SAIBU TAOFEEK BAMIDELE
07060636630
SUMMARY OF ENT102

OVERVIEW OF ENTREPRENEURSHIP

Principles of Economics, that there **are four factors of production, namely: land, labour, capital and entrepreneur.** For ease of reference, we would define **land** as the surface of earth that is not sea and all natural resources or endowments, **labour** as the human beings (skilled and unskilled) workforce that would help work on the machines, equipment, etc. to transform the raw materials into finished products for consumption by the consumer**. The entrepreneur is fourth and the most important of all the factors.** This is because the entrepreneur harnesses all the human and material resources, provides the finance required, takes risk, initiates the ideas to transform into consumable product.

Definition of Entrepreneur

Entrepreneurs are individuals that undertake this risk of establishing, running and growing a business.

The word entrepreneur originated from the French word, —**entreprende‖ which means —to undertake‖** (**Akanni, 2010**). In business context, it means to start a business, identify a business opportunity, organise resources, manage and assume the risk of a business or an enterprise. It is also used to describe those who (took charge) lead a project, which would deliver valuable benefits and bring it to completion. In other words, those who can manage uncertainty and bring success in the face of daunting challenges that would destroy a less well-managed venture.

Hornby (2006) defined an entrepreneur as a person who makes money by starting or running businesses, especially when this involves taking financial risks.

The entrepreneur is someone who sees change as normal and healthy.

Definition of Entrepreneurship

UNDP (2010) defined entrepreneurship as the process of using private initiative to transform a business concept into a new venture or to grow and diversify an existing venture or enterprise with high growth potential.

When entrepreneurship is describing activities within a firm or large organization, it is referred to as **intra-preneurship** and may include corporate venturing, when large entities spin-off organizations.

The concept of entrepreneurship has a wide range of meanings. It was first used in the early 18th century by an Irish man by name Rechard Cantillon who was then living in France.

On the other hand, entrepreneurship is the process which the entrepreneur undergoes in a establishing a business.

Definition of Development

Abianga (2010) defined development as the act or process of growth, progress and improvement within a physical setting. Hornby (2006) similarly defined development as the gradual growth of something so that it becomes more advanced and stronger.

Entrepreneurship Development is a viable alternative to economic development

Definition of Entrepreneurship Development (ED)

Relating all the earlier three definitions of an entrepreneur, entrepreneurship and development, UNDP (2010) then defined entrepreneurship development as referring to the process of enhancing entrepreneurial skills and knowledge through structured training and institution- building programmes.

The Federal Government of Nigeria recognized the role entrepreneurship could play in jumpstarting the growth and development of the economy decided on two things in 2009, one, that entrepreneurship education should be made a general studies course for all undergraduates of the tertiary institutions. The second was that a centre for entrepreneurial development be established in each of the tertiary institutions where different skills would be taught.

Entrepreneurship as a Business Activity

- **Producing Goods and Services** - Business provides goods and services to you.
- **Activities that Add Value to the Goods and Services -** A lot of activities happen before goods and services get to your door step.
- **Resources Used by the Business** - Companies use resources to be able to perform those functions listed above. These resources that business will use include:
  1. Human Resources – salesmen, accountants, manager.
  2. Materials – building offices, stores, raw materials for production. Business decides on choices of how to combine their resources and many more everyday at what cost to achieve their aim.

Characteristics of Business

- Exchange sale or transfer of goods and services.
- Profit motive.
- Dealing in goods and services.
- Uncertainty and risk bearing.
- Continuity and regularity.

Objectives of Business

The primary objective of business is to make profit through the provision of goods and services. Other objective include; market share growth, social responsibility among others.

The objectives of a business are as follows:

- Profit
- Survival
- Market share
- Productivity
- Innovation
- Employee‘s welfare

- Social responsibility

Entrepreneur as an Investor

Entrepreneur can also be viewed as investor who by means of parting with his money adds value to goods and services to satisfy consumers , prosper himself and the Nation at large.

Hornby (2006) defines an **investor** as someone who spends his energy, time, efforts, financial resources, etc. on something he considers to be good or useful in anticipation that it will yield benefits.

Finance is a fundamental issue in the development of an entrepreneurship. An entrepreneur relies heavily personal savings, contributions from friends, relations and business partners as well as loan from the banks.

Key Concepts in Entrepreneurship

- **Goods and Services** We had earlier referred to goods and services as consumable items by the prospective or potential buyers or consumers.
- **Money Income and Real Income** Money income is the sum total of income earned in nominal terms. However, real income is income measured in terms of its purchasing power.
- **Gross Domestic Product (GDP)** This is defined as the market value of all goods and services produced in an economy within a given period usually one year plus income earned locally.
- **Gross National Product (GNP)** This is defined as the value of all final goods and services produced in specific period within a year, including incomes earned from abroad.
- **How Entrepreneurship Contributes to GDP and GNP** The entrepreneurship contributes to the economy through the goods or services produced for which they are paid for by consumers, through generation of economic activities such as buying, selling, marketing, payment of taxes to the government, undertaking corporate social responsibility to the various stakeholders within the community in which the enterprise is operated.

CHARACTERISTICS, ADVANTAGES THE ROLE OF ENTREPRENEURSHIP IN ECONOMIC DEVELOPMENT

Characteristics of an Entrepreneur.

- Passion for the Business
- Tenacity despite failure –
- Confidence
- Self-determination
- Management of risk
- Seeing changes as opportunities
- Tolerance for ambiguity
- Initiative and a need for achievement
- Detail orientation and perfectionism
- Perception of passing time
- Creativity
- Ability to see the big picture
- Motivating factors
- Self-efficacy

Advantages and Disadvantages of Entrepreneurship

Advantages

- Autonom
- Financial control

Disadvantages

- Personal sacrifices
- Little margin for error
- Burden of responsibility/jack-of-all-trades

The Role of Entrepreneurship in an Economy

Entrepreneurship has been recognized as an important aspect and functioning of organization and economies (Dickson et al, 2008). It contributes in an immeasurable ways toward creating new job, wealth creation, poverty reduction, and income generating for both government and individuals.

FUNCTIONS OF AN ENTREPRENEUR

- Risk Taking
- **Management Decision Making/Taking** Decision making covers all the management functions, namely: planning, organizing, decision making, staffing, leading, motivating, communicating, and controlling.

Definition of Planning

Weihrich and Koontz (2005) state that planning involves selecting missions and objectives and deciding on the actions to achieve them; it also requires decision making, that is, choosing a course of action from among alternatives.

Purposes of Planning

Why should managers plan? Weihrich and Koontz (2005) state at least four reasons. According to them, it gives direction, reduces the impact of change, minimizes waste and redundancy, and sets the standards used in controlling.

Forecasting

Planning cannot be divorced from forecasting, for what is feasible depends, to a large extent, on events in the external world. The actual planning starts with goal setting, but any number of contingencies in the environment will have a major effect on the extent to which various goals may be feasible.

Economic Forecasts

These are basic for every company‘s sales depending on how much money is available for purchase. With few exceptions, sales are bound to drop during a period recession.

Technological Forecasts

What new inventions or new technical developments are probable, and when they are likely to come on the market? The answer to this question is important for new developments can make a company‘s products obsolete, or at least reduce the market for them drastically.

Forecasts of changes in Public Taste and Public Opinion

Changes in public taste affect not only products or services designed for the ultimate consumer, but sales to industry as well. For instance, if sales of a product drop, the companies that produce it will reduce their operations and buy less from their suppliers.

Planning Process

1. The first step to consider is the identification of goals of the organisation upon which the plans will be built.
2. The second step of planning process involves a search for opportunities. This is where the manager opens his mind to new ideas, rather than fixing his mind.
3. The third stage involves the translation of opportunities into selected courses of action.
4. Furthermore, the next step involves setting specific targets. Here, the plan becomes a budget or some other specific statement of targets.
5. Finally, the planning process must be continuously reviewed and revised where necessary. This will be fully discussed in subsequent unit.

Organizing Function

Organizing involves the establishment of an intentional structure of roles through determination of the activities required to achieve the goals of an enterprise and each part of it, the grouping of these activities, the assignment of such groups of activities to an entrepreneur, the delegation of authority to carry them out, and provision for coordination of authority and informational relationships horizontally and vertically in the organisation structure.

Decision making

Cornell (1980 quoted in Ikharehon, 2006) defines a decision first of all as an act, but an act requiring judgment. He also went further to explain that a judgment requires a choice to become a decision and that where alternatives exist, that the act of decision making becomes meaningful.

Staffing Staffing

Involves filling and keeping filled, the positions provided for by the enterprise structure.

Leading Leadership

Is the notion that leaders are individuals who, by their actions, facilitate the movement of a group of people toward a common or shared goal (House and Podsakoff, 1994 Ikharehon, 2006).

Motivating

Ikharehon (2006) opines that since managing involves the creation and maintenance of an environment for the performance of individuals working together in groups toward the accomplishment of a common objective, it is obvious that a manager cannot do this job without knowledge of motivation. Motivation is defined by Hornby (2006) as the process or stimulating the interest of people to do something.

Communicating

Enterprises exist through communication and without communication there would be no organisations. In modern enterprises, communication is the foundation upon which all other functions rest. This is because when communication fails no activity prevails.

Controlling

Control means to check or verify, to regulate, to compare with a standard, top exercise authority over, or to curb or restrain. Controlling is the process of measuring performance against standard.

Production

The production is the transformation of inputs such as raw materials through the transformation processes to produce outputs such as finished products that are available and highly affordable.

Strategic Planning

Aghedo (2010) defines strategic planning as a disciplined effort to produce fundamental decisions and actions that shape and guide what an organization is, what it does, and why it does it, with a focus on the future.

Core Areas of Strategy

Three core areas of corporate strategy are **strategic analysis**, **strategic development** and **strategy implementation**.

Marketing Management

Marketing management is the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods and services to create exchanges that satisfy individual and organizational goals. Marketing management is also defined as the analysis, planning, implementation, and control of programs designed to create, build and maintain beneficial exchanges with target buyers for the purpose of achieving organizational objectives. People think of marketing management as finding enough customers for the company‘s current output, but this is too limited a view.

Needs – The most basic concept underlying marketing is that of human needs. Human needs are states of felt deprivation.

Wants – Human wants are desires for specific satisfaction of deeper needs.

Demands – People have almost unlimited wants but limited resources.

Products – People normally satisfy their wants and needs with products offered in the market.

Exchange – Marketing takes place when people decide to satisfy needs and wants through exchange.

Markets – A market is defined as a set of all actual and potential buyers of a product and service.

Functions of Marketing – The functions of marketing can be classified into three: namely **merchandising function**, **physical distribution** and **auxiliary function**.

Marketing Management philosophies

This section examined five philosophies that underlie marketing activities.

Production Concept – The production concept holds that consumers would favour products that are available and highly affordable. Management therefore should focus on improving production and distribution efficiency.

The Product Concept – The product concept holds that ‗consumers will favour products that offer the most quality, performance, and innovative features, and that an organization should thus devote energy to making continuous product improvements'.

The Selling Concept - The selling concept holds that consumers, if left alone will ordinarily not buy enough of the organization's products.

The Marketing Concept – The marketing concept is a business philosophy that arose to challenge the previous concepts.

HISTORY OF ENTREPRENEURSHIP DEVELOPMENT

The entrepreneur is a factor in microeconomics, and the study of entrepreneurship dates back to the work of Richard Cantillon and Adam Smith in the late 17th and early 18th centuries, but was largely ignored theoretically until the late 19th and early 20th centuries and empirically until a profound resurgence in business and economics in the last 40 years. In the 20th century, the understanding of entrepreneurship owes much to the work of economist Joseph Schumpeter in the 1930s and other Austrian economists such as Carl Menger, Ludwig von Mises and Friedrich von Hayek.

Entrepreneurship employs what **Schumpeter** called "**the gale of creative destruction to replace in whole or in part inferior innovations across markets and industries, simultaneously creating new products including new business models**

How Entrepreneurship all started in Nigeria.

The history of entrepreneurship in Nigeria can be classified under the following stages:

(1) early stage

(2) modern stage.

The Early Stage Entrepreneurship started when people produced more products than they needed, as such, they had to exchange these surpluses. For instance, if a blacksmith produced more hoes than he needed, he exchanges the surplus he had with what he had not but needed; maybe he needed some yams or goat etc, he would look for someone who needed his products to exchange with.

The Modern Stage Modern entrepreneurship in Nigeria started with the coming of the colonial masters, who brought in their wares and made Nigerians their middle men. In this way, modern entrepreneurship was conceived. Most of the modern entrepreneurs were engaged in retail trade or sole proprietorship.

(UAC) mean **United African Company**

Past Entrepreneurship Developments

According to Osalor (2008), people of the **Ibo** community in Nigeria are considered one of the oldest entrepreneurs in history, their expertise stretching back to times before modern currency and trade models had developed elsewhere on the planet.

Skills Required of Youth for Leadership

- **Communications**: The entrepreneur requires this to communicate his ideas across to his audience.
- **Initiative**: An entrepreneur should always possess the initiative and resourcefulness to achieve objectives.
- **Initiative**: An entrepreneur should always possess the initiative and resourcefulness to achieve objectives. Naturally, young people are initiators of ideas. The budding entrepreneur must be bold, daring and willing to sacrifice his time and energy to meet goals.
- **Responsibility**: The youth as a future leader must be willing to take responsibility for his actions.
- **Vision**: A good entrepreneur must be a visionary and must know that the future belongs to those who see possibilities before them. Vision is everything for a leader.

SMEDAN mean **Small and Medium Enterprises Development Agency of Nigeria**

SMIEIS mean **Small and Medium Industries Equity Investment Scheme**

BUSINESS ENVIRONMENT (1)

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. For example changes in the environment such as the introduction of new technology or the opening of global markets, create opportunities for managers to obtain resources or enter new markets and thereby strengthen their organizations.

Structure of the Business Environment

The environment of business is divided into two sections: the internal and external environment. The difference between the **external** and **Internal** environment is based on whether or not the factors are outside or inside the organization and whether or not it is within the immediate control of the organization.

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 (the organizational structure).

- **Owners** The owners of business are those who have legal property rights to the business.
- **Board of directors** A corporate board of directors is elected by the stockholders and is charged with overseeing the general management of the firm to ensure that it is being run in a way that best serves the stockholders interest.

- **Employees/managers** An organization‘s employees are also a major element of its internal environment.

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.

THE EXTERNAL BUSINESS ENVIROMENT.

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.

On the other hand, the general environment consists of factors such as legal, economic, political, socio- cultural, technological and ethical factors which affect business organizations operations and which emanate from local, national and international sources’

THE TASK ENVIRONMENT

The task environment, which is also **called the immediate or operational environment**, has profound impact on the operations of a firm. It has direct impact on the activities of a Business. For most firms includes suppliers, competitors, distributors, customers, labor markets, and financial institutions.

Suppliers

Suppliers are individuals and companies that provide an organization with the input resources (such as raw materials, component parts, or employees) 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.

Distributors

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.

Customers

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.

Competitors

Competitors are organizations that produce similar goods and services to an organization. In other words, competitors are organizations compete for the same customers.

THE POLITICAL ENVIRONMENT

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.

Types of political systems

Authoritarian political systems

The authoritarian political system could be an individual (e.g. a monarch or other powerful individual) or a group of individuals (e.g. a political party or military junta) who may have assumed political power in a variety of ways (e.g. by birth, election or coup). Once in power, the individual or group will tend to act so as to limit the degree of participation by others in the process of decision making, even to the extent of monopolizing the process altogether and permitting no opposition to occur. Where this is the case, a society is often described as being **totalitarian.**

The party system

In a true democratic dispensation, the system operates through the party system. Candidates are presented to the electorates through political parties.

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.

Functions of government

There are **three** major branches or functions of government. These branches or functions of government are discussed below

- **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.
- **The judicial function** - Governing is not just about making and implementing laws; it is also about ensuring that they are applied and enforced.

THE LEGAL ENVIRONMENT

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

Types of laws

- **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.
- **Criminal law** Criminal laws relate to a legal wrong (criminal offence) — 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 (e.g. road users have a duty in law not to act negligently).
- **Trusts** A trust is generally defined as an 'equitable obligation imposing on one or more persons a duty of dealing with property, over which they have control, for the benefit of other persons who may enforce the obligation.

Sources of law

Laws invariably derive from a number of sources including custom, judicial precedent, legislation and international and supranational bodies.

- **Custom** Early societies developed particular forms of behaviour (or customs) 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 (previous decisions of the courts). 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.
- **Legislation** A substantial proportion of current law - including laws governing the operations of business organizations are derived from legislation or statute.

Business organizations and the law

Business organisations have been described as transformers of inputs into output in the sense that they acquire and use resources to produce goods or services for consumption, all aspects of this transformation process are influenced by the law.

Contract Law

The Essentials 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. Such contracts are essentially agreements (oral or written) between two or more persons which are legally enforceable, provided they comprise a number of essential elements. These elements are: offer, acceptance, consideration, intention to create legal relations and capacity. Let us briefly consider these elements.

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 (e.g. to supply component parts at a particular price within a specified time period).

Acceptance

Just as an offer must be firm and certain, the acceptance of an offer by the person(s) to whom it was made must be unequivocal and must not contain any alterations or additions.

Consideration

This refers to the price which each side pays and the advantages or benefits each side enjoys for the promise or performance of a contract. That is to say, both the offeror and the offeree give or promise to give something of value to one another, this valuable consideration could be money, goods, services or given up of a legal right.

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.

Concentrating on minors - those below voting age - the law prescribes that they can only be bound by contracts for 'necessaries' (e.g. food, clothing, lodging) and contracts of employment that are advantageous or beneficial, as in the case of a job which contains an element of training or education

Agency

As business activity has become more specialised and complex, firms have increasingly turned to outside individuals to carry out specialist functions such as freight forwarding, overseas representation, insurance broking and commercial letting. These individuals (known as agents) are authorised by the individual or organisation hiring them (known as the principal) to act on their behalf, thus creating an agency relationship.

Law and the consumer

Neo-classical economic theory tends to suggest that laws to protect the consumer are unnecessary. However, modern economists (in particular behavioural economists) have shown that the traditional assumption of working markets is not necessarily reliable, so regulation is sometimes required. If individuals are behaving rationally when consuming goods and services, they would arrange their consumption to maximise their satisfaction (or 'utility'), in the words of an economist.

THE ECONOMIC ENVIRONMENT

Business organisations operate in an economic environment which shapes, and is shaped by, their activities.

The concept of economic scarcity

Modern definitions stress how such behaviour, and the institutions in which it takes place (e.g. households, firms, governments, banks), 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. In essence, economists argue that whereas needs and wants tend to be unlimited, the resources which can be used to meet those needs and wants are finite and accordingly no society at any time has the capacity to provide for all its actual or potential requirements.

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.

The free-market economy The free-market (or capitalist) economy stands in direct contrast to the centrally planned system.

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. Within this broad framework the economist typically distinguishes between two types of analysis:

1. Microeconomic analysis, which is concerned with the study of economic decision taking by both individuals and firms.

2. Macroeconomic analysis, which is concerned with interactions in the economy as a whole (i.e. with economic aggregates).

Government and the Macroeconomic:

Objectives Notwithstanding the complexities of the real economy, the link between business activity and spending is clear to see. This spending, as indicated above, comes from consumers, firms, governments and external sources and collectively can be said to represent total demand in the economy for goods and services. Economists frequently indicate this with the following notation:

Aggregate Monetary Demand = Consumer spending + Investment spending

+ Government spending + Export spending

- Import spending or

AMD=C+1+G+X-M

The Economic Conditions

Important economic conditions such as inflation, economic growth, unemployment, balance of payments are some of the economic factors in the economic environment that affect business organization operations. In what follows, we shall briefly discuss some of these factors

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.

Economic Growth Growth is an objective shared by governments and organisations alike. For governments, the aim is usually to achieve steady and sustained levels of non-inflationary growth, preferably led by exports (i.e. export-led growth).

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 to future demands.

Balance of Payments A country's balance of payments is essentially the net balance of credits (earnings) and debits (payments) arising from its international trade over a given period of time. Where credits exceed debits a balance of payments surplus exists; the opposite is described as a deficit.

Controlling Public Borrowing Governments raise large amounts of revenue annually, mainly through taxation, and use this income to spend on a wide variety of public goods and services. Where annual revenue exceeds government spending, a budget surplus occurs and the excess is often used to repay past debt. The accumulated debt of past and present governments represents a country's National Debt.

A Stable Exchange Rate A country's currency has two values: an internal value and an external value. Internally, its value is expressed in terms of the goods and services it can buy and hence it is affected by changes in domestic prices. Externally, its value is expressed as an exchange rate which governs how much of another country's currency it can purchase.

Fiscal Policy Fiscal policy involves the use of changes in government spending and taxation to influence the level and composition of aggregate demand in the economy and, given the amounts involved, this clearly has important implications for business.

Monetary Policy Monetary policy seeks to influence monetary variables such as the money supply or rates of interest in order to regulate the economy.

The Role of Financial Institutions

Interactions in the macro economy between governments, businesses and consumers take place within an institutional environment that includes a large number of financial intermediaries. These range from banks and building societies to pension funds, insurance companies, investment trusts and issuing houses, all of which provide a number of services of both direct and indirect benefit to businesses.

Elements of the Financial System

A financial system tends to have three main elements:

1. **Lenders and borrowers**-these may be individuals, organisations or governments.

2. **Financial institutions**, of various kinds, which act as intermediaries between lenders and borrowers and which manage their own asset portfolios in the interest of their shareholders and/or depositors.

3. Financial markets, in which lending and borrowing takes place through the transfer of money and/or other types of asset, including paper assets such as shares and stock.

The Role of the Central Bank

A critical element in a country's financial system is its central or state bank. The central Bank of Nigeria exercises overall supervision over the banking sector with the aim of maintaining a stable and efficient financial framework as part of its contribution to a healthy economy. Its activities have a significant influence in the financial markets (especially the foreign exchange market, and the money market).

The activities of the central bank include the following roles:

• banker to the government; • banker to the clearing banks; • manager of the country's foreign reserves; • manager of the national debt; • manager of the issue of notes and coins; • supervisor of the monetary sector; and • implementer of the government's monetary policy.

International Monetary Fund (IMF)

Organisation for Economic Co-operation and Development (OECD)

European Bank for Reconstruction and Development (EBRD)

World Trade Organisation (WTO) the World Bank.

The International Monetary Fund (IMF)

The IMF is an international organisation currently of 184 member countries. It came into being in 1946 following discussions at Bretton Woods in the USA which sought to agree a world financial order for the post-Second World War period that would avoid the problems associated with the worldwide depression in the interwar years.

The Organisation for Economic Co-operation and Development (OECD)

The OECD came into being in 1961, but its roots go back to 1948 when the Organisation for European Economic Co-operation (OEEC) was established to co- ordinate the distribution of Marshall Aid to the war-torn economies of Western Europe.

The European Bank for Reconstruction and Development (EBRD)

The aims of the EBRD, which was inaugurated in April 1991, are to facilitate the transformation of the states of central and Eastern Europe and beyond from centrally planned to free-market economies and to promote political and economic democracy, respect for human rights and respect for the environment.

The World Trade Organisation (WTO)

The World Trade Organisation, which came into being on 1 January 1995, superseded the General Agreement on Tariffs and Trade (the GATT), which dated back to 1947.

The **World Bank (IBRD)**

Established in 1945, the World Bank (more formally known as the **International Bank for Reconstruction and Development or IBRD)** is a specialised agency of the United Nations, set up to encourage economic growth in developing countries through the provision of loans and technical assistance. The IBRD currently has over 180 members.

The European Investment Bank (EIB)

The European Investment Bank was created in 1958 under the Treaty of Rome and is the financing institution of the European Union.

THE TECHNOLOGICAL FORCES

The meaning of Technology

Technology is defined as 'the sum of knowledge of the means and methods of producing goods and services' (Penguin Dictionary of Economics). It is increasingly science based, encompassing things like chemistry, physics and electronics, and refers to the organisation of production as well as the actual techniques of production itself

Technology and investment

The second input into the production process after people is capital. In economics, capital has a special meaning; it refers to all man-made resources which are used in production. Capital is usually divided into working capital and fixed capital. Working capital consists of the stocks of raw materials and components used in producing things. Fixed capital consists of buildings, plant and machinery. The main difference between the two is that fixed capital gives a flow of services over a long period of time, while working capital needs to be replaced on a regular basis. Because of its nature, working capital is much more mobile than fixed capital (i.e. it can be used for other purposes much more easily). Capital is a 'stock' of goods used in the production process, a stock which is continually being used and therefore needing to be replaced.

Innovation and technology

There are two types of innovation that can occur as a result of technological change: **product innovation** and **process innovation**.

Product innovation is the development of new products, like the microprocessor, which will have far-reaching effects on business.

Process innovation on the other hand, refers to changes that take place in the production process, like the introduction of assembly- line production in the manufacture of cars.

Research and development

Technological changes have occurred through the process of **research and development (R&D). 'Research'** can be theoretical or applied, and **'development'** refers to the using of the research in the production process.

THE DEMOGRAPHICAL FORCES

Demography is the study of populations both in terms of their overall size and their structural characteristics.

The Population

A country's population normally increases over time and will vary according to such factors as changes in the birth and death rates and in the rate of net migration. For example, the Nigerian population as at 2015 is estimated to be 170 million people. In comparison, Russia's current population of around 145

million is projected to fall to about 100 million by 2050 as a result of a declining birth rate and a rising death rate in the wake of the country's economic collapse.

Demographic change and business

Changes in the size and/or structure of a country's population can have important consequences for enterprises in the public, private and voluntary sectors both in the short and long term.

The Social context

Since organisations exist and operate in society, they are subject to a variety of societal influences that operate at both a general and specific level.

key factors within an organisation's social environment, starting with the concept of **social class**

Social class - Throughout history, all societies have normally exhibited a certain degree of social and economic inequality that has given rise to the tendency to classify individuals into different social categories.

THE CULTURAL ENVIRONMENT

The meaning of culture The term culture generally refers to a complex set of values, norms, beliefs, attitudes, customs, systems and artifacts which are handed down from generation to generation through the process of socialisation and which influence how individuals see the world and how they behave in it.

Sub-culture A society is rarely, if ever, culturally homogeneous. Within every culture subcultures usually exist, comprising groups of individuals with shared value systems based on common experiences, origins and/or situations. These identifiable sub-groups may be distinguished by nationality, race, ethnicity, religion, age, class, geographical location or some other factor and their attitudes, behaviour, customs, language and artefacts often reflect sub-cultural differences.

Application: Market Segmentation Marketers have long recognised the importance of demographic, social and cultural factors in shaping people's demand for goods and services. This is exemplified by distinct groups of buyers who share the same or similar attitudes and patterns of behaviour and who might require separate products or marketing to meet their par- ticular needs.

THE ENVIRONMENTAL ANALYSIS

The meaning of Environmental Analysis/scanning Managers need to understand how the environment affects their organizations and should be able to identify opportunities and threats that are likely to influence their organizational performance. However information about the environment is not always readily available for managers. Managers often find it difficult to predict about the environment due to uncertainty.

Environmental analysis is the of scanning the environment to identify changes or trends that have the potential to generate opportunities and threats to the organization‘s current or future intended strategies‘‘, (Worthington and Britton, 2009).

Techniques for analyzing the business environment

- **Scenario planning** When organizations try to determine the effect of environmental forces on their operations, they frequently develop scenario of the future.
- **Forecasting** Forecasting is another method used by organizations to analysis their environments. Forecasting is the process of predicting what will happen in the future considering the interplay of some environmental variables.
- **SWOT** or **TOWS** Analysis The full meaning of SWOT is **S** is strengths, **W** is weaknesses, **O** is for Opportunities and **T** is for Threats.
- **Benchmarking** Benchmarking is yet another tool in which a firm can use to analyze its environment.

SOLE PROPRIETORSHIP

Definition of Sole proprietorship/Sole Trader

The definitions of a sole trader are almost the same depending on the different authors consulted. A sole trader is a person who enters business working for him/herself. He/she puts in the capitals to start the enterprise, works either on his/her own or with employees and, as a reward receives the profit. A sole trader is a form of business enterprise in which one man owns and manages the business (Denedo, 2004:2). A sole trader goes with other names as —one-man business‖, —sole proprietor‖. Sole trading is mostly found in retailing business. This type of business is the oldest type of business in Nigeria. Up to 19th century, most production companies were owned by individuals. In Nigeria it is one of the commonest types of business you see around. You see them around the cities and villages.

Features of a Sole Trader

Ownership: A sole trader as the name implies is owned by one person.

Liability: The liability of the one man business in unlimited. i.e., if the owner is indebted, both, the business asset and his personal asset can be sold to offset the debt.

Sources of Capital or Finance: The capital outlay is provided by the owner. This source of fund could be through: Personal saving, Intended capital, Credit, Borrowing from relatives and Banks etc.

Legal Entity: It is not a legal entity. By law the business and the owner are regarded as one person. They are not different, unlike corporate business; a company is a legal entity, different from the owners.
Motive: It is believed, that a sole trader is into business to make profit.

Method of Withdrawing Capital: The owner can withdraw his capital anytime from the business without consulting with anybody.

No Board of Director: Because he is the owner, no board of directors so he has the liberty of managing the business in his own way.

Its Nature: It is a simplest and the commonest type of business unit you can think of.

Sources of Funds of a Sole Trader

- Personal Savings
- Borrowing particularly from Friends and Relatives
- Credit Purchase from Manufacturers or Wholesalers

- Donations from Friends and Relatives

Advantages of a Sole Trader

- It requires small capital
- Easy to establish
- Ownership of all profit
- Easy to withdraw his assets

Disadvantages of a Sole Trader

- Bear All Losses and Risks Alone
- Limited Financial Resources
- Unlimited Liability
- Lack of Continuity
- Limitation on Expansion

PARTNERSHIP

Definition of Partnership Denedo (2004) says partnership is an association of two to twenty persons carrying on a business in common with the view of making profit.

Partnership can also be define as the relationship that exist when two or more persons who contribute small money or moneys worth in order to establish, own and manage business organization with the sole aim of making profit

Types of Partnership

- **Ordinary Partnership** - All members or partners take active part in the management of the business and are generally liable to any loss or risk. All partners have equal responsibility and bear all the risks of the business equally. All the partners have equal powers, unlimited liabilities, take active part and profits are shared equally.
- **Limited Partnership** - Any members in this category, his debts are restricted to the amount of money contributed in running the business. Not all partners take equal part in the management of their business. But there must be a member who bears the risk and also takes active part in the business activities. In other words, in limited partnership, there is at least one ordinary partner who has unlimited liability.

Kinds of Partners

We have five types of partners and they include

- **Active Partner**: This is the partner(s) who take active part in the formation, financing and management of the business.
- **Dormant/Sleeping Partner**: This partner contributes only the money needed for formation of the business or for running of the business
- **Nominal/Passive Partner**: A nominal partner is one who is not actually a partner but who allows his name to be used in the partnership or who gives the public the impression that he is a partner even though he may not share in the profit of the business.

- **Silent Partners**: A silent partner is an individual who is known to the public as a partner but who does not take active part in the management of the firm.
- **Secret Partner**: A secret partner is that who is active in the affairs of the business but not known to the public as a partner.

COOPERATIVE SOCIETY

Definition of Cooperative

Cooperative is a word derived from two Latin words meaning – —Working together‖. The dictionary meaning of cooperative also implies —working or acting together for a common purpose‖. Cooperation, on the other hand, literally means the will to cooperate. According to Ejiofor (1989, quoted in Ige, 2011), some writers have defined cooperative as —an association of persons faced by the same problem, having resources on the basis of equality, through joint effort and mutual participation to remedy their plight‖. Others define cooperative as a society, a group of person who pool their resources to produce, buy or sell goods among themselves for mutual benefit.

Historical Development of Cooperative in Nigeria

Cooperative or cooperation is as old as humanity. Before the advent of the colonial masters, our parents practiced cooperation in their own primitive style. They had Owe‖ (Communal assistance given to a member of a group during the time of need) or Aaro‖ (Rotational assistance made by a group of people for the benefits of its members). Owe‖ and Aaro‖ were introduced to reduce labour and cost used in development of farms and building projects while Esusu‖ or Ajo‖ was introduced to create lively economic machinery to improve their trades.

Classification of Capital

According to Ejiofor (1989), modern cooperatives derive their finances from two sources which constitute the two major classification of cooperatives capital available to the cooperative concern. These classifications are:

1. **Owned Capital** Owned capital is made up of the share contribution of members plus the reserves of all types, undistributed profits and the member‘s entrance fees. **Members’ Shares, Reserves, Entrance Fees**
2. **Loan Capital** Loan capital otherwise called borrowed capital consists of members‘ deposits, loan from cooperative banks, loan from government and trading credits etc. **Members’ Deposit, Revolving Funds, Loan from Cooperative Sources, Loan from Commercial Banks**

THE COMPANY

Definition of Company

A company is an association of individuals who agreed to and jointly pool their capital together in order to establish and own a business venture distinct from others. You can define it again as an association of investors who buy or own shares in a company for the purpose of carrying on a business. Those who buy or own shares are known as **shareholders**. They are regarded as the owners of the company. A joint stock company could be a private limited company or a public limited company.

TYPES OF COMPANIES

We have two kinds of companies:

- **Unlimited Liability Companies**: There liabilities do not end on the money contributed to the business, there personal belongings could be sold to recover money from them in case of a company's indebtedness.
- **Limited Liability Companies by Shares**: Liability is limited to the amount they contributed for the formation and management of the company. If a company is liquidated, they loose only the shares they have in the company.
  We have two types of limited liability companies, they are
- **Private Limited Liability Company**: This Company when formed has a minimum number of two people and a maximum of fifty. The number includes employees of the company.
- **Public Limited Liability Company**: Minimum numbers of people that can form this company are seven while the maximum is not stated. The owners are shares holders, people are free to come in and free to sell-off their shared.

Methods of formation

Formation of Joint Stock Company starts with preparation of documents that will be presented to the registrar of companies for his action and subsequent registration. The documents used for registration includes:

- Memorandum of Association
- Article of Association
- The Prospectus
- Certificate of Incorporation
- Certificate of Trading

Features of a Private Company

Membership: a minimum of 2 and a maximum of 50

Issuance of Shares: cannot sell shares to the public

Transferability of Shares: can only be transferred with the consent of other shareholders

Quotation: private companies are not quoted on the floor of the stock exchange

Publication of Accounts: not required to publish annual account. However they must send a copy of their audited account to the registrar of companies each year.

Limited Liability: each shareholder possesses limited liability.