful teams. Whatever the debate about a comparison between individual entrepreneur and team performance, or self-managed groups, effective team working is of increasing importance in modern business organizations. This demands that the entrepreneur must be aware and pay attention to effective team building. The principles of team working may be easily understood, but the task of installing it can be quite daunting, introducing team working is not a straightforward job. It is not just about adding a new idea, it is about making a fundamental change in the way people work.

## 9.0 SUMMARY

The increasing need for collaboration and teamwork together with recognition for individual has highlighted the need for attention to team building. Building successful teams is of increasing importance in modern business organizations. It is necessary to take into consideration a variety if interrelated factors as highlighted in this unit.

## 10.0 TUTOR-MARKED ASSIGNMENT

- Discuss critically and with supporting practical examples, the likely advantages of teamwork.

- Team building starts with the identification of a problem. Citing practical examples, discuss all the stages involved in team building cycle.

## 11.0 REFERENCES/SUGGESTED READINGS


Adair J. (1986) Effective Team Building, Gower

Crainer S. (1998); Key Management Ideas: Thinkers That Changed the Management World, (3rd edition) Financial Times Prentice Hall p. 237

ACAS Team work (2007) Success Through People Advisory Booklet

Boynton A. and Fischer B. (2005); Virtuoso Teams: Lessons from Teams that Changed their Worlds, Financial Times Prentice Hall

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## UNIT 3: THE QUALITY GURUS

**CONTENTS**

1.0 Introduction

2.0 Objectives

3.0 Main Content

3.1 Views of Quality Gurus

3.1.1 The Deming Cycle

3.1.2 Juran's Quality Triology

3.1.3 Armand V. Feigenbarm's Total Quality Control

3.1.4 Genichi Taguchi's Prototype Method

3.1.5 Shigeo Shingo's Just-in-Time

3.1.6 Crossby's Absolute Quality
3.1.7 Tom Peter's Leadership Centrality
3.1.8 ClusMollet's Human and Personal Quality
4.0 Conclusion
5.0 Summary
6.0 Tutor-marked Assignment
7.0 References/Further Reading

## 1.0 INTRODUCTION

This unit focused on the activities of the Quality Gurus. As noted by Stewart, Quality improvement requires key essential factors for success. It is quite useful to adopt various quality improvement techniques.

## 2.0 OBJECTIVES

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

i. Understand the concept of quality in greater depth
ii. Analyse the views of quality Gurus.
iii. Know the measures of solving quality crisis

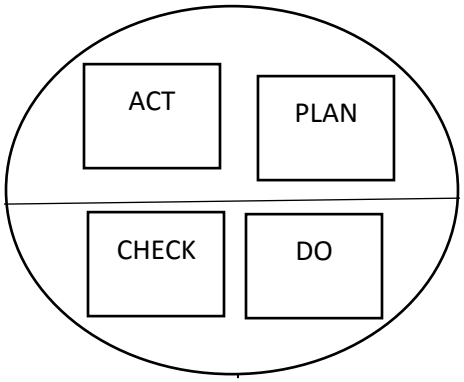
## 3.0 MAIN CONTENTS

## 3.1 VIEWS OF QUALITY GURUS

The following are views explained by those often referred to as quality Gurus on concept of quality.

### 3.1.1 THE DEMING CYCLE

Deming Plan - Do - Check - Act (PDCA) cycle, this concept was invented by Shewart and popularized by Deming.



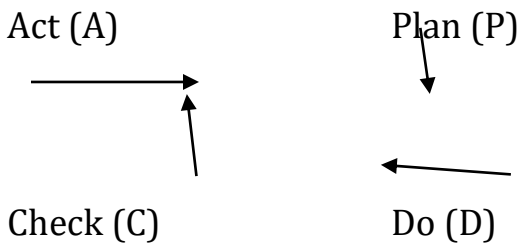




Fig. 2

The Deming PDCAcycle provides opportunities for continuous evaluation andimprovement.

1. Plan a change or test (P)
2. Do it (D) carry out the change or test, preferably on a small scale.
3. Check it (C) observes the effects of the change or test. Study it (S).
4. Act on what was learned (A)
5. Respect step 1, with new knowledge
6. Respect step 2 and onward.

Continuously evaluate and improve.

Deming prescribed fourteen measures to cure the crisis of quality. Quality crisis arecharacterized by:

1. Lack of constancy of purpose of plan and deliver productsand services:
2. Emphasis on short - term profits
3. Performance appraisals that promote fear and stimulate unnecessarycompetition among employees.
4. Mobility of management
5. Management by use of visible figures without concern about other data
6. Excessive medical costs.
7. Excessive costs of liability.

**Deming's Fourteen Points**

These are curative in nature

1. Create constancy of purpose toward improvement of product and service
2. Adopt the new philosophy - we must prevent mistakes.
3. Cease dependence on mass inspection. Instead, design and build in quality
4. Don't award business on price alone.
5. Continuously improve the system of production and service.
6. Institute training on the job.
7. Institute leadership.
8. Drive out fear.

9. Break down barriers between areas
10. Eliminate numerical goals, work standards and quotas.
11. Eliminate slogans aimed solely at the work force.
12. Remove barriers that hinder workers
13. Institute a vigorous programme of education and self improvement.
14. Take action to accomplish the transformation.

### 3.1.2 JURAN'S QUALITY TRIOLOGY

The Quality triology emphasized the roles of quality planning, qualitycontrol and quality improvement.

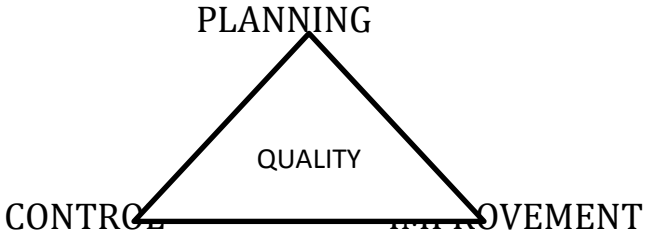



Fig 1 Triology Model (Juran)

- Quality planning's purpose is to provide operators with the ability toproduce goods and service that can meet customer's needs.
- Quality control is used to prevent things from getting worse, It is theinspection part.
- Improvements must be ongoing.

### 3.1.3 ARMAND V. FEIGENBARM

ARMANDV. Feigenboum in his concept on quality developed the idea of totalquality control. He based his concept on three steps to quality consisting ofquality leadership, modern quality technology and organizationalcommitment to quality.

(1960 -1980)

### 3.1.4 GENNICHI TAGUCHI: Prototype method

His concept is fundamentally based on the prototyping method. This enables thedesigner to identify the optimal settings to produce a robust product that cansurvive manufacturing time after time, piece after piece and provide what the customer wants. This is commonly used in mass production.

DrGenichi Taguchi in his concept developed the "Taguchi methodology" ofrobust design. This concept is also known as "Design in quality" or off-linequality control, designing products and processes so that 'they are sensitive"Robust" to parameters outside the design Engineer's control. His concept isbased on making the design less sensitive to variation in the manufacturingprocess instead of trying to control manufacturing variation.

### 3.1.5 SHIGEO SHINGO: Just-in-time

His concept is strongly associated with JUST-IN-TIME (JIT) manufacturing andwas the inventor of the single minute exchange of die (SMED) system, inwhich set-up times are reduced from hours to minutes and the POKA-YOKE(mistake proofing) system. In POKA-YOKE defects are' examined, theproduction system stopped and immediate

feedback given, so that the rootcauses of problems may be identified and prevented from occurring again. Achecklist is usually provided to take care of human error. 1980-2000

### 3.1.6 CROSBY'S FOUR ABSOLUTES OF QUALITY

1. Quality means conformity to requirements, not goodness.
2. The system for causing quality is prevention, not appraisal.
3. The performance standard must be zero defects, not "that's close enough.
4. The measurement of quality is the price of nonconformance, not indexes.

### 3.1.7 TOM PETERS: Leadership

He identified leadership as being .central to the quality improvement process.The new role is of a facilitator and the basis is managing by walking about(MBWA), enabling the leader to keep in touch with customers, innovation andpeople - the three main areas in the pursuit of excellence. He believed that asthe effective leader walks, at least major activities are happening

- LISTENING, suggest caring
- TEACHING, values are transmitted.
- FACILITATING, able to give on the -spot help.

### 3.1.8 **CLUS MOLLER**: Human and Personal Quality

CLUS MOLLER Quality a subject close to my heart - He is known worldwidefor his work on developing and understanding of the need for

taking intoaccount the human factor in quality. His concept was based on human andpersonal quality. The idea behind this is that quality starts at the individuallevel. He further says that without good personal quality, you cannot havegood team or organizational quality.

## 4.0 CONCLUSION

As can be seen in this unit, various experts view quality from varied perspective. Deming popularize the concept of Plan-Do –Check –Act (PDCA) developed by Shewart. Juran's quality control and quality improvement. Armand concentrated on total quality control. One thing that is common to all the views expressed by the quality Gurus is efficiency and effectiveness of production and services provision processes. The quality gurus examined have gone a long way in helping the development of entrepreneurship and have helped enterprises transit from the traditional methods of quality operations to the most modern.

## 5.0 SUMMARY

This unit focused on the views expressed by various experts on quality.

## 6.0 TUTOR- MARKED ASSIGNMENT

1. Describe Deming's fourteen (14) measures of solving quality crisis.
2. Compare Juran's quality Triology to Crosby's four (4) Absolutes of quality.

3. Quality starts at the individual level. Provide an informed discussion on Moller's concept of personal quality

## 7.0 References/Further Readings

## UNIT 4: QUALITY IMPROVEMENT FOR POSITIVE CHANGE

**CONTENTS**

1.0 Introduction
2.0 Objectives
3.0 Main content
3.1 Meaning of quality
3.1.1 Transcendental view of quality
3.1.2 Product-based view
3.1.3 User based view
3.1.4 Manufacturing-based view
3.1.5 Value based view

3.2 Concept of evolution
4.0 Conclusion
5.0 Summary
6.0 Tutor Marked Assignment
7.0 References/Suggested Readings

## 1.0 INTRODUCTION

In this chapter, you are presented with the basic concept of quality. The concept and vocabulary of quality is quite elusive. This is because just as meanings are in people, quality means different things to different people. The modern concept of quality is considered to have evolved through some stages. These stages are highlighted in this unit.

## 2.0 OBJECTIVES

At the end of this unit, you should be able

- Define quality concisely
- Analyse quality from different perspectives
- Describe the four major stages that quality evolved.

The struggle to define quality can be traced back to the nineteenth century. The division of labour, mass production of consumer goods and intensified global trade spurred the first attempt to give formal definition to the concept of quality during the early industrial era.

## 3.1 MEANING OF QUALITY

In view of its abstract quality nature has been defined in various ways by various authors. David Garvin, a Harvard professor, in his book, Managing Quality, summarized five principal approaches to defining quality:

**3.1.1 Transcendental view of Quality** - Those who hold this view would say, 'I can't define it, but I know it when I see it'. Advertisers are fond of promoting products in this term.

**3.1.2 Product Based View** - Quality is viewed as quantifiable and measurable characteristics or attributes. Examples, durability or reliability can be measured.

**3.1.3 User Based View** - Quality is an individual matter.

**3.1.4 Manufacturing Based View** - Concerned primarily with manufacturing and engineering practices and uses the universal view of conformances to requirements.

**3.1.5 Value Based View -** This is when quality is defined in terms of cost and prices as well as number of other attributes.

Nameer (2009) stated that the concept and vocabulary of Quality is very elusive. It means different things to different people. He stated that very

few can define quality in measurable terms that can be operationalized. For example, when asked about quality:

- A banker will answer service.
- A health care worker will answer quality health care.
- The hotel restaurant employee will answer customer satisfaction.
- The manufacturer will simply answer quality product.
- A lecturer will answer knowledge impartation.

Similarly, five quality gurus define quality in terms of the following:

1. Variability - Shewart
2. Predictability - Deming
3. Conformance to requirement - Crosby
4. To Juran, Quality is fitness for use.
5. Lastly, Feigenbam says, Quality is the customer's opinion. (Henry Kling)

Going by the definitions we can see that quality is an abstract construct used to measure services and products. There are two types of quality, the ascribed and prescribed. British research establishment defined it as the totality of features and characteristics of product or service that bear on its ability to satisfy stated or implied needs.

Quality is meeting customer requirement at lower cost with built-in preventive actions in the processes. It also includes employee/management involvement ensuring the best product to the customer/end user with JIT delivery.

## 3.2 CONCEPT EVOLUTION

The modern concept of quality is considered to have evolved through four major stages over many years. These include:

a. Inspection - This is traditionally the process of checking what is produced and what is required. (1920s)

b. Quality control (1940s)

c. Quality assurance.(1970s)

d. Total Quality Management. (1980s)

## 4.0 CONCLUSION

In conclusion, this unit preset the basic concept of quality and it's evolution. Quality is difficult to define in measurable time. What constitute quality depends on the individual. This may also mean that quality means different thing to different persons. It however evolve through some stages.

## 5.0 SUMMARY

In a nutshell quality is elusive but there are approaches to defining quality.

## 6.0 TUTOR MARKED ASSIGNMENT

i. Describe the principal approaches to defining quality

ii. The modern concept of quality is considered to have evolved through four(4) major stages. List and explain these stages.

## 7.0 REFERENCES/SUGGESTED READINGS

**MODULE 4**

**UNIT 1: BASIC QUALITY IMPROVEMENT TOOLS AND TECHNIQUES**

**CONTENTS**

1.0 Introduction

2.0 Objectives

3.0 Main content

3.1 Fundamental Quality Improvement tools

3.1.1 Flow chart

3.1.2 Check sheet

3.1.3 Histogram
3.1.4 Pareto analysis
3.1.5 Cause and effect phenomenon
3.1.6 Charts
3.1.7 Brainstorming
3.1.8 Plan-do-study-act (PDSA)
3.1.9 Bench marking
3.2 Advantages and limitations of quality improvement tools
4.0 Conclusion
5.0 Summary
6.0 Tutor-marked assignment
7.0 References/further reading

## 1.0 INTRODUCTION

This unit introduces you to the important basic tools and techniques for quality improvement. Quality improvement tools and techniques are vital to positive changes and growth of any organization. These tools have been in use for ages by companies and entrepreneurs all over the world. Quality tools and techniques are essential for achieving corporate growth through customer satisfaction. Establishing quality improvement tools and techniques help firms and entrepreneur to create great attitude of success and assist in maintaining a culture of quality.

## 2.0 OBJECTIVES

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

- Appreciate the need for quality tools for the entrepreneur.
- Determine the relevance of a particular tool and technique in a given circumstances.
- Design quality tools for practical application.
- Know the benefits and limits of quality tools and techniques

## 3.0 MAIN CONTENT

## BASIC QUALITY IMPROVEMENT TOOLS AND TECHNIQUES

### 3.1 Fundamental Quality Improvement Tools

These fundamental quality improvement (Q1) tools were first emphasized by Kaoru Ishikawa, professor of engineering at Tokyo University and the farther of quality circles in Japan. They were identified for the average person to analyzed and interpret data.

These tools have been used worldwide by companies, entrepreneurs managers of all levels and employees. The tools are as follows (Hughes, 2005; www.dti.uk!quality/tool).

1. Flow chart
2. Check sheet
3. Histogram
4. Pareto charts
5. Cause and effects diagrams
6. Scatter diagrams
7. Control charts
8. Bar charts

9. Brain storming
10. Plan-Do-Study-Act (PDSA)
11. Benchmarking

### 3.1.1 Flow Chart

A flow chart is a schematic representation of a process. The process chart was first introduced by Frank Gilbeth in 1921. He employed it to show a graphical and structured method of documenting process.

Flow charts are useful tools for communicating how processes work, and for clearly documenting how a particular job is done. It is an effective way to clarify understanding of the process, and keeps thinking about where the process can be used.

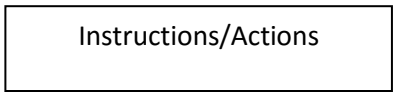
It can be used to:

- Define and analyze processes
- Build a step-by-step picture of the process for analysis, discussion or communication.

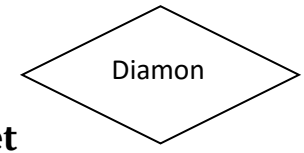
Essentially, most flow charts consist of three symbols.

i. Elongated circles, which process the start or end of a process

ii. Rectangles, which show instructions or actions




iii. Diamonds, which show decisions that must be made




**A check sheet**

This is an organized way of collecting and structuring data, its purpose is to collect the facts in the most efficient way. It ensures that the information that is collected is what was asked for and that everyone is doing it the same way. In other words, data is collected and ordered by adding check marks against predetermined categories of items or measurements. It is implies the task of analysis (www. dti.gov.uk/quality/tools).

| | Total |
|---|---|
| IIII II IIII III II I | X |
| II II II II III II II | Y |

**Histogram**

- The word histogram is derived from Greek word "histos'"anything set upright" (as the masts of ship); grammar, drawing, record and writing.
- The histogram is a summary graph which shows the count of total number of data points that fall into various ranges.

**PARETO ANALYSIS**

Pareto is an Italian Economists who studied wealth distribution in 1897. He explained that 80% of financial wealth is in the hands of 20% of population (few with lots of money, many with little money).

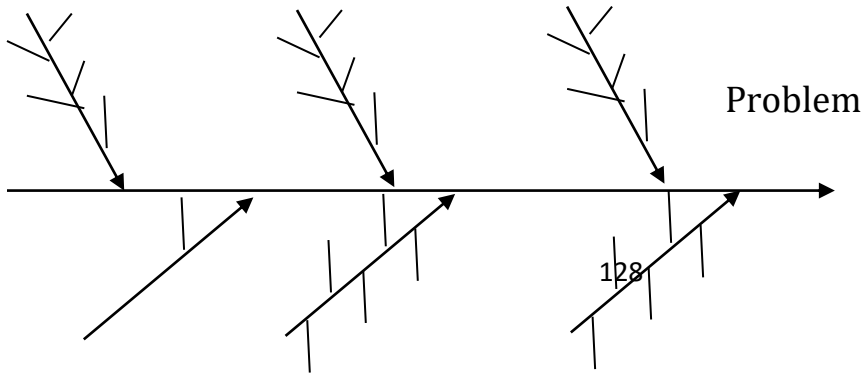
Pareto analysis can be used to systematically identify major causes or effects, loss in monetary from, decide most important areas of improvement analytically, compare 'before' and 'after' improvement effect, used for different areas of quality, inventory, maintenance, safety, etc. A Pareto diagram or chart pictorially represents data in the form of a ranked bar chart that shows the frequency of occurrence of items in descending order. Usually, Pareto diagrams reveal that 80% of the effect is attributed to 20% of the causes; hence, it is some-times known as the 80/20 rule (www.dtigov.ulguality/tools).

**CAUSE AND EFFECT PHENOMENON**

This is called Ishikawa Diagram or Fishbone diagram. It is simply a diagram that shows the causes of a certain event. The diagram generally can reveal key relationship among various variables and possible causes identified may provide additional insight into process performance.

The effect or problem being investigated is shown at the end of a horizontal arrow; potential causes are then shown as labeled arrows entering the main cause arrow. Each arrow may have other arrows entering it as the principal causes or factors are reduced to their sub-causes; brainstorming can be effectively used to generate the causes and sub-causes.

**Cause and Effect Diagram**



Or Effect

Factors of concerns

**KEY STEPS IN CAUSE AND EFFECT DIAGRAM**

- Determine quality characteristics or quality problem to study
- Determine main factors or primary causes.
- Determine secondary causes which affects primary causes and also "small bones" which is affecting secondary bones
- Assign importance level, mark particular factors that may have significant effect for solving problem.
- Write down important information, e.g. data, place, members, departments etc.

### 3.1.6 Charts

Charts are in different forms:

#### (A) Control Chart

This is used to monitor processes that are in control, using means and ranges. It represents data, e.g. sales volume, customer complaints, in chronological order, showing how the values change with time. In a control each point is given individual significance and is joined to its neigbours.

Above and below the mean, upper and lower warning and action lines (UWL, LWL, LAL) are drawn. These act as signals or decision rules, and give operators information about the process and its state of control.

The charts are useful as a historical record of the process as it happens, and as an aid to detecting and predicting change.

**(B) Bar Charts**

These are usual displays of data in which the right of the bars is used to show the relative size of the quality measured. The bars can be separated to show that the data is not directly related or continuous. They can be used to give visual impact to data, compare different types of data and compare data collected at different times (www.dti. gov.uk./quality tools)

### 3.1.7 Brainstorming

This can be used in conjunction with the cause and effect tool. It is a group technique used to generate a large number of ideas quickly and may be used in a variety of situations. Each member of the group, in turn, can put forward an idea concerning the problem being considered. Wild ideas are welcomed and no criticism or evaluation takes place during brainstorming, all ideas recorded for subsequent analysis. The process continues until no additional ideas are received and thus increasing the chance for originality and innovation (Stahl and Grigsby, 1997). It can be used for:

- Identifying problem areas
- Identifying areas for improvement
- Designing solutions to problems
- Developing action plans

### 3.1.8 Plan Do Study Act (PDSA)

Quality improvement is aimed at making positive change to effect favourable outcomes can use the Plan-Do-Study-Act (PDSA) model. This is a method that has been widely used by many organizations for rapid cycle improvement.

The purpose of PDSA quality improvement efforts is to establish a functional or causal relationship between changes in process (specially behaviors and capabilities) and outcomes.

Langley (2001) proposed the questions before using the PDSA cycles.

- What is the goal of the organization?
- How it is known whether the goal was reached?
- What will be done to reach the goal?

### 3.1.9 Benchmarking

Benchmarking is defined as the continual and collaborative discipline of measuring and comparing the results of key work process with those of the best performers in evaluating organizational performance.

There are two types of benchmarking that can be used to evaluate quality performance. While internal benchmarking is used to identify best practices within an organization to compare best practices within the organization, and to compare current practices overtime external beach marking is used to identify practices obtainable outside the organization. (Hughes, 2005)

In summary, basic tools and their utilities are:

1. Flow Chart: Understand process and depict situation in graphical form.
2. Check Sheet: Find facts by collecting and recording data.
3. Histograms: Identify problems and their relative importance.
4. Pareto Charts: Separate 'Significant few" from Trivial many" causes.
5. Cause and Effect Diagrams: Generate and capture ideas.
6. Scatter Diagrams: Study trend and predict behavior.
7. Control Charts: Study performance about common and special causes of variation.

## 3.2 ADVANTAGES AND LIMITATIONS OF QUALITY IMPROVEMENT TOOLS AND TECHNIQUES.

**Advantages**

- Establishing quality improvement tools and techniques helps to create an attitude and maintain culture of quality.
- Using quality tools and techniques are necessary to achieve customer satisfaction.
- The use of Plan, Do, Check and Act (PDCA) as quality improvement tools has proved very effective in improving quality in organizations.

**Limitations**

The limitations of tools according to Andersen (2008).include:

- Difficulty in application of the tools
- Accuracy of the methodology.

## 4.0 CONCLUSION

Quality improvement tools and techniques are central to continuous quality improvement in organization. This is regardless of the tools and techniques used for quality improvement in an organization. You will also understand that quality improvement is a dynamic process that often employs more than one tool at a point in time.

As noted by Stewart (2003), quality improvement in an organization. You will also understand that quality improvement is a dynamic process that often employs more than one tool at a point in time.

As noted by Stewart (2003), quality improvement requires key essential elements for success this include fostering and sustaining a culture of change, development and clarification of the problem involved, testing change strategies, continuous monitoring, and reporting of findings to sustain the change.

## 5.0 SUMMARY

This unit concentrated on the quality improvement tools and techniques. Emphasis is on the use of more than one improvement techniques by an organization to identify inefficiencies and errors such that will influences changes associated with the system.

## 6.0 TUTOR – MARKED ASSIGNMENT

1. List and discuss any five (5) quality improvement tools and techniques known to you.
2. What are the benefits and limitations of quality improvement tools and techniques?

## 7.0 REFERENCE/SUGGESTED FURTHER READINGS

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## UNIT 2: MANAGEMENT OF CHANGE

**CONTENTS**

1.0 Introduction

2.0 Objectives

3.0 Main Content

3.1 The Power Change

3.la The Forces Change

3.lb Types of Change

3.2a Strategic Change

32b Operational Change

4.0 Conclusion

*5.0* Summary

6.0 Tutor-marked Assignment

7.0 Reference/Further Reading

## 1.0 INTRODUCTION

This unit contains basic elements of change management. As change is inevitable, you will understand its inevitability and why entrepreneur should prepare for change. You will also find that there are essentially two types of change — strategic and operational change can occur as a result of activities external to an organization. Natural process of ageing can cause changes internally. In this unit you will find out about forces of change

## 2.0 OBJECTIVES

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

- Analyze the force of change
- Identify the types of change
- Discover ways of managing change effectively
- Distinguish between external change and change that is internal in origin

## 3.0 MAIN CONTENT

### 3.1 THE POWER OF CHANGE

Change descends on all entrepreneurs. While some realize it early others realize it late. Change is inevitable and inescapable. We are all subjects to change. Like it or not, change happens. Change is also a pervasive influence. Change can be studied in terms of its effects at the individual group, organization, society, national or international level. However: because of its pervasive nature, change at any one level is interrelated with changes at other levels, and it is difficult to study one area of change in isolation. At individual level there could for example, be a personal transformational change where circumstances have not changed but because of some

emotional happening the individual was transformd or changed: This transformation may have some effect on their behaviour and actions at work and relationships with colleagues. But our main focus of attention is on the management of change in business firms. Organizational change can be initiated deliberately by entrepreneurs.

### 3.1.1 The Forces of Change

**A** business firm can perform effectively only through interactions with the broader external environment on which it is part. The structure and functioning of the firm must reflect, therefore, the nature of the environment in which it is operating. There are factors which create an increasingly volatile
environment, such as:

- Uncertain economic conditions,
- Globalization
- The level of government intervention
- Market competitors
- Government regulations
- Scarcity of resources
- Rapid developments in new technologies and the information age.

In order to help ensure its survival and future success the firm must be readily
adaptable to the external demands placed upon it. The business firm must be responsive to change. Other major forces of change include:

- Increased demands for quality and high Levels of customer service and satisfaction;
- Greater flexibility in the structure of work organizations and patterns of management; the changing nature and composition of the workforce; and

- Conflict from within the firm.

Change also originates within the firm itself. Much of this change is part of a natural process of ageing - for example, as material resources such as buildings, equipment or machinery deteriorate or lose efficiency; or as human resources get older, or as skills and abilities become outdated. Some of this change can be managed through careful planning.

2

**3.2 Types of Change**

There are two main types of change: strategic and operational.

**3.2.1 Strategic Change**

Strategic change takes place within the context of the external competitive economic and social environment, and the organization's internal resources, capabilities, culture, structure and systems. Its successful implementation requires thorough analysis and understanding of these factors in the formulation and planning stages. The ultimate achievement of sustainable competitive advantage relies on the qualities defined by Pettigrew and Whipp (1991:P.4), namely: "The capacity of the firm to identify and understand the competitive forces in play and how they change over time, linked to the competence of a business firm to mobilize and manage the resources necessary for the chosen competitive response through time".

3.2.2 **Operational Change**

Operational change relates to new systems, procedures, structures or technology which will have an immediate effect on working arrangements within the organization. But their impact on people can be more significant than broader strategic change and they have to be handled just as carefully.

MAIN CONTENT

**3.2.3 BASIS FOR PLANNING ORGANIZATIONAL CHANGE Nature of**

**Planned Organizational Change**

Most planned organizational change is triggered by the need to respond to new challenges or opportunities presented by the external environment, or in anticipation of the need to cope with potentialfuture problems, for example, uncertain economic conditions, intended government legislation, new product development by a major competitor or further technological advances. Planned change represents an intentional attempt to improve, in some important way, the operational effectiveness of the organization.

The basic underlying objectives can be seen in general terms as:

- Modifying the behavioural patterns of members of the organization; and
- Improving the ability of the organization to cope with changes in its environment.

The following points can serve as a useful guide in the planning process:

- Be alert to the first signs of change.
- Change descends on every One equally; it is just that some realize it faster.
- Some changes are sudden but many others are gradual.
- While sudden changes get attention because they are dramatic, it is the gradual changes that are ignored till it is too late.

**3**

- You must have all heard of story of the frog in boiling water. If the temperature of the water is suddenly increased, the frog realizes it and jumps out of the water. But if the temperature is very slowly increased, one degree at a time, the frog does not realize it till it boils to death.
- You must develop your own early warning system, which warns you of changes and calls your attention to it. In the case of change, being forewarned is being forearmed,
- Anticipate change even when things are going right."
- Most people wait for something to go wrong before they think of change.

- It is like going to the doctor for a checkup only when you are seriously sick or thinking of maintaining your vehicle only when it breaks down.
- The biggest enemy of future success is past success, when you succeed, you feel that you must be doing something right for it to happen.
- But when the parameters for success change, doing the same things may or may not continue to lead to success.
- Guard against complacency all the time, Complacency makes you blind to the early signals from the environment that something is going wrong.
- Always look at the opportunities that change represents."
- Managing change has a lot to go with our own attitude towards it.
- It is proverbial half-full or half empty glass approach.
- For every problem that change represents, there is an opportunity lurking in disguise somewhere. It is up to you to spot it before someone else does.
- Develop detailed, Multi-dimensional Plans

a. Change Description

b. Business Objectives

c. Human Objectives

d. Key Role Map

e. Vision

f. Detailed Activities, Resources, Timelines

g. Measurements

- Recognize That This Is a Journey
- Will Need to Adapt Plan As Needs Change

**4.0 CONCLUSION**

It is now appropriate to draw our conclusion. We have seen that change is inevitable. It is phenomenon that we must be prepare to face and handle in a proper manner. Change happen to entrepreneur. While some it early enough while others

don’t realize it in good time.

## 5.0 SUMMARY

This unit looked at different types and forces of change.

## 6.0 TUTOR-MARKED ASSIGNMENT

7.0 References


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5. A.M. Webber (1999), “Learning for a Change”, fast company.
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# UNIT 3: RESPONSES AND RESISTANCE TO CHANGE

## CONTENTS


1.0 Introduction

2.0 Objectives

3.0 Main Content

- 3.1 Factors affecting responses to change
  - 3.1.1 Capabilities of coping with change
- 3.2 Resistance to change
  - 3.2.1 Signs of change
  - 3.2.2 How to detect change resisters
  - 3.2.3 Reasons for individual resistance
  - 3.2.4 Reasons for organization resistance

3.2.5 overcoming resistance
4.0 Conclusion
5.0 Summary
6.0 Tutor-Marked Assignment
7.0 References/Further Readings

## 1.0 INTRODUCTION

Individuals respond to change in different ways. What is clear is that successful management of change is essential for the continued survival of firms. There are certain factors that can affect organizational responses to different type of change.

Irrespective of any outcome from change, it is often resisted at both individual and organizational levels. Resistance to change can come in any form. There are both active and passive indications for resistance. Factors exist to assist in minimizing resistance to change. Such factors include effective communication, employee participation, manipulation and co-optation amongst others.

## 2.0 OBJECTIVES

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

* Identify factors affecting responses to change
* Realise the strategies for coping with change
* Understand factors contributing to resistance to change
* Know how to detect change resisters
* Discover measures for overcoming resistance

## 3.0 MAIN CONTENT

## 3.1 FACTORS AFFECTING RESPONSES TO CHANGE

The successful management of change is clearly essential for continued grow Entrepreneurs.

Christensen and Overdorf suggest a framework to help entrepreneurs understand what types of change the organization is capable and incapable of handling. They identify three factors that affect organizational responses to different types of change and how competitiveness is the life-blood of business success. New ideas and innovations should not be perceived as threats by entrepreneurs.

The following factors are essential to the understanding of responses to chnage:

- **Resources** - access to abundant, high-quality resources increases an organization's chances of coping with change;
- **Processes** - the patterns of interaction, co-ordination, communication and decision- making employees use to transform resources into products and services. Processes may be formal and explicitly defined and documented, or informal and routines or ways of working that evolve over time;
- **Values** - the standards by which employees set priorities that enable them to judge whether an order is attractive, whether a customer is more or less important, whether an idea for a new product is attractive or marginal.

### 3.1.1 CAPABILITIES OF COPING WITH CHANGE

The factors that define capabilities and disabilities evolve over time - they start in resources, then move to visible, articulated processes and values, and finally migrate to culture. Christensen and Overdorf maintain that when an organization faces the same sort of problem that its processes and values were designed to address, managing can be straightforward. However, when the problem facing the organization is fundamentally different these same factors constitute disabilities, especially when the organization's capabilities have come to reside in processes and values. There are three possible ways in which managers can develop new capabilities to cope with change:

- Create organizational structures within corporate boundaries in which new processes can be developed;
- Spin out an independent organization from the existing organization and develop new processes and values;
- Acquire a different organization whose processes and values match closely the new requirements.

## 3.2. Resistance to Change

Despite the potential positive outcomes, change is often resisted at both the individual and the organizational level. Resistance to change - or the thought of the implications of the change - appears to be a common phenomenon. As long ago as 1970, Toffler wrote about the psychological dimension of 'future shock', and that people are naturally wary of change. 'Among many there is an uneasy mood - a suspicion that change is out of control.

Resistance to change can take many forms and it is often difficult to pinpoint the exact reasons. The forces against change in work

organizations include:' ignoring the needs and expectations of members; when members have insufficient information about the nature of the change; or if they do not perceive the need for change. Fears may be expressed over such matters as employment levels and job security, de-skilling of work, loss of job satisfaction, wage rate differentials, changes to social structures and working conditions, loss of individual control over work, and greater management control

### 3.2.1 Signs of Resistance to Change

The signs indicating that a person is resisting change can be categorized as either active or passive. They include the following:

- **Active Signs of Resistance**
  a. Being highly critical
  b. Looking for fault from others
  c. Trying to ridicule others
  d. Appealing to fear (emphasizing potential failure)
  e. Using facts in a selective manner
  f. Blaming or accusing others (passing the buck)
  g. Sabotaging genuine effort
  h. Intimidating others or issuing out threats
  i. Manipulating rather than motivating
  j. Distorting facts
  k. Undermining the efforts of others
  l. Peddling rumours
  m. Engaging in needless arguments

- **Passive Signs of Resistance**

a. Malicious compliance – agreeing verbally but refusing to follow through.
b. Refusal to implement change
c. Procrastinating – putting off and dragging one's feet.
d. Feigning ignorance (pretending not to know)
e. Withholding information (hiding facts, suggestions, assistance or support).
f. Standing by, watching and allowing the change to fail.

**How to Detect Change Resisters**

Change resisters can be detected through their spoken words or conduct. Statements like "it is too risky," "we are okay the way we are", "there is no threat", and "that will not work here" are examples of such spoken words. Change resisters also exhibit the following:

- Anger, frustration and other negative emotional expressions
- Stubbornness
- Apathy
- Withdrawal
- Absence
- Feigning illness

**Reasons for Individual Resistance**

Some common reasons for individual resistance to change within organizations include the following:

1. **Selective perception.** People's interpretation of stimuli presents a unique picture or image of the 'real' world and can result in selective

perception. This can lead to a biased view of a particular situation, which fits most comfortably into a person's own perception of reality, and can cause resistance to change. For example, trade unionists may have a stereotyped view of management as untrustworthy and therefore oppose any management change, however well founded might have been the intention. Managers expose to different theories or ideas may tend to categorize these as either those they already practice and have no need to worry about or those that are of no practical value and which can be discarded as of no concern to them.

2. **Habit.** People tend to respond to situations in an established and accustomed manner. Habits may serve as a means of comfort and security, and as a guide for easy decision making. Proposed changes to habits, especially if the habits are well established and require little effort, may well be resisted. However, if there is a clearly perceived advantage, example a reduction in working hours without loss of pay, there is likely to be less, if a resistance to the change, although some people may, because of habit, still find it difficult to adjust to the new times.
3. **Inconvenience or loss of freedom**. If the change is seen as likely to prove inconvenience, make life more difficult, reduce freedom of action or result in increased control, there will be resistance.
4. **Economic implications**. People are likely to resist change that is perceived as reducing either directly or indirectly their pay or other rewards, requiring an increase in for the same level of pay or acting as a threat to their job security. People tend to have established

patterns of working and a vested interest in maintaining the status quo.

5. **Security in the past**. There is a tendency for some people to find a sense of security past. In times of frustration or difficulty, or when faced with new or unfamiliar ideas or methods, people may reflect on the past. There is a wish to retain old and comfort ways. For example, in bureaucratic organizations, officials often tend to place faith in established ('tried and trusted') procedures and cling to these as giving a feeling of security.
6. **Fear of the unknown**. Changes which confront people with the unknown tend to cause anxiety or fear. Many major changes in a work organization present a degree of uncertainty, for example the introduction of new technology or methods of working. A person may resist promotion because of uncertainty over changes in responsibilities or the increased social demands of the higher position.

### 3.2.4 Reasons for Organizational resistance

Although organizations have to adapt to their environment, they tend to feel comfortable operating within the structure, policies and procedures which have been formulated to deal with a range of present situations. To ensure operational effectiveness, organizations often set up defenses against change and prefer to concentrate on the routine things they perform Well. Some of the main reasons for organizational resistance against change are as follows:

1. **Organization culture**. Recall that the culture of an organization develops over time and may not be easy to change. The pervasive

nature of culture in terms of 'how things are done around here' also has a significant effect on organizational processes and the behaviour of staff. An ineffective culture may result in a lack of flexibility for, or acceptance of, change.

2. **Maintaining stability**. Organizations especially large-scale ones, pay much attention to maintaining stability and predictability. The need for formal organization structure and the division of work, narrow definitions of assigned duties and responsibilities, established rules, procedures and methods of work, can result in resistance to change. The more mechanistic or bureaucratic the structure, the less likely it is that the organization will be responsive to change.
3. **Investment in resources**. Change often requires large resources that may already be committed to investments in other areas or strategies. Assets such as buildings, technology, equipment and people cannot easily be altered. For example, a car manufacturer may not find it easy to change to a socio-technical approach and the use of autonomous work groups because it cannot afford the cost of a new purpose-built plant and specialized equipment.
4. **Past contracts or agreements**. Organizations enter into contracts or agreements with other parties, such as the government, other organizations, trade unions, suppliers and customers. These contracts and agreements can limit changes in behaviour - for example, organizations operating under a special license or permit, or a fixed-price contract to supply goods/services to a government agency. Another example might be an agreement with unions that

limits the opportunity to introduce compulsory redundancies, or the introduction of certain new technology or working practices.

5. **Threats to power or influence**. Change may be seen as a threat to the power or influence of certain groups within the organization, such as their control over decisions, resources or information. For example, managers may resist the introduction of quality circles or worker-directors because they see this as increasing the role and influence of non-managerial staff, and a threat to the power in their own positions. Where a group of people have, over a period of time, established what they perceive as their 'territorial rights', they are likely to resist change.

### 3.2.5 Overcoming Resistance to Change

The following are essentials factors in overcoming resistance to change:

**(1) Effective Communication and Education**

An appropriate communication programme can help in overcoming resistance to change. Although communication applies to all phases of business, managing it is particularly important in the process of change. In its broad sense, the purpose of communication in an enterprise is to effect change so as to influence action toward the growth of the enterprise. People naturally hate to be the last to know. It therefore important to communicate the desired change to all those concerned. Once persuaded people will often help with the implementation of change.

**(2) Employee Participation**

When employees participate in the decision making process, they will extend their cooperation to implement change in the organization. As

independent minded beings, adult natural persons hate to have decisions imposed on them. many managers have tried to focus on team participation by employees. Work team is more creative and efficient and solving problems that can emanate as a result of change. People who participate will be committed to implementing change.

**(3) Facilitation and Support**

In order to remove anxieties among employees, it is essential to providing counseling and training in new skills before embarking on a change programme. Employee training and counseling on the desired outcome of the change is the starting point to ensure acceptance by the employee. No other approach works as well with adjustment problems. It can be time consuming, expensive and may still fail.

**(4) Manipulation and Co-optation**

Manipulation involves providing incorrect or false information. This strategy should only be used where providing the accurate information will not achieve the desired result. This approach can be quick and inexpensive. But it can lead to failure problems of people feel manipulated.

**(5) Coercion**

True large scale organizational changes may require the use of threats or force. This is because it is difficult to convince everyone to acceptchange. However, it is to be noted that showing respect towards, resistors creates stronger relationships and thereby improves the prospects of success in managing change. This approach is normally used where speed is essential and where the change initiators posses

considerable power. It is speedy can overcome any kind of resistance. However, it can be risky if it leaves people made at the initiators.

## 4.0 CONCLUSION

There is no universal strategy for overcoming resistance to change. The strategies to be adopted will depend on the circumstances. Since change is constant, organizations must be ready for change before it can be effective. Managers should not assume that employees are consciously resisting change. Managers are encouraged to use a system model of change to identify the problems affecting the implementation process. Middle level managers should be highly involved in radical innovative change since employee'sperceptions of a change have significant effect on resistance, managers should always demonstrate the benefits of change over the personal costs to employees.

## 5.0 SUMMARY

In summary, the unit discussed factors affecting responses to change. Resistance to change can take many forms and it is often difficult to pin point the exact reasons. Resistance to change can be minimize.

## 6.0 TUTOR MARKED ASSIGNMENT

1. Describe the factor that contribute to individual and organizational resistance to change.
2. Explain the factors that affect organizational responses to change
3. Provide an informed discussion on how to overcome resistance to change.

## 7.0 REFERENCES/FURTHER READING

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## UNIT 4: BUSINESS PLAN FOR BUSINESS GROWTH

**CONTENTS**

1.0 Introduction
2.0 Objectives
3.0 Main content
3.1 Relationship of business plan and growth
3.1.1 Meaning of a business plan
3.1.2 Purpose of a business plan
3.1.3 Basic elements of a business plan
3.2 Scope and value of a business plan
3.2.1 Design and development plan

4.0 Conclusion
5.0 Summary
6.0 Tutor-marked Assignments
7.0 References / Further Reading

## 1.0 INTRODUCTION

This unit attempt to explain the essence of business plan in relation to business growth. The growth of the company is demonstrated in the business plan through the financial projections. The unit explains how the entrepreneur must project future sales expenses and profits as this is closely tied to growth plans. You will also learn about the most important purposes as well as the basic elements of a business plan.

## 2.0 OBJECTIVES

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

- Define a business plan
- State clearly the purposes of a business plan
- Explain the basic elements of a business plan
- Relate business plan to the growth of a firm

## 3.0 MAIN CONTENT

### 3.1 Relationship for Business Plan and Growth

A business plan is a written document that describes all the steps necessary to open and operate a successful business. Once an

entrepreneur has worked out the details of his business, it is important to put everything on paper. Writing these details will help an entrepreneur visualize all the parts of the business. It also will help him persuade other people and banks to invest in his business idea. A business plan:

- Describes what the business will produce, how an entrepreneur will produce it and who will buy the product or service.
- Explains who will run the business and who will supply it with goods.
- States how the business will win over customers from competitors and what the business will do to keep customers.
- Provides detailed financial information that shows how the business will succeed in earning a profit.
- Writing a business plan is one of the most difficult and important things an entrepreneur will do. A business plan can make or break the business.

### 3.1.2 Purposes of a Business Plan

The business plan serves three important purposes.

1. A business plan explains the idea behind the business. It spells out how the product or service will be produced and sold. To persuade people and banks to invest in the business, an entrepreneur needs to show that his business idea is a good one. So, he will need a completely new product or service or one that is better or less expensive than products or services that already exist. He will need

to identify who his target customer is and show how his company will be able to get and keep customers.

2. A business plan sets specific goals and describes how the business expects to achieve them. A good business plan includes sales estimates for the short term (the first year), the medium term (two or five years after startup), and the long term (five years in the future). It describes the products and services that will be introduced over the next five years. It also describes future plans, such as expansion of the business.
3. A business plan describes the backgrounds and experience of the people who will be running the business. Banks and other lenders make financing decisions based on how well they think a company can meet its goals. Entrepreneurs that have a background related to their business idea are more likely to succeed. If an entrepreneur provides good information on the background and experience of the people who will be running the company, the bank or investor will be more likely to invest money in the business.

### 3.1.3 Basic Elements of a Business Plan

All businesses are not alike. Therefore, not all business plans are alike. A business plan for a sole proprietorship business based in a home will differ from a business plan for a large corporation with offices in many cities. But all business plans have the same purposes, so they all should include seven basic elements:

1. History and background of your idea
2. Goals for your company

3. Products or services you will offer
4. Form of ownership
5. Management and staffing
6. Marketing
7. Current and projected financial statements

**History and Background**

Something must have sparked the idea for your business. Describing how the entrepreneur came up with the idea can help lenders, investors, and others understand how your business will operate.

**Goals**

An entrepreneurs' business plan should outline his short-term, medium-term and long-term goals. This section of the business plan describes the vision of where the entrepreneur wants his company to be in the future. Some entrepreneurs are very clear about what they want to do with their business. Others know their short-term goals, but they have not thought further ahead.

**Products or Services**

This part of the business plan should describe the products or services the company plans to produce or offer. The entrepreneur should explain how these products or services differ from those already in the market. He will need to describe any unique features of his products or services. He also needs to explain the benefits customers will gain by purchasing from his company.

**Industry**

In the product or service section of the business plan, the entrepreneur should describe the industry in which he will operate. It should include:

- Outside factors affecting his business such as high competition or a lack of suppliers.
- Estimates for industry growth.
- Economic trends of the industry.
- Technology trends that may affect the industry.

To find this information, he will need to conduct research. Government documents, newspapers and magazine articles, book on industry leaders and the internet are all sources of information. Be sure to name all of these sources in the plan. Listing sources makes a business plan more persuasive.

**Location**

The product or service section of the business plan also should describe the location of the business. This is because the location of a business, is often important to its success. Lenders want to know exactly where the business will be located.

**Form of Ownership**

In his business plan, the entrepreneur should have a section describing the form of ownership. Provide information that relates to the form of business such as whether he has partners or how many shareholders he

has. This section of the business plan is important because each form of business ownership has a different effect on how the business works and makes profits. If an entrepreneur uses his business plan to obtain financing, the lender will be interested in this information.

**Management and Staffing**

The entrepreneur and the people he hires to help run the company are responsible for its success. Even the best business plan will not help the company succeed, if it is carried out by people who are not capable. The management and staffing section of the business plan should show that the entrepreneur and the people who will be working for him have the experience, maturity and knowledge to operate the business.

**Marketing**

In the business plan, the entrepreneur should include information on marketing his business. He will explain who his target customers are, how large the market is for his product or service and how he plans to enter that market. He also should explain how he plans to deal with competition. He should list his company's advantages over his competitors. These advantages may include:

- Performance
- Quality
- Reliability
- Location
- Price
- Promotion

- Public image or reputation

**Current and Projected Financial Statements**

The financial section of the plan consists of three elements.

1. **Identification of risks**

   Lenders and investors will want to know what risks the business faces and how he plans to deal with them. Do not be afraid to list potential problems. Lenders know that every business faces risks. They will be reassured to see that the entrepreneur have clearly thought through the potential problems and have developed a plan for dealing with them. Example of risks that the entrepreneur could face are competitors lowering prices, costs running higher than estimated, and demand for the product or service declining over time.

2. **Financial Statements**

   A new business must include projected financial statements, known as pro forma financial statements, in its business plan. A business already in operation must include current financial statements as well as projected financial statements.

3. **Loan request and return on investment**

   The entrepreneur also must state how he needs to borrow and how he plans to use the money. He should give investors an idea of how much money they could expect to earn on their investment in his business. He also should state how much of his own money is invested in the business. From the above, it is now clear that a business plan is a written document giving in detail all relevant

internal and external elements that affects a business and strategies for starting a new venture. A business plan is an important document which deals with all aspects of proposed new business. Planning is an ongoing process in any industry, business or business enterprise, It is more important for a new business. The preliminary business plan drawn initially goes evolving and refining as the entrepreneur learns more about the market, the product, the management team and the fund requirements of the new venture. The business plan integrates the functional plans of different segments of the organization such as marketing, production, finance and human resources. The business plan also takes into account a time horizon of 2-3 years for a new venture. The business plan is also referred to as the road map or game plan of the organization".

In preparing a business plan, an entrepreneur takes help of experts in different fields such as finance, legal, marketing, and technical consultants for necessary inputs. Small scale organizations take care of small-scale industries services, made available by government for large organizations, Help is taken from reputable consultants for making an objective assessment of skills available within the organization, skills to be hired and plan step-by-step the initial business activities. A business plan is prepared by the entrepreneur and it is a written document, so that it can be made known to all concerned.

## 3.2 The Scope and Value of Business Plan

The scope of the business plan has four elements, namely, what is the venture, what is marketing perspective, what is the investor's view points and the fourth is socio-economic issues.

- The entrepreneur should decide and define what the venture is all about and the aims and objectives of the venture may be given in a written document. The nature of the product may be given.
- Any new enterprise should aim at a particular segment of customers. Without customer orientation, there will not be any viability of any enterprise. It is also seen that many entrepreneurs are carried away by product or technology and not customer orientation. The marketing focus and plans may be given. A customer product or a new e-commerce business will have different focus. The size of the market, customer segmentation, competition and potential growth will have considerable impact on the business plan.
- Good financial projections by the entrepreneur for the new enterprise attract investors.
- The business plan also should address the socio-economic impact of the proposed new venture so as to get the general acceptance of the public and government institutions.

The business plan is known to all personnel and organizations that help to build the new organization namely, the entrepreneur, investors, employees, bankers, government institutions, customer, suppliers, consultants. The business plan document should be made based on the questions all these stakeholders may ask and address all their concerns. Each of the group will have their own view point and questions on the business plan of the proposed venture. The general questions that occur

are: is this good business? Will it succeed? Who are the customers? How the competition is met? How the funds are made available? How the business will be managed? And so on. To answer such questions, an entrepreneur should think from various view points.

### 3.2.1 Design and Development Plans

The nature and extent of any design and development work and the time and money required before a product or service is marketable need to be considered in detail. (Note that design and development costs are often underestimated).

Design and development might be the engineering work necessary to convert a laboratory prototype to a finished product; the design of special tooling; the work of an industrial designer to make a product more attractive and salable; or the identification and organization of employees, equipment and special techniques such as new computer software and skills required for computerized credit checking, to implement a service business.

a. **Development Status and Tasks**

   Describe the current status of each product or service and explain what remains to be done to make it marketable. Describe briefly the competence or expertise that your company has or will require to complete this development. List any customers or end-users who are participating in the development, design, and/or testing of the product or service. Indicate results to date or when results are expected.

b. **Difficulties and Risks**

Identify any major anticipated design and development problems and define approaches to their solution. Discuss the possible effect on the cost of design and development, on the time to market introduction, and so forth, of such problems.

c. **Product Improvement and New Products**

In addition to describing the development of the initial products, discuss any ongoing design and development work that is planned to keep the product(s) and service(s) that can be sold to the same group of customers. Discuss customers who have participated in these efforts and then reactions and include any evidence that you may have. With regard to ongoing product development, outline any compliance issue relating to new, pending or potential environmental legislation. Discuss any green technologies or production capabilities that could enhance sustainability.

d. **Costs**

Present and discuss the design and development budget including costs of labour, materials, consulting fees and so on Discuss the impact on cash flow projections underestimating this budget, including the impact of a IH percent to 30 percent contingency.

The growth of the company is shown in the business plan through the financial projection. The entrepreneur must project future sales, expenses, and profit, and this is closely tied to growth plans. The projected growth of the company must seem achievable to bankers and investors or they will think the entrepreneur is being overly optimistic.

Many entrepreneurs have failed after expanding too rapidly, so the business plan must show consistent but manageable growth.

## 5.0 CONCLUSION

Many entrepreneurs have failed after expanding their business too rapidly. In this unit, effort is on the writing of a business plan that will show consistent but manageable growth of business. Since businesses differ, business plans are also not completely alike. However, all business plan have the same purposes and must include same basic elements as explained in this unit.

## 6.0 SUMMARY

As a written document, a business plan describes all the steps necessary to start, operate and grow a successful business. Once an entrepreneur has worked out the details of this business growth, it is important to put this plan on paper.

## 7.0 TUTOR- MARKED ASSIGNMENT

1. Describe the purposes of a business plan
2. List and explain the basic elements of a business plan.
3. Draft a simple business plan.

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