Dr.
Mr.

[...]

MANAGEMENT, ENTREPRENEURSHIP, BUSINESS OPPORTUNITIES.

Objectives

By the end of the unit, you should be able to: a. Explain the meaning of management b. Explain the scope of management c. Explain the purpose of management d. Explain the concept of who is a manager e. Discuss the concepts of management in profit and non-profit organizations
As an individual, we are members of one organization-a team, a group, a university, a church, organization, the army etc. all organizations whether formal or informal usually have a structure and are put together by a group of people who see that there are benefits to be achieved from working together toward some common goal.

Who is a Manager?

Among other things, a manager is one who has the responsibility to plan, organize, lead and control its available resources effectively and efficiently in order to achieve organizational purpose.
Resources here include man, machine, money, time, information etc. A manager, whether in a big or small corporation must know that he/she is in a competitive struggle to survive and win. A manager must manage for competitive advantage and in order to succeed as a manager in this ever dynamic and complex environment of business, he/she must deliver innovation, quality, service, speed and competitiveness.
Management is essential in all organizations, profit or non-profit organizations.
Management principles are the same all over the world. It is a universal concept with its basic functions of planning, organizing, leading and controlling.

Tutor- Marked Assignment Explain the meaning of management Explain the scope of management Explain the purpose of management

Agbonifoh, B. A. . The nature and purpose of management. In B. A. Agbonifoh, A. B. Agbadudu, & F. I. O. Iyayi , Pp 3 & 6. Management: A Nigerian Perspective. Benin City, Mindex Publishing Co. Ltd.
world. New York , McGraw-Hill Company, Inc. Pp 36-42.
world. New York , McGraw-Hill Company, Inc. Pp 164-166; 171-172; 176-177.
Koontz, H., O'Donnell, C., Weihrich, H. . Management. McGraw-Hill Kogakusha Ltd. Pp 36-47.
Stoner, J. A., Freeman, R. E., & Gilbert, D. R. . Management. New Delhi, Dorling Kindersley Pvt. Ltd. Pp 89-90; 133.

Unit 2: The Foundation of Entrepreneurship The concept of Entrepreneurship Who is an Intrapreneur The Meaning of Intrapreneurship entrepreneurship. By the end of the unit, you are expected to have an overview of what entrepreneurship entails, functions and the difference if any between entrepreneurship and intrapreneurship.
define what entrepreneurship is explain who is an entrepreneur state the importance of entrepreneurship in any economy explain the functions of an entrepreneur differentiate between an intrapreneur and an entrepreneur list and explain the activities involved in entrepreneurship distinguish between the characteristics of an entrepreneur from that of an intrapreneur list and explain the different types of entrepreneurs The Concept of Entrepreneurship The nature of entrepreneurship implies several images and meanings. We can understand the definitions of an entrepreneur. Inegbenebor and Igbinomwanhia define an entrepreneur as a person who has possession of an enterprise, or venture, and assumes significant accountability for the inherent risks and the outcome of the enterprise. According to Jones , George and Hill , entrepreneurs are individuals who notice opportunities and take responsibility for mobilizing the resources necessary to produce new and improved goods and services. In other words, entrepreneurs start new business venture and do all of the planning, organising, leading and controlling necessary to meet organizational goals. Sharma defines entrepreneurs as the owners of the business who contribute the capital and bear the risk of uncertainties in business life. He organizes, manages, assumes the risks and takes the decisions about the enterprise. Scarborough defines entrepreneur as one who creates a new business in the face of risk and uncertainty for the purpose of achieving profit and growth by identifying significant opportunities and assembling the necessary resources to capitalize on them. Drucker defines the entrepreneur as someone who always searches for change, respond to it, and exploits it as an opportunity. Kuratko , defines

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entrepreneurs are individuals who recognise opportunities where others see chaos, contradiction, and confusion. They are aggressive catalysts for change within the marketplace. The process of performing the roles of an entrepreneur is called entrepreneurship. Thus, we may define entrepreneurship as Barringer and Ireland opine as the process by which individuals pursue opportunities without regard to resources they currently control. Wilson defines entrepreneurship as the art of turning an idea into a business. Kuratko , defines entrepreneurship as a dynamic process of vision, change, and creation. It requires an application of energy and passion toward the creation and implementation of new ideas and creative solutions.

Essential ingredients include the willingness to take calculated risks in terms of time, equity or career, the ability to formulate an effective venture team; the creative skill to marshal needed resources; the fundamental skill of building a solid business plan; and finally, the vision to recognise opportunity where others see chaos, contradiction, and confusion. Stoner et al define entrepreneurship as the seemingly discontinuous process of combining resources to produce new goods or services. Jones et al define entrepreneurship as the mobilization of resources to take advantage of an opportunity to provide customers with new or improved goods and services.

Bateman and Snell define entrepreneurship as a situation when an enterprising individual pursues a lucrative opportunity. Entrepreneurship is defined as the willingness and ability of an individual to seek out investment opportunities, especially through innovation, establish and run the enterprise successfully. .

While there are several definitions of entrepreneurship, the central ideas of the concept incorporates uncertainty and risk taking, innovation, perception and change .

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Entrepreneurs and entrepreneurship are more often associated with small and medium scale enterprises. This is because the vast majority of enterprises in which the entrepreneur plays a visible role are small and medium scale enterprises.
Entrepreneurship has been recognized all over the world as a catalyst for development in any economy.
Employment Generation: It helps to provide jobs through the establishment of new businesses, especially small and medium scale enterprises.
Productivity: One of the factors for the greater interest in entrepreneurship has been the increasing recognition of its role in raising productivity through various forms of innovation. Entrepreneurs, through their innovation and creativity are capable of transforming existing business sectors, and creating new sectors. They are helping to bring about new goods and services and supplying the needs of large enterprises, which have to rely on their operations for business success.
Facilitate the transfer/adaptation of technology: It enables entrepreneurs to have the opportunities of developing and adapting appropriate technological methods and provide a veritable avenue for skilled, unskilled and semi-skilled workers.
Ensures increased resource utilization: It helps entrepreneurs to put limited resources that might otherwise remain idle into good use. They contribute to the mobilization of domestic savings and utilization of local resources, including human resources.

Who is an Intrapreneur?

According to Jones, George and Hill , an intrapreneur is a manager, scientist, or researcher who works inside an existing organization and notices opportunities for product improvements and is responsible for managing the product development process. The above definition was corroborated by Pinchot ,when he coined the term intrapreneur to represent an innovative individual in an existing business organization who perceives new market opportunities, secures resources and initiates the realization of the opportunity. Rather than perform the roles of an entrepreneur as an independent unit and for private economic gains, the intrapreneur performs the same roles within an existing large organization to enhance the competitiveness and profitability of the organization..

They are

Drive and Energy: Entrepreneurs are more energetic than the average person. They possess the capacity to work for long hours and in spurts of several days with less than a normal amount of sleep. Long hours and hard work are the rule rather than the exception, and the pace can be grueling.
Self-confidence: Entrepreneurs typically have an abundance of confidence in their abilities to achieve the goals they set and confident that they chose the correct career path. They also believe that events in their lives are mainly self-determined, that they have a major influence on their personal destinies, and have little belief based in fate.
Long term involvement: Entrepreneurship is hard work, and launching a company successfully requires total commitment from an entrepreneur. They make a commitment to a long term project and they work towards goals that may be quite distant in the future.
Business founders often immerse themselves completely in their companies.

who create high potential ventures are driven to build a business, rather than simply get in and out in a hurry with someone else‘s money.
Money as a measure: One of the most common misconceptions about entrepreneurs is that they are driven wholly by the desire to make money. To the contrary, achievement seems to be entrepreneur primary motivating force: money is simply a way of —keeping scorell of accomplishment – a symbol of achievement. What drives entrepreneur goes much deeper than just the desire for wealth, .
Persistent problem solving: Entrepreneurs possess an intense level of determination and desire to overcome hurdles, solve a problem and complete the job in the course of successfully building new enterprises. They are not intimidated by difficult situations.
Goal setting: Entrepreneurs have the ability and commitment to set goals that are both measurable and attainable for themselves.

Distinguish between an entrepreneur and entrepreneurship

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Morris, M.H., Kuratko, D.F. & Covin, J.G. .

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Unit 3: The Corporate Innovation on Entrepreneurs

Differences between the entrepreneur and the Owner Manager of a Business This unit will be focusing on Corporate innovation philosophy, Entrepreneurial activities and differences between the entrepreneur and the owner manager of a business enterprise. By the end of the unit, you are expected to have a wider knowledge of the themes above discussed.

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ideas can be nurtured, have been known to hamper innovation. They may find it difficult, for example, to implement policies that endorse unstructured activity. If innovative people are to reach their potential, however, new types of thinking must overcome managerial hesitations.

Marketing the product

Responding to competition – through various appropriate strategies such as product modification, pricing, promotion and effective distribution.
Political Administration: The decisions and behavior of certain individuals and groups in the operating environment of the firm may have immediate impact on the performance of the entrepreneurs.

[...]

Differences between the Entrepreneur and the Owner Manager of a Business The owner manager of a business does what everybody else does the way everybody else does it while the entrepreneur does it in a significant new and better way.

Tolerance of uncertainty

uncertainty.

Motivation

We have seen in this unit that activities which entrepreneurs carry out in a business enterprise.

Distinguish between an entrepreneur and and the career manager/owner-manager of

Some possible Business Ideas This unit is designed to provide an insight on how an entrepreneur can identify and transform business ideas into successful business opportunities.

Identifying and Recognising Opportunities

Most importantly, entrepreneurs recognize an opportunity and turn it into a successful business. Barringer and Ireland defined an opportunity as a favourable set of circumstances that creates a need for a new product, service, or business. Most business ventures are started in one of two ways. Some ventures are either internally stimulated or externally stimulated. In the latter, an entrepreneur decides to launch a firm, look for and recognizes an opportunity, and then starts a business. In the former, an entrepreneur recognizes a problem or an opportunity gap and creates a business to fill it.
Irrespective of which of these two ways an entrepreneur goes into a new business, opportunities are hard to spot. Identifying a product, service, or business opportunity that is not merely a different version of something already available is difficult. Entrepreneurs make a common mistake in the opportunity recognition process by taking a currently available product or service

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that they like or are passionate about and then trying to build a business around a slightly better version of it. The best approach to opportunity recognition is to identify a product or service that people need and are willing to buy, not one that an entrepreneur wants to make and sell.

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Barringer and Ireland opine that opportunity has four important qualities. It is attractive durable timely and anchored in a product, service, or business that creates or adds value for its buyer or end user. In order for an entrepreneur to take advantage of an opportunity, its window of opportunity must be available. The window of opportunity describes the time period in which a firm can realistically enter a new market. Once the market for a new product is established, its window of opportunity opens.
Distinction between a Business Idea and a Business Opportunity The starting point of a new business creation process is an idea of a product or service which can be used to satisfied an identified need of individuals, families or organizations.

The business that is already in existence is a model that can be copied or modified

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significantly by ensuring that the product or service is more convenient, less expensive, faster and easier to handle.
Personal or other people's human experience: One's human experience whether pleasant or unpleasant may be use to stimulate a creative response or solution to a problem. For example, many people who buy street food may not be aware of the health hazards of their actions. But the fact that there is such a risk can enable an entrepreneur to come up with the idea of producing a product that does not entail such health risk and promoting it in such a way that consumers will perceive the merit of the new product over the existing ones.

[...]

An idea has no definite form.
*develop a product/service with features that give customers benefits that are different from or better than what competitors have.

[...]

The specific objectives of the market survey need to be stated clearly in order to conduct a market survey effectively. The specific objectives of the survey will highlight the type of data that need to be collected thereby saving a lot of time, energy and resources.
Market research data is usually divided into primary or secondary sources. Primary data involve first-hand information through the use of questionnaire, interviews, observation or a combination of these methods. Secondary data is collected from existing records in the organization or from various published sources such as the publications of trade associations, annual reports of companies, official publications of the Central Bank of Nigeria, National Bureau of Statistics, and other regulatory agencies of government.
It is usually difficult or very expensive to examine the entire population of potential customers and competitors. To avoid this problem, a sample must be chosen to be representative of the population of interest. To guarantee the validity and reliability of

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the data in making decisions, care must be taken in choosing the sample.

[...]

The analysis of these issues and the adoption of appropriate and rational position about them will constitute what is generally referred to as marketing strategy: a set of decisions and actions designed to achieve market goals and targets. Market strategies drive and direct the actions of the entrepreneur.
Promotion: what efforts are needed to bring awareness of the product in terms of value, availability, utility in use and ownership? How can incentives be provided for current users and potential consumer? This is related to advertising to enhance sales.

Consideration for Choosing a Business Opportunity

An entrepreneur that wants to start a business must consider one of these three critical decisions namely: the first is whether to take the plunge at all.

Some of the factors to be considered in choosing a business opportunity are

Business Experience: this is a fundamental ingredient for the success of any business venture. To succeed in the undertaking, the entrepreneur must possess the relevant and appropriate experience required to excel in his/her chosen niche. There exists a wide array of differences in the practices and mode of operation in the different industries in the
For instance, there are differences in the purchasing practices, production processes, customer relations practices, ethics and modes of relating with the relevant government agencies. Also the technicalities and concepts used vary from industry to industry. Overcoming these problems will usually be easy for an entrepreneur who has had some years of working experience in the chosen industry.
Skills Required for the Successful Operation of the Business: Every business requires certain skills for successfully running it. Different businesses require different constellation of skills or group of skills. But for each group of skills, there will be one skill which is core and critical for success. The entrepreneur must therefore choose a business for which he/she

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has the relevant core skills.

Legal or Regulatory Constraints

In some cases, the law specifies the minimum professional training and/or experience that is required to operate certain types of businesses. Persons desiring to operate such businesses are required to obtain a license from the appropriate authorities. Examples are pharmacy shops, hospitals and clinics and stockbroking firms .

An opportunity A window of opportunity A business idea

Kirzner, I.M. .

[...]

Differences between a feasibility report and a business plan This unit is designed to provide an insight into feasibility study/analysis and a business plan, importance of a feasibility study, problems of writing a feasibility study as well as issues involved in a business plan.

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At the end of this unit, you should be able to: define a feasibility study discuss the purpose of a feasibility study identify problems of writing a feasibility study the meaning of a business plan benefits of drawing up a business plan structure of a typical business plan differences between a feasibility report and a business plan The Meaning of a Feasibility Study/Analysis The launching of a business is possible when an entrepreneur comes up with an idea for a new business concept or approach. Most entrepreneurs all over the world do not lack creativity and are responsible for some of the world's most important innovations. However, business success is more than just a great new idea. Once entrepreneurs develop an idea for a business, the next step is to subject it to a feasibility analysis/study to determine whether they can transform the idea into a viable business.

The Purpose of a Feasibility Study A feasibility study may be used to achieve the following objectives/purposes

It helps to determine the profitability level of the project. Most entrepreneurs want to find out if the project will be worth the effort so as to avoid waste of time and resources.
It demonstrates to potential lenders and investors of the existence and size of the market, the liquidity or otherwise of the project.

Inegbenebor identified the following problems in writing a feasibility report

Paucity of statistical data: Data is either out-of-date or not available.
Pressure from clients: Clients may become sentimentally involved in a project to the point that they may want the report to reflect certain of their expectations.
Unethical behavior of consultants: There are —wait-and-take‖ consultants who simply adapt existing reports by substituting the names of new clients.

Kuratko identified the following benefits of drawing up a successful business plan for both the entrepreneur and the financial institutions

It forces the entrepreneur to analyse all aspects of the venture and to prepare an effective strategy to deal with the uncertainties that may arise.
The time, effort, research, and discipline needed to put together a formal business plan force the entrepreneur to view the business critically and objectively.
The business plan quantifies objectives, providing measurable benchmarks for comparing forecasts with actual results.

Contents of a Typical Business Plan

There is no rigid rule as to what a business plan should contain. The type of business and the audience the entrepreneur has in mind in preparing it may determine the business plan format that is adopted. Generally, a business plan contain the following. Mason and Sanyot identified 9 items to be included in the contents of a typical business plan.
Executive Summary: This is the opening chapter of the plan. It usually contains one to three pages in length and highlights all the key points of the plan in a way that captivates the reader's

interest. It is the unique value proposition and business model that really matters.
Company description: This short section describes the company‘s business, location and site, strategy, structure and form of organization. It provides a summary of its goals and plans for the next five years as well as the company‘s capabilities.
Products and services: This explains what products or services the company will sell; it also discusses why customers will want the products or services, what problems the product or service will solve and what benefits they will deliver, and how much customers are likely to pay for them.
Market analysis: This section discusses the need or demand for the product, who the target customers will be, and why the customers will buy the product. This section also includes a discussion of the company‘s competitors or potential competitors, and why the product or service will have a competitive advantage over similar offerings from competitors. It also addresses the barriers to entry in this market that may prevent the entry of new competitors, such as high capital costs, difficulty in reaching customers or persuading them to switch loyalties, hard-to-get employee skills etc.
Proprietary position: This section discusses whether the business enterprise will rely on patents or licenses to patents, this section tells us how these patents will contribute to the company‘s competitive position and assesses whether other patents might limit the company‘s ability to market its products.

Explain the benefits of developing a good business plan Describe the contents of a solid business plan Explain the difference between a feasibility study and a business plan List and briefly explain four problems of writing a feasibility report

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Jones, G.R., George, J.M. & Hill, C.W.L. . Contemporary management. .

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Unit 2: Understanding Entrepreneurship The Entrepreneur and society‘s needs

In this unit an attempt is made to correct many misconceptions about who entrepreneurs are and what motivates them to be able to transform business ideas into business opportunities. The four steps involved in creating an entrepreneurial process was also highlighted. Also, this unit also highlighted the similarities between corporate and start up entrepreneurship, benefits of entrepreneurship as well as potential drawbacks of entrepreneurship.
Explain the five common myths regarding entrepreneurs Explain the entrepreneurial process Explain any five commonalities and differences each between a start-up and corporate entrepreneurship Explain any five benefits and five potential drawbacks each of entrepreneurship.
Perhaps, one way to make the students appreciate the nature and essence of entrepreneurs is to correct certain wrong notions commonly held about entrepreneurs. Barringer and Ireland identified five most common myths and the realities about entrepreneurs.
Entrepreneurs are born, not made. This myth is based on the wrong notion that some people are genetically predisposed to be entrepreneurs. Similar studies carried out on the psychological and sociological make up of entrepreneurs confirmed that entrepreneurs are not genetically different from other people. This means that entrepreneurs are not born and that many individuals have latent potential to fit into the role of entrepreneurs. Such potentials can be actualized through training programmes.
Entrepreneurs are gamblers. Another wrong notion about entrepreneurs is that they take big risks and are gamblers.

[...]

Entrepreneurship is unstructured and chaotic high-tech wizards.
The entrepreneurial process indicates that the decision to become an entrepreneur and the development of successful business ideas indicates that sometimes the opportunity to develop an idea may prompt a person to become an entrepreneur.
Barringer and Ireland identified four steps involved in the entrepreneurial process.
To pursue one‘s own idea and to realize financial rewards may prompt people to become entrepreneurs in order to be their own bosses. For example, as a result of loss of job or unemployment, one may decide that the time is ripe to start one‘s own business.

Step 4: Managing and Growing an Entrepreneurial Firm

All firms must be managed and grown properly to guarantee their continuous success in today‘s competitive and dynamic environment.

They both require a unique business concept that takes the form of a product, service or process

They are both driven by an individual champion who works with a team to bring the concept to fruition.
They both require that the entrepreneur be able to balance vision with managerial skill, passion with pragmatism, and proactiveness with patience.

They both find the entrepreneur needing to develop creative strategies for leveraging

They both involve significant ambiguity.
They both require harvesting strategies.
Start-Up Entrepreneurship Corporate Entrepreneurship Entrepreneur takes the risk Company assumes the risks, other than career-related risk.

Vulnerable to outside influence

Independence More insulated from outside influence entrepreneur, Interdependence of the champion with many although the successful entrepreneur is others; may have to share credit with any typically backed by a strong team.

[...]

Limited scale and scope initially Potential for sizeable scale and scope fairly quickly.
Source: Morris, Kuratko and Covin , Corporate Entrepreneurship and Innovation , United States: South-Western, 38.
According to Scarborough , the following are the benefits of entrepreneurship Opportunity to Create Your Own Destiny Entrepreneurship provides the business owners the independence and the opportunity to achieve what is of immense benefit to them. They want to —call the shotsll in their lives, and they use their business to make this a reality come true.
Opportunity to Make a Difference Entrepreneurs start businesses due to the fact that they want to make a difference in a cause that is important to them. Social entrepreneurs, for example, are business builders who seek innovative solutions to some of society‘s most vexing problems.

Opportunity to Do What You Enjoy and Have Fun at it

Anyone who decides to enter the world of business should be aware of its potential drawbacks, despite the fact that owning a business has many benefits and provide a lot of opportunities. Individuals who prefer a steady salary, a comprehensive compensation benefit, a two-week paid holiday, etc. should not go into business for themselves.
Uncertainty of Income Entrepreneurship does not guarantee that the business owners will earn enough money to survive when he or she opens and runs the business. Some small businesses hardly earn enough to provide the owner-manager with an adequate income.

High Levels of Stress

Starting and managing a business can be an incredibly rewarding experience, but it also can be a highly stressful one.

Complete Responsibility

It‘s good to be in charge of the business, but many entrepreneurs find that they must make decisions on issues about which they are not really knowledgeable. Many business owners have difficulty looking for advisers as well as consultants.

Such problems create opportunities for employment generation and wealth creation for Entrepreneurs

In addition to watching out for society‘s needs, the Entrepreneur should also watch over society‘s productive resources and make innovative use of it.
Information and Communication Technology is a tool of communication that have far reaching impact on the performance of economic activities and success of individual firms.

With ICT, entrepreneurs can run more efficiently and reach markets that were _ab initio‘ out of reach

We should note that most ICT devices and programmes are based on the ability to read and write and so it is necessary to organize literacy classes for those who lack it and for more sophisticated ICT equipment it would be necessary to get requisite ICT training on how such devices work.

List and explain any five similarities and differences between a start-up and corporate entrepreneurship

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Explain clearly the term —Entrepreneurial Financing‖

Explain any five sources of finance available to an entrepreneur Explain any five reasons why loans may not be granted to an entrepreneur.
Explain any five pitfalls in financing a business enterprise which the entrepreneur should know
Explain any five reasons or factors that financial institutions use in evaluating a loan proposal
Financing is believed by entrepreneurs to be the major constraint in starting and operating a business venture of their own. A lot of entrepreneurs get discouraged when they envision the amount of money they would require to start the business of their dreams, given their relatively low money income. Raising seed capital is believed by some potential entrepreneurs to be synonymous with borrowing from financial institutions. This is perhaps the greatest mental blocks of most Nigerian entrepreneurs.

Personal Resources

This is divided into two parts namely savings or inherited wealth. There is significant evidence in Nigeria and the rest of the world that most entrepreneurs depend on personal savings to start their businesses. The research also showed that as the size of business increases, the proportion of capital accounted for by personal savings declined. Personal resources can be augmented by sale of personal assets. The willingness of an entrepreneur to sell off his or her personal assets in order to raise funds is considered by financial institutions and other stakeholders as the strongest indicator of the entrepreneur‘s belief and commitment to the success of the business venture.

Sales of Shares by Private Placement

Incorporated companies can raise fund through the sale of stock or equity to interested stakeholders who are willing to invest on long term basis and become part owners of the business.

Business Angels

These are wealthy individuals who have money and are willing to provide equity fund to an entrepreneur for business start-ups in exchange for equity stakes in the business. They are not partners and as such do not take part directly in the management of the business. They may offer advice from time to time but in most cases, they prefer to remain anonymous.

Cooperative Societies

This is another way of raising relatively large amount of money to starting a business. Many people are able to save gradually and to obtain loans to starting their own businesses, by becoming a member of the savings and loans cooperative societies.

Entrepreneurs in Nigeria and other developing countries usually depend on family members, friends and relations to provide them with the needed funds in order to start their businesses.

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his/her business succeeds.

Reasons why Loans may not be Granted to an Entrepreneur

Lack of knowledge of the roles of the different financial institutions and the scope of services they provide.
Lack of skill in presenting their proposals and business plans to the financial institution.
Inadequate financial commitment on the part of the entrepreneur to the project.
Lack of adequate collateral securities that will guarantee the repayment of the loan.
Poor accounting records which make it difficult to ascertain the true financial position of the firm.
Inadequate lead time between when the entrepreneurs need the money when the requisition is made to the financial institution and the time required by the financial institutions to process the request.
Poor quality of business plans and feasibility study on the part of entrepreneurs are the factor inhibiting their access to loans.
Inegbenebor outline the following factors which financial institutions will always consider when evaluating entrepreneurs loan proposal.
The purpose for which the entrepreneur wants the bank finance: The purpose for which the loan is needed will enable the financial institutions to determine whether the request is consistent with their area and scope of operations, since all financial institutions have areas of interest when granting credit facilities.
The amount required. The purpose here is to ensure that the amount required is adequate. It should neither be too small nor too big for the purpose for which it is required.
The entrepreneur‘s stake in the business. This is an indication of the entrepreneur‘s commitment to the business. It represents the capacity of the entrepreneur and the level of risk that the entrepreneur is prepared to assume in the business.

Inegbenebor identified the following pitfalls which the entrepreneur should avoid

Using short term funds to finance fixed assets.

Over trading

In this unit, attempt was made on the different ways entrepreneur can raise funds, reasons why loans may not be granted to some entrepreneurs, factors which enable financial institutions to evaluate a loan proposal as well as errors in financing a business enterprise which the entrepreneur should know in order to avoid them..

[...]

Unit 1: The Internal Business Environment The Nature of the Business E n v i r o n m e n t Explain the differences between the internal and external environment The Internal Business Environment References and Further Readings Business organizations operate in an environment where they compete with other organizations for resources.

Explain the nature of the business environment

Explain the difference between the internal and external business environment.
Discuss the internal environment of business The Nature of the Business Environment The business environment is a set of forces and conditions within and outside the organization‘s boundaries that have the potential to affect the way the organization operates. These forces and conditions change from time to time. The business environment presents opportunities which organizations can take advantage and threats that the organization should avoid.

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INTERNAL ENVIRONMENT

This consists of a set of forces and conditions within the organization‘s boundaries that have the potential to affect the way the organization operates. It consists of the owners, board of directors, employees, the organization‘s culture, the physical work environment and the various departments that make up the organization . Let us briefly discuss these factors.
Owners The owners of business are those who have legal property rights to the business.

Employees/managers

An organization‘s employees are also a major element of its internal environment. The employees are the workers who perform the day to day operations of the organization and ensure that work is being accomplished to achieve the organization‘s desired goals. These sets of people are being supervised and managed by the managers of an organization. Managers are responsible for

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combining and coordinating the resources of an organization including the workers to ensure that organizations achieved their goals.
There are many types of managers depending on their levels in the organization.

Physical work environment

An important part of the internal environment is the actual physical environment of the organization and the work that people do. Some firms have their facilities in downtown skyscrapers, usually spread across several floors. Others locate in suburban or rural settings and may have facilities resembling a college campus. Some facilities have long halls lined with traditional offices.
Organizational structure Business organizations are characterized by a division of labour which allows employees to specialize in particular roles and to occupy designated positions in pursuit of the organizational objectives.

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constitutes what is known as organizational structure and represents the means by which the purpose and work of the organization is carried out.
The external business environment.
This consists of a set of forces and conditions outside the organization‘s boundaries that have the potential to affect the way the organization operates. The external environment can further be sub divided into tasks and general environments.

What is the difference between the Internal and external environment of Business?

Discuss how consumers influence Business Organizations.
List and Discuss the elements of the internal environment Discuss the internal and external factors of business environment.
Daft R. L. Management. San Diego: Harcourt Grace College Publishers.
Hellriegel D., Jackson, S. E & Slocum J. W. J Management: a Competency- Based Approach. South-Western.
Connection. New York Boston, McGraw Hill Irwin.
Smith, O. N Fundamentals of Management.

[...]

Suppliers are individuals and companies that provide an organization with the input resources that it needs to produce goods and services. In return, the supplier receives compensation for those goods and services. An important aspect of a manager‘s job is to ensure a reliable supply of input resources. An organization may need some resources which make it dependent to a large degree on the suppliers of those resources, some of whom operate in markets which are structured to a considerable extent. The activities of a supplier can have a fundamental impact on an organization‘s success. The success of suppliers is often intimately connected with the decisions and/or fortunes of their customers.
Some organizations may seek to gain an advantage in price, quality or delivery by purchasing resources from overseas, while others might consider dealing with suppliers within the country of its operation.
Distributors are organizations that help other organizations sell their goods or services to customers. The decisions that managers make about how to distribute products to customers can have important effects on organizational performance.
The changing nature of distributors and distribution methods can bring opportunities and threats for managers.

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that it reduce the price of its goods and services.
Customers are individuals and groups that buy the goods and services of an organization. A customer may be an individual, an institution such as a school, hospital, and other organizations or government agency. Customers are important to all organizations. The ability to identify and meet customers‘ needs is the main reason for the survival and prosperity of an organization. Customers are often regarded as the most critical stakeholder group since if a company attract them to buy its products, it cannot stay in business. Organizations must work towards achieving customers‘ satisfaction and attract new ones. They can do this by producing goods and services effectively and efficiently.

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Organizations who are already in the industry and who operate with economies of scale will enjoy lower costs than the costs of potential entrants; this will discourage potential entrants from entering the industry. Brand loyalty is customers‘ preference for the products of organizations currently existing in the industry. If established organizations enjoy significant brand loyalty, then a new entrant will find it extremely difficult and costly to build customer awareness of the goods or services they intend to provide. Some government regulations may be a barrier to entry. Many industries that were deregulated experienced a high level of new entry after deregulation.

[...]

The task environment is an important dimension of the business environment, discuss.

Bateman S. T and Snell S.A, .Management :leading & collaborating in the competitive World. Boston, McGraw-Hill Irwin.
Hellriegel D., Jackson, S. E & Slocum J. W. J .

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Unit 3: The Political Environment Political systems Government in democratic states The three branches or functions of government

Self- Assessment questions The political environment is an important dimension of the business environment which affects business enterprise in a number of ways.

Demonstrate how political environment influences business environment

Understand Political Systems The Nature of the Political System The political environment is mainly concerned with the type of leadership a nation adopts.
Political processes shape a society‘s laws, which constrain the activities of organizations and thus create both opportunities and threats. Politics is concerned with those processes which help to determine how conflicts are contained, modified, postponed or settled, and as such can be seen as a universal social activity. Politics tends to be associated with activities at state level where the resolution of conflict often involves large numbers of people.
Government ; This is concerned with the pursuit and exercise of power- the power to make decisions which affect the lives of substantial numbers of people, be it at local, state, national or even international level. Government may also refer the institutions through which power tends to be formally and legitimately exercised, whether they are cabinets, parliaments, councils, committees or congresses. Whereas the pursuit and exercise of power tends to be enduring feature of any society, governments are normally transitory, comprising those individuals and/or groups who, at a particular time, have the responsibility for controlling the state, including making laws for the good of society. How governments exercise their power and the ideological foundations on which this is based, helps to indicate the nature of the political system and its likely approaches to the resolution of conflicts, .
We can distinguish two main political systems which are the authoritarian system and the political system. However in between these two, there could be other dimensions.
Authoritarian political systems The authoritarian political system could be an individual or a group of individuals who may have assumed political power in a variety of ways .

The party system

In a true democratic dispensation, the system operates through the party system. Candidates are presented to the electorates through political parties. Although it is also possible to have a one party system, but in most countries like Nigeria, USA, and Britain to mention just a few,

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different political parties are organized and the candidates are elected through the political parties. In the present Nigeria, there are various political parties e.g. PDP, APC, APGA among others which present their candidates for elections into different political offices at the local areas, state and the federal levels. The parties first of all choose their candidates and present them to the electorates for election into various offices.

A representative assembly

An important feature of a democratic government is the existence of a representative decisionmaking body which consists of a group of individuals chosen by a country's citizens to help make important decisions on their behalf. In Nigeria which operates a federal system of government, we have such representatives at the local government areas, the states and the national levels. Voters not only elect their own national government but also choose decision makers at the state and local

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In most federal system of government as practiced by Nigeria, U.S.A and Britain to mention just a few, the legitimate power to make decisions is divided between two or three levels of government, .

Functions of government

There are three major branches or functions of government.

The executive function

Governing is not only about making decisions; it is also about ensuring that these decisions are put into effect in order to achieve the government's objectives. Implementing governmental decisions is the responsibility of the executive branch of government.

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In modern states term 'the executive' relatively small group individuals chosen to decide on policy and oversee its Implementation; some of these individuals will hold political office, others will be career administrators and advisers, although some of the latter may also be political appointees. Together they are part of a complex political and administrative structure designed to carry out the essential work of government and to ensure that those responsible for policy making and implementation are ultimately accountable for their actions.

The policy-making aspect of the executive function is normally the responsibility of a small political executive chosen by popular election. Under a presidential system of government, the chief executive or President is usually chosen by separate election for a given period of office and becomes both the nominal and political head of state. He/she subsequently appoints individuals to head the various government departments/ministries which are responsible for shaping and implementing government policies. Neither the president nor the heads of departments normally sit in the legislative assembly, although there are sometimes exceptions to this rule .

In contrast, in a parliamentary system the roles of head of state and head of gov- ernment are separated, with the former usually largely ceremonial and carried out by either a president or a monarch . The head of government , while officially appointed by the head of state, is an elected politician, invariably the head of the party victorious in a general election or at least seen to be capable of forming a government, possibly in coalition with other parties. Once appointed, the head of government chooses other individuals to head the different government departments/ministries and to be part of a collective decision- making body which meets to sanction policy proposals put forward through a system of executive committees and subcommittees . These

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individuals, along with the head of government, are not only part of the executive machinery of the state but also usually members of the legislative assembly and both 'individually' and 'collectively' responsible to the legislature for the work of government.
The day-to-day administration of government policy is largely carried out by non- elected government officials who work for the most part in complex, bureaucratic organisations within the state bureaucracy. Apart from their role in implementing public policy, government officials help to advise ministers on the different policy options and on the political and administrative aspects of particular courses of action. Needless to say, this gives them a potentially critical role in shaping government policy, a role which has been substantially enhanced over the years by the practice of granting officials a significant degree of discretion in deciding on the details of particular policies and/or on how they should be administered.
Whereas politicians in the executive branch of government tend to be transitory figureswho come and go at the whim of the head of government or of the electorate- most, if not all, officials are permanent, professional appointees who may serve a variety of governments of different political complexions and preferences during a long career in public administration.

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As indicated above, political demands including directly indirectly impinging on business activity - become translated into action through a variety of mechanisms, including the electoral system, party activity, pressure group influence and political communication; hence a government is always keen to point out that electoral victory implies that it has a mandate for its policies.

The outputs of the political system vary considerably and range from public goods and services

As far as governmental decision-making is concerned, this is clearly a highly complex process which in practice does not replicate the simple sequence of events suggested by the model.

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involving a wide range of individuals, groups and agencies. To add further confusion, those involved in the process tend to vary according to the decision under discussion as well as over time, making analysis fraught with difficulties. One possible solution may be to distinguish between the early development of a policy proposal and its subsequent 'formulation' and 'implementation', in the hope that a discernible 'policy community' can be identified at each stage. But even this approach involves a degree of guesswork and arbitrary decision-making, not least because difficulty distinguishing precisely between the different stages of policy-making and of discerning the influ- ence of individuals and groups at each phase of the process.

3 Discuss how the Political Environment affects Business How does the political system influence Business organizations?

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Unit 4

Contract law The legal aspect of the general environment includes the legislation, regulation and court decisions that govern and regulate business behavior.

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Laws relating to both individuals and organisations can be classified in a number of ways: international and national, public and private, criminal and civil.

Public and private law

Put simply, public law is the law which concerns the state, whether in international agreements or disputes or in the relationship between the state and the individual. Thus public law consists of international treaties and conventions, constitutional law, administrative law and criminal law. In contrast, private law is law governing the relationships between individuals and comprises laws in respect of contract, tort, property, trusts and the family.
Criminal law Criminal laws relate to a legal wrong — a breach of a public duty, punishable by the state on behalf of society.
Tort A tort is a civil wrong other than a breach of contract or a breach of trust and is a duty fixed by law on all persons .

Custom

Early societies developed particular forms of behaviour which came to be accepted as social norms to be followed by the members of the community to which they applied. In Nigeria many of these customary rules ultimately became incorporated into a body of legal principles known as the common law.

Judicial precedent

Much of Nigerian law is derived from judicial precedent . In essence, judicial precedent is based on the rule that the previous decisions of a higher court must be followed by the lower courts - hence the significance of the court structure.
Cases cited must be considered carefully by judges to determine whether there are material differences in the case before the court and the earlier decision. To reach a decision, the court must find what is termed the ratio decidendi of the previous case. Put very simply, the ratio of a case are the essential steps in the legal reasoning which led the court to make that particular decision. Anything which cannot be regarded as a rationes is termed obiter dicta or 'things said by the way'. The whole of a dissenting judgment in a case is regarded as obiter. Obiter dicta are not binding but may be regarded as persuasive arguments if the facts of the case permit. Clearly there are times when, perhaps because of the position of a court in the hierarchy, decisions are not to be regarded as binding precedent.

of the Privy Council, then those decisions will be regarded as being of persuasive precedent, and may be used to help the court reach its own decision.
Legislation A substantial proportion of current law - including laws governing the operations of business organizations are derived from legislation or statute. The initiative in this sphere lies effectively with the government of the day which can virtually guarantee a bill will become law, if it has a working majority in the House.

[...]

All businesses enter into contracts, whether with suppliers or employees or financiers or customers, and these contracts will be important — and possibly crucial — to the firm's operations.

Offer

Before parties enter into a contractual relationship, they usually engage in an informal relationship which may or may not result in a contract depending on whether the parties were able to reach a mutual agreement or not. To have an agreement, two or more persons must arrive at a mutual understanding with one another; a party makes a proposition and another accepts the proposal.
An offer therefore is a declaration by the offeror and the offeree that they intend to be legally bound by the terms stated in the offer if it is accepted by the offeree . This declaration may be made orally or in writing or by conduct between the parties and must be clear and unambiguous. Furthermore it should not be confused with an 'invitation to treat', which is essentially an invitation to make an offer, as is generally the case with advertisements, auctions and goods on display. Tenders are offers; a request for tenders is merely an invitation for offers to be made.
Termination of an offer can happen in several ways. Clearly an offer is ended when it is accepted but, that apart, an offer may be revoked at any time up to acceptance.

Acceptance

Just as an offer must be firm and certain, the acceptance of an offer by the person to whom it was made must be unequivocal and must not contain any alterations or additions.
Acceptance as put it must be unconditional as the basis of a contract is the mutual consent of the parties concerned. The offeror made a proposition and the offeree indicates either expressly or by implication, his willingness to be bound on the terms stated in the offer.

Inferring the acceptance of an offer by conduct is quite different from assuming that silence on

the part of the offeree constitutes acceptance; silence cannot be construed as an acceptance. Equally, while the offeror may prescribe the method of acceptance , the offeree may not prescribe a method by which he or she will make acceptance. For instance, an offer may be made by fax, thus implying that a fast response is required; therefore a reply accepting the offer which is sent by second-class mail may well be treated as nugatory.
There are some rules about acceptance which are important. Postal acceptance, for example, is a good method of communication and one which is universally used by businesses, but to be valid for contractual purposes a communication must be properly addressed and stamped and then placed into the hands of the duly authorised person . An acceptance sent to a home address may be nullified if there has been no indication that this is acceptable.

Intention to create legal relations

Not every agreement is intended to create a legally binding relationship. For example, most domestic agreements — such as the division of household chores — would not constitute a contract recognised in law. In commercial agreements, however, it is generally accepted that both parties intend to make a legally binding contract and therefore it is unnecessary to include terms to this effect. Should such a presumption be challenged, the burden of proof rests with the person who disputes the presumption.
Capacity A contract may be valid, voidable or void and one of the factors which determines this is the contractual capacity of the respective parties to the agreement. Normally speaking, an adult may make a contract with another adult which, if entered into freely and without any defects, and which is not contrary to public policy, is binding upon them both . However, the law provides protection for certain categories of persons deemed not to have full contractual capacity ; hence the practice by firms of excluding people under the age of 18 from offers of goods to be supplied on credit.

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Concentrating on minors - those below voting age - the law prescribes that they can only be bound by contracts for 'necessaries' and contracts of employment that are advantageous or beneficial, as in the case of a job which contains an element of training or education. In most other instances, contracts with minors are void- or voidable and as such will be either unenforceable or capable of being repudiated by the minor.
In the case of business, legal capacity depends on the firm's legal status. Unincorporated bodies do not have a distinct legal personality and hence the party to the agreement is liable for their part of the bargain. Limited companies, by contrast, have a separate legal identity from their members and hence contractual capacity rests with the company, within the limits laid down in the objects clause of its Memorandum of Association.
Other factors To be enforceable at law a contract must be legal . Similarly, the agreement must have been reached voluntarily and result in a genuine meeting of minds. Consequently contracts involving mistakes of fact, misrepresentation of the facts, or undue influence or duress may be void or voidable, depending on the circumstances. In insurance contracts, for instance, the insured is required to disclose all material facts to the insurer , otherwise a policy may be invalidated. In this context a 'material fact' is one which would affect the mind of a prudent insurer, even though the materiality may not be appreciated by the insured.

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representation, insurance broking and commercial letting. These individuals are authorised by the individual or organisation hiring them to act on their behalf, thus creating an agency relationship. As in other areas of commercial activity, special rules of law have evolved to regulate the behaviour of the parties involved in such a relationship.
In essence, the function of an agent is to act on behalf of a principal so as to effect a contract between the principal and a third party. The agent may be a 'servant' of the principal or an 'independent contractor' and will be operating with the consent of the principal whether by contract or implication. Having established a contractual relationship between the principal and the third party, the agent generally leaves the picture and usually has no rights and duties under the contract thus made.

[...]

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The Economic Environment The Technological Environment The Demographical forces The Cultural Environment The Environmental Scanning

Unit 1: The Economic Environment The concept of economic system The macroeconomic level of analysis The economic conditions Business organisations operate in an economic environment which shapes, and is shaped by, their activities. In market-based economies this environment comprises variables which are dynamic, interactive and mobile and which, in part, are affected by government in pursuit of its various roles in the economy.

The concept of economic scarcity

Like politics, the term economic tends to be used in a variety of ways and contexts to describe certain aspects of human behaviour, ranging from activities such as producing, distributing and consuming, to the idea of frugality in the use of a resource . Modern definitions stress how such behaviour, and the institutions in which it takes place , are concerned with the satisfaction of human needs and wants through the transformation of resources into goods and services which are consumed by society. These processes are said to take place under conditions of economic scarcity.
The economist's idea of 'scarcity' centres on the relationship between a society's needs and wants and the resources available to satisfy them.

From a societal point of view the existence of economic scarcity poses three serious problems concerning the use of resources

In practice, of course, these problems tend to be solved in a variety of ways, including barter, price signals and the market queuing and rationing, government instruction and corruption , and examples of each of these solutions can be found in most, if not all, societies, at all times.

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The centrally planned economy

In this type of economic system - associated with the post - Second World War socialist economies of Eastern Europe, China, Cuba and elsewhere - most of the key decisions on production are taken by a central planning authority, normally the state and its agencies. directs resources in an effort to achieve these predetermined targets; and seeks to co-ordinate production in such a way as to ensure consistency between output and input demands.
The fact that an economy is centrally planned does not necessarily imply that all economic decisions are taken at central level; in many cases decision making may be devolved to subordinate agencies, including local committees and enterprises. Ultimately, however, these agencies are responsible to the centre and it is the latter which retains overall control of the economy and directs the use of scarce productive resources.
The problem of coordinating inputs and output in a modern planned economy is, of course, a daunting task and one which invariably involves an array of state planners and a central plan or blueprint normally covering a number of years .

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capital needed to achieve the set targets and would allocate resources accordingly. Given that the outputs of some industries are the inputs of others , it is not difficult to see how the overall effectiveness of the plan would depend in part on a high degree of co-operation and co-ordination between sectors and enterprises, as well as on good judgment, good decisions and a considerable element of good luck.

Decisions on resource allocation are the result of a decentralised system of

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markets and prices, in which the decisions of millions of consumers and hundreds of thousands of firms are automatically co-ordinated.
The consumer is sovereign, i.e. dictates the pattern of supply and hence the pat- tern of resource allocation.
In short, the three problems of what to produce, how to produce and how to distribute are solved by market forces.
The diagram below illustrates the basic operation of a market economy. In essence, individuals are owners of resources and consumers of products; firms are users of resources and producers of products. What products are produced - and hence how resources are used depends on consumers, who indicate their demands by purchasing or not purchasing, and this acts as a signal to producers to acquire the resources necessary to meet the preferences of consumers. If consumer demands change, for whatever reason, this will cause an automatic reallocation of resources, as firms respond to the new market conditions. Equally, competition between producers seeking to gain or retain customers is said to guarantee that resources are used efficiently and to ensure that the most appropriate production methods are employed in the pursuit of profits.

The Macroeconomic Levels of analysis

Economics is concerned with the study of how society deals with the problem of scarcity and the resultant problems of what to produce, how to produce and how to distribute.
Microeconomic analysis, which is concerned with the study of economic decision taking by both individuals and firms.
Macroeconomic analysis, which is concerned with interactions in the economy as a whole .

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price change. This analysis could be extended to an investigation of how the total market might respond to a movement in the price, or how a firm's decisions on supply are affected by changes in wage rates or production techniques or some other factor.
Note that in these examples, the focus of attention is on decision-taking by individuals and firms in a single industry, while interactions between this industry and the rest of the economy are ignored: in short, this is what economists call a 'partial analysis'.
In reality, of course, all sectors of the economy are interrelated to some degree.

Capital formation

Source;Worthington I, and Britton.

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Income flows in the economy

Privat payments for use of s on goods The interrelationship between income flows and real flows can be seen by combining the two diagrams into one, which for the sake of simplification assumes only two groups operate in the economy: firms as producers and users of resources, and private individuals as consumers and providers of those resources. Real flows are shown by the arrows moving in an anti-clockwise direction, income flows by the arrows flowing in a clockwise direction.

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A simplified model of real flows and income flows Private individuals domestic on i.e. income resource expenditure on goods and services
Source;Worthington I, and Britton.

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Despite a degree of over-simplification, the model of the economy illustrated in the above figure is a useful analytical tool which highlights some vitally important aspects of economic activity which are of direct relevance to the study of business.

Income flows around the economy, passing from households to firms and back to households and on to firms, and so on, and these income flows have corresponding real flows of resources, goods and services.

What constitutes an income to one group represents an expenditure to another , indicating that income generation in the economy is related to spending on consumption of goods and services and on resources .

The output of firms must be related to expenditure by households on goods and services, which in turn is related to the income the latter receive from supplying resources.

The use of resources must also be related to expenditure by households on consumption, given that resources are used to produce output for sale to households.

Levels of income, output, expenditure and employment in the economy are, in effect, interrelated.

From the point of view of firms, it is clear from the model that their fortunes are intimately connected with the spending decisions of households and any changes in the level of spending can have repercussions for business activity at the micro as well as the macro level.

[...]

Source;Worthington I, and Britton. C, , the business environment, London, Prentice Hall.

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While the revised model of the economy illustrated in the Figure is still highly simplified , it demonstrates quite clearly that fluctuations in the level of economic activity are the result of changes in a number of variables, many of which are outside the control of firms or governments. Some of these changes are autonomous , as in the case of an increased demand for imports, while others may be deliberate or overt, as when the government decides to increase its own spending or to reduce taxation in order to stimulate demand. Equally, from time to time an economy may be subject to 'external shocks', such as the onset of recession among its principal trading partners or a significant price rise in a key commodity , which can have an important effect on internal income flows. Taken together, these and other changes help to explain why demand for goods and services constantly fluctuates and why changes occur not only in an economy's capacity to produce output, but also in its structure and performance over time.

AMD=C+1+G+X-M

Within this equation, consumer spending is regarded as by far the most important factor in determining the level of total demand.
While economists might disagree about what are the most significant influences on the component elements of AMD, it is widely accepted that governments have a crucial role to play in shaping demand, not only in their own sector but also on the market side of the economy. Government policies on spending and taxation, or on interest rates, clearly have both direct and indirect influences on the behaviour of individuals and firms, which can affect both the demand and supply side of the economy in a variety of ways.

Inflation

Inflation is usually defined as an upward and persistent movement in the general level of prices over a given period of time; it can also be characterized as a fall in the value of money. For governments reducing such movements to a minimum is seen as a primary economic objective. Explanations as to why prices tend to rise over time vary considerably, but broadly speaking fall into two main categories.

Government concern with inflation - which crosses both party and state boundaries - reflects the fact that rising price levels can have serious consequences for the economy in general and

for businesses in particular, especially if a country's domestic inflation rates are significantly higher than those of its main competitors. In markets where price is an important determinant of demand, rising prices may result in some businesses losing sales, and this can affect turnover and may ultimately affect employment if firms reduce their labour force in order to reduce their costs. Added to this, the uncertainty caused by a difficult trading environment may make some businesses unwilling to invest in new plant and equipment, particularly if interest rates are high and if inflation looks unlikely to fall for some time. Such a response, while understandable, is unlikely to improve a firm's future competitiveness or its ability to exploit any possible increases in demand as market conditions change.
Rising prices may also affect businesses by encouraging employees to seek higher wages in order to maintain or increase their living standards. Where firms agree to such wage increases, the temptation, of course, is to pass this on to the consumer in the form of a price rise, especially if demand looks unlikely to be affected to any great extent. Should this process occur generally in the economy, the result may be a wages/prices inflationary spiral, in which wage increases push up prices which push up wage increases which further push up prices and so on. From an international competitive point of view, such an occurrence, if allowed to continue unchecked, could be disastrous for both firms and the economy.

Unemployment

In most democratic states the goal of full employment is no longer part of the political agenda as this can hardly be achieved, instead government pronouncements on employment tend to focus on job creation and maintenance and on developing the skills appropriate future demands. The consensus seems to be that in technologically advanced marketbased economies some unemployment is inevitable and that the basic aim should be to reduce unemployment to a level which is both politically and socially acceptable.
As with growth and inflation, unemployment levels tend to be measured at regular intervals and the figures are often adjusted to take into account seasonal influences . In addition, the statistics usually provide information on trends in long-term unemployment, areas of skill shortage and on international comparisons, as well as sectoral changes within the economy.

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