

ENTREPRENEURSHIP MODULES:

*The Business Skills You Need to
Become a Successful Entrepreneur*

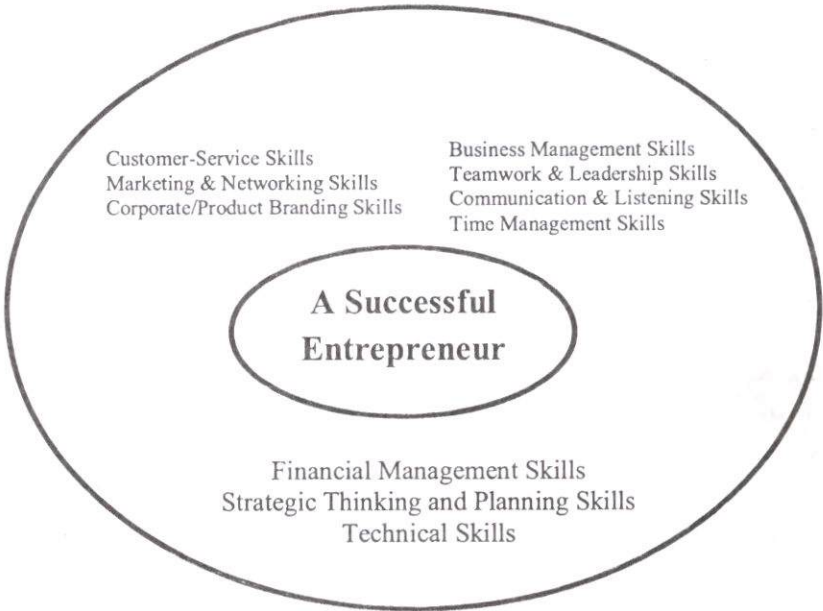


ISIMOYA O. AUGUSTINE, Ph.D



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The business skills you need
to become a successful entrepreneur



ISIMOYA O. AUGUSTINE, Ph.D

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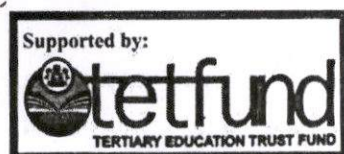
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PREFACE

The statistics of business failure rates particularly of startups is very high in many economies of the world. Extant literature states 90% failure rates for startups globally. While 10% fail within the first years of formation and 70% fail within two to five years (<https://www.embroker.com>blog>).

Authors have adduced many factors as being responsible for the high failure rates such as misunderstanding of competition, unsuitable market and marketing process, poor delegation of authority and patience etc. Others are lack of market research, industrial experience, digital skill, and finance. Some other authors have asserted that ineffective management is the most influential factor in startups failure rate. Common areas of business management ineptitude for startups include poor product quality, poor management of cash flow, employment of unskilled personnel, poor interpersonal relationship with customers and suppliers and poor credit management.

In this book 'Entrepreneurship – The business skills you need to become a successful entrepreneur', readers and business practitioners, would learn that management of any business must be creative, ethical and people – oriented in executing responsibilities. As an entrepreneur or a potential entrepreneur, reading through this book will empower you on how to overcome the greatest entrepreneurial impediments you think you have. This book demystifies the myth that entrepreneurs are born and not made

With this book, you will discover that entrepreneurs are not born, but are made by people who are able to make series of informed, deliberate and prudent decisions in running their entrepreneurial businesses. The knowledge acquired from this book will enable you to fulfill your dreams of becoming a successful entrepreneur and achieve the financial freedom you so much desire.

Thus, in our changing business environment, only business that provides compelling services will triumph while those that offer dissatisfactory services will be sunk. Every chapter of this book has been compendiously written to guide you on the lonely path of entrepreneurship. Each chapter you will help to create competitive advantage which will set your business apart from the crowd of competitors. Furthermore, this book will teach you

on how to respond to every confronting and challenging situation and how to glide effortlessly towards attainment of your organizational goals. Ideally, this book is a self – help, step by step entrepreneurship education text. It is written to encourage every literate adult who is currently unemployed or underemployed, on how he/she can creatively start and manage an entrepreneurship venture to break away from the shackles of poverty.

Best wishes

Isimoya, O.A., Ph.D

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Chapter 1 ENTREPRENEURSHIP

The best way to predict
the future is to create it
Abraham Lincoln, (2020)

Winners never quit and
quitters never win
*Vince Lombardi *(2019)*

The concept of entrepreneurship

The concept of entrepreneurship has been described by numerous authors from varying perspectives. From the scientific perspective, Evans and Volery (2001) defined entrepreneurship as a process of creating value by individuals or organisations through the combination of capital-labour, risk-taking, and technology. The process involves the identification of a business opportunity and the utilization of existing resources to exploit the opportunity. Entrepreneurship, therefore, involves an individual's or an organisation's ability to develop a new product or service to satisfy the unfulfilled socio-economic needs in the market. Moreover, entrepreneurship involves not only the identification of an entrepreneurial opportunity but also the capacity for the exploitation of business opportunities.

In the industrialized world, entrepreneurship is seen as the establishment of a new business venture. It is also seen as a process of developing the business acumen in aspiring entrepreneurs to enable them to make sound judgements and decisions in the context of managing entrepreneurial ventures. Entrepreneurship in the industrial world is the ability to develop and manage a new business venture for profit-making purposes (Cooney, 2012). Furthermore, the ability to develop a new approach in or managing an existing business fall within the purview of entrepreneurship. Moreover, some scholars, as

well as business practitioners, also view entrepreneurship as an attitude, a personal lifestyle than a skill or profession. This implies that not everyone is cut out for entrepreneurship, little wonder most graduates of business schools would prefer to climb the companies' employment hierarchies than establish entrepreneurship ventures of their own. In line with above, one may have acquired formal knowledge and technical skill for entrepreneurship, but for lack of entrepreneurial attitude and personality could not establish a venture. Thus, having an entrepreneurial mindset which is an attitude influenced by personal lifestyle, is the magic wand. Thus, a petty trader, a newspaper carrier, an artisan like a plumber, a tailor, a motor mechanic, are involved in entrepreneurial ventures, whose source of livelihood depends on their skills and dexterity.

Theory of entrepreneurship

Though the study of entrepreneurship has been popularized in this 21st century, its evolution according to Menakadevi and Maharani (2014) dates back to the 18th century. As far back as the 1700s a renowned economist Richard Cantillon described the concept of the entrepreneurship as a 'go-between' or a 'between-taker'. In the 20th century, Joseph Schumpeter another renowned economist, and Peter Drucker a management guru described the entrepreneur as an innovator who maximizes opportunities. Schumpeter saw the entrepreneurial activities in the light of 'creative destruction'. Creative destruction is a feature of the economic structure of a nation with incessant destruction of the 'old one' and incessant creation of a 'new one' i.e., outdated approaches and products are replaced with better functioning ones.

In the 21st century, entrepreneurship has taken a new dimension as a result of telecommunications advancement, which aims at the globalization of business. The entrepreneur of the 21st century is quick-witted, innovative, bestowed with creative ideas to tap into new markets, to increase profitability for all stakeholders (Juliana, Hui, Clement & Elvis, 2021). He is also apt in cross-cultural leadership and diversity management that enhance productivity, commitment,

and team performance. We will briefly examine two notable theories which underpinned entrepreneurship studies.

The economic theory of entrepreneurship

According to economists like Papanek (1962) and Harris (1971), entrepreneurship and economic growth take place where economic conditions are most encouraging. To them, economic incentives such as the availability of a reliable source of finance (bank credit), government loanable funds, communication and transportation facilities, are the main drivers of entrepreneurial intention. This implies that a well-developed market and efficient economic policies would promote entrepreneurship speedily. Economic gains have always been the inner drive of entrepreneurial activities; therefore, economic incentives combined with the inner craving for economic gains, are sufficient conditions that lead to entrepreneurial activity. For instance, when a person who has an entrepreneurial mindset notice that a product or service is out of equilibrium, he may purchase the product/service at the prevailing price and resell to those who are prepared to pay a higher offer price. These theorists believe that entrepreneurship and economic growth will only take place where economic policies and incentives are favourable to the business environment of a given nation. Examples of some of the economic incentives include such as efficient fiscal and monetary policies, communication and transportation facilities, high capital formation with a good flow of savings and investment culture, availability of credit.

Need for achievement theory

McClelland (1961) believes that entrepreneurs are principally motivated by willpower to find a private kingdom or to conquer. In his view, McClelland the psychologist, it is the high need for achievement which impels people to move into an entrepreneurial venture. People with a high need for achievement tend to take interest in situations of high desire for responsibility, and the desire for specific task performance. Psychological essays have noted that achievement motive is infused through child upbringing which

stressed a high standard of excellence, material warmth, self-reliance, and non-fatherly dominance. This implies that individuals' specific needs are acquired overtime and are shaped by one's life experiences.

According to contemporary psychologists (Kurjono, Mulyani and Murtadlo (2018) the supply of entrepreneurs in a given society is a function of the availability of certain psychological characteristics such as capacity to see issues from new perspectives (creativity); the will and mind to overcome fixed habits or thoughts (self-efficacy); the urge to do something spectacular (need for achievement) and the zeal to achieve a dream (risk taking).

It should be noted that entrepreneurship is a multidimensional concept as various scholars and business practitioners view it from different perspectives i.e., economical, sociological, and psychological views. Thus, there are multitudes of factors that influence entrepreneurship emanating from socio-economic, psychological, and other factors that are not presently covered in the book.

Entrepreneurial development

Entrepreneurial development is a process of improving, expanding, and refining entrepreneurial operations to enhance economic growth and development in society. In recent years, many scholars have focused on the role of entrepreneurship in facilitating global economic growth and development. Seen as a catalyst of socio-economic development, many scholars, therefore, campaign for entrepreneurial development which involves activities such as increasing knowledge, skills, behavior, attitude, and motivation of potential entrepreneurs. Entrepreneurial developments encompass all learning programmes in the field of entrepreneurship that would help develop the interest, skills, and competencies of potential entrepreneurs. Examples are structured institutional training programmes, leadership development for entrepreneurial capacity, availability of effective public policies on the development of infrastructural facilities, accessibility of business finance, loanable

funds, etc. It is advisable that given the role of entrepreneurship in economic growth, most developing nations who are industrially underdeveloped, characterized by the high unemployment rate, low standard of living, economic and political instability, etc. should be publicly and privately involved in entrepreneurial development.

Entrepreneurial development in developing nations

Some nations are styled developing nations because they are economically underdeveloped. The nations are characterized by a low standard of living, high unemployment rate, low human development index (HDI), with few and inefficient public services, in comparison to the developed economies. Some scholars argue that entrepreneurial development and activities in developing nations are constrained by personal, and institutional challenges, such as limited effective financial resources, low level of education, lack of government policies that support business, poor or unavailability of infrastructural facilities, to mention but a few. The extents to which nations are tackling these challenges vary from one nation to the other. In Nigeria, for instance, the government supports entrepreneurial development through many of her established agencies: Examples are Raw materials research and development council (RMRDC), Nigerian opportunities industrial center (NOIC) and Federal institute of industrial research Oshodi (FIRO) (Kowo, Sabitu & Bola, 2019). While these agencies have their respective roles in the Nigerian economy, small and medium enterprises development agency of Nigeria (SMEDAN) is federal government institution/agency charged with the responsibility of promoting, coordinating and facilitating the development of the micro, small and medium enterprises (MSMEs). Other functions of SMEDAN include:

- (1) Advise the Nigerian government on policy formation and execution in respect of SMEs
- (2) Recommend appropriate operators and sectors that may be assisted through loans, equity, and grants
- (3) Identify viable business opportunity areas and projects for both foreign and local entrepreneurs and investors

- (4) Identifying suitable foreign markets for SME products
- (5) Provide technical, training, and advisory assistance programs through industrial development centers
- (6) Liaise with government institutions, parastatals on their programmes such as the national directorate of employment (NDE), national poverty eradication programme (NAPEP)
- (7) SMEDAN also works towards establishing appropriate support centres for SME growth.

However, SMEDAN may have contributed her best, but it is not sufficient for entrepreneurial development in Nigeria. Ayodeji (2015) identified many external business environmental constraints plaguing SME development in Nigeria. Examples are inefficient educational system with no entrepreneur development curricula, functional infrastructural facilities, inefficient administration of government support schemes, absence of long-term financial assistance and inaccessibility of relevant technology, harassment and multiplicity of government regulatory agencies for SMEs. Aside from the inexhaustible unfavourable external environmental factors, internal environmental constraints to SMEs include finance, poor leadership skills, business planning skills, management skills risk taking schemes, and accounting recording skills.

Aside from business environmental constraints listed above, though inexhaustible, there are also internal potential entrepreneurial deterrents such as

- Finance: Most aspiring entrepreneurs are unaware of the source of finance outside their savings, borrowings from friends and family relations
- Leadership skills: Potential entrepreneurs lack requisite knowledge in running business ventures
- Accounting records: Aspiring entrepreneurs also lack knowledge in bookkeeping and accounting records.
- Business planning skills: Many entrepreneurs cannot write out acceptable business plans, proposals.

- Management skills: Inefficient management skill is also a constraint to entrepreneurial business success in Nigeria.
- Risk-taking skills: Many entrepreneurs cannot embark on calculated risk-taking. They have no skill in asset evaluation.

The above confirms the World Bank rating of ease of doing business in Nigeria which stood at 146 out of 190 countries in the 2018 report, 145 in 2019, 131 in 2020 and 131 in 2021. These data show that Nigeria is gradually improving on her global rating on the ease of doing business. In assessing the ease of doing business twelve indicators were used. These are

- Starting a business
- Dealing with construction permits
- Getting electricity
- Registering property
- Getting credit
- Protecting minority investors
- Paying taxes
- Trading across borders
- Enforcing contracts
- Resolving insolvency
- Employing workers
- Contracting with the government

Six of the indicators which are dealing with construction permits, getting electricity, getting credit, paying taxes, trading across borders, enforcing contracts have earlier been identified as elements of external business environment constraints plaguing the SME development in Nigeria.

Despite the above one can still become an entrepreneur regardless of what is thrown at one. If one has an entrepreneurial mindset and flair to run an entrepreneurial venture, one can maneuver ones' way as one learns and acquire experience that leads to entrepreneurial success through partnering with Graduate Transformation Centre (GTC). The deciding factor is the entrepreneurial mindset.

Who is an entrepreneur?

The term entrepreneur, which originates from the French word 'enterpredre' means 'to undertake' and literally translated to mean 'go-between', or 'between-taker'. Ogundele and Abiola (2012) described entrepreneur differently i.e., an entrepreneur is an originator or creator of the profit-seeking organisation to provide goods and services that satisfy identified needs. In the mid-20th century, Schumpeter (1934) described the entrepreneur as the bearer of mechanism for economic growth and development. In his view, an entrepreneur uses creative destruction through creating a new product, business model, or innovation that displaces the existing one. In their contribution, Low and Macmillan (1988) noted that an entrepreneur creates a new business, by combining his/her resources to introduce a new product to the market. Alternatively, an entrepreneur uses his/her skills to develop an innovative new product/business or applied to an existing one. He is a self-motivated individual, initiator of unique ideas, which are capable of generating exchange for economic values.

Considering the various scholarly definitions of an entrepreneur; our take-away is that an entrepreneur turns a societal problem into a business opportunity and uses the resources available to him, to develop a product or service that meets the hitherto unsatisfied need. The above confirms what earlier authors who opined that entrepreneurs have different mindsets and attitudes. In the business world, the entrepreneur is an initiator, a creator, challenger, strategist, starter and the driver of new ideas to implement changes. The entrepreneur may not necessarily be the initiator of the new idea, but he organizes a team that converts the idea to reality. Furthermore, the entrepreneur is a strategist and a leader. He is responsible and accountable. As one who is in charge, he leads his team through motivation and inspires the team to follow him.

Remarkable characteristics & skills of an entrepreneur

There are certain common traits found with successful entrepreneurs. These traits or characteristics, if not innately inherent in an individual, can be developed. These are:

- Leadership: The entrepreneur may not necessarily be the most knowledgeable, talented, and skilled among his team, but he has to be a leader. As an entrepreneur, you lead by bringing the team members together and leading them towards a common goal.
- Vision: The entrepreneur is the life (life beat) wire of the organisation, he calls the shots, but with the teams brainstorming, takes decisions and the rest of the team executes.
- Visionary: The entrepreneur is a visionary; he can see the big picture. He looks beyond the present circumstances through his mind, eyes and sees a greater and fruitful future in alignment with his vision. The entrepreneur through whom he brings into existence through his/her decisions and actions.
- Risk-taker: Being a visionary, he also automatically ends up being a risk bearer; since he understands that there are forces beyond his control affecting his understandings. With knowledge of forces beyond his control, he then is fully and mentally aware that unforeseen circumstances can incur some losses. This mental preparedness makes him a winner since he would not easily quit when he meets obstacles.
- Networking: Networking is a skill that every entrepreneur needs to have. Although one man can walk faster alone, two or more men can walk longer. An entrepreneur can network with friends, partners, mentors' other business-oriented persons.
- Time management: In this era of technological advancement, time management is the process of organizing and planning how to divide one available time between specific activities. Good time management enables one to work smarter and faster, but not harder, so that one can get more done in less time, even with more pressures in time.

- Communication: Communication skills are very important to an entrepreneur. Communication whether written, verbal or non-verbal is the means entrepreneur interact with customers, employees, partners, colleagues, and supervisors while at work. Transfer of information in time and with clarity is important for business success.
- Branding: In this competitive and digital age, personal branding means so much to an entrepreneur. A personal brand is the attaching of monetary value to a person as opposed to a good or service. When an entrepreneur's brand is adequately developed, that implies that the entrepreneur is market-oriented which leads to leadership in the focused industry.
- Resilience: This is yet another skill that a focused entrepreneur should possess. Resilience is the flexibility needed by an entrepreneur to help him push through despite the setbacks and challenges that may come on his/her way in the course of nurturing the fledgling business to success.
- Productivity: This is the trait to plan and simultaneously multi-tasking in the execution of work activities on daily basis. The entrepreneur needs to develop this skill to enable him to work smarter and faster for the growth of his entrepreneurial venture.
- Self-motivation: This is the most important trait an entrepreneur must possess. It is an intrinsic factor that keeps one going irrespective of all odds.
- Passion: In the business world the entrepreneur's passion is the strong love and desire in doing what he/she does. An entrepreneur is passionate when he/she has a strong extravagant fondness, and enthusiastic desire over what he is doing if his product/service is intended to solve a problem, his passion is when he/she does it with joy excitement, and zeal to see the product comes through and contributes to the betterment of the people.
- Adaptation: This is another trait an entrepreneur should have to be able to maneuver within the business environment. The business environment is dynamic such as the climate, market,

technology, people, product, and services. Adapting to market structure and demand would make a business not fall extinct due to product/service obsolescence.

- Knowledge of financial bookkeeping: Financial bookkeeping knowledge is a trait that an entrepreneur should possess. Although an entrepreneurial firm may have a person designated to take care of daybook entries, however, the entrepreneur should have basic knowledge of financial records.
- Ambitious: Entrepreneurs have a high need for achievement and are very competitive. An entrepreneur is an enterprising person who wishes to rise above his present position. He is ambitious as he wishes to attain worldly success and desires to put his footprints in the sands of time.
- Independent: Entrepreneurs are self-starters who prefer to lead than be led. They are individualists who are free from the influence and control of another.
- Creative: Entrepreneurs have creative talents which enable them to invent and develop original ideas. In the business world, entrepreneurs' creative talents are applied to developing new product design marketing strategies and improving managerial operational processes in a firm.
- Energetic: Starting an entrepreneurial venture is not by fiat. Entrepreneurs are energetic persons; who are physically active and strong for movement and never feel tired. These characteristics enable some of them to work 18 hours a day, 7 days a week, and 365 days a year.
- Commitment: Entrepreneurs are personally obligated, committed to achieving their goals, without being cajoled or threatened, but voluntarily willing to be held accountable for results. As a result, they are committed and persistently seeking ways to improve on what they are doing since they are accountable for results.
- Relaxation: The relaxation technique is an important skill needed by entrepreneurs. Entrepreneurship as a lifestyle is

very demanding. Therefore, relaxation is needed to calm the nerves and reduce levels of pain, anxiety, stress, or anger. If you have some of the above-discussed characteristics and your current job is perhaps boring, unchallenging, and unexciting to you, you can present yourself to be tutored to become an entrepreneur to live a self-fulfilled life. In this technology-enabled business era (ease of market entry, location of the business, and employment of skilled persons), do not let anything hold you down in creating your entrepreneurial venture, except for the skills of running an entrepreneurship business which GTC is out to offer you and every ambitious graduate of your type.

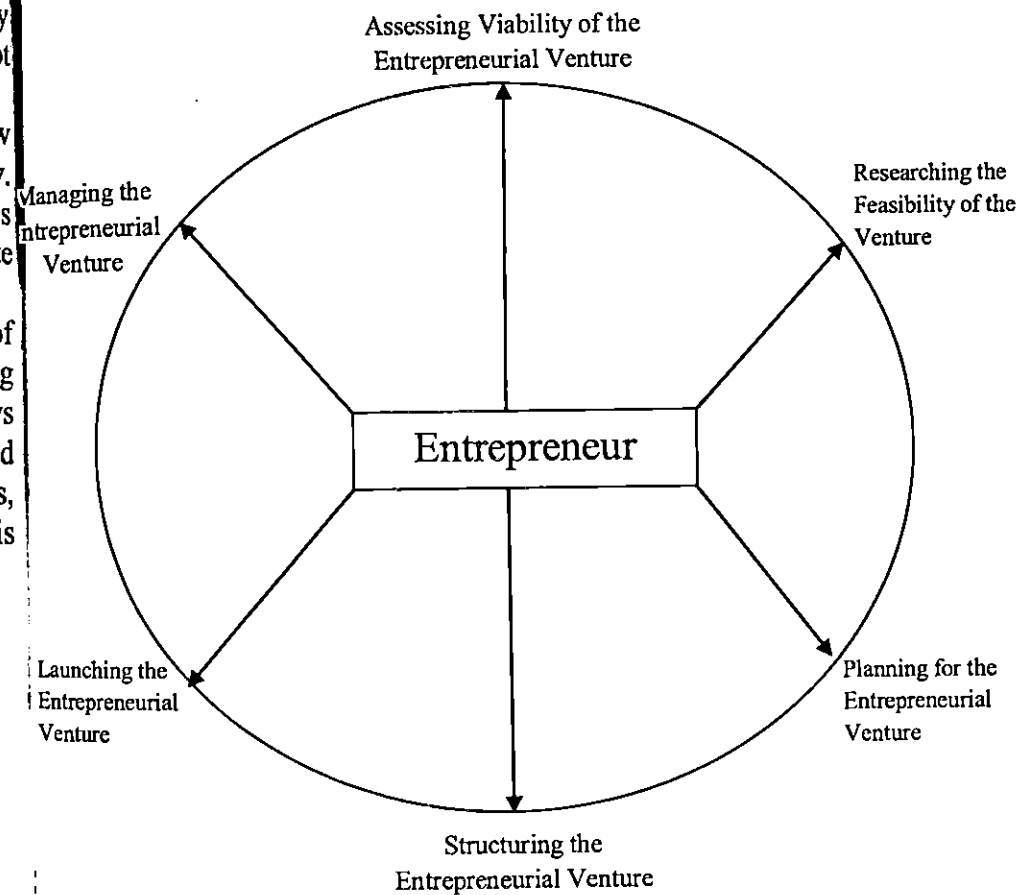
Importance of entrepreneurship

The importance of entrepreneurship in a nation cannot be over-emphasized. Entrepreneurs make use of unutilized resources to produce goods and services. This would amount to increase economic growth and gross domestic product (GDP) of the country. Similarly, startups create employment, income for the people, and added value for goods and services which increase the nation's productivity and per capita income. Entrepreneurs take risks in the hope of making a profit or solving a specific social problem in the communities located, so the significance of entrepreneurship is immense as it is the backbone of economic growth and development of any society. Entrepreneurship plays the following roles in a nation's economy.

1. Accelerate economic growth & development: In a market, economy entrepreneurs create new products and services through new employment which in turn results in acceleration of economic development.
2. Creation of new jobs and opportunities: Government policies that support entrepreneurship would create a large number of entry-level jobs that would turn unemployed youths into gainful employment. Thus, the increase in total employment in a country largely depends on entrepreneurship.

3. Promotes innovation: Entrepreneurship brings innovation to existing products and services, which give room to new products and technology. Entrepreneurs help to make society better by proffering solutions to existing problems which were hitherto not solved.
4. Promotes social changes: Entrepreneurship pioneers new technologies and systems; that ultimately bring changes to society. It breaks the culture of the society depending on obsolete methods systems and technologies. An example is the use of obsolete equipment in a family in Nigeria.
5. Promotes research and development: Entrepreneurs are a group of people who discover new business ideas which improve existing products or ways or methods of producing. They are always thinking out of the box. Entrepreneurs thus promote research and development which enables them to develop new products, services, or ideas. It is no doubt that an entrepreneur is multifunctional in her role and important in an economy.

Below is a diagrammatic illustration of the summarized roles of an entrepreneur



SOURCE:**Key**

Assessing viability	(i) Gathering information to identify the potentiality of the business opportunities (ii) Assessing possible competitive advantages
Researching Feasibility	Uncovering the business idea in terms of competitor analysis, financial viability, and finding options
Planning the Venture	Developing the vision and mission statement. Crafting strong business and marketing plans
Structuring the Venture	Choosing a legal form of the business patents and copyright issues. Structuring organizational design
Launching the Venture	Setting up goals and strategies for the firm. Working out marketing plans, information systems, and financial accounting systems e.g cash flow management.
Managing the Venture	- Establishing action Plans; SWOT analysis; Evaluating performance; Developing growth strategies; Exploring ways to finance growth; Selecting, appraising, training & motivating; Dealing with conflicts; Delegation of authority

Takeaway: Entrepreneurship

Entrepreneurs can change the standards of living of both the individuals and nations of the world. With their innovations, entrepreneurs can change the way we live and work, locally and nationally. Entrepreneurship promotes social change by driving innovation. Entrepreneurs spur economic growth and development, through the new products services, and markets formed. For instance, the advancement of the information communication technology (ICT) industry today has enabled many associated industries to expand phenomenally and a new class of highly paid IT workers came into being.

Entrepreneurial venture impacts national income. For instance, increased employment opportunities, higher earnings contribute to better National income in terms of higher tax revenue and government spending. Furthermore, entrepreneurs improved quality of life, improved morale, and economic freedom, for instance, the telecommunication sector smartphone and apps developed, have improved the quality of life in terms of work and play across the globe. Today up to 5 billion people worldwide have access to mobile telephone services which have revolutionized the world. Community development is another notable area that successful entrepreneurs have impacted; entrepreneurs invest in community projects and finance noble causes in the community such as sponsorship of education and public health for the poor of the society.

However, entrepreneurship is not an all-comers affair. An aspirant entrepreneur must be groomed in the rudiments of establishing a business and the basic skills required to successfully run the established business such as communication, sales and managerial skills. Others are the ability to be focused follow your dream and desire to learn always. Furthermore, the aspiring entrepreneur must be able to craft and pursue his/her business strategy with commitment and vigour.

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Chapter 2

IDENTIFICATION AND EVALUATION OF ENTREPRENEURIAL OPPORTUNITIES

'Business opportunities are like buses, there is always another one coming'

Richard Branson (2019)

A business is simply an idea to make other people's lives better

Richard Branson (2015)

Entrepreneurial business opportunities

In literature, notable economists and scholars have affirmed that the concept of entrepreneurship is the process through which new economic activities and enterprises are invented. Peter Drucker the management guru defines entrepreneurship in terms of the generation of new jobs and the production of new sources of income. Moreover, Drucker saw innovation for new products or practices as entrepreneurial. In short, entrepreneurship centres on the newness of ideas, products, services, or processes and the generation of varieties in the market through innovation. Innovation in an entrepreneurial context implies the act of improving on or making a significant contribution to an existing product, service, or process.

Through creative destruction or innovation mechanisms, entrepreneurs today can introduce new products (goods & services), new processes of production, new markets, new sources of supply, and new organisations. This is in response to the changes in the market through unexpected occurrences, problems/needs of society, gaps between expectations and reality. These changes in the marketplace are what are referred to as sources of entrepreneurial business opportunities. Thus, in a developing economy where the market is constantly changing due to changes in demography, knowledge, and awareness levels, these changes give room to

entrepreneurial opportunities and are exploited through innovations. The principle of effective entrepreneurial innovations is making the product, service, or process simple and customer-oriented. To identify an exploitable entrepreneurial opportunity, the aspiring entrepreneur must be action-oriented. He must be constantly sensing and scanning the business environment to identify the problems and needs of the market and creatively think out of innovative solutions. An aspiring entrepreneur who is innovative would creatively make the product customer-focused, simple and understandable, through these; he would have created a marketable business opportunity for himself.

Theories of entrepreneurial business opportunities

The centrality of the concept of business opportunity in the study of entrepreneurship cannot be overemphasized. The existence of exploitable business opportunities in the marketplace is one of the major factors that motivate entrepreneurship. There are broadly two theoretical perspectives on business opportunities in the entrepreneurship literature. They are opportunity discovery and creation.

Opportunity discovery perspectives

In this perspective, opportunities are viewed as natural events that exist in the world before being discovered by knowledgeable and skillful persons (entrepreneurs) who then seize the opportunity to exploit them (Kirzner, 1973, Shane & Venkataraman, 2000). The theory of opportunity discovery or recognition posits that the sources of opportunities are underused resources, different forms of structural change, and uneven distribution of knowledge, which leads to unnoticed market inefficiencies (Berglund, 2007). Drucker (1985) stated that entrepreneurial opportunities reside in seven (7) broad sources of change: unexpected occurrences, incongruities, process needs, changes in the industry structures or markets, demographic changes, changes in perception, and new knowledge.

This implies that dynamic changes in macro-economic, political, social, regulatory, and technological changes embed entrepreneurial

opportunities. As a result of the dynamic changes in the environment, the world's marketplace becomes very uncertain and unpredictable. An individual embedded with high levels of alertness, access to information, entrepreneurial human capital and cognition abilities, to identify and evaluate these uncertainties in the marketplace, can become an entrepreneur. The entrepreneur then crafts strategies for the successful exploitation of the identified entrepreneurial opportunities.

Opportunity creation perspective

The opportunity creation perspective sees opportunities in the context of entrepreneurs or individuals seeking to create their new business ventures which principally depends on entrepreneurial action and imagination for its development. In this perspective, opportunities are created by the actions and imaginations of the entrepreneur and not discovered before exploitation. The emphasis on creativity and the entrepreneur as a history maker; reinforced the notion that entrepreneurial action is genuinely creative but within the bounds of imagination, thus making history instead of merely responding to it. One of the proponents of this theory (Shackle, 1988) defined entrepreneurship as action in pursuit of the imagined deemed possible. Knowledge and experience serve as inputs to the imagination but do not fully constrain or determine it. Another proponent of the creative destruction perspective of entrepreneurial opportunities is Schumpeter in 1934. Starting with individual aspirations, limited resources and an open view of the future, and implicit negotiations with different groups of people such as suppliers, partners, and customers the entrepreneurial opportunity emerges. As noted by Sarasvathy (2004) opportunities are the results of efforts of particular entrepreneurs striving to construct corridors from their personal experiences to stable economic and sociological institutions which comprise organisations and markets in the world. In a nutshell, this school of thought sees entrepreneurial opportunities emerging from negotiation in the social process devoid of forecast or prediction.

Sources of business idea/opportunity

An entrepreneur must somehow perceive an opportunity because an entrepreneurial venture will only be formed when an entrepreneur perceives a problem to solve. There are many sources of business ideas, which may lead to business opportunities; though not all business ideas can translate to business opportunities, which in turn, metamorphose into business ventures. In entrepreneurial literature, scholars described a business opportunity as a product or service that creates significant value, for customers and offers immense profit sustainability to the entrepreneur. The entrepreneur is primarily interested in the existing problem that needs to be solved for customers. It is also reasonable to know the number of potential customers who desire the solution to the problem, understand their behavior and purchasing power, and whether the solution meets their needs before committing resources. The sources of business ideas/opportunities are many and varied, depending on one's knowledge, experience, entrepreneurial goals. In literature, commonly cited sources of business ideas include complaints (observed problems), hobbies, exhibitions, changes in socio-economic, political and technological sectors of an economy, competition, mass media, work experience, brainstorming, surveys, product franchise.

A perceptive observer with an entrepreneurial mindset would be able to sense a business idea that could be converted to a business opportunity, from the above listed but inexhaustive sources. For instance, in a particular community, the public and corporate employees need clean and well-packaged water to refresh them in the heat of the sun. This can lead to business opportunities for the establishment of a bottled water factory in that locality. Not all business ideas can translate to the business opportunity. A business opportunity is an idea that is based on what consumers want i.e., it creates customers' value and serves an unmet need.

For an idea to translate to a business opportunity for a typical entrepreneur, it must have the following features, such as large market size and growth potential, the business idea must be suitable

in terms of technical feasibility, financial viability, the product, service must be generally acceptable, there must be available skill and other resources to exploit the business idea. Others are the entrepreneur must be passionate in the business; have immediate family support, managerial skill for running the type of business and the peculiar personal attributes (strengths and weaknesses) for such a business.

In addition, the entrepreneur should seek to determine the viability of the business by asking some evaluative questions such as 'what need or problem does the entrepreneur seeks to solve? 'Who are the beneficiaries and are they aware of unsolved the problem? Can the entrepreneur specifically identify them and how does he/she intend to reach them? Is there a competitive product/service in the market? and what percentage of the market can the entrepreneur access? How usable and functional is your product compared to the substitutes in the market?

Evaluating and screening business opportunities

The raison d'être for setting up a business is to satisfy an unmet need. Thus, being in business is not about the seller but the buyer. Customers buy a product not because of its distinct size, packaging, or price, but because of its capacity to satisfy an unmet need. A business formation originates from a business idea (a concept that can be used to make money) while an idea is metamorphosed into a business opportunity after it is screened and found to have commercial viability. Commercial viability implies that the idea has

- (a) Significant market demand
- (b) Sizeable market structure
- (c) Notable margins and resources to support the venture

Through informal and formal market research the entrepreneur can determine the market demand of his/her potential product/service. Moreover, through market research, the entrepreneur would gather information regarding the target market's willingness to purchase and forecast annual turnover. For instance, what competitive advantage in

terms of a lower price, ease of use, emotional value, acceptability of the product in the marketplace. Qualitative market research can provide information such as customer feedback and opinions which in turn can provide insights into how the consumers feel about the product or service. Furthermore, through market research, the entrepreneur would obtain answers to 'what specific problem can the product / service solve? Is the target market easily identifiable? Do they need unique customer value from the potential products?

Sizeable market structure refers to the identification of drivers of demand and the growth potential for the product or service. Market entry requirement and the potential market share, the product would have as a result of its competitive advantage. Apart from competitive advantage, market research can help us determine the breakeven units of the products i.e., fixed cost divided by unit price, minus variable costs per unit. Moreover, the lead time of the product i.e., the time it takes an entrepreneur to complete an order by a potential customer, can also be determine through market research.

Further, research would reveal the infrastructure and capital requirements needed to start the venture. The infrastructure includes all technical resources, the entrepreneurial team skills, the distribution system, etc. to support the venture. The significant margins connote the ability to generate profit that is worth the risk involved. This implies the business must be feasibly taken into consideration the operating cost and the profit to accrue. Verifying research questions regarding resources needed to launch the venture include:

- What are the capital requirements to start the venture
- What infrastructure and supporting resources are needed to launch the venture?
- What time is ripe to launch the venture?

In developed economies, like the United States of America (USA) and the United Kingdom (UK), there are common sources of research data that are used to validate the viability of a business idea. For instance, the US Small Business Administration (SBA) and US

Census Bureau can provide insight into the population of your target market. These bodies can give us information that can be used to evaluate business opportunities, by evaluating the normative product ideas, marketing strategies, and trends. Others are the evaluation of the competition in the marketplace, availability of skills for the entrepreneurial team, and the sources and viability of financial resources. Moreover, the statistics on the economy and trade within your market area can be extracted from these secondary data sources. In the United Kingdom (UK), there is a list of top United Kingdom market research firms that helps in the research on the viability of small business opportunities. Examples are vision one, Arlington Research, Antidote. These firms are 70-100% involved in researching new business market opportunities. Market research which can be embarked at any stage of the business life cycle i.e., pre-launch and beyond helps the entrepreneur to be aware of the market trends, understand the target market, identify consumer problems and pinpoint his/her competitors in the market. This research report enables the entrepreneur to maintain a competitive edge by identifying the business opportunities cropping up in the marketplace. Additionally, market research helps the new entrepreneur not only ascertain the quality of services and the channels of communication provided by competitors but also assess how fierce is the competition in the market which is capable of adversely affecting sales.

Entrepreneurial business opportunities in Africa

Identification of an attractive and marketable business opportunity has always posed a major problem to most aspiring entrepreneurs in emerging and developing nations of the world. The question has always been should the entrepreneur introduce a new venture, or a new product or service, through invention, to serve an unmet need in the market? Should the entrepreneur select an existing product or service, identify its shortcomings, listen to what customers are saying, and see whether he can improve on the offering or the marketing process? Others may seek a franchise, duplicating the tried and tested formula in his/her environment.

However, Africa has abundant business opportunities as social and economic problems/needs abound. Problems like food insufficiency, shelter for all, clothing, healthcare, access to electricity, qualitative and functional education, youth unemployment have not been adequately addressed. Nigeria like most other African countries' economies is based in extractive industries. Nigeria has abundant crude petroleum, natural gas, and solid minerals such as gold, iron ore, columbine, coal, limestone, oil sand, tin, bauxite, among others. The country's sources of revenue are mineral rents, royalties, levies, and corporate tax and dividends paid on equity paid by the transnational oil companies in Nigeria. Other countries in Africa whose major source of revenue is from crude oil are Libya, Egypt, and Algeria. During the oil boom era, Nigeria's petroleum sector accounts for 45% of the GDP and 90% of the total export value. Similarly, the hydrocarbon sector in Libya accounts for 70% of the GDP 93% of government revenue, and 95% of export earnings (Edwik, 2007). Other emerging countries in Africa that are resource-rich (rents from natural resources) economies include Tanzania, Niger, Ghana, Mali, DR Congo. They are resource-dependent and weak in governance.

Although these mineral wealthy African nations can translate their economies to prosperity through financing sustainable infrastructure, for the provision of affordable healthcare, portable clean water, transportation, telecommunication services, and energy for domestic and industrial use, however evidence shows that these resource-rich economies are poor in economic growth, and notable in human right abuses. Furthermore, they are embedded in institutional corruption, rent-seeking behavior, unabated desire for international borrowings, and underdevelopment. African nations are where they are today because most of the policymakers are not entrepreneurially oriented, thus they do not diversify their economies to depend less on oil revenue. Today entrepreneurship is seen as a national asset to be cultivated, motivated, and remunerated (Seth, n.d.) in most developing countries. This is because entrepreneurs along with their innovations spur economic growth which enhances job creation,

national income and improves the quality of life. The products of entrepreneurship in developed societies include automobiles, electricity, telegraph and telephone services, computers, air conditioning, the railroad, the airplane among others. In all these outstanding technological breakthroughs that have made life easier, the African continent, unlike the European and Asian continents is lacking in contributions. As a result of the absence of sufficient educationally equipped entrepreneurs and lack of infrastructural supportive environmental conditions, the African endowed resources are mostly exported in raw material form, without utility value-added. For instance, the West African sub-region is notable for the production of cocoa beans, while it is exported raw, at a low value, the industrialized countries purchase it and transform it into coffee and other forms of beverage drinks and export it back to Africa at a high value, because of the utility added. Today, the foreign firms from the developed world undermine African nations economically and financially who are the producers of local raw materials, since the exported products have a short lifespan and are subject to the vagaries of weather.

To all graduates in Africa, you can change your trajectory, through the abundant exploitable entrepreneurial business opportunities in Africa and other less developed countries whose economies are currently run based on products of extractive industries. For instance, in Nigeria, as to other African nations, the population is increasing annually; urbanization and middle-class population are also on the increase, coupled with increased demand for qualitative products and services. The socio-demographic changes create unmet need gaps in food, shelter, clothing, electricity, healthcare, hospitality, and domestic waste disposal. In Africa, most waste (domestic and industrial) end up in landfills while some are left to pollute the river bodies and the streets in our major cities. With entrepreneurial knowledge and entrepreneurship supportive infrastructure, these wastes can be used to generate electricity for domestic and industrial use. In the same vein, some wastes can also be converted to animal and poultry feeds.

Moreover, through knowledge-based entrepreneurship African nations can create more jobs; enhance economic growth, by exploiting the opportunities in extractive industries value chain analysis. Examples are value chain analysis in farming, mining, limbering, hunting, and fishing operations. Thus, we can have Nigerian branded and packaged foods for both local consumption and exports. Similarly, the electricity supply in Nigeria which is currently epileptic can be increased. In all sectors of the extractive industry of the developing economy, we can research the entrepreneurial business opportunities which can be discovered through industry value chain analysis. These are business opportunities that could be exploited for economic growth and development for the respective countries.

Takeaway: Evaluation of business opportunities

Market research helps to verify among others, the viability of a new product/service, discover a new target market, and get opinion and feedback from consumers about their perception of a new offer. With regards to an aspirant entrepreneur, market research is a viable tool, which he cannot do without, in running a business. Market research plays the following inexhaustible roles such as provision of information about consumer behaviour i.e., socio-cultural and personal factors, target market characteristics, potential competitors, strategic knowledge of new business environment, marketing communication, distribution and pricing strategies, which would enable the entrepreneur to steer the ship of his/her business smoothly to avoid business failure

An entrepreneur running his/her business on research-based information would not only guide against costly mistakes and business failures, but would effectively manage his current venture and also cleverly identify new business opportunities to aid his/her expansion drive.

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Chapter 3

BUSINESS FEASIBILITY FOR VENTURE CREATION

Project planning
refers to plans of an
undertaking to build up
productive capacities or
diversify its business or
extend its existing capacities

Unknown
Richard Branson

Study nature, love nature
and stay close to nature.
It will never fail you.

Frank Lloyd Wright (2019)

Preamble

The preparation of a feasibility study is a requirement for painstaking evaluation of the usefulness and sensibility of a business project. In our private lives, we mentally appraise most undertakings we embark on, to determine the worthiness of the project. For instance, you are invited to spend part of your annual leave in an uncle's house in Lagos. Before you embark on the journey you will consider informally, the cost of the trip, the purpose and the benefit accruable from the visit, the opportunity cost of spending part of leave in the uncle's home, the experience and the means of transportation, etc. The evaluation of the above experiences would help you determine the possibility and worthwhileness of the journey. In the same vein, we formally carry out a feasibility study of a business project or venture to garner information regarding the various elements of the proposed business such as what the business intends to do the location of the proposed business, the form of ownership and the financing of the business, the marketability of the business's products or services and the growth of the target market, etc. A well-prepared feasibility study serves different purposes: firstly, it is equivalent to a business plan, which serves as a reference document for the operation of the business. Second, it enables the founder of the proposed business to think thoroughly about the financial, social and technical

implications of the business project before committing his resources to it. Furthermore, a feasibility study is a document an investor could be interested in. Banks and venture capitalists would go through a submitted feasibility report to determine the viability of the project and whether they can commit their resources to the project.

A Sample feasibility report of graduates' transformation centre (GTC)

Background of the business

Graduates transformational centre (GTC) is a new training outfit aimed at applying transformative pedagogy to help young unemployed and underemployed graduates to establish and manage entrepreneurial businesses as careers of their own. Entrepreneurship as an activity of setting up one's own profit oriented business outfit, has evolved for centuries i.e., since humans started to live in settlements.

Today entrepreneurship development is a tool for economic growth and development, coupled with employment generation for the youths. In many developing nations such as Nigeria, which has high unemployment rates for the youths, over 95% of entrepreneurial businesses formed, failed within the first three to five years. The reason is not far-fetched as many principals of these entrepreneurial ventures lack basic managerial skills and knowledge, which results from low levels of education. Entrepreneurship teaching is the process that aims to improve the skills set as well as the knowledge of aspiring and existing entrepreneurs. It helps aspiring and existing entrepreneurs, through online training seminars, workshops, coaching and mentoring; achieve their goals, by applying their entrepreneurial skills. These programmes help new firms or ventures to start better, improve the business template and achieve their goals of growth and development of their national economies. Ten notable developed economies where entrepreneurship development is highly practiced include Norway, Netherlands, Singapore, Canada, Sweden, Switzerland, United Kingdom, United States, Germany and Japan (CNBC.com). In Africa, only a few countries have made insignificant

strides in entrepreneurship development. Perhaps this is the root cause of economic backwardness in Africa. In the light of the above, the Graduate transformation centre (GTC) was established to explore and impact entrepreneurial management skills and knowledge on our young aspiring and existing entrepreneurs for the successful running of their ventures. This project looks feasible as Africa has a large teeming population of graduate unemployed youths and a high business formation rate.

Company/business overview

Graduate transformation centre (GTC) is a niche business consulting firm established as a sole proprietorship business. It is a management consulting firm whose objective is to demystify entrepreneurship for aspiring graduate (of all disciplines) entrepreneurs. Unemployed graduates of tertiary institutions who are desirous to gain their financial freedom will love to undertake our training programme and break the shackles of poverty. This entrepreneurship training outfit is aimed at imparting to young graduates the skills of establishing an entrepreneurial venture of their own. Specifically, GTC will impact participants' skills for identification and exploitation of business opportunities, marketing the firm's product/service, satisfying the firm's customers to guarantee repeat purchase, managing human resources for peak performance and running the business ethically. These are grey and practical areas of entrepreneurship that no business school will teach you in the formal classroom. Mr. Nwachugasim Izuchukwu Goddey (ACA) has a background in Accounting and Finance with his Bachelor's and Master's degrees in accounting, from the nation's foremost university; he has hands-on experience and know-how in accounting and financial management of small business organisations. Mr. Addah Emmanuel holds a Ph.D. in Information Technology (IT) University of Benin, Benin City. He manages the IT unit of GTC. He has written books on information technology and has been involved in designing and installing ICT systems, ICT training for small-scale business organisations. Dr. Isimoya, O. A. who is the leader of the team is a management guru, particularly in marketing and insurance functional areas. Aside from

his bachelor's and master's degrees in Business administration, he also earned his doctorate in Business Administration. As the leader of the team, his critical role includes the provision of the firm's vision, organizational structure and communication protocols, motivation and inspiration of staff, delegation and empowerment of staff and effective time management.

Environment and industry analysis

Low levels of domestic investment, education, government effectiveness, and high rural-urban migration are some socio-economic factors that significantly affect economic growth and development in Africa. Others are high rural-urban migration, poverty and high crime rate. Literature has it that entrepreneurship explained the variations in the growth of countries. Thus, entrepreneurial business development, which could be in duplicative form, can be instrumental to economic growth in Africa. Entrepreneurship boosts economic growth by introducing new technologies, products and services. It provides new job opportunities, increases the productivity of workers, firms and economies. Moreover, it empowers the poor and is an impetus to innovative tendencies. In line with economic parlance, entrepreneurship is the engine of economic growth. In Africa however, government ineffectiveness as a result of poor governance has adversely affected the growth of entrepreneurship through corruption that has not only crippled economic growth and development but also negatively affected the quality of education (poor infrastructure and curricula mismatch with current industry needs), efficient energy supply, portable water supply and motorable roads, which are factors that boost entrepreneurship to mention but a few.

The management consulting industry in Nigeria is of various sizes and ranges. For instance, we have sole proprietors consisting of a single consultant; small business organizations consisting of a small number of consultants e.g., Novatia Consulting, Business On Top. Others are mid-to-large consulting firms such as Workforce Group

and multinational consulting corporations McKinsey & company, Boston Consulting Group (BCG), Ernst & Young (EY) KPMG, and Price Waterhouse Coopers and Deloitte.

Currently, management consulting in Nigeria is involved in the following areas:

- Strategic consultancy services: These consultants are responsible to help clients to focus on strategic topics such as corporate and organisational strategy, economic and political policies, and corporate functional strategies. They carry out a lot of quantitative and analytical responsibilities, advising overseeing implementation.
- Operational consultancy services: These are consultants that help to ensure that clients improve their corporate performance. Advisory services, hands-on implementation support, who work side by side with experts in-house.
- Financial advisory consultancy services: Consultants operate in an advisory capacity in the finance functional area and other functional areas of the corporation such as marketing, human resources and production facilities management. In the Nigeria management consulting market, there is a niche market unattended to, i.e., Graduate entrepreneurship development.

Few there are, if any, management consulting firms in Nigeria, who are focused on entrepreneurship development through training of young aspiring and upcoming entrepreneurs, through workshops, coaching and mentoring, on how to identify and exploit business opportunities, establish and manage own business ventures. It is the intention to fill this gap that GTC was founded by the proprietor Dr. Isimoya, O. A., a vast experience lecturer in the faculty of management sciences at the University of Lagos – university of the first choice and the pride of the nation. Graduate unemployment by population rate has reached 25% in Nigeria. In short, the National Bureau of statistics according to Vanguard newspaper, 17 December 2019, stated that 36.26% of recent graduates are unemployed. No doubt, unemployment fuels crime, such as kidnapping, insurgency,

banditry, etc. Moreover, it breeds frustration, prostitution, rapist, increases preventable deaths, lowers self-esteem, economic growth and financial independence. In preliminary research, I found that there are no formal entrepreneurship teaching consultants except for Fate Foundation and some government-sponsored agencies programmes such as the National Directorate of employment (NDE), President Buhari N-Power Programme, Youth Empowerment and Social Support Operation (YESSO), President Goodluck Jonathan's Youth Enterprise with Innovation (YOUWIN) whose implementation is not politically neutral due public official corruption. Since the supply end of the graduate, entrepreneurship development market is poorly served, I do not doubt that there will be minimal competition and marketing expenses to confront, in my venture.

Surveys

Marketing plan

The target market of GTC consulting is the teeming unemployed graduates present in all African nations and other developing nations of the world at large. This market has common identifiable features and needs that GTC can satisfy. This segment of the market has the demographic characteristic of age range between 18-30 years, they are well-read in their chosen discipline (possess Bachelors and even Masters Degrees) and sadly unemployed, financially depended, anxious, frustrated and often depressed.

The trend in this market is an annual growth rate of 2-5%. For instance, in Nigeria, the number of educational institutions producing these graduates is continually increasing in number. Currently, there are one hundred and seventy-four (174) federal, state and private own universities while polytechnics stood at 134, similarly owned by federal, state and private institutions. The competition in this market with regards to entrepreneurship development is very minimal as there are not many formal establishments focused on training young graduates on entrepreneurship except for fate foundation based in Lagos. With the advancement of information, communication technology (ICT), GTC has the opportunity to reach out to all

unemployed graduates in all African nations and the world at large, via internet services. Thus, with internet services, our projected market share is not below 60% in Nigeria. Our market share will grow annually as we provide an amalgam of services to these young and upcoming entrepreneurs. Apart from online training services, we also provide face to face training, coaching and mentoring the entrepreneurs where the trainees and the trainer can meet for interactive sessions

Our communication with our potential customers through social media platforms such as Facebook, Instagram, LinkedIn, YouTube, Twitter, Podcasts, blogs and websites is part of our marketing plan. Unlike consumer products, which utilize trade magazines, direct mail, promotional brochures, etc. to promote and advertise their products, which are expensive and yet limited in effectiveness, GTC will be omnipresent on all social media platforms. Another marketing strength for GTC is unlike commodity goods we do not need a sales force or sales representatives to sell or distribute one service, at the local, regional, or national level. The pricing policy of GTC will align with the value of knowledge transformation we are passing on to participants. Our internet-enabled learning will transform our participants from financial dependence, depression and frustration to self-confidence, autonomy, flexible schedule and financial freedom.

Operation plan

The business consulting and entrepreneurship teaching operations plan will stress elements related to service production. In service-related businesses E-learning courses are increasing yearly over and above the interactive, physical face-to-face training. However, where the participants and the trainer will be active, in a physical and interactive setting with still retains substantial appeal. This is particularly true for young aspiring and upcoming graduate entrepreneurs who have not been exposed to the world of business in all their life. For such interactive training the facilities the consultants need to include:

- A whiteboard or flipchart
- A video projector screen/an ordinary projector screen
- A good internet connection
- A laptop computer or a tablet
- Electrical outlets e.g., plug sockets and adaptors
- A coffee/tea machine and water fountain

With regards to e-learning, webinar or organized training conducted over the internet the facilities needed include:

1. Quality headset with a microphone: Examples are Audio-Technica BPHSI broadcast stereo Headset; Sennheiser PC8 USB ON-Ear Headset. Brand names are Audio-Technica and Sennheiser.
2. Webinar webcam: An example of a high-quality webcam for webinars is Razer Kiyo, as the brand name. Another example is the standard webcam for webinars i.e., Logitech C920 HD Pro, the brand name is Logitech. Today lots of computers and laptops have got built-in webcams that can be used for webinars. However, video quality can be improved with a stand-alone webcam.
3. Martech webinar platform: Martech webinar platforms are built and customised specifically to meet the rigorous demands of marketing and event professionals. They are essential for running professional quality webinars.
4. Computer: Any modern computer is good enough for use in holding webinars; as long as one of the following browsers is installed i.e., Google Chrome, Mozilla Firefox, Safari and Opera. A Reliable internet connection will enable the production of high-quality sound and video. A webinar is a seminar or other presentation that takes place on the internet allowing participants in different locations to set and hear the presenter, ask questions and sometimes answer through live chat. It is interactive between presenter and participants transmitted over the web using video conferencing. Moreover, a webinar platform allows you to educate, instruct, and

optionally sell to an audience through the live presentation. It may include slides, video, interaction live chat. Examples of the platform are live storm, Zoho meeting, Click meeting, GoToWebinar, Everwebinar Demio.

5. Lighting: Use different light sources, depending on how big the space for lighting is. Balance levels of light from above, behind and sides to provide a balanced amount of light to avoid shadows. Use the same colour of light all around.
6. Speakerphone: If there are many presenters in one room, a speakerphone could be used. It consists of a microphone and a speaker. The speaker allows sound transmission for a distance and removes acoustic echo and noises.

Financial plan

The financial plan is where you bring together information from previous sections of your business plan such as marketing, operations, etc. to form a viable profitable business. Projections should be the best estimates of future operations. Elements in the financial plan include:

- Sources and uses of funds
- Cash flows projections for three years
- Balance sheet
- Projected income statements for three years
- Breakeven analysis

Depending on the type of business the details in the preparation of these documents vary. For GTC consulting firm the following statements can be prepared thus

Sources and uses of funds

This statement illustratively shows where money is coming into the business and how managers are spending it.

Term loans	xxxxx
Lines of credit	xxxxx
Equity investment	xxxxx

Total sources	xxxxx
Uses of funds	
Property	xxxxx
Equipment	xxxxx
Working capital	xxxxx
Total uses	xxxxx

Fig 1 Sources of funds 2019

Cash flow statement

This statement is very important to an entrepreneurial venture. When the proprietor runs out of cash, he runs out of business. Starting from the opening cash balance, you add all money that comes into the business and subtract all the expenditure for quarterly, monthly, or yearly.

Opening cash balance		xxxxx
Add: Cash receipts	xxxxx	
Receivables	xxxxx	
Loans	xxxxx	
Total receipts	xxxxx	
Less: Utilities bills	xxxxx	
Salaries	xxxxx	
Leased equipment	xxxxx	
Loan repayment	xxxxx	
Marketing expenses	xxxxx	
Miscellaneous expenses	xxxxx	
Total disbursements	xxxxx	
Increase/decrease		
Closing cash balance	xxxxx	xxxxx

Projected income statement

The projected income statement which is a projection of the future is not 100% accurate. The objective of profit and loss statement is to make a close approximation of what sales revenue and expenses will

be in the worst and most likely scenario. The practice helps to anticipate more likely projections.

The worst scenario is where environmental variables that are uncontrollable to the proprietor such as the government closing a road to your business location as a result of repairs, terrible environmental conditions, such as COVID-19. In COVID-19 many businesses were closed down as a result of lockdown orders. The most likely scenario is where everything within the business environment goes out positively. For instance, customers are always there for patronage, competitors are unable to imitate your strategy.

	₦	₦
	2019	2020
Sales:		
Online & face to face training	xxxx	xxxx
Coaching	xxxx	x
Mentoring	xxxx	xxxx
Business consulting	xxxx	xxxx
Total sales revenue	xxxxx	xxxxx
Cost of sales:		
Training	xxxx	xxxx
Coaching	xxxx	xxxx
Mentoring	xxxx	xxxx
Business consulting	xxxx	xxxx
Total cost	xxxxx	xxxxx
Gross profit	xxxxx	xxxxx
Expenses:		
Salaries	xxxx	xxxx
Advertisement	xxxx	xxxx
Travels & entertainment	xxxx	xxxx
Rent	xxxx	xxxx
Bills (utilities)	xxxx	xxxx
Dues	xxxx	xxxx
Total expenses	xxxxx	xxxxx
Net profit	xxxxx	xxxxx

The benefits of feasibility studies report

Most literature on entrepreneurship will not fail to state that a feasibility study report or business plan is sine-qua-non for entrepreneurial success. This is because commercial bank managers, investors, venture capitalists, creditors, etc. who would want to fund your proposed business, would consider the entrepreneur as not serious if he/she has not thought through the key elements of his/her business. The feasibility study report will enable him/her to consider the initial value proposition, competitive differentiation, staffing, logistics, administrative structure and all assumptions earlier made.

Second, your feasibility report would enable experienced business practitioners to critically review your proposed business plans and offer candid advice on how you can exploit business opportunities within the operating environment and minimize the weaknesses. Application of SWOT analysis will help you capture missed business opportunities and strengths while minimizing threats and weaknesses of the business emanating from the environment. Thirdly the financial projections such as cash flow statement, profit and loss statement of the proposed business, would act as the initial financial budget, as a check on the planned operating performance. A considerable deviation of actuals from planned results would call for an investigation to take corrective actions.

Takeaway: Business feasibility studies

In the business world, a feasible idea leads to the project which, in turn gives birth to a product and the product in turn spawned into a business venture. In today's business environment, there are a lot of uncertainties, resulting from the dynamism of the environment, thus exposing business owners to lots of risks. To survive in the operation of a new business, the aspirant entrepreneur must carry out a feasibility study that analysis the viability of a project and long-term sustainability. As a result of environmental dynamism, business decisions and strategies taken today may be found inapplicable tomorrow. Thus, management of every business setup must keep in pace with the changes in society. The hope of getting customers to

like your brand, encouraging them to patronage your business regularly, thus generating profit are the goals of every business. A feasibility study will help to determine the practicality of the business. It helps to answer questions plaguing the mind of the entrepreneur with regards to the potentiality of the target market and site locations. Others are the evaluation of current competition, operational costs, management team and the review of the industry. Just as the name implies, a feasibility study analyses the viability of the project and helps to predict the likelihood of success and failure in an uncertain business environment.

Uncertainty as a result of the dynamic environment is a constant that every business must embrace. To minimize the uncertainties, and their effects on the management of a venture, the firm must change, adapt and incorporate new products and ideas into the business mix. Without proper planning and forethought, these moves are uncertain and only a feasibility study can provide some certainty.

A feasibility study is a business document which specifies where potential business should operate, how it will operate (the type of business structure) the competition to be contended with, likely business challenges, the finance and funding sources at commencement. The study also provides an operational map to guide the execution of the entrepreneurial vision.

Given the above, it means that a feasibility study if thoroughly executed, helps to determine the extent of the profitability of the project. It also helps to acquire knowledge about the venture before investing time, finance and other resources into it. It facilitates the success rate as numerous parameters have been appraised. Future investors have information with which they can evaluate the venture. It also shows the smoothness of the operations of the business both for short and long-term goals. Feasibility study aids management in decision making, thus improving organisational performance. Through the feasibility report, management can identify the challenges, strengths, weaknesses, opportunities and threats which are

unforeseen circumstances that can affect the business. It should be noted that a feasibility study does not forestall business failure. There are some internal management deficiencies such as sheer incompetence, dishonesty and inability to recruit talented staff and external unfavourable factors such as change legislature, demographic shifts and catastrophic events like fire and flood that can pave the way to business failure. The significance of this management control document cannot be underestimated; however, it should not be taken as a one-size-fits-all tool to avoid business failure and a guarantee for business success. Broadly feasibility study covers three sections with regards to business viability. The first section deals with the suitability of the product/service to the market members, risk analysis, legislations applicable in the marketplace marketing strategies, organisational success factors and organisational structure.

The second section is the technical section; which appraises the cutting-edge technologies needed in the industry, the security and architectural dispositions. The final section is the commercial section which appraises operational expenses, costs of machinery, tools and equipment, costs of product development and financial forecast for the business.

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Chapter 4

SETTING UP ENTREPRENEURIAL VENTURE

'A big business starts
Small (*Richard Branson*)
You don't build a business,
you build people, and then
people build the business

(*Zig Ziglar*) (2019)

Good business leaders
create a vision, articulate
the vision, passionately
own the vision and relentlessly
drive it to completion

Jack Welch (2016)

Many people desire to own a business to achieve financial freedom (where the business is well managed and profitable). Entrepreneurship is the dream of most Nigerian youths, however, many worry that they don't have enough money, time, or experience to start and operate a business. You can create a startup by using your creativity and intelligence to market what people in your community need want or enjoy? Your neighbourhood which could be your market is known to you than anybody else. Entrepreneurship is connecting your business ideas to the needs of the market. This means that an exploitable business product or service should provide benefits such as ability to make life more pleasurable, or a solution to a given problem (pain point), or a reduction to potential customers' aggravation, enhance its attractiveness and tastefulness (if edible).

Evaluating an exploitable business opportunity is the process of determining whether the business idea offers valuable opportunity worth exploiting. Such evaluation should be able to provide answers to the following questions – 'Is there a need the product can satisfy?' 'Is the use and solution feasible?' 'Is there competition in the market?' 'Can the entrepreneur conveniently assess the human resources needed for the exploitation?'

To recognize business opportunities, the aspirant entrepreneur should broaden his/her mind with new experience gained from travelling, meeting new people, learning new language, reading new books, perhaps unrelated to his/her discipline, attending seminars, reading newspaper, magazines and trade journals, sharing ideals with friends and mentors and internships.

An entrepreneur perceived business opportunities while ordinary people perceive problems. An entrepreneur focuses on societal problems that he/she can proffer solutions to; or changes which, he/she can make to existing things or processes, inventions and creative ways of marketing. The invention to your stakeholders or community, could be outright competition by creating a better, faster, more reliable, cheaper product, service or process, than existing ones.

Starting a business & self-evaluation

The preliminary steps in starting a new business include discovering the competitors and their modus operandi in the markets, assessment of the legally accepted business structure in the industry and/or the locality, finance and funding sources, business risks, the appropriate time for commencement, the human resources needed and their availability. With regards to the target market, you have knowledge of them, as they could be your friends, neighbours, former colleagues at work, and former schoolmates and classmates. Others are determining what you want and you love to do (passion), whether you can do it (skill) what unique customer value you want to create for your potential customers and where you want to locate your business and live.

Self-analysis for aspiring entrepreneur

The aspiring entrepreneur should first identify his interest (passion), skill, value he wants to use and create, the target market to serve, the type of business to run and where he/she wants to live. Furthermore, self-evaluation would lead the entrepreneur to find out among others, his strengths and weaknesses, his type of personalities such as extroverts, assertive, visionary, perfectionists etc. The type of

personality will influence the type of business (hospitality, school management, health care) etc. an entrepreneur wants to venture into. Other qualities that one should appraise himself against include interpersonal relationship, adaptability and flexibility, physical and emotional stamina, business management or managerial skills, previous work experience and the availability of business seed capital.

There are so many risks associated with starting one's own business. We cannot wish it away or eliminate it, but the good starting place is to evaluate one's strengths and weaknesses as an owner of a business. While owning a business has been your dream, managing it successfully, may prove difficult because of a lack of management skills. The business outcome is unpredictable; therefore, entrepreneurship is an adventure.

At the onset of a new business, the founders should address the legal form of the firm, although there are at least three different forms (Sole Proprietorship, Partnership, and Limited Liability Company) of business owners in Nigeria. However, most entrepreneurial ventures are sole proprietorships. A sole proprietorship is an owned business. It is the oldest and simplest form of business ownership. It is easy to form and to quit as it is solely owned and one cannot separate the business from its owner. Legally, there is not much official documentation before statutory authority. For instance, for tax liabilities, the owner and the business are considered as same. For tax, this implies that tax authorities cannot tax the business owner and the business separately.

Instructions before starting an entrepreneurial business

Owning and managing a business can be challenging, therefore stressful. Experts, therefore, caution that before establishing one, you need to adhere to certain instructions.

1. Research: The aspiring entrepreneur needs to carry out research not only to determine the size of his/her target market

but also to identify his competitors. Moreover, understanding the characteristics of your target market in terms of the demographic shifts such as age, sex, income, and education coupled with understanding what and how competitors have been serving them, are critical to delivering your customers' wants satisfactorily

2. Mission and strong name: Knowing what is the mission of your venture, the strengths and weaknesses of the business, can guide your decisions. In addition, having a strong name i.e. a name that can easily be spelled and pronounced can make you stand out and have a significant impact on your achievements.
3. Structure and tax burden: The form of ownership structure for the business venture chosen by the founders at commencement has many implications. Ability to meet up with payment of taxes timely and the types of taxes, levies payable may be dictated by the structure chosen.
4. Finance and Product: Venturing into a business requires capital that the aspiring entrepreneur may not be able to raise easily. Therefore, raising capital for the initial take-off is a hurdle. However, if your product or service is good and significantly differentiated from that of competitors in meaningful ways, patronage and turnover could be enhanced through bootstrapping.
5. Business risk model and plan: Before the launching of a new business the aspiring entrepreneur should know and plan for the risk in the industry. Risk varies with the nature of business; knowing the business risk would help determine the type of insurance to purchase. A business model is an organizational arrangement that helps a company to create its value and make money for itself. The business model is the foundation and main idea of the business. The business model, therefore, comprise the following:

- The identified exploitable business opportunity i.e., the additional benefits your products or services give to your target customers
 - The activities underlying your business idea e.g. distribution, marketing, management, and their costs
 - The unique selling propositions
 - The innovation and competency factors coupled with an ongoing competitive advantage would make your product/service stand out from the crowd.
6. Timing and employees: Timing is a significant element in building a new venture because it helps to identify when to move in into your prospective industry. For instance, is the industry expanding or contracting? For the agricultural industry, is the product in season or out of season? The employment of talented employees is very crucial in launching a new business. Before you hire new hands into your team, make sure he/she has relevant and cognate work experience; you have to examine his/her academic credentials and references. Furthermore, you must ensure that the potential employee signs employment 'at will' letter/form, as a check against unnecessary litigation when terminated for any reason.
7. A mentor and a professional: As an aspirant entrepreneur, you should not be a lone-ranger. You are treading on the path others have trod, therefore networking with more experienced entrepreneurs and professionals in the industry would be advantageous. Thus, as an aspirant entrepreneur, you should endeavour to attend industry-specific workshops and events and meet with opinion leaders in the industry. Appointing a coach may be a better alternative. An entrepreneur is not a jack of all trades, who knows everything with regards to running a business. For instance, it is extremely important to have legal counsel for preventive and proactive legal preparation, and then invite legal counsel when you run into a problem. Similarly, hiring an accountant to help handle your business finances is a wise decision for the entrepreneur. To guarantee

long-term success, it is crucial to invest in professionals at the start of the business.

8. Great website and strong salesperson. Marketing continually and becoming a strong salesperson is the bulwark of entrepreneurial success. To succeed, you must sell your business continually to your target market and potential employees. You are likely to be extroverted, confident, positive, and trustworthy. Additionally, you must also continually attract, build and educate your target market about your business, through social media (Linked In, Facebook, Twitter, Pinterest, etc.). You must also network continually, writing content marketing, getting feedback by listening to your customers and following up after-sales. Your great website is sine-qua-non for running a business in this digital age. All stakeholders like investors, customers, potential employees usually check out your site; therefore, your website should be professionally designed. Ensure the site is:

- Search engine optimized
- Have high-quality content marketing postings
- Loading efficiently
- Clean and simple
- Efficient and navigation bars prominent
- Mobile optimized.

Strategies for successful entrepreneurship

Once an entrepreneur has chosen the right business opportunity that matches his interests (hobbies), technical skills, work experience etc. the entrepreneur would need to strategize on the human, financial and physical resources needed by his team for success in the venture. Aside from recruiting high talented employees, the entrepreneur should recruit and nurture a co-operative and harmonious team, which if retained; strategic decisions, difficult issues and conflicts could be resolved through brainstorming.

Criteria for choosing the right business opportunity

Deciding on what is the worth of a business opportunity to embrace, is often difficult, whether the business opportunity is for expansion of existing business or entirely a new business undertaking. The following are some variables that the entrepreneur needs to consider on – market size (through market research to evaluate the demand of the potential product/service), the management skills set, the entrepreneur's passion, and relationship with technical people who can exploit the opportunity or potential investors or customers to make the opportunity run smoother.

Small business ideas

Prior the development internet services, entrepreneurs ventured into small scale brick and mortar businesses. Examples of businesses which entrepreneurs ventured into include baby -sitting business, baking, catering, auto repair services (mechanic), entertainment, handicrafts, lawn cutting, growing plants (flowers). house/office cleaning, laundry service, courier, painting, furniture, pet care, photography, t-shirts, tutoring, tailoring, typing services.

With the growth of service economy aided by the internet services, there are daily evolution of virtual small businesses that entrepreneurs are keying into. Examples are online shop, online bookkeeping, affiliate marketing, data analyst, consulting, digital marketing campaign manager, search engine optimization, self-publishing, content writer, blogging, you tube stardom, image consultant, language teacher, online teaching video marketer, social media advertising specialist, etc.

Pros & Cons of entrepreneurship

Entrepreneurship has its strengths and weaknesses, gains and losses. With regards to the pros (gains) entrepreneurship grants independence to the entrepreneur. He is not answerable to anyone but himself only. The entrepreneur is also following his hobby; therefore, he is satisfied at work. If the business is well managed by the entrepreneur, he will receive bountiful financial reward.

Entrepreneurship also builds self-esteem to the entrepreneur as he has created a valuable object or project that serves useful purpose in the society.

On the reverse, entrepreneurship is a challenging career, though it is highly rewarding. Some of the challenges an entrepreneur would contend with on a daily basis include loneliness, self-doubt, competition, business unforeseen contingencies, such as bad debts, unpaid bills and taxes, loss of market share, staff turnover and dwindling working capital. Others are fear of business failure, discouragement from family and friends, financial insecurity, long hours of work.

Takeaway: Starting your entrepreneurial venture

Starting a business venture of one's own requires critical thinking through and decision making; however, not ignoring the individual's instincts. It requires self-analysis, internal and external business environmental analysis. As an entrepreneur, you must be aware of your competitors, to match up or exceed their offerings. Continuous innovation and the creation of your unique selling proposition will overcome competitors' antics. A young entrepreneur will end up working harder and longer hours for himself than he can work for another. Thus, you must be prepared to make sacrifices in your life's comfort to establish your business. Providing good service and quality products is crucial to gaining customers' loyalty and patronage. Your services must be customer-oriented; the business and its customers would be in a mutually rewarding relationship.

Self-Assessment Questions

- (I) Discuss the pros and cons of owning an entrepreneurship venture.
- (II) For a potential business venture, you want to establish, evaluate your potentials.

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Chapter 5

RAISING MONEY FOR BUSINESS VENTURE

Business is still more often about whom you know not what you know

Unknown

One of the best ways to attract capital is to outperform the competition

Joao Atlanati (2023)

Many small businesses may require some handy thousands of naira to get started. There are a lot of obstacles to getting finance from the financing institutions, however, these obstacles are designed to weed out those who may not be thrifty enough and could not survive in business management. In another perspective, any entrepreneur who is unable to personally finance his ideas to set up a business may not be able to manage a business. Starting a business is easy, however, running and funding, are the hurdles.

Sources of finance for the entrepreneur

In a nutshell, the source of finance for your business is broadly classified into two: Debt and Equity i.e., Other People's Money (OPM). For instance, personal, family and friends. Personal savings, borrowing from friends and family members are classic and reliable means to start off a business venture. Family and friends can trust the entrepreneur with funds; for initial take off of the business. Other sources are government grants, equipment lease, trade credit and so on. Loans from government owned financial and institution such as bank of industry (BOI) and subsidy. Furthermore, venture capitalist, angel investors, crowd funding and incubator or accelerator, are also cheap sources of entrepreneurial business finance.

Importance of financial records

Keeping accurate financial records for a business, helps to track business success and cash flow i.e., cash moving into and out of the business at a specific point in time. Proper financial records ensure complete availability of diverse business financial documents, such as profit and accounts, cash flow statement, balance sheet, etc. These documents help to ascertain the financial state of affairs of the business through being able to determine how profitable is the business, identify areas of strengths and weakness e.g., Stars – product with high market growth and market share Cash-Cow: Product with low market growth but high market share and Dogs: products with low market growth and low market share.

Through financial analysis, ratios are computed which helps us to achieve all the above. Without it, the business is susceptible to employees' counterproductive behaviours such as poor inventory control, theft, debt management, planning and decision making.

Inaccurate financial records can result in audits and penalties. Keeping financial records is not difficult, it is only time-consuming. One can learn it through books, software, programmes, and courses on how to read and prepare financial records which are available in universities, and colleges. Staying on top of accounts and tax obligations is the number one piece of advice to an entrepreneur.

Audits: An audit is the appraisal of the business financial books by an outsider or professional. When government agencies suspect that there is some measure of dishonesty in financial records, the government can appoint an external auditor that would examine the records within seconds

Bookkeeping

All registered small businesses are expected to record their financial transactions in their financial statement which contains the following accounts cash book, petty cash book, customer sales, purchase book accounts, wage book account and ledger book. Others are general ledger balance sheet and profit and loss account.

Financial analysis

In the previous paragraphs of this section, we discussed the basic financial statements of small business organisations. For instance, cash books, ledger books, balance sheets, and profit and loss accounts are financial statements that show the true financial position of the firm. Financial analysis is the process of identifying the financial strengths and weaknesses of the firm by establishing relationships between the items of the balance sheet and the profit and loss account. The nature of financial analysis would depend upon the purpose of the analyst: For instance, trade creditors would be interested in the liquidity of the firm i.e., whether the business would be able to meet its current liabilities obligations. The lender would be interested long term debt solvency, survival, and profitability over time.

Ratio analysis: Ratio analysis is a powerful tool of financial analysis. The financial ratio is used as a yardstick for evaluating the financial performance and position of a firm. Whatever ratio we have after analysis should be used to compare some standards. A single ratio does not indicate favourable performance or non-favourable until when compared with some standards.

Examples of the standard include

- Ratios calculated from past financial statements of the same firm
- Ratios developed using the projected or proforma financial statements of the same firm
- Ratios of selected firms especially the most progressive and successful at the same point in time
- Ratios of the industry to which the firm belongs.

If you compare a firm performance, when you compute its present ratios and compare it with past ratios, you will be able to see the direction of change – whether favourable i.e the firm's financial performance has improved, deteriorated, or stagnant

Types of Ratios

The popular classification of financial ratios

- Liquidity ratios
- Leverage ratios
- Activity ratios
- Profitability ratios

From the illustrative balance sheet as of 31st Dec 2019 and the profit and loss account of Adebayo Enterprise, we can compute some of the ratios under each of the above classes of ratios that are very important to the entrepreneur

ADEBAYO ENTERPRISE	
Balance sheet	
As of 31 December 2019	
Capital and Liabilities	Assets
Share capital:	
Equity share capital(35,000 Shares) N 350,000	Plant and machinery N 1000,000
8% Preference share capital 200,000	Less accumulated depreciation 250,000
Reserves and surplus 200,000	Plant and machinery, net 750,000
Long-term loan (6 %) 100,000	Goodwill 140,000
Debentures (7 %) 250,000	Stock 150,000
Creditors 60,000	Debtors 100,000
Bills payable 20,000	Prepaid expenses 25,000
Accrued expenses 20,000	Marketable securities 75,000
Provision for tax 65,000	Cash 25,000
N 1,265,000	N 1,265,000

ADEBAYO ENTERPRISE
Profit and loss account
For the year ended 31 December 2019

Opening stock	Sales: Credit	N 1200,000
N 175,000		
Manufacturing cost	Cash	300,000
1,075,000	N 1,500,000	
1,250,000		
Closing stock		
150,000		
Cost of goods sold		
1,100,000		
Gross profit		
400,000		
N 1,500,000	N 1,500,000	
General & administrative expenses	Gross profit	
35,000	N 400,000	
Selling expenses	Other income	
25,000	9,000	
Depreciation		
50,000		
Interest		
23,000		
Income tax		
126,000		
Net profit		
150,000		
N 409,000	N 409,000	
Preference dividend	Reserves, beginning balance	
N 16,000	N 118,500	
Equity dividend		

52,500
Reserves, ending balance
200,000

Net profit during the year
150,000

N 268,500

N 268,500

(1) Liquidity ratios

$$(a) \text{ Current ratio} = \frac{\text{Current assets}}{\text{Current liabilities}} = \frac{375,000.00}{165,000.00} = 2.27:1 \text{ times}$$

This shows that the firm has enough liquidity to meet up its obligations

$$(a) \text{ Quick or acid ratio} = \frac{\text{Current assets} - \text{stock}}{\text{Current liabilities}} = \frac{200,000.00}{165,000.00} = 1.21:1 \text{ time}$$

In acid ratio, stock and prepaid expenses are removed, because quick ratio looks for assets that can easily be converted to money.

Leverage or (Capitalization) ratios

$$(a) \text{ Debt} = \frac{\text{Total equity}}{\text{Total equity}} = \frac{350,000.00}{750,000.00} = 0.1467:1$$

The firm is financial by 14.67% long term debt

$$(b) \text{ Coverage ratio} = \frac{\text{Interest coverage}}{\text{Interest charges}} = \frac{\text{Net Profit before interest \& taxes}}{\text{Interest charges}} = \frac{150,000 + 23,000 + 126,000}{23,000}$$

$$\text{times} = \frac{299,000.00}{23,000.00} = 13$$

(2) Activity ratios

Activity or turnover ratio are employed to evaluate the efficiency with which a firm manages or utilizes its assets. Popular activity ratios are

(a) Inventory turnover ratio $\frac{\text{Sales}}{\text{Inventory or closing stock}}$

$$\frac{1,500,000.00}{150,000.00} = 10 \text{ times}$$

(b) Debtor's turnover $= \frac{\text{Credit sales}}{\text{Debtor}}$

$$\frac{1,200,000.00}{100,000.00} = 12 \text{ times}$$

(c) Average collection period $\frac{\text{Days in a year}}{\text{Debtor turnover}}$

$$\frac{360}{12} = 30 \text{ days}$$

(3) Profitability ratios

(a) Gross profit margin $\frac{\text{Total sales} - \text{Cost of goods sold}}{\text{Total sales}}$

$$\frac{1,500,000 - 1,100,000}{1,500,000} = 0.267 = 26.7\%$$

Net profit margin $\frac{\text{Net profit after tax}}{\text{Sales}}$

$$\frac{150,000.00}{1,500,000.00} = 0.10 = 10\%$$

(b) Return on assets $\frac{\text{Net profit after tax}}{\text{Total assets}}$

$$\frac{150,000}{1,265,000} = .1185 = 11.85\%$$

Takeaway: How to finance your startup

In this chapter, the various traditional sources for raising funds to start your business have been discussed; however, getting the required fund is not without some constraints. Examples of traditional sources include borrowing money from friends and family members, banks, and venture capital. Other sources of financial assistance are trade credit, equipment lease, equity, incubator, government grants, etc. Each of these sources has its specific challenges that can frustrate the efforts of an aspiring entrepreneur who is in dire need of funds. For instance, in family and friends' source of fund, which the most likely source, few are the friends and family members who would part with their money to invest in your business, when they have no track record or pedigree of your financial management. Second, banks do not invest their money in your business if they do not have evidence of your past business management. The venture capitalist is only interested to invest in your small-scale business if there are likely bright prospects and you are prepared to grant him a stake in the running of the business in the future. In addition, your business must be scalable and has its business model, and not rely on competitor's model. Though a high percentage of start-up business failures in most developing countries of the world are attributable to a lack of funds to finance the initial take-off of the venture, an astute,

diligent, and resourceful aspirant entrepreneur would forge ahead irrespective of financial obstacles without discouragement. Some infrequent ways to raise initial finances for an entrepreneurial venture is discussed as follows:

1. **Self-funding:** The entrepreneur is the owner of the business idea. He should be able to figure out how he could personally finance the initial take-off of his/her firm. People must see practical evidence of the prospects of what you are involved in before they can positively respond when you solicit their assistance. In self-funding you can use your past personal savings, or if currently working, you can save a certain percentage of your income. If currently unemployed, you can sell a service to a target market, who you know needs your knowledge or skill. This would help raise initial finance for your business, then you can now practically meet your friends and relatives for financial assistance and they will oblige.
2. **The second is bootstrapping:** This is another source of finance. In bootstrapping your start-up, it means growing your business with little or no venture capital or outside investment. You rely on your savings and revenue to operate and expand. Bootstrapping is equivalent to self-funding since the entrepreneur can sell a service (his/her consulting and freelance services) to a target market, to raise funds. In today's crowded marketplace, you can write a review of a product or service, create a video on the benefits of consulting, etc. to raise money. Furthermore, in bootstrapping your business, you can seek a co-founder whose skills complement yours and seek advice from seasoned professionals or counselors.
3. **Crowd-funding:** This is another means of raising funds that are not loanable fund. Crowd-funding is used by individuals, organizations to raise money through people or organizations that will be willing to invest or donate to a crowd-funding project. In Nigeria and many African nations this crowd-funding substitute for launching. At launching, people donate towards the funding of the project being marketed. Examples

are launching a book, town-hall building project, sports sponsorship, etc.

4. **Angel investors:** Angel investors are individual investors who are interested in investing in small-scale businesses/startups. They are quite unlike venture capitals who are a group of large firms. Angel investors are individuals with economic resources and are willing to help entrepreneurs not only with investment funds but also with their advice, contacts, and knowledge to prop the business. Angel investors manage fewer resources than venture capital because their investment is lower and their funds of investment can be limited to friends, family, and seed funding.

Self-Assessment Questions

- (I) Discuss self-funding strategies for your entrepreneurial business
How can you make your business become scalable

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Chapter 6

LOCATING BUSINESS FOR BETTER RETURNS

Play by the rules, but
be ferocious

Phil Knight (2016)

Every problem is
a gift-without problem
we would not grow

Anthony Robbins

The entrepreneur is socially, psychologically and economically demanding. Although popular opinion has it that an entrepreneur is a master to himself/herself, works flexible hours, takes or makes decisions independently, however, there is this ubiquitous belief that life in most cases, never turns up the way it is envisioned.

An entrepreneur is like an explorer who set out into the unknown terrain, so he/she must note that the voyage is laden with risk, hard work, setbacks and personal sacrifices. Many entrepreneurial businesses fall off by the wayside in less than 3-5 years of take-off due to lack of research and adequate preparation of the mind, poor business skills, and unforeseen economic and social variables insufficient rewards in comparison to the effort.

Given the above, one must therefore factor in good reasons that propel one to decide to be an entrepreneur: For instance, the desire to be one's own boss, to create a positive impact in life, ability to choose where and when to work, follow one's passion, choose who to work with, have a potentially unlimited source of income, self-fulfilling and financially rewarding life. On the reverse, the following are some bad reasons of going into entrepreneurship. Firstly, a strong desire or need to work, because one is temporarily unemployed, a disgusting feeling to work for someone else, and the feeling to work for less

hours as an entrepreneur. Others are the desire to become instantly rich and famous.

Best time to start a business

- Now: The unschooled and enthusiastic entrepreneur will tell you now. However, the skilled entrepreneur will need time to carry out research and address issues such as how the process will be tackled. Outside obligations such as medical treatment, college tuition payment, domestic financial payment, unresolved crisis, personal dilemmas. All these must be taken care of to avoid distraction. Also important is the courting of the support of spouse, children, partners, as the entrepreneur may not have much time to be with his loved ones.

With regards to the economy, the best time is the recession than the boom era. In a recession, wages are low, rents are cheaper and competition is scarce.

Best place to locate a business

The popular answer here is where there are plenty of customers. However, the specifics of the area vis-a-vis the nature of the product or service are very important.

The decision taken to locate a business on a particular site such as a brick-and-mortar business has a direct effect on the operation's cost and the revenues of the business. It should be noted that once made, and facilities are installed it would be difficult and costly to change, since customers may be adversely/inconveniently affected.

Given that small business contributes to growth in job creation, drive innovation and promote healthier society or community as every employable adult is employed, the following are some good reasons that propel entrepreneurship in a community. A desire for high achievement i.e., to be one's own boss, as inventor, under-utilization of one's skill in current job. Others are innate desire to handle more responsibilities and to have career independence. On the reverse, launching a new business-based desperation, or to struck out riches

overnight is only futility. Other baseless notions of launching a business are owning a business makes life easier, wants to be independent (I don't like to work with others) and to have freer time to pursue personal interests.

The convenient location of a business creates competitive advantage particularly where the site is best suited for the business, the business is domiciled in the entrepreneur's best city and local government area; where the business regulations, licenses, access to suitable financial institutions and human resources, are tolerated.

Such a state and city site for viability and competitiveness, must have available potable water, land for expansion, quality human capital, access to financial institutions, access road to reach suppliers, customers, transport facilities and public educational institutions for potential employees' children. An emerging city where the cost of living i.e., housing accommodation and business apartments are comparatively cheaper, will be suitable for the take-off of the new business venture.

The entrepreneur also needs to evaluate the socio-cultural legal, and economic factors that prevail within the locational zone, and their effects on the potential new business. With regards to the social factors, the convenience of the site to consumers, the expansion rules and capacity, the traffic and the parking lot, the convenience of other business outfits such as restaurant, grocery shop, banking institutions etc. Furthermore, to economic and legal environmental factors, the entrepreneur needs to evaluate, how conducive are they to the business location. In the same vein, the accessibility of the new business such as the road patterns, convenient parking lot for customers and suppliers' deliveries. For a small-scale business there are many and varied types of location such as shopping centres (malls) stand-alone locations, service location, kiosk, event venues, commercial office space, business parks, incubators, industrial warehouse, hospitality- accommodation, hotel and restaurant.

Location of E-business

In a digitalized and globalized world, does physical location still count? With the internet facilitating services, people work from wherever they are in the world; therefore, employers can hire the best talented (skilled) persons notwithstanding where they are. In bricks and mortar business physical location is very important, but a location in this era, in which more and beyond physical location. In business too location is vital. The digital marketer should be able to know his/her target customers' location i.e. their social media platforms where he/she could make his/her brand presence. Knowing their target customers' platforms can help attract prospects and grow their market share.

It has been found that our virtual world is defined by new digital services, which are rooted contextually in our physical world behaviours. This implies that the physical world complements the virtual world. As people are defined by where they come from, thus extending to their preferences 3000 tastes, consumption and behaviours; this implies that where we are in the real world defines how we behave and make our preferences in our virtual world. For instance, a young parent living in a suburb neighbourhood is more likely to spend his/her time on local parents' group on Facebook, buying and selling second-hand clothing. Similarly, students living in suburbs are likely to hunt for bargains on second-hand online stores. The use of digital services which tend to replace real-world service is very much defined by the physical location and geographical contexts of where customers live. The implication is that physical location impacts everything done online. Today, young adults increasingly spend most of their time on smartphones, utilizing location-based services that would tell them where to find products and services and how to spend their leisure time. In the real world, digital services have broken down barriers and disrupted real-world services e.g., communication, food service, financial services, etc. Virtual world services now increasingly influence consumer behavior in the real world.

Layout and designs

No matter the type of business offline or online, you operate, layout affects the image of the business because this is where the activity happens.

Takeaway: How to locate your business

For a brick-and-mortar business, once the entrepreneur has successfully answered the relevant questions with regards to suitable site selection, to choose the best retail location, the following are your operational strategies to reduce operating expenses and have better returns

Improve your inventory management; Increase the perceived value of your brand; Reduce operating expenses; Increase your average order value; Increase order quantities; Consider raising your price; Build up a collaborative relationship with your vendors; Discounts based on personalized offers. Whether the business is offline or online, location analysis should be done through the peoples' lens i.e. talent needed is in abundant supply, operating costs such as transportation costs for example, costs of acquiring property, local taxes of employees and employers and other site environmental conditions; Help to increase staff productivity: Where the existing staff is well trained to overcome fear in selling, improve upselling and suggestive selling skills, such staff productivity would increase. Hiring and training best practices, motivating and empowering the team will ultimately enhance productivity and profitability; Lastly, eliminating waste in the operations of your business can improve the bottom line by saving money. Through effective inventory supply chain and human resources management, waste can be eliminated.

Self-Assessment Questions

What strategic decisions should be considered before locating your brick-and-mortar business

Do you think e-business require location: Discuss

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Chapter 7

LEGAL STRUCTURES AND BUSINESS REGULATIONS IN NIGERIA

It takes less time to do
Things right than to
explain why you did them
wrong Henry Wadsworth
Longfellow (2008)

Control leads to
compliance, autonomy
leads to engagement

Daniel Pink (2012)

Business legal structure

All businesses operating in any economy fall into four basic categories i.e., manufacturing, wholesale trading, retail trading and services. However, the legal structures (forms of ownership) for each category of business are also classified into different classes, though it varies from country to country. In Nigeria, there are four different forms of ownership structure i.e., sole proprietorship, partnership, Limited Liability Company and public corporation. In the US, forms of business ownership include Business Corporation, Subchapters Corporation and Non-Profit Corporation. The decision about which form of ownership structure to adopt for a new business is driven by the founders' objectives, taxation and other legal liabilities arising therefrom.

1. Sole proprietorship

A sole proprietorship form of business is owned by one person. The owner is personally liable; he receives all the profits and bears all the losses. There are not many legal requirements for its establishment nor is there any formal organisation or publicity. This type of business is most prevalent in many countries such as Nigeria and USA and is usually named after the owner. Examples are Okorie Watch Repairing Service; Adedigba Trading Stores and Strategic Marketing Consultancy Services. Sole proprietorship could be found

in retail, wholesale, manufacturing, or services business categories. In many countries owners may be required to register their business names, additionally, some businesses are required to obtain a license before operation can commence e.g., Gasoline and Liquor selling businesses. Moreover, insurance professionals (insurance brokers), dentistry, medicine (healthcare) services, require a license before commencement. Other examples of a sole proprietorship include Subsistence farming, Artisanship, Professional services. With regards to tax and other legal liabilities of the business, the business owner and the business are one. The law did not recognize the sole proprietor as a separate entity. Legal claimants can seize the personal property of the proprietor instead of business debts.

Advantages of a sole proprietorship

- It is unincorporated, therefore there is minimal legal paperwork
- It has no separate legal existence i.e. business and the owner are legally the same
- There is no requirement for disclosure of information to tax authorities.
- Business can easily be liquidated as it is started
- It requires little capital for a start

Disadvantages of the sole proprietorship

- Limited capital: It is difficult to attract outside capital for expansion. Only private loans based on the owner's reputation may be obtained.
- The business burden is borne alone: Creditors and investors can go after the owner's personal property to recover the business debts.
- Lack of continuity: The business often dies with the owner as there is no clear distinction between the owner and the business. Most of the businesses depend on the owner's skill and charisma for survival.
- No limited liability as the business and owner's finances are mixed.

Technological advancement does not favour most entrepreneurs as she has no enough capital to acquire modern efficient equipment.

2. Partnerships (General partnership)

A partnership is an association of two or more people who join together to form a business thus becoming co-owners to share profits and losses, from the business thus formed.

A partnership like a sole proprietorship is an unlimited liability business. If an entrepreneur is an extrovert and enjoys working with people or requires someone else's input such as experience, capital, or moral support, partnership business may be ideal. However, if an entrepreneur is a loner and he/she enjoy running his/her business single-handedly, the partnership may not be suitable. In law, a general partnership is treated as a sole proprietorship for tax and legal liabilities. Each partner is legally jointly and severally liable for any loss. This implies that if partner A gives advice that leads to a loss, the injured party can sue all the partners for the loss.

To avoid numerous problems in partnership, a document titled Partnership Deed (agreement) is always prepared on behalf of the partnership which specifies the rights, power and privileges of partners. The partnership deed prepared by a counsel would consist of the following: names and addresses of the partners, date of formation the name of the business and the business mission, duties and responsibilities of each partner, salary of each partner and profit-sharing formula. Others are the investment of each partner, inclusion or exclusion of family members, continuity or other if the business is bankrupt.

Advantages of partnership

- Source of capital is enhanced unlike the sole proprietorship
- The risk of the business is shared among partners
- Partnership business is regulated by the partnership Act, unlike a sole proprietorship

- There is room for the specialization of talents. The entity can be a pool of capital for finance and a pool of complementary skills for judgment and management of the business.
- Freedom from government control as only simple legal forms are required
- Privacy: The audited accounts for the partnership business is not open to public consumption
- Ease of establishment: Except for the cost of preparing the partnership deed, the partnership is easy to establish, just like a sole proprietorship.

Disadvantages

- Unlimited liability: The business is not a separate entity; from the partners. It is just like a sole proprietorship business and unlike a corporation. Owners are liable to the extent of their assets
- Limited life span: The death of a partner or bankruptcy of the business can bring an end to the business.
- Binding agreement: The agreement contract entered by one partner is binding on other partners. This can cause friction between partners. Outside the general partnership, there is the limited partnership which has both limited and unlimited (general) partners. In a limited partnership structure, the limited partners have no voice in management and are only legally liable only to the extent of the contribution plus any other debt obligation earlier accepted. In a most limited partnership, profits and losses can be shared differently. For instance, if the general partners receive only 20% of the profits while the limited partners have 80%, it implies that if there is a loss, the limited partners would share up to 99% of the losses.

3. Limited liability company

Limited Liability Company is the most modern form of business ownership. It features combines the best features of partnership and corporations' forms of business. It can be formed by one person, partnership or a corporation. Its founders or owners are referred to as

members or shareholders. In Nigeria, there are private limited and public limited companies, while the private limited can be formed by 1-50 persons owned and privately traded, the public limited can be formed by a minimum of 7 persons. It is owned and traded publicly; a public limited liability company is equivalent to a business corporation in the United States of America. Both the public and the private limited companies are joint-stock companies, but the private limited company is restricted in the transfer of shares and the issuance of debenture notes whereas the public limited company is allowed to trade publicly. The formation of a limited liability company is governed by the Nigerian companies Act No 51 of 1968. Some of the requirements for registration include the following; among others

The objectives and vision of the company, principal address of the company and date of formation, authorized share capital for the company, the particulars of the directors, names and addresses of all shareholders and directors, voting privileges of all shareholders, and limited liability statement applicable to all shareholders.

Advantages of Limited Liability Company

A private limited company can sell shares to selected public (members) to raise capital. Members or founders are protected against law suits arising from the firm's debts, the founders owe majority shares therefore are in firm control of the company. With regards to a public limited liability firm, shares can be sold to employees and the general public to raise capital, the company can attract business from notable firms and she can sponsor social /events like public health programmes and sport activities.

Disadvantages of Limited Liability Company

A private limited liability firm is not quoted at stock exchange; therefore, she cannot raise capital from general public. Additionally, shares can also be transferred to someone else with the consent of company's management. The audited account of the company must be laid in the office of the registrar, and the articles of association and memorandum of the company must fill out and filed.

For a public limited liability company if the founders do not control majority of shares, they may be losing the control. There is high cost of incorporation and require the services of an attorney, the business is subjected to government regulatory controls, double taxation in its profits i.e., corporation tax and tax in dividends. Moreover, there is personality and inflexibility in decision making because of its size and the audited account must be compulsory made public.

Differences between private & public limited companies in Nigeria

The main differentiating features of private and public limited companies in Nigeria are as follows:

The public limited company, functions publicly in that she is quoted in stock exchange, her audited accounts are made public and members (shareholders) are unlimited. In addition, her board of directors should be at least three members and her certificate of trading is issued by the registrar of companies if satisfied with the minimum paid up capital. With regards to private limited company, her shares are not quoted in stock exchange, ownership (members) cannot be more than fifty members. Her board of directors is limited to two members. The private company is traded privately as she cannot invite the general public to subscribe to her shares. The transferability of shares in private limited company is allowed as she is regarded as a closed corporate unlike a public limited company.

4. Public corporations

Public corporations are big organisations created and controlled by the Federal Government. They are monopolies and have strategic objectives for the control of the economy. Examples are the Nigerian National Petroleum Corporation (NNPC), National Electric Power Authority (NEPA), Federal Radio Corporation of Nigeria (FRCN), etc.

Characteristics

The features of public corporations are:

- (i) They are publicly owned, controlled and accountable to the government

- (ii) They are financed from the revenue of the Federal Government
- (iii) Their boards of directors are appointed by the ministers
- (iv) Being monopolies, lack of competition often leads to inefficiency
- (v) They are created as separate entities by an Act of Parliament or the National Assembly
- (vi) They are designed to be commercially independent
- (vii) They are aimed at securing strategic objectives and controlling the economy.

Business regulations

A situation where there are no laws governing or restricting what people do, implying that you can make and sell anything, drive as fast as you can means there is no government. Where there is no government it means there will be no payment of taxes, therefore, no one restrains the other, thus, there would be chaos. Societies are built on laws such that people will behave orderly and in a civilised manner toward each other. In the business space, there are laws to guarantee fair competition, enforce contracts and agreements, and protect property, employees and consumer rights. Moreover, some laws and regulations impose a tax on individual and business incomes from where the government collects the needed income to provide protection and orderliness.

Many small businesses run afoul of the societal order because the wording of laws and regulations is often too technical and baffling to be understood easily. Though the entrepreneur does not need to earn a law degree before he set up his business, he needs the backing of good counsel at the initial stages of setting up of the business to comply with the governmental rules and regulations concerning healthcare, business competition, protection of consumers, employees and enforcement of business contracts and agreements.

Laws protecting the consumer

Government regulatory agencies that offer ever-increasing protection to consumers in Nigeria are Nigerian Standard Organisation (NSO) and the National Agency for Food and Drug Administration (NAFDAC). NSO is involved in protecting the consumer from unsafe products, hazardous products, unsafe packaging deceptive trade practices such as unfair pricing and labeling standards. NAFDAC on the other hand is involved in ensuring that consumable products are not contaminated and are safe for consumption. NAFDAC appraises the truth in the nutrition labeling; regulates the content and message of advertising flyers; to ensure that expired drugs are off the shelves.

Laws protecting employees

In most civilized free-market economies employment legislation ensures equal opportunity. This implies that an individual is considered for employment based on merit not with regards to religion, region or state, race, federal character, age or disability. In Nigeria two notable Acts of parliament that protects employee in the workplace are

i. The Factory act 1987

This Act makes provision for the safety of workers and professionals against occupational hazards. Factory owners are liable for all accidents in the workplace where they fail to provide the safety standard required.

ii. The Labour act 1974

This act provides for the remuneration of the employee by the employer. The Act requires that the term of employment such as hours of work, overtime, and working environment should be conducive. The contract of employment inclusive of the terms must be stated in writing. An employee must be notified before his transfer or termination of his job.

iii. The workman compensation act 1978

This Act provides for compensation for the worker who suffers an injury in the cause of his official duty. The Act defines a workman as

any person in a contract of service or an apprentice with an employer whether by manual labour, clerical work or otherwise.

Contract law for small businesses

A contract is an enforceable promise. A contract may be written or unwritten. The enforceability of contract law is not dependent on whether the contract is written or unwritten. A written contract may be simple sketchily written on a letterhead that identifies the parties involved in the contract deal and does not necessarily be a complicated formal document created by a counsel. Contract law provides remedies to those parties who may be injured if a contract is breached.

There are four basic elements of a contract

1. **Legality:** A contract is a legally enforceable statement. For instance, you cannot enter into a contract for the supply of certain goods from an enemy nation i.e., a country on which your country places an embargo of trade.
2. **Agreement:** For a contract to be deemed fit, there must be an offer and acceptance. If a customer agrees to pay two thousand, five hundred (N2500) for a drop from the University of Lagos to Oyingbo market, in Lagos, which is an oral contract, it is a legally binding contract.
3. **Consideration:** Something of value to both parties involved in a contract must exchange hands; otherwise, the agreement is a gift, not a contract. In the preceding example the sum of two thousand five hundred naira is the consideration, which makes the agreement legally binding.
4. **Capacity:** Some groups of persons cannot enter into a contract. Examples are minors, mentally deranged persons due to alcohol or insanity. An entrepreneur should be familiar with these regulations otherwise if you are a car dealer and you sold on hire-purchased a brand-new car to a person below 18 years old (a minor), and he smashed it, the minor would not be liable by law.

Laws protecting intellectual property

Intellectual property refers to a product of some unique human thought. For instance, a published book, a symbol, an artistic interpretation, like a videotape or a computer programmes. The following are the legal protection of intellectual property. They are patents, copyrights and trademarks.

Patents: Patents grants the right to exclude another person or a business entity from making use of or selling your intellectual property for a specified number of years. The patent trademark office (PTO) grants this protection after one has paid both the filing and maintenance fees.

Copyrights: Copyright protection is granted to literary, musical or artistic works. It provides protection for the intellectual property for the period of the creator's life plus additional 50 years. Unlike a patent, you do not need to register your work before you receive copyright protection.

Trademarks: A brand name, a symbol, design or a combination of the above elements, which may be used to identify or differentiate one's product from that of one's competitors constitute a trademark. A trademark is a registered and protected brand. This implies that all trademarks are brands, but all brands are not trademarks. For instance, Coke is a brand name and trademark, while the symbol of a horse is the trademark for Union bank Nigerian Plc.

Takeaway: Business legal structures

Informing an entrepreneurship venture, consideration of the legal structure (a form of ownership) of the business is one of the foremost decisions. This is because the form of ownership determines:

- The costs of setting up and running the business
- The complexity in the operation of the business
- The protection of assets of the owner and the founders
- The tax liability of the business and the founders
- The liability of the business and the founders

There are four different structures or forms of ownership structures of business in Nigeria. They are sole proprietorship, partnership, Limited Liability Company and public corporation. Each form of business ownership as mentioned above has its advantages and disadvantages mentioned earlier in this chapter. The critical examination of the variables of each will influence the choice of the structure that meets the founder's needs. Entrepreneurship ventures in Nigeria are mostly sole proprietorship and partnership structured businesses. Few are limited liability companies (private and public).

To choose the type of business structure, certain factors below need to be critically considered along with the vision and goal of the entrepreneurial venture. They are

1. Vision: The founder's vision in terms of future growth, ownership and control
2. Control: Does the founder desire to share ownership with others? Does he want to share responsibility with others in running the business?
3. Benefactor: Does the founder desire to share his efforts and perhaps the profits with other people? Does he want to be solely in charge of deciding how the business profits would be managed?
4. Liability: What is the acceptable level of liability the owner wants to have. Is he willing to risk personal assets, such as your car, bank accounts, building for the business?
5. Tax liability: The choice of structure will determine the tax payable to the government. In some businesses like a sole proprietor, the owner pays only personal income tax on the profits of the business, whereas, in a limited liability company, you pay corporation tax on business profits and personal income tax on dividends paid to shareholders.
6. Capability: Does the founder have the skills needed to run the business by himself. Is the business likely to benefit from a crop of professionals with diverse skills recruited into the management team?

7. Sharing Profits: Does the founder desire to share the business profits with others or keep them to himself or herself?
8. Sustainability: Can the business continue to run in the absence of the founder? Does the founder desire that the business should survive him or her?
9. Financing needs: Can the founder provide all the financial needs of the business or will external investors be needed?
10. Cash withdrawals: Does the business owner desire to have access to withdraw cash from the business.

The examination of the above factors and how they are likely going to affect the venture will determine the choice of business structure. It should be noted that no structure is perfect. It all depends on the goals of the founder, his resources and the nature of the industry. For an aspirant entrepreneur, who has identified an exploitable business idea, he/she should probe his mind to find out:

- How much business liability exposure he will accept
- Whether you desire to avoid special taxes on your businesses
- Whether you want to share the business profits and management with others
- Whether he/she possesses all the skills needed to run the business
- Whether he desires that the business should out hire him/her.

However, depending on the nature of the industry, the business regulations of the state or country and the knowledge and skills of the founder, no form of ownership is perfect i.e. one size fits all, however, a careful examination and choice will minimize our future challenges.

Self-Assessment Questions

- (I) Do you agree that limited liability structure/form of business is a modern man's business? Discuss
- (II) For a young graduate entrepreneur, is sole proprietorship for of business advantageous?

For more information; Visit: www.cfcnigeria.com

Chapter 8

MARKETING ENTREPRENEURIAL VENTURE FOR HIGHER PATRONAGE

The best marketing
strategy ever: CARE

Gray Vaynerchuk (2012)

Give them quality.
That is the best kind
of advertising – So quality
is your watchword.

Milton Hershey (2013)

What is marketing?

Marketing consists of individual and organisational activities that facilitate and expedite exchange relationships in a changing business environment. The marketing of any product or service is consummated through the creation, distribution, promotion and pricing of goods, services and ideas. This exchange culminates in the transfer of goods, services or ideas in return for something valuable. Kotler (1997) defines marketing as 'Human activity directed at satisfying needs and wants through exchange processes.'

Practically 'Marketing is focusing on your customers' needs rather than on your product or service. When correctly applied, marketing is the biggest profit-making tool in business. Look at your marketing campaign and put yourself in the shoe of the buyer, how informative and inviting, is it? People want value, fun, excitement, honesty, fairness, and not necessarily the cheapest prices. They want to be treated with care and respect as individuals. They want to be treated like a friend and don't want to take risks doing business with you, seek and tell them how your services can remove their perceived pains (risks).

Marketing is so important in business that no astute CEO should completely delegate it to subordinates. It is like hiring a key staff.

The CEO should be involved.

Importance of marketing

Today the whole world is tagged a global village. Therefore, with the globalisation of business and competition, companies have been driven to focus on marketing or market orientation.

Globalized market-oriented philosophy enables a company to sell more products, attract more customers, increase the market share in every country she operates in. The brand's influence will increase as a result of the brands' reputation, which creates a sustainable competitive advantage as she out performs her rivals.

Thus, the survival of firms through the activities of marketing, contributes to improvement of consumers' standard of living, health and ultimate growth of world economy.

Evolution of marketing

Marketing or exchange process has passed through distinct stages i.e.

- i. The production era
- ii. The sales era
- iii. The marketing concept era

Marketing concept philosophy according to marketing scholars, postulates that the best strategy to enhance sales and profits, is to provide excellent customers' service. In the early 1950, businessmen in US recognised that efficient production (production era) and extensive promotion (aggressive selling era) did not guarantee customers large and well-deserved patronage. They therefore shift to determine first, what the customers want before production. This amounts to marketing orientation. Marketing orientation enhances a brand's reputation and creates a sustainable competitive advantage unlike production orientation which forces the products down the consumers' throat. Marketing concept however, is not easy to adopt. It has general conditions and challenges in adoption and implementation. For instance, top management of the organisation must wholeheartedly accept the concept of market orientation philosophy whole as its implementation will affect all functional

areas of the organisation. Management must restructure the organisation such that business activities will be coordinated and integrated, create a marketing intelligence unit, which will be charged with gathering information about the customers' need and objectives. In addition, the employees must be involved, empowered and motivated during the implementation of marketing concept philosophy. Thus, marketing orientation is a marketing strategy that ensures customer satisfaction, enhance brand loyalty and word of mouth advertising, which in turn, attracts more customers and increase the firm's market share.

Identifying your target market

The success of a business starts with the ability to identify a particular target market to serve. It starts by first dividing the total market into segments. This is because it is impossible for you to be all things to all people at the same time, because of the limitation of resources. Segmentation is found on the thesis that marketing is a dialogue overtime with identified group of customers whose needs and wants a marketer can conveniently serve based on her resources – MacDonald. This implies that the more a firm focuses its resources and efforts on a particular segment of a market, the greater the chances of success. The total market could be segmented on the basis of geographical variables (country, region etc.) socio-economic variables (income, education, social class) demographic variables (age, sex, religion) personality variables (lifestyle).

Having segmented the total market, the next is to choose which of the segments to serve. One or two segments chosen form your target market. For instance, under the demographic variable, a typical entrepreneur could serve all the female potential buyers, and under the socio-economic variables, the entrepreneur could choose the highly educated group; combining the two segmenting variables in order to get its target market, the entrepreneur could now focus on all educated female buyers in the market. Such segment is based on customer characteristics

Now that you have gotten your target market, the next is the positioning of your product/service. You must understand the target market's (people) perception or values to truly and successfully position your product or firm. You must minimise the frustrations in the target market you intend to serve. For instance, you must speak the language they understand reverently, whenever you are in contact with them. They must be treated well at all times through such activities as quality of services, promptness, dependable delivery, etc, anytime they transact business with you. In marketing parlance this is called the augmented product. The main takeaway from this unit is that having discovered and chosen the target market (customers) to serve, all your planning, thinking, communication, service, promotion, etc. should be directed at the customers (your target market). This implies that all your marketing mix (product, price, promotion, place,) should be tailored to address the needs and behaviours of the customers in the segment.

Marketing mix variables

i. **Product**— The product is one of the marketing mix variables. It deals with researching the consumer's product wants and designing a product with the identified characteristics. The marketing activities under product also include creation or alteration of the packages, brand names, repair services and guarantee. The best product is the product that is suited to your market. For instance, not everyone can afford the Hummer jeep, and there are plenty of people looking for a reasonably priced Nissan or Saturn car.

Study the market to be able to know which product meets their need. The product that sells best is the one that appeals to most buyers. You must educate your customers about your uniqueness i.e., why they should buy from you. See that you appeal to their emotions and their perceptions of your product or firm.

What interests you (your product, your business, your staff and your processes) is irrelevant to the customer. What satisfies their need or wants is what they are interested in. We are all in peoples' business

because we are the ones that make decisions and spend money. We are in the problem-solving business. You must at all times recognise peoples' needs and desires and find a way of satisfying them to put smiles on their faces. If you can consistently do what is quicker, cheaper, better, more conveniently, with more trustworthiness and honesty than anyone else, you can make a lot of money. With your technical skill and expertise, you can provide a unique solution that will sell and sell well.

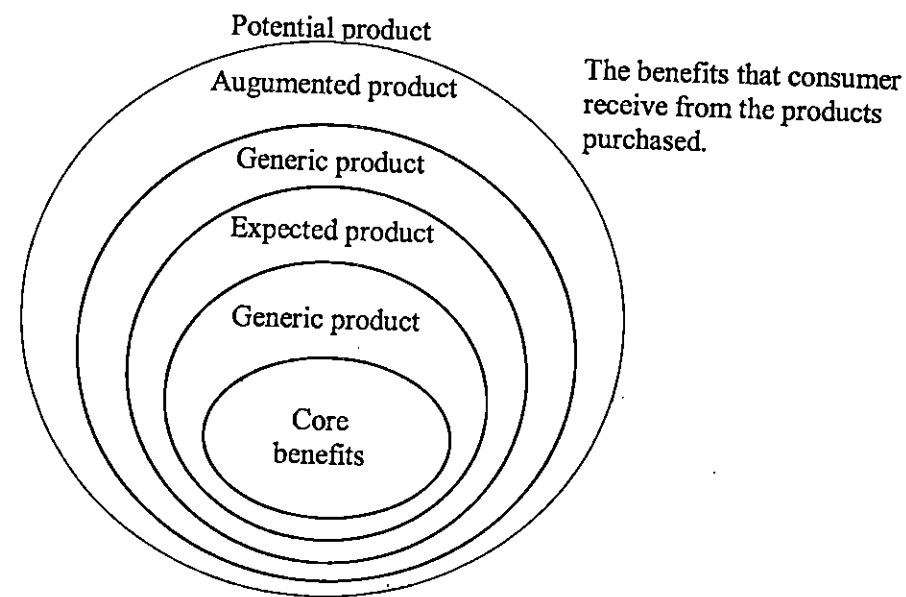
Product competitive advantage

You can create a competitive advantage by

- Leveraging existing skill capabilities – Understand what you do well and use those skills to enter new markets
- Target niche markets – Niche markets are less crowded with competitors and customers are willing to pay a premium price for specialized products.
- Adding new capabilities – Build some set of skills such as technology, marketing or distribution.
- Top management leadership – Always taking risks repositioning your organization.
- Skilled workforce – Successful small companies have employees who are skilled, flexible and self-motivated.
- High employee productivity – Without adding more employees, outputs are increased and overhead costs are lowered.
- Low overhead – Successful companies have a lean management structure and avoid new investment in building and equipment by adding extra shifts and overtime.
- Packaging – If you market packaged consumer products, think of packaging as your last resort to catching customers' attention. Good packaging can make handling or storage more convenient. It can reduce spoilage or damage. It makes the product easily identifiable and easier to find out on the shelf.

In some businesses, the product may be tangible goods, intangible services or a combination of these. Many businesses offer a

combination of goods and services e.g. A restaurant offers food and drink as goods; services as preparation and delivery. Products are said to be a bundle of satisfaction/benefits that consumers receive in exchange for their money.



Philip Kotler's 5 Product Levels

The core benefit – This is the fundamental reason why people buy the product. For instance, an automobile is purchased primarily for transportation purposes.

The generic product benefit – This represents the make of the product purchased. The steel, plastic, and glass represent the augmented product. Similarly, in the hotel business, the building, the reception desk, the rooms, represent the generic product.

The expected product benefit – This represents the attributes and conditions that consumers assume should be present in the product. For a hotel, one expects clean bed-sheets, a relatively quiet environment, towels, soap, etc. For an automobile, one expects comfortable seats, responsive handling, and ease in starting the car.

The augmented benefit level – This represents the additional benefits and services that would differentiate your business. For instance, hotel business health club facilities in the hotel.

- ii. **Price** – Price is a critical component in the marketing mix because through price consumers measure the quality of goods. A price is a competitive tool. Price can also help to establish a product's image. This implies that through price you can determine who buys the product.

We have various pricing programmes such as

- a. **Penetration pricing** – This is when the price is set lower than the competition to stimulate demand. It could be used when lower prices could result in increased demand when competitors have higher cost structures; and when the company sells higher-margin products which are complementary products to the lower-priced products.
- b. **Premium pricing** – Setting prices above competitive price levels. This price strategy is used when a company can differentiate a product in terms of higher quality and features (e.g., furniture). Also, when a company has little excess capacity and competitors find it difficult to enter the market (expensive capital outlay)
- c. **Parity price** – Setting prices very close or at par with competitive levels. It is used only if total volume will not grow with lower prices; and competitors can easily match any price decrease, leading to price wars.

Price represents what the consumer considers as the value of the product. The value of the product depends on the benefits consumer received compared with the monetary cost. People buy benefits – what the product will do for them. If consumers buy based on core products alone, then there will be no Cadillac or Convertibles. People buy premium products for what they perceive the product will do for them socially, physically and psychologically. Mostly they perceive them to have higher benefits and increased quality that delivers value despite the higher cost.

An average consumer does not want the cheapest product, but the best product at a reasonable price. While other marketing mix variables increase your cost of doing business, your price helps you to recover those costs. In pricing decision, many elements come into play e.g.

Competition – competition will play a great role in your pricing strategy. The number of competitors and their proximity to your business influence what you can charge for your product because they are direct substitutes choices for your customers. The more direct competition you have the less control over the price you charge. Direct competition makes product differential necessary so you can compete on points and not on price.

It is noteworthy that today, customers have more access to information about you and your competitors than in the past. Therefore, price competition brings more challenges to the entrepreneur. In whatever business you are, do not look at your business myopically rather all other businesses apart from the direct competitors compete with you. For instance, in the insurance industry, the banks, the discount houses, the stockbroking firms, are all indirectly competing with insurance. In the entertainment industry, the radio, television cinema, movie theaters, athletic events, are indirectly competing with the video rental business.

If you find yourself in business competing with big firms, do the following to keep afloat:

- Do not compete without differentiating your product or service.
- Specialize – carry better quality products and very unique ones.
- Empathize customer service
- Extend your working hours
- Advertise more of your business through having Unique Selling Promise (USP)
- Network with other small businesses.

- iii. **Promotion**– Decision in promotional mix variables, just like marketing mix variables, must closely follow the direction of the company objectives, competitive strategies, marketing objectives and strategies.

Promotion includes all activities designed to inform, persuade, and influence people when they are deciding to buy.

Objectives of promotion

The following are general promotional objectives

- To provide information
- To increase demand
- To differentiate the product
- To acclaim the value of the product
- To stabilize sales
- To persuade people to take immediate action
- To remind people that your business or product still exists
- To change the perception of your business rather than trying to sell specific products
- ix. Testimonials – using athletes and movie stars to attract attention

The advertising media which comes in a variety of forms they are part of marketing strategy to promote and market a product, service or brand. It is to create awareness and get the potential buyers to be interested and convey informative knowledge for the sale of the product or service. Such as radio advertising, television commercials newspapers, magazine and trade journals print, advertising, flyers, billboards, banners, social media and in – store stands. Others include leaflets, direct mail, yellow pages tradeshow and internet services.

- **Trade show:** Trade show is a promotional device used to establish one's presence in a marketplace, gain an overview of the industry at present, and obtain a list of serious buyers more quickly than would be possible with a traditional sales approach. It is quite expensive; however, it offers the potential high return in sales and contacts, if planned properly. The

trade show is part of the sales promotion element of the marketing promotional mix. Other elements include in-store displays, free samples, contests, coupons distribution, rebates, gifts, etc. These activities are used to prompt customers to action. They enhance advertising and personal selling efforts but do not replace them. They are applied intermittently, whereas advertising is continuous.

- **Publicity:** Publicity provides free advertising for the producer through new stories in newsletters, newspapers, magazines, and television. A media release of a one-page letter identifying a newsworthy event outlining who, what, where, when and why the story, is sent to a radio, television, newspaper and magazine offices. Publicity is one of the most effective and least costly means of advertising. Publicity is an aspect of public relations (PR) that consists of any message about your company communicated through mass media that you may not pay for. Public relations involved promotional activities designed to build and maintain goodwill between a business and its customers, employees, suppliers, investors, government agencies and the general public. PR generates publicity. Public relations involve a variety of communication formats including company publications such as newsletters, annual reports, bulletins, public speaking, lobbying, mass media. Each format has its target audience, its use and the effect or benefit for the business marketing effort.
- **Personal selling:** Personal Selling involves the personal presentation by an employed trained salesperson, to make sales and build relationships with prospects. Many service products because of their complex and differentiated nature call for personal selling e.g. insurance. Through personal selling, three things are accomplished
 - Identify the customer needs
 - Match the needs with your products
 - Show the customer the match between their needs and the product.

A trained salesperson can tailor his presentation around three aspects of the product

- What the product is
- Why is the product a better alternative
- What the product will do for the customer

The personal selling process involves seven steps or stages

- **Pre-approach** – Before a salesperson meets with the customer, the salesperson must acquire knowledge about the product and perhaps about the customer and his or her business problems or concerns.
- **Approach** – Upon meeting the customer for the first time, the salesperson must establish a rapport with the person. People seldom buy from someone they don't trust or like; therefore, the salesperson must, first of all, earn that trust. For instance, you start your rapport by using anything in his office that you admire, his history, e.g., the school attended or the church he attends, etc.
- **Questioning** – Find out what is important to the customer, the salesperson will try to define the consumer's needs early in the selling process. For instance, what (problems) do you know about his business or life.
- **Demonstration** – The salesperson shows how the product will solve the customer's problems or meet his or her needs.
- **Handling objections** – An effective salesperson must listen to what the customer is saying. An objection shows the customer is interested and only needs more information about the product benefits. You as an individual would not raise an objection to a salesperson talking to you if you are not interested in his sales.
- **Closing the sales** – When the salesperson senses that the customer is ready to buy, having been convinced about the benefits of the product, the salesperson would ask for a sale. If the customer is ready to buy and the salesperson continues to sell instead of asking for a sale, he would lose the opportunity.

Suggestion selling and follow up: Suggestion selling implies recommending products that are complementary to the one just sold to the prospect. For instance, the prospect buys a theft insurance policy for his house-hold; you can recommend fire insurance for the same prospect. This would broadly cover his risk exposure. Follow-up involves using the phone to call after the sale has been consummated to build on the rapport established in the approach stage, to work towards creating a long-term relationship between the prospect (customer) and the salesperson.

iv. Place (Distribution)

Producing desired products is important but not sufficient to guarantee satisfied customers. Part of the customer needs which must be co-opted into a firm's marketing strategies is that produced products, must be available at the right places, at right quantities and at right times.

Physical distribution functions have the following element - warehousing, order processing, inventory management, transport, etc. These functions account for a third of all marketing costs and have a great impact on customer service and satisfaction.

The strategic importance of a physical distribution system is evident in all elements of the marketing mix such as product design, (differentiate products by colour size, style, etc) competitive pricing, promotional campaigns, must all take into consideration the additional demand of warehousing and delivery effectiveness.

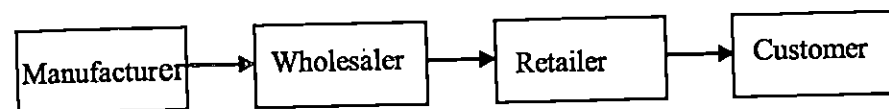
Distribution refers to activities or decisions taken to make the desired products produced, to reach customers efficiently and effectively. The channel of distribution describes the movement of the goods from the producer to the consumers. Members in the channel perform the following functions.

- They gather information about the current and potential buyers
- They develop persuasive communications to attract customers
- They order the goods from the producers

- They bore the carrying risks of the goods they purchase in bulk
- They provide storage and inventory of goods

No one distribution system is suitable for all marketing situations. Marketers must recognise customer characteristics, their changing needs and preferences and design a distribution system that would provide products/services for customer satisfaction.

The conventional marketing distribution channel is illustrated thus



However, depending on the following variables such, as

- Organizational objectives and financial resources
- Market characteristics
- Nature of product
- Buyer behaviour
- Business environmental forces

Services marketing mix: The extended 4Ps framework

The service marketing mix is an extension of the traditional 4Ps framework. The essential elements of product, price, promotion and place remain, but three additional elements - people, physical evidence and process are added i.e., 7Ps mix. In addition, to the traditional 4Ps discussed in the preceding paragraphs, three other Ps (3Ps) are discussed here below.

People: People are the greatest asset of any organisation. It is the backbone of all activities and a controllable factor in business. In the service industry, your customer service quality is depended on the nature of your staff. For instance, in insurance, banking and airline firms, their services are as good as the staff responsiveness. The implication is that staff needs to be trained to be customer responsive.

Physical evidence: Services are intangible however for customers to have a satisfactory customer service experience, certain elements in

the firm need to be tangible. For instance, the office layout, the working tools, the tables and chairs must be suitable and modern.

Process: The process of service delivery is very important. Where the service deliverer does not have cutting-edge tools, the customer service experience would not be satisfactory. For instance, medical services require that healthcare personnel should have the latest and newest technology to deliver their services.

Knowing your competitors

A market is a playground for everybody. Thus, competitors are in every market. Competition challenges firms to design dynamic business policies that keep them on their toes and make them continually seek better ways to serve the customer. How competitive is the environment you are operating in? What are the success factors? The competitive variable mostly used in Nigeria is the price. Price has its weaknesses. Other non-price competitive factors, such as quality, image, customer service, promotion, etc. could be used to distinguish one-self.

Another non-price factor to beat the competition is carrying out a market analysis. Once you can know what percentage of the market you share and what stage of life cycle your product is, then you will be able to see the prospects in the business. If you know what your customers like, and don't like, what they read and don't read, where they live and what they do for a living or fun, your business is on sure ground. For instance, a business tycoon has an estate (office blocs) for sale. With expensive brochures, telephone calls, they tried to reach prospects. When success did not come forth, they replaced the brochure with a simple invitation card to come in and visit. The invitation was sent off with a free car parking voucher under the building. When the prospects arrived, there were hostesses to meet them in the parking lot and escort them to the reception area. This boosts sales.

People will always be willing to buy, if you satisfy their needs and desires, remove their frustrations, fears and concerns in doing

business with you. You should compete on service, values benefit-driven promises and not on price, know your customers inside-out to build a unique and excellent product or service for them.

Understanding consumer buying behaviour

An entrepreneur must not only segment and choose a target market; he must also seek to determine why the target market would buy his/her products/services. Information on consumer buying behavior comes from psychology, sociology, biology and other disciplines that explain why people behave the way they do. For a small business – why do people buy your product or service? To a small business owner, closeness to your customer is an advantage as you will understand the internal influences that are going on in the customers' minds. Their beliefs, values, motives, as well as their perceptions of your products, are critical factors of success.

Customers do not buy products but solutions to the problems or needs in their lives. Problem recognition occurs when we are motivated to reduce the difference between our current state and the desired state of affairs. For your products to sell well, give the potential prospect's reasons to want it (e.g., your unique selling promise) (USP), otherwise, they would keep their money or to buy somebody else's product.

Buying motives

Most people buy on emotion. Only a few professional buyers buy based on logic. Purchases are made to fulfill emotional or psychological needs. Build up enough emotion into a customer buying decision. Don't leave them hanging without backing it up with logic. In selling any product, you need not only to create emotional feelings about buying your product or service, but also you must have sound logical reasons to help the customer justify their decision. For instance, in a fee-paying private school, the logical reasons to buy from them could be qualified teachers, good pay, good governance, etc.

Marketing research: Feedback.

Thriving marketers crucially rely on building relationships; therefore, feedback to the communicator is vital. Marketing intelligence system which consists of marketing information system (MIS) and customer information system (CIS) is the means of gathering information from the market. It should be noted that marketing research is one part of the overall MIS/CIS through which the marketer listens to the customers

Sources of data collection

(i) Secondary data: Secondary data has the advantage of being accessed at a very high speed and relatively low cost compared to the primary data. It should be noted that direct access to a host of databases is usually to people who are members. There are many sources of secondary data; such agencies like chartered institute of marketing has an agency called INFO MARK that provides online service as well as other secondary data. Her services are open to Chartered Institute of Marketing (CIM) members and non-members. Governments throughout the world are major sources of secondary data. Some countries publish guides to previous research for sale. Secondary data apart from alerting the marketing management on main issues in the market, it is hazardous to accept secondary data at its face value. Thus, information obtained from secondary data should be tested for impartiality, validity, currency and reliability.

Primary data: Qualitative research and Quantitative research.

Qualitative research is the only reliable way marketers can obtain information about customer motivation. The research creates the circumstance in which the customers can open up to inform the researcher what motivates them without the research prodding them. This form of research is called unstructured research, mostly exploratory. There are many ways of conducting qualitative research such as depth interviews to focus groups discussions. Questions are mostly open format employing the 6Ws (i.e., what, who, why, when, where and how). The research requires a high level of interviewing

skills during the data capture and interpretative skills during data analysis.

The quantitative research method is referred to as structured. To enhance response rates:

- Make questionnaire visually attractive and fun to answer
- Try to structure possible responses (not open-ended questions e.g., what do you think of it?)
- Do not have more than 20 words in a sentence
- Be specific and unambiguous
- Include a cover letter explaining the reason for the questionnaire
- Include self-addressed stamp envelop
- Include a return date: Give a reasonable deadline.

The data is obtained from a controlled sample of respondents representing a targeted population or information may be obtained from all members or elements in the targeted population.

Data analysis

This is a process of statistically determining what the research responses mean. Once the data has been collected, they can be analyzed and translated into useful information. Your research is primarily aimed to aid you in making management decisions. For instance,

- Should I expand into new geographical areas
- Should I change or add to the product mix
- Should I change the business closing hours

Your research will give you information that will help take proactive decisions.

Limitation of market research

Although market research is very significant to small business owners, it has its limitations. Respondents can only give you information of what they know currently and perhaps what they

expect in the future, but they cannot predict accurately what people would do in the future. Despite its shortcoming, marketing research confers the following on an entrepreneurial business; it helps the business to strengthen its position in the market, minimizes failure of investment in marketing campaigns, facilitates strategic planning and uncover emerging trends. Moreover, it helps the business to stay ahead of competition, evaluate the success of a business against bench marks and helps to identify customers' needs and demands.

Branding & delighting your customers

When you undertake to do something beyond your customers' expectations you give them value above what they paid for. Thus, you have created a magical experience. Magic experience will leave a long-lasting positive impression. Make sure that your magic experience becomes an integral part of your business i.e., it happens every time for every customer. If you treat a customer well, he will at least tell it to two customers but if you treat him bad (murderous experience) he will not forget it, but will tell it to at least 10 people. Brainstorm what you do to customers for your magic experience. For instance, by saying thank you to your customers. Send them a note, a card, some flowers or a gift, tell them how much you appreciate their business, help to identify and brand your business.

In branding, however, do not do what others are doing. Not doing what your competitors are doing implies that you have to develop your business brand. Branding is needed by every business irrespective of size. A brand traditionally conveys a name, logo or colour, however, it is more than that, as it emotionally connects with the identified target market that the entrepreneur has chosen to serve. Since providing a typical product or service to everyone in a given country or community will be expensive and ineffective, choosing a certain segment based on certain characteristics such as demographic variables (age, sex, income, educational level), behavioural tendencies, (attitude, usage rates loyalty), lifestyle (social class, personality and personal values) and geography which deals with location and climate conditions; would propel an entrepreneur to

focus his/her marketing efforts for greater impact. The brand which traditionally styled the name, colour or logo would help identify your target market and choose your company identity, choose your marketing channels and activities such as print advertising, website, social media, brochure and flyers etc. set your marketing budget according to the available resources and the goals to achieve, nurture your target market by delivering or promises, follow up after sale, revise and monitor your marketing programmes to determine the level of achievement of set goals because it not only distinguishes you from competitors but also makes a memorable impression on consumers. Examples are free drinks and snacks to hungry waiting guest in a restaurant coming from the restaurant manager; a gift of popular music cassette with a thank you note from a car dealer in appreciation for the patronage and a friendly welcome with a comfortable chair and a bottle of soft drink to a shopper, in men's wear shopping centre.

Other gifts which can make a lasting impression on customers are a choice fruit and a choice newspaper, coming from a taxi driver/uber, clean towels, baby sitting coming from health fitness centre and plantain chips coming from the owner of a 'bukar' (corner store) to hungry customers waiting in a queue.

Delighting and amazing customers (target market) can take different forms. The following are ways you could delight your existing and potential customers i.e., making customers' experience better each time they call in, anticipating customers' needs and delivering beyond expectation; providing a unique and excellent product/service for customer value; eliminating dissatisfaction among your customers and empathizing with your customers by being responsive. Others are empowering and satisfying employees who in turn will satisfy your customers, being reliable and keeping to time and promises, listening to customer complaints and attending to them with dispatch and being responsive to the customers needs which would improve their engagement.

Importance of branding

Branding is a veritable marketing tool in that it confers the following – brands (product/service) recognition, brands loyalty (well-deserved patronage); brands advocates (word of mouth advertising), trust within the market place, ability to generate new customers and increment of business worth, and employees' pride and job satisfaction, among others.

Entrepreneur: Friendliness and hospitality.

In today's market place where buyers and even suppliers are well informed, forceful, confident and astute businessman must be prepared to take the risk off the customers in a business transaction.

Unlike in the past, where the unwritten law in a business transaction is buyers beware, today it has reversed to sellers beware. To be able to have your customers feel welcomed to your business, you must be able to affirm to some or all of the following questions.

- Do all your employees know their jobs?
- Do the employees truly understand the issues on hand and the needs to serve, so that they can become part of the effort and contribute to the organisation's success?
- Are the needs of the employees met i.e., do they feel comfortable, and understood?
- Are all your employees highly motivated and empowered?

If there are no affirmative answers to the above questions, then your internal marketing is wanting or faulty. A business axiom says, look after your people and the business will look after itself.

We must sell our philosophy, goals, issues, services/products to ourselves. Employees must be trained to know their jobs as subject matter experts. We must motivate the employees on the job, and not demoralize them; otherwise, they would pass the demoralization to the customers, in form of complacency or doing the minimum at work.

Practical strategies to make your customers feel welcomed or unwelcomed

- Cold reception and treatment from employees constitute a buying hindrance. Your employee needs the training, empowerment and job satisfaction, to become customer friendly, otherwise there would be customers' distrust.
- Organisational policies e.g., money back or refund for faulty goods, otherwise there will be no buyer's confidence in you, as well as in the business organisation.

On the reverse, the following are proven strategies that would make your clients feel welcomed:

A smile on your face, and a smile when you are on your phone will positively transmit effective tone and rate of speech; your office appearance will show forth in the public perception of your reception. The acknowledgement you accorded to your clients – a good handshake, greetings and make eye contact with them.

Others are automatic welcoming e-mail and communicating regularly with clients by replying each email and thanking them at the end of each transaction. In addition, paying attention to your customers by eliminating every distraction when attending to them

Attracting customers

The preceding paragraphs in this chapter's discourse assumed that the customers are in existence already. Customers are hard to attract; this is a fact every entrepreneur should know. You may have opened the door to your business, launch your website, announce your wonderful new product or service on many social media platforms, yet customers avoid you in droves. If you have conscientiously built your business, customers may not necessarily come, at least initially and not without some poking. The entrepreneur should not panic or despair, this is one of the preliminary risks of business formation.

The first task of the entrepreneur is to use promotional ideas to let his target make know he/she exist. Your short-term promotional device is focused to announce your business and build up customers' awareness. Examples of promotional strategies

(1) Give your product/service away

A typical entrepreneur Mrs. Adams established a takeaway lunch pack shop made up of baked cake, fish roll and fried chicken located in a popular shopping centre in the city centre. On the first day of business, she opened her door for business, and low and behold she waited from morning to end of lunchtime (specifically 4:30 pm), and not one customer visited her shop for patronage. Mrs. Adams knew that the following day, her lunch pack will not be fresh if kept, then she took a drastic decision and thought within herself if I can't sell them, I am going to give them away. She packed her lunch packs and started giving them out freely to passersby. Initially, not everyone was interested in a free lunch pack; however, some bold ones took it. The following day, many of those who tasted and ate the lunch pack came back for patronage.

(2) Persistence and attracting attention

Mrs. Ademola (not her real name) a retired head-teacher in a public school, decided to set up an entrepreneurial venture to care for early childhood education (Nursery/Pre-school institution). The school was well located in an urban residential area. Mrs. Ademola went through the teething problem of not having customers for upwards of 3 months after commencement of business. With her persistence and attention getters strategy to mothers in churches, market places and even in their homes, she was able to break the jinx when she got one child that enrolled after 3 months of opening the school's door to customers.

Taking the risk off the customers & making your business stand out

Bad customer services, customer unfriendly practices and policies kill business. In your business, make yourself a customer for a particular day, call and drop in as a normal customer. See how the telephone was answered, how you were greeted. What barriers did you experience emotionally and physically; would you want to do business again with the company?

Here are ways to remove the customers' perceived risks

- Sample or trial product free of charge
- Let them purchase at a low introductory price
- Unconditional money-back guarantee
- Offer to pay a penalty if the product/service does not perform, such as 110% of the money back if not satisfied.

If you cannot guarantee your products or services, not only are you missing out on a great opportunity, but your product is something that you shouldn't be selling.

Taking away the risk from your customers is a Unique Selling Promise(USP) itself, and it will make you unique. For instance, if you don't like it, just return it and we'll give you a full, no-questions-asked refund. You can also ask your customers to find out the risk removal offer you can give them, just as you did with creating a USP, by knowing their concerns, desires, needs and frustrations.

Risk removal

For a retail shop – Is the parking lot good? Is the entry inviting enough? Do you have customer-friendly signs to indicate where the products can be found? Do you have baskets, carts, supportive personnel to carry goods? Etc.

If the business is by mail order

- Is the form as simple as it should be?
- Are the instructions clear?

- Do they ask for information that is not needed?
- Is there a stamped addressed enveloped?

Carry out your research very well to get the right persons for your targeted sale, your advert should address the reader's needs by offering a USP in the headline, so that you will be selling to the people who can buy.

Differentiation in product and services

Making your business stand out from a host of competitors comes by differentiating your product, customer services, etc. though difficult, but not impossible as it has made the big brands like Pepsi, Coca-Cola, Zenith, etc., successful. Effective differentiation is a great challenge to entrepreneurial business which is competing against big names. However, the following are some differentiating factors that can help a business to stand out:

- Customer service: A customer's experience at the point of service delivery leaves a remarkable impression either positively or negatively. Where it is positive, the satisfactory customer service will earn a repeat purchase, which may lead to customer loyalty.
- Build a strong relationship: A negative customer service experience, which is not corrected, can spread like wide fire; through word of mouth or social media. Any complaint by a customer should be attended to immediately to build a strong relationship.
- Honesty in business transactions: Lying to customers in business transactions, especially by a sales representative is against the principle of "Honesty" is the best policy. Lying to one's customers is like shooting yourself in the foot. Tell the truth at all times, for it earns your customers' respect.
- Innovative: With the emerging technologies you must continue to reinvent, your processes and products. Unique ideas make for long-lasting positive impressions.
- Corporate social responsibility: Social responsibility of business goes beyond being a philanthropist and taking care of

core stakeholders, but it includes programmes of serving the best-rated quality products or services.

- Social media: Having a website, Facebook page and writing a blog contribute to attracting and educating potential customers. High-quality content blogging grants the benefits of blogging.
- Guarantee: Guaranteeing the implementation of whatever promise you made is an assurance to potential and existing customers that you truly care about their satisfaction. For instance, refund of money if unsatisfactory and next-day delivery services are often stated. The question is does business implement these promises 100%? The ability to stand by one or more of these marketing tactics makes your business stand out from a horde of competitors.

Takeaway: Satisfying your customers

Marketing is all about satisfying customers' needs and wants. It is the easiest way to increase sales and make more profits. Meeting the desires of the consumer starts from finding out what the consumer is longing for. Therefore, an astute marketer needs to find the answer to the following basic questions.

- What do customers think about my products/services?
- What problems do they want me to fix?
- What features do they want me to add?
- What are the problems my distributors and resellers are encountering in selling my products/services?
- Where are the competitors excelling and why?
- Is changing customers' demand affecting my capabilities?
- What new markets are emerging that I should enter?

The following are your takeaway in pursuit of satisfying your customers

- Put yourself in customers' shoes always
- Find out what customers expect from you
- Hire a mystery shopper (A hired customer) to evaluate the service process of business

- Observe your business objectively: Observe what customers say, when they are attended to
- Always talk to your customers: take one or two customers aside and ask for their opinion of the service
- Encourage your customers to give you their opinions on the service and how the business is run
- Opinions of customers should be implemented
- Carry out a customer satisfaction survey always.

Face-to-face customer service: Face-to-face interaction with the customer is the first component of customer service. This is followed by;

- Be welcoming: A strong, warmth and sincere greeting are some of the most basic of customer service. It may be over the phone or when walking through the front door, with good eye contact and a smile.
- Teach your staff to be organized: An impressive trait that gives the customer confidence in the business
- Teach staff to be prepared to make a recommendation. Trained staff or office sales personnel have the ability and confidence to recommend a product.
- They should talk to the customer, not through the customer (talk in details), you must recognize that that waiting customer is the one that pays your bills, so he must be served by a friendly and interested person (staff).
- Teach staff to do the unexpected: good customer service is all about details and doing small unexpected things that make the customer feel fine. Look for ways to do little unexpected things that would make your business stand out (be unique). People will talk about the extra little things that you do.
- Remember to say thank you, when a customer leaves your premises after purchase it is nice to say Goodbye, thank you.

Other virtual marketing tool to attract customers include Facebook advertising, content marketing, email marketing, webinars and free consultation and employee referrals. In addition, the entrepreneur can

attract more customers through traditional mass media technology such as print media (newspaper and magazines) radio, television, direct marketing, joining a local business group e.g., Chamber of business/commerce.

Offer staff incentives

In today's market, for all products in increasingly competitive, the sales team is task to drive the company's revenue. Therefore, sales incentive programme in which rewards are based on performance will motivate the sales/persons to achieve goals more efficiently. All category employees can be involved in customer referral programme. Participation is voluntary. With a certificate bearing the companies logo and participants identify, number, participants are enjoined to distribute to friends, family members and anybody also they can come in contact with. This is called on-site marketing tactics, which involves the company best assets (employees and customers. Employee contest is estimated to have as much as 27% conversion ratio of first time to regular customer.

Positioning your product

Tell the story of how-to use of your products or service leads to the benefits. Good positioning can make your product/service attractive, different and special. Find out the features that make your product special and use them as the main thrust of your positioning. Establish a memorable brand for your product or service. Branding is about selling everything about or associated with your organisation. Thus, establishing a lasting and attractive brand connotes the brand name, brand signal or logo, employees' engagement idea. A consumer's perception of the brand is the brand knowledge, awareness, recognition and recall, brand image, etc. denote how consumers perceive the brand based on quality and attitudes towards it i.e., what stays in their memory.

Customer service in a manufacturing firm

Customer service is the direct one-on-one interaction between a consumer intending to make a purchase and a representative of the

company that is selling the product. Most retailers see this direct interaction as a critical factor for buyer satisfaction and repeat purchase. However, in a manufacturing organisation that has many sections or units where customers and employees interact, there is other technical equipment that enabled customer service another face-to-face interaction. Examples are:

- Telephone: Customer service could be made convenient and pleasant through the use of the telephone. Good telephone service amounts to good customer service. In the use of the phone. Speak audibly make your answering service friendly keep background noise in check etc.
- Internet: The Internet provides access to information for the customer at their convenience. Making your website friendly, quick response to emails and the use of real-life photos of people amounts to better customer service.
- Promotion: Customer promotion material which is written in a friendly, clear and easy-to-understand professional way facilitates customer service. A friendly written promotion material answers all common questions, communicate without technical jargon and specify contact details.
- Employee contact: Where everybody in the organization is committed and dedicated to their work facilitates good customer service. In the past, customer service is attributed to the sales department's offer, but today every employee's contribution enhances customer service. For instance, customers are not to suffer as a result of internal bickering, every department must see customer satisfaction as its focal point.

Self-Assessment Questions

- (I) Show how you can use branding strategies to enhance positioning of product/service
- (II) Discuss how your business can make customers feel welcomed and what can make them feel unwelcomed.

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Chapter 9

MANAGING HUMAN RESOURCES FOR PEAK PERFORMANCE IN AN ENTREPRENEURIAL VENTURE

Hiring the right people
and developing them is
the most important job
of a manager

Unknown

Train people well
Enough so they can leave.
Treat them well enough
so they don't have to

Richard Branson (2022)

Managing the Human Resources

The management of human resources deals with the recruitment, training and development, reward and motivation, retention, redeployment, safety, and departure of employees. The activities of Human resource management go further to include the provision of satisfying work and environment, to enable employees to experience job satisfaction.

Recruitment and retention

Recruitment of new employees into your workplace must be preceded by establishing adequate policies and procedures. An organisation's recruitment policy represents the organisation's code of conduct in that area. For instance, an organisation's recruitment policy could have the following:

- Advertise all vacancies internally and externally
- Reply to every job applicant with minimum delay.
- Inform potential recruits about the job details of every job advertised.
- Process all applications with efficiency and courtesy.
- Seek candidates based on their qualifications and experience for the positions vacant.
- Treat everybody invited for an interview fairly.
- No discrimination against an applicant on the ground of sex,

- race, age, religion, physical disability, etc.
- Hire an applicant that has the potential of a peak performer

Selection of employees

To hire the right and suitable employee, the entrepreneur has to select an employee from a pool of applicants by matching their application details (resume) with job requirements i.e job description and job specification. The job description is a document that specifies the duties, tasks and responsibilities of a position. The document summaries all tasks associated with each duty and the essential role of the jobholder. Job specification, on the other hand, indicates the skills, abilities, knowledge and other personal requirements a worker needs to successfully perform a given job.

In selecting an employee, the entrepreneur evaluates the applicant through the applicant's application, resume and selection interview, which may be an oral or written test. The interviewer must strive to select an ideal applicant, who demonstrates self-management skills and independent achievement, has positive self-esteem (confidence in self-worth) and believes in controlling his life's destiny. Furthermore, the selected candidate must have personal and professional goals, the ability to overcome setbacks in life rather than blame others or him/her.

Employee orientation and training

Employee orientation normally involves an introduction to methods and procedures of the job and the rules and regulations of a company. Employee orientation should not be left to the coworkers to be carried out informally, a time permit basis. Employee orientation should be formal and comprehensive covering issues such as:

- Provision of a job description and job specifications
- Overview of the organisational mission statements i.e., the general values and principles which guide work standards in the venture. Ways to become a role model employee or manager, such as having a positive attitude, trustworthiness, integrity, etc. The department's relationship with other

departments and the employee's role as it relates to the goals of the department

- Introduction to the departmental staff and his/her colleagues

Review working conditions such as; working hours, lunch period, overtime, probation period, illness, time and attendance recording, personal emergencies, performance appraisals.

Review of benefits

Insurance (life, disability, medical, travel, accident, workers compensation), tuition reimbursement, holidays, sick and vacation days, career development, employees' assistance programme. Provisions of employees' handbook, security procedure, copy of the newsletter, organisational chart, telephone directory, restaurant guide. Employees' names, positions and starting dates should be announced on the notice board.

Methods of training

There are various learning styles available for imparting knowledge to workers of an entrepreneurial venture. Some learn through visualization, hands-on-experience while others prefer one-to-one demonstrations. Moreover, on-the-job-training, where a new employee works with an experienced employee or supervisor, lecture in a seminar or classroom, where one or more instructors impart knowledge to others and conferences i.e., group discussions which is similar to lecture method. Others are role playing, which involves acting in new roles within the company, job rotation, where employee move from one job skill to another and correspondence course, where updated current knowledge are acquired through sponsored professional associations.

Compensating employees

The primary purpose of wage and salary administration is to assure both management and employees of fair and equitable compensation for services rendered. It is difficult to arrive at the practical wage and salary which is fair and equitable because it is not entirely an internal company matter because of Government and labour union forces.

However equal pay for equal work is most equitable pay system. Most human resources (HR) leaders are under pressure to attract, motivate, engage and retain its employees especially the high talented in management positions, through their pay system. There are many types and methods of compensation plans that a company may adopt; these are salary structure, commission, bonuses and hourly pay. The pay structure a firm adopts must be seen to be fair and equitable, consistent with compensation structure of comparable organisations, particularly in the same industry. Moreover, it must recognize individual capability and proficiency, provides how to resolve compensation conflicts in a rational way and recognition of changes in cost of living in the labour market.

Incentive pays programmes

Two common types of incentive pay programmes are:

Bonuses

Bonuses are given to individuals or groups to compensate or reward employees for high performance. For instance, when employees meet objectives set for attendance, production, cost savings, quality, or performance. To be an effective motivator reasons for which a bonus is awarded must be communicated to the employee.

Profit-sharing plans

This is a highly flexible plan. A certain percentage of salary contributions is credited to individual workers' accounts. The percentage of contributions varies according to the profit earned. It gives the employees sense of partnership.

Monetary rewards and motivating the employees

The payment policy in an organisation is designed to meet the following purposes:

- To attract sufficient and suitable employees.
- To retain satisfactory employees.
- To reward employees for effort, loyalty, achievement and experience.

In practice, wages and salaries are paid for the following reasons

- i. To fulfill legal obligation – the 'minimum wage' reason
- ii. To obtain a fair share of the labour market – 'competitive' reason
- iii. To provide an incentive for employees – the 'motivational' reason
- iv. To keep pace with inflation – the 'cost of living' reason.

An organisation's payment policy is influenced by the prevailing circumstance in the labour market and the nature of work. Other variables that influence organisation's payment policy include organisation ability to pay, bargaining power of trade union officials, cost of living, productivity, custom and practice, in the industry or state and technological changes.

Effectively rewarding your employees intrinsically and psychologically, such as sending a personal note of thanks from the boss, giving out a football match ticket or movie ticket, giving out tee shirts, having a dinner with employee's spouse and bestowing a travelling trophy. The above intrinsic motivating factors create better public image of the firm, cordial relationship among the staff, releases the untapped reservoirs of physical and mental capabilities to propel employees to excel in their tasks.

Motivating factors

Motivation is the process of stimulating people to act accordingly to achieve pre-determined goals. It is a managerial process that stimulates employees to work best of their capabilities by providing them with motivational factors that are based on their unfulfilled personal needs. The significance of effective motivation in the workplace cannot be over-emphasized. Some of the importance of motivation is as follows: High efficiency at work – effective motivation releases the untapped reservoirs of physical and mental capabilities of employees; the organisation earns better public image in the employment market, creates room for cordial relationship

among staff and helps employees overcome resistance to change and other employee counterproductive work behaviours such as absenteeism.

The following are some of the factors you can use to motivate your employees

- (1) Set smart goals: Goals setting for employees become meaningful it is based on SMART acronym, where:

S - Specific
M - Measurable
A - Achievable
R - Realistic
T - Timely

To motivate employees, they should be able to understand what is expected of them, visualize the success in their roles and to explain how their contribution makes a difference to the business.

- (2) Recognize and celebrate achievement by management, should not recognize and celebrate only big wins, but weekly, monthly or quarterly goals should be acknowledged
- (3) Provide positive feedback: Positive feedback is meaningful when it is linked to something specific e.g., 'great presentation' 'well done'. 'Your talk is highly appreciated', 'it will help improve one employee commitment'.
- (4) Follow through on promises: Management should be mindful of promises made and see that they are fulfilled as it has a direct impact on employee engagement. Losing trust in a manager as a result of unfulfilled promises can lead to distrust of the whole organisation.
- (5) Promote transparency and listen to employees.
- (6) Rewards: Focus not only on extrinsic but also intrinsic benefits or rewards

Ingredients of motivation

- (1) *Intensity*: Motivational intensity was to do with the strength of the reward (motivation) i.e. what's in it for me (WIIFM)? Is the motivating factor strongly desired by the performer (employee)? If the performer strongly desires the motivating factor, he/she would be motivated highly but would be slightly motivated if the intensity of the motivating factor is low.
- (2) *Durability*: Motivational durability refers to how long-lasting the motivating factor is if the motivating factor is intermittently reinforced the motivation would last longer. For instance, continuous improvement breeds durable motivation.
- (3) *Context*: The context of motivation has to do with the environment i.e. the time, place, and how the motivating factor is delivered. For instance, if the reward is dispensed immediately after the act, that immediate reinforcement leaves no confusion in the mind of the performer. He is assured that reinforcement would take place immediately after he/she performs the act.
- (4) *Perception*: The perception of individuals with regards to their values and needs vary. What might be considered as a motivating factor could be considered of little worth by another. For instance, the reward the employer considers as a positive motivating factor can be perceived as negative.

Positive and negative motivating factors

Motivating factors can either be positive or negative reinforcers. Positive reinforcement in workplaces include monetary reward, better working conditions praise, paid vacations, fringe benefits respect, recognition, a pat, etc. negative reinforcers, on the other hand, include calling of names, kicking butt, penalties, reprimands, docking, or withholding of pay, removing privileges, cancelled vacations showing contempt or non-recognition. Negative reinforcers demotivate rather than motivate employees i.e., making them move in the opposite direction such as stealing, absenteeism, sabotage, uncommitted attitude, etc.

Intrinsic and extrinsic motivation factors

Extrinsic motivation factors are job promotions, monetary rewards, praise, fame and other special perks like individual parking spaces. Extrinsic motivation factors are external which rival organisations and others can dangle at your employees. Intrinsic motivation on the other hand originates from within the job itself. It is personal and internal, unlike the extrinsic motivation factors. Intrinsic motivation factors are autonomous, belonging, mastery, love, meaningful, curious. In a typical workplace, the following are intrinsic motivation factors such as the job itself – where the job is meaningful and challenging, an opportunity to achieve something, excitement in doing a challenging job, empowerment control over the job, recognition of the role by the top hierarchy and curiosity to prove some secret point, for the sole pleasure of learning.

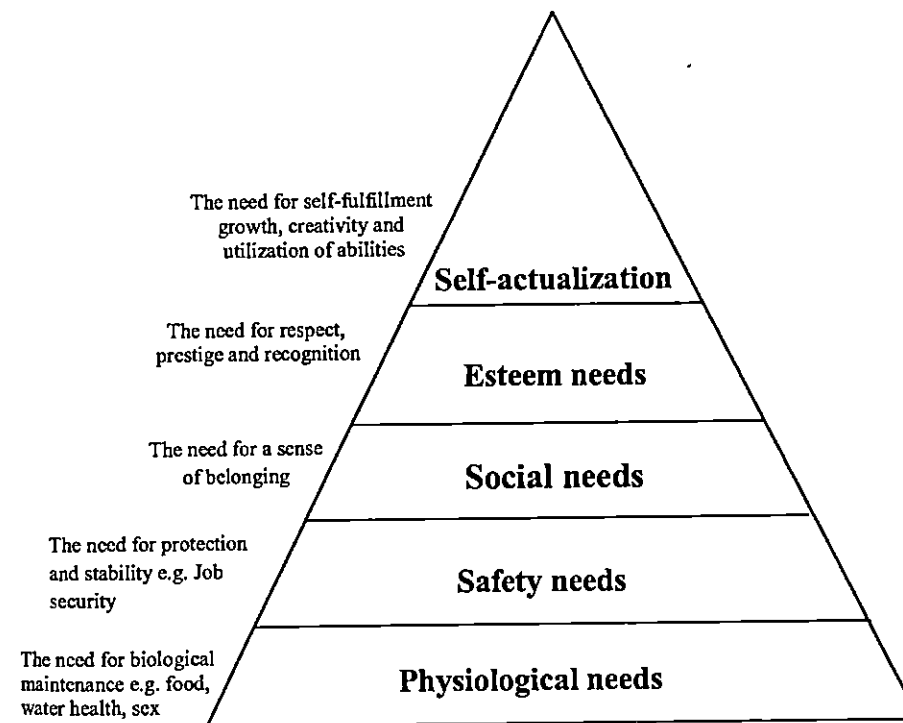
The extrinsic motivational factors include promotion, bonuses, monetary rewards, badges, competition, contest, fear of failure, fear of punishment, praise, power of affiliation, appraisals, gold star or golden wrist watches, visibility or exposure.

Theories of motivation

In this section, we examine two notable motivational theories in management literature.

Maslow hierarchy of needs, (1943) and Herzberg two-factor theory (1966).

Maslow hierarchy of needs is a five-step charted set of human needs, which is motivation everyone starts from the base (physiological needs) till he gets to the peak of his career (self-actualization need).



From the base, once a set of needs e.g., physiological needs are filled/satisfied, they no longer motivate one. This implies that once an employee has satisfactorily met his physiological need i.e., food, sex, they cease to motivate him, while the desire to satisfy the safety needs will preoccupy his mind. To suitably motivate an employee the entrepreneur must find out the stage he is in his five-step charted Maslow hierarchy of needs. He/she will be motivated and job satisfied if he/she is supplied with the resources to satisfy his/her unfulfilled needs.

Herzberg two-factor theory

Herzberg (1966) propounded a two-factor motivational theory. Herzberg stated that there are two categories of factors that influence employee job satisfaction. These are:

- (1) Work content factors e.g., employee's sense of achievement, responsibility and personal growth.
- (2) Work setting factors: work environment factors such as salary, supervisor's training policy.

To improve productivity and stop absenteeism, murmuring and rumor-mongering among employees, the entrepreneur must identify which of those factors are not provided for. If an entrepreneur decides to furnish offices with modern furniture without looking into the work content factor, motivation would not be achieved. The same is where intrinsic job factors e.g. job enrichment, flexible working hours and the work setting environment are unattained to, the motivation will be inappropriate.

'What is it for me' (WIIFM) Principle in motivation

Human motivation rests on the premise that all people i.e., both workers and non-workers are motivated by self-interest. According to Kushel (1994), self-interest is explained as 'What is it for me' (WIIFM). WIIFM motivates everyone including your good self and all managers must be good motivators. WIIFM principle is a universal principle that is true in motivating everyone irrespective of work class and type. Motivating people through the WIIFM principle is to make them excel and achieve peak performance. Since it is known that everyone responds to WIIFM of praise and recognition, there is always more room for that to lead to higher self-motivation.

Employee empowerment

Employee empowerment is the transfer of ongoing job-related authority and responsibility from managers to workers. Empowerment can be used to motivate employees as they will view the entrepreneur's action positively since they are recognized and treated as partners. Empowerment makes an employee develop his self-worth and operate with less close supervision. In empowerment clear goals and guidelines are established, workers work as a team, they prudently solved their operational problems such as reduction of costs increase productivity, and quality output.

For employees, empowerment means employer of first choice that provides a superior employee experience and whom workers are always willing to work with as compared to other employers. Employees tag an employer, 'employer of choice' based on what they saw or heard prior joining the organisation, treatment at the outset and ongoing relationship within the organisation, i.e., the organizational culture. Other management philosophies that influence being tagged 'employer of first choice' are employment of right persons who are more skilled and talented than the entrepreneur. Moreover, the entrepreneur seeks out for the best interest of her employees, making the job exciting, meaningful, challenging and intrinsically rewarding.

For any employer or manager to successfully apply the WIIFM principle, particularly to his direct reports, the manager must:

- (1) Be fair in all his/her dealings with the subordinates. He/she must not show favouritism i.e preferring one worker over another.
- (2) Have a positive attitude: Most people always want to attach themselves to one who is optimistic, winner minded than a pessimistic or loser-minded person. Make sure you are positively oriented not negative and offer your employees a fair share of all the rewards. This would motivate them highly.
- (3) Assist: A manager should be good and generous to his colleagues. It is your interest for your colleagues to perform well on the job, therefore provide your colleague with whatever assistance you can.
- (4) Let your colleague shine: Your colleagues also desire their successes. This implies that you should not become too visible, moving ahead of all, such as getting a regular promotion, otherwise you will be perceived as getting at their expense.
- (5) Help your colleague to look good: Your immediate boss also loves to look good before her boss. Thus, your work must make your boss look good for her to appreciate you. Let your

boss know how helpful she has been to you and publicly attribute your success to her good work.

- (6) Show loyalty: Almost every boss placed great emphasis on the loyalty of the staff. Bearing the principle of WIIFM in mind, you can motivate your boss to appreciate you further. Project to your boss that you are loyal by showing it to him through your actions.

Retaining the right employees

Retention starts at recruitment – If you have to retain your employees, make sure you make yourself the employer of the first choice coupled with employing the right people.

The employer of first choice is an organisations that is highly sought after, i.e. where potential employees are desirous to work in. Creating a positive work environment, where there is cordial interpersonal relationship among the employees, an altruistic and outstanding organisation brand would make your organisation an employer of first choice.

Retention strategies for the organization

1. Better work/life balance programmes: Organisations can improve productivity and revenue or both by implementing better work/life balance programmes such as Dependent's-care leave, Child care subsidies (education sponsorship), Elder's-care programmes, Counseling and referral, Flexible working hours, Offer the opportunity for professional growth and development.
2. Mentoring which is an informal method of inculcating knowledge and skills help to revitalise older workforce members matched with younger employees
 - Treat employees as partners: Apart from empowerment, employees now want a sense of ownership. They want feedback on performance and want a path to be a better contribution.
 - Help employees to find community in the workplace. There is a high need for a meaningful relationship. Companies

must provide relational connections to keep a greater number of key employees.

- Start rebuilding trust – Highly entrenched organisational hierarchy is a barrier to rebuilding trust. Cross-training can help create a culture of trust which makes employees value the organisation.

Aside from the above, to retain the best performers in the job, the manager must apply WIIFM (self-interest motivation) principle. The following are some tried and true WIIFM principles for peak performance:

- (a) Trustworthiness: Self-responsible performers are realists and they know it is in their best interest to be loyal to the company i.e., to be trusted and be trusted. Therefore, WIIFM of trusting offered would surely motivate self-responsible performers.
- (b) Mutual mission: Self-responsible workers would be highly motivated if allowed to share in leadership responsibilities, corporate mission, vision and goals, and in authority and responsibility for operational processes. Participation in management can help motivate the self-responsible workers as they would have a psychological 'bury in'.
- (c) Total quality management (TQM): TQM is defined as a management approach to organisational long-term success through customer satisfaction where TQM is practiced; all members of the organisation participate in improving processes, products, services and culture in which they work. Making employees involved in the process of producing high-quality products will be useful WIIFM (motivation) for peak performers. Also is developing total quality people (TQP).
- (d) Benchmarking: Benchmarking is a method of comparing one's industrial production output with the quality of a particular company's production. This can promote greater quality awareness among peak performers at all levels in the organization.

- (e) Quality circles: Brainstorming ways of improving the quality of products and services, work equally well in creating motivation for peak performers.
- (f) Management by objectives (MBO): Management by objectives is the process of involving peak performers in setting goals. In MBO management and the performers must agree on the value of the objective first before anyone tries to measure the attainment of the objective.
- (g) Quality of work life: Quality of work-life programme that makes the work meaningfully important to performers such as flexible work schedules, work-life balance, increasing variety of work done by individuals, completion of whole task i.e job enrichment rather than job enlargement. This work arrangement works well and strong WIIFM (self-interest motivation) for peak performers.
- (h) Monetary rewards: Monetary reward is the most commonly used motivation factor. It enables individuals to meet up with their physiological needs such as food, shelter, clothing as well as material gifts to themselves and others. Money as a motivator has its many shortcomings. For instance, after a certain level of income is attained any further monetary reward as a reinforcement quickly attains diminishing returns. If the manager is innovative and imaginative, he would discover that many things are infinitely more motivating than monetary rewards.
- (i) Psychic income: These are intangible rewards that are likely to appeal to self-responsible peak performers. Examples are prestige, power, recognition, opportunities for advancement, interesting jobs, feeling important, doing a meaningful and useful job. Much as psychic income is important to self-motivated workers/performers, psychic income cannot be eaten, unlike real income (monetary rewards), thus you cannot choose one and leave the other. The extrinsic and the intrinsic factors of motivation are combined to effectively motivate the peak performer.

Employee's performance appraisals

An employee's performance appraisal is a process of combining both written and oral elements – whereby management evaluates and provides feedback on an employee's job performance, including steps to improve or redirect activities as needed.

Documenting performance provides a basis for pay increases and promotions. In addition, appraisals are also important to help staff members improve their performance and as an avenue by which they can be rewarded or recognized for a job well done.

A manager's appraisal of an employee's past performance should be first of all, a partnership of shared responsibility of problem-solving and career development between the manager and the employee

Performance appraisal goals

- i. To improve the company's productivity
- ii. To make informed personnel decisions regarding promotion, job changes and termination
- iii. To identify what is required to perform a job (goals and responsibilities of the job)
- iv. To assess an employees' performance against these goals
- v. To work to improve the employee's performance by naming specific areas for improvement, developing a plan aimed at improving these areas, supporting the employees' efforts at improvement via feedback and assistance, and ensuring the employee's involvement and commitment to improving her performance.

To realise the above goals the employer must-see performance appraisal as a process of dialogue, whose ultimate purpose is for the betterment of the parties.

Types of appraisals

- i. Traditional: This is the process in which the employer sits down with the employee to assess his performance for the previous performance period; usually one year. The discussion

is based on tasks noted in the job description and employees' abilities as observed by the employer.

The performance is rated and the rating is tied to salary increases, promotion, etc. Some professionals have suggested three levels of ratings viz. outstanding, fully competent and unsatisfactory.

- ii. Self-appraisal – Staff members are individually asked for self-appraise themselves. This is to encourage staff to take full responsibility for their performance, by assessing their achievements and failures and also to promote self-management of development goals.
- iii. Employees initiated review – In this system, the employees are encouraged to ask for a review from the manager. This is to promote attitude a self-management among the staff and often makes critiques more honest.
This review system promotes more communication between the staff and managers. It should be noted that this does not replace the semi-annual or annual appraisal.
- iv. 360 Degree feedback – The 360-degree feedback appraisal process refers to the situation whereby feedback on employee's performance is being provided by the
 - Management
 - The employee's colleagues (peer evaluation)
 - The external customers
 - The employee himself/herself

This type of performance appraisal is recommended for small organisations because it ensures that employees' performance is being observed by those who work closely with them.

Employee performance appraisal is beneficial as it enables employees to see their career future clearer. Positive feedbacks will not only highlight areas of improvement such as enhancement of skill, but also will increase motivation and job satisfaction, boost morale improve engagement, retention and productivity of employee. Others are good and cordial working relations with his boss and co-workers.

Legal considerations in employee performance appraisals

Consideration must be given to discrimination suits, by employees, and since most promotion, pay increases and termination are tied to performance appraisal; all appraisal results should therefore be documented. Second, as appraisal system has its impact on the employees' status, their results must be communicated to all employees. Moreover, performance measures must be related to the task performed, managers who provide the performance input, must be sufficiently trained and should provide timely feedback on employees' performance.

Unleashing employee creativity

A challenging work environment is an environment which drives workers to put in their best. In such environment employees are empowered which will make them to be initiative and imaginative, explore their potential, improve their skills, rewarded for positive contribution and no punishment for the mistakes made in work process. A challenging work environment provides organizational support, such as skills acquisition and training, supervising encouragement, which would unleash employee creativity for increment in organizational productivity.

When hiring an employee, you do not need such affinities like similar traits; common religious beliefs, ethics, background, alumni of one great institution, etc. rather lookout for similarities in work ethics, values, attitude, vision, etc.

Discipline of employees

The discipline of employees involves action to modify or correct the employees' behavioural tendencies and performance output. The purpose of discipline is to ensure that the company rules and regulations are adhered to. The employee handbook is the document most organisations use to communicate the employer's mission statement, the business code of ethics, business policies, etc.

Examples for inclusion in employees' handbook

- a. Disclaimer – The disclaimer specifies that the employee handbook is not a contract of employment. A fired employee can sue based on the provisions if there is no disclaimer notice.
- b. Employment policies – This section would describe the hours of work, regular and overtime pay, vacations and holidays, performance review, equal employment opportunities (no discrimination)
- c. Benefits – Relate insurance plans disability plans, retirement programmes, tuition reimbursement, etc.
- d. Employee conduct – Explain your expectations on everything you consider as important, such as your hygiene, dress code, punctuality to work, etc.
- e. Explain your terminologies – Every organisation has business terminologies therefore, HR will do all the work, to explain to the new employees what the terminologies stand for.
- f. Organizational chart – This chart gives the employee a sense of place in the business and how the parts of the organisation fit together.

Ethical approach to managing

Ethics can be defined as a system of morals or rules of behaviour. To say that a particular act is legal does not mean that the act is ethical. For instance, advertising directed at children may be legal, however many would see it as unethical.

A manager is said to be ethically minded in his work when he has a profound sense of ethical principles. Values and character are at the core of his work. An ethical manager sees his job as making others better; enabling them to pursue their hopes and dreams. An ethical manager considers and takes responsibility for the effects of his actions on

‘Customers’, ‘Suppliers’, ‘Employees’, ‘Communities’ and other ‘Stakeholders’

Ethical leadership characteristics include justice. An ethical leader is fair and just, has respect for others, transparent, humane in behaviour,

focus on team building, values driven, encourage initiative, leadership by example, zero tolerance for ethical violations. Moreover, thus, an ethical manager must have the following mindset at work i.e., integrity, humility, altruistic, collegial and would demonstrate confidence without arrogance.

System approach to business management

Business is a living entity just like a human being the human body is a system because it has many parts working together, as a whole, so also the business with many parts must work as a system. Examples of parts of the business are sales, finance, production, marketing, administration, division, etc.

Managing business systematically implies setting up procedures that ensure the predictable outcome of business operation – A system approach implies that every employee does his or her work effectively and also would be able to perform in another division when the need arises.

Benefits of system approach

Where a business owner would like customers to come back for a repeat purchase, the business should be quality-focused and customer-oriented. The quality delivery process would be influenced by the quality of the system’s management, the right attitude and training given to staff. Given an effective systematic approach in managing a business organisation i.e., a laid down procedure for operations, this would result in consistent customer satisfaction and delight. Furthermore, a good systematic approach in management would enable the entrepreneur to leverage on employees’ skill in which a subordinate staff with lower-level skill would be assigned to perform a higher skill job at less cost to management.

Measuring business performance

Measurement of business performance is a process of aligning the operations of the business to its strategic goals. Every business has

key performance indicators i.e. data elements that measure your progress towards achieving your objectives.

To measure the business performance accurately, you need to develop, what we called a business intelligence scorecard. Each scorecard would have business key strategic perspectives such as

- Financial
- Customer
- Operational
- People

In each perspective, you list out key performance indicators which could be measured quarterly or annually in order not to deviate from plans. For instance, from a **financial perspective**, the key performance indicators selected for measurement could be

• **Leverage ratios**

- i. Debt equity: $\frac{\text{long-term debt}}{\text{Shareholders' equity}}$
- ii. Debt total capital $\frac{\text{Long-term debt}}{\text{Fixed plus current liabilities}}$

• **Coverage ratios**

- i. Interest coverage $\frac{\text{Net profit before interest \& taxes}}{\text{Interest charges}}$

• **Activity ratios**

- i. Inventory turnover $\frac{\text{Cost of goods sold}}{\text{Average inventory}}$ OR $\frac{\text{Sales}}{\text{Inventory}}$
- ii. Debtor turnover $\frac{\text{Credit sales}}{\text{Debtors}}$

- iii. Average collection period $\frac{\text{Days in year}}{\text{Debtors' turnover}}$

- iv. Total assets turnover $\frac{\text{Sales}}{\text{Total Assets}}$

• **Profitability ratio**

- i. Gross profit margin $\frac{\text{Gross profit}}{\text{Sales}}$

- ii. Net profit margin $\frac{\text{Net profit after taxes}}{\text{Sales}}$

- iii. Return on investment $\frac{\text{Net profit after taxes}}{\text{Total assets}}$

Return on Assets (ROA)
Return on Capital employed (ROCE)
Return on shareholders' equity (ROSE)

• **Liquidity ratio**

- i. Current ratio $\frac{\text{Current assets}}{\text{Current liabilities}}$
- ii. Quick ratio $\frac{\text{Liquid assets}}{\text{Current assets}}$

With regards to **customer perspectives**, key performance indicators include information on

- Repeat purchases
- Customer loyalty
- Market share
- Number of new customers

Operational perspectives would have, for instance, the following key performance indicators such as

- Number of new ideas or suggestions adopted
- Level of production cost
- Time required to produce a product or service
- Cost of raw materials

Employees' perspectives. This segment of the business scorecard examines the employees' capabilities and training as well as synergistic innovations and innovative capabilities achieved through structural and cultural changes. Employees must have opportunities for improvement through training and development programmes to be on the cutting edge. Measurable performance indicators may include

- Length of employee tenure

- Employee education and knowledge
- Employee loyalty and commitment
- Employee training opportunities provided and accepted by the employee
- Employee turnover
- Employee absenteeism rate
- Employee job or pay satisfaction

Takeaway: Tips of managing people in the workplace

People or employees are the greatest and most valuable assets to any business establishment; however, managing people in the workplace is the hardest and most challenging aspect of running a business organisation. A company is as good as the people it works with. Employees must be treated concerning attracting and retaining the skillful ones. In this competitive era, organisations rely on people skills to weather the storm. The following are the tips for managing people for motivation and retention in this 21st century. With regards to employee retention, the following tips are necessary:

- (1) Employees are the backbone of your entrepreneurial business – Most managers and chief executive officers (CEO) of organisations acknowledge that people are the backbone of their business (most valuable asset) therefore they hire the right (best) people and motivate them in the best way.
- (2) Hire the right people: Hire the right people to fill every job vacancy. It is not enough to hire based on one's candidate's qualifications and talents, smart people i.e. people who are creative, innovative, and capable to challenge the status quo.
- (3) Inspire your employees: If an organization's CEO wants his business to prosper, it is not enough to hire well, but also, he/she must inspire those hired. You do it by making employees feel good about what they are doing, a chance to do a good job by creating an environment where people can freely relate with one another. Moreover, create a sense of holism and a feeling of interconnectivity in the workplace. If people relate with the company they work with, if they buy into the organisation's

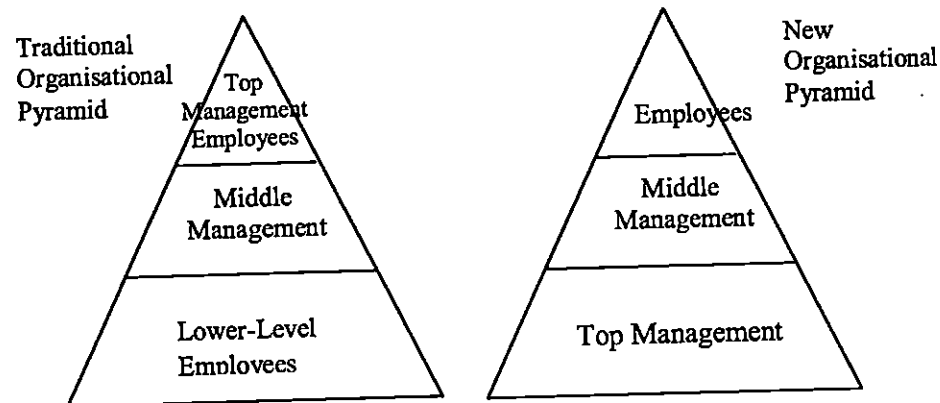
vision, their work would have a meaning to them because they are addressing an issue they are concerned with, they would passionately pour their hearts to do better work. Praise and encouragement will cause people to be highly motivated and put in extra effort in the course of their work.

To inspire your employees, you need to draft and distribute an inspirational statement of the organisation's values:

- (a) To be real: We need to be what we say we are, inside out. We are reputed to be friendly, enthusiastic, caring, high-quality conscious
 - (b) We are the best: We out-perform competition; therefore, our products would be euphonic to our customers.
 - (c) To be inclusive: We embrace individual differences. We perform better and serve the market better when in diversity we work together.
 - (d) To be creative: We grow in strength because we are creative and see beyond conventional thinking.
 - (e) To be accountable: We do not tolerate poor performance. We all do what we have accepted to do to minimize the company's risk.
 - (f) We believe in the Golden rule: In dealing with all our stakeholders, we try to be friendly, courteous, fair and compassionate
- (4) Demand excellence: No excuses you demand excellence and are obsessed to do it right first and at all times.
 - (5) Be open-minded to your employees: Employees must have all the necessary information about the company's performance and how they are performing concerning it.
 - (6) Treating all employees as equals: Treating all employees from CEO to shop floor staff gives way to building a trustable partnership between employees and management.
 - (7) Build a team spirit: By stripping away all the unnecessary perks and privileges and managers and treating all staff equally, we

build a team spirit, which is inevitable for the success of the company.

- (8) Listen to your employees: It is good to listen for you don't learn anything while talking. As the CEO, you need to visit a cross-section of people all across the company.
- (9) Empower your employees to do the right: Empowerment implies the means of turning the traditional organisational pyramid. You put your employees on top and give them the power to make decisions. You support them and they don't support you



In the new organisational pyramid, at the top is the operational employee, front lines staffs who are in the field and make things happen. They are experts in their respective fields; they are the heroes while management are the people in the headquarters. They supply and support the heroes. Thus, management should

- (10) Trust the employees;
- (11) Small is beautiful in business setup: A company is likely to operate at its peak when employees in the company know each other's strengths and weaknesses. We should not allow people to get lost in the corridors of power.
- (12) Praise the employees to success;
- (13) Share the financial rewards;
- (14) Fire the un-performing employee;
- (15) Encourage healthy work-life balance for all your staff;
- (16) Provide a clean and safe working environment;

- (17) Provide tools and equipment for work i.e cutting edge technology;
- (18) Provide adequate rest period, encourage employee creativity, foster respect for one another in the workplace and provide positive feedback.

Self-Assessment Questions

- (I) Discuss retention strategy you can apply for your talented employees
- (II) How would an entrepreneur unleash the creativity of his employees.

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Chapter 10

CUSTOMER-FOCUSED SELLING PROCESS FOR OUTSTANDING SALES PERFORMANCE

Approach each customer with the idea of helping him/her to solve a problem or achieve a goal, not selling a product or service

Brian Tracy (2016)

If you are not taking care of your customer your competitor will

Bob Hooey (2019)

Make a customer not a sale
Brian Tracy (2016)

What is a customer-focused selling approach?

Customer-focused selling is a process of establishing trust in your ability to recommend a solution to customers' needs or desires. It involves well-grounded investigative work in tracking down prospective clients, giving a persuasive fact-based presentation of the product/service which is capable of providing a solution to individuals/business operational problems. In the business sphere, selling is argued to be the ultimate aim and the cornerstone of every business, as the survival of the business depends on it.

Preliminaries of customer-focused selling

Dress to succeed: Selling is a profession that puts you constantly on stage, i.e., in front of your customers. In the selling process, both your appearance and your actions, play strong roles.

Goals setting: Goals are set by sellers to help them coordinate all their business activities.

Goals setting helps to provide a blue print for sales person on how to achieve next level of success. Sales goals bring clarity and control to sales process by prioritizing and coordinating sales activities. The best sales goals for a seller must be motivating, challenging and achievable in order to steer up his/her ship.

The process of setting goals

Goals setting by sellers helps them to steer their ship, improves efficiency by prioritizing the activities involved, and keeps them motivated. Goal setting process involves creating milestones for oneself and the strategy to help in the attainment of the goals, such as putting the goals in writing, making the goals personally challenging, actively pursuing the goals, rewarding yourself when you succeed and updating your goals periodically. Once the goals have been penned down, the entrepreneur must work like a demon in order to attain goals by arriving on time at meetings grooming decently with right dressings being able to welcome customers with a handshake and address the customers in a friendly and charming smile.

Pitch your small talk on common interest

Common interest is often the best bet to breaking the ice quickly. You can begin by referring to your club, associations, schools attended etc., for instance, you are a footballer. Do you know I have never kicked a ball? I don't know what it is like! Second, you can start up by saying 'I am impressed with omega as a product, in your product line The packaging is attractive at first sight. know it is just recent, John, do you know it is just recent, I got to know you are an old boy of St Gregory high school?

Sales dialogue

You open up by summarizing the agenda of your meeting. For instance, what I would want us to accomplish today, is to explore how we can help you meet the need of your customers better than competitors.

The art & science of customer-focused selling

Although selling is not offered as a separate course or discipline in post-graduate studies programmes, in Marketing or Business Administration in most Business Schools yet most entrepreneurs consider it as the most important part of their business. The success of any business depends on its ability to sell its products/services to targeted customers. Customer-focused selling helps you to

differentiate yourself from the crowd of competitors through your collaborative approach. It is largely based on your attitude and ability to identify, connect and influence the sales decision-making process of customers. A customer-focused seller helps the customer, just as he would want to be helped if he/she is the customer. He/she would ask:

- What solutions, am I providing to their identified problems?
- What is my/service going to do for them?
- Why must they listen to me?

Customers do not care about you or about your product: Customers care about themselves more than they care about you and your product. They want to make their own business or career to succeed more than they want you to succeed.

Getting enthusiastic as a seller

Enthusiasm is as contagious as laughter is. Getting enthusiastic means getting excited. Enthusiasm must be found in the selling process because you believe in your product/service.

No product/service is superlative, think about it positively. The positive features come from your

- Product's knowledge
- Competitor's knowledge
- Industry's knowledge
- Mastering of the sales process
- Sales successes

Enthusiasm gets the right message across:

Scientific evidence says that in a face-to-face meeting, 93% of the message is effectively communicated more than written communication. In telephone communication, 85% of the message is effectively communicated through the tone of the voice, while 15% is through words.

Be appropriate with your enthusiasm:

The level of enthusiasm is different in different situations. For instance,

- Phoning to an unknown person versus phoning to one known to you
- Getting information on the nature and scope of sales performance of your sales force
- Selling to a sole proprietor versus selling to a corporation

The traditional selling approach & customer-focused selling approach

Traditional selling approach

In this approach, most salesmen focused on themselves, their company, product, and features, etc. instead of the customer. Some traditional sellers will start with product benefits – for instance, you will be given a discount of 15% if you buy now. Does the customer care about your 15% discount? Is financing his current problem?

- Some traditional sellers brag about their company. My company is N10b recapitalized
- They also sell against competitors by listing their weaknesses
- Some traditional method sellers pitch their sales on today's special offer or fear.

For instance, if you do not buy our service product and you die, the trauma on your family would be great.

Customer-focused selling approach

In customer-focused selling, both the seller and the customer have similar objectives i.e. to create mutually beneficial values. Thus, in customer-focused selling; the seller:

- Forgets finding perfect sales introduction
- Forgets perfect sales presentation
- Forgets looking for perfect response to every sales objection
- Forgets finding the close of the perfect sales

Instead, focuses on how he/she is going to help the customer to find out what the customer wants; what the customer cares about; and what objective is the customer trying to achieve. In customer-focused selling, the seller's concern is for how the product/service may provide value to the customer. You need to carry out desk research about the customer's business before you set out to meet him.

- Have an attitude that you are there to help; not just like another salesman
- Ask questions about his concern, this will help you build up trust
- See him as a new friend you want to help
- Listen to the customer. Allow him to tell you his concerns
- Address the need of the customer which you have explored
- Customized your presentation

This customer-focused selling process is what modern-day sales professionals styled collaborative selling. Collaborative selling is centred on building trust and creating a relationship, discovering customers' needs and expectations, listening to the customer to understand her needs and values and linking your value proposition to meet the customers' needs values and expectations. Collaborative or partnership selling is a selling philosophy that is geared towards an ongoing and mutually beneficial relationship between the seller and the customer. This selling philosophy helps the sales executive not only to differentiate him or her in the market but too large, devoted and trustworthy customers.

Preparing for a sale and '7 steps' in selling

Knowledge in selling

People say knowledge is power. A little knowledge that is relevant to the customer's business situations or life is important.

In customer centric selling process, the seller empathizes with the customer needs in each of the selling process; by adapting to the specific customer circumstances in a two-way dialogue. In order to effectively and efficiently serve as the potential buyer's professional

consultant, you must know or have knowledge of your (i) product / services (ii) the competing product and potential customer's industry and the sellers' industry. Having knowledge of your product and your competitor's product/ industry, would enable you to competitively respond rival market offerings and make your product/services unique.

The second stage in the selling process which the seller must be aware off is how to find new prospects (technical styled prospecting). Two most prominent sources of new prospects are getting repeat purchase from current customer and referrals. Other sources of prospects include phone books (unqualified lists), brokered list, word of mouth leads and self-developed lists. With regards to self-developed list, the professional seller must constantly think about how to get new prospects anywhere such as on the way to office, at airport, at the cocktail party, wedding and birthday parties and club associations. Moreover, he should be curious to find out if his new contacts could be interested in his/her products.

Referrals are the salesperson's lifeline; however, it does not happen without prior effort. From a built-up relationship with the customers, based on your understanding of their needs and problems, which you can offer the best solutions, you can get referrals.

Customer-focused selling method builds up – a strong, positive relationship and reputation for you. The more your reputation, the more referrals you receive. Ask for referrals, immediately after sales are made. Ask with an open question, such as "Sir, whom do you know who has a problem similar to yours, which we just solved?"

Networking as a means of getting leads

Networking is building trust, mutually beneficial relationships with people of similar or related business professions and using that relationship to get you a meaningful introduction to potential customers. It is developing a personal relationship with other business people who can mutually benefit from a relationship with you.

Common associations where networking can be nurtured include rotary club associations, local neighbourhood associations, college alumni, local and health club. Others are local chambers of business, symposium and conferences. From these associations a professional seller who is a member, can gain new contacts, referrals for new business connections, new visibility and credibility.

The strategies for successful business networking include cultivating a relationship with people who has a similar client base, sending a follow up note after the first meeting, call for an appointment, hold the networking meeting which must be brief probably over a lunch time and send a summary note after the meeting. Business networking should not be aimed at focusing on yourself or your business, broadcasting your business or separating your self from crowd, rather business networking is aimed for mutual benefits. For instance, in one of such meetings, Joseph met Ade

Joseph: Hello Ade, I am Joseph, a lawyer, I help people with estate purchasing

Ade: Nice meeting you

Joseph: Ade, you have your business card handy/ what business are you in?

Ade: I am in party time organizer. I am the senior salesperson

Joseph: Who are your clients i.e. the decision-makers

Ade: Usually mothers and fathers; new potential couples, etc.

Joseph: It looks as if we focus on the same client base

Ade: Sure, that would be fine.

Steps to successful networking

The strategies for successful business networking include cultivating a relationship with people who has a similar client base, sending a follow-up note after the first meeting, call for an appointment, hold the networking meeting which must be brief probably over a lunch time and send a summary note after the meeting. Business networking should not be aimed at focusing on yourself or your business,

broadcasting your business or separating your self from the crowd, rather business networking aimed for mutual benefits.

Pre-call planning and prospects need analysis

Pre-call sales planning must aim at gathering certain information about a prospective client such as the changes in the potential client is industry, how the changes impact on the client's business, the competitiveness of the client's industry, the biggest issues or challenges facing the client and whether the challenges are people or profit based.

Furthermore, on meeting the prospect, you need to qualify the prospect: If you meet a prospect who has some information about his life, family, property owned, etc. and you want to qualify him to know whether he would need your product now, ask him open questions; not a closed question. For instance, 'Tell me, sir, how you assess a fee-paying to public schools in Nigeria'.

How your product/service would improve the position of your prospective client, in a competitive marketplace?

The prospective client (individual)

When carrying a need analysis of an individual prospective client, certain cogent information about the client, must be sought for before the meeting. For instance, why did the prospective client agreed to see you; does the client see you as a consultant (problem-solver), what do you think the prospective client want to achieve by meeting you?

What are the clients' biggest issue now, and who recommended the prospect to you (a customer, a friend, client's boss etc.) what do you think the prospect want to achieve by meeting you – possibilities such as product information, service standards, pricing information, company information, processing and market place information.

Information about your product or service including the description of the features of your product/service, uniqueness of the features,

benefits to the client your, product/service as compared to competing ones, why should the client buy from you and who are your competitors. Interesting information about the sales person benefits, in that sales relationship, such as why do you want the sale? (Financial reward or a great client), the business results your sale can create (your client business process can become more efficient reduce costs, earn a better public image), why are offering the best solution, what are your main objectives in this meeting.

Understanding the potential customer & building up trust

Different strategies should be adopted in selling to different personality styles. For instance, in selling to an amiable personality you need to pay greater attention, give him /her plenty of time to talk and make him comfortable feel comfortable with guarantees. Second, in selling expressive personality, present yourself as an interest listener, provide to the client testimonials (customers feedback) and positively react to their suggestions.

Just as every buyer has different needs and challenges, so also, they have different communication styles. Each buyer has a unique style of communicating, listening and interacting with others. To fully understand the customer, you must first understand his/her style's communication and the way he/she wants to be communicated with. Secondly, you must understand the buyer through his lifestyle and social interactions. When you understand a buyer's personality style, implies you understand his thought process, which gives you a real edge over the competition.

Types of social/personality styles

1. *Driver:* The drivers are forceful. Generally controlling the communication process
2. *Analytical:* The analytical are more systematic. They are: very accurate and precise in the supporting. Every case with facts. They are not aggressive and belligerent
3. *Amiable:* Relationship is the keyword with an amiable personality.

Different strategies should be adopted in selling to different personality styles. For instance, in selling to an amiable personality you need to pay greater attention, give him /her plenty of time to talk and make him comfortable feel comfortable with guarantees. Second, in selling an expressive personality, present yourself as an interested listener, provide to the client testimonials (customers feedback) and positively react to their suggestions.

Reading body language of buyers

Body language of prospective buyers during sales presentation is informative as to whether the prospect is engaged or disengaged to what you are saying. Engagement behaviours indicate interestedness and receptivity, while disengagement behaviours show disagreement and resistance to your presentation. It should be noted that in sales presentation, body language according to communication experts accounts up to 70-95% of communication effectiveness. This implies that our body language communicates more to our audience (listeners) than our words. For instance, nodding of the head implies acceptance or agreement while scratching the head means confusion or in disagreement. Tapping and shaking the feet, with lots of movement shows apprehension. Direct eye contact indicates respect, sparking eyes indicates interest, excitement while widening and darting eyes show surprises and shyness respectively. A prospect may indicate lack of interest, apathy when he stares at walls or ceiling during the sales presentation. Moreover, a smile shows approval, friendliness while non smiling shows seriousness and reservation. Yawning shows boredom while frowning conveys anger and disbelief. When a prospect clasped his/her hands, it indicates dislike while open hands indicate honesty. Pointing fingers indicate threats while hands-on the hip means aggressiveness.

Building up trust

Building up trust with prospects is the foundation of every good sale. It means the prospective customer believes in you and you have been able to develop a long and mutually productive relationship; based on your product knowledge, customer service provision, sales abilities

and approach to business. To build up trust, the professional sales person must be at his/her best creating and bringing value to the table and before their customers. For one who just knows how to push products, his/her business and sales cordial relationship is short-lived as she has sacrificed goodwill and trust.

Antecedents to building up trust

For gradual building up trust some of the antecedents are customization, perceived quality, shared values and bonding strategies, expertise and effective selling techniques, dependability, integrity, benevolence and flexibility. Genuine integrity is difficult to fake. You need to convince that prospect that you want to help him (customization of services), that you can help him (expertise and perceived quality of services). Second, you will help him (dependability and integrity). To be effective, you need to carry out lots of research to gather information about the prospect, his business and in what areas you can help him. Examples are customized reference he may wish to talk to, referrals for your products/services, industry information he could be interested in, customer service department, customized solutions to his major concerns and frustrations, available incentives to help him boost his reselling business. In addition to the above, you apply the following strategies to make building up trust to be credible i.e., your words, voice and body language. Your verbal communication (words) adds 7% credibility to our communication, the voice (vocal) adds 38% credibility while body language (visual) adds up to 55%. For instance, the meaningfulness of your phone call conversation 85% comes from vocal (voice tone) and 15% from verbal (actual words).

Making the chemistry (changes)

When expert communicators observe/ assert that there is chemistry between two people of the seller and the customer, it implies that they are attracted to each other and like each other. Good chemistry can be developed between a prospect and professional seller, when the seller knows when to get closer to the client and when to give a distance, know when to go straight to business instead of small talk and how

much distance you have to keep when in a sales interview or presentation. For instance, there is no chemistry, when in discussing with the prospect, you notice his eyes are looking away, that implies disinterest. Some of the strategies to get noticed to boost the possibility of developing good chemistry, include engaging prospects on social media, write a clever subject line, speaking engagements create a positive image, write articles, be humorous, provide choices, revamp your email, send a video, leave a voice mail, newsletters advertising etc.

Sales presentation

In sales presentation, the professional seller starts by asking strategic questions which help him among others, to build up a rapport with your prospect, get to know the prospect's personality type, opportunity to educate him about your product/service to keep him engaged while you are with him and to receive helpful feedback on his greatest concerns. Effective strategic questions must be open ended questions such as what are your primary objectives of your business this year? Why are you interested in buying our product? When did you purchase insurance service product last? Where were you in year 2000, before the commencement of your company? How would you want me to serve you as your professional seller?

Shut up and sell

Customer – focused selling requires more listening than talking. Ideally, for most traditional sellers, the focus is always on making your next point or quickly overcoming an objection, however in customer – focused selling approach, you get your clients to be talking as much as possible, when you first meet him, or when you call on him.

Listen with concentration

If we can show customers that we are absorbed in what they are saying, then we are showing the customers that they are communicating with us. For instance, using your body language, you occasionally nod your head, strong eye contact, standing erect

positive. You may paraphrase what the customer said and listen to his own body language – the voice and the words, you will be able to decipher if the objection stems their reservation about your solutions, price, value, relevance to their current situation or their purchasing ability. By listening and listening well, you will be able to discover the real reason for the sales resistance, such that you can reemphasize the value of your product/service if need be.

Take note that no customer buys a product /service for its sake, but for its usefulness to him/her, so, as a seller you must be able to ask some strategic questions and knowing their corporate objectives, you will be able to convince your potential buyer. For instance, to stem the tide of excessive labour turnover, an organisation may be convinced to buy group life insurance policy to cover staff and also install or initiate a compulsory contributing retirement saving scheme. With strategic questions posed and the answers received you will be able to determine what matters to the customer most, so as to position your product/service effectively. With the organisation, have an open-door communication, identifying gap in the solution drives and making yourself visible.

Customer-focused selling requires more listening than talking. Ideally, for most traditional sellers, the focus is always on making your next point or quickly overcoming an objection, however in customer-focused selling approach gets your clients to be talking as much as possible, when you first meet him, or when you call on him.

Presenting solution selling

As a seller, if granted an interview to talk to the management of your potential corporate client, you should have in mind that the meeting with them is a short one, focused to offering them problem-solving product/service. Thus, your agenda should feature, brief introduction and overview, strategic questions, product/service solutions tailored to meet customers' needs, the link between customer situation and your problem – solving product/services; feedback from your

potential customers and suggestions to add features to the product/service

Handling objections and follow up after sales

Sales objections are buying signals. They are normal and nothing to be afraid of; sales objections are temporary reasons for not buying. For instance, reservations regarding the price of your product/service, value, relevance to the potential buyer current situation, or his/her purchasing power/ability. As a corroborative seller, asking lots of strategic questions will lead to greater viable information of what condition exist; so that you can correctly position yourself for long term mutually beneficial relationship through networking, friendship.

Listen with concentration

If we can show customers that we are absorbed in what they are saying, then we are showing the customers that they are communicating with us.

Seeing objection as a request

The most effective way to handle objections is by changing the way you hear them. Objections are simply a request for something. Here are some common objections, their interpretations and handling

Objection	Customer hesitation	Request for
Price too high	Perceived cost Vs. Benefit	Value Articulation
I'll think about it	Afraid to make a bad decision	Create comfort
Talk to my partner	Justifying a decision	Risk reduction
Get others quotation	Ensure you are meeting his needs	Targeted solution
Satisfied with current	Does not perceive you better	Differentiation
Supplier bad history	Past bad experiences, sees you as one of them	Proof of improvement

If the client skeptical	Offer proof testimonials/Guarantees
If the client misunderstood you	Offer more information (in writing; descriptive)
If there are real drawbacks	Go to their objectives and minimize the drawbacks
If there are real problems	Take action to change or eliminate it

In summary, the customer focused seller's model of handling objection, include listening, emphasizing, asking questions, summarizing the presentation, answering the request and confirming agreement.

Listen: Listen to the request (underlying reason) not the objection
Acknowledge/emphasize: Let the customer know that you acknowledge the objection

Ask questions: Try to uncover new information about the situation by asking a question. For instance, "Could you please elaborate on that, for me? Tell me more about "the price is too high" or "we are satisfied with our current suppliers"

Once he agrees that you have gotten his concerns suitable, and then he is prepared to listen to you.

Answer the objection: Different objections call for different answers. For instance, on price is too high "you can respond. You mention that the premium is very high

Confirm the agreement: You have not successfully dealt with an objection except the prospect agrees or confirms that e.g., does this satisfy your concern? A question you ask him after you have responded to his/her objection.

Gaining agreement (customer-focused selling vs. traditional selling)

- In traditional selling, there are techniques, that help get the customer to agree to purchase a product/service, he is not sure of

- In customer-focused selling, gaining agreement (closing the sales) is just the next logical step in the selling process
- As a customer-focused seller, you must be as candid and as straightforward as possible. You are not using tricks to close the sale
- You must have taken the customer to a point where he agrees
- In traditional selling, they always do not want the customer to know they are closing the sale by using words that trigger irrational, emotional and negative feelings. However, in customer-focused selling, reaching an agreement is an important thing that requires a positive voice tone and body language
- Trust is generated by voice tone and body language
- You should be in the right mindset by saying "we are moving ahead with this"
- Do not overlook any hesitation the customer has, whether expressed verbally or by body language
- If you have just answered the objection, you can ask "Does that make sense at this point?"

Closing the sale

In the traditional selling method, you are taught various closing techniques which try to get the buyer to buy what they don't want to buy. On the reverse, in a customer-focused selling approach, you are going to sell to the customer by showing him how you can deliver the solution to his/her frustrations. In closing a sale, a customer-focused seller must be as candid and straightforward as possible. In the traditional selling method, the seller would say 'so you would like the red car or the green car? Avoid using scary words – The words like we are entering into a 'contract' 'legally binding contract' final documents' 'closing the sale'

The following words could emanate from the customer-focused seller in the process of refreshing an agreement (closing)
 It sounds we have answered everything objection

Am I pretty much on target with this?

Should we move forward from here?

Identify any hesitation and ask is there any object that needs to be addressed? Once the customer shows an agreement outline the next step – 'So we will move ahead to the next stage' 'The next step in this process is'

An effective way of bringing the sale to a close

Bob just finished asking or answering some questions and now reviews his notes

Bob (the seller) – Well Sandy it looks like we have covered just everything. Do you still have any questions?

Sandy (the buyer) – No, I think you have answered all my questions.

Bob – Tell me how you want to proceed from here

Sandy – I will need you to put up a specific proposal for our review

Bob – Who is involved in that review?

Sandy – Well I will take the proposal to a review board. We meet every Friday morning

Bob – Can you tell me what the board looks for in a proposal?

Sandy – We are looking for people who want to understand our business inside out. We also look for creativity, flexibility and fresh ideas.

Bob – Is there anything I can do to make the proposal easier

Sandy – If you could get me several references that I can check before the meeting that would help.

Bob – No problem. We have worked with several firms like yours; anything else?

Sandy – No, this has been great!

Bob – I look forward to working together soon

Sandy – So do me.

Ineffective approach to close a sale

Bob the seller puts his briefcase on the lap. He is a little nervous and edgy.

Bob: That's about it. Sandy. So here is our agreement form

Sandy: I'm not sure I am ready to sign anything

Bob – Really? Haven't you felt comfortable with everything I have shown you?

Sandy: (Hesitating) Yes. I just can't make a decision today

Bob: Yes you agreed on you like our approach. It is a money problem?

Sandy: The cost of something is always a consideration

Bob – (interrupts) if I can show you

Sandy – Bob, I have appreciated everything you have to say yet I need to reconsider.

Follow up the sales

Proper follow-up can increase one's sales by 20-30%. Every sales presentation or meeting requires a follow-up. It can take many forms, such as sending a thank you note, or telephone call. It is proper business etiquette.

- It builds up a long-term relationship
- It helps to generate referrals
- It builds reputation and keeps customers satisfied

Follow up should be done to the following events

- Successful sales presentation and commitments
- Demonstrations
- Post-sales activities
- Referrals
- Introduction of new product/service
- Accounts maintenance relationship contacts
- Product testimonial
- Sales refusal

Format for follow up

- Telephone calls
- Letter e.g., Newsletters
- Thank you note
- Email message

Customer concerns after the sale

The question probably ranging in his mind include

Whom do I contact if I have a problem?

What is the status of my order? (As a customer)

Who will handle delivery and installation activities?

Who will be my customer service contact person?

Stay visible to your customers

- Send them to thank you cards
- Send your company trade journals

You're staying visible to your customers, will put to rest their above concerns.

If your sales presentation failed, the first thing to analyse is your process of presentation. Was the presentation customer centred? Was the presentation filled with much information? Was the value propositions unique. Presentation must be tailored around customer point of view and the sales person should be able to tell why and how his product /service is uniquely different and suited to the potential buyer.

Time management in the selling process

In customer focused selling, time management is essential. Good time management skill enables the seller to know when to stop a conversation with a prospect which is less promising and move out for other opportunities. It helps to finish a task at a faster rate and more effectively. Furthermore, good time management skills improve sales, thus increase productivity.

Good time management requires plans your monthly, weekly, daily and hourly sales activities. Planning makes the seller more efficient in utilization of the sellers' time. The pareto – principle i.e., 80% to 20% rule is very germane in sales planning i.e., allocation of 80% of your time to 20% customer who contributes to the highest or 80% of sales turnover while the remaining 20% time is sparsely distributed to 80% of customers who contributes only 20% of the sales turnover. Plans

should be reviewed and updated in line with the dynamics of the society.

In planning for a specific sales call, the seller, should figure out where the customer is in the process, determine the anticipated outcome of the meeting, the purpose of the meeting, craft an agenda for the meeting and prepare for anticipated questions. Familiarize yourself with the organisation before the meeting by reviewing company annual reports, review their products in the literature, who are their competitors, make friends with one or two of the company's personnel. In addition, read press release/articles related to them, visit their websites, use their products if possible and prepare your introductory letter of the meeting.

Takeaway: Customer-focused selling

The central thrust of this chapter is that the sales executive must learn to sell himself before his product or service. Potential buyers buy from a salesman they are convinced, that is the right person. The buyer must develop an interest in him trust him and be convinced that the product/service is the right one before he can buy from him. Customer selling is a process of persuasion in which the potential buyer is induced to see issues in agreement with the seller. The chief elements in persuasion are that the man or woman is trustworthy; he is willing and desires to help. Persuasion is factored into good communication. Good communication, although hard to come by these days, is about your audience, and listener, comprehending the message you intended for him. A poor communicator is like bad a speechwriter who writes great literature for posterity, forgetting that a good speech should be written in the writer's style and for the audience's ear. In customer-focused selling, everything you do sends a signal to your listener. For instance, the way you look at your potential buyer, the way you use your hands, the way you stand or sit, the reflection in your voice, etc. all influence the message you send and the way your listener receives the message and the decision therefrom.

This chapter summarily covers the seven steps (7-steps) of successful selling which involves prospecting and qualifying prospects; pre-sales calling and customer need analysis; sales approach and building up customer trust; sales presentation, handling sales objections, closing the sale and follow up the sale. A trained customer focused seller must at each stage show himself or herself friendly and supportive to the customer. He should invite potential customers to participate in the sales process by describing their issues and the solutions they seek. This would forge a mutually beneficial long-term relationship that would not only endear the seller but also differentiate him in the eyes of the buyer.

Self-Assessment Questions

- (I) What is involved in pre-call planning for a customer focused seller
- (II) Assuming you are employed to sell your guest houses (accommodation) services to a corporate buyer for her executives: Present your sales presentation

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Chapter 11 MAKING YOUR BUSINESS ETHICAL AND SOCIALLY RESPONSIBLE

It takes 20 years to build a reputation but five minutes to ruin it. If you think about that, you will do things differently.

Warren Buffet (2013)

If ethics are poor at the top, that behavior is copied down through the organisation

Robert Noyce (2012)

What is business ethics?

Ethics as a field of thought has existed in religion and philosophy for decades. Currently, it has been applied to business operations, just as ethical values and norms have been applied to everyday life. Aristotle makes a normative judgment about human greed and the pursuit of wealth for its own sake, noting that fair treatment and justice have been a part of our social existence since the beginning of civilization.

- The nature of an individual's good or private good
- The nature of social good or common good, i.e., something that benefits a larger majority of people such as clean water, literacy, etc.
- The ethical motive that exists for the individual to pursue social good or whatever is morally right.
- The duty and moral obligation and the ethical worth of 'positive morality' i.e., moral laws disconnected from legal rights.

Business ethics, therefore, are concerned with what is deemed acceptable or unacceptable in the realm of business action and decision making. It is the study of suitable business policies, procedures and decisions making regarding certain controversial

issues such as corporate governance, corporate social responsibility, sexual harassment, bribery, insider trading and discrimination. However, what is deemed acceptable or unacceptable vary from one industry to another or one culture to another. Ethics is a collection of moral principles or views about right or wrong actions in a given field of human endeavor. Every profession such as medical, legal industries has its respective ethics. For instance, in the field of management, management ethics comprise ideas and thoughts about right and wrong behaviours by managers in the course of their managerial duties. What managerial decisions or actions are acceptable or unacceptable in a particular society?

In this competitive era, literature has stated that ethical behavior is influenced not only by individual behavior but also by organisational influences such as role models, ethical codes, policies, practices, reward and punishment systems. Others are external environmental elements like the cultural, political, legal, economic and international arena. For most employers, the costs of labour, the morale of the human resources, which are mostly determined by ethical relationships in the modern organisation, are important determinants of organizational success. For instance, employees' talent, and the ease of replacement from the labour market would determine the economic importance and independence of employees. The non-availability of alternative job opportunities would determine employees' dependence on a particular employer. In the application of ethical principles and moral standards to business operations, ethical dilemmas confront the manager. An ethical dilemma is broadly classified into the overt (open) and covert (hidden) types. The open dilemma is a problem that is open to the public and can be seen by everyone e.g. theft, bribery, sabotage, espionage. The covert (concealed) is hidden and secret. Examples are insider trading, discretionary HRM policies, corporate acquisitions and mergers. The figure below illustrates the ethical dilemmas.

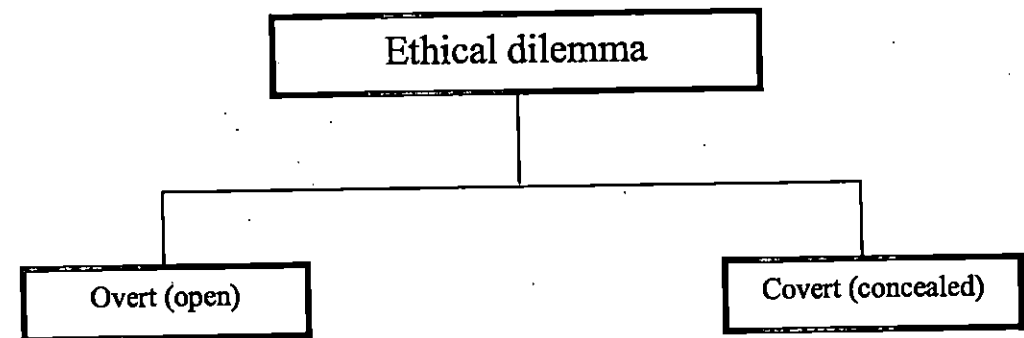


Figure 1

- | | |
|-------------------------------------|----------------------------|
| ➤ Theft | Cheating |
| ➤ Bribery | Dishonesty |
| ➤ Sabotage | Fraud/fraudulent behaviour |
| ➤ Espionage | Deception |
| ➤ Insider trading | Delude |
| ➤ Bad HRM policies | Mislead |
| ➤ Corporate acquisition and mergers | |

In a typical enterprise, the following are examples of unethical practices, mostly converted (concealed) in its functional areas

- (I) General management – Favouritism and discrimination in dealing with stakeholders based on sex, religion, region, race, etc. showing no interest in environment degrading and pollution, no clear policy guidelines, etc.
- (II) Marketing – Misrepresentation and sabotaging deals; disclosure of marketing secrets; giving bribes to obtain contract; collusion with competitors, price-fixing, etc.
- (III) Materials and production – Violations of ethics in tenders, delays in payment to suppliers, creation of scarcity leading to emergent purchases. Favouritism in the purchase, violations in patent rights, producing substandard goods, delayed deliveries, etc.

- (IV) Finance – Falsifying reports, delaying payments without cogent reasons, manipulation of bills or expenses, deliberate wrong costing of products, misuse and wrong allocation of funds, etc.
- (V) Human resources management (HRM) – Corrupt recruitment and selection process; corrupt training selection methods, lack of opportunity for advancement and achievement, exploitation of employees, sexual harassment and gratification, immoral behavior, etc.

Stakeholders and business ethics

The most important group of people that are connected with business operations are called stakeholders.

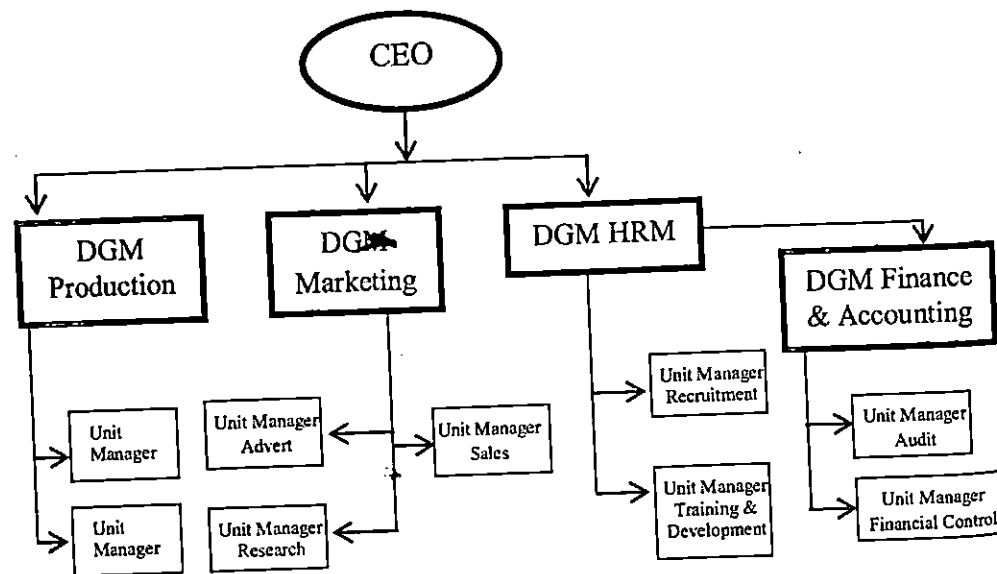
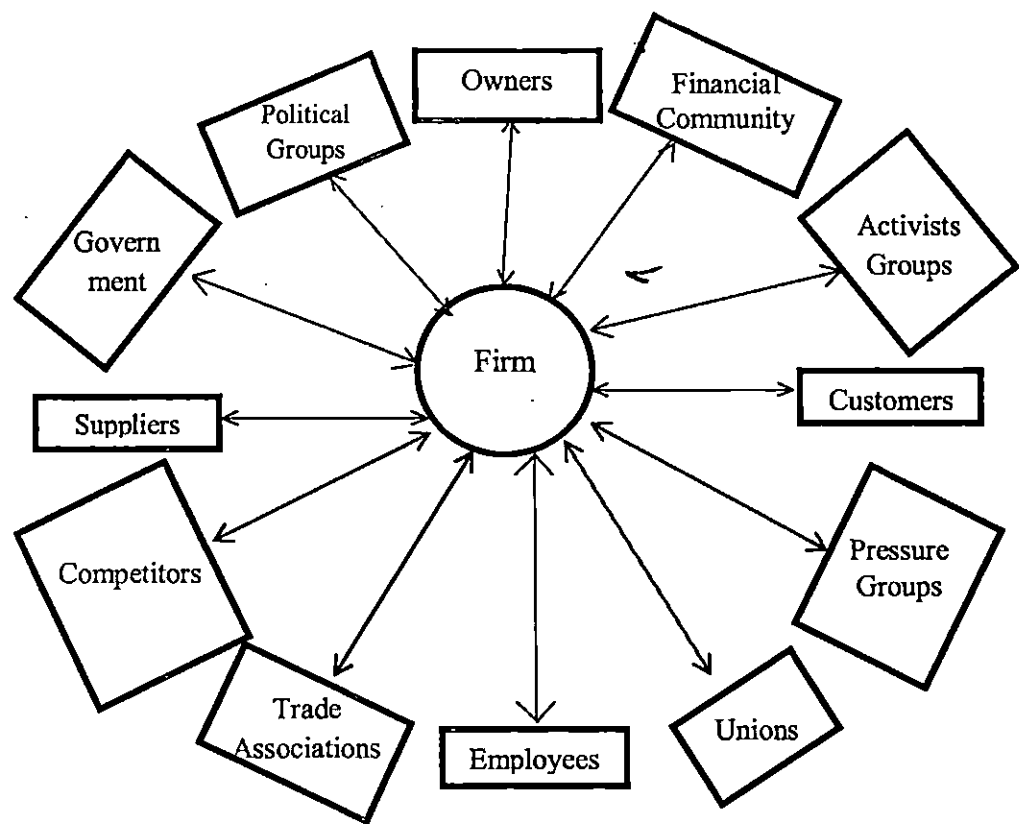


Figure 1: The firm's organisational chart.

In figure 2 below we diagrammatically illustrate a firm and its stakeholders



Source: Isimoya, 2012.

The incorporation of ethical values and behaviour in organisation commences from the top management who are the decision-makers. Ethical values can be institutionalized in formal and informal ways. While the formal has to deal with ethics programmes such as codes of conduct, training for systems of organisational control on ethical behavior informally deals on managers' concern/role modeling, ethics communications, rewards and punishment, etc. Some of the frequently cited and known ethics programmes include

- A code of ethics
- A code of practice
- A code of conduct
- Ethics officers
- Ethics training
- A dedicated reporting system

Ethics programmes may be supportive or frustrate workers' ethical behavior. To be effective ethics programmes should be mutually consistent and founded on expressed shared values. The informal ways of institutionalizing ethical behavior border on the ethical culture of the organisation's organisational culture embed the values, norms and practices experienced in the organisation. Various aspects of the ethical culture can foster ethical behavior and practices. In institutionalising ethical culture an organisation must encourage its employees to behave responsibly when faced with an ethical dilemma through ethical programmes in place, such as>

- Clarity: The extent to which expected ethical behavior of the employees is completely and accurately stated.
- Consistency: The extent to which an organisation's expectations of employees are coherent
- Achievability: The extent to which the organisation assists its employees to meet the organisation's expectations.
- Supportability: The extent to which an organisation instigates employees' commitment
- Visibility: The extent to which employees' conduct and outcomes are obvious
- Discussion: The extent to which ethical issues can be advanced and debated
- Sanction ability: The extent to which management rewards ethical standards and punishes unethical conduct.

For enhanced competitiveness in this era of globalization of business. It is more beneficial for an entrepreneurial venture to be institutionalized ethical culture as this would put off unethical behavior which is antithetical to fairness and justice in human interrelationship.

Importance of ethics in business

The importance of behaving ethically is in many folds. Examples are

1. Business is part of society. The entrepreneurial venture you established is part of the society, therefore whatever ethical

standard that is appropriate in the society also applies to the business that operates within. For instance, tax evasion is seen as unethical behavior in most societies, therefore any business which fails to pay its rates or dues and the business owner that fails to pay his income tax is assumed to be unethical in behaviour.

2. The expectation of the public – The public expects a high level of ethicality from business organisations. For instance, the public frowns against deceptive advertising and the circulation of unsafe and expired drugs. Therefore, businesses should be seen to "Doing the right thing" 'Be good to all' 'Not harm'
3. Costs: Unethical practices embeds hidden costs such as low commitment, absenteeism and low productivity, lack of trust, the deteriorating relationship between employees and their supervisors.
4. Employees satisfaction and trust – Employees who work in business ventures that are socially responsible and ethically oriented have a high level of morale in productivity and job satisfaction because the employees are treated with respect and acceptable moral standards which make them happy to work as a team.
5. High reputation: Any organisation that practices ethical culture commands trust and a high-level reputation from its stakeholders. Ethical image is built for itself and all stakeholders benefit from it.
6. First choice employers: Firms that are ethical commands respect as first-choice companies from the public. In some climes the government and private consulting groups rate companies' policies with regards to labour turnover, profit sharing, bonuses, social responsibility, work-life balance, etc. as yardsticks of public companies' performance.
7. Organisational effectiveness: Overall an ethically oriented company is a win-win situation for stakeholders and the general public. Integrity and ethical practices boost organisational performance.

Corporate social responsibility (CSR)

Corporate social responsibility is one in which the business organisation incorporates social concerns into its strategies and plays a responsible role in the environment it operates in. It is a win-win strategy between the company as well as the society. Businesses worldwide have both positive and negative influences on the society they operate in. Additionally, since the existence of an organisation depends on the acceptance of the society it operates in, it becomes partially compulsory and partially voluntary for the businesses to contribute to the well-being of the society. For instance, indiscriminate dumping of landfills sites that pollute the environment is negative effects, which the business as a responsible entity must contribute towards the upkeep of the environment. On the reverse financing the education of poor school children, employment of disabled people, such as the blind and the deaf; sponsoring sporting events and contribution to orphanage and old people homes, etc. are all positive activities corporate bodies go the extra mile to build roads, provide electricity and water supply to the society they operate in. The above positive activities are what is regarded as plowing back of profits into the society. For instance, Coca-Cola started the 5 by 20 initiative programme for women empowerment. Women entrepreneurs were to overcome social and economic barriers by obtaining skills training, access to financial services and assets, and connections to mentors. Women participants in the initiative programme are to work in the firm's value chain as retailers, suppliers, producers, artisans, etc. Focused as the socially responsible firm can empower employees to leverage the company resources at their disposal for social good employees feel more confident which leads to greater productivity. Furthermore, community-oriented policies attract and boost customers loyalty which is essential to a company's sustainability.

Stakeholders' expectation

Stakeholder expectations from the corporate body are more self-interest-oriented rather than the public interest. There are though some exceptions, while also there are corporate organisations who

make large enough profits but do not plough back to the society it operates in. Stakeholder's expectations are discussed below:

- (I) **Employees:** When an organisation makes a huge profit it is natural for employees to expect more and more monetary and non-monetary rewards. It is after the caring of the employees the balance surplus could be plough back for social concerns.
- (II) **Directors and owners:** About 90% of owners of business enterprises in Nigerians seek to grab as much as possible for themselves. They normally try to follow only the compulsory requirements of environmental care. Less than 10% of them are involved in voluntary and extra work for the benefit of society. Thus, there is, therefore, the need for owners to be broader-minded and become more socially conscious.
- (III) **Government:** Both the central, state and local governments would be satisfied if taxes and bills are paid regularly (sustainable accounting) and pollution control are attended to. In some cases, discriminatory taxes are levied on businesses based on their ability to pay and at some other times, persuasion is applied to ask corporate entities to be involved in social concerns.
- (IV) **Community:** The consumer public expects quality goods at reasonable prices. The community also expects jobs to be made available to local indigenes.
- (V) **Suppliers:** Suppliers and sub-contractors' usual expectation is prompt payments on agreed terms. Avoiding unnecessary delay in payment of debts could be regarded as a service to society.
- (VI) **Dealer:** Dealers expect more commission and incentives for exceeding targets. These groups are very important in the promotion of the goods. Thus, where the dealers are happy, the enterprise improves its sales.
- (VII) **Customers:** Customers just like the employees are the primary and focal stakeholders. Issues such as customer safety, value for money and satisfactory product performance are all social responsibilities of business.

Implementation of corporate social responsibility

In addition to profit-making, a company should earn goodwill, credibility and trust of society, customers and employees. Credibility enhances profitability which in turn enhances social and environmental care. For instance, the responsibilities towards all stakeholders are vested in top management through the CEO.

Implementation of corporate social responsibility

The expected CSR towards stakeholder are as follows: Employees (job stability and satisfaction, fair compensation, training and development and a conducive working environment);

Customer: (quality products, fair price, consumer protection and warranty for safety); Government and society: (payment of taxes and bills, pollution control and environmental care, welfare of the society, employment of local indigenes); Owners: (payment of dividends in proportion of shares held, manage the business efficiently and ethically, local content utilization and sustenance and growth of the company).

Advantage of CSR

Examples are CSR displays care and concern to the society, creates room to earn higher profit, earns honour and good public image, helps to improve the standard of living of its stakeholders, improves the perception of corporate images which in turn positively affects the demand of their product and makes potential employees crave to join the organisation.

Corporate governance

Corporate social responsibility in business is a form of self-regulation that is integrated into the business. It is an idea that a business entity needs to operate in a way that balances its gains with societal benefits. To avoid mismanagement of private companies and public corporations (limited liabilities companies) which have an immense impact on the economic and social development of economies, most countries both developing and developed countries of the world

ensure that there is good corporate governance in place. Furthermore, it has been noted that poor corporate governance has been the Achilles' heel of many developing economies such as Nigeria where official corruption is endemic (Okike, 2007). Corporate governance is the system by which limited liability companies are managed and controlled. The purpose of corporate governance is to ensure that effective, prudent and entrepreneurial management is in place to facilitate the long-term success of any company. The board of directors of a company, that are appointed by the shareholders who are the owners of the company, are in turn entrusted with the responsibilities of ensuring appropriate governance structure through the appointment of top management officials and internal auditors run the day-to-day operations of the company. The boards of directors' responsibilities among others include setting the company's strategic aims, the company values, provision of leadership and the supervision of top management and reporting their stewardship to the stakeholders. In an entrepreneurial venture, the owner-manager and perhaps his mentor (consultant) are responsible for the above responsibilities to guarantee good corporate governance.

Importance of corporate governance

The importance of corporate governance for companies is that it provides the structures and processes for the direction and control for the companies, establishes the relationship between top management, board of directors, shareholders, stakeholders and the general public. For instance, through high transparency and accountability as part of the principles of good corporate governance, companies strive for the sustainability of the companies and the society they operate in. In addition, to avoid mismanagement or financial scandals, good corporate governance ensures that companies operate within the tenets of societal law and morality. Effective corporate governance also facilitates the response of companies to the demand of stakeholders such as environmental preservation and social development. Good corporate governance ensures, the accessibility of capital for new investment, which in turn boost economic growth, job creation and enhanced standard of living. Ethical corporate

governance ensures shareholders' recognition. Shareholder recognition which is a policy that guarantees that every shareholder has a say in the company helps to boost the value of the company's stock in the stock market. Moreover, the non-shareholders who are stakeholders foster better communication and relationship with members of the press and community.

Non-institutionalization of good corporate governance leads to profit loss, corruption and tarnished image for the corporation and by extension to the nation she operates in. Moreover, poor corporate governance erodes public confidence and tarnishes the image of the corporation in her operational-based society or even worldwide. In addition, it breeds expropriation, unfair treatment to minority shareholders and conflict of interests among top management board members.

Principles of good corporate governance

Many business scholars and practitioners have listed some notable but inexhaustible principles that guide good corporate governance implementation. Among them are Accountability, transparency, fairness, independence, leadership and stakeholder engagement.

Accountability: This implies ownership of strategy and required risk to achieve organisational goals. This implies that every member of the organisation from shop floor staff to top management embrace the risk management within the formally defined risk appetite of the organisation, and also foster the culture of compliance to the rules and regulations governing the company's operations.

Fairness: This means treating all stakeholders with equity and providing avenues for a redress scheme for violations of stakeholders' rights.

Transparency: This implies being open to the public, in its processes and transactions, which can be observed by outsiders. It is a critical element in good corporate governance since it gives no room for secrecy, as all the company's actions and decisions can be verified by

an outside observer. To this end, the board shall ensure timely and balanced disclosure of all material information; such that all investors have equal and timely access to information and the company's announcements are factual and presented in a clear and balanced way.

Independence: To ensure the truthful and satisfactory factual presentation of the company books, the corporate governance would have in place a structure to review and authorise, apart from its internal auditing process. The board must have in place a structure to independently verify and safeguard the integrity of the company's financial reporting. To enhance independence, the board of directors constitutes an audit committee that is in charge of reviewing management processes, the performance and objectivity of internal audit function; and the performance of external auditors. The existence of an independent audit committee is recognized internally as an important feature of good corporate governance.

Leadership: Those in charge of corporate governance are responsible for the strategic issues and in establishing the right organizational culture that would help to drive the performance of the business. The board must ensure that there is a balance of independence, diversity of skills knowledge and experience and gender perspectives among the members. The board should have effective composition, size and commitment to enable her to discharge her responsibilities. Effective leadership helps to guide the organization against the poor direction, no clear cut policy that may lead the company to flounder and be unable to realize its goals and potential. Leadership with appropriate knowledge and experience is desirable to steer the company's ship into sustainability.

Stakeholders' engagement: Good corporate governance executives should be able to identify the company's key stakeholders and their interaction with the organisation. These stakeholders should be engaged in the annual strategic plan to ensure the best outcome for the company. To this end, the board should ensure a satisfactory dialogue with stakeholders, through

- Communicating effectively with them
- Access to balanced and understandable information
- Making it easy for them to participate, in general meetings, if they are shareholders.

Takeaway: Making your business ethical

1. Business ethics is the application of ethical behavior in a business context
2. Being ethical in running a business setup goes beyond obeying laws and regulations. It involves being honest, competing fairly and equitably, not undermining others, avoiding conflict of interest etc.
3. Being a socially responsible company means taking and balancing the company's different stakeholders such as employees, customers owners, communities, which would boost the company's image and favourability of the brand
4. Social responsibility empowers the employee to leverage the corporate resources at their disposal
5. Companies have the social responsibility to increase shareholders' funds through profitable operations and protect the company's assets
6. In the same vein, companies have social responsibilities to treat workers fairly pay appropriate wages and equal opportunities for advancement for all employees
7. An ethically oriented organization, often face ethical challenges such as ethical dilemma in conflict of interest
8. In addition, ethical and socially responsible organisation provides work environment that organisation provides work environment that promotes workers safety, health, a boost of workers morale and free from sexual harassment.
9. In a socially responsible company, consumers have rights to safe products, are informed and have right to choose what to buy.
10. Businesses that are socially responsible have been found to have double bottom-line; they judge their success not by profit

alone, but also their impact on the businesses social environment.

11. Socially responsible firms develop positive brand recognition and superior image, which increases customer loyalty and attracts top tiers employees.

Self-Assessment Questions

- (I) Discuss how good corporate governance can endear your organization to its stakeholders
- (II) Show how your company can be socially responsible to four primary stakeholders

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ENTREPRENEURIAL RISK MANAGEMENT

If you don't invest in risk management it doesn't matter what business you are in, it is a risky business

Gary Cohn (2017)

Risk management is a more realistic term than safety. It implies that hazards are ever present, that they must be identified, analysed, evaluated and controlled or rationally accepted

Jerome Lederer (2020)

Life is fraught with uncertainties; just as individuals are always exposed to inability to predict outcome of future events so also businesses that make decisions everyday are unable to predict their outcomes. In these decisions lie uncertainties; risks exist whenever the future is unknown.

For instance, should a business manager (entrepreneur) launch a new product? What distribution channels should he/she use; directly or through agents? What assumptions does he/she take on with regards to the political, economic or regulatory environments?

Business risks are many and varied. Some are enterprise-wide risks, some are inevitable, therefore part of business activities, some are capital related while some are business – departmental related. To manage business risks effectively some could be avoided, reduced or transferred, depending on their nature.

Identification of business risk

Business risks results from uncertainty about the future and the results of decisions made. Business is fraught with risk, because the estimation of outcomes of decisions or choices made today may vary from expectation.

With regards to risk identification, it is a process by which businesses systematically and continuously identify their risk exposures. These exposures could be attached to the property the business owes, its personnel, interests and liability, etc.

Unless a risk manager identifies these risks exposures before they emerge, there will be no opportunity to determine the best means to manage the undiscovered risks. Where risks are not identified, the business will unconsciously retain them by default, which is not in their best interest.

To accurately identify risk, the risks manager designate in a particular business organisation, must be aware that risk exposure varies on a business-by-business basis. Business risks are ongoing risks that are best handled by the business risk manager who is experienced in the business.

Scientific means of risk identification

- 1) Records of the firm – The recorded values of buildings, stock and other property owned by firm can help estimate their values if there is a loss arising from risk materialisation.
- 2) Flow chart – A flow chart which shows the flow of materials, parts of products, from suppliers through various production stages, can also help to identify risk exposure.
- 3) Organisational chart – This chart shows the organisational reporting structure in the organisation. With the organization chart a risk analyst can trace the origin of a risk, in order to ascertain the cause loss.
- 4) Event analysis
- 5) Check list – The risk exposure analyst can list all potential sources of loss in relation to the company's operation, to identify the most potent.
- 6) Information from people – professionals can help identify potential sources of loss in the company's operational system.

Classification of business risk

1. **Physical risks** – These are risks that threaten a firm's physical assets like building and equipment, other property like machinery, stock and motor vehicles, etc.

This property both moveable and immovable are exposed to the risk of fire, theft, malicious damage, arson, natural disasters like storm, flood wind earthquake, etc. These are risk factors or hazards within the environment that can harm a firm or individual / person's health. In addition, people in the organisation i.e., the employees, management, supplies and customers are similarly exposed to risks that are life threatening, such as permanent disability, disablement, untimely death, retirement, labour turnover, poor work – life balance. These risks mentioned above threatens the survival of a business where they are not adequately managed. Furthermore, firms and persons could be exposed to liability risks. Liability risks are operational risks of being held liable or responsible for an action or inaction, whether not at fault resulting in immeasurable direct or indirect financial loss. Liability risks results from a firm's or person's activities that are harmful to another such as neighbours, customers, suppliers, passersby, etc. Liability risks can result from unsafe products, professional malpractice intellectual property infringement, errors or omissions inappropriate business practice and accidents etc. Moreover, business could be exposed to risk, which involves an actual or potential financial gain or loss, pecuniary interests such as increase in interest rate, credit transactions, legal expenses, credit default, litigation, etc.

2. **Enterprise risks** – Enterprise risks are classified into strategic, reputational, operational and compliance risks. Strategic risks are possible external and internal events that may inhibit an organisation to achieve her predetermined objective and strategic goals. These risks have serious consequences as they affect the development and implementation of a company's strategy. They can potentially stop an organisation in achieving her goals, such turbulent changes in the business economic environment. Additionally, making an incorrect

strategic decision such as employing unqualified and less experienced personnel to manage sensitive positions in the organisation. Reputational risks constitute risks arising as result of unfavourable publicity, brand erosion, fraud, competitors outperforming in the areas of customer service, poor product quality, inability to adapt to changes in consumers' taste, etc. Others are inability to study the changes in the business environmental factors such as demographic/sociocultural trends, political and regulatory trends and technological innovation. Operational risks which businesses are exposed to, include legal risks – risk of being sued for misconduct e.g., environmental pollution. Inability to adjust to turbulent changes in the external business environment can adversely cause operational risks. Non-compliance risks, such as legal fines, forfeiture and material losses due to failure to comply with the rules and regulations prevailing in the industry and/or industrial policies in the state, constitute operational risks. Corruption and illegalities in the workplace such as bribery, embezzlement, non-observance of workplace health and safety rules can implicate an organisation in non-compliance risks and environmental sustainability principles.

Enterprise risks management

For an existing enterprise, in these days of technological and knowledge advancement, managing risks have gone beyond identification and focusing on ways of minimising risks exposures. Strategic and operational risks which when they happen, affect the firm's capacity of attaining its objectives must be managed through enterprise risk management. ERM is a framework that involves the identification of the events or circumstances, (risks or opportunities) of organisations that impact their ability to attain their objectives. These events or opportunities must be assessed in terms of likelihood of occurrence, its magnitude of impact and design response.

Component of enterprise risk management

- 1) **Internal environment** – This encompasses the tone of the enterprise, i.e. how risk is viewed and addressed, such as risk

management philosophy and risk appetite, integrity and ethical values in the organisation.

- 2) *Objectives setting* – There must be a process of setting objectives to be attained, which must be in line with the enterprise mission and consistent with its risk appetite.
- 3) *Events identification* – Events affecting the achievement of the enterprise objectives must be identified e.g., the internal and external risks and opportunities; while opportunities are exploited, the risk is minimized
- 4) *Risk assessed and responded to* – Identified risks are analyzed and management selects risks response strategies e.g., avoidance, acceptance/retention, reducing or transfer.
- 5) *Risk control activities* – Policies and procedures are designed to ensure that risks responses are compiled with information and communication – Relevant information is identified and communicated to all people concerned to ensure that they carry out their responsibilities effectively. Effective communication must be flowing down, across and up the entity.
- 6) *Monitoring* – The entire enterprise risk management should be monitored and modifications made where necessary ongoing management activities, evaluations of activities to high deviations and identifying reasons (causes)

For a small-scale business, the application of enterprise Risk Management philosophy would commence on the following:

- i. *Employee screening*: Every astute entrepreneur must know whom he is employing. Without an in-depth information search about a potential employees' background, management is exposing the organisation to a higher risk. Information relevant for screening an applicant include;
 - Verification of his activity for the last five to seven years, such as his
 - Education (schools attended)

- Previous employment (places he has worked)
- Unemployment (in the last 3 months)
- Criminal record history
- Residential addresses for last 7 years
- Driving history
- Others

- ii. *Validate your business contact persons*: The entrepreneur should know whom he/she is doing business with. For instance, your suppliers, customers, agents, bankers, etc. This will reduce the risks of fraud, liability, work stoppage, etc.
- iii. *Retrain your workforce*: The best plans never work except the employees have been trained and can respond positively. The entrepreneur must continue to educate and train his employees, key managers again and again.
- iv. *Equip the workforce*– ensure the employees have the necessary tools to carry out their jobs
- v. *Review all contracts to detect risk exposures*– lease agreements should be reviewed to identify potential risk exposures. What are the clauses in the lease agreement that make the lease liable, e.g., perhaps security protection? Or property loss? Is it stated, that the lease is liable for the payment of utility charges when the property is uninhabitable?
- vi. *Review insurance policies in existence*– review existing insurance policies concerning coverage, exclusions, and exceptions
- vii. *Review value chain exposure*– The value chain i.e., the touch-points (internal and external) suppliers, customers, outsourcing, strategic partners and other relevant entities are critical to the success of every organisation. You need to assess the potential effects on the disruption of the value chain.
- viii. *Communication and commitment*– Top management must demonstrate their commitment by being involved in all risk management plans. All employees must know and understand what is on the ground.
- ix. *Making your business inconspicuous*– In the era of general insecurity, the entrepreneur should make his business

inconspicuous (not noticeable). Although this is against the golden rule of advertising; you have to identify appropriate psychological barriers and deterrents.

Risk control

To control risks either physical or financial, we have to carry out a risk analysis to determine the frequency and severity of risk occurrence. Frequency relates to how frequently the risk can materialize, and severity relates to the magnitude of loss.

		Frequency	
		Low	High
Severity	Low	Retain 1	Physical control 2
	High	Transfer 3	Physically Control or Transfer 4

Fig 1

Financial risk control is the process of transferring risks' financial consequences to a third party for a fee. Financial risk control is applied to risk whose frequency of occurrence is low, but the severity i.e., financial effects are high. See Fig 1 (box 3) above.

Physical risk control

Prior risk occurrence or loss, risks can be physically controlled by

- Avoidance
- Prevention
- Reduction
- Segregation
- Physical transfer

Once risks identified have been analysed as above, (see Fig 1) then the entrepreneur can retain, physically control, or transfer.

Conventionally, the risk with the highest magnitude of loss and higher frequency of occurrence is handled first, Box 4 in the figure. In figure 1 such risks that are frequently occurring and with a high magnitude of loss are likely going to result from social imbalances e.g. armed robbery or burglary, riot, etc. such risks could be physically controlled or transferred or avoided. If the risk has a lower frequency of occurrence and high magnitude of the loss, such a risk is a threat to survival and so should be transferred e.g., box 3. Examples are Fire incidents, motor accidents, etc. With a high frequency of occurrence but with lower cost in terms of loss i.e., box 2. This type of risk which may occur, as a result of deficient knowledge of the employee e.g., poor customer service leading to complaints and returns would be amenable to physical risk control such as training and retaining of employees.

Risks whose rate of materialization is low and the magnitude of loss is also low, such risks are usually retained. For instance, risk of not switching off the electric bulb, at the close of the day's job. This careless behaviour may lead to the loss of the electric bulbs, given a supply of high voltage. Risk-retention is a viable strategy for all small risks where the cost of insuring against the risk seemed higher than the total loss sustained.

It should be noted that all risks can never be fully avoided or mitigated because of their financial and practical implications, therefore the entrepreneur has to purchase insurance policies for the risks he has decided to transfer to the insurer, avoid the ones he intends to avoid, without compromising the enterprise goals, mitigate the ones he wants to mitigate and retain the rest.

Improving business risks management

- The world is fraught with risk. Risk abounds i.e., risk is everywhere therefore to manage risk effectively, the entrepreneur must be proactive and regularly monitor risk exposure.

Furthermore, the entrepreneur's staff must be trained to look out for and how they can contribute to risk management.

- Risk must be identified early. At the start of the business, you must be thinking about risks associated with the business. Risk management should be embedded into all the operational processes and corporate culture
- Be clear about responsibilities – Every member of the organisation should know exactly what role, or ask him/she is responsible.
- Describe risks appropriately – In the risk evaluation process, it is important to distinguish between cause and effect. In estimating the risks, we should be able to estimate the magnitude of risk by calculating the likelihood and the impact.
- View risks appropriately – Risk is not negative always. Risk can be positive by creating a gap that the entrepreneur could exploit for his/her advantage.

Use best strategies to manage risks by adopting the 4Ts model

- (I) Transferring – Assigning a third party to be responsible for the risk
- (II) Terminating – Altering practices to eliminate the risk
- (III) Tolerating risk – When the entrepreneur takes no action to mitigate the risk
- (IV) Treating risk – Taking action to control and reduce the likelihood of the risk happening.

The above strategic poise would make businesses not only protect themselves against some risks but also have a complete vision of risk management, that will prompt you to seek out risks to evaluate and exploit your advantage.

Application of insurance in managing business risks

For all risks whose magnitude of loss is great, any time they materialize, such risks need to be transferred to the insurer. Examples are insurance policies that cover liability losses, and other specific business risks. Even when cash is scarce and revenue dwindles, small

business should not neglect their insurance needs. Businesses that are underinsured are taking needless risks that could lead to serious financial problems or bankruptcy. A business without insurance is subject to destruction. Examples of insurance policies needed by businesses are:

- i. *General liability policy* – This is a form of insurance sold to businesses to indemnify them for third-party liability claims due to negligence. Coverage can include premises and operations liability for onsite and Jobsite accidents. Also, it can include product liability claims for products that injure third parties.
- ii. *Excess liability insurance* – This is designed to provide extra layer coverage above the primary layer. Excess liability insurance applies only when the limits of liability in the primary layer have been exhausted. It is for catastrophic protection for every high loss.
- iii. *Directors' and officers' liability* insurance protects the directors and officers of a corporation against damages and claims resulting from negligent or wrongful acts in the course of their duties. It also covers the cost of litigation.
- iv. *Employment practices liability* insurance coverage is available for legal costs to defend claims involving sexual harassment, wrongful termination, and discrimination. The coverage is known by various titles.
- v. *Professional liability* – This is another insurance policy that indemnifies the insured for third liability claims due to negligence in the performance of professional services. The professionals include Doctors, Lawyers, Engineers, Insurance Agents, and others.

Other business risks insurance policies that an entrepreneur could purchase include

- vi. *Accident insurance policy*, which covers death, disablement, loss of sight, loss of income, medical expenses caused by accident injury.

- vii. *Business auto policy*; coverage designed to provide a standard form for insuring commercial vehicles (other than private passenger cars)
- viii. *Business income insurance* – An insurance policy that pays for loss of earnings or income when business operations are interrupted curtailed or suspended due to property loss as a result of an insured cause of loss. The cover also extends to loss of rents and rental value coupled with costs incurred in relocation.
- ix. *Fidelity bond guarantee* – An insurance policy that reimburses the employer against an employee's dishonesty behaviour that results in a loss. It may cover specific employees or groups of employees.
- x. *Machinery breakdown insurance* – Protection against loss from disruption of machinery by an insured cause of loss. It covers damage to the machinery, other surrounding property and business interruption losses.
- xi. *Workers compensation insurance* – This policy provides benefits to employees for any injury or contracted disease arising out of and in the course of employment.
- xii. *The fire insurance policy* covers the building and its contents. Cover can also be extended to the removal of debris and cost of architectural design.
- xiii. *Theft insurance policy* – for business premises this policy covers only theft that results from visible violent entry or exit.

Advantages of insurance in managing risk

- (i) Minimization of financial losses – Insurance helps to reduce the financial loss accruable to an organization as a result of any mishap.
- (ii) Risk-sharing – Insurance programmes help business organisations to share their risk. Misfortunes or business losses may be shared between the company and the insurance
- (iii) Better image – Business earns a better image as insurance helps her to manage any occurrence that would have to earn

her bad image. For instance, non-availability of product in the market due to machinery breakdown

- (iv) Continuity of business – A certain misfortune can disrupt an organisation, but with insurance, any risk insured against can be surmounted
- (v) Protect businesses against debtors – Some defaulting debtors can pose a risk to the business but for insurance policies.
- (vi) Efficient use of resources – Through insurance business resources are effectively and efficiently put to use. For instance, a health insurance policy ensures that employees can pay for their health issues and they are confident to put in their best.

Takeaway: Business risks management

Despite several responsibilities, the entrepreneur has to think about the no-risk management strategy of the business as a misnomer. Therefore, the following are the takeaways of business risk management

1. Preventing loss of valuable business resources. For instance, a key-man insurance policy which prevents the proposer (employer) from suffering a loss in the sudden exit of a valuable employee
2. Mitigate the liability losses resulting from an unfortunate incident. For instance, an accident that damaged a parked car
3. Eliminate interruption of operations: When a machine breakdown, power outage, etc.
4. Continuity of business irrespective of adverse events
5. Guaranteeing business and environmental sustainability: Insurance policy against storm damage, hurricane & tornadoes, earthquakes and other natural disasters environmental hazards such as flood, help to put losses in check and rehabilitate the environment.
6. With effective business risk management in place, the operational risks in the organisational setup would be effectively managed

Self-Assessment Questions

- (I) Identify ten (10) operational risks from four operational units (departments) of your business venture.
- (II) Management risk is insuring your business against risks: Is money spent justified.

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Chapter 13

WHY 95% OF START-UPS FAIL BEFORE THEIR 5TH ANNIVERSARY IN MOST DEVELOPING ECONOMIES

Success is not final,
failure is not fatal,
but it is the courage to
continue that counts

Winston Churchill(2021)

Do not be
embarrassed by your
failures learn from them
and start again

Richard Branson (2019)

Scholars worldwide have continued to hype the colossal rate of startup failures in both developed and developing economies. The causes of the high failure rate have been attributed to both external and internal factors bordering on the business. For instance, the US Bureau of labour statistics noted that about 20% of US small businesses, irrespective of the industry, fail within their first year and by the end of their fifth year, about 50% of them have faltered. In their tenth year, only about 30% survive. In Europe and Asia, similar statistics have been found, just as a little above 20% fail in the first year of existence while about 76% fail before the fifth year. The business failure rate in Africa is higher according to documented statistical evidence, 95% of small businesses formed fail before their fifth year while only about 5% survive after their first five years of existence. The causes of the high business failure rate in Africa are attributed to external environmental factors, coupled with the business internal factors. However, no matter how formidable these issues are, with knowledge, skill and determination, the problems are surmountable.

Causes of small business failure

Many studies found in the literature have investigated the perceptive causes of business failure. In the US, Forbes magazine (2015) reported that up to 90% of startups fail in the first 5 years of their existence. In Nigeria, vanguardngr.com reported that financial experts in 2013 asserted that about 80% of small and medium enterprises (SMEs) in Nigeria fail in the first 5 years of their existence due to inexperience and other wrong business practices. To examine the critical factors (external and internal) that are plausible causes of the high failure rate, we shall first examine the socio-economic significance of SMEs in the Nigerian economy as well as other economies of the world. New firms' creation is important to address the challenges of new job creation, opening opportunities for upward socioeconomic mobility, equitable distribution of income, contribution to fair competition and economic efficiency. Although the failure of small businesses at the micro level does not attract media publicity, the consequences of a high failure rate point bleak future for the economy as thriving SMEs play key roles in economic growth and sustainability.

External causes of business failure

The general environmental factors include state of the economy e.g., economic recession due to sudden high interest rates, loss of consumer patronage, stock market crash, global catastrophic and unpredictable events. Others are changes in government policies impacting costs, technological development policies impacting costs, technological development that negatively impacts on production and distribution processes. Furthermore, socio – political changes in the economy such as legislative requirements with regards location and bankruptcy of business. Other micro environmental challenges that can negatively affect business include taste and preferences of consumers supplier inadequacies such as ensuring quality and meeting compliance requirements high rate of competitiveness, credit availability, stock holder or investors reactions.

The causes of small businesses' high failure rates are many and varied. These factors stem from the external and internal environment of the startup as earlier stated. However, earlier literature also addressed the quality of the entrepreneur and firm's characteristics as the root cause of business failure. Consequently, the entrepreneur's insight and flexibility; managerial deficiency i.e. (lack of people management skills) inadequate technical skills (inability to apply modern information and communication technology (ICT) support of business management; inefficient marketing skills (insufficient knowledge in market research and market orientation practices), inadequate financial skills (poor accounting background inadequate financial records like cash flow analysis, journal book entries), are the bane of entrepreneurship sustainability in Nigeria.

The most common variables for new business failure rate borders around insufficient marketing and management skills, on the part of the entrepreneurs. Poor marketing skills as a result of poor market research, unrealistic business plan and ill response to aggressive competitors' responses. With regards to inadequate management skills, employment of wrongly chosen people (unqualified & uncommitted) into the fledging firm, overtaking or too slow in growth and poor management of business cash flow. Nevertheless, many writers have attributed small business failure rate to the company's general and immediate environmental factors which are external to the firm. Thus, above mentioned and discussed external factors; if understood, not only enable the business owner to design better policies that govern operations, but also craft strategies to serve the business better. Given the scope and effects of these external causes of failure rate, the entrepreneur must give adequate attention to them. Small businesses or startups are the backbones of most economies of the world because they not only generate a high percentage of employment opportunities, they are also an influential force to economic growth and development of any nation they help to reduce poverty, income inequality through their innovative capabilities and competitiveness in promoting indigenous entrepreneurship in the production primary goods to support industrial linkages. Despite their

significance and government initiatives to support the growth and sustainability of SMEs in our country, SMEs in Nigeria, as in many other developing countries, are faced with numerous challenges which tend to hinder their survival and sustainability. In Nigeria, these challenges emanate both from the external and internal environment of the business, as earlier discussed. To recapitulate, from the external environmental perspective, which is an uncontrollable variable to the business owner/entrepreneur, we would briefly examine them from SLEPT analysis. This is because every business large or small is affected by economic, legal, social, political and technological factors. As a result of underdevelopment, corruption and ineffectiveness of government officials, most of these environmental factors are unfavorable to business development in Nigeria. For instance, the socio-economic factors embed interest rates, exchange rates, taxation, which is not only high but unstable in Nigeria, therefore adversely affecting the survival and sustainability of new businesses. The social factor determines the societal value system such as customs, norms, lifestyles, views toward wealth and income and work culture all have an extensive impact on the function of a new business outfit. Social groups such as trade unions and consumer forums which are products of socio-cultural environment, determine the code and conduct of a business. In a society where corruption is minimal, if any business indulges in unethical practices such as payment of unfair wages to labour, black marketing or adulteration of products, consumer forums and government agencies will take action against the business. For the remaining legal, political and technological environmental factors, various government policies, would deal with the variables emanating from these factors, which are inimical to business survival and growth.

Internal causes of business failure

Many business scholars and practitioners believe the predominant causes of new business failure rate are endogenous factors. These endogenous variables can be classified into financial and non-financial reasons of business failure.

The financial reasons include

1. **Liquidity:** Poor financial management such as cash flow and bad debts management by the entrepreneur. Liquidity of a small business is its ability to pay its short-term liabilities such as taxes, wages and payments to suppliers, rates, etc.
2. **Poor accounting:** Poor financial accounting procedures can lead to poor cash monitoring or usage, thus leading to inadequate financial resources.
3. **Poor capital budgeting:** Failure to plan for significant capital for exceptional expenditure for investment in the long term such as new machinery, replacement of machinery, etc, are worth the funding of cash through the firm.

Other reasons though non-financial, which can cause business failure, borders on the entrepreneurial skills and characteristics. Such skills as management, technical, marketing and financial management skills are very crucial.

Poor management skills: Clear and knowledgeable leadership is very important in a fast competitive market. Examples are poor hiring of people, improper planning and selection of a business to invest in. Caught in illegality and unethical business practices can lead to high business costs in damages.

Marketing skills: Ability to get all aspects of the marketing mix right is very crucial. Incorrect pricing, poor distribution and lack of market orientation are just some of the courses.

Financial skills: Not having enough capital in starting the business implies underestimation of the value of money in the new business. Expanding your business too early can lead to the death of your business. Every entrepreneur that underestimates the strength of competitor is at risk. Inadequate credit control, bad debts management and inaccurate forecasting, can cause failure.

Technical skills: A clear vision of the business is very important. From the technical skills perspective of the entrepreneur, he/she should be able to project his/her business in 2, 5 or 10 years. Moreover, wrong business strategy which ignores the need of the market and customers; poor communication both with the target

market and employees; failed expansion because an unexpected problem crops up; poor quality of services which in this digital era, can easily be exposed worldwide, can also predict failure.

Internal environmental challenges which inhibit the growth and sustainability of small businesses and startups in Nigeria as stressed in current literature, include lack of financial support, poor management skills, corruption, lack of right technologies and low productivity. Others include poor training and experience, poor accounting practices, poor financial management, poor marketing strategies, lack of knowledge of the business market, lack of talented labour, lack of enthusiasm on the part of employees and lack of good information about the business. Given the above seemingly inexhaustible list of challenges, which small scale businesses are faced with in Nigeria, what factors are there to be identified that are causal to the survival and sustainability SMEs for the entrepreneur in Nigeria? A decision to own a business is a courageous one, therefore the following factors facilitate one's success in entrepreneurship.

- (1) Good financial management: An entrepreneur should be intuitively a good financial manager. He must not spend on an impulse otherwise he cannot control the cash flow.
- (2) A defined purpose: An entrepreneur must have a dream, a purpose or a mission of being in the business. If he believes in that mission and he is enthusiastic about it, it will propel him to success.
- (3) Networking: A small business's ability to develop business relationships with the powerful and influential people in the market is priceless. An entrepreneur must network with others based on his proficiency and strong motivation of the need to contribute.
- (4) High speed: A success-prone entrepreneur never delays but with high speed and commitment work to get things done. To be a successful entrepreneur you must make the most of your time.

- (5) Self-discipline: Self-control and self-discipline lead to a positive work ethic, which in turn leads one to achieve, despite the obstacles on the way. Through positive ethics, things are done effectively and efficiently.
- (6) Confidence: An entrepreneur has confidence in himself. Since an entrepreneur takes risks in uncertainty, he is confident that the risks taken are the best to aid his business in achieving its goals. He/she is confident in his/her product, by believing in what the product can do and being enthusiastic about it.
- (7) Strong determination: For success to take place there must be strong determination. An entrepreneur who lacks strong determination is doomed. A success-bound entrepreneur is full of high expectations and never quits easily.
- (8) Able to adapt to change: Cutting-edge technologies abound. An entrepreneur must be willing to adapt to new technology to enable him to proffer solutions to the ever-changing needs of his target market.
- (9) Salesman: Cash flow is the blood of business. This implies entrepreneur must be a good salesman to ensure that his/her product is sold, to have increased cash flow. Successful entrepreneurs are those who have enough capital to run their businesses. Knowing well you market i.e., target market in terms of their wants, how they want it, the place and price of what they want, make you a better salesman for increased cash flow.
- (10) Focus: Staying focused on the business an entrepreneur has established is very important. An entrepreneur, particularly a beginner should be focused, avoid distractions do everything to make your current product known and accepted in the market. He or She should pay 100% attention and focus on the business; the odds are that you will succeed. Do not have a corporate mentality. In the corporate world, you have a specified function or role to play in your corporation. However, as an entrepreneur, you are the accountant the human resources (HR) manager, the corporate affairs manager

and the marketing manager. In short as an entrepreneur, you are a one-man team.

- (11) Love what you do: As an entrepreneur, you must be passionate about what you are involved in. Running a business is full of challenges and setbacks, which may lead to frustration. However, if what you are doing is what you are good at, and you love doing it, you will be self-motivated to move on.
- (12) Be optimistic: Successful entrepreneurs are optimistic and have positive attitudes. Their optimism will enable them to see well out of every mistake and experience they face.
- (13) Get out of comfort zones: Entrepreneurs prone to success are not afraid to try something new. They are innovative and always desire to try new things.
- (14) Use of automation: Successful entrepreneurs make use of automation. Automation helps to save time and money; it helps to convert leads and increase sales. It is a cost-effective way of marketing a business's product
- (15) Use of digital marketing: Digital revolution has greatly changed the way we run our businesses today. As an entrepreneur, you need to embrace digital marketing to facilitate your success in entrepreneurship. It does help in connecting with potential customers online, reaching customers through mobile communication (social media) tracking consumer interaction and reactions.

Takeaway: Business failure rate

Many factors are attributable to the small business failure rate, especially in developing countries such as Nigeria. Apart from a lack of basic knowledge, in human resources management, marketing and financial management skills, running a new business venture is a specialized technical skill that one must acquire from experienced business consultants.

Being a graduate of any discipline such as medicine, engineering agriculture, law, etc. from formal tertiary educational institutions, is not enough to qualify one to float an entrepreneurial venture. In short,

establishing a business outfit by renting a shop, equipping it with computers, furniture, fixtures and fitting, business cards and letterheads, yet without knowledge of how to identify and attract a target market, one is said to be caught by 'entrepreneur's spasm'.

Business success is not determined by being a great technician, lawyer, photography, a great chef or a great business entrepreneur. Entrepreneurship is a discipline; it has its challenges and pleasurable moments too. Entrepreneurship is not glitz and glamour, not a sport; therefore, the successful entrepreneur must focus on how to proffer solutions to the problems.

Change is constant and it is guaranteed, and so an entrepreneur must embrace changes. If you resist change, change will become your enemy; on the reverse, change can be your best friend in the business. Change occurs very fast and can disrupt an existing business that has not kept up with it. For instance, less than three decades ago, the mobile phone was not in existence in Nigeria; however, today with the advancement in technology, social media have made business transactions relatively easy both to the buyers and the sellers.

In the past decades, comparative business advantage such as closeness to market, access to finance, raw materials and large population drives the business success. Examples are closeness to the market (geographical advantage); technology availability (technological advantage); access to finance (capital advantage) large population (availability cheap labour advantage); strong of legal institutions (government support/cost of doing business advantage) and closeness to source of raw materials (nearness or source advantage).

In this 21st century, which is the knowledge economy, traditional environmental competitive advantages have been wiped away by changes in the global business environment. Today, competitors are everywhere; your greatest rival is no longer the closest firm or next-door retailer. Customers of every type of business are today more educated and informed. They are more demanding, more price,

service and quality conscious. This is because they have more access to information technology which enables them to make a comparison and choice of where and how to transact their business. The global environmental changes of the day, such as communication explosion through cheap telecommunication devices, easy access to finance, international deregulation i.e., removal of worldwide industrial trade protection, privatisation of key industries to mention but a few, have made the wary entrepreneur responsive and competitive.

Thus, to competitively succeed in this 21st century era, the entrepreneur needs technological tools like marketing automation software, website platforms, accounting software, effective customer relationship management (CRM). On the reverse, inability to define a target market, inadequate finding, lack of talented employees etc., are sum of the pitfall entrepreneur of this millennium should avoid.

To remain relevant and successful as an entrepreneur, you must apply your knowledge to become innovative to meet or exceed your customers' needs; second, you apply your marketing skills such that you are responsive to customers' desires faster than your rivals; and also use customer ideas to enhance your customer services. Third, you apply your staff to snap up customers from rivals; while finally, you apply your system to become more flexible in where and how you work to please your target market. These combined with entrepreneurial qualities and profile particularly in the areas of personality traits, behaviours, emotional experience and psychological symptoms will help guide *against* the pitfalls of early-life-business failure.

Self-Assessment Questions

- (I) There is high rate of business failures in Nigeria amidst abundant business opportunities. What skills do the potential entrepreneurs lack.
- (II) What factors could facilitate entrepreneurship success among graduate entrepreneurs in Nigeria.

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Chapter 14

BUSINESS CONSULTING AND ENTREPRENEURSHIP

He who wants to do
everything will never
do anything

Andre Maurois (2019)

I maintain my
edge by being a
student; You will always
have something new
to learn

*Jackie Joyner Kersee
(2020)*

What is business consulting?

Business consulting is a process by which business consultants (counselors) provide management counsels, which can improve or solve business performance problems. Consultants thus meticulously, systematically and theoretically analyses the symptoms, and suggest relevant activities for solving the problem on hand. Business consulting aims at making the outcomes of employees or organisations more effective, working differently. It is observed that businesses turn to consultants when they feel they have management problems in which they needed an expert or professional's opinion. Thus, to the entrepreneurs, business consulting can be defined as a process of providing services or management know-how, in a specified field by qualified specialists or consultants. It is characterized by results or recommendations provided to someone who has a choice to accept or reject the recommendations put forward. It is one of the ways entrepreneurs overcome challenges they experience when entering or developing a new market for their products through flexible and innovative potentials.

Entrepreneurship business environment is dynamic, turbulent, and complex; requires flexible, adept and effective organisational alignment. As a result of the dynamism in the political, economic, social and technological business environment, businesses often run

into problems or challenges which negatively affect their performance. For instance, contemporary liberalisation of trade and globalisation of business impact negatively on some entrepreneurial ventures in the developing climes breeds business failure. Besides, the exogenous factors, entrepreneurship businesses in developing economies face many endogenous challenging factors that inhibit their economic growth and long-term sustainability. For instance, many business management scholars have noted that over 80% of small-scale businesses fail in their first five years of existence, and they stressed that endogenous factors such as poor management of resources, corruption, and low productivity discounting training sloppy book-keeping and poor accounting practices contribute more to the high failure rate. Others include spending more than reinvesting of earnings, poor marketing efforts, lack of adequate planning, enthusiasm and good information about the business, coupled with poor knowledge of the target market and inadequate skilled labour force. Entrepreneurial ventures respond differently to the changes using modern tools and methods in their operating environment. Examples of such tools include business consulting (counseling) services, mentoring and coaching to upgrade, revitalise and improve business performance by maintaining a favourable market share.

In this chapter, the author aims to highlight and briefly discuss the indicators of the need, importance and effects of business consulting to entrepreneurs in developing economies. In developed economies business consulting or counseling, which is highly in demand, helps businesses manage their challenging situations for better performance and sustainability. The services of management consultants are not only demanded by companies who have challenges but also sought for, by well-established ones, due to the dynamics of the competitive business environment, its rapid qualitative changes in the global sphere.

The need for business consulting

Many indicators signal the need for the use of business consultants/counselors in our dynamic business environment. For instance, the increase in customers' knowledge and awareness, fast

development of telecommunication devices and liberalisation and globalisation of businesses have gradually and significantly changed business markets from sellers-market to buyers' market. Today, with buyers' market characteristics, entrepreneurs must learn to respond swiftly to consumers' demand, otherwise, their business potential for survival and sustainability will decline sharply. In the small business sector in Nigeria, there are so many challenges; some of them include small businesses' inability to adopt new technologies and techniques which would create sustainable competitive advantage, poor capitalisation, technical know-how and unwillingness to change. Moreover, many of the businesses are family-owned businesses, where the desire to enforce performance standards is low, and over-dependence on imported raw materials and spare parts, which makes them subject to the vicissitudes of the global market. Furthermore, most small businesses are labour intensive, sole proprietorship structured, which features lack of feasibility studies and business plans, low morale workplace, poor delivery and packaging of products, poor market intelligence, for decision – making, poor cash flow and inventory management. Others are staff excessive workload, inadequate working capital, low-capacity utilization poor compliance to rules and regulations, lack of management skills, strategies and inadequate marketing research which in turn contributes small scale business mortality.

Aside from the exogenous challenges such as lack of financial support, inadequate infrastructure, low demand for products and services, high crime rate, etc. facing entrepreneurs, the small scale businesses, need the services of business consultants (counselors) who are qualified and experienced in the following areas – human resource management, business strategy development, operations management, financial planning and management and compliance and regulatory management, to tackle the above listed endogenous problems which often impede the smooth strategic, operative and administrative processes of entrepreneurial ventures.

An entrepreneurial venture will get to peak performance only out of a team of a trained and motivated workforce. These team members would become peak performers when you have nurtured them through the process of mentoring, counseling and coaching. Second, with regards to motivation, if the principle of 'what's in it for me' (WIIFM) (see chapter 10) is applied, team members would become self-motivated peak performers.

Mentoring is derived from the word mentor, which means a 'wise and trustworthy sage and adviser'. Applied to the world of business, it implies that a business manager could become a mentor i.e., helper, or a guide to one's highest performance, levels.

To the mentee, a mentor must be enthusiastic, empathetic, trustworthy and motivating business coach. Other qualities of a good mentor include being a good listener, excellent communicator, knowledgeable, understanding and optimistic leadership.

Counseling: Counseling is a part of mentoring; however, both concepts are not the same. While mentoring deals with an individual, counseling deals with everyone. Counseling deals with a group of people that directly reports to a business manager. Counseling concentrates on the totality of the counselee i.e. to help the counselee to clarify his motivational direction, to balance his inner compass, to discover his real self and what he desires from the job and his life. Counseling at the base is a conversation between two or more people.

It is quite unlike ordinary conversation in that it is a one-sided conversation, where only the needs, desires, life, concerns and frustrations of the counselee are focused on. It is designed to help the counselee to become more self-responsible.

Coaching by contrast deals with specific issues, problems, and performance skills. Coaching is solution-oriented. It is designed to help the coachee to find solutions or better ways to contend with specific personal or professional issues. Through counseling you can know the counselee well enough to pinpoint the WIIFM that appeals

to him within the workplace or discover specific areas where coaching is required. Effective coaching is based on the popular saying

'Give me the courage to change those things I need to change, the strength to accept those things which I have little or no control, and the wisdom to know the difference'. Coaching is applied to discover a coachee's what is in for me (WIIFM) and to enable the coachee improve his/her performance, improve job-related skill e.g. (Interpersonal skills, communication skills, etc.), get a better understanding of corporate culture and politics, improve the coachee's interpersonal relations.

Hiring a business consultant or counselor is costly however scalable when the right one is hired. Businesses, particularly startups at certain times, need the services of business consultants. For instance, consultants can provide a solution to many business issues, such as marketing strategies and tactical operational techniques, market information, advice on a business legal structure, skills in managing, motivating and retaining skilled employees, etc. As the business operates in a fiercely competitive environment, the day-to-day responsibilities are more than enough to keep the entrepreneur fully occupied. Consultants as experts can offer a business, grant businesses expertise to grow through. Hiring a consultant reduces administrative costs of a business such as payment and retention of full-time employees, as the cost of hiring a consultant is scalable. Consultants help to develop strategies that provide a significant amount of value for a startup business. They provide an objective viewpoint that allows for creative solutions, from diverse ideas resulting from thinking outside the box. Consultants have a higher level of business expertise and skills than full-time employees.

The background of a business consultant

A consultant worth hiring should be an outstanding problem solver, for fledgling startups. He or she must be imaginative and creative with the analytical skill to synthesise thoughts for the conclusive stand.

Furthermore, the consultant must be excellent interpersonal and communication skills. Finding the right consultant is a function of your industry and needs. There is no one-size-fits-all in choosing a consultant. A consultant may be a technical consultant, that is always specific, such as IT consultants, Human Resources (HR) consultants, Sales & Marketing consultants, or Management consultants, versed in areas of business issues such as how to improve customer satisfaction, employee morale and retention, up and bottom line, etc.

A consultant who has expertise and experience in your industry, coupled with a passion for work and drive for excellence may suffice; however, getting the right one may prove difficult. Therefore, the background of the consultant is very critical. It helps you to know how likely he/she can help improve your business. For instance, a consultant experienced in the fashion industry, his track record in consulting for firms similar to yours, may suffice. Ask for references to enable you to see brands or firms he has satisfactorily worked for. Second, the character of the consultant is very significant. The consultant must be willing to put the interest of his client ahead of his own. He/she must be bold enough to let the owner know all he/she need to know about his/her business.

The significance of business consulting services for small scale businesses

Entrepreneurs oftentimes seek the expertise of consultants when faced with seemingly insurmountable problems in running their firms.

The following are the signs in the use of business consultants. Consultations can provide knowledge and objective guide to a business organisation. Different consultants with different specialisations in different industries, management strategic areas, such as marketing, human resource management, information technology (IT) finance and funding consultants.

Consultants are called for specific management challenge such as a drastic fall in sales volume turnover, expansion of business capabilities, diagnose management problem and proffer solution,

training and development of company staff, employee taxation and pension benefits, independent opinion to an issue and scaling up the business performance.

Effects of business consulting

Consultants as professionals follow the main trends in theory and practice because they possess high professional skills and capabilities. The products of counselors or consultants are consulting services. These are expert advice provided by qualified experts in specific business disciplines to solve a specific business problem. This expert advisory service cut across the entire spectrum of business such as research and development, marketing, legal, accounting, information technology, engineering, etc.

Business consulting services are innovative; the consultants sought internal and implicit sources of innovative activities and they have a strong relationship with suppliers and clients. Examples of the effects of consultancy as an advisory service in the marketing discipline for example include:

Acquiring better knowledge of customers and competitors, better competitive pricing policy, development of higher quality products, better brand reputation and image, improved corporate image for customers' satisfaction, improving customer relationship which leads to customer loyalty, adoption of a new strategy about managing customers and competitors for higher sales/turnover and adopting of ICT for improvement in the information needed in modern marketing activities.

Self-Assessment Questions

(I) Explain 5 advantages of business consulting to an entrepreneur
Show how consulting can help maintain your competitive edge

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Chapter 15

GROWING ENTREPRENEURIAL FIRM TO MAKE AN IMPACT IN THE WORLD

Happy employees
lead to happy customers
which lead to more profits

Vaughn Aust (2021)

Business success
requires training
discipline and hard work.

But if you are not
frightened by these things,
the opportunities are just
as great today as they
ever were
Unknown

What is business growth?

Everything both living and non-living naturally grow developmentally from one stage to another. Non-living things such as fire, rivers, or lakes grow but do so by adding more material they are made of. Living things, however, such as trees, men and businesses grow by changing their characteristics such as height, size and structure, etc. For instance, man grows from the stages of pregnancy, childhood, adolescence, adulthood, and seniors to old age. In the same vein, businesses grow from the stages of launch, growth, maturity to decline. In these various developmental stages, both man and business change their characteristic features, such as height, size, structure, etc.

Entrepreneurial business growth means an increase in the size of operation and structure from launch stage to growth, maturity and perhaps to decline stage which leads to exit from the industry. These developmental growth stages for the business are characterized by the acquisition of more resources, increase in output in terms of total sales volume per annum, enlargement of production capacity, employment, and business structure among others. This chapter is set to show you how you can grow your entrepreneurial business which

you hope not only to outlive but through which you can make an impact in your world.

The need for business growth

The need for business growth cannot be overemphasized. The desire to make an impact in his world, gain prestige and power outside his locality can influence the entrepreneur to grow his business. The growth of the business which could be secured either through product or market development strategies enables the achievement of economies of scale, thus curtailing competition for survival and sustainability goals. Business growth in developing economies enables the firm among others, to profitably exploit emerging business opportunities, gain economic and market power in its operating environment, increase profitable utilisation of resources, secure favourable government policies such as subsidies, grants and concessions, and protection of the business against seasonal depression.

Forms of growth

Business literature has acknowledged two types of growth strategies – Internal (organic) and external (inorganic). Internal or organic growth is the growth an enterprise achieves by increasing output and enhancing sales internally. The enterprise relies on her resources for growth. For example, expanding her product line, or increasing the number of business units and locations. This growth strategy is slow and planned, there is no fusion of market, product, assets or resources and the company grows organically, by ploughing back its profits. The second type of enterprise growth strategy is external or inorganic growth. This growth is based on external resources which imply the fusion of market, product, or assets through merger and acquisition. Inorganic is based on increasing the output of business by acquiring new businesses through mergers, acquisitions and takeovers. In an inorganic growth strategy, rather than an increase in her business activity the firm can gain access to new markets through successful acquisition or mergers. In the manufacturing industry, mergers and

acquisitions play a vital role in reducing the adverse effect of competition from rivals.

Timing for growth and limitations for growth

Making a business grow beyond its current size and capacity is easier said than done. There are multiple challenges to business growth, however, any business that desires to move to the next level, must define, articulate and communicate the strategy of getting there. Growing a business implies making it better and looking for ways of improving its product offerings getting more customers to expand its structure or adopting a more efficient and effective operational process. Much as it is a good thing to improve and grow your business, it requires many resources such as time, energy material and humans, thus the entrepreneur should ensure that it is the right time to embark on growth. Below are some signposts

- (1) The demand for your product or service: If there is evidence to show that your customers need more, not sudden spikes in sales that could be a sign to invest in the growth process. The need for market research to verify the determinants of higher product/service demands cannot be ruled out. For instance, a survey on customer satisfaction in the company's operations, new products and employees' responsiveness could constitute a good sign.
- (2) Financial viability: Before you embark on growing your business, there should be evidence of consistent growth in the new customer base, steady revenue flow and higher annual profits. This evidence is proof that there is a steady demand for the product/service.
- (3) Growth in the industry: If there is evidence that the industry the entrepreneur is operating in is growing, then it would be wise to grow along with it. For instance, in most developing nations, real estate, hygienically packed foods, hospitality, health care industries are growing because of the high demand for their services and products. The above are some highlighted signs to suggest a time for investing in a growth

path. The astute entrepreneur should watch out for the temptation of owning the biggest business within his operating environment; as many viewed bigness as a symbol of success. Managing a business is not like a sporting, event where the race is to the swift, but rather business could be likened to the fable of the tortoise and the

Limitations of business growth

1. Shortage of labour or capital: If the needed skilled and talented workforce is not available, business growth will be constrained.
2. Nature of market: The nature of the market i.e., consumers or customers to the business is limited with small purchasing power or their demand is fluctuating, the growth would be checked.
3. Nature of the industry: In some industries, large-scale production is ruled out. If the products require close personal supervision and consumer or customer involvement, such as jewelry, tailoring, large-scale production might be constrained.
4. Law of diminishing returns: If the expansion leads to increase costs of production and returns are inappropriate or not proportionate then it will be unwise to embark on expansion.
5. Managerial capacity: This is another serious limitation to the growth of the business, just like the non-availability of the skilled labour force; the inadequacy of managerial skill is a constraint to business growth.

Business growth strategies

Most entrepreneurial businesses need an enterprise growth strategy to stay in the competition as well as help retain valuable customers. Business literature affirms that up to 50% of startups fail within five years of takeoff. The implication, therefore, is that carefully choosing and crafting a business growth strategy is paramount. Growth strategies commence by identifying and evaluating emerging opportunities within the market. A growth strategy addresses how a company is going to adapt itself to meet up with challenges of the day

and the future. It goes beyond business and marketing plans. Enterprise growth has four distinct stages i.e., the launch of the enterprise, growth, maturity and decline. Each stage has its peculiar problems which need to be managed as the entrepreneur and his employees remain focused and aligned. This implies that everyone within the organization must understand what they are focused to achieve and why, through their various contributions. Here are four types of growth strategies, which businesses adopt to gain traction in the market.

- (1) Market penetration: This is a strategy a company adopts aimed to increase market share by increasing sales of its existing product in its chosen market segment. The marketing tactics to increase market presentation include adjusting the price of the products to appeal to new buyers; the firm can invest more in promotional mix e.g., advertising and sales promotion. In addition, increasing product features so as to enhance its functionality to best meet customers changing needs is also a reliable strategy. Lastly, improving customer experience through effective customer service to boost word of mouth advertising.
- (2) Product development: This is another strategy focused on her existing market to achieve its growth vision. This strategy introduced new products or services within the existing market. This in itself introduced a related product into her existing market, to secure more business from her target customer. Among other approaches, to implement this strategy, an investment in research and development is required to identify the most suitable product to introduce. This would amount to developing an in-house capability to produce a new line of products. Others are acquiring the rights to another product to rebrand and sell as their own i.e. strategic alliance, or joint venture with another organization that may need access to the company's distribution channels.
- (3) Market development: Market development strategy refers to the bringing of existing products or services to new unexplored

markets. The market which is the major driver of a company's revenue vary by geography, demographics, technology industry, etc. requires the adapting of the existing products to meet the peculiar need and preferences of the new market. Coca-cola back in the 80s targeted at women segment of the market when she introduced a beverage drink with zero calories.

- (4) Diversification: Mergers and acquisitions are often the most used approaches when a firm's main objective is diversification (having a broader product offering). The acquisition takes place when a bigger and more financially viable company buys out the target firm which ceases to exist and fused into the acquiring firm. For mergers, a firm does not have all the share of the merged company. Through merger and acquisition, a firm does not have all its eggs in one basket. With resources and products already in existence in the sector the company wants to expand to, it minimizes a lot of risks involved as diversification means the introduction of new products or services in a new market i.e. promoting new products/services in an unexplored market. Diversification varies i.e.
 - (a) Horizontal diversification: This implies that a firm introduces related products and sells to the same customer demographic. For instance, a flower seller introduces plants or a notebook manufacturer that enters into pen market.
 - (b) Vertical diversification: This is where a firm acquires and enters into the market of its suppliers or customers. It is an arrangement in which the supply chain of a company is integrated and owned by the company. An example is when a building construction firm enters the market of paints.
 - (c) Concentric diversification: This is a growth strategy in which a company seeks to grow and develop by adding new products that have similar technical and commercial know-how to its existing product line to attract new customers. For instance, a bakery starts to produce pastries (meat pie, cake) as well as bread.

- (d) Conglomerate diversification: This involves a company moving to products or services that is unrelated to its current products. This diversification is aimed at receiving high returns on investment in the new sector. For instance, a cloth manufacture ring company diversifies into the utility industry e.g., solar energy

Advantages of business growth

There is no doubt that growth in business signals success as many perceive it, since it enables greater exploitation of new business opportunities, brings in new customers, employees, broaden sales-revenue and greater profits. However, growing one's business is not without risks. Therefore, it is better to carefully consider the strengths and weaknesses.

Business growth brings more advantages and opportunities for exploitation of new markets to make more profits. One of the greatest advantages of business growth is competitive advantage of economies of scale, which features in purchasing of raw materials (getting discount for bulk purchase) marketing of goods produced, (spreading promotion cost over large sales) and overhead costs (spreading administrative cost over large output). Other advantages to the business as a result of increase in growth include increase in resources and stock, such as the generation of more sales and profits, she exploits new markets through diversification, enhances financial viability through multiple streams of income. In addition, the business also increases in her financial capacity to acquire cutting-edge technology for greater expansion.

Disadvantages of business growth

Rapid growth tends to breed complexity in management and control of business operations. Common disadvantages of business growth include increase staff turnover as employees are faced with extra work, which leads to burnout and high turnover. Second, excessive growth leads to compromised quality as a result demand for higher output. This in turn, leads to customer churn or defection. Third, high capital requirement as the business would employ more personnel and

acquire more equipment and modern technology. Others are loss of control which is inevitable due to delegation and shortage of cash as the proprietor may need to borrow money to meet expansion costs e.g., acquiring new premises and new equipment.

Takeaway: How to grow your business

Entrepreneurs always have many goals when they launch their business including speedy growth and identification for the fledging startup. However, overnight success is often not the standard. Therefore, generating new business by growing your customer base, although challenging is important to your business success. Below are the takeaways from how to grow your business

1. Get to know your customer and design value proposition.
2. Focus on your customer service and experience: The entrepreneur must ensure that he/she offers distinctive customer service.
3. Nurturing existing customers and looking for new opportunities.
4. Use social media: To grow your business create profiles on all major social media platforms (Facebook, Instagram, Twitter, website, etc.).
5. Attend networking events: Find time to attend network events.
6. Corporate social responsibility: You build brand awareness in your community through sponsorship, a donation to cancer research, support the orphanage homes etc.
7. Brand relevance: Many entrepreneurs copy a competitor's business model, however, to grow, you will need to set your business apart and create your unique brand identity.

Self-Assessment Questions

- (I) In a competitive market, what four strategies can an entrepreneur embarked on to grow his/her business
- (II) Discuss four inimitable strategies you can embarked on to grow your entrepreneurial venture
- (III) Product development is an option to growth strategy. Do you agree? Discuss illustrating with your venture.

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About the Book

In most African countries, the educational systems expose students only to the fundamentals of working for others neglecting the transformational entrepreneurial skills, which enable the launching and running their own business ventures. Innovative entrepreneurs backed by creativity and ethics help their economies grow economically. This is because graduates of all disciplines are mentored to apply their knowledge and become successful entrepreneurs in their chosen industries. However, experience has shown that graduates who were not groomed in transformational entrepreneurial skills, who ventured into entrepreneurship in Africa, often end up in disillusionment.

Entrepreneurship, though a high rewarding career in most developed economies, it is however lacking in credibility in most African nations, perhaps as a result of our educational system which is devoid of entrepreneurship education. This entrepreneurship modules aims to fill the skills gap for self-employment among our young graduates. It is concentrated on changing one's attitude which entails taking calculated risks and putting new ideas to practice. The book provides a step-by-step guide to establishing an entrepreneurial venture, which refutes the wrong notion that entrepreneurs are born and not made.

Dr. O. A. Isimoya, a seasoned business consultant and coach, in this text, transformatively demonstrates how to creatively and scientifically identify, establish and manage a business venture. The book will among others privately tutor you on how to:

- Identify and evaluate entrepreneurial business opportunities
- Set up entrepreneurial venture for higher patronage
- Manage human resources for peak performance
- Market and create sustainable competitive advantage for your firm
- Manage business risks
- Make your business ethical and socially acceptable.

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